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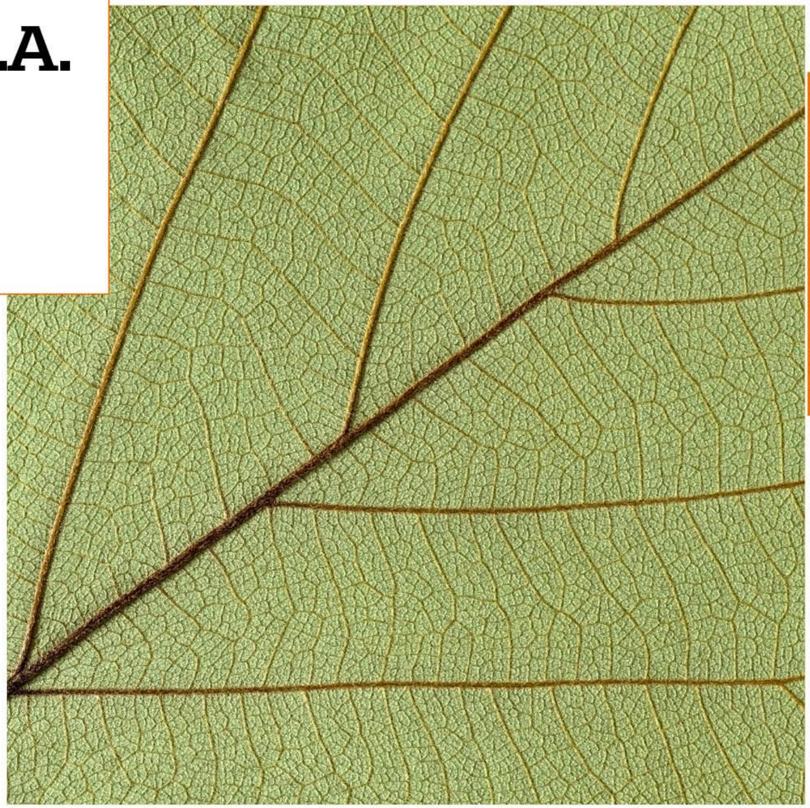
Annual Accounts Bankinter S.A. 2021



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Balance sheet as at 31 December 2021 and 2020

(Thousands of euros)

ASSETS	Note	31.12.2021	31.12.2020(*)
Cash, cash balances at central banks and other demand deposits	6	21,762,533	14,367,153
Financial assets held for trading	7	4,038,256	2,158,742
Derivatives		342,070	498,922
Equity instruments		197,862	181,834
Debt securities		1,246,748	400,254
Loans and advances		2,251,575	1,077,732
Central banks		-	-
Credit institutions		2,251,575	1,020,568
Customers		-	57,164
Memorandum items: loaned or pledged		667,722	136,949
Non-trading financial assets mandatorily at fair value through profit or loss	8	187,694	148,880
Equity instruments		129,675	117,089
Debt securities		739	690
Loans and advances		57,281	31,100
Central banks		-	-
Credit institutions		-	-
Customers		57,281	31,100
Memorandum items: loaned or pledged		-	-
Financial assets designated at fair value through profit or loss		-	-
Debt securities		-	-
Loans and advances		-	-
Central banks		-	-
Credit institutions		-	-
Customers		-	-
Memorandum items: loaned or pledged		-	-
Financial assets at fair value through other comprehensive income	9	2,525,109	2,376,123
Equity instruments		304,892	-
Debt securities		2,220,217	2,376,123
Loans and advances		-	-
Central banks		-	-
Credit institutions		-	-
Customers		-	-
Memorandum items: loaned or pledged		868,516	560,373
Financial assets at amortised cost	10	76,182,598	71,900,721
Debt securities		7,945,821	7,961,709
Loans and advances		68,236,778	63,939,011
Central banks		-	-
Credit institutions		3,623,268	2,197,216
Customers		64,613,510	61,741,795
Memorandum items: loaned or pledged		7,095,267	4,303,136
Derivatives – hedge accounting	11	162,792	210,773
Fair value changes of the hedged items in portfolio hedge of interest rate risk	11	53,396	195,805
Investments in subsidiaries, joint ventures and associates	13	567,593	508,157
Subsidiaries		430,592	425,314
Joint ventures		90,686	36,528
Associates		46,315	46,315
Tangible assets	14.15	393,097	396,040
Property, plant and equipment		393,097	396,040
For own use		384,389	376,511
Leased out under an operating lease		8,708	19,530
Assigned to welfare projects (savings banks and credit cooperatives)		-	-
Investment property (290)		-	-
Of which: Leased out under operating leases		-	-
Memorandum items: Acquired under finance leases		127,151	112,382
Intangible assets	16	58,662	59,759
Goodwill		-	-
Other intangible assets		58,662	59,759
Tax assets	17	796,398	508,048
Current tax assets		413,179	117,667
Deferred tax assets		383,220	390,381
Other assets	18	64,835	41,232
Insurance contracts linked to pensions		-	-
Inventories		-	-
Other assets		64,835	41,232
Non-current assets and disposal groups classified as held for sale	12	17,414	358,862
TOTAL ASSETS		106,810,378	93,230,295

The accompanying notes 1 to 51 and appendices I, II and III attached hereto form an integral part of the balance sheet as at 31 December 2021.

(*) Presented for comparison purposes only.

Balance sheet as at 31 December 2021 and 2020

(Thousands of euros)

LIABILITIES AND EQUITY	Note	31.12.2021	31.12.2020(*)
LIABILITIES			
Financial liabilities held for trading	7	3,690,800	1,378,822
Derivatives		433,099	437,233
Short positions		1,472,332	496,886
Deposits		1,785,370	444,703
Central banks		-	-
Credit institutions		245,677	-
Customers		1,539,693	444,703
Debt securities issued		-	-
Other financial liabilities		-	-
Financial liabilities designated at fair value through profit or loss		-	-
Deposits		-	-
Central banks		-	-
Credit institutions		-	-
Customers		-	-
Debt securities issued		-	-
Other financial liabilities		-	-
Memorandum items: subordinated liabilities		-	-
Financial liabilities at amortised cost	19	97,363,036	86,037,189
Deposits		87,249,296	76,363,266
Central banks		14,190,714	12,885,116
Credit institutions		5,953,977	3,886,831
Customers		67,104,604	59,591,319
Debt securities issued		8,400,112	8,159,175
Other financial liabilities		1,713,627	1,514,747
Memorandum items: subordinated liabilities		1,693,350	1,167,205
Derivatives – hedge accounting	11	275,076	482,033
Fair value changes of the hedged items in portfolio hedge of interest rate risk		1,957	38,775
Provisions	20	320,023	384,