PILLAR III DISCLOSURES REPORT

Allfunds Bank Group

Liberty Partners Group

2020

1. GENERAL OVERVIEW

1. GENERAL OVERVIEW[1]

1.1. ABOUT ALLFUNDS BANK GROUP[2]

Liberty Partners S.L.U. (hereinafter called "Liberty Partners") is a limited, single shareholder owned commercial company incorporated for an indefinite period on 17 January 2017, in accordance with the Spanish Companies Act, that participates 100% in Allfunds Bank S.A.U. (hereinafter called "Allfunds", "the Entity" or "the Bank"). The Entity was incorporated in Madrid on 14 December 2000 and acts as the parent company in the Allfunds Bank Group and is subject to the rules and regulations governing banking institutions operating in Spain, holder of registration no. 0011 at the Bank of Spain, with its registered office in calle Padre Dominicos 7, Madrid, and NIF A41001371.

In accordance with the bylaws and the business plan, the business model of Allfunds Bank S.A.U. focuses mainly on the provision of investment services and banking services related to the access and distribution of investment funds to different financial service providers in an open architecture environment, the main activities being:

- All types of activities, transactions and services of the banking activity in general, related to it or permitted under current legislation.
- The acquisition, holding, use, administration and disposal of Spanish and foreign marketable securities, shares and holdings in companies, in accordance with current legislation.
- The provision of investment services and any additional activity applicable under current legislation.

Allfunds business lines are divided in two main categories:

1. **Asset Driven business lines:** revenues directly related to the assets volume (AUAs).
   a. **Intermediation (distribution, dealing and settlement):** main activity of the bank, consisting in the receipt and transmission of fund orders and the safekeeping of fund shares plus distribution and other related services, such as fund houses representation.
   b. **Banca Corrispondente (and other related services):** relevant business performed in Italy for local professionals, where Allfunds performs the local paying agent for retail distribution on behalf of fund managers and distributors.
   c. **Foreign exchange services:** Allfunds offers a cash account service exclusively to clients, with the primary purpose of facilitating settlements of transactions within mutual funds through the account. Allfunds allows to open as many accounts as required and in any currency through which clients may want to deal.
   d. **Net Interest Income.**

2. **Non-Asset Driven business lines:** income not depending on the administrated asset volume. The Company seeks to obtain a different source of revenue which allows diversification in order to reduce market exposure as well as expand its value-added fund platform offering to their clients.
   a. **Distributors:** Clients pay a membership fee to enter the company platform where they can access Allfunds' universe of funds (+85,000 ISINs from +1,500 fund houses). Different services and tools are offered in order to provide more information. Part of the offer consists in comparing and monitoring funds or portfolios, as well as generating customised reports. Clients are also able to obtain summary and detailed data by client breakdown, client flows, region, funds, assets and many other insightful business data analytics. Regulatory data tools are also offered, supporting clients by sourcing, cleaning and processing data into standardised formats for regulatory compliance and efficient and automated manner (MiFID, Solvency). Additionally, a team of fund research analysts elaborate on an ongoing basis a shortlist of funds.

[1] In order to ensure that Allfund Bank's disclosures adhere to the principles set by the Guidelines on disclosure requirements under Part Eight of Regulation 575 2013 (EBA-GL-2016-11) (Clarity, Meaningfulness, Consistency over time and Comparability across institution) the report has been elaborated at Allfunds Bank Group level and all relevant information related to the consolidated group (Allfunds (UK) Limited) has been included in Annex 1.

[2] More information available in our web page https://allfunds.com/en/who-we-are/

This shortlist is crafted based on the potential of each fund to deliver excess return and/or risk-adjusted return over time in a consistent manner. For each fund, three types of factsheets are offered: qualitative analysis factsheets, risk analysis factsheets and peer group factsheets. Allfunds recently reinforced the department (with special focus on ESG capabilities) through the acquisition Fundinfo's Zurich-based fund research business, while strengthening its data management capabilities as well by taking advantage of Fundinfo as fund data source.

b. **Fund Houses:** Fund houses enter into one of the largest fund distribution networks in the world via a joining/membership payment scheme by which their funds will become available for trade for ~700 institutional clients. A wide set of reporting and fund data tools are also offered on demand through the platform, as well as legal services representing fund houses at the National Securities Market.

The criteria taken into account to identify the Entity´s core activity lines have been extracted from the recommendations and the applicable regulatory guide published by the European Banking Authority (EBA) (Op/2015/05[3])). Following the guidelines established by the regulator, several of them have been selected in order to identify the core business lines:

- Outcome contribution: business lines that contribute significantly to revenues, meaning a significant contribution of more than 10% to the entity's revenues. The use of this criterion has a sufficient discriminatory component of selection.
- Added Value to the Entity´s business model: those business lines which create significant added value for customers will be selected, taking into account the services or products offered in the entity's business model.
- Structural or regulatory criteria: it is understood as those business lines that, either due to regulatory needs, or because of the structural of the Entity´s business (asset concession / collection of liabilities), should be considered core business lines.

[3] Technical advice on the delegated acts on critical functions and core business lines.

1.2. A QUICK LOOK OVER 2019-2021

Allfunds 2019

Allfunds and BNP Paribas announced their strategic partnership to create one of the world's leading fund and wealthtech platforms. Assets under distribution reached over €600Bn with over 1,550 Fund Houses and more than 660 distributors in 50 countries. Credit Suisse InvestLab was acquired marking the largest combination in the platform space to date. Credit Suisse became minority shareholders in Allfunds. Allfunds acquired fundinfo's Zurich-based fund research business and strengthened its data management capabilities by taking advantage of fundinfo as a fund data source. The deal with Nordic Fund Market was closed; Allfunds is the largest fund distribution network in the region. Allfunds' reinforced digital offering with the launch of three tools to enhance distributor and fund manager experiences: Digital on-boarding for fund houses, Allfunds Connect and Telemetrics Market Intelligence.

Allfunds 2020

Allfunds saw the launch of several new and enhanced digital products. Through the digital eco-system Connect, Allfunds launched Digital Selector and the Portfolio Optimisation tool to conduct sophisticated analysis and research of funds. Allfunds continued its global expansion with the opening of new offices in Hong Kong, Paris, Warsaw and Miami. Allfunds announced plan to launch their new sub-advisory business and Allfunds Blockchain. In early Q4 Allfunds closed the transaction with BNP and amplified assets to over €1 trillion. BNP became a minority shareholder. Allfunds also joined the UN Global Compact, the world's largest corporate sustainability initiative and agreed to adhere to the Principles for Responsible Investing.

Allfunds 2021

Allfunds crosses EUR 1.3 trillion in assets under distribution. The new business entity, Allfunds Blockchain, announces its partnership with ConsenSys accelerating the revolution of blockchain in the fund distribution industry. Allfunds digital eco-system, Connect, continues to roll-out enhancements, in particular, new ESG functionality to aid the fund selection process. Allfunds continues its commitment to sustainability and CSR through several projects globally. In April Allfunds (TICKER ALLFG) lists on Euronext Amsterdam.

1.3. ADDITIONAL INFORMATION

This section includes a series of Q&A to help better understand the nature of Allfunds and its business without getting into complex technical aspects.

1. A leading global scaled WealthTech, with global reach and local presence ideally positioned to capture market share in a still fragmented, but structurally growing, market.

Allfunds is one of the largest B2B WealthTech platforms, with over €1.3 trillion AUA. With presence in four continents, it has a leading market share positions in Europe, the Middle East and Singapore and a experienced strong AUA growth in recent years across all geographies.

The traditional wealth management landscape is characterised by a fragmented patchwork of providers and legacy systems, which Allfunds believes leads to sub-optimal outcomes for both Distributors and Fund Houses. As such, Allfunds has set out to fundamentally change the industry by building a single fully integrated global platform, providing Fund Houses with a single point of access to the largest global distribution network.

Allfunds believes in the importance of being close to its clients to understand their needs. Thanks to its network of global services supported through 15 local offices, Allfunds has built long-lasting relationships with Distributors and Fund Houses. This has contributed to the Group's success in capturing market share across the geographies in which it operates.

2. A one-stop-shop with a unique value proposition, game-changing digital tools and proprietary technology enabling continued focus on operating efficiencies.

Allfunds has integrated large parts of the wealth management value chain into a simple and easy to use one-stop-shop platform across distribution, dealing, custody and administration services, and have expanded its offer into other value-add areas like data and analytics.

A key driver of Allfunds' competitive differentiation and growth is the compelling value proposition it delivers to both sides of its marketplace business model. Fund Houses and Distributors gain access to industry-leading functionality through Allfunds Connect, a subscription-based SaaS-enabled offering of data-centric services. Through different application programming interfaces, Allfunds Connect is able to develop bespoke solutions that are fully integrated into Fund Houses' and Distributors' IT systems, providing them with an end-to-end solution to suit their needs.

As a fully invested, scalable platform, new clients are onboarded at very low marginal costs and therefore at highly competitive rates.

Allfunds' proprietary technology is designed to guarantee seamless integration of solutions into the Allfunds platform to provide the best possible client experience and we will continue to leverage our technology and operations infrastructure as the business grows to drive cost optimisations.

We continue to invest in our platform to maintain operational efficiency and high-quality service.

3. Allfunds offers a simple and attractive pricing model paired with a powerful "flywheel" effect and continuous innovation.

Allfunds believes that it has a simple and attractive business model, whereby Distributors benefit from a buy-free model in core services such as trading, dealing, settlement and administration while paying a subscription fee for value-added services. Our comprehensive suite of services attracts new distributors to join our platform, providing incremental flows to fund houses, thus incentivising more fund houses to join Allfunds to capture increased sales from a growing base of Distributors. We refer to this as the "flywheel" effect.

Furthermore, Allfunds believes that its innovative Allfunds Connect offering accelerates the flywheel effect by creating additional incentives for Distributors and Fund Houses to continue using and increasing their use of the Group's services and solutions.

4. Superior financial profile underpinned by best-in-class growth, significant operating leverage and proven M&A track record.

Allfunds' financial profile is the result of a compelling combination of strong top-line growth, profitability and high cash conversion at scale:

- The Group has several compelling building blocks of growth, which have supported its track record of double-digit AUA growth, net revenue growth and Adjusted EBITDA growth.
- Allfunds was able to translate this strong growth in AUA into high top-line growth, with net revenues growing at a CAGR of 24% from 2016 to 2020 (based on pro forma 2020 net revenue), of which c.12% was organic and the rest was due to M&A. Our business model has proven resilience to economic cycles, and we continue to improve operating efficiencies, leveraging our technology and operations infrastructure as the business grows.
- Allfunds has materially increased its scale, capabilities, and geographical footprint through a number of value-accretive acquisitions in recent years, pursuing a strategy focused on both opportunistic bolt-on acquisitions and transformative M&A.
- We expect further consolidation in the wealth management market and continue to focus on selected value-accretive M&A opportunities.

1.4. RESULTS.

In 2020, assets under administration and distribution went up from EUR 425.34 billion by end of 2019 to EUR 1,158.45 billion by the end of 2020 (EUR 614.98 billion from AUA and EUR 543.46 billion from AUD) representing an annual growth rate of 172.36% (EUR +733.11 billion), partly by the new business integrated on October 2, 2020.

In 2020 the Group obtained a net profit amounting to EUR 71,798 thousand, being 45.66% higher than at the end of the 2019 financial year.

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

Table 1. Net profit

Entity	Thousand Euros
Allfunds Bank, S.A.U.	56,306
Allfunds Bank International, S.A.	39,942
Allfunds Sweden AB	(1,377)
Allfunds Bank Brasil Representações Ltda.	(79)
Fintech Partners, S.L.U.	2,289
Allfunds Digital, S.L.U.	1,111
Nextportfolio, S.L.U.	243
Allfunds Hong Kong Limited	(977)
Allfunds Blockchain, S.L.U.	-
Myfundmatch	(1,894)

Net interest income moved from EUR (1,019) thousand in 2019 to EUR (2,548) thousand, as a result of the lower returns obtained due to the reduction in interest rates.

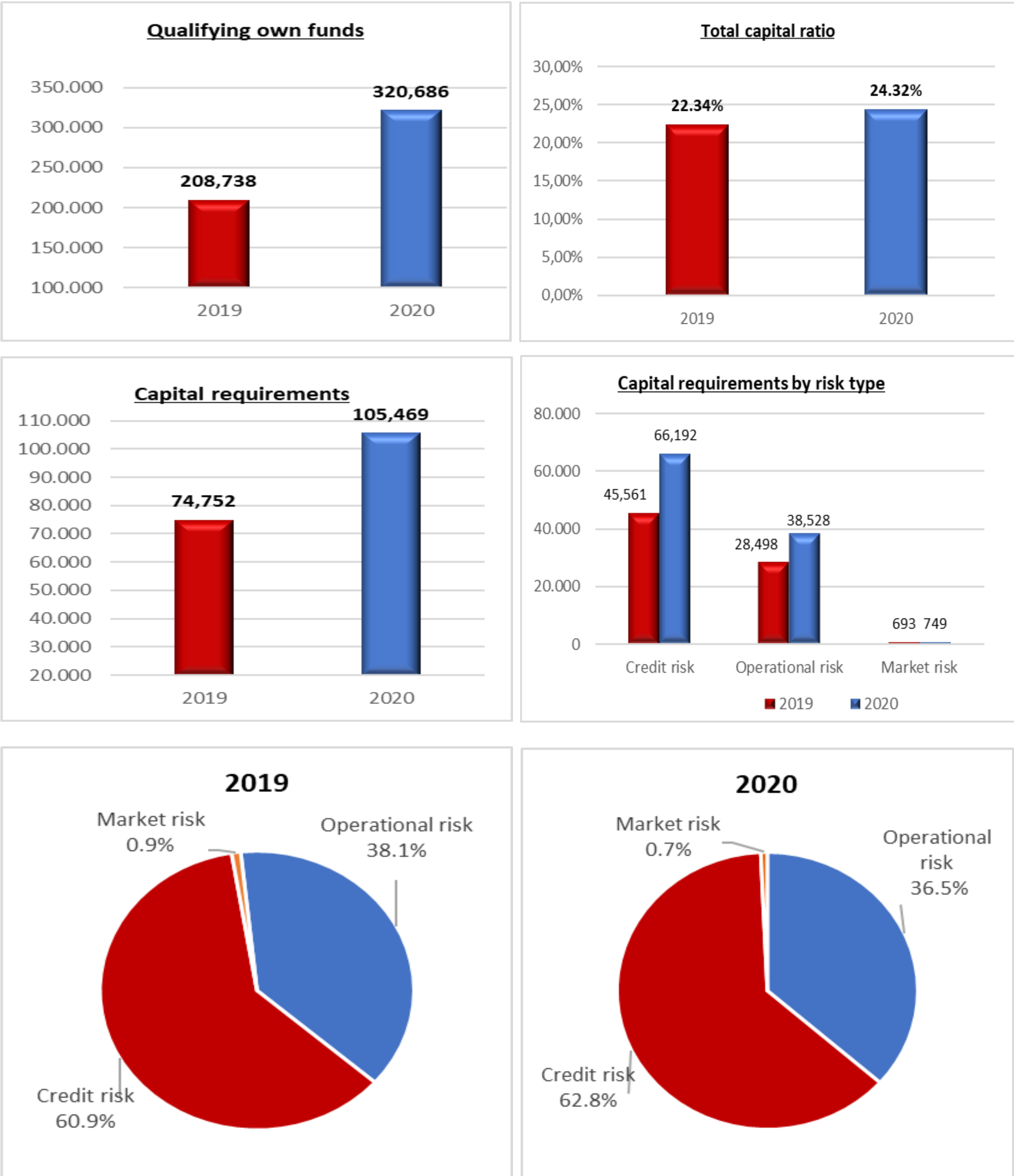
Net fee and commission income amounted to EUR 306,658 thousand, which represents an increase of 35.79% compared to 2019. The 77% in 2020 and 82% in 2019 of these fees and commissions are related to the intermediation in the distribution of shares and participations in international CIIs.

1.5. SOLVENCY

Regarding Solvency, and according to the CRR/CRD IV, the Bank shows comfortable levels above the regulatory requirements[4].

The following charts show the change in qualifying own funds, capital requirements and total capital ratio:

Figure 1. Solvency Allfunds Bank Group (Thousand Euros)



[4] By virtue of Art. 92 of the CRR institutions shall apply the following own funds requirements: a) Common Equity Tier 1 (CET1) capital ratio of 4.5%; b) Tier 1 capital ratio of 6%; c) Total capital ratio of 8%. Additionally, the CRD IV introduced a capital conservation buffer, a countercyclical capital buffer and a systemic risk buffer. Institutions are required to maintain in addition to the previous requirements, a capital conservation buffer of CET1 equal to 2.5 % of their total risk exposure amount by 1st January 2019.

2. INFORMATION ON GENERAL REQUIREMENTS

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2.1 RECENT LEGISLATION.

During 2020, the relevant legislation/guidelines issued by European Authorities, publications issued at Spanish domestic level and other international authorities which could have impact on the Company, have been analysed and consequently implemented when applicable.

- **CNMVs Code of Good Governance.** On January 14th, 2020, under the framework of corporate governance guidelines, the CNMV published a consultation paper on amendments of certain recommendations of the Code of Good Governance. The answers were published on February 21st, 2020.

- **CNMV Q&A Update on MiFID II implementation and deadline to inform costs and expenses.** On January 28th, 2020, CNMV has published an updated Q&A document on the implementation of the MiFID II Directive with relevant information on costs and expenses, inducements and share classes. Among other aspects, a new deadline was established for costs and expenses information to be provided to clients (no later than March 31st of the following reporting calendar year).

- **European Commission consultation on the review of MiFID II and MiFIR.** On February 17th, 2020, the European Commission published a consultation on the review of the regulatory framework for investment firms and market operators. The aim of the consultation is to gather feedback from stakeholders on the implementation of MiFID II and MiFIR and how topics and measures should be prioritised in a possible reform of the MiFID II / MiFIR regulation.

- **Law for Digital transformation – Sandbox.** On February 19th, 2020, was submitted to the Parliament the regulatory project for the creation of a sandbox, or controlled testing area, to enhance the digital transformation of the financial system. The sandbox introduces secure conditions for testing technology-based financial innovations under the supervision of supervisors and with maximum guarantees for participants. This controlled test space will enhance supervisory capabilities and bring financial legislation in line with the digital transformation. Finally, the sandbox was approved through the Law for the digital transformation of the financial sector, published on November 16th, 2020.

- **Revised EU list of non-cooperative countries and territories for tax purposes.** In February 2020, The European Council confirmed the updated list of non-cooperative countries and territories for tax purposes.

- **ESMA proposal to the European Commission on inducements and costs and charges disclosures under MiFID II.** On April 1st, 2020, ESMA encouraged the European Commission to conduct further analysis on the topic of inducements, which is key for the protection of investors, and proposes some changes to the regime mainly aimed at improving the clients' understanding of inducements. In relation to costs and charges disclosure, ESMA has found that the MiFID II disclosure regime generally works well and that it helps investors make informed investment decisions. However, ESMA advises that some disclosure obligations vis-à-vis eligible counterparties and professional investors are scaled back.

- **European Council Taxonomy regulation.** On June 22nd, 2020, it was published Regulation 2020/852 of the European Parliament and the Council on the establishment of a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088.This Regulation establishes the criteria for determining whether an economic activity qualifies as environmentally sustainable for the purposes of establishing the degree to which an investment is environmentally sustainable. The criteria for determining whether an economic activity qualifies as environmentally sustainable should be harmonised at Union level. With such harmonisation, economic operators would find it easier to raise funding across borders for their environmentally sustainable activities, as their economic activities could be compared against uniform criteria in order to be selected as underlying assets for environmentally sustainable investments. Such harmonisation would therefore facilitate cross-border sustainable investment in the Union.

- **ECB Guide on climate-related and environmental risks.** On May 20th, 2020, was published the guide detailing how ECB Banking Supervision expects banks to consider climate-related and environmental risks in their governance and risk management frameworks and when formulating and implementing their business strategy. It also outlines how the ECB expects banks to become more transparent by enhancing their climate-related and environmental disclosures. The ECB wants banks to account for these risks given that they drive existing prudential risk categories and can substantially impact the real economy and banks. The guide aims to raise industry awareness of climate-related and environmental risks and to improve the management of such risks. It is also intended that the guide will serve as a basis for the supervisory dialogue. Banks are expected to assess whether their current practices are safe and prudent in the light of the expectations and adapt them.

- **Bank of Spain supervisory expectations on the risks derived from climate change and environmental deterioration.** On October 28th, 2020, was published these supervisory expectations which intends to make explicit how the Bank of Spain considers that institutions should progress to take into account the risks derived from climate change and environmental deterioration, when they judge them material, in their business model and strategy, in their governance, in its risk management and in the disclosure of information to third parties. These expectations are not binding and are not subject to the "meet or explain" principle. The Bank of Spain does not expect entities to implement all the expectations set out in this document from the outset, but rather plans to start analysing their progress in relation to these 18 months after their publication, so that, on this basis – and in the area of supervisory dialogue—, the progress made by the entities, the difficulties encountered and the areas for improvement can be assessed.
- **Communication from the European Commission on an Action Plan for a comprehensive Union policy on preventing money laundering and terrorist financing.** On May 13th, 2020, the Official Journal of the European Union published an Action Plan for a comprehensive Union policy on preventing money laundering and terrorist financing. This action plan outlines how the Commission intends to deliver on these objectives, building on six pillars: (i) Ensuring the effective implementation of the existing EU AML/CFT framework, (ii) Establishing an EU single rule book on AML/CFT, (iii) Bringing about EU level AML/CFT supervision, (iv) Establishing a support and cooperation mechanism for FIUs, (v) Enforcing Union-level criminal law provisions and information exchange and (vi) Strengthening the international dimension of the EU AML/CFT framework.
- **CNMV assessment on MiFID II in the context of the public consultation launched by the European Commission in February 2020.** On May 18th CNMV published a document with comments on MiFID II topics in the context of the public consultation launched by the European Commission in February 2020. the CNMV would support an assessment of the possible introduction of a complete ban on inducements for all products distributed to retail clients across the Union, specifying that such ban would apply not only to MiFID products but also to similar MiFID products, as investment insurance instruments. If the decision were to maintain the current regime, the CNMV would be against any kind of bureaucratic approach based on strengthening entities record-keeping obligations. On the contrary, the CNMV would support possible alternatives to make the current regime more effective.
- **ESMA updated Guidelines on the compliance function under MiFID II:** On June 25th, 2020, ESMA published its updated Guidelines focused on the strengthening of the Compliance Function in entities that provide investment services. The key aspects of the new guidelines are: (i) reinforcement of the Compliance function, (ii) compliance risk assessment, (iii) compliance control related functions, (iv) reporting performed by the Compliance function.
- **Bank of Spain Circular 4/2020 on advertising of banking products and services.** On June 26th, 2020, Bank of Spain published this circular focused on developing the advertising rules, guidelines and criteria related to banking products and services, including payment services as well as detailing registration obligations of the advertisement activity.

ESMA Guidelines on Cloud outsourcing. On December 18th, 2020, ESMA published the final report on its guidelines on outsourcing to cloud service providers. The Guidelines intends to help firms to identify, address and monitor the risks arising from cloud outsourcing arrangements, providing guidance on: (i) the risk assessment and due diligence that they should undertake; (ii) the governance, organisational and control frameworks that they should put in place to monitor the performance of their cloud providers and how to exit their cloud outsourcing arrangements without undue business disruption; (iii) the contractual elements that their cloud outsourcing agreement should include; (iv) information to be provided to competent authorities.

2.2 NEW COMING REGULATIONS.

- **Bank of Spain draft supervisory guide on the criteria for the organization and operation of the customer service of the supervised entities.** In December 2020 was published this guide with the purpose of provide information regarding the principles and supervisory criteria that should be used to assess the organization and operation of their Customer Support Services (SACs). The guidelines have been developed by the Bank of Spain based on the best practices identified in this area in the exercise of the supervisory function in matters of conduct in recent years. The Supervisory guide is expected to be approved by 2021 Q2.
- **ESMA reviewal of the Market Abuse Regulation (MAR).** On September 24th, 2020, ESMA published this report with the first in-depth review of the functioning of MAR since its implementation in 2016, and its recommendations will feed into the European Commission's (EC) review of MAR. In is expected in 2021 feedback from the EC regarding next steps on MAR review.
- **Directive amending MiFID2 as regards information requirements, product governance and position limits (MiFID2 Quick Fix).** On February 15th, 2021, the EU Council published a directive stating that some MiFID II rules have been amended to simplify information requirements in a targeted manner, while safeguarding investor protection. The changes allow banks and financial firms to bundle research and execution costs information, reduce, the information duties on costs and charges that must be provided to professional investors.

  The measures will become applicable 12 months after the entry into force of the directive.
- **European MiFID template – EMT V3.1.** This FinDatEx (European asset managers, banks, insurers and distributors) template version for target market information will consider the ESG data.

2.3 MONITORING PROGRAM BASED IN THE REGULATORY RISK ASSESSMENT.

During 2020 the Compliance department completed the deployment of the Compliance Monitoring Programme based in the Regulatory Risk Assessment, as required by the European financial authorities.

The Compliance Monitoring process objective is to evaluate whether Allfunds activity is conducted in compliance with its regulatory obligations and whether its internal policies, procedures, standards, codes of conduct applicable to its activity, organisation and control measures remain effective and appropriate to prevent, detect, correct and minimize risk of breach that may cause sanctions, material or reputational financial loose.

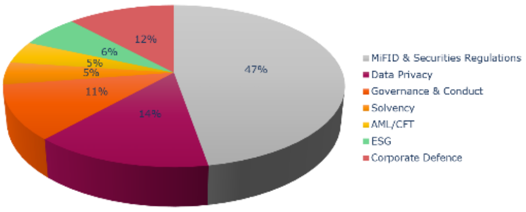
Likewise, the goal of the Compliance monitoring programme is to reinforce the compliance culture in Allfunds Group, get that Allfunds Compliance area become an active player of its organizational culture in order to avoid any potential regulatory and reputational risk, as well as criminal risks, with a high ethical behaviour. Through the Monitoring Program, the RCU manages the Company's risks in the field of Compliance with an integrated vision, to prevent and identify possible regulatory non-compliance and mitigate them.

In order to take advantage of the methodology and tool implemented, in 2020 the monitoring process of the Company's Corporate Defence model has adopted the same framework. This merger allows Compliance to take advantage of synergies of controls and measures in place. As of today, the monitoring of the Corporate Defence model is full embedded in the programme.

The scope of the Risk Assessment was global, starting with the European Union regulation and adding local regulations that impacts in Allfunds business.

The regulatory requirements included in the Risk Assessment referred to the following legislations:

Figure 2. Regulatory requirements included in the Risk Assessment



Regulatory Radar

Allfunds performs its activity in a global and increasing regulatory environment which makes necessary to enhance the regulatory management cycle. With this aim, **in May 2020 the "Regulatory Radar" was launched**, led by Compliance with the external support of KPMG.

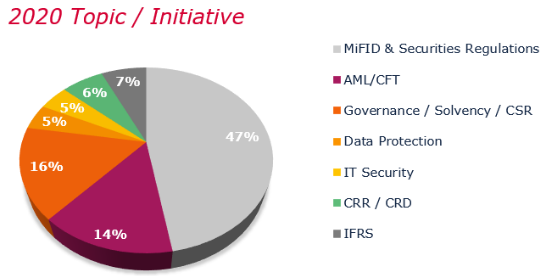
The implementation of a regulatory management tool whose priorities are: (i) reinforcement of the regulatory identification according with the Regulatory Compliance Mission, and (ii) maintenance of the Risk Assessment under the appropriate measures which ensures its accuracy and update according the Company branches and subsidiaries structure (15 jurisdictions).

The number of jurisdictions covered by the regulatory radar was increased in March 2021 to include the recently opened Rep. Office in the USA.

The goal of the Regulatory Radar is to make a global tool available to Allfunds through which the different teams (Compliance, Legal, Tax, Finance, Risk, IT, Internal Audit, etc…) could be leveraged from the radar information. From the Compliance perspective, the implementation of the Regulatory Radar will allow the department to fulfill its role, to provide advice for new regulation to the business departments and ensure that the Compliance Monitoring Programme based on the risk assessment is accurate and updated according to the international Company structure.

The most relevant regulatory publications per Topic / Initiative along 2020 related to Allfunds activity were distributed as follows:

Figure 3. Regulatory publications per Topic/Iniciative



2.4 SCOPE OF THE REPORT

The scope of application is Liberty Partners on a consolidated basis, which through its participation in the parent company Allfunds Bank S.A.U., has four subsidiary financial institutions, six branches, six subsidiary non-financial institutions and four representative offices. All entities under the umbrella of Liberty Partners form the Allfunds Bank Group.

Following the Brexit withdrawal agreement and the end of the transition period until 31 December 2020 during which time the UK remained in the single market, the scope of this report has changed from Allfunds Group Plc to Liberty Partners on a consolidated basis. From 1 January 2021 Allfunds Group Plc is no longer subject to regulatory requirements from Bank of Spain. Liberty Partners is a financial holding company according to the definition #20 of the Article 4 of the CRR, which does not carry out any other activity than the mere holding of the stake in Allfunds Bank S.A.U.

As of 31 December 2020, the entity's control was owned by Hellman & Friedman and Eiffel Investment Pte Ltd (GIC), which had a 64% and 36% ownership interest respectively in LHC1 Limited (Jersey), which held a 100% ownership interest in LHC2 Limited (Jersey), which held a 100% ownership interest in LHC3 Plc (Jersey) and a 63.55% ownership interest in Allfunds (UK) Limited being the other 36.45% held by Credit Suisse AG (Switzerland) with a 13.95%, BNP Paribas Securities Services (France) with a 16.20% and BNP Asset Management Holding S.A. (France) with a 6.30%. Allfunds (UK) Limited (United Kingdom) held a 100% ownership interest in Liberty Partners S.L.U. (Spain). The prudential supervision perimeter ends at Liberty Partners.

All branches, representative offices and subsidiary companies are duly registered with the corresponding local authorities. As of 31st December 2020, no consolidated subsidiary of the Allfuns Bank Group held qualifying own funds below the established limit required under the applicable legislation.

Figure 4. Structure of the entity (Dec 31st 2020)

On Wednesday, 7 April 2021, Allfunds (UK) Limited announced its intention to launch an offering and list on Euronext Amsterdam. On Friday, 16 April 2021, the Company announced the launch of the Offering, the indicative price offer price range and maximum offer size for the Offering as well as the publication of the Prospectus. On Friday, 23 April 2021, the Company announced the listing price of € 11.50 per share. During the process, Allfunds (UK) Limited was renamed to Allfunds Group Limited prior to Admission and immediately after renamed to Allfunds Group Plc. The Prospectus and the press releases are available on the Company's corporate website (https://investors.allfunds.com/), subject to applicable securities laws.

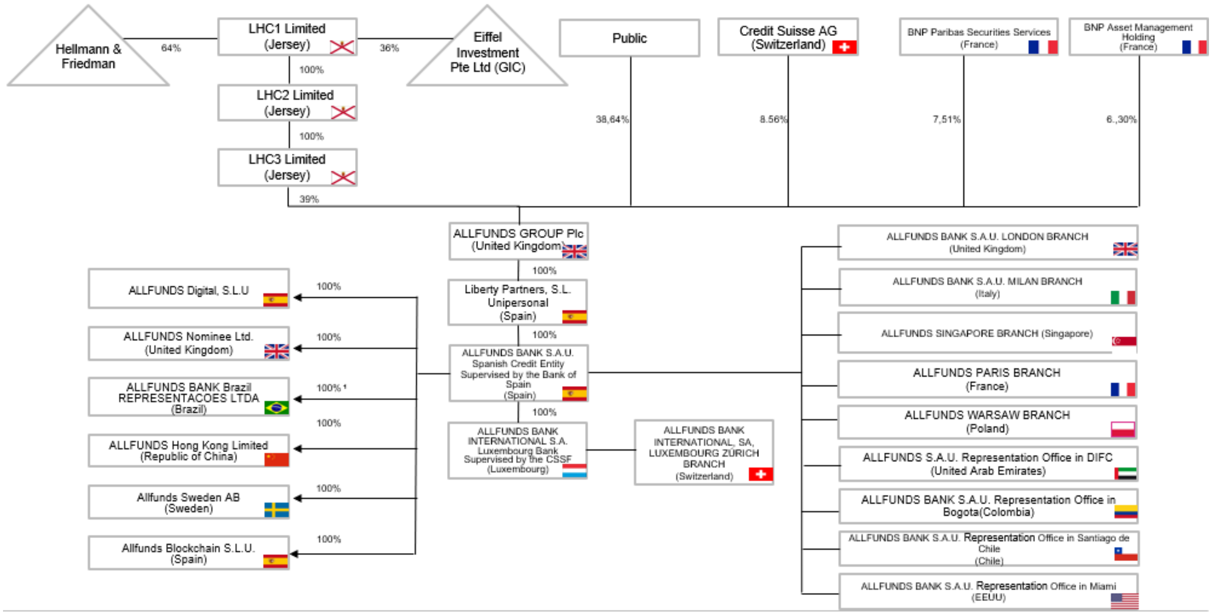
Following the IPO on April 23, 2021 of Liberty Partners S.L.U.'s parent company Allfunds Group plc, the shareholder structure was: LHC3 Plc, 44.93%; BNP Paribas Securities Services, 9.47%; Credit Suisse AG, 9.40%; BNP Paribas Asset Management Holding S.A., 6.30%. The free float amounted to 29.90%[5], with the main investors being BlackRock, Inc. (3.78%), Jupiter Asset Management Limited (3.03%), Mawer

[5] Allfunds Group Plc, LHC3 Plc (representing Hellman & Friedman and GIC), BNP Paribas Securities Services, Credit Suisse AG, BNP Paribas Asset Management Holding and certain senior managers of the Group have entered into customary lock-up arrangements with the Underwriters, restricting their ability to issue, sell or transfer Ordinary Shares for a period ending 180 days after the settlement date, which took place on Tuesday, 27 April 2021 (the "Settlement Date"). So free float will remain at 29.90% at least for 180 days.

Investment Management Ltd. (2.42%), Janus Henderson Investors Limited (1.82%), Lazard Asset Management Limited (1.82%) and other minor stakes.

On September 13th, 2021, the lock-up was waived and an additional 8.8% stake was sold by Credit Suisse, BNP Paribas & Hellman & Friedman/GIC, leaving the following shareholder's structure as of Q3 2021, with a free float of 38.64%.

Figure 5. Structure of the entity (Sep 30th 2021)



2.5 DISCREPANCIES BETWEEN THE REGULATORY AND THE ACCOUNTING INFORMATION

Regarding the differences between accounting and regulatory scopes of consolidation and the mapping of financial statement categories with regulatory risk categories, template EU LI1 has not been included due to the lack of relevant information that would provide, mainly due to the following:

- The only items not subject to capital requirements or subject to deduction from capital are goodwill and other intangible assets (deducted from own funds calculation) and tax assets (not subject to capital requirements).
- A credit risk exposure of EUR 43,010 thousand is considered according to article 379 of the CRR (free deliveries), which is out of the scope of the accounting consolidation. This exposure creates capital requirements of EUR 3,440 thousand reported under the 'Corporates' label.
- Due to the specific business of the company, all exposures are subject to the credit risk framework.

2.6 APPROVAL AND PUBLICATION OF THE REPORT

In accordance with the guidelines of the EBA on disclosure requirements under Part Eight of the CRR and described in its articles 431 (3) and 434 (1), the entity has a policy for the verification of information with prudential relevance (Pillar III) to disclose by Allfunds Bank Group. In this sense, the information with prudential relevance has the same degree of verification that is applied to the information of the management report, as part of the financial report.

The Board of Directors, in its supervisory role, states that:

- The Pillar III Disclosures Report is prepared in accordance with the Policy on disclosure of the information with prudential relevance (Pillar III Disclosures Policy) approved by the Board.
- The published information and the risk management systems implemented are adequate in relation to the Bank's profile and strategy.

The functions of the second line of defence have participated in the review and verification of the information presented, as well as in ensuring that said information complies with the control and/or verification procedures established in the aforementioned Policy.

Prior to the approval of this concise declaration by the governing bodies, the Internal Audit function has reviewed the content of the Pillar III Disclosures Report and its adaptation to the regulatory requirements, as well as the control structures implemented.

The Board of Directors also agreed to delegate the approval of the Pillar III Disclosures Report by the General Manager, after its verification by the Risk and Audit Committee, responding to the provisions of article 435 (e) (f) of the CRR.

2.7 GOVERNANCE FRAMEWORK

The entity has a corporate governance of risk appropriate to the nature of the activity it develops, and which is adapted to international recommendations and trends, through a structure based on the three lines of defence that ensure the non-existence of conflicts of interest. According to this model:

- The first line of defence is formed by the different business and support departments in charge of the relationship with clients/fund houses and support functions. The first line of defence implements and manages the risk indicators or first level controls in order to identify potential risks and ensure an effective answer to mitigate them. Thus, the role of the first line is to identify and manage risks.
- The second line of defence is formed by the Compliance and Risk Management teams, acting autonomously and independently between them and with respect to the first line of defence. These two units support the first line of defence in defining and monitoring the controls, that is to say, they set and monitor compliance with the rules and limits needed to stay within the risk appetite defined by the Board of Directors.
- Finally, the third line of defence is represented by the Internal Audit function, which has the maximum level of independence and objectivity within the entity and ensures the effectiveness of the control systems. At the same time, it carries out an independent review of the first two lines of defence and verifies there is compliance with the model, providing

assurance to the Risk and Audit Committee on the effectiveness of risk management.

The general principles of Corporate Governance indicate that the overall direction and management of the entity is the responsibility of the Board of Directors, which assigns to the General Manager the follow-up and supervision of the Bank's general policies and objectives.

In the field of control, it is the responsibility of the General Manager to submit a proposal to the Board of Directors with the definition of the mechanisms and means necessary to supervise management processes and ensure compliance with internal policies.

Therefore, the Board of Directors establishes the bank's risk strategy, which is led and supervised by the General Management.

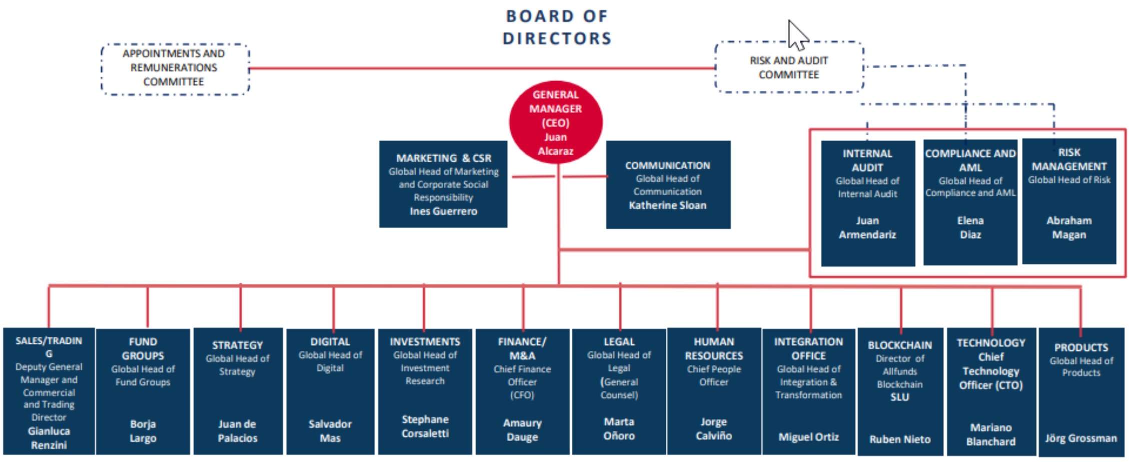
The Group's risk procedures are managed by the Risk Management Department, whose main mission is to control, monitor and manage the risks arising during the Group's activity. This mission is developed as a continuous process that takes into account the size, complexity and typology of the Entity's activity.

2.8 ORGANIZATION OF THE ENTITY

Allfunds Bank Group has defined the following Organizational Structure in which the Risk Management Unit has a double reporting line: one to the CEO, through the Audit & Risk Management Committee and another to the Board of Directors, through the Audit and Risk Board Committee:

Figure 6. Entity organization

GLOBAL MANAGEMENT– INTERNAL AREAS



2.9 BOARD OF DIRECTORS OF LIBERTY PARTNERS S.L.U.[6]

The management body of Liberty currently adopts the form of a Board of Directors whose members are appointed by shareholder resolution. The Liberty Board is responsible for managing Liberty and proposing resolutions to its shareholder (Allfunds Group Plc) in accordance with applicable laws, constitutional documents and resolutions of the Entity's shareholders' meeting.

As at the date of this Prospectus, the members of the Liberty Board are Blake Kleinman, Zita Saurel, Johannes Korp and Chris Reid.

2.10 BOARD OF DIRECTORS OF ALLFUNDS BANK S.AU.[7]

The management body of AFB consists of a board of directors whose members are appointed by shareholder resolution. The AFB Board is responsible for the overall direction, supervision and oversight of the management of the business of AFB and its subsidiaries and

[6] A brief biography on members of AFB's Board of Directors is included in Annex 2.

[7] The composition of the Board of Directors has been updated as of the most recent date, following the public listing of Allfunds Group Plc.

branches in accordance with applicable laws, constitutional documents and resolutions of AFB's shareholders' meeting. The principal functions of the AFB Board are to carry out the business of AFB and its subsidiaries and branches including setting, approving and overseeing the implementation of the overall business strategy and key policies, the overall risk strategy and an adequate and effective internal governance and internal control framework. The AFB Board is also entrusted with the supervision and control of the effective operation of the board committees it has created and supervision of the executive management.

The AFB Board delegates the day-to-day management to the CEO and its management team and focuses its activities on the general duty of supervision and on the adoption of the decisions that are most significant for the administration of AFB and its subsidiaries and branches.

Members of the Board are appointed by the shareholders for five-year terms and may serve any number of consecutive terms.

The Company expects that the AFB Board will consist of the fourteen members listed below. It is intended that, so far as possible and subject to the requirements of the Bank of Spain, the boards of the Company and AFB will be aligned:

Table 2. Members of the Board of Directors

Name	Board role	Title
Blake Kleinman	Chairman & Non-Exec. Director	n/a
Zita Saurel	Non-Executive Director	Member of Remuneration & Appointments Committee
Johannes Korp	Non-Executive Director	Member of Audit & Risk Committee
Chris Reid	Non-Executive Director	n/a
Alessandro Gioffreda	Non-Executive Director	n/a
Fabian Shey	Non-Executive Director	n/a
Delfin Rueda	Independent Non-Execcutive Director	n/a
Sofia Mendes	Independent Non-Execcutive Director	n/a
JP Rangaswami	Independent Non-Execcutive Director	Member of Remuneration & Appointments Committee
David Pérez Renovales	Independent Non-Execcutive Director	Chair of Audit & Risk Committee
Ursula Schliessler	Independent Non-Execcutive Director	Member of Audit & Risk Committee
Lisa Dolly	Independent Non-Execcutive Director	Chair of Remuneration & Appointments Committee
Juan Alcaraz	Executive Director (CEO)	n/a
Amaury Dauge	Executive Director (CFO)	n/a
Marta Oñoro	Company Secretary	n/a

Appointment of AFB Board members is subject to approval of the Bank of Spain.

In accordance with the provisions of the Bank of Spain regulations and EBA's guidelines (EBA/GL/2017/12), AFB carries out an annual evaluation of the members of the board of directors and its committees, who must have adequate professional skills and devote adequate time and resources to the performance of their assigned duties.

The appointments of the Board of Directors and the Chief Executive Officer (CEO) and equivalent roles have been made with the positive report of the Appointments and Remunerations Committee.

The Board of Directors generally meets every quarter. The Board draws up an annual calendar of ordinary meetings on the basis of the matters within its competence. In addition, a Board of Directors meeting may take place whenever it is called by the chairman, on his own initiative or at the request of at least one third of its members, indicating the agenda of the meeting.

To this end, the Board of Directors, together with the Risk and Audit Committee, shall determine the nature, quantity, format and frequency of the risk information to be received by them, and may access any risk information it deems appropriate, including requiring the presence of any director or employee.

2.11. EXECUTIVE MANAGEMENT

The Group is managed by the Executive Management Team, that currently consists of eight key members, each of whom oversees a specific aspect of the business. The persons set forth below are the current members of the Executive Management Team.

Table 3. Executive Managemet

Name	Board role
Juan Alcaraz	Chief Executive Officer
Gianluca Renzini	Deputy General Manager, Chief Commercial & Operations Officer
Borja Largo	Chief Fund Groups Officer
Amaury Dauge	Chief Financial Officer
Mariano Blanchard	Chief Technology Officer
Jorge Calviño	Chief People Officer
Juan de Palacios	Chief Strategy Officer
Marta Oñoro	General Counsel

2.12. GENERAL MANAGEMENT

The entity's overall administration and management is competence of the Board of Directors, which assigns to the General Manager the monitoring and supervision of risk management. The CEO, with the support of the Risk Management Department, has the following delegated roles:

- Propose risk policies for the entity, meaning identifying the different types of risks (credit, market, interest, operational, technological, legal and reputational, among others), define methodologies, processes, procedures and the internal control systems and measures appropriate for the level of risk that the entity considers in its Risk Appetite.
- Authorize, where appropriate, potential technical exceedances that may occur within the assigned limits.
- Define the responsibilities and functions of persons involved in risk management.
- Validate and therefore authorise internal and external risk reporting.
- Supervise that the level of assumable risk is in line with the strategic objectives set.
- To direct and lead the Internal Risk and Audit Committee, which, among other functions, will review and approve the limits structure established by the entity for each risk factor.
- Evaluate and follow the indications issued by regulatory authorities.
- Monitor that risk levels are in line with the Risk Appetite.

The Board of Directors also guarantees the following commitments through the General Manager:

- The activity is carried out in authorized markets and geographical areas.
- Capital consumption on the basis of risks and exposures is at all times in line with the minimum levels required by regulation.
- The set of scenarios for executing the solvency/equity stress testing process, as well as the liquidity stress tests, are appropriate and comply with both the complexity of the entity's business and the approved risk management policies.

2.13 COMMITTEE BODIES AND FUNCTIONS

As part of its overall management, Allfunds Bank Group has specialized committees in key functions, two of them with direct dependence of the Board of Directors (Board Committees) and others are internal at Management level:

1. Appointments and Remuneration Board Committee
2. Risk and Audit Board Committee
3. Internal Control Body for the Prevention of Money Laundering (AML)
4. Steering committee
5. Commercial Committee (COMCO)
6. Client Acceptance Committee (CAC)
7. Technology Committee
8. Risk and Audit Management Committee
9. Strategic Product Portfolio Committee.
10. Integration (Bandol) Committee.
11. Investments Solutions Committee (Manco)
12. Operations Committee
13. Business Continuity Committee
14. Crisis Management Committee

The illustration below shows the committees and their hierarchical dependence:

Figure 7. Committee structure

Appointments and Remuneration Board Committee

Attendees

Composed of a minimum of three and a maximum of five members of the Board of Directors who do not perform executive functions in the Company. At least one third of these members and, in any case, the chairman, must be independent directors.

The committee currently is composed by:

- Chair: Lisa Dolly.
- Mrs. Zita Saurel.
- Mr. Christopher Reid.

Frequency

The Committee shall meet as many times as may be called by agreement of the committee itself or its chairman, as deemed appropriate. During 2020 the meetings were convened quarterly. The Committee shall also meet whenever the Board of Directors or its chairman requests a report or the adoption of proposals.

Responsibilities

Regarding Appointments:

- Identify and recommend of candidates to fill vacant positions on the Board of Directors, with a view to the approval thereof by the Board of Directors or by the General Meeting. Any director may request the Appointments and Remuneration Committee to take into consideration potential candidates to fill vacancies if they find them to be appropriate.
- Establish a goal for representation by the less represented gender on the Board of Directors and prepare guidance on how to reach increase the number of persons of the less represented gender with a view to achieving this objective.

- Evaluate the balance of expertise, qualifications, diversity and experience of the Board of Directors and prepare a description of the faculties and aptitudes necessary for a specific appointment, assessing the dedication of time expected in carrying out the post.
- Periodically, and at least once per year, evaluate the structure, size, composition and activities of the Board of Directors, making recommendations with respect to possible changes.
- Periodically, and at least once per year, evaluate the suitability of the various members of the Board of Directors and the Board as a whole, and report to the Board of Directors as a result.
- Periodically review the policy of the Board of Directors regarding the selection and appointment of the members of senior management and make recommendations.

Regarding remuneration:

- Propose to the Board of Directors decisions regarding remuneration, including those that have repercussions on the risk and risk management of the Company. In particular, it shall report on the general remuneration policy for members of the Board of Directors, senior executive vice presidents or similar positions and other members of the identified group (as this term is defined in applicable legal provisions), as well as individual remuneration and the other contractual terms of the members of the Board of Directors with executive duties, ensuring the observance thereof.
- Periodically, and at least once per year, evaluate the remuneration policies in order to verify that remuneration standards and procedures approved by the board of directors are complied with.

Committee secretary

- Mrs. Marta Oñoro.

Documentation

The committee shall draw up written minutes of the resolutions adopted at each of its meetings.

Risk and Audit Board Committee

Attendees

Composed of a minimum of three members of the Board of Directors, none of whom may perform executive functions in the Entity and with the majority or its members being independent (including the chair). At least one third of these members, or any other higher proportion resulting from the regulations applicable at any given time, and in any case the chairman must be an independent director. The committee currently is composed by:

- Chairman: Mr. David Pérez Renovales (Independent).
- Mrs. Ursula Schliessler (Independent).
- Mr. Johannes Korp.

Frequency

The Committee meets as many times as it may be called by agreement of the Committee itself or its chairman, as deemed necessary. During 2020 the meetings were convened quarterly. It shall also meet whenever the Board of Directors or its chairman requests the issuance of a report.

Responsibilities

Regarding risks:

- Advise the Board of Directors on the Company's current and future overall propensity for risk and its strategy in this area and assist it in monitoring the application of such strategy.
- Ensure that the policy on the prices for services offered to customers takes fully into account the institution's business model and risk strategy. Otherwise, the Committee shall submit a correction plan to the Board of Directors.
- Together with the Board of Directors, determine the nature, the amount, the format and the frequency of information on risks that should be received by the Committee and by the Board of Directors.
- Collaborate on the establishment of rational remuneration policies and practices. For this purpose, the Committee shall examine whether the incentive policy provided for in the remuneration system takes into consideration risk, capital, liquidity and the probability and

possibility of profits, without prejudice to the duties of the Appointments and Remuneration Committee. **Regarding audit:** • Monitor the effectiveness of the internal control, internal audit and risk management systems of the Company. • Supervise the Company's external auditor. • Propose the appointment, remuneration and removal of the auditor. • Review and approve the scope and frequency of the audits and review the audit reports. • Verify that the Board of Directors adopts in due time the corrective measures required to resolve deficiencies in internal control, violations of laws, regulations and policies, and other problems identified by the auditors. • Monitor the establishment of accounting policies by the Company. **Additionally:** • Assessment of the Compliance monitoring programme. • Assessment of Regulatory Compliance and AML reports with the assessment of compliance risks and its management. • To inform the Board of Directors the overall measures to be taken to ensure compliance with applicable laws, rules, regulations and standards (on the basis of the information received from the Compliance Unit)	
Committee secretary	
• Mrs. Marta Oñoro.	
Documentation	
The committee shall draw up written minutes of the resolutions adopted at each of its meetings.	

Corporate Governance: Internal Committees

Committee	Objective	Frequency
4. Steering Committee	Weekly deep dives on different topis with other teams managers as guests / discussion on pressing or urgent matters	Weekly
5. Commercial Committee (COMCO)	Review and approval of new clients	Monthly
6. Client Acceptance Committee (CAC)	Approval of new countries and clients from a risk, compliance and legal perspective	Monthly
7. Technology Committee	Review of technology and operational procedures and issues. Update on innovation projects Bandol-projects and dependencies	Monthly
8. Risks and Audit Committee	Monitoring of all type of risks, monitoring and ratification of credit ratings of clients, monitoring of reporting obligations, approval of new reporting obligations including integration risks	Monthly
9. Strategic Product Portfolio Committee	Review and approval of new services and products	Quarterly or upon request
10. Integration (Bandol) Committee	Coordination & implementation of Allfunds acquisitions and transformation projects and in particular of the Bandol project	Monthly
11. Investments Solutions Committee (Manco)	Review and approval of all investment research and solutions initiatives	Monthly
12. Operations Committee	Review of operational procedures and issues. Update on Operations team projects	Monthly
13. Business Continuity Committee	Review of all business continuity plans and procedures	Quarterly
14. Crisis Management Committee	Management of any exceptional circumstances which may imply a crisis situation	Upon request

Additionally, Allfunds Bank has an Internal Control Body on AML/TF:

Attendees
Composed by Allfunds Bank, S.A.U.'s CEO, the Global Compliance Officer, the head of the Anti-Money Laundering unit, the Deputy General Manager, representing the various business areas of the Allfunds Bank Group, all members of the AML/TF unit of Allfunds Bank, those responsible for AML/TF of the subsidiaries and/or branches and/or Allfunds Bank International S.A., provided that the agenda includes matters which directly or indirectly affect those subsidiaries and/or branches.
Frequency
The Committee shall meet regularly and at least quarterly.
Responsibilities
The main functions of this internal Committee are: • The drafting, approval and implementation of procedures through which policies to prevent money laundering and terrorist financing are implemented. • Communication of such policies and procedures to majority-owned branches & subsidiaries located in 3rd countries. • The execution of control and supervision mechanisms over these branches and subsidiaries to ensure compliance with policies and procedures. • Approval of an annual training plan for the prevention of money laundering and terrorist financing, designed according to the risks of the business sector Allfunds Bank, S.A.U. • Deliver the training designed in the annual training plan to all employees. • The establishment of bidirectional communication channels, with precise instructions to managers, employees and agents on how to proceed in the event of detecting any facts or operations that may be related to money laundering or terrorist financing. • The examination and monitoring of transactions likely to be related to money laundering or terrorist financing, in order to decide whether or not to notify the Executive Service of the Commission, as well as the alerts detected by NORKOM in relation to our contractual counterparties, since they may affect the contractual relationship or the risk classification given to the client. • In cooperation with the Human Resources Department, review the recruitment processes of employees and managers so that they comply with the suitability criteria established by current legislation. As far as managers are concerned, these criteria cover at least the areas of knowledge and experience, good repute, conflicts of interest and independence of ideas, and dedication. • Any other matter or problem, changes and/or modifications of procedures related to the implementation of national and international legislation on the prevention of money laundering and terrorist financing.
Committee secretary
The head of the AML/TF unit.
Documentation
The committee shall draw up written minutes of the resolutions adopted at each of its meetings.

2.14 GENERAL PRINCIPLES OF RISK MANAGEMENT AND CONTROL

Risk management is one of the main pillars of the entity's strategy. Senior Management acknowledges and supports the proper and efficient definition, assessment, control, and monitoring of risks the entity assumes during the course of its activities. The key principles are as follows:

- The control function shall be independent from functions that generate risk.
- There shall be a common risk culture, extended and shared throughout the organization.
- Conservative control and assessment criteria shall be defined and applied.
- The risk team shall be qualified and competent.

The entity has a global area of Risk Management designed according to its size, complexity and type of activity.

The Risk Management Department is responsible for preparing and updating quantitative and qualitative procedures for monitoring, controlling and mitigating the potential risk resulting from the entity's activity. Emphasis is placed on the nature and origin of risks, as well as on the procedures and methodologies governing management and control activities for each risk factor. The guidelines for implementing defined risk procedures are issued by the Risk Management Department together with the General Management.

2.15 FUNCTIONS OF THE RISK DEPARTMENT

- Defining procedures and methodologies to measure, control and monitor the risks incurred by the entity.
- Propose the limit structure and ratings to be assigned for each counterparty.
- Monitoring the limits consumption.
- Preparing periodic risk-related information for local supervisory bodies (BoS, CSSF, ECB, etc.).
- Defining and preparing the necessary reports to monitor risk management.
- Preparing and updating the risk management policy and procedures as well as calibrating internal procedures.
- Defining the investments required for a better monitoring, control & management of the risks.

2.16 ORGANIZATIONAL STRUCTURE OF THE RISK DEPARTMENT

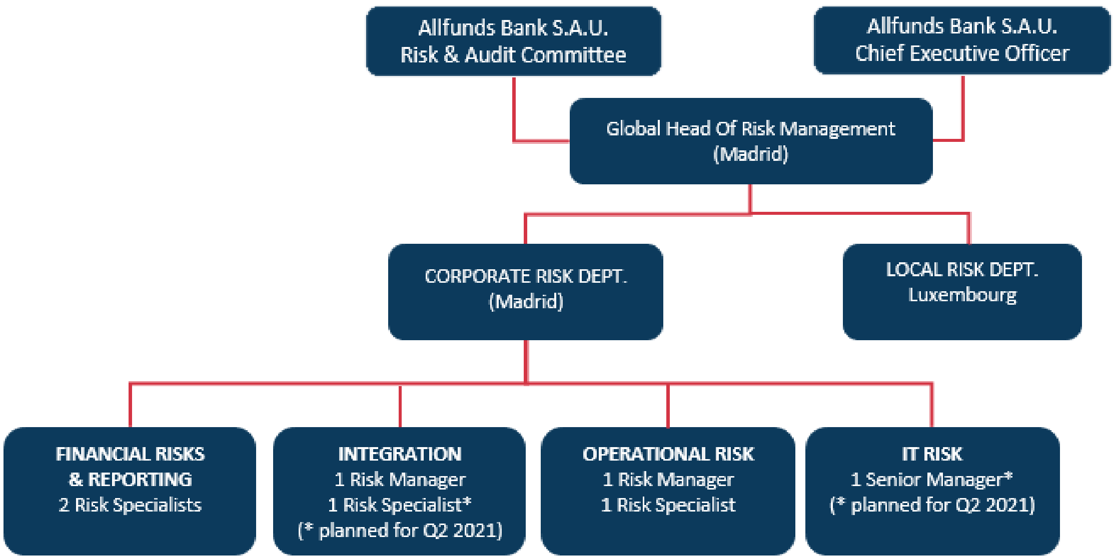
The Risk Management Unit has dual reporting lines: one to the CEO and other to the Board of Directors through the Risk and Audit Board Committee.

The team is composed of a global team based in Madrid and a local team in Luxembourg due to regulatory obligations derived from Allfunds Bank International's banking license. The Luxembourg-based team works with independence to comply with banking regulation, but under the close supervision and control of the global team in Madrid. The Risk Management unit consists of eight employees, six based in Madrid and two based in Luxembourg.

The Global Head of Risk Management reports functionally to the Chairman of the Audit & Risk Committee and hierarchically to the CEO.

Allfunds Bank S.A.U.'s Risks Management department has the following organizational structure, with a global scope and encompassing all the entity's subsidiaries, branches and representative offices:

Figure 8. Risk management department organization



2.17 RISK MANAGEMENT FRAMEWORK

Prudence applied to risk management constitutes a pillar of the entity's activity and in the provision of services to their clients, therefore it is a priority axis in obtaining transparent results and providing added value to their clients and their shareholders.

The entity has general principles which serve as guidelines for the definition, monitoring and control of risks. These principles are listed in section 2.21 Risk profile.

2.18 RISK APPETITE FRAMEWORK (RAF)

The bank has a Risk Appetite Framework, which was last revised by the Board of Directors in the third quarter of 2020 with the aim of adapting it to the organizational structure of the entity.

The Risk Appetite Framework is an integral and prospective tool which determines the type and risk thresholds that it is willing to accept in order to achieve the Group's strategic and profitability objectives.

2.19 PROCESS FOR THE MANAGEMENT AND GOVERNMENT OF THE RISK APPETITE FRAMEWORK

The Risk Appetite Framework of Allfunds Bank Group is structured according to the following management processes:

- Development and approval of the framework.
- Regular updating.
- Regular follow-up.
- Non-compliance protocol.
- Review.
- Transmission.

The Risk Appetite Framework is used by the Board of Directors as a management tool to:

- Formalize the entity's declaration of risk appetite.
- Formalize the mechanism for supervision and surveillance of risks, in order to ensure compliance with risk appetite.
- Reinforce the entity’s risk culture.

Currently, the Board of Directors is responsible for defining risk management guidelines, including the levels of tolerance that the entity is willing to assume and its governance.

The General Management is responsible for transferring the Board's guidelines through a clear and segregated organizational model, qualitative principles, indicators and thresholds and limits on risks established by the Board of Directors.

2.20 DECLARATION OF APPETITE AND MATERIAL RISKS

In order to establish reasonable capital targets for the group, Allfunds Bank Group identifies the risks to which it is exposed and assesses the control measures used.

The main objective of the declaration of appetite is to obtain recurring and stable results over time, maintaining the level of global risk defined by:

- Maintaining the distribution activity, avoiding the incorporation of positions on the balance sheet held on its own account that generate risks that the Bank is not willing to assume.
- The search for a high degree of diversification of structural risks, establishing limits to concentrations by customers, sectors, markets and / or geographies that may imply a threat to the solvency, liquidity and recurrence of results objectives.
- Continuous attention to the tasks of identification and monitoring of risks, so as to provide all areas with adequate and dynamic systems that result in an optimal management and control of the risks assumed.

The review of the RAF includes both the risks identified as material in the capital and liquidity assessment processes (IACL) and the risks considered relevant for management purposes to which the entity is exposed in the exercise of its activity.

Table 4. Material risks

Risk Type	Material/Non-material
Credit Risk	Material
Concentration Risk	Material
Market Risk	Non-Material
Operational Risk	Material
ICT RISK	Material
IRRBB Risk	Non-Material
Liquidity Risk	Material
Business Risk	Material
Reputational Risk	Material

Given the type of activity of the entity, the main risks to which it is subject are operational risk and ICT risk.

In order to measure the level of risk and contrast it with the levels of tolerance and capacity, a series of indicators are established, which are subject to periodic monitoring in order to ensure that the levels reached are acceptable to the entity, and if exceeded, define an action plan.

Allfunds Bank Group has established a monthly process to monitor the indicators and thresholds in order to assess the coherence and representativeness with the entity's activity and business. They will also be reviewed in the event that a relevant event is identified, either by assessing new business opportunities or by continuously exceeding a threshold.

In this context, the entity has defined indicators related to: credit, liquidity, solvency/capital, concentration, market, operational, technological, settlement and business.

2.21 RISK PROFILE

Allfunds Bank Group has established a series of principles under which the entity's risk management is based, and where the procedures for assessing the materiality of the risks and the risk profile of the entity are established:

- Independent and global risk function, which ensures adequate information for decision making at all levels.
- Objectivity in decision-making, incorporating all the relevant Risk factors (both quantitative and qualitative).
- Active management of the entire life of the Risk, from the analysis prior to approval until the risk is extinguished.
- Clear processes and procedures periodically revised according to the new needs, and with well-defined lines of responsibility.
- Integrated management of all risks through their identification and quantification, and homogeneous management.
- Inclusion of the variable risk in business decisions in all areas, strategic, tactical and operational.
- Alignment of the objectives of the risk function and of the individuals that compose it with those of the entity, in order to maximize the creation of value.
- Establish a taxonomy for all risks to which the entity is exposed.
- Have a Risk Appetite Declaration approved by the Board that includes all material risks for monitoring and management.
- The risks assumed must be compatible with the capital of the entity, in accordance with the objective level of solvency. In this sense, the entity has a commitment to maintain levels of solvency above 17.5%.
- Intention to maintain a low risk profile, by means of:
  - Stick to the business of distribution avoiding investments and the incorporation of a trading portfolio into the balance sheet which may generate risks that the entity does not wish to assume.
  - The pursuit of a high degree of diversification in the structural risks, setting up concentration limits on clients, sectors, markets, and/or geographical areas which could put at risk the objectives of solvency, liquidity, and recurrent results.
  - Continuous attention to the identification and monitoring of the risks, providing all the areas with adequate and dynamic systems that generate an optimal management and control on the risk assumed.
- Involvement of the organization in risk management philosophy.

Allfunds Bank Group makes a periodic assessment of the materiality of risks and identification of their profile. The risk relationship covered by the "*Guide to the Processes of Capital Self-Assessment (PAC) and Liquidity (PAL) for Credit Institutions*" is complemented by a series of additional risks, included in the Guidelines on common procedures and methodologies for the supervisory review and evaluation process (SREP) (EBA/GL/2014/13).

2.22 INTERNAL AUDIT

The internal audit team of Allfunds Bank S.A.U. (also known as Internal Audit, Allfunds Internal Audit Allfunds or AIA) has its headquarters in Madrid. The scope of AIA's work includes all the activities and functions of Liberty Partners Group.

2.22.1 OBJECTIVES AND FUNCTIONS ASSIGNED TO THE INTERNAL AUDIT DEPARTMENT

The objective of AIA is to provide independent, reliable, valued, insightful and timely assurance to the Board and Executive Management over the effectiveness of governance, risk management and control over current and evolving risks.

As a global function, AIA is responsible for the management of internal audit across the Group.

The Global Head of Internal Audit and staff of AIA are authorized to:

- Have unrestricted access to all information, functions, records, property and staff anywhere within the Group, relevant to their role.
- Have uninhibited right of access to the Board of Directors, the Chief Executive Officer and the appointed external auditors.
- Allocate resources, set frequencies, select subjects, determine scopes of work, assess audit need and coverage and apply the techniques required to accomplish audit objectives.
- Obtain the necessary assistance of staff in Allfunds Bank S.A.U. as well as other specialized services from within or outside.

AIA has an Audit Methodology that covers all phases of the audit cycle:

- Audit Universe Assessment.
- Annual Planning.
- Audit Execution, which includes audit planning, fieldwork and reporting.
- Tracking of open issues until closure.
- Business monitoring to identify key business developments that may impact the audit plan

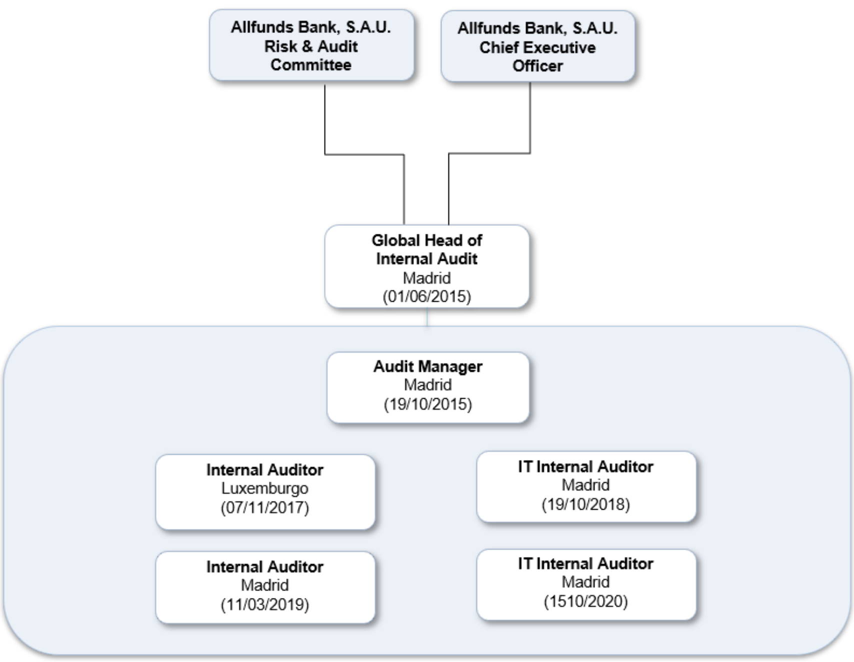
2.22.2 INTERNAL AUDIT DEPARTMENT RESOURCES

The Internal Audit team for the entity is a global function. The Global Head of Internal Audit reports functionally to the Chairman of the Risk & Audit Committee and administratively to the CEO.

AIA has an approved headcount of seven employees, of which five are based in Madrid, one is based in Luxembourg and another one is due to be recruited either in Madrid or Milan to cover activities acquired from BNP Paribas Securities Services in October 2020. The team currently includes a Head of Internal Audit, an Audit Manager and four Audit Seniors. The structure chart of the team is detailed below:

The structure chart of the team is detailed below:

Figure 9. Internal Audit organization



Members of the Internal Audit team have a diverse background in financial services with relevant international experience in internal and external audit, in financial institutions covering retail, corporate and private banking, asset management and technology.

Regarding the tools used by AIA, the following are used on a day-to-day basis:

- Audit work is stored in Auto Audit, which is an audit software that allows team members to store audit documentation in a shared and secure environment. AutoAudit is used throughout the audit lifecycle, from annual planning and risk assessment, through audit fieldwork and issue tracking.
- AIA uses Arbutus Analytics to perform tests over large sets of data which are extracted by the IT team mainly. This testing approach, also known as Computer Aided Audit Tools & Techniques (CAATTs), allows AIA to increase significantly the level of assurance it provides.
- AIA has read-only access to the Dealing platform and the external web site (Connect) used by clients to obtain information on funds distributed by Allfunds.

2.23 COMPLIANCE DEPARTMENT

The Compliance Department is responsible for identifying, evaluating, advising, supervising and reporting the Company's "Compliance Risk" which is the risk of legal or regulatory sanctions, material financial loss, or to the reputation damage a bank may suffer as a result of its failure to comply with laws, regulations, rules, related self-regulatory organization standards, and codes of conduct applicable to its banking activities. The Compliance Department's scope is defined in the Company´s Compliance Policy.

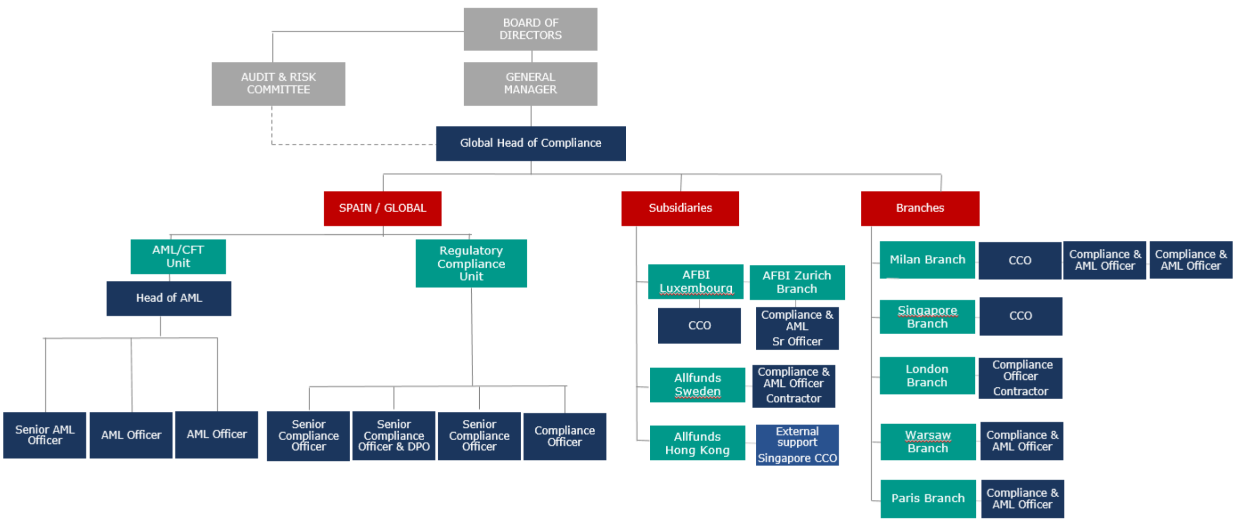
2.23.1 COMPLIANCE DEPARTMENT ORGANIZATION

The Compliance Department of Allfunds Bank Group depends hierarchically on the CEO of the entity and reports at least, on a quarterly basis to the Audit and Risk Board Committee and on an annual basis to the Board of Directors through the annual writing report.

The Compliance Department is made up of two units in the head office, as well as of the local compliance officers of each subsidiary and branch, all of them under the direction of the Global Head of Compliance. One of the units is specialized in Compliance matters (the Regulatory Compliance Unit -RCU-) and the other is specialized in Anti-Money Laundering and Combating Terrorist Financing, matters (AML/CTF Unit).

The Compliance Department was formed by 19 professionals at the end of 2020, seventeen employees and two contractors. At global level the Compliance team has been reinforced with the incorporation of Compliance & AML officers in the Paris Branch and Warsaw Branch, as well as a new Compliance & AML officer for the Milan Branch (effective from 1st January 2021). The current organization chart of the Compliance Department at Group level is shown below.

Figure 10. Compliance Department organization



2.23.2 MISION OF THE COMPLIANCE FUNCTION

The mission of the Allfunds Compliance function has been defined in accordance with the supervisory guidelines as stated below.

EBA guidelines[8] requires that the compliance function possesses sufficient knowledge, skills and experience in relation to compliance and relevant procedures. The compliance function should be independent of the business lines and internal units it controls and have sufficient authority, stature and resources. It must have enough capacity to address the main tasks identified by EBA for the compliance function:

- It should advise the management body on measures to be taken to ensure compliance with applicable laws, rules, regulations and standards, and should assess the possible impact of any changes in the legal or regulatory environment on the institution's activities and compliance framework.
- It should ensure that compliance monitoring is carried out through a structured and well-defined compliance monitoring programme and that the compliance policy is observed.
- It should verify that new products and new procedures comply with the current legal framework and, where appropriate, with any known forthcoming changes to legislation, regulations and supervisory requirements.

Likewise, MiFID II regulations[9] establishes that institutions should have a permanent and effective compliance function which acts independently and supervises the effectiveness of measures, policies and procedures, advises those in charge of providing investment and ancillary services, reports to the governing body and supervises the processing of claims. Accordingly, the compliance function will establish a monitoring programme based on risks that ensures an exhaustive control.

In June 2020 the European Security Markets Authority (hereinafter ESMA) issued new guidelines on certain aspects of the MiFID II compliance function requirements. These new guidelines[10] states that "the compliance function is a crucial function within firms, responsible for identifying, assessing, monitoring and reporting on the firm's compliance risk." In addition, they remember that its obligations have been further strengthened, broadened and detailed under MiFID II. In particular, the document highlights the fact that MiFID II expanded the role of the compliance function in relation to certain specific topics, such as:

- the compliance function is assigned new and specific responsibilities in relation to MiFID II's product governance;
- the compliance function may also operate as the complaints management function of the firm;
- the compliance function shall also advise the management body of the firm on the firm's remuneration policy.

Consequently, the mission of Allfunds' Compliance function could be summarized in the identification, advice, supervision and reporting on compliance risks, carrying out their tasks independently, adopting a proactive approach and close to the rest of the organisation, as part of its culture, anticipating changes in the regulatory context, in order to incorporate them into the Compliance Programme and mitigate regulatory and reputational risks while promoting ethical and responsible behaviour.

The Compliance department is part of the Company's second line of defence together with the Risk department. Compliance Function monitors the fulfilment with applicable regulations, standards and codes of conduct in order to treat fairly customers and stakeholders. As second line of defence, also monitors and verifies that the Company´s policies and procedures are observed and duly updated and identifies improvement actions while promoting a solid risk and compliance culture across the organisation. Compliance functions are detailed in the Regulatory Compliance Policy.

The Compliance department of Allfunds has developed a comprehensive Compliance

[8] European Banking Authority. Guidelines on internal governance under Directive 2013/36/EU. EBA/GL/2017/11 In italics extracts from the guidelines.

[9] Delegated Regulation (EU) 2017/565 implementing Directive 2014/65/EU on markets in financial instruments (MiFID II).

[10] ESMA 35-36-1952 guidelines on *certain aspects of the MiFID II compliance function requirements*, which replaces ESMA guidelines on the same topic, issued in 2012.

monitoring programme based in the regulatory risk assessment. The programme involves a control model developed with the support of an external provider tool called GlobalSUITE®. The goal of this model is to identify the controls in the first line of defence to mitigate regulatory and reputational risks, to review them to verify their effectiveness and to promote the necessary improvement actions together with the relevant areas.

In addition, the Corporate Defence compliance model, already existing in the Company has been incorporated into the regulatory risk assessment methodology supported through GlobalSUITE®, with the aim of leveraging synergies and being more effective in relations with teams on the first line of defence.

3. CAPITAL

3. CAPITAL

3.1. CAPITAL MANAGEMENT AND ADEQUACY

The objective in managing the bank's capital is to maintain appropriate levels of capital to support its business strategy and meet regulatory and stress-test related requirements.

3.2. PILLAR I REGULATORY CAPITAL

3.2.1. INFORMATION ON OWN FUNDS

Part Two, Title I of the CRR defines the different levels of capital that will constitute the entity´s own funds under the solvency regulations, as well as those elements that comprise them.

The Bank has increased its own funds in comparision to the previous year thanks to the application to reserves of the previous year´s not distributed profit.

Table 5. Qualifying own funds. AFB Group

Amounts (Thousand Euros)	31.12.19	31.12.20
CET1	208,738	320,686
Tier 1 additional	-	-
TIER 1	208,738	320,686
TIER 2	-	0
CAPITAL TOTAL	208,738	320,686
RWAs	934,400	1,318,365
CET1 ratio[11]	***22.34%***	***24.32%***
Tier 1 ratio	***22.34%***	***24.32%***
Total Capital ratio	***22.34%***	***24.32%***
Leverage ratio	***12.36%***	***18.84%***

Table 6. Details - Qualifying own funds. AFB Group

Amounts (Thousand Euros)	31.12.19	31.12.20
CET1 Instruments	**447,445**	**1,210,151**
Shareholders' equity	515,927	1,281,950
Capital	217,040	982,041
Profit	68,840	71,798
Reserves and others	230,407	228,111
Minority interests and unrealised gains/losses	-	-
Adjustments of comput. of minority int. and unrealised g/l	-	-
Other adjustments	(68,482)	(71,799)
Deductions from CET1	**(238,707)**	**(889,465)**
Goodwill	(202,392)	(415,573)
Intangible assets	(35,043)	(473,892)
Financial investments	-	-
Deferred tax assets	-	-
Other CET1 deductions[12]	(1,272)	-
CET 1	**208,738**	**320,686**
AT1 Instruments	-	-
TIER 1	**208,738**	**320,686**
T2 instruments	**-**	**-**
Financing of subordinated issues	-	-
Generic provisions and excess of provisions IRB	-	-
T2 deductions	**-**	**-**
TIER 2	-	-
TOTAL CAPITAL	**208,738**	**320,686**

3.2.2. INFORMATION ON CAPITAL REQUIREMENTS

Part Two, Title II to VI of CRR define capital requirements for credit risk, operational risk, market risk, settlement risk and credit valuation adjustment risk, respectively.

The following table shows the minimum amount of capital the supervisory authority requires the entity to hold in order to safeguard its solvency, based on the amount of risk assumed in terms of the aforementioned risk.

[11] CET1 ratio of 28.88% including the audited 2020 net profit

[12] Free deliveries, in accordance with Art. 379(3) of the CRR

Table 7. Overview of RWAs (EBA Template OV1). AFB Group

Amounts (Thousand Euros)	Risk Weightet Assets (RWA) 31.12.19	31.12.20	Minimum capital requirements
Credit risk (excluding counterparty credit risk)	**596,512**	**827,402**	**66,192**
Standardised Approach (SA)	596,512	827,402	66,192
Internal Rating-Based (IRB) Approach	-	-	-
Counterparty credit risk	-	-	-
Standardised Approach for counterparty credit risk (SA-CCR)	-	-	-
Internal Model Method (IMM)	-	-	-
Equity positions in banking book under market-based approach	-	-	-
Simple risk-weight approach	-	-	-
Internal Model approach	-	-	-
Settlement risk	-	-	-
Securitisation exposures in banking book	-	-	-
Market risk	**8,663**	**9,363**	**749**
Standardised Approach (SA)	8,663	9,363	749
Internal Model Approaches (IMM)	-	-	-
Operational risk	**356,225**	**481,600**	**38,528**
Basic Indicator Approach	356,225	481,600	38,528
Standardised Approach	-	-	-
Advanced Measurement Approach	-	-	-
Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-	-
Floor adjustment	-	-	-
Total (1)	**934,400**	**1,318,365**	**105,469**

(1) Capital requirement of Pillar I: 8% RWA

CAPITAL BUFFER

Directive 2013/36/EU introduced the capital buffers during a peak phase of the economic cycle, with the objective of creating a more stable banking system that helps softening, instead of amplifying, economic and financial crisis.

These buffers may be used to absorb losses in difficult economic or stressful times. While its use does not involve a breach of the regulation, this could generate restrictions on dividends of the entity or the payment of variable remuneration for its managers.

- The capital conservation buffer (+2.5%) is set in order to provide the entity with enough ordinary capital to absorb losses in an economic environment of stress. In case of non-compliance, limits on profit distribution or payment of variable remuneration of its executives are imposed.
- A countercyclical capital buffer (0%-2.5%) is a capital requirement in cases of excessive credit growth to avoid the formation of economic bubbles. The buffer will only be constituted in moments in which credit is growing excessively. During periods of normal credit growth, this buffer will be zero. When it is necessary, it will be additional to capital conservation buffer.

As of 31st December 2020 the countercyclical buffer for Allfunds Bank Group[13] was at 0.11479% on RWA. This buffer has been built in terms of common equity tier 1 over total weighted assets. Most central banks still keep a 0%.

[13] As of 31 December 2020, the countercyclical buffer for Libety Partners was also at 0.11479% on RWA (see Annex 1).

Table 8. Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer. AFB Group.

	Relevant Exposures	Countercyclical buffer
Countries (*)	**100.00%**	**0.11479%**
Andorra	0.00%	0.00000%
Austria	0.10%	0.00000%
Bahrain	0.00%	0.00000%
Belgium	0.38%	0.00000%
Bermuda Island	0.03%	0.00000%
Brasil	1.02%	0.00000%
Canada	0.00%	0.00000%
Cayman Islands	0.12%	0.00000%
Chile	0.21%	0.00000%
Colombia	0.04%	0.00000%
Denmark	0.03%	0.00000%
Finland	0.06%	0.00000%
France	2.70%	0.00000%
Germany	1.01%	0.00000%
Guernsey	0.23%	0.00000%
Hong Kong	0.11%	**0.00114%**
Ireland	5.44%	0.00000%
Isle of Man	0.00%	0.00000%
Italy	4.87%	0.00000%
Japan	0.00%	0.00000%
Jersey	0.00%	0.00000%
Kuwait	0.00%	0.00000%
Luxembourg	44.44%	**0.11110%**
Malaysia	0.00%	0.00000%
Malta	0.01%	0.00000%
Mauricio	0.01%	0.00000%
Mexico	0.00%	0.00000%
Netherlands	0.01%	0.00000%
Norway	0.26%	**0.00255%**
Oman	0.00%	0.00000%
Poland	0.55%	0.00000%
Portugal	0.00%	0.00000%
San Marino	0.00%	0.00000%
Saudi Arabia	0.05%	0.00000%
Singapore	9.32%	0.00000%
South Africa	0.00%	0.00000%
Spain	10.42%	0.00000%
Sweden	1.04%	0.00000%
Switzerland	8.04%	0.00000%
Thailand	0.00%	0.00000%
United Arab Emirates	0.17%	0.00000%
United Kingdom	9.13%	0.00000%
Uruguay	0.11%	0.00000%
USA	0.08%	0.00000%

(*) Countries with a 0% contribution to the entity's countercyclical buffer due to the fact that these countries keep their countercyclical buffer at 0% for exposures to those countries.

LEVERAGE RATIO

The Basel III agreement introduced a regulatory financial leverage ratio. In January 2014, the Basel Committee published the definitive calculation of the leverage ratio, together with an obligation to publish certain information to the market, applicable from 1 January 2015. In October 2014, the European Commission modified the CRR (via Delegated Regulation 2015/62) in order to adapt the new form of the calculation. In accordance with Article 451 of the CRR, entities have to notify the leverage ratio. The aim of this ratio is to ensure that banks do not circumvent requirements for secure and long-term forms of capital. The leverage ratio is defined as Tier 1 capital divided by a measure of non-risk weighted assets (the leverage exposure).

This exposure is calculated as the sum of the following components:

- Asset value, excluding derivatives and without elements considered as deduction in Tier 1.
- Off balance sheet accounts (mainly, guarantees, non-used credit limits, letters of credit) weighted by the conversion factors of the standard credit risk method.
- Net value of derivatives (capital gains are netted against impairment with the same counterparty) including surcharge for potential future exposure.
- A surcharge to cover the potential risk of security transactions.
- A surcharge to cover the potential risk of credit derivatives (CDS) in the uncovered part.

BCBS revised the definition of the leverage ratio in 2017. In particular, a series of technical adjustments were made to the method for calculating total exposure (the denominator of the leverage ratio), mainly relating to exposure to derivatives and the treatment of off-balance sheet exposure. The final calibration of the leverage ratio was set at 3% for all institutions.

Banks must implement the final definition of the leverage ratio and comply with the new calibration of the ratio (the additional surcharge for G-SIBs) from January 2022.

The leverage ratio as of 31 December 2020 was as follows:

Table 9. Leverage ratio

Indicator	Current level
Leverage Ratio AFB Group	18.84%

The following Tables show the relevant information as of 31st December 2020 required by the Commission Implementing Regulation (EU) 2016/200 of 15th February 2016.

Table 10. Leverage ratio. Details. AFB Group

Leverage ratio. Breakdown (Thousand Euros)	CRR leverage ratio exposures 31.12.2019	CRR leverage ratio exposures 31.12.2020
On-balance sheet items	1,725,387	2,591,487
- Asset amounts deducted in determining Tier 1 capital	-36,315	-889,465
Derivatives	609	507
Securities Financing Transactions (SFTs)	0	0
Off-balance sheet items	0	0
Leverage ratio		
Tier 1 capital (numerator)	208,738	320,686
Total exposure measure (denominator)	1,689,681	1,702,529
Leverage ratio	**12.35%**	**18.84%**
Minimum requirement	3.00%	3.00%

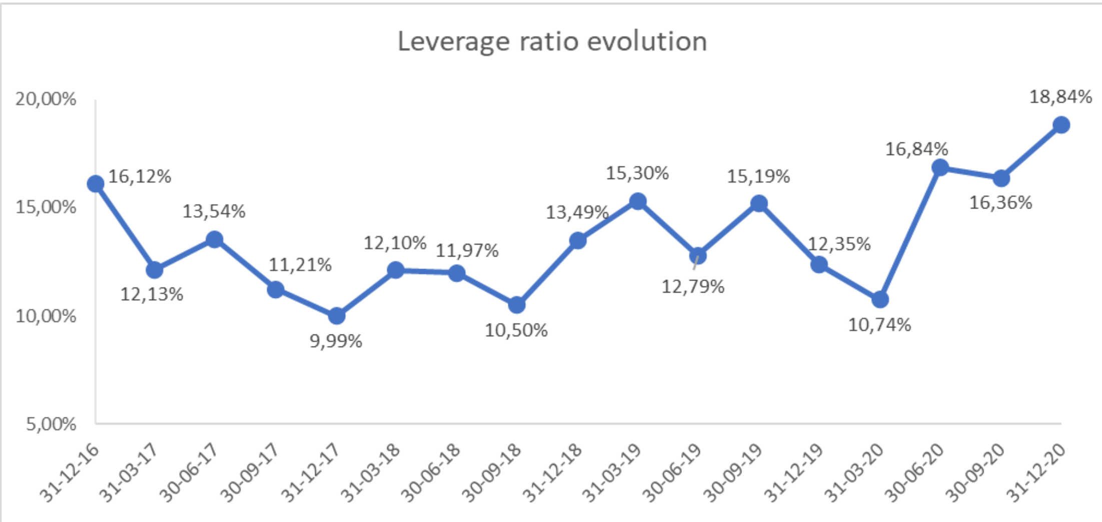
Table 11. Leverage ratio pl. AFB Group

	Table LRSpl: Split-up of on balance sheet exposures (excluding derivatives and SFTs)	31.12.2019	32.12.220
EU-1	**Total on-balance sheet exposures (exduding derivatives, SFTs, and exempted exposures), of which:**	**1.725.387**	**2.591.487**
EU-2	Trading book exposures	-	-
EU-3	Banking book exposures, of which:	1.725.190	2.591.487
EU-4	Covered bonds	-	-
EU-5	Exposures treated as sovereigns	544.688	1.245.461
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	197	-
EU-7	Institutions	773.849	653.577
EU-8	Secured by mortgages of immovable properties	-	-
EU-9	Retail exposures	468	456
EU-10	Corporate	36.915	220.336
EU-11	Exposures in default	-	-
EU-12	Other exposures (e.g., equity, securitisations, and other non-credit obligation assets)	369.270	471.657

Table 12. Publication of information on qualitative aspects. AFB Group

Publication of information on qualitative aspects		
1	Description of the processes used to manage the risk of excessive leverage	The leverage ratio is one of the metrics periodically monitored. The monitoring of this ratio is performed within the wider monitoring of the entity's solvency levels and includes an evaluation of the exposure and the entity's own funds.
2	Description of the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers	The leverage ratio shows an increase from 12.35% as of year-end 2019 to 18.84% as of year-end 2020, comfortable above regulatory levels and aligned with the company's risk appetite.

Figure 11. Evolution of the leverage ratio (AFB Group)



The leverage ratio has remained comfortably above the target level set in the Risk Appetite Statement (7.5%) and the regulatory requirement (3.0%).

PILLAR II ECONOMIC CAPITAL. CAPITAL PLANNING & STRESS TEST.

Economic Capital (EC) is the capital needed to support all business risks with a certain level of capital adequacy.

The entity calculates Pillar II capital demand using EC on a going concern methodology based on an internal estimate of capital requirements based on its risk profile.

Capital planning

The implemented capital planning process aims at guaranteeing the adequacy of current and future capital, including under very adverse economic scenarios. To accomplish this, based on the entity and affiliates' initial status (Financial Statements, their capital base and their regulatory ratios), and plugging in the estimated results, a three-year solvency projection for the entity and its affiliates is obtained.

Stress test

Allfunds Bank Group has stress tests as part of ordinary risk management to assess the impact on capital and profitability of hypothetical stress scenarios. The programme analyses the types of risk collectively assumed by the entity during its activities and analyses risk factors separately. In particular, emphasis is set in the following material risks:

- Credit risk
- Counterparty risk
- Operational risk
- Interest rate risk
- Liquidity risk.
- Market risk

This programme takes into consideration the relations between different types of risk.

The Stress Tests Programme includes both stress tests based on a disaggregate approach (risk factors are considered independently) and an aggregate approach (scenarios that combine different risk factors are applied). It also includes a reverse stress test based on the impairment of the entity's solvency ratios.

Lastly, the Programme includes a series of interventions to easily adjust the assumptions. Thus, the definitions of the scenarios are adapted to the complexity of the Bank's operations and include contingency procedures, in accordance with the level and severity of the assumed risks.

4. CREDIT RISK AND COUNTERPARTY CREDIT RISK

4. CREDIT RISK AND COUNTERPARTY CREDIT RISK

4.1. DEFINITION

Credit Risk quantifies the losses derived from the potential breach of financial obligations by the borrowers. Said quantification is performed based on the expected and unexpected loss.

Credit risk arises from the possibility of losses stemming from the failure of customers or counterparties to meet their financial obligations.

4.2. LIMITS AND DIVERSIFICATION

Allfunds Bank only works with regulated financial institutional clients. Final approval requires that the client goes through a multistep approval process where the client is assigned a credit risk limit. The purpose of this limit is to set the maximum allowed overdraft in a cash account. This limit applies to all clients with a client's cash accounts with the bank and has effective procedures as defined by Allfunds Bank's Department of Operations. For clients settling transactions through "omnibus" accounts the maximum overdraft limit is zero. The overdraft procedures to be applied are analogous to those applied to cash accounts.

The entity can not accept as customers those without an acceptable rating, within a scale from Tier 1 (best) to Tier 4 (worst).

4.3. STRUCTURE AND ORGANIZATION OF CREDIT RISK

The credit risk management function is managed by the Risk Management department whose main mission is to control, monitor and manage the risks arising from the business activity of the entity.

4.4. REPORTING, MEASUREMENT AND MITIGATION SYSTEMS

To cope with this risk, the Group has developed an internal credit model to assess a client's probability of default, which may be used to set overdraft limits when needed, but with a strictly controlled risk policy in mind.

This system allows the Risk Management department to know at any time the credit limits consumption by counterparty.

Besides, on a daily basis the Risk Management Department performs an accurate report in order to know the liquidity balance by counterparty, with additional intraday monitoring. In addition, with the aim of preventing risk limit breaches, alert levels by counterparty have been defined.

4.5. OWN FUNDS REQUIREMENTS FOR CREDIT RISK

As of 31st December 2020, Pillar I capital requirements for credit risk amounted to EUR 66,192 thousand, in accordance to the CRR.

This section contains information on the exposures to credit risk that are broken down as follows:

Table 13. Total and average net amount of exposures (EBA Template CRB-B). AFB Group

Amounts (Thousand Euros)	Exposures before CCF and CRM				
	31.03.2020	31.06.2020	31.09.2020	31.12.2020	Average
Sovereigns and their central banks	757,804	637,416	609,511	1,245,461	812,548
Non-central government public sector entities	197	197	197	-	197
Multilateral development banks	-	-	-	-	-
Institutions/Banks	843,678	673,751	685,843	653,954	714,307
Corporates	82,981	89,072	104,982	220,467	124.376
Regulatory retail portfolios	470	467	451	456	461
Secured by commercial real state	-	-	-	-	-
Collective Investment Undertakings (CII's)	8	8	8	9	8
Equity	384	385	384	384	384
Past-due loans	-	-	-	-	-
Higher-risk categories	-	-	-	-	-
Other assets	383,992	386,164	437,876	471,263	419,824
Total Credit Risk - SA portfolio	**2,069,514**	**1,787,460**	**1,839,252**	**2,591,994**	**2,072,104**

Geographical exposures

The following table shows the distribution, by geographical area, of Allfunds Bank Group's exposure to credit risk:

Table 14. Geographical breakdown of exposures (EBA Template CRB-C). AFB Group

Exposures	Sovereigns and their central banks	Non-central government public sector entities	Institutions	Corporates	Regulatory retail portfolios	Other assets	OIC	Equity	Total	RWA	Capital Requirements
Total	**1.245.461**	**0**	**653.954**	**220.467**	**456**	**471.263**	**9**	**384**	**2.591.994**	**827.402**	**66.192**
Italy	1.042.704	0	140.009	14.962	1	18.762	0	0	1.216.438	64.274	5.142
Luxembourg	188.701	0	3.585	51.825	0	255.882	0	0	499.993	308.466	24.677
Spain	13.994	0	230.244	46.185	453	25.617	9	0	316.502	118.941	9.515
UK	0	0	105.295	18.631	2	44.572	0	0	168.500	85.003	6.800
Switzerland	0	0	26.741	6.574	0	49.102	0	0	82.417	61.023	4.882
Singapore	62	0	13.097	63.452	0	1.100	0	0	77.711	67.183	5.375
USA	0	0	64.182	188	0	369	0	0	64.739	13.393	1.071
Ireland	0	0	0	3.554	0	34.120	0	0	37.674	37.674	3.014
Sweden	0	0	28.524	270	0	6.951	0	0	35.745	12.926	1.034
France	0	0	6.973	1.901	0	16.808	0	0	25.682	20.104	1.608
Germany	0	0	8.831	576	0	6.401	0	0	15.808	8.743	699
Rest	0	0	26.473	12.349	0	11.579	0	384	50.785	29.672	2.375

Concentration of exposures by industry or counterparty type

In view of the specific activity of the bank, the credit risk exposure is focused exclusively on the financial services sector.

Maturity of exposures

Table 15. Maturity of exposures (EBA Template CRB-E). AFB Group

Amounts (Thousand Euros)	<1Y	1-5Y	>5Y	Total	Total %
Sovereigns and their central banks	1,245,461	-	-	1,245,461	**48.1%**
Non-central government public sector entities	-	-	-	-	**-**
Multilateral development banks	-	-	-	-	**-**
Institutions/Banks	653,954	-	-	653,954	**25.2%**
Corporates	220,467	-	-	220,467	**8.5%**
Regulatory retail portfolios	151	287	18	456	**0.0%**
Secured by commercial real state	-	-	-	-	**-**
Collective Investment Undertakings (CII's)	-	-	9	9	**0.0%**
Equity	-	-	384	384	**0.0%**
Past-due loans	-	-	-	-	**-**
Higher-risk categories	-	-	-	-	**-**
Other assets	441,963	-	29,300	471,263	**18.2%**
Total Credit Risk - SA portfolio	**2,561,996**	**287**	**29,711**	**2,591,994**	**100.0%**
%	**98.8%**	**0.1%**	**1.1%**	**100.0%**	

Methodology applied

Exposures before and after the application of the risk reduction techniques are shown below:

Table 16. Standardised approach – CR exposure and CRM effects (EBA Template CR4). AFB Group

Amounts (Thousand Euros)	Exposures before CCF and CRM			RWA	RWA density
	On-balance sheet amount	Adjustments	Total		
Sovereigns and their central banks	1,245,461	-	1,245,461	0	0.00%
Non-central government public sector entities	-	-	-	-	-
Multilateral development banks	-	-	-	-	-
Institutions/Banks	653,954	-	653,954	134,960	20.64%
Corporates	222,060	(1,593)	220,467	220,467	100.00%
Regulatory retail portfolios	846	(390)	456	342	75.00%
Secured by commercial real state	-	-	-	-	-
Collective Investment Undertakings (CII's)	9	-	9	9	100.00%
Equity	384	-	384	384	100.00%
Past-due loans	-	-	-	-	-
Higher-risk categories	-	-	-	-	-
Other assets	471,263	-	471,263	471,240	100.00%
Total Credit Risk - SA portfolio	**2,593,977**	**(1,983)**	**2,591,994**	**827,402**	**31.92%**

In accordance with Chapter2/Section 2 of the CRR, on credit exposures, various different risk-weightings are applied, which vary depending on the classification assigned, by the various classification agencies (ECAI) designated by the Bank of Spain as being acceptable (Fitch, Moody's and Standard & Poor's). These classifications are used to calculate the exposures corresponding to the wholesale portfolio. For the Financial Institutions and Public Institutions categories, the credit ratings employed are the ones assigned to the country where the exposure is held, as is provided in the Solvency Circular.

When there are ratings by different ECAI for the same counterparty, the Entity follows the procedure set out in Articule 138 of the CRR, in which the order of preference to be employed is given.

The following Tables show total exposures by activity sector, following the ECAI's criterion.

Table 17. Standardised approach (EBA Template CR5). AFB Group

Amounts (Thousand Euros)	0%	10%	20%	35%	50%	75%	100%	Total
Sovereigns and their central banks	1,245,461	-	-	-	-	-	-	1,245,461
Non-central government public sector entities	-	-	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-	-	-
Institutions/Banks	-	-	648,742	-	-	-	5,212	653,954
Corporates	-	-	-	-	-	-	220,467	220,467
Regulatory retail portfolios	-	-	-	-	-	456	-	456
Secured by commercial real state	-	-	-	-	-	-	-	-
Collective Investment Undertakings (CII's)	-	-	-	-	-	-	9	9
Equity	-	-	-	-	-	-	384	384
Past-due loans	-	-	-	-	-	-	-	-
Higher-risk categories	-	-	-	-	-	-	-	-
Other assets	23	-	-	-	-	-	471,240	471,263
Total Credit Risk - SA portfolio	**1,245,484**	**-**	**648,742**	**-**	**-**	**456**	**697,312**	**2,591,994**
%	**48.1%**	**-**	**25.0%**	**-**	**-**	**0.0%**	**26.9%**	**100.0%**

Applying risk-weights to credit risk exposures (Pillar I), capital requirements for credit risk were:

Table 18. Standardised Approach: RWAs by asset classes and risk weights. AFB Group

Amounts (Thousand Euros)	0%	10%	20%	35%	50%	75%	100%	RWA
Sovereigns and their central banks	0	-	-	-	-	-	-	0
Non-central government public sector entities	-	-	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-	-	-
Institutions/Banks	-	-	129,748	-	-	-	5,212	134,960
Corporates	-	-	-	-	-	-	220,467	220,467
Regulatory retail portfolios	-	-	-	-	-	342	-	342
Secured by commercial real state	-	-	-	-	-	-	-	-
Collective Investment Undertakings (CII's)	-	-	-	-	-	-	9	9
Equity	-	-	-	-	-	-	384	384
Past-due loans	-	-	-	-	-	-	-	-
Higher-risk categories	-	-	-	-	-	-	-	-
Other assets	0	-	-	-	-	-	471,240	471,240
Total Credit Risk - SA portfolio	**0**	**-**	**129,748**	**-**	**-**	**342**	**697,312**	**827,402**
Capital Requirements for Credit Risk (1)	**0**	**-**	**10,380**	**-**	**-**	**27**	**55,785**	**66,192**

(1) Capital requirement of Pillar I: 8% RWA

4.6. STRATEGIES AND MANAGEMENT PROCESSES

Given the typology of the business which the Bank currently carries out, that is to say, the distribution of third-party investment funds, the bank does not maintain, and does not have the objective of maintaining, any activity credit business.

The Bank only assumes credit exposures with regulated financial entities.

On the other hand, liquidity generated from its equity (reserves) and from operating flows from their CIIs distribution and intermediation activities, in accordance with the directives marked by BoD subject to a limited risk acceptance framework, is deposited in deposits in central banks, current accounts at sight, "overnight" deposits or long and short-term deposits (with no penalty for early cancellation) with entities of high credit quality. On December 31st, 2020 this liquidity was deposited in the following entities[14] *(ratings by S&P Capital IQ, Moody's & Fitch Ratings)*

Table 19. Credit ratings

Entity	Rating
Kingdom of Spain	A-/Baa1/A-
Republic of Italy	BBB/Baa3/BBB-
Gran Duchy of Luxembourg	AAA/Aaa/AAA
Banco de Sabadell S.A.	BBB/Baa1/BBB-
Banco Santander (Brasil) S.A.	BB-/Baa3/WD
Banco Santander Chile	A/A1/A-
Banco Santander Mexico S.A.	NR/Baa1/BBB+
Banco Santander S.A.	A/A2/A-
Bancolombia S.A.	BB+/Baa2/BBB-
Bankia S.A.	BBB/WD/BBB
Bankinter S.A.	BBB+/A2/WD
Banque Internationale à Luxembourg	A-/A1/WD
BBVA S.A.	A-/A2/BBB+
BNP Paribas S.A.	A+/Aa3/A+
BNP Paribas Securities Services	A+/Aa3/A+
Cecabank S.A.	BBB+/Baa1/BBB-
Citibank Europe PLC	A+/Aa3/A+
Citibank N.A.	A+/Aa3/A+
Clearstream	AA/NR/AA
Credit Agricole CIB	A+/Aa2/A+
Credit Suisse AG	A+/Aa3/A
Danske Bank A/S	A/A1/A
DBS Bank Ltd	AA-/Aa1/AA-
First Abu Dhabi Bank PJSC	AA-/Aa2/AA-
Intesa Sanpaolo S.p.A.	BBB/Baa1/BBB-
JPMorgan Chase Bank N.A.	A+/Aa1/AA
Monethary Authority of Singapore	AAA/Aaa/AAA
Santander Bank Polska	NR/A1/BBB+
Santander Securities Services	NR/NR /NR
Santander UK PLC	A/Aa3/A+
SEB AB	A+/Aa2/AA-
Semper Constantia Asset Management GmBH	NR/NR /NR
SIX SIS AG Zurich	A+/NR/NR
State Street Bank International GmBH	AA-/NR/NR
Swiss National Bank (Switzerland)	AAA/NR/AAA
UBS AG	A+/Aa2/A
Zuercher Kantonal Bank	AAA/Aaa/AAA

[14] Banco de Sabadell S.A. (downgraded by S&P to BBB-); Banco Santander Chile (Fitch has withdrawn the rating); Bancolombia S.A. (downgraded by Fitch to BB+); Bankia S.A. (Fitch has withdrawn the rating); Credit Suisse AG (downgraded by Moody's to A1).

Capital requirements, with the standardized approach, have been calculated according to the CRR, Section 2 Risk Weights.

Exposures to Central Banks (Bank of Italy, Bank of Spain and Central Bank of Luxembourg) have been assigned a 0% risk weight.

The bank has used credit ratings from nominated ECAIs (S&P and Moody's). Thus, Article 120 (1) (2) and Articule 131 have been applied for exposures to rated institutions.

Article 136 refers to the EBA, EIOPA and ESMA implementing technical standards in order to identify the credit quality steps with the relevant credit assessments of the ECAI ('mapping'). In this sense, the following equivalences have been applied as of December 31st, 2020:

Table 20. Mapping of external rating to credit quality steps

	CQS	S&P	Moody's	Fitch	Maturity < 3 months	Maturity > 3 months
LONG-TERM CREDIT RATING	1	AAA to AA-	Aaa to Aa3	AAA to AA-	20%	20%
	2	A+ to A-	A1 to A3	A+ to A-	20%	50%
	3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-	20%	50%
	4	BB+ to BB-	Ba1 to Ba3	BB+ to BB-	50%	100%
	5	B+ to B-	B1 to B3	B+ to B-	50%	100%
	6	Lower than B-	Lower than B3	Lower than B-	150%	150%
SHORT-TERM CREDIT RATING	1	A-1+, A-1	P-1	F-1+, F-1	20%	
	2	A-2	P-2	F-2	50%	
	3	A-3	P-3	F-3	100%	
	4	Lower than A-3	NP	Lower than F-3	150%	
	5				150%	
	6				150%	

Source: S&P Capital IQ, Moody's & Fitch Ratings and own elaboration, 2020

4.7. CREDIT RISK ADJUSTMENTS

A financial asset is considered to be impaired[15] when there is objective evidence that events have occurred which:

- In the case of debt instruments (loans and debt securities), gives rise to an adverse impact on the future cash flows that were estimated at the transaction date; or
- In the case of equity instruments, means that their carrying amount may not be fully recovered.

As a general rule, the carrying amount of impaired financial instruments is adjusted with a charge to the consolidated income statement for the year in which the impairment becomes evident. The reversal, if any, of previously recognized impairment losses is recognized in the consolidated income statement for the year in which the impairment is reversed or reduced.

Impairment losses on debt instruments classified as loans and receivables are estimated and recognized as set forth in Annex IX of Bank

[15] Therefore, its carrying amount is adjusted to reflect the effect of impairment.

of Spain Circular 4/2017. Since 1 January 2018 the bank has adjusted its accounting procedures to Circular 4/2017 regarding IFRS 15 and IFRS 9, entering into force on 1 January 2018. This regulatory regime had a very limited impact on the bank's financial statements.

Adjustments and impairments

The Group held **past-due but not impaired financial assets** in the accompanying balance sheets as of 31 December 2020 and 2019 amounting to EUR 25,686 thousand and EUR 8,817 thousand, respectively, all of which had maturities of less than 30 days, were held with other financial companies and originated from uncollected commissions for the commercialization of shares in Collective Investment Institutions, as well as amounts overdrawn in current accounts at those dates. In addition, as of December 31, 2020 and 2019, the Group had EUR 60,910 and EUR 9,661 thousand, respectively, in fiduciary accounts, commissions for the commercialization of shares in Collective Investment Institutions that were pending transfer to bank accounts in the Bank's name.

Financial assets classified as financial assets at amortised cost and collectively estimated to be **impaired due to credit risk** on 31 December 2020 amounted to EUR 2,941 thousand, relating entirely to the commissions of shares from Collective Investment Undertakings pending collection at that date, all of which had maturities of more than 90 days. Considering this small amount impaired assets are residual.

Valuations adjustments to impaired assets amounted to EUR (1,982) thousand, that can be split in "allowances for performing exposures and exposures under special monitoring" (Stage 1+2) estimated of EUR (399) thousand and "allowances for non-performing exposures" (Stage 3) amounting to EUR (1,583) thousand as of 31 December 2020.

Finally, on 31 December 2020, the Group did not hold any financial assets classified as loans and receivables and considered to be **written-off assets**.

Ageing of past-due exposures

The following table shows the ageing of the exposures susceptible to impairment when said exposures are past due:

Table 21. Ageing of past-due exposures (EBA Template CR1-D). AFB Group

	Gross carrying values					
Amounts (Thousand Euros)	≤ 30 days	> 30 days ≤ 60 days	> 60 days ≤ 90 days	> 90 days ≤ 180 days	> 180 days ≤ 1 year	> 1 year
Loans	86,596	-	-	1,102	1,044	795
Debt deposit		-	-	-	-	-
Total exposures	**86,596**	**-**	**-**	**1,102**	**1,044**	**795**

4.8. COUNTERPARTY CREDIT RISK

The CRR describes counterparty credit risk as the risk a counterparty to a transaction could default before the final settlement of the transaction's cash flows. It includes the following transaction types: derivative instruments, repurchase agreements, securities or commodities lending, long settlement transactions and margin lending transactions.

Having into account the definition stated above, counterparty risk is not considered material for the entity. Capital is not provided.

4.9. CONCENTRATION RISK

Concentration risk is a part of credit risk that includes (i) large (connected) individual exposures and (ii) significant exposures to groups of counterparties whose likelihood of default is driven by common underlying factors, e.g., sector, economy, geographical location, instrument type. Concentration risk can take place in assets, liabilities or in offbalance sheet items, by executing or processing transactions, or through a combination of these wide categories.

Due to their nature, credit risk concentrations are due to common or correlated risk factors, which in times of crisis negatively affect the solvency of each of the counterparties comprising the concentration.

The excess liquidity of the entity is deposited in current accounts in entities of high credit quality. The only exposure, therefore, is the financial sector, specifically in highly solvent entities. The entity follows a criterion of reducing the exposure to concentration risk, diversifying the counterparts so as not to incur additional capital needs for this risk. For the grouping and calculation of the concentration indices, the entity is subject to the guidelines established by the EEC under the fourth "large exposures". Non-individual exposures, including all types of credits and variable investments, may not exceed the smallest amount between 100% of regulatory own funds or 150 million.

As of 31st December 2020 no exposure was above the previous limit. The entity does not have significant exposures to clients, its principal exposures are with Spanish and Italian markets.

According to the activity the bank carries out (fundamentally CIIs distribution and subcustodian services at institutional level), it has not defined additional limits on concentration risks other than the legal requirements mentioned above.

In view of this specific activity in spite of being a bank, the credit risk exposure is focused exclusively on the financial services sector, although it has to be considered as a highly regulated and supervised sector. In any case, the bank follows a prudent approach regarding this risk, with continuous monitoring, aiming at a high geographical and sub-sectorial diversification both in its balance sheet and income statement.

5. MARKET RISK

5. MARKET RISK

5.1. DEFINITION

Market risk can be defined as the risk of losses arising from adverse movements in interest rates, FX rates and market prices.

5.2. LIMITS AND DIVERSIFICATION

The entity has not set limits due to the fact that it does not allow investments and market risk is practically non-existent and, therefore, aligned with the risk appetite.

5.3. STRUCTURE AND ORGANIZATION OF MARKET RISK

Market risk is managed by the Risk Management and Finance departments.

The Board has established an investment policy for which no financial investments can be made, to avoid market risk.

5.4. REPORTING, MEASUREMENT AND MITIGATION SYSTEMS

On a daily basis the Risk Management department reports the Finance department about the exposure to foreign currency, requiring measures, if applied, to mitigate the risk. Decisions are adopted by the Finance Department, with notification to the Chief Executive Officer only if exposures are over the limit.

Monitoring and control of the Balance Sheet exposure to currency risk is carried out daily whereby the entity's software "Equation" is used allowing monitoring risk levels continuously in order to assure adequate decision-making always before acquiring undesirable risk exposures.

5.5. OWN FUNDS REQUIREMENTS FOR MARKET RISK

There are no positions on- or off-balance sensitive to variations in interest rates or prices. As an exception to this principle, the entity keeps a HQLA portfolio to comply with the Liquidity Coverage Requirements. The Board of Directors approved the acquisition of short-term and liquid sovereign debt for this purpose (keeping this portfolio at maturity). The exposure of this HQLA portfolio to interest rate or market price changes is considered low as they are short-termed, EUR-denominated and Euro-zone based sovereign references. As of December 31st, 2020, no exposure to sovereign debt was kept, all exposures being with central banks.

As a complementary activity to the CIIs intermediation/distribution, foreign currency exchange services are offered to those clients who wish to acquire CIIs shares (subscriptions) or receive the reimbursement product of CIIs shares (redemptions) in a currency distinct to the CII.

In addition, operations of an opposite nature will be closed in pairs of foreign currency and maturity in front of the treasury desk (front office) of Banco de Santander S.A., JP Securities Plc or Goldman Sachs International. Therefore, the exchange rate risk is hedged.

The entity has assets and liabilities on the balance sheet in foreign currency other than the euro, being these positions inherent to its activity. The General Management, as proposed by the Risk department, has established a maximum exposure limit ("short" or "long") to this risk that is renewed annually.

As of 31st December 2020, Pillar I capital requirements for market risk amounted to EUR 749 thousand, in accordance with the CRR.

6. OPERATIONAL RISK

6. OPERATIONAL RISK

6.1 DEFINITION

In accordance with the Basel framework, Allfunds Bank defines operational risk as the risk of losses resulting from deficiencies or failures of internal processes, human resources or systems, or derived from external circumstances. This definition includes, among others, legal, technological, conduct and outsourcing risk but excludes reputational and strategic/business risk. Operational Risk is, therefore, inherent to all products, activities, processes and systems and is generated by all business and support areas. For that reason, all employees are responsible for the management and control of the operational risk generated in their own area.

6.2 LIMITS AND DIVERSIFICATION

Allfunds Bank has set limits for operational risk structured as follows:

- Two general operational risk indicators based on losses: operational risk net losses divided by gross margin and operational risk net losses divided by own funds.
- Specific statement on IT Risk based on five indicators, ensuring better measurement and fostering ICT risk control that were included into the 2021 RAS.

In addition to those indicators, Allfunds Bank uses Operational Key Indicators, which provide information on risk exposure and warn of possible deteriorations in the internal control environment in order to ensure that the early management of risks complies with the established Risk Appetite Framework. The level of risk exposure has been moderate during fiscal year 2020.

6.3 STRUCTURE AND ORGANIZATION OF OPERATIONAL RISK

Operational risk management is decentralized within the different process managers that cover the entire organization. The purely operative processes are identified in the International Standard for Assurance Engagements ISAE 3402 report. Allfunds Bank Group has a global unit specialized in operational risk management, within the Risk Management area, whose main functions are coordinating, supervising and promoting the identification and assessment, monitoring, mitigation, control and communication of risks directly managed by the process managers according to the Operational Risk Framework (ORF) and the internal control model adopted by Allfunds Bank based on three lines of defence, considering both these operative processes and also non-operative processes by using specific operational risk tools which facilitate the integration of information according to the organizational structure.

At a higher level, the Board of Directors is the body that determines the risk policy of Allfunds Bank, including operational risk. It delegates its attributions in the Senior Management which serves as support for the fulfilment of the different functions through the Risk and Audit Board Committee and the internal Risk and Audit Committee.

- The Risk and Audit Board Committee (quarterly) aims at advising the Board of Directors on the global propensity to current and future operational risk and its strategy, in order to determine the nature, quantity, format and frequency of operational risk information that should be received, identifying the exposure, risk appetite, action plans to mitigate the impact of the identified risks if they materialize and the information systems and internal controls that will be used to control and manage the aforementioned risks.
- The Audit and Risk Management Committee (monthly), integrated by Senior Managers and those responsible for the different functional areas of the entity, aims at:
  - Ensuring that the risk exposure is under the tolerance limits approved by the Board of Directors.
  - Adapting the risk management procedures to the growing sophistication of the financial market and align them with the current capital requirements.
  - Adapting the valuation methodology to the best market practices and to the needs of Allfunds Bank.
  - Monitoring general risks (financial and non-financial). In relation with operational risk, its management is addressed in all committee sessions.

Therefore, in 2020 the Board of Directors and Senior Management continue to be directly involved in the management of this risk through the update and approval of the Operational Risk

Policy, as proposed by the Risk Management area and previously discussed in the Internal Risk and Audit Committee.

It is also worth highlighting that during 2020 the Internal Audit area has audited the Operational Risk function and it is included in its Audit plan. The follow-up of the recommendations is carried out through the Issue Tracking which is sent to all the areas that own each recommendation. More specifically, the operational risk function is based on three axes of action:

- The first is based on the analysis of processes, the identification of the risks linked to them that could cause losses (potential or real), the qualitative assessment of these risks and its associated controls, all in a joint way among the process managers (first line of defence) and the specialized unit of operational risk (second line of defence). The result is a valuation that allows to know the risk exposure as well as anticipate trends and plan mitigating actions. It is complemented with the detection, monitoring and active management of this exposure through the use of operational key indicators, encouraging the establishment of alerts to identify the exposure increase and its causes, measuring the effectiveness of controls and the improvements made. At the same time, it is verified that those processes identified as critical to the lack of service have defined and implemented specific business continuity plans.
- The second is based on experience. It consists in collecting in a database all the events that take place in Allfunds Bank, which provides operational risk information to which each business line has been exposed and the root causes that have originated it, in order to act on them with the aim of minimizing them. This information also allows to contrast the coherence between the estimates of potential losses and the reality, improving the estimates on risk exposure levels. There is a historical database of losses since 2008, which is continuously improved and updated as information on the events is received.
- A third fundamental axis is the corporate risk culture and awareness on the importance of the management and control of operational risk which is carried out through the communication and dissemination of risk policies and procedures, and regular training within the organization aligned with the internal operational risk procedures.

All this structure and organization of the operational risk function revolves around the definition of operational risk included at the beginning of this section.

Within this type of risk, the following subcategories are identified:

- ICT Risk: Risk associated to insufficient or faulty hardware and software of technical infrastructures that may compromise the availability, integrity, accessibility and security of infrastructures and data. It refers to any risk related to information and communication technologies.
- Conduct Risk: Risk associated to losses due to the inadequate provision of financial services to clients, including cases of inappropriate or negligent behavior.
- Legal and compliance risk: Risk associated to the possibility of legal contingencies that affect the Allfunds Bank Group's business, not related to clients (in which case it would be a conduct risk).
- Outsourcing risk: risk derived from a third party or from another group entity (intra-group outsourcing) negatively providing systems or services related to the impact on the entity's performance and risk management.

These non-financial risk subcategories are managed and controlled jointly with other internal control departments (Information Security, IT Risk, Compliance and Legal departments).

In particular and given the relevance the ICT Risk has acquired, in 2021 Allfunds has incorporated a responsible (subject matter expert) in charge of ICT Risk within the Risk Management area (2LoD) in order to separate its management from operational risk by defining a specific technological risk framework that will make more efficient the control and supervision of this risk.

The Group's overall objective in terms of management of operational risk comprises a number of specific objectives that form the methodology applicable to operational risk management. This objective is focused on the identification, measurement, assessment, management, monitoring, control and mitigation and reporting of this risk, maintaining a medium-low appetite.

The Operational Risk Framework (ORF) approved by the Board of complies with the operational risk management cycle defined that aims to achieve the following objectives:

- Defining the internal tools to identify and assess operational risk.
- Promoting a global risk culture and the involvement of all employees, through appropriate training to all areas and levels throughout the organization.
- Defining the internal policies and procedures to manage and control operational risk.
- Proposing the limits of risk tolerance that have been approved by the Board of Directors within the Risk Appetite Framework and monitoring the operational risk profile.
- Supervising the management and control of operational risk, questioning and challenging when appropriate, the approaches of the business and support areas.
- Reporting periodically on the operational risk profile both internally to the Senior Management and Board of Directors, and externally to regulatory bodies.

REPORTING, MEASUREMENT AND MITIGATION SYSTEMS

Allfunds Bank has a control methodology that allows the quantification and management of exposure against operational risks according to their size and nature. Although the method of calculation of capital requirements by Pillar I is the basic indicator approach, the entity has developed a more evolved management model with quantitative and qualitative tools for other purposes, among others, stress tests and control; but in general, to enhance the entire operational risk management cycle in terms of strategy and planning, identification and evaluation, mitigation, monitoring, control and communication.

This methodology combines the internal historical experience in operational risk and the qualitative assessments made by the owners of the processes and risks, which allow identifying and assessing current losses and the potential that could occur. The tools that the model incorporates are the following:

- Risk and Control Self-Assessment (RCSA): it is an internal exercise through which the inherent and residual risk of the process map of the entity is evaluated, identifying strengths and weaknesses of the operational risk environment. The map is drawn up from the input information of the process managers and the review of current manuals and/or internal procedures, thus enabling the identification of processes, sub-processes and their corresponding managers; and the evaluation is carried out using the risk matrices, constructed in terms of frequency and severity, and the control effectiveness determined in terms of design and performance. It is a continuous exercise with a vision “forward looking” that must be repeated at least once a year, and especially on these situations:
    - Launch of new services, activities, processes or systems whose operating environment may increase the risk exposure.
    - Relevant organizational changes.
    - Outsourcing of activities/processes.
- Operational risk events database: the different areas are responsible for identifying and reporting to the specialized operational risk unit the risk events and incidents that occur, ensuring the integrity of the information presented to analyze the causes that generated them and to establish the necessary preventive and corrective measures.
- Operational Key Indicators (OKIs): these are certain parameters that measure the behavior of the processes and activities of Allfunds Bank, allowing the identification of deterioration trends and potential sources of operational risk.

The business continuity management has been another essential source of information and measurement in the management of operational risk. Allfunds Bank has a business plan by systems and processes which has been reinforced during 2020 by testing a global operative plan. The COVID-19 pandemic outburst served as a live global contingency test, proving that the staff and systems are able to ensure business continuity by carrying out more than 95% via smart-working.

Periodic verification of recovery and business continuity plans are done yearly, and the tests scheduled for 2020 have been successfully completed.

Additionally, during 2020 the monitoring and control processes have been reinforced in accordance with the Outsourcing Policy as well with the Product Governance Policy. The process of outsourcing services follows a detailed and documented procedure for these decisions, including the notification to the regulator, if applicable.

Also, during 2020 the operational risk team has continued the optimization of its management and control processes through the GlobalSuite® tool which integrates activities and functions of corporate governance, risk management and compliance (GRC tool) although both, the integration of the new BP2S business with new processes, teams and users and the covid-19 outbreak has delayed its launch.

This tool allows the interaction of people interest in operational risk management and system information but with specific needs or limited to a certain area. It also allows the existence of a single source of information for the different functions/areas involved in risk management.

The adoption of other tools for the internal management and control of operational risk has been considered:

- External events database: the benefits of using external data that provide quantitative and qualitative information about operational risk events in banking services has been raised in order to get a better analysis of relevant events and help to carry out an adequate preparation of scenario exercises.
- Scenario analysis: Despite only punctual scenarios have been carried out for stress testing purposes, the objective is the scenario analysis on a regular basis, using the opinion of business and support areas and other subject matter experts as well as the risk and control functions.

During 2020 Allfunds Bank has continuously implemented and monitored mitigation actions for major sources of risk identified by the Operational Risk team, not only to control the degree of progress in their implementation but also to be able to monitor their effectiveness in accordance with the Procedure for the Mitigation Measures Management. The identification and implementation of mitigation measures is considered an essential process within the management of operational risk, and it is activated when:

- Tolerance limits defined within the risk appetite are exceeded.
- The analysis of the operational OKIs shows trends of deterioration.
- The result of the RCSA shows a residual risk that exceeds the level of objective/target risk established.
- Relevant events of category R1 (Relevance 1) and R2 (Relevance 2) occur in accordance with the Procedure for the Communication and Escalation of Operational Risk Events.
- There are significant incidents on processes that reveal the need to review them.
- The business continuity and disaster recovery tests are not satisfactory.
- There are deviations from the budget when there are processes where the operational risk management is integrated within the business strategy.

Prior to the approval of this procedure, mitigation measures were already being considered and monitored in response to the main identification tools developed to integrate them within the operational risk framework (ORF). These measures were focused on immediate corrective actions as well as on the improvement of systems security, the management of external fraud and the continuous improvement of processes and technology for an adequate provision of services. Now with the Mitigation Measures Management Procedure, the scope of measures monitored is expanded considering not only corrective actions but also preventive, tactical and strategic.

Specifically, since the end of 2019 and during 2020, Allfunds has mainly worked on defining specific measures to mitigate risk events in categories as external fraud, business disruption and system failures as well as execution, delivery and process management; in particular, it can be highlighted the improvement of the "closing" processes and management tools during contingencies, actions to improve the calendar maintenance process and the anti-fraud security actions mostly aimed at preventing external phishing fraud, all of which have been effective in this period reducing the number and impact of these kind of events.

Another remarkable aspect on the management of operational risk, is the management and control of third-party risk that the operational risk team performs jointly with the Legal, Compliance and IT Security teams, along with the 1LoD-areas related to the third-party/outsourcing process. Third-party/outsourcing has become a relevant emerging risk factor in the financial industry in the last years and since 2019 Allfunds Bank has been immersed in an active process of outsourcing and the use of cloud solutions as a consequence of the change of the entire IT infrastructure, the optimization of processes and new projects carried out as part of the business strategy. The Entity has strengthened the governance and internal control over outsourced processes and services, especially those assessed as "essential" and services we received from critical vendors. In 2020, the monitoring and control processes have been reinforced in accordance with the Outsourcing Policy, thus the operational risk team as part of the second line of defence has carried out a periodic process of supervision and evaluation of outsourced essential activities, monitoring aspects such as SLAs, incidents or the status of controls whose implementation or improvement was still pending, and duly escalated any relevant issue to the Audit and Risk Committee. During 2020, outsourcing risk has remained at acceptable levels regarding risk appetite; no relevant events had materialized, and service level agreements were adequate. Additionally, the Internal Audit team has conducted risk-based audits of essential outsourcing services during 2020, according to a defined internal methodology.

Moreover, within the mitigation process, business continuity plans are available and have been strengthened by updating, documenting and testing them to ensure the development of key functions in case of disasters or events that could suspend or disrupt the Group's activities. These continuity plans consider all the critical functions in the development of the processes, establishing the pertinent coordination mechanisms among the participants, as well as with other units or the parent company when dealing with critical processes that affect the Group.

As a further operational risk mitigation mechanism, Allfunds Bank has an insurance policy in order to transfer some risks that are not intended to be assumed. The insurance policy has a high level of coverage through several concepts, and a specific cybersecurity policy in addition. The frequency and severity of operational risk may change regardless of the stability of the operating processes. Therefore, the continuous application of operational risk management and control processes (i.e. a permanent review of indicators or execution of the self-assessment exercise at least once a year, among others) is considered essential to a proper management of this risk. Previously mentioned, there are three special circumstances in which Allfunds Bank control and monitor potential changes on the operational risk profile: the launching of new services, activities, processes or systems, relevant organizational changes and outsourcing of activities/processes.

As appropriate, the monitoring and control of operational risk is aimed at the recurrent analysis of the information available about the type and levels of risk assumed in the development of each activity or business, which includes:

- The collection of information, using the instruments detailed above and ensuring that the information flow to the responsible for each function (first lines of defence) who must be aware of it and, in any case, to the control functions (second lines of defence).
- The analysis of the information and the critical review of risks, their indicators and control mechanisms, to ensure their updating and improvement, especially the review of alerts born from previous analysis.
- The verification of compliance with policies and procedures regarding operational risk, as well as the proper use of the management tools.

Within the operational risk framework (ORF), the communication and reporting process at Allfunds Bank comprises the generation, disclosure and making available to the relevant persons and bodies all the information needed to know and assess the status of operational risks and to be able to take the necessary decisions and actions.

The generation of management information on operational risk is, therefore, one of the axes on which the management and control of this risk is supported at Allfunds Bank. There are several management reporting practices implemented allowing:

- Report the Group's operational risk profile and exposure.
- Improve the level of interaction of both Senior Management and the different areas regarding the active management of operational risk.
- Elaborate management reports with different levels of aggregation, according to the purpose of each one and according to the levels to which they are intended.

In 2020, Allfunds Bank has held a group of independent (quantitative and qualitative) management reports for monitoring the operational risk. This group of reports allows to obtain a broad view of the operational risk profile with different aggregation criteria and thus be able to present them at different hierarchical levels:

- External reporting:
  - Public information.
  - Due diligences requested by third parties.
  - Regulatory reporting.
- Internal reporting:
  - Monthly information to the members of the Internal Risk & Audit Committee.
  - Ad-hoc periodic information to the Board of Directors through the Risk and Audit Committee (delegate of the Board of Directors).

6.4 OWN FUNDS REQUIREMENTS FOR OPERATIONAL RISK

Capital requirements for Operational Risk at Allfunds Bank is calculated using the basic indicator approach according to Chapter 2 of Title III of the CRR.

The capital requirements for operational risk of Allfunds Bank Group as of 31st December 2020 stood at EUR 38,528 thousand.

The bank aims towards maximum automation of CIIs subscription and reimbursement orders management on behalf of its institutional clients. There is an ever-changing and improving environment. Defined alerts are in place in order to verify the delivery and reception of orders contain the required information and they are sent on time before defined cut-offs.

In order to assess if additional capital is required for this risk the bank performs an estimation of future losses from operational errors with historical data. If this amount represents more than 2% of Gross Margin in the consolidated Profit & Loss account, an additional 3% would be added on top of the basic indicator approach, to reach a weight of 18% up from the basic 15%.

At 31st December 2020 the operational net losses represent the 0.24% of Gross Margin and 0.23% of Own Funds, therefore deeming unnecessary the application of additional capital requirements to hedge this risk.

6.5 OPERATIONAL RISK PROFILE

The operational risk profile based on its distribution of losses by Basel-type event and in relation to the historical losses of the previous three years and the losses in the last year are reflected in figures 12 and 13, respectively.

Figure 12. Historical net losses (% Basel-type). AFB Group

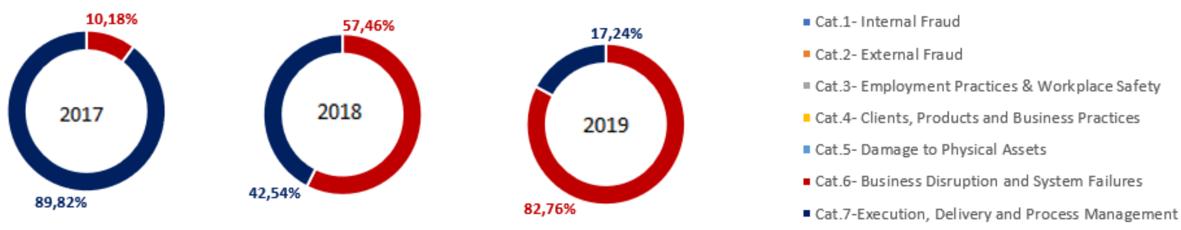
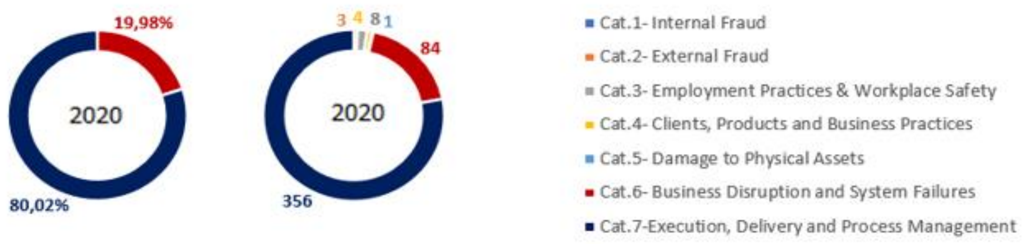


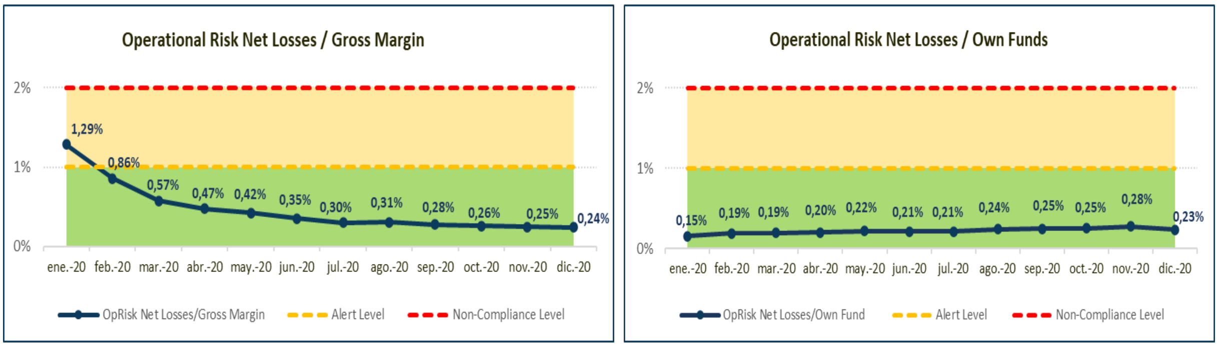
Figure 13. Distribution by type of event and number of events 2020. AFB Group



The evolution of losses by type of event shows that most operational losses are due to manual failures in processes (Execution, Delivery and Process Management: 80.02%) and systems failures (Business Disruption and System Failures: 19.98%) following the trend of previous years, where events for operational risk continue to be concentrated in these two categories.

Figure 11 reflects the evolution of the Operational RAS (Risk Appetite Statement) indicators during 2020; both metrics closed below target level (<0.50%) in compliance with Allfunds Bank's risk appetite.

Figure 14. Operational RAS (Risk Appetite statement) 2020. AFB Group



6.6. TECHNOLOGY RISK

As part of the operational risk framework, technological risk is the risk of losses due to the inadequacy or failures of the hardware or software of the technological infrastructures, due to cyberattacks or other circumstances, which may compromise availability, integrity, accessibility and security of infrastructures and data.

Its current measurement is based on 5 monthly monitoring indicators linked to the different areas that make up technological risk.

The internal governance frameworks associated with the different areas of technological risk have been designed according to international standards of recognized prestige and are aligned with the Guides published by the different supervisors:

- IT Governance. Creation and monitoring of strategic plans for being aligned with business, legal and regulatory requirements as well as innovation projects due to the Bank's digital transformation.
- Information Security. Designed and developed according to NIST CSF (Cybersecurity Framework) and the main Security standards.
- Technological Contingency (Business Continuity Management) designed and developed according to the ISO 22301 Standard. Allfunds Bank has defined a framework for Business Continuity Management to identify risks of exposure to internal and external threats. Its main goal is to provide the entity with the ability to effectively respond to threats such as natural disasters, pandemic outbreaks, strikes, terrorist attacks or data breaches and protect the business interests. During 2020, BCP and DRP have been updated and tested, and the result was satisfactory.

- Information governance and data quality, designed and developed taking into account the main measures aimed at:
    - Systems Operation. Controls related to system operation and data management (including administration, data storage, backup management and performance, capacity and availability monitoring).
    - Systems upgrading and substitution management. Controls related to change/updating processes such as migrations, co-existence, decommissioned or partial implementations.

Ensures:

- Compliance with the recommendations of regulators: Bank of Spain, European Central Bank, etc.
- Security in operations, both in normal processes and in extraordinary situations.
- Its commitment to the governance of information technology, security and business continuity; and
- The existence of different cyclical processes based on continuous improvement.

6.7. ASSOCIATION WITH THE RISK CATALOGUE

Other risk categories within the group's risk catalogue for which operational components have been identified are:

- **Legal and regulatory risk:** Risk of loss that results from legal proceedings (including claims from providers and clients and bankruptcy) initiated against the bank or a trade/order not being able to be executed because it is not compliant with the minimum requirements or the applicable regulatory framework. Another legal risk relates to regulatory risk, i.e., that a transaction could conflict with applicable laws and regulation or with a regulator's policy, that services are not provided in accordance with the applicable regulations or, more generally, that legislation might change during the life of a contract under which services are being provided.

  Allfunds Bank's Legal department and Compliance department are responsible for managing this risk. The Legal department, as risk owner function and with the support of external legal advice if needed, reviews and analyses the applicable laws and regulations to the services provided and drafts and negotiates all the contracts that the bank enters into further to such previous legal analysis.

  The Senior Management considers several mitigating factors, the most relevant ones being:

    - All agreements are based on standard templates which are designed in accordance with applicable laws and regulations. Deviations are only authorized if validated by a senior lawyer and the agreement must have always validation of Legal department before being signed
    - All services are designed and rendered in accordance with applicable laws and regulations.
    - The bank receives the legal support and advisory of external law firms, if necessary.

  The Global Head of Legal Department is also the Secretary of the Board of Directors and keeps the members of the Board informed about legal concerns.

  Moreover, this risk is included within the operational risk definition as subcategory, so any type of event related to it will be taxonomized within the Basel categories of operational risk. This allows the entity to use the internal database of operational risk events to identify this type of risk in order to calibrate the possible capital requirements for the Capital Self-Assessment process.

- **Third-party risk (outsourcing):** is the risk that engaging a third party (vendor or supplier) or another group entity (intra-group outsourcing) to provide IT systems or related services adversely impacts the institution`s performance and risk management. The Entity has a Supplier Procurement Procedure that includes due diligence controls and an Outsourcing Policy that establishes the criteria to take into account when outsourcing activities to third parties based on the recommendations of the EBA guidelines on outsourcing arrangements (EBA/GL/2019/02). In 2020, the monitoring and control processes have been reinforced in accordance with those mentioned policies. The decision to outsource involves a risk and control assessment; therefore, the Compliance, Risk Management and Information Security departments prepare their risk assessments reports according to this Policy with the objective to assess and mitigate risk to a reasonable extend prior to the implementation of the outsourced service/ process. These reports are sent to the Legal department who consolidates the information and sends the information to the competent authorities, if applicable. Subsequent to these reports, the control areas on a regular basis carry out a second level monitoring to verify that the controls and mitigation measures are adequate and do not increase the exposure to the identified risks.

The incidents derived from suppliers may be taxonomized in Basel Category 6 and 7; this allows the Entity to use the internal database of operational risk events to identify this type of risk and to be able to calibrate the possible capital requirements for the Capital Self-Assessment process.

- **Model risk:** is the risk of loss resulting from using insufficiently accurate model to make decisions originally and frequently in the context of valuing financial securities. However, model risk is more and more prevalent in other activities than financials securities valuation, such as assigning consumer credit scores, real time probability, prediction of fraudulent credit card transactions, etc. Therefore, it can also be defined as the risk of suffering losses as a result of failures in the design, implementation and/or use of models used for decision-making. This risk currently has a minimal impact on Allfunds Bank since the entity does not use internal models (either statistical algorithms or battery of rules) for decision-making. However, potential sub-types of model risk, such as errors in their design, use of unauthorized models or their malfunction, are taxonomized in Basel Category 4: Clients, Products and Business Practices, and in Category 7: Execution, Delivery and Process Management, so that if required, the entity could use the internal database of operational risk events to identiy this type of risk and to be able to calibrate the possible capital requirements for the Capital Self-Assessment process.

7. INTEREST RATE RISK

7. INTEREST RATE RISK

7.1 DEFINITION

Interest rate risk is the possibility of losses due to the potential impact of changes in interest rates on the entity's profits or on the net value of its assets.

7.2 LIMITS AND DIVERSIFICATION

In order to comply with the standards issued by the CRR/CRD IV, the impact of the yield curve on net interest income and the equity is calculated and reported every six months for the entity and its affiliates.

Although the entity has low sensitivity to movements in interest rate, the entity monitors it by assessing the impact on net economic value divided by own funds.

7.3 STRUCTURE AND ORGANIZATION OF INTEREST RATE RISK

Due to the low exposure to the interest rate risk, no specific structure has been defined for the individual management of this risk.

7.4 REPORTING, MEASUREMENT AND MITIGATION SYSTEMS

Due to the reasons indicated above, the reporting is limited to biannual regulatory reporting about sensitivite on the net interest margin and on the bank economic value.

7.5 OWN FUNDS REQUIREMENTS FOR INTEREST RATE RISK

Most assets and liabilities are positions at sight, with a small presence of financial instruments subject to interest rate risk, which brings the entity to affirm that there is not relevant exposure to this risk.

All accounts at sight (both assets and liabilities) are referred to a floating interest rate, applying the same reference interest to all accounts in the same currency, establishing a spread by currency among assets & liabilities at sight.

Due to the low remuneration paid on deposits in recent years (especially at sight and short term), the entity has opted for longer terms in its euro denominated deposit investments.

Nonetheless, these deposits can be cancelled at any time without additional costs.

The entity does not set internal limits to mitigate this risk due to the residual impact on its balance sheet.

On the other hand, the impact of interest rate fluctuations on its income statement (via the net interest income margin) and net equity is very low, mainly because the main source of the entity's income comes from commissions stemming from the resulting margin between the collection of rebates from the CIIs funds management companies and the payment of part of these rebates to the institutional clients.

According to the states reported by interest rate:

Table 22. IRRBB information

Reduction in economic value	Σ Recurrent profit (last 3 years)	20% Internal Capital
395	321,600	75,190

8. LIQUIDITY AND FUNDING RISK

8. LIQUIDITY AND FUNDING RISK

8.1 DEFINITION

Liquidity risk can be defined as the possibility of incurring losses when there are not sufficient cash or liquid resources to comply with the obligations assumed.

8.2 LIMITS AND DIVERSIFICATION

Due to the current business model of the entity, and the low exposure to liquidity risk, the entity has decided not to establish limits in order to hedge the potential risks that may arise from operating liquidity (derived from not being able to unwind or close a position in time) as well as liquidity limits orientated towards covering structural liquidity risk that keep a minimum level of liquid assets, so the entity can assure that there are no maturity gaps between assets and liabilities.

8.3 STRUCTURE AND ORGANIZATION OF THE LIQUIDITY RISK MANAGEMENT FUNCTION

The entity follows conservative criteria in the management and dilution of losses for this risk. Allfunds Bank has defined procedures and methodology in order to properly manage liquidity risk. The procedures also provide a full coverage of the liquidity standards required by the regulator.

Operating or short-term cash flow are managed by the "Banking Services Area" integrated in the Operations Department under the close monitoring of the Finance Department.

Due to the current business model and the low liquidity risk exposure established by the BoD the probability of incurring losses derived from sufficient liquid resources available to meet the obligations assumed is low.

8.4 REPORTING, MEASUREMENT AND MITIGATION SYSTEMS

Liquidity risk management and monitoring principles assumed by Allfunds Bank Group respond to the guidelines established by the European Banking Authorities and the principles and requirements set up by the CRR through the Liquidity Coverage Ratio. In particular, the main processes implemented by the bank include the following items:

- Liquidity ratios (LCR, NSFR and ALMM).
- Liquidity stress testing.
- Definition of a minimum level of liquid assets or liquidity buffer.
- Construction of a High-Quality Liquid Assets Portfolio.

With the previous mitigation measures in place to face this risk and with the diversified buffer of liquid assets the bank considers it is well positioned to cover any liquidity needs in a short-term liquidity stress.

In order to preserve the bank's liquidity, including its intraday liquidity, the following mitigating controls have been established:

- Monitoring and control of payments over 3 million euros derived from the settlement of subscription orders or redemption orders of units of CIIs.
- Liquidity withdrawals from balances held in current accounts are closely monitored.

Additionally, the LQs liquidity statements are monitored each month in order to identify possible gaps between short-term inflows and outflows in a normal market environment. If a risk of a liquidity gap is identified, the Risk Management Department is responsible for escalating it to the Audit and Risk Management Committee and, ultimately, to the Board of Directors through the Audit and Risk Board Committee.

Alert and Non-compliance levels are reviewed by the Board of Directors at least once a year.

8.5 OWN FUNDS REQUIREMENTS FOR LIQUIDITY RISK

No additional capital is deemed necessary for liquidity risk since current measures are considered adequate to prevent possible losses resulting from adverse liquidity scenarios.

Additionally, in order to face 'extraordinary' stressed scenarios, the entity keeps a prudential buffer of liquidity in the context of the LCR, having established a target LCR ratio of 40% above the regulatory requirement, mainly allocated to central banks.

8.6. MEASUREMENT OF LIQUIDITY NEEDS

8.6.1 LIQUIDITY AND FINANCING MANAGEMENT FRAMEWORK

Allfunds Bank Group has a governance framework for liquidity and financing management approved by the Board of Directors and aimed at meeting the objectives defined by the Board, using short-term indicators such as the LCR, long in the case of the NSFR and the ALMMs which provide specific related information on the concentration of financing by counterparty, and by product type, prices according to various durations of financing and refinancing, as well as the concentration by issuer and counterparty.

This framework is articulated through an organizational structure with three lines of defence aimed at the adequate admission, monitoring, control and review of liquidity risk; with roles and responsibilities distributed among them, and among each of the different teams and people that make up them, in order to ensure proper risk management and avoid potential conflicts of interest.

In order to ensure the proper supervision of liquidity and financing risk management, the Steering Committee of the entity is established as the delegated body by the Board of Directors of the entity to supervise risk management on a regular basis.

8.6.2 ROLES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The Board of Directors is responsible, among others, for the following aspects related to the management of the entity's liquidity and financing, which are scaled up through the General Management:

- Approve the strategy for liquidity and funding management.
- Approve the appetite for liquidity and funding risk.
- Approve the entity's Liquidity Risk Management and Policy Framework.

8.6.3 LINES OF DEFENCE

Liquidity and financing is managed through an organisational structure with a clear segregation of the roles and responsibilities for each of the lines of defence, with the aim of avoiding conflicts of interest and managing risk in order to comply with the risk appetite approved by the Board of Directors, as shown below:

Table 23. Lines of defence. Liquidity needs.

	1ª line of defence	2ª line of defence	3ª line of defence
Main functions	*Execution*	*Identification, measurement and control*	*Assessment, valuation and review*
Areas	**Business**	**Risks**	**Audit**
Roles & Responsibilities	-To assume day-to-day responsibility for the entity's liquidity management Managing the entity's pool of assets and daily liquidity position -To make profiTable the excess liquidity of the entity and find the best option in the market to maintain the amount of liquid assets of high quality, thus maintaining the liquidity ratio in line with risk appetite. -Ensure compliance with the limits and indices in the operation related to the application of funds	-Analysing the liquidity position through indicators used by the Bank -Reporting to the Board of Directors in the event that the established thresholds are exceeded and analysing and advising on action plans related to liquidity and financing -Analysing the mismatches in the flows of the financing structure and the application of funds, which may arise due to their maturities -Control that there are no financing gaps by analysing the maturities of asset and liability flows. -Generate the metrics and statements required by the Bank of Spain	-Review the adequacy and relevance of controls which, inter alia, should ensure the accuracy and completeness of data and information, including the capability of the tools necessary to perform this function. -Lead the periodic review of liquidity and financing management processes in the entity. -Ensure compliance with the policies, liquidity and financing processes and report on non-compliance with them to the Risk and Audit Committee and the Internal Risk Committee.
Cross-sectional areas	**Technology**		**Accounting**
Roles and Responsibilities	Provide disaggregated information from the source of data (Host) located on the Bank's servers, to the system that generates the accounting information (SIC).		Generate the accounting information required by the Bank of Spain to evaluate liquidity management.

8.6.4 FINANCING PLAN AND LIQUIDITY INDICATORS

The entity has a Liquidity Financing and Management Plan integrated into the entity's Strategic and Business Plan. The principles defined in particular are the principles of liquidity risk management and monitoring applied by Allfunds Bank Group which comply with the guidelines established by the European banking authorities and the principles and requirements established by the CRR through the calculation of the LCR, NSFR and ALMM.

Liquidity risk management procedures and methodologies have been defined and diligently documented in the liquidity risk procedures manual, providing full coverage of liquidity standards required by the regulator and following conservative criteria in liquidity risk management:

- Allfunds Bank Group does not collect deposits from its customers and does not make funds applications with the customer's balance.
- Excessive liquidity is invested in interbank deposits with high-credit quality institutions in order to mitigate concentration risk.
- The liquidity excess of the subsidiaries is sent to the parent company in Spain by means of interbank deposits with a maturity of one day (overnight) to mitigate the concentration risk, complying with the requirements established by the CRR and thus being able to have immediate availability of funds if necessary.
- The excess liquidity of the branch in Italy is placed through the parent company in Spain in overnight deposits.
- The liquidity that comes from the entity's equity and from the flows from the entity's business through the settlement of the orders received from customers for subscription and redemption of IICs (Distribution Portfolio) received from customers is materialized in overnight demand accounts and interbank deposits.
- In addition, fees income also generates cash in relation to the distribution activity of the IICs, as well as to intermediation services.
- Balances held in customers' current accounts are not intended to be fixed, but to cover the need to underwrite the subscription orders of IIC units. The entity is prudentially stable, with maximum overdraft limits allowed in these accounts, thus minimizing the impact on the bank's liquidity risk.
- In addition, there are other balance sheet accounts (accrued and deferred income) arising from receivable and payable fees for retrocession of the management fees of the aforementioned IICs. Commissions are charged on a quarterly basis and are payable (liabilities) after the date of collection. Therefore, the liquidity risk arising from this concept is very low. The bank is well positioned to meet any short-term liquidity needs due to the mitigation techniques used and the diversification of its liquidity buffer.

Due to the entity's current business model and low exposure to liquidity risk, the entity has decided not to set limits to cover potential risks arising from operational liquidity (derived from not being able to close or close a position over time), as well as liquidity limits to hedge structural liquidity risk to maintain a minimum level of liquid assets, ensuring that there is no funding gap between the asset and liability flows.

Short-term or operating cash flow is managed by the "Banking Services" area integrated into the Trading and Execution Services Department and monitored by the Finance Department.

8.6.5 LIQUIDITY AND FINANCING POLICIES

The entity has a Liquidity Risk Management Policy that allows to:

- Establish internal measures to ensure that Allfunds Bank maintains a sufficient level of liquidity to meet its payment obligations, even under adverse liquidity scenarios;
- Define an efficient process to establish, monitor, report and change the necessary liquidity buffer to keep Allfunds Bank's risk profile within the levels approved in the risk appetite framework;
- Define and delegate responsibilities to manage measurement and monitoring processes and internal controls to ensure that liquidity ratios are kept at adequate levels.

8.6.6 MAIN LIQUIDITY INDICATORS

Liquidity risk strategy is integrated into the entity's commercial strategy. The main indicators and thresholds defined by the entity are shown below:

Ratio	Frequency	31.12.2020
LCR	Monthly	624.43%
NSFR	Quarterly	164.70%

Liquidity Coverage Ratio (LCR)

The LCR is the basic indicator used for liquidity management which is defined as high quality liquid assets (HQLA) to cover liquidity needs in a liquidity stress scenario of 30 calendar days, the composition on 31st December 2020 being as follows:

Table 24. Liquidity Coverage Ratio (LCR) Thousand Euros

Components	Amount
Liquidity buffer	1,245,483
L1 excl. EHQCB liquidity buffer (value according to Article 9): unadjusted	1,245,483
NET LIQUIDTY OUTFLOW	199,459
Total Outflows	456,225
Reduction for Inflows Subject to 75% Cap	256,766
LIQUIDITY COVERAGE RATIO (%)	**624.43%**

Allfunds Bank fulfils both the obligation to report the index on a monthly basis and the obligation to maintain a HQLA liquidity buffer, in the form of liquidity at EU-central banks (Bank of Italy, Bank of Luxembourg and Bank of Spain). For this purpose, there is a continuous monitoring of these ratios and a monthly reporting in the internal Risk & Audit Committee.

Net Stable Funding Ratio (NSFR)

The NSFR is the core indicator used for the management of financing, which is defined as the amount of stable financing available over the amount of stable financing, which as of 31st December 2020 has the following composition:

Table 25. Net Stable Funding Ratio (NSFR) Thousand Euros

Components	Exposure	Weight	Amount
• Total regulatory capital (excluding Tier 2 instruments with residual maturity of less than one year)	**1,281,950**	100%	**1,281,950**
• Less stable non-maturity deposits and term deposits with residual maturity of less than 1 year provided by retail and small business customers	**1,500,509**	90%	**1,350,458**
• All other liabilities and equity not included in the above categories, including liabilities without a stated maturity (with a specific treatment for deferred tax liabilities and minority interests)	**820,137**	0%	**0**
TOTAL AVAILABLE STABLE FUNDING	**3,602,596**		**2,632,408**
• Coins and banknotes	**23**	0%	**0**
• All central bank reserves	**1,245,461**	0%	**0**
• All other unencumbered loans to financial institutions with residual maturities of less than six months not included in the above categories	**664,469**	15%	**99,697**
• Loans to financial institutions and central banks with residual maturities between six months and less than one year	**0**	50%	**0**
• Deposits held at other financial institutions for operational purposes	**0**	50%	**0**
• All other assets not included in the above categories with residual maturity of less than one year, including loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns and PSEs	**387,743**	50%	**193,871**
• NSFR derivative assets net of NSFR derivative liabilities if NSFR derivative assets are greater than NSFR derivative liabilities	**294**	100%	**294**

• All other assets not included in the above categories, including non-performing loans, loans to financial institutions with a residual maturity of one year or more, non-exchange-traded equities, fixed assets, items deducted from regulatory capital, retained interest, insurance assets, subsidiary interests and defaulted securities	**1,304,427**	100%	**1,304,427**
TOTAL REQUIRED STABLE FUNDING	**3,602,596**		**1,598,289**
NSFR			**164.70%**

The entity has defined other liquidity indicators to monitor liquidity (**ALMM - Additional Liquidity Monitoring Metrics**) that are introduced to increase effective liquidity supervision, providing a more complete picture of the bank's liquidity position, in proportion to the nature, scale and complexity of an institution's activities.

The metrics calculated are the concentration of financing by counterparty and by product type, the prices according to different durations of financing and refinancing, as well as the concentration of countervailing capacity by issuer and counterparty.

8.7. UNENCUMBERED ASSETS

At the end of December 2020, the last available state about the encumbered assets of Allfunds Bank Group was as follows:

Table 26. Unencumbered assets. Allfunds Bank Group[16]

	Encumbered assets		Unencumbered assets	
Thousand Euros	On-balance sheet amount	Fair value	On-balance sheet amount	Fair value
Assets	2,698	-	3,599,898	-
Demand loans	303	-	1,842,793	-
Equity instruments	-	-	394	394
Representative values of debt:	-	-	-	-
guaranteed bonds				
Asset securitization bonds				
issued by Public Administrations				
issued by financial companies				
issued by non-financial corporations				
Loans and advances other than demand loans:	2,395	-	231,093	-
mortgage loans	-	-	-	
Other assets	-	-	1,525,618	-

[16] In 2020 Liberty Partners presented the same data relating to the encumbered assets, being different the data relating to the unencumbered assets (see details in Annex 1. Quantitative information about Liberty Partners).

9. OTHER RISKS

9. OTHER RISKS

9.1 REPUTATIONAL RISK

Reputational risk is considered a basic item for action by the Senior Management of the Bank.

The decision on launching or material changes of new products or services must be taken in the Strategic Product Portfolio Committee, set in February 2020 and chaired by the CEO, with a prior assessment by the Compliance and Risk Management departments, as well as reviewed by Legal and any other department involved. In addition, any new service outsourcing requires a prior assessment by the Compliance and Risk departments. During 2020 the outsourcing process has been reinforced and the update of the new procedure for the approval of new products will be effective in 2021.

In the case of new clients, the approval is subject to a previous analysis performed by the Compliance and Risk departments of Allfunds Bank, supported by the Sales department. This analysis will determine the potential impact on the ML/FT, reputational and financial risks of the Bank. Approval of new clients is overseen on the Customer Acceptance Committee (CAC), chaired by the CEO and coordinated by the AML/CFT Unit of the Compliance Department. For the medium risk and high-risk customers, the AML/CFT Unit reserves the right to apply enhanced due diligence measures prior to be submitted to the Customer Acceptance Committee (CAC).

Likewise, any new asset management house to be onboarded through Allfunds' platform has to be priorly reviewed by the AML/CFT Unit, with the support of the Fund Groups department. The AML/CFT unit, in case of concerns, may submit the new fund house to the CAC for approval. By doing so, any particular asset and/or asset management house that the Entity regards as sensitive of generating reputational risk will not be incorporated into the product range available to clients.

Conversely, if a client requests trading a product of its kind, the Bank requires the signature of a legal agreement whereby the client disclaims all subsidiary responsibility resulting from the investment, and therefore the customer assumes and accepts all risks involved in the investments concerned (including a possible default).

Regarding the suppliers, the Entity has implemented a Suppliers Selection procedure ensuring that the appropriate preventive measures regarding the Company´s proposed suppliers within the following areas: (i) Corporate Defence; (ii) general Data Protection Regulation; (iii) AML/CTF and reputational risk; and (iv) Corporate Social Responsibility. Some enhancement in this process will continue in 2021.

Finally, in 2020 the Company has implemented the Intermediaries Selection Procedure and the Sub-custodian Selection Procedure. This strengthens the company's protection in its relationship with third parties and reduces reputational risk.

9.2 BUSINESS RISK

Business risk is considered a main risk for the Bank, for this reason the Entity has integrated into its Risk Appetite the indicator called profitability of the assets under administration, which measures the commissions in relation to the volume of assets under administration. This indicator is the one used by the Entity to know the evolution of the business.

9.3 ENVIRONMENTAL RISK

Within the framework of its corporate responsibility, Allfunds aims to reconcile the core purposes of this risk management system with an increasing consideration of ethical, social, and environmental criteria and therefore continues to strengthen its corporate sustainability and ESG criteria. In this regard, important steps are being taken to correctly manage environmental risk in order to obtain ISO 14001 certification in 2021, and to integrate the management of this risk into the control framework of the entire company. The assessment of the direct and indirect environmental impacts arising from Allfunds' activities is a complex task that requires the development of specific risk analysis methodologies; Allfunds, aware of the growing legal and social pressure on the environmental consequences of economic activities, continues to contribute to the use of viable, less polluting alternatives, helping to reduce environmental damage. In addition, a new Environmental and Climate Change Management Policy was approved in 2020, aligned with other Allfunds policies and protocols, notably the Corporate Social Responsibility Policy and the General Code of Conduct.

The aim of this policy is to incorporate the managementand control of environmental risksinto the business strategy and to constantly improve the identification and management of these risks in Allfunds' operations.

Allfunds also includes environmental commitments in its Corporate Social Responsibility Policy, with the following environmental commitments:

- **Opt for a Sustainability Perspective** based on environmental risk management and environmental education of the people who make up Allfunds to assess, avoid, reduce and mitigate the environmental risks and impacts of the activities carried out by the Entity.
- **Prevent Pollution** by identifying and assessing its environmental impacts and establishing control mechanisms.
- **Contribute to the Mitigation of Climate Change and Sustainable Use of Resources** by combining or replacing the use of non-renewable resources with renewable resources in key areas such as use of materials and facilities and water.
- **Establish Environmental Criteria** in the selection of suppliers and promote environmentally responsible actions in Allfunds' scope of influence.
- **Measure, Record and Report with Transparency** the company's main environmental indicators.

Another of the environmental actions carried out during the year was the **creation of the new environmental brand Allfunds Environmental**, as well as a section on the intranet on the environment, which includes information on environmental awareness campaigns and environmental actions carried out and news on the environment.

Allfunds also has an Environmental Aspects Identification and Assessment Procedure and has therefore identified its environmental aspects and their impacts associated with the provision of its services. The main environmental aspects identified, and their impacts are as follows:

Table 27. Environmental aspects and impacts

Process/ Activity	Aspect	Impact
Lighting of facilities and power supply to equipment	Electricity consumption (kWh)	Depletion of natural resources
Cleaning, human consumption and hygiene use	Water consumption (m3)	Depletion of natural resources
Use of paper in the office	Paper consumption (sheets)	Depletion of natural resources
Use of paper in the office	Paper and cardboard waste generation (kg) Toner waste generation (units)	Pollution from waste management, land occupation
Printing paper in the office	Toner consumption (units)	Resource depletion through consumption of raw materials
Printing paper in the office	Generation of toner waste (units)	Pollution from waste management, land occupation
Replacement of lights or end of useful life of lights	Generation of fluorescent lamps (units) waste	Pollution of the environment, land occupation
Packaging waste, packaging	Generation of plastic and packaging waste (kg)	Pollution of the environment, land occupation
Obsolete or damaged equipment	Generation of Waste Electronic & Electrical Equipment (WEEE) (units)	Pollution of the environment, land occupation
Kitchen, canteen and pruning waste	Generation of organic waste	Pollution from waste management
Use of office equipment	Generation of alkaline batteries (kg)	Clogging of landfills
Office activities	Noise emission into the atmosphere	Pollution of the environment, land occupation
General bathroom use in office	Discharge of urban waste water or sanitary water (m^3)	Atmospheric pollution and health effects

Allfunds has not received any fines or environmental sanctions during 2020.

Additional information can be found in the CSR Annual Report (https://allfunds.com/files/csr/2-report.pdf) and the Non-financial Information Report (https://allfunds.com/files/csr/3-non-financial-report.pdf) at its public webpage under the Corporate Social Responsibility section (https://allfunds.com/en/csr/).

9.4 RESIDUAL RISK

While companies use credit risk mitigation (CRM) techniques to reduce their credit risk, these techniques give rise to other risks that may render the overall risk reduction less effective. No identification applies because the Entity does not apply such mitigation techniques.

10. REMUNERATION POLICY

10. BACKGROUND AND SCOPE OF APPLICATION

The following appendix includes the information with regards compensation and remuneration policies as required by Banco de España and according to article 74 of the CRR.

Scope of application

The policy described in this section is applicable to the entire Allfunds Group, with specific implementations of it in significant countries (Luxembourg and Sweden).

10.1 ALLFUNDS REMUNERATION POLICY

This policy has been drafted considering that the international corporate structure of Allfunds, through its management team, aspires to create a culture of high performance focusing on ongoing improvement, goals' achievement and client service, where the employees are rewarded and recognised for their achievements, efforts, performance, engagement and commitment, measured through competencies (knowledge, abilities and attitudes) and setting goals, that enable it to capture, manage and retain talented professionals.

The Company has paid special attention to ensuring that the Policy complies with the remuneration regulations applicable to credit institutions, and that the elements that compose it promote adequate and effective risk management, always avoiding potential conflicts of interest. The Risk and Regulatory Compliance areas are in charge of assessing the adequacy of the policy in this regard. As set out above, this Remuneration Policy has been prepared to promote sound and effective risk management, and to this end, the policy also aims to prevent employees from assuming risks that exceed the risk level tolerated by the Bank.

10.2 CORPORATE GOVERNANCE

10.2.1 BOARD OF DIRECTORS

The Board of Directors has set up an Appointments and Remuneration Committee ("RemCo") made up of a minimum of three and a maximum of five members of the Board of Directors who do not perform executive duties within the Company.

As to the Board itself, its responsibilities in the area of remuneration include the following:

- To ensure the proper elaboration and periodical review of the general requirements of the remuneration policy.
- To set out and monitor the remuneration of the management functions' members.
- To ensure that the Remuneration Policy and practices are appropriately implemented and aligned with the Company's overall corporate governance framework, corporate culture, risk appetite and related governance processes.
- To approve the Remuneration Policy of the Company and the "Identified Staff" List.

The remuneration of the members of the Board is set out in the Bank's bylaws, explained below and approved by the General Meeting.

10.2.2 APPOINTMENTS & REMUNERATION COMMITTEE

Allfunds' RemCo is composed by non-executive directors. All or most of them are independent.

Members of the RemCo (and other staff members who are involved in the design and implementation of the remuneration policy) shall have relevant expertise and functional independence from the business units they control and thus be able of forming an independent judgment on the suitability of the remuneration policy.

The RemCo generally meets no less than twice per year with one of those meetings taking place at the end of the salary review and bonus process for its approval.

Its main duties with regards to remuneration are the following:

- To propose to the Board of Directors decisions regarding remuneration, including those that have repercussions on the risk and risk management of the Company. In particular it shall report on:
  - the general remuneration policy for members of the Board of Directors, senior executive vice-presidents or similar positions and other members of the Identified Staff (as defined in applicable legal provisions); and
  - individual remuneration and other contractual terms of the members of the Board of Directors with executive duties, ensuring the observance thereof.

- At least once a year review and assess the Remuneration Policy in order to verify that remuneration standards and procedures approved by the Board of Directors are complied with.

10.2.3 AUDIT AND RISK COMMITEE

The Audit and Risk Committee is the body responsible for the risk management, audit and compliance functions of the Entity. On remuneration issues, its main duties are the following:

- To cooperate with the RemCo in the establishment of the Remuneration Policy.
- To examine if the policy of incentives provided for in the Remuneration Policy takes into consideration risk, capital, liquidity and the likelihood and opportunity benefits.
- To ensure that established policies comply with the applicable regulatory framework.

10.2.4 CORPORATE AND CONTROL FUNCTIONS

It corresponds to the control functions to assist the RemCo, when required, in determining the overall strategy of the Company applicable to remuneration, considering the need to promote sound and effective risk management.

10.2.5 SPECIFIC FUNCTIONS

These corporate and/or control units and management will assume the following specific functions:

a) Human Resources:

- Proposing to the RemCo the Remuneration Policy and its subsequent amendments;
- Coordinating and monitoring, as a complement to the Board of Directors, the implementation of the Policy and evaluating its performance;
- Safeguarding employment contracts;
- Preparing the annual remuneration report;
- Disclosing of the List of the "Identified Staff" to the Bank of Spain.

b) Risk Management: assessing how the variable remuneration policy affects the risk profile of the Entity and Entity's culture.

c) Compliance: Analysing how the Remuneration Policy affects regulatory compliance and internal policies of the Company. The conclusion will be included in the annual Compliance Report to be provided to the Board of Directors.

d) Internal Audit: reviewing the Remuneration policy is part of the internal audit plan and shall be done on a yearly basis. The internal audit report is notified to management and to the Board of Directors. Additionally, Internal Audit shall provide the Audit and Risk Board Committee and Senior Management with a reliable opinion about the effectiveness of controls aimed at mitigating significant risks that affect the business, both existing and potential. The aim of this is to ensure, independently, reliably and in a timely manner, the proper functioning of good governance, risk management and the controls implemented to mitigate current and incipient risks, considering the current and expected control environment in the future.

10.3 PRINCIPLES OF THE REMUNERATION POLICY

The appropriate remuneration of its employees and directors is a key factor for achieving the Company's goals and for creating value for shareholders. For Allfunds it is vital to have a Remuneration Policy that, through the various elements of compensation, enables it to properly remunerate each position within the organisation, based on the position's level of responsibility and contribution, and to adequately reward exceptional results and performances, thus allowing the Company to attract, manage and retain talented professionals.

Allfunds' Remuneration Policy is governed by the following principles:

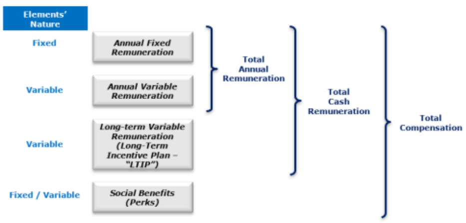
- Remuneration must foster an adequate and efficient risk management, and must be aligned with the interests of shareholders, fostering the creation of value in the short, mid and long terms and reducing excessive risk assumption.
- The global remuneration package and its structure should be competitive, making it easier to capture, retain and adequately remunerate employees and directors.
- Allfunds' Remuneration Policy must be gender neutral and comply with the principle of non-discrimination for reasons of gender, age, culture, religion and race.

- The Policy should promote internal fairness between similar levels of responsibility and performance.
- Remuneration must be consistent with the maintenance of a sound and solid capital base of the Entity.
- Fixed remuneration should represent a significant portion of total compensation.
- Variable remuneration should reward performance, based, among other factors, on having a solid capital base and achieving the Group's goals, so that it may be limited or modulated in the event of underperformance at Allfunds.
- The Remuneration Policy aims to encourage responsible business conduct and ensures that employees are not remunerated in a way that conflicts with their duty to act in the best interests of clients. In particular, the Remuneration Policy does not introduce incentives for employees to favour their own interests or the institution's interests to the detriment of clients:
    - Variable remuneration includes qualitative criteria to ensure that the rights and interests of clients are adequately considered.
    - There is no direct link between the remuneration and the sale of certain financial instruments or specific product categories.
    - The Remuneration Policy is flexible and allows for the possibility of paying no variable remuneration at all.
- The allocation of the variable remuneration elements within the Entity shall also consider all types of current and future risks.

10.4 ELEMENTS OF THE REMUNERATION POLICY

The remuneration arrangements may include a mix of base salary, annual bonus awards, (share incentives/ a long term incentive plan) and other specific benefits:

Figure 11. Elements of the Remuneration Policy



When it is not possible to clearly set out whether a remuneration component is of a fixed nature, it will be considered of a variable nature (separate from the annual variable remuneration or bonus) for the purposes of the limits and/or requirements established in the Policy in accordance with applicable regulations.

When determining the remuneration of a specific position at Allfunds, the following factors are considered:

- Internal balance: comparison with the remuneration of an employee whom the Company is paying for a position of comparable profile (knowledge, abilities, attitudes, responsibility, experience and contribution).
- External balance: comparison with the remuneration of an employee whom the market is paying for a position of comparable profile (knowledge, abilities, attitudes, responsibility, experience and contribution). To assess the Policy's External balance, the following aspects must be considered:
    - Specificity of the business/niche: Allfunds' business is practically unique in the market so that it is not easy to find competitors with a similar business model, although several of the profiles of the Company may be found in other operators within the financial sector.
    - Commercial profile / Client-oriented approach: Most all the profiles must support the sale process with their knowledge. Therefore, they must be highly client-oriented profiles, with considerable capacity to develop commercial relationships and intervene in the various phases of what is usually a long negotiation process until a deal is closed.
    - Corporate/Institutional Client: Allfunds' clients are financial institutions (institutional clients). The level of interlocution of the professionals and directors of Allfunds within these institutions is typically close to that of the heads of specialist areas and the board of directors of these institutions. Therefore, commercial positions or positions that support institutional sales must be taken as a reference.
    - International Component: Allfunds' final clients may be located anywhere in the world and, accordingly, it is necessary to

assess this component of willingness to travel and, potentially, close deals anywhere in the world.

In addition to these, for the purposes of taking market remuneration references, the following elements are considered:

- Impact of the position on the business
- Relationship with clients
- Complexity of the position
- Importance in the Company's expansion process
- Team management
- Retention of key employees

10.4.2 FIXED REMUNERATION

Fixed Remuneration is the annual gross fixed cash compensation received by each employee (the "Fixed Remuneration"). In order to set it up, the Company looks at both external and internal balance, by reference to the various markets where it operates (Spain, Italy, United Kingdom, Luxembourg, Switzerland, Poland, France, LATAM, APAC, UAE,…).

Fixed Remuneration fundamentally achieves two goals:

- To remunerate the level of responsibility and complexity of the functions assigned to each job position. In relation to this objective the internal balance of the remuneration is especially important, establishing and maintaining a fair remuneration structure that is coherent with the relative importance of each position, so that the greater the responsibility and/or complexity the higher the benchmark level of Fixed Remuneration.
- To guarantee enough remuneration so that there is a fair and efficient ratio between the fixed and variable elements of total remuneration, enabling variable remuneration to be modulated to the extent that it might be adjusted or cancelled in the event of underperformance, critical operational risk or for failure to consider the clients' best interests.

Additionally, for the Company to be able to attract, retain and motivate talented professionals, Fixed Remuneration, considered in combination with the remaining elements of remuneration, must make a competitive package to allow Allfunds to attract and retain the best professionals in the financial sector, and to be an attractive employer in the market where talented employees want to develop their professional career.

Subject to the maintenance of a sound capital base, the Company's intention is that Fixed Remuneration should be in market median ranges for a position with a comparable profile (knowledge, abilities, attitudes, responsibility, experience and contribution) in other financial entities.

Any increase set out by law, collective agreement or other agreement will be offset within the existing Fixed Remuneration.

10.4.3 SALARY REVIEW POLICY & INTERVENTION POLICY

Salary reviews at Allfunds are conducted annually at the beginning of the year, taking retroactive effect as of January 1st.

During this process, a decision is made both on the potential increase in employees' Fixed Remuneration and the previous year's bonus to be granted, as the case may be, that would be payable within the first few months of the year in which the salary review would take effect.

The aim of the reviews is that the employees' Fixed Remuneration is adequately aligned externally with the market and, internally with their profile, i.e., regarding their level of knowledge, abilities, attitudes, responsibility, experience and contribution.

There is no obligation to increase the Fixed Remuneration from one year to another other than as set out by mandatory law or applicable collective bargaining agreement.

Interventions, i.e., substantial changes in Fixed Remuneration, may be implemented in those cases in which the Fixed Remuneration of an employee considered key is significantly below the median market benchmarks or the Company's equivalent profiles.

These changes will be made within the process of salary reviews. Notwithstanding this, changes may be implemented when it is considered that there is a risk of talent loss from the Company, or a significant change in responsibility within the calendar year in which the circumstances that justify the change.

10.4.4 SHORT-TERM VARIABLE REMUNERATION (annual bonus)

Variable remuneration is used to reward individual performance in line with a number of factors, including risk appetite, business unit performance and the performance and corporate strategy of Allfunds.

A reasonable part of the remuneration of Allfunds' employees is variable and is aimed primarily at achieving the following goals:

- Alignment with long term business strategy and sustainable shareholder value creation;
- Pay for performance to reinforce high performance culture;
- Alignment with competitive market practices;
- In compliance with regulatory requirements.
- Allowing flexibility to adjust depending on the circumstances.

Allfunds' Variable Remuneration system is designed to align employees' performance with the shareholders' interests, prudent risk management and the generation of value for the Company in the long term. The pivotal aspects of this system are as follows:

10.4.4.1 SETTING TARGET BONUS AND POOLS

All Allfunds' employees may be eligible to participate in the bonus system. Remuneration under this scheme shall not be consolidated.

The ranges of target bonus shall be established for each employee in accordance with their responsibility, reflecting a fair and efficient ratio between the fixed and variable elements of the total remuneration.

The benchmark target bonus for each employee is set out in the services contract during the hiring process.

The target bonus might change in case of interventions (promotions, increases in responsibility or outstanding development by the employee), at the time these are set out.

Global Bonus Pool – top-down approach

The Global Bonus Pool will be based on the achievement of quantitative (80%) and qualitative (20%) corporate objectives, and shall consider all current risks, expected losses, estimated unexpected losses and stressed conditions associated with the Bank's activities.

The Target Pool will be equal to the sum of the target bonuses of all participants, assuming 100% achievement of the objectives, and there will be an upside of up to 150% of payout for quantitative goals and 120% for qualitative goals.

The Maximum Global Bonus Pool will be 80%x150% + 20%x120% = 144% of Total Target Bonuses.

In the event of adverse economic situations, a minimum pool of 40% of Total Target Bonuses will be set to ensure the possibility to reward and retain top performers and key employees.

Any bonus pool is subject to Allfunds complying with minimum liquidity, solvency and capital regulatory requirements.

The Global Bonus Pool will be agreed by the Board upon proposal from the RemCo.

Units sub-pools

For the purposes of the annual bonus, the CEO will be considered as a unit. The CEO's bonus shall be determined by the Board upon proposal from the Remco. The relevant amount will be reduced from the Global Bonus Pool.

Based on achievement of corporate and unit KPIs, preliminary sub-pools will be set out by each business-unit and adjusted up or down to ensure that the total of the sub-pools is equal to the Global Bonus pool (once adjusted to take into account the CEO's bonus).

10.4.4.2 ASSESMENTS

The Allfunds evaluation system qualifies the individual salary review of each employee, as well as the variable compensation potentially awarded to the employees. The evaluations are carried out in the Company every year, evaluating the competencies that are integrated into the following four blocks of content, in accordance with an action consistent with the principles and values set forth in the Allfunds General Code of Conduct:

1) Excellence:
   - Passion / Agility for impact.
   - Performance and quality orientation.
   - Efficiency.
2) Accountability:
   - Integrity.
   - Responsibility.
   - Ownership: taking full responsibility, acting like an owner.
3) Empowerment:
   - Autonomy.
   - Taking decisions measuring risks.
   - Create value (growth and re-valorisation).
4) Inspiration:
   - Eagerness to learn.

- Forge relationships built on trust.
- Maintain focus and alignment around the vision.

The assessment will be the responsibility of the direct manager of each employee. In the corporate areas, the direct manager will be the local manager except for the Risks, Compliance, Internal Audit, HR and Finance functions, the evaluation of which will be made by the overall manager of the function within the Group.

The assessment of the Identified Staff and other senior management will be carried out by the CEO and the Chief People Officer.

From HR, the appropriate indications will be given to those responsible for the teams that have to carry out the evaluations with the aim that the overall result of the individual evaluations tends to follow a normal distribution.

10.4.4.3 SETTING THE BONUS PAY-OUT

The Bonus payable to each employee is set based on achievement of Corporate, Unit/Individual KPIs and a qualitative evaluation, and will be adjusted depending on the relevant unit sub-pool.

The determination of the variable remuneration of control functions shall not compromise their objectivity and independence.

Corporate objectives will be based on certain metrics, including EBIDTDA and SMART/Financial metrics, to be approved every year by the Board of directors upon proposal from the RemCo.

The weight of the different criteria will depend on the employee category:

	Corporate goals	Unit or/and individual KPIs	Qualitative (values/competences)
CEO	90%		10%
Executives	60%	30%	10%
Managers	35%	45%	20%
Rest of staff	20%	30%	50%

The remuneration must be consistent with maintaining a sound and solid capital base of the entity, and should encourage responsible business conduct, so that no variable shall be paid unless these conditions might be fulfilled.

The relevant goals, KPIs and objectives shall be notified to each of the employees once they have been approved by the Board, so that they understand the process and criteria that shall be used to assess their performance.

10.4.4.4 BONUS APPLICABLE IN RELATION TO NEW HIRES

The Bonus of reference to newly hired employees will be modulated depending on the date the employee joined the Company. The target bonus will be prorated accordingly by the hiring date according the following specifications:

- If the employee joins the Company throughout January, the employee has the right to qualify for all his/her bonus of reference.
- If the employee joins the Company between February and September: the bonus of reference, when determining the base remuneration to which the employee can opt, will be the ratio between the worked months and the 12 months corresponding to the target annual bonus.
- If the employee joins the Company as of October 1st, the employee has no right to receive any Bonus for that current year, being fully eligible for the following year.

10.4.4.5 CONDITION FOR BONUS ENTITLEMENT

For the award and payment of any variable remuneration, the employee must continue in the Company on payment date, without being on notice period. Payment will be prorated to the time of effective services by the employee during the year of accrual.

10.4.4.6 PAYMENT DATE AND GUARANTEED VARIABLE REMUNERATION

Generally, the Bonus is paid in a single instalment in the first few months of the year immediately following its accrual, although it is expressly approved that the Variable Remuneration is subject to deferral if the Company deems it fit at any given time.

The above should be understood without prejudice to the principles applicable to the categories of personnel whose activities significantly impact on Allfunds' risk profile in accordance with Section 10.5 below.

Guaranteed variable remuneration is exceptional and shall be limited to the first year of employment, payable only when the entity has a sound and solid capital base.

It must be approved by the RemCo upon proposal from the CEO.

10.4.5 LONG-TERM INCENTIVE PLAN

Selected employees of the Company will be eligible to participate in the Long-Term Incentive Plan (“LTPI”). Vesting of any grant shall occur over a [three year] period subject to quantitative performance conditions. These conditions will be clearly set out to eligible participants, and the Company will assess whether those conditions have been met before paying any potential award.

LTIP awards may be subject to adjustment prior to vesting (including to reflect the extent of adherence to the risk framework and compliance with applicable rules and the Company’s Code of Conduct). Furthermore, in case of Identified Staff members, it could be subject to deferral, payment in instruments, reductions (“malus”), and reimbursements (“clawback”) in accordance with the provisions set out in Appendix II of this Policy.

10.4.6 BENEFITS

Benefits currently provided are:

	Remuneration Nature
Meal allowance	Fixed
Life insurance	Fixed
Medical insurance	Fixed
Pension Plan (if applicable)	Fixed

Some of the Company's senior executives, in terms of both responsibility and business, may be eligible for a corporate vehicle (Fixed Remuneration) in accordance with the applicable Group's policy.

10.4.7 CONFIDENTIALITY

The individual remuneration conditions of each employee have a STRICTLY CONFIDENTIAL CHARACTER between the employee, the person in charge of the area involved and the human resources department and should not be disclosed under any circumstances to other employees or managers.

10.5 APPLICATION OF THE REMUNERATION POLICY TO IDENTIFIED STAFF

In accordance with regulatory requirements for financial institutions, personnel whose activities are deemed to have an impact on the institution's risk profile are considered as material risk-takers (“Identified Staff”).

10.5.1 MEMBERS OF THE IDENTIFIED STAFF

To determine the members of its Identified Staff, Allfunds has taken into account both (i) qualitative and (ii) quantitative criteria, established under Commission Delegated Regulation (EU) No. 604/2014, supplementing Directive 2013/36/EU of the European Parliament and the Council, with regard to regulatory technical standards with respect to qualitative and appropriate quantitative criteria to identify categories of staff whose professional activities have a material impact on an institution's risk profile (the “Regulation”).

The positions to be included in the Identified Collective of Allfunds have been determined in accordance with the 15 qualitative criteria established for this purpose in the Regulation, detailing those that are applicable in Allfunds (with the same numbering of the Regulation):

- Members of the Management Body in their management function.
- Members of the Management Body in their supervisory function.
- Team categorized as Senior Management.
- Those responsible, reporting to the management body, for the activities of the independent risk management function, the compliance verification function or the internal audit function.
- People with global responsibility for risk management in an “Important Business Unit” with an internal capital of at least 2% of the Entity[17].
- Individuals leading a function responsible for legal affairs, finance, including tax and budgeting, human resources, compensation policy, information technology, or economic analysis

No personnel have been identified to be included in the Identified Group in accordance with the quantitative criteria set out in the Regulations as all relevant individuals were already identified under the qualitative criteria.

The list will be updated according to the circumstances from time to time.

[1] According to the Regulation, Important Business Unit is the business unit, as defined in article 142, paragraph 1, point 3, of Regulation (EU) No. 575/2013, to which internal capital has been distributed in accordance with Article 73 of Directive 2013/36 / EU that represents at least 2% of the internal capital of the entity.

Each person belonging to the so-called Identified Staff will be understood to be an "Identified Person".

10.5.2 REMUNERATION OF NON-EXECUTIVE DIRECTORS (NEDs)

Non-executive directors (NEDs) shall be entitled to receive a fixed annual amount, within the limits established by the Shareholders' Meeting for the Board of Directors as a whole.

However, NEDs exercising executive or managerial functions in business groups to which the shareholders of the company belong and for which they receive remuneration from those entities, shall not receive any remuneration in their capacity as NED.

The Board of Directors, on a proposal from the Appointments and Remuneration Committee, shall establish the way to structure the remuneration, and whether it includes the possibility of assessing the specific remuneration for membership of a committee, the presidency, board attendance allowances or based on time.

The Board of Directors will ensure that the Remuneration of the NEDs conforms to criteria of moderation and adequacy to the results of the Company.

10.5.3 REMUNERATION PRINCIPLES APPLICABLE TO CONTROL FUNCTIONS

The method for determining the remuneration of the relevant persons of the management and control functions shall not compromise their objectivity and independence or create conflicts of interest in its advisory role to the Appointments and Remuneration Board Committee.

The ratio between fixed and variable remuneration of the control functions staff shall be weighted in favour of the fixed remuneration. Accordingly, the ratio set out below whereby the variable remuneration might be up to 200% of the fixed remuneration shall not apply to them.

Their variable remuneration will be based on specific objectives of the unit and should not be determined based on individual financial performance of the business area subject to control or supervision.

Staff engaged in control functions are independent from the business units they oversee, in order to have the appropriate authority.

The remuneration of managers of the control function units will be overseen by the RemCo.

10.5.4 VARIABLE REMUNERATION

The Variable Remuneration scheme applicable to Identified Staff is governed by the same criteria and principles applicable to Allfunds employees in general and described under 6 above. For these purposes, "Variable Remuneration" means all the variable components of remuneration, including the annual bonus and the LTIP, subject to the qualifications set out below.

All components of the Variable Remuneration shall not exceed 200% of the Fixed Remuneration of the relevant member of the Identified Staff (exception made of those in Control Functions). This ratio has been approved by the Shareholders Meeting as set out by law.

The Variable Remuneration could be subject to deferral, payment in instruments, reductions ("malus"), and reimbursements ("clawback") in accordance with the provisions set out in Appendix II of this Policy.

Furthermore, the failure by any member of the Identified Staff to explicitly accept and adhere to any deferral, payment in instruments, reduction ("malus conditions") and reimbursement measures ("clawback conditions") set out in respect of the Variable Remuneration from time to time will imply the loss of their right as an Identified Person to receive any Variable Remuneration.

10.5.5 EARLY TERMINATION OF CONTRACTS OF IDENTIFIED STAFF

The amounts of severance compensation pursuant to the contracts of the members of the Identified Staff are those set out by law.

Amounts of severance payments are considered variable remuneration and therefore their settlement will be subject to the requirements established in the legislation in force and EBA Guidelines.

10.5.6 DEFERRAL POLICY

The settlement and payment of Annual Bonus and the LTIP to which, as the case may be, a member of the Identified Staff to whom the deferral and reduction measures of Variable Remuneration ("Deferral Policy") are applicable, is entitled, must be paid according to the following schedule:

- 60% of Variable Remuneration, during the first months of the year following the year to which the annual variable remuneration relates ("First Payment Date").
- The remaining 40% of variable remuneration ("Deferred Variable Remuneration"), to be received, if applicable, in deferred payments in accordance with the following schedule:
  - one-third (1/3), in the thirty days immediately following the first anniversary of the First Payment Date;
  - one-third (1/3), in the thirty days immediately following the second anniversary of the First Payment Date;
  - one-third (1/3), in the thirty days immediately following the third anniversary of the First Payment Date;

The measures of future performance, to which the deferred element is linked, shall be risk adjusted as set out in point 10.4.

Currently, Allfunds defers Variable Remuneration of all Identified Staff in case of variable remuneration exceeding € 75,000**.**

10.5.7 PENSION COMMITMENTS

Selected individuals are entitled to pensión commitments, consisting on the contribution of a fixed annual amount to the relevant plan.

10.6 DISCLOSURE

The Human Resources department is responsible for the evaluation and periodic review of the remuneration policy, at least annually. Any modification in it must be supervised by the Risk and Compliance departments. The new version of the policy, including the modifications made, must be approved by the Board of Directors and validated by the Shareholders' Meeting.

Once validated, the remuneration policy is available through the Company's public website.

Table 28. Total Remuneration[18] *Thousand Euros*

Year	# Senior Managers	Annual Remuneration		
		Fix	Variable	Total
2020	27	6,008	3,175	9,183

Source: audited financial statements, 2020

Table 29. Remuneration by activity area

Business Area	Investment Banking	Commercial Banking	Asset Management	Others	Total
Number of employees included in the Identified Staff	-	-	-	22	22
Total Remuneration	-	-	-	10,898	10,898
Of which: Variable remuneraation	-	-	-	4,473	4,473

Source: RM2 template for Bank of Spain, 2020

Table 30. Remuneration details

Identified Staff	Executive Directors	Non-executive Directors	Other Senior Managers	Other employees	Total
1. Identified Staff	-	-	-	-	22
Of which: Top management	-	-	19	-	19
Of which: Control functions	-	-	3	-	3
2. Total fixed remuneration	-	-	6,425	-	6,425
3. Total variable remuneration	-	-	4,473	-	4,473
3.1 In cash	-	-	4,473	-	4,473
3.2 In shares or related instruments	-	-	-	-	-
3.3 In other instruments	-	-	-	-	-
4. Deferred payment	-	-	1,311	-	1,311
4.1 In cash	-	-	1,311	-	1,311
4.2 In shares or related instruments	-	-	-	-	-
4.3 In other instruments	-	-	-	-	-

[18] During the year 2020, two members of the identified staff received remunerations over 1 million euros.

5. Explicit ex post adjustment for performance applied in 2020 for the remunerations accrued in previous years	-	-	-	-	-
6. Guaranteed variable remuneration	-	-	-	-	-
6.1 Numnber of beneficiaries	-	-	-	-	-
6.2 Total amount of guaranteed variable remuneration	-	-	-	-	-
7. Severance payments associated with contract termination	-	-	-	-	-
7.1 Number of beneficiaries	-	-	-	-	-
7.2 Total amount of severance payments associated with contract termination	-	-	-	-	-
8. Contributions to social benefits systems	-	-	-	-	-
9. Pensión benefits	-	-	-	-	-
9.1 Number of beneficiaries	-	-	-	-	-
9.2 Total amount of pensión discretionary benefits	-	-	-	-	-

Source: RM2 template for Bank of Spain, 2020

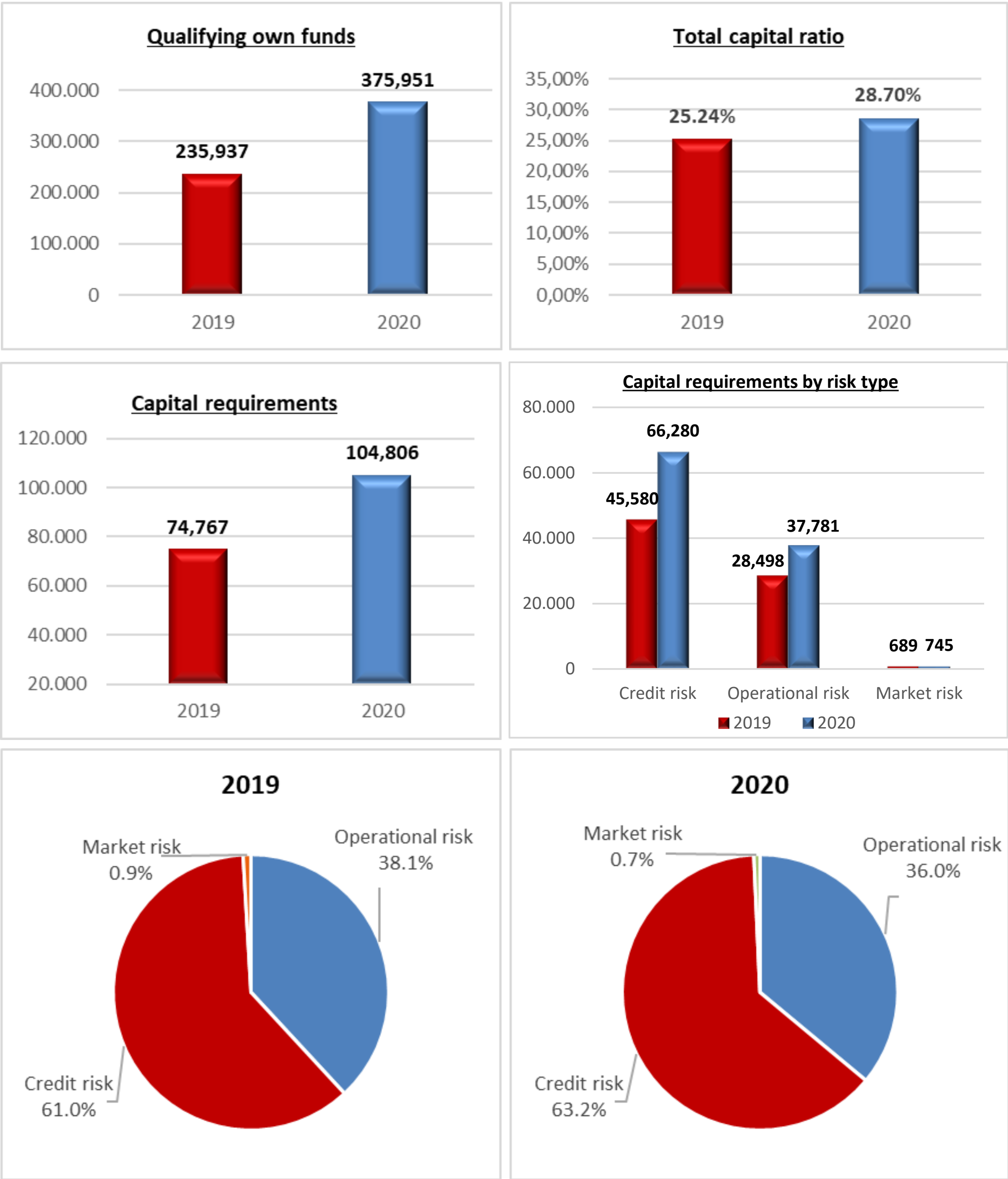
ANNEX 1

QUANTITATIVE INFORMATION ABOUT LIBERTY PARTNERS GROUP

ANNEX 1. QUANTITATIVE INFORMATION ABOUT LIBERTY PARTNERS GROUP

1. SOLVENCY

Figure 16. Solvency information. Liberty Partners Group



2. INFORMATION ON OWN FUNDS

Table 31. Qualifying own funds. Liberty Partners Group

Amounts (Thousand Euros)	31.12.19	31.12.20
CET1	235,937	375,951
Tier 1 additional	-	-
TIER 1	235,937	375,951
TIER 2	-	-
TOTAL CAPITAL	235,937	375,951
RWA	934,593	1,310,070
CET1 ratio	***25.24%***	***28.70%***
Tier 1 ratio	***25.24%***	***28.70%***
Total Capital ratio	***25.24%***	***28.70%***
Leverage ratio	***13.68%***	***14.48%***

Table 32. Details. Qualifying own funds. Liberty Partners Group

Amounts (Thousand Euros)	31.12.19	31.12.20
CET1 Instruments	**1,649,004**	**2,379,802**
Shareholders' equity	1,649,006	2,389,893
Capital	1,660,900	2,411,310
Profit	(11,677)	10,090
Reserves and others	(217)	(31,507)
Minority interests and unrealised gains/losses	-	-
Adjustments of comput. of minority int. and unrealised g/l	-	-
Other adjustments	(2)	(10,091)
Deductions from CET1	**(1,413,067)**	**(2,003,851)**
Goodwill	(802,796)	(1,015,977)
Other intangible assets	(608,999)	(987,874)
Financial investments	-	-
Deferred tax assets	-	-
Other CET1 deductions	(1,272)	-
CET 1	**235,937**	**375,951**
AT1 Instruments	-	-
TIER 1	**235,937**	**375,951**
T2 instruments	-	-
Financing of subordinated issues	-	-
Generic provisions and excess of provisions IRB	-	-
T2 deductions	-	-
TIER 2	-	**-**
TOTAL CAPITAL	**235,937**	**375,951**

As of December 31st 2020 Liberty Partners's consolidated results amounted to a net profit of EUR 10.09 million.

3. INFORMATION ON CAPITAL REQUIREMENTS

Table 33. Overview of RWAs (EBA Template OV1). Liberty Partners Group

Amounts (Thousand Euros)	RWA 31.12.19	RWA 31.12.20	Minimum capital requirements
Credit risk (excluding counterparty credit risk)	**569,755**	**828,494**	**66,280**
Standardised Approach (SA)	569,755	828,494	66,280
Internal Rating-Based (IRB) Approach	-	-	-
Counterparty credit risk	-	-	-
Standardised Approach for counterparty credit risk (SA-CCR)	-	-	-
Internal Model Method (IMM)	-	-	-
Equity positions in banking book under market-based approach	-	-	-
Simple risk-weight approach	-	-	-
Internal Model approach	-	-	-
Equity investments in funds – look-through approach	-	-	-
Equity investments in funds – mandate-based approach	-	-	-
Equity investments in funds – fall-back approach	-	-	-
Settlement risk	-	-	-
Securitisation exposures in banking book	-	-	-
Market risk	**8,613**	**9,313**	**745**
Standardised Approach (SA)	8,613	9,313	745
Internal Model Approaches (IMM)	-	-	-
Operational risk	**356,225**	**472,263**	**37,781**
Basic Indicator Approach	356,225	472,263	37,781
Standardised Approach	-	-	-
Advanced Measurement Approach	-	-	-
Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-	-
Floor adjustment	-	-	-
Total (1)	**934,593**	**1,310,070**	**104,806**

(1) Capital requirement of Pillar I: 8%RWA

CAPITAL BUFFER

Table 34. Geographical distribution of relevant[19] credit exposures for the calculation of countercyclical capital buffer. Liberty Partners Group

	Relevant Exposures	Countercyclical buffer
Countries (*)	**100.00%**	**0.11479%**
Andorra	0.00%	0.00000%
Austria	0.10%	0.00000%
Bahrain	0.00%	0.00000%
Belgium	0.38%	0.00000%
Bermuda Island	0.03%	0.00000%
Brasil	1.02%	0.00000%
Canada	0.00%	0.00000%
Cayman Islands	0.12%	0.00000%
Chile	0.21%	0.00000%
Colombia	0.04%	0.00000%
Denmark	0.03%	0.00000%
Finland	0.06%	0.00000%
France	2.70%	0.00000%
Germany	1.01%	0.00000%
Guernsey	0.23%	0.00000%
Hong Kong	0.11%	**0.00114%**
Ireland	5.44%	0.00000%
Isle of Man	0.00%	0.00000%
Italy	4.87%	0.00000%
Japan	0.00%	0.00000%
Jersey	0.00%	0.00000%
Kuwait	0.00%	0.00000%
Luxembourg	44.44%	**0.11110%**
Malaysia	0.00%	0.00000%
Malta	0.01%	0.00000%
Mauricio	0.01%	0.00000%
Mexico	0.00%	0.00000%
Netherlands	0.01%	0.00000%
Norway	0.26%	**0.00255%**
Oman	0.00%	0.00000%
Poland	0.55%	0.00000%
Portugal	0.00%	0.00000%
San Marino	0.00%	0.00000%
Saudi Arabia	0.05%	0.00000%
Singapore	9.32%	0.00000%
South Africa	0.00%	0.00000%
Spain	10.42%	0.00000%
Sweden	1.04%	0.00000%
Switzerland	8.04%	0.00000%
Thailand	0.00%	0.00000%
United Arab Emirates	0.17%	0.00000%
United Kingdom	9.13%	0.00000%
Uruguay	0.11%	0.00000%
USA	0.08%	0.00000%

(*) Countries with a 0% contribution to the entity's countercyclical buffer due to the fact that these countries keep their countercyclical buffer at 0% for exposures to those countries.

[19] "Relevant credit exposures" include all those exposure classes referred to in points (g) to (n) of Article 112 of Regulation (EU) No 575/2013: (g) exposures to corporates; (h) retail exposures; (i) exposures secured by mortgages on immovable property; (j) exposures in default; (k) exposures associated with particularly high risk; (l) exposures in the form of covered bonds; (m) items representing securitisation positions; (n) exposures to institutions and corporates with a short-term credit assessment; (o) exposures in the form of units or shares in collective investment undertakings ('CIUs'); (p) equity exposures; (q) other items.

4. LEVERAGE RATIO

Table 35. Leverage ratio. Details. Liberty Partners Group

Leverage ratio. Breakdown (Thousand Euros)	CRR leverage ratio exposures 31.12.2019	CRR leverage ratio exposures 31.12.2020
On-balance sheet items	3,138,306	4,600,536
- Asset amounts deducted in determining Tier 1 capital	-1,413,067	-2,003,851
Derivatives	609	507
Securities Financing Transactions (SFTs)	0	0
Off-balance sheet ítems	0	0
Leverage ratio		
Tier 1 capital (numerator)	235,937	375,951
Total exposure measure (denominator)	2,597,192	2,597,192
Leverage ratio	**9.08%**	**14.48%**
Minimum requirement	3.00%	3.00%

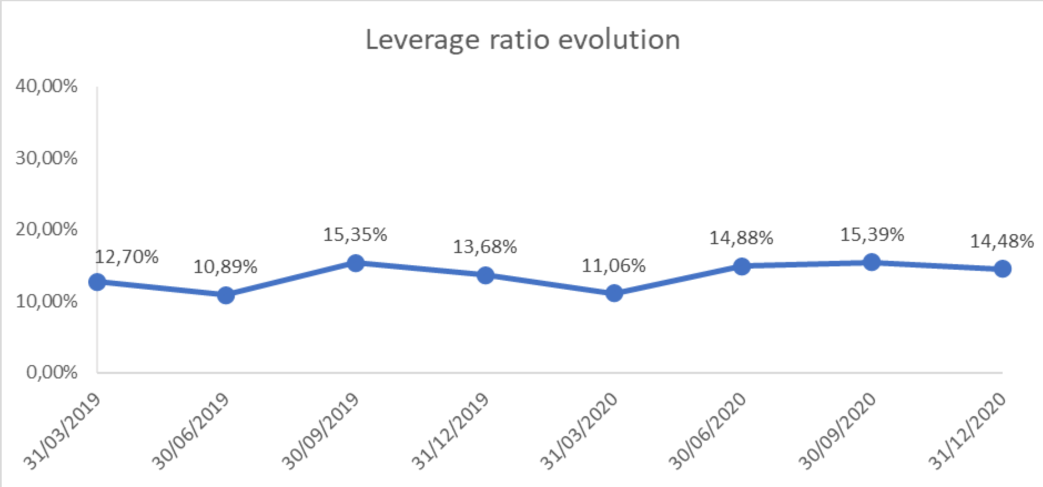
Table 36. Leverage ratio pl. Liberty Partners Group

Split-up of on balance sheet exposures (exduding derivatíves and SFTs)			
EU-1	**Total on-balance sheet exposures (exduding derivatives, SFTs, and exempted exposures), of which:**	**3,138,109**	**4,600,536**
EU-2	Trading book exposures	-	-
EU-3	Banking book exposures, of which:	3,138,109	4,600,536
EU-4	Covered bonds	-	-
EU-5	Exposures treated as sovereigns	544,688	1,245,461
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	-	-
EU-7	Lnstitutions	774,949	659,030
EU-8	Secured by mortgages of immovable properties	-	-
EU-9	Retail exposures	468	456
EU-10	Corporate	36,915	220,336
EU-11	Exposures in default	-	-
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	1,781,089	2,475,253

Table 37. Publication of information on qualitative aspects Liberty Partners Group

Publication of information on qualitative aspects		
1	Description of the processes used to manage the risk of excessive leverage	The leverage ratio is one of the metrics periodically monitored. The monitoring of this ratio is performed within the wider monitoring of the entity's solvency levels and includes an evaluation of the exposure and the entity's own funds.
2	Description of the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers	The leverage ratio shows an increase from 9.08% as of year-end 2019 to 14.48% as of year-end 2020, comfortable above regulatory levels and aligned with the company's risk appetite.

Figure 17. Evolution of the leverage ratio Liberty Partners Group



5. CREDIT RISK. QUANTITATIVE INFORMATION : EXPOSURES DISTRIBUTION

Table 38. Total and average net amount of exposures (EBA Template CRB-B). Liberty Partners Group

	Exposures before CCF and CRM				
Amounts (Thousand Euros)	**31.03.2020**	**30.06.2020**	**30.09.2020**	**31.12.2020**	**Average**
Sovereigns and their central banks	757.804	637.416	609.511	1.245.461	812.548
Non-central government public sector entities	197	197	197	0	148
Multilateral development banks	-	-	-	-	-
Institutions/Banks	844.738	674.560	691.350	659.407	717.514
Corporates	82.981	89.072	104.982	220.467	124.376
Regulatory retail portfolios	470	467	451	456	461
Secured by commercial real state	-	-	-	-	-
Collective Investment Undertakings (CIU's)	8	8	8	10	9
Equity	384	385	384	384	384
Past-due loans	-	-	-	-	-
Higher-risk categories	-	-	-	-	-
Other assets	383.992	386.218	437.876	471.263	419.837
Total Credit Risk - SA portfolio	**2.070.574**	**1.788.323**	**1.844.759**	**2.597.448**	**2.075.276**

Geographical exposures

The table below shows the distribution by geographical area of Liberty Partners's exposure to credit risk:

Table 39. Geographical breakdown of exposures (EBA Template CRB-C). Liberty Partners Group

Exposures	**Sovereigns and their central banks**	**Non-central government public sector entities**	**Institutions**	**Corporates**	**Regulatory retail portfolios**	**Other assets**	**OIC**	**Equity**	**Total**	**RWA**	**Capital Requirements**
Total	**1.245.461**	**0**	**659.407**	**220.467**	**456**	**471.263**	**10**	**384**	**2.597.448**	**828.494**	**66.280**
Italy	1.042.704	0	140.009	14.962	1	18.762	0	0	1.216.438	64.275	5.142
Luxembourg	188.701	0	3.585	51.825	0	255.882	0	0	499.993	308.466	24.677
Spain	13.994	0	230.812	46.185	453	25.617	10	0	317.071	119.055	9.524
UK	0	0	110.180	18.631	2	44.572	0	0	173.385	85.980	6.878
Switzerland	0	0	26.741	6.574	0	49.102	0	0	82.417	61.023	4.882

Singapore	62	0	13.097	63.452	0	1.100	0	0	77.711	67.183	5.375
USA	0	0	64.182	188	0	369	0	0	64.739	13.393	1.071
Ireland	0	0	0	3.554	0	34.120	0	0	37.674	37.674	3.014
Sweden	0	0	28.524	270	0	6.951	0	0	35.745	12.926	1.034
France	0	0	6.973	1.901	0	16.808	0	0	25.682	20.104	1.608
Germany	0	0	8.831	576	0	6.401	0	0	15.808	8.743	699
Rest	0	0	26.473	12.349	0	11.579	0	384	50.785	29.672	2.374

Maturity of exposures

Table 40. Maturity of exposures (EBA Template CRB-E). Liberty Partners Group

Amounts (Thousand Euros)	<1Y	1-5Y	>5Y	Total	Total %
Sovereigns and their central banks	1,245,461	-	-	1,245,461	**47.9%**
Non-central government public sector entities	-	-	-	-	**-**
Multilateral development banks	-	-	-	-	**-**
Institutions/Banks	659,407	-	-	659,407	**25.4%**
Corporates	220,467	-	-	220,467	**8.5%**
Regulatory retail portfolios	151	287	18	456	**0.0%**
Secured by commercial real state	-	-	-	-	**-**
Collective Investment Undertakings (CIU's)	-	-	9	9	**0.0%**
Equity	-	-	384	384	**0.0%**
Past-due loans	-	-	-	-	**-**
Higher-risk categories	-	-	-	-	**-**
Other assets	441,963	-	29,301	471,264	**18.1%**
Total Credit Risk - SA portfolio	**2,567,449**	**287**	**29,712**	**2,597,448**	**100.0%**
%	**98.8%**	**0.1%**	**1.1%**	**100.0%**	

Methodology applied

Table 41. Standardised approach-CR exposure & CRM effects (EBA Template CR4). Liberty Partners Group

Amounts (Thousand Euros)	Exposures before CCF and CRM			RWA	RWA density
	On-balance sheet amount	Adjustments	Total		
Sovereigns and their central banks	1,245,461	-	1,245,461	0	0.00%
Non-central government public sector entities	-	-	0	-	0.00%
Multilateral development banks	-	-	-	-	-
Institutions/Banks	659,407	-	659,407	136,051	20.63%
Corporates	222,060	(1,593)	220,467	220,467	100.00%
Regulatory retail portfolios	846	(390)	456	342	75.00%
Secured by commercial real state	-	-	-	-	-
Collective Investment Undertakings (CIU's)	10	-	10	10	100.00%
Equity	384	-	384	384	100.00%
Past-due loans	-	-	-	-	-
Higher-risk categories	-	-	-	-	-
Other assets	471,263	-	471,263	471,240	100.00%
Total Credit Risk - SA portfolio	**2,599,431**	**(1,983)**	**2,597,448**	**828,494**	**31.90%**

Table 42. Standardised approach (EBA Template CR5). Liberty Partners Group

Amounts (Thousand Euros)	0%	10%	20%	50%	75%	100%	Total
Sovereigns and their central banks	1,245,461	-	-	-	-	-	1,245,.461
Non-central government public sector entities	-	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-	-
Institutions/Banks	-	-	654,195	-	-	5,212	659,407
Corporates	-	-	-	-	-	220,467	220,467
Regulatory retail portfolios	-	-	-	-	456	-	456
Secured by commercial real state	-	-	-	-	-	-	-
Collective Investment Undertakings (CIU's)	-	-	-	-	-	10	10
Equity	-	-	-	-	-	384	384
Past-due loans	-	-	-	-	-	-	-
Higher-risk categories	-	-	-	-	-	-	-
Other assets	23	-	-	-	-	471,240	471,263
Total Credit Risk - SA portfolio	**1,245,484**	**-**	**654,195**	**-**	**456**	**697,313**	**2,597,448**
%	**48.0%**	**-**	**25.2%**	**-**	**0.0%**	**26.8%**	**100.0%**

Applying risk-weights to credit risk exposures (Pillar I), capital requirements for credit risk were:

Table 43. Standardised Approach (SA): RWAs by asset class and risk weight. Liberty Partners Group

Amounts (Thousand Euros)	0%	10%	20%	35%	50%	75%	100%	RWA
Sovereigns and their central banks	0	-	-	-	-	-	-	0
Non-central government public sector entities	-	-	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-	-	-
Institutions/Banks	-	-	130,839	-	-	-	5,212	136,051
Corporates	-	-	-	-	-	-	220,467	220,467
Regulatory retail portfolios	-	-	-	-	-	342	-	342
Secured by commercial real state	-	-	-	-	-	-	-	-
Collective Investment Undertakings (CIU's)	-	-	-	-	-	-	10	10
Equity	-	-	-	-	-	-	384	384
Past-due loans	-	-	-	-	-	-	-	-
Higher-risk categories	-	-	-	-	-	-	-	-
Other assets	0	-	-	-	-	-	471,240	471,240
Total Credit Risk - SA	**0**	**-**	**130,839**	**-**	**-**	**342**	**697,313**	**828,494**
Capital Requirements for Credit Risk (1)	**0**	**-**	**10,467**	**-**	**-**	**27**	**55,785**	**66,280**

(1) Capital requirement of Pillar I: 8% RWA

6. LIQUIDITY RISK: LCR AND NSFR.

Table 44. LCR. Liberty Partners Group

Components	Amount
Liquidity buffer	1,245,484
L1 excl. EHQCB liquidity buffer (value according to Article 9): unadjusted	1,245,484
NET LIQUIDTY OUTFLOW	198,385
Total Outflows	456,225
Reduction for Inflows Subject to 75% Cap	257,840
LIQUIDITY COVERAGE RATIO (%)	**627.81%**

Table 45. NSFR. Liberty Partners Group

Components	Exposure	Weight	Amount
• Total regulatory capital (excluding Tier 2 instruments with residual maturity of less than one year)	**2,389,893**	100%	**2,389,893**
• Less stable non-maturity deposits and term deposits with residual maturity of less than one year provided by retail and small business customers	**1,500,509**	90%	**1,350,458**
• All other liabilities and equity not included in the above categories, including liabilities without a stated maturity (with a specific treatment for deferred tax liabilities and minority interests)	**1,052,311**	0%	**0**
TOTAL AVAILABLE STABLE FUNDING	**4,942,713**		**3,740,351**
• Coins and banknotes	**23**	0%	**0**
• All central bank reserves	**1,245,461**	0%	**0**
• All other unencumbered loans to financial institutions with residual maturities of less than six months not included in the above categories	**670,102**	15%	**100,515**
• Loans to financial institutions and central banks with residual maturities between six months and less than one year	**0**	50%	**0**
• Deposits held at other financial institutions for operational purposes	**0**	50%	**0**
• All other assets not included in the above categories with residual maturity of less than one year, including loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns and PSEs	**387,743**	50%	**193,871**
• NSFR derivative assets net of NSFR derivative liabilities if NSFR derivative assets are greater than NSFR derivative liabilities	**294**	100%	**294**
• All other assets not included in the above categories, including non-performing loans, loans to financial institutions with a residual maturity of one year or more, non-exchange-traded equities, fixed assets, items deducted from regulatory capital, retained interest, insurance assets, subsidiary interests and defaulted securities	**2,639,090**	100%	**2,639,090**
TOTAL REQUIRED STABLE FUNDING	**4,942,713**		**2,933,770**
NSFR			**127.49%**

7. UNENCUMBERED ASSETS

Table 46. Unencumbered assets. Liberty Partners Group

Thousand Euros	Encumbered assets		Unencumbered assets	
	On-balance sheet amount	Fair value	On-balance sheet amount	Fair value
Assets	2,698	-	4,940,015	-
Demand loans	303	-	1,848,246	-
Equity instruments	-	-	394	394
Representative values of debt:	-	-	-	-
guaranteed bonds				
asset securitization bonds				
issued by Public Administrations				
issued by financial companies				
issued by non-financial corporations				
Loans and advances other than demand loans:	2,395	-	231,093	-
of which mortgage loans	-	-	-	-
Other assets	-	-	2,860,282	-

ANNEX 2
BRIEF BIOGRAPHY ON MEMBERS OF AFB'S BOARD OF DIRECTORS

ANNEX 2. BRIEF BIOGRAPHY ON MEMBERS OF AFB'S BOARD OF DIRECTORS

The following members compose Allfunds Bank's Board of Directors.

Blake Kleinman (Non-Executive Director)

Mr. Kleinman joined the Company in 2017. He joined H&F in 2001 and is now a Partner, focusing on the software, internet & media, and financial services sectors. He is currently a Director of Allfunds, AutoScout24 and TeamSystem. Mr. Kleinman was formerly a Director of Gartmore, IRIS, Scout24, SSP and Wood Mackenzie and was active in H&F's investments in Arch Capital, Axel Springer, Mondrian, Nielsen, and ProSieben. Prior to H&F, Mr. Kleinman worked in the Mergers, Acquisitions and Restructurings Department at Morgan Stanley & Co. in New York. Mr. Kleiman is a graduate of Harvard College.

Zita Saurel (Non-Executive Director)

Ms. Saurel joined the Company as a Director in 2017. She joined H&F in 2005 and is now a Partner, focusing on the internet & media and financial services sectors. Ms. Saurel is currently a Director of Allfunds and was formerly a Director of Nets, Wood Mackenzie and Hostelworld (Web Reservations). She was also active in H&F's investments in Scout24, IRIS, Nielsen and Gartmore. Ms. Saurel also leads H&F's capital markets activities in Europe related to new investments and for portfolio companies. Prior to H&F, Ms. Saurel worked at Investcorp in London and the Leveraged Finance department of Lehman Brothers in London. In addition she serves as a Director of Glasswing International and a Governor of The Royal Ballet School. Ms. Saurel is a graduate of Georgetown University.

Johannes Korp (Non-Executive Director)

Mr. Korp joined the Company as a Director in 2017. He joined H&F in 2014 and is now a Partner (subject to FCA approval), focusing on the financial services, software and consumer & retail sectors. Mr. Korp has been active in H&F's investments in Action, Allfunds and Nets (where he was formerly a Director). Prior to H&F, Mr. Korp worked in the financial services and retail investment groups at Warburg Pincus and in the financial services M&A group at Goldman Sachs in London. Mr. Korp is a graduate of the University of St. Gallen (Switzerland) and earned an MBA from Stanford Graduate School of Business.

Chris Reid (Non-Executive Director)

Mr. Reid is based in GIC's London office and has led the Financial Services and Fintech sector activities within the private equity business since 2015. Mr. Reid has 20 years of experience and joined GIC in July 2012, having previously worked at Arle Capital and 3i Group Plc in their private equity investment business. Previously, Mr. Reid trained at Arthur Andersen and then Deloitte and is a qualified accountant with the Institute of Chartered Accountants England and Wales. Mr. Reid graduated from the University of Southampton with a MSc in International Financial Markets.

Alessandro Gioffreda (Non-Executive Director)

Mr. Gioffreda joined AFB as a Director in 2020. Mr Gioffreda is also Head of Territory Management and an Executive Management Team member at BP2S. Previously, Mr. Gioffreda worked as Regional Head of Continental Europe and Head of Italy, Switzerland and Mediterranean Basin at BP2S. Mr Gioffreda holds BA in Economics from Universita' Cattolica Del Sacro Cuore, Milan.

Fabian Shey (Non-Executive Director)

Mr. Shey joined the Company as Director in 2019 after leading the team that launched CS InvestLab AG in 2017 and serving as Chairman of CS InvestLab AG from 2017 to 2019. Mr. Shey is also a Managing Director at Credit Suisse, overseeing the private & alternative markets area within Credit Suisse private bank. His team works across the alternatives spectrum including late-stage venture capital and co-investments, private equity, yield alternatives and hedge funds. Prior to joining Credit Suisse, he held a variety of senior positions at UBS and RBS in foreign exchange and fixed income businesses. During his career, Mr. Shey served as a founding board member and later as Chairman of FX Alliance LLC. He also served as a member of the UBS Investment Bank Board and the FX Committee of the Federal Reserve. Mr. Shey is Swiss and American, and he holds an M.B.A. (Finance) from The University of Chicago and a B.S. (Economics) from Miami University.

Delfin Rueda (Independent Non-Executive Director)

Mr. Rueda joined the Company as Director in 2021. Mr. Rueda is also CFO and vice-chair of the Executive Board at NN Group NV and Chairman of the Audit Committee of the Supervisory Board of Adyen NV. Previously, Mr. Rueda worked as CFO and CRO of Atradius NV, as Senior Vice President in the Financial Institutions Group of the Corporate Finance Department of JP Morgan, as an Executive Director at UBS, and as Senior Consultant at Andersen Consulting. Mr. Rueda holds a Master of Science degree in Economics from Universidad Complutense and an M.B.A. in Finance from The Wharton School.

Sofia Mendes (Independent Non-Executive Director)

Ms. Mendes joined the Company as Director in 2021 and has more than 20 years of professional experience advising financial institutions on mergers and acquisitions and capital market transactions. Ms. Mendes is a Partner at Arcano Partners and, prior to that, was a Partner in the FIG Corporate Finance team at KPMG in Madrid for 5 years and a year before at Private Equity ECS in Lisbon as investment director. From 2000 to 2009 she worked in the JPMorgan European Financial Institutions team from the London and Madrid offices as Senior Vice President, carrying out M&A and capital markets operations for all segments of the financial sector, and as head of the business of bancassurance in Europe. Before joining JPMorgan, Ms. Mendes worked as an auditor for KPMG in Lisbon. Ms. Mendes has a degree in Management and Business Administration from the Portuguese Catholic University of Lisbon.

JP Rangaswami (Independent Non-Executive Director)

Mr. Rangaswami joined the Group as a Director of AFB in 2018 and was appointed a Director of the Company in 2021. His other board appointments include Admiral Group plc, DMGT plc, the National Bank of Greece and EMIS Group plc. In addition, he is Chairman of the Web Science Trust and serves as trustee of Cumberland Lodge, a think tank with scholars in residence whose patron is the Queen. He is an Adjunct Professor at the University of Southampton, a Fellow of the British Computer Society, a Chartered IT Professional and a Fellow of the Royal Society of the Arts. He is also a Liveryman of the Worshipful Company of Information Technologists and a Freeman of the City of London. Mr. Rangaswami previously served as Chief Data Officer and Group Head of Innovation at Deutsche Bank from 2015-2018, Chief Scientist at Salesforce.com from 2010-2014, Chief Scientist at BT plc from 2006-2010, and Global CIO at Dresdner Kleinwort from 2001-2006 (having joined Dresdner Kleinwort in 1997). Mr. Rangaswami holds a Degree in Economics and Statistics from St. Xavier's College, University of Calcutta.

David Pérez Renovales (Independent Non-Executive Director)

Mr. Pérez Renovales joined the Company as Director in 2021. His career in banking spans 21 years, 18 of which were at Bankinter where he occupied various roles (Managing Director of Capital Market, Managing Director of Products and SME Divisions, Investor Relations Officer, Chief Financial and Risk Officer, General Deputy Director and member of the Steering Committee). Mr. Pérez Renovales was also formerly the CFO of Linea Directa Aseguradora, before shifting roles to launch that company's Health business. He is also a member of the Linea Directa Aseguradora steering and investment committees. Mr. Pérez Renovales is also currently a member of the Board of Directors of Harvard Club in Spain and of the Executive Committee of ICADE Business Club. He has a degree in Law and Business Economics at the Universidad Pontificia Comillas-ICADE and a PMD from Harvard Business School and Executive Program from Singularity University. He is also a professor of Corporate Finance at Universidad Pontificia Comillas - ICADE.

Ursula Schliessler (Independent Non-Executive Director)

Ms. Schliessler joined the Company as Director in 2021 and has senior executive experience in asset management and wealth management, having previously worked at Citigroup, Morgan Stanley and Legg Mason. She has led global teams across multiple functional areas and her experience spans product development and management, sales strategy, business process design and implementation, change/project management and overseeing risk, operations, technology and data. Prior to assuming her current independent non-executive director positions and trustee position, Ms. Schliessler was Chief Administrative Officer of Legg Mason until July 2019. Ms Schliessler holds a Master of Commerce degree in Business Economics from the University of the Witwatersrand in Johannesburg, South Africa.

Lisa Dolly (Independent Non-Executive Director)

Ms. Dolly joined the Company as Director in 2021. Previously, Ms. Dolly worked at Pershing LLC where she held positions of strategic importance, most recently as Chairman, CEO and Member of the BNYMellon Executive

Committee (2016-2019) and Chief Operating Officer (2013-2016). Earlier positions include Director of Global Operations, Chief Administrative Officer, and Head of Managed Investments, Lockwood, and Albridge. Ms. Dolly has also served on the Board of SIFMA (Securities Industry Financial Markets Association) and as Chair of the SIFMA Operations/Technology Committee. As a graduate of Rutgers University, Ms. Dolly is a member of the Douglass College, Rutgers University Dean's Advisory Board as well as a member of the Rutgers University Board of Overseers.

Juan Alcaraz (Chief Executive Officer)

Juan Alcaraz is the CEO and Founder of Allfunds. Before launching Allfunds in 2000, he spent five years as the head of investment funds at BSN, Santander Group's private bank. From 2014 until 2017 he held a dual role as both CEO of Santander Asset Management and CEO of Allfunds. Juan holds a degree of Business Administration from COX Business School, Southern Methodist University in Dallas, Texas.

Amaury Dauge (Chief Financial Officer)

Mr. Dauge joined the Company as Chief Financial Officer in November 2020. Previously, Mr. Dauge served as CFO and COO of Qontigo, President and CFO of Axioma and Group Chief Financial Officer at Euronext where he led the financial and legal carve-out of the Company from NYSE Euronext and its subsequent IPO. Amaury has an Executive MBA from INSEAD and a bachelor's degree in Business Administration, Finance from Inseec Group. He also holds a CIIA (Euro Zone CFA equivalent) from CFAF – Centre de Formation a l´Analyse Financiere.

ANNEX 3
LIST OF TABLES AND FIGURES

ANNEX 3. LIST OF TABLES AND FIGURES

ANNEX 4
ACRONYMS

ANNEX 4. ACRONYMS

AFB	Allfunds Bank, S.A.U.
AFBI	Allfunds Bank International, S.A.
AIA	Allfunds Internal Audit
ALMM	Additional Liquidity Monitoring Metrics
AML	Anti-Money Laundering
BCBS	Basel Committee on Banking Supervision
BIS	Bank for International Settlements
BoD	Board of Directors
BoS	Bank of Spain
B2B	Business to Business
B2C	Business to Client
B2B2C	Business to Business to Client
CEBS	Committee of European Banking Supervisors
CET1	Common Equity Tier 1
CIIs	Collective Investment Institutions
CNMV	National Securities Market Commission
CRD IV	Capital Requirements Directive 2013/36/UE
CRR	Capital Requirements Regulation 575/2013
CSSF	Commission de Surveillance du Secteur Financier
CVA	Credit Valuation Adjustment
EBA	European Banking Authority
EC	Economic Capital
ECAI	External Credit Assessment Institutions
ECB	European Central Bank
HQLA	High Quality Liquid Assets
IFRS	International Financial Reporting Standards
IMM	Internal Model Method
IRRBB	Interest Rate Risk in Investment Portfolio
IT	Information and Technology
OKIs	Operational Key Indicators
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
NSFR	Net Stable Funding Ratio
PSF	Professionnel du Secteur Financier
RAF	Risk Appetite Framework
RAS	Risk Appetite Statement
RCSA	Risk and Control Self-Assessment
RWA	Risk Weighted Assets
SA	Standardised Approach
SA-CCR	Standardised Approach for counterparty credit risk
SEPBLAC	Commission for the Prevention of Money Laundering and Monetary Infractions
SFTs	Securities Financing Transactions
SREP	Supervisory Review and Evaluation Process
TLAC	Total Loss-Absorbing Capacity
VAR	Value at Risk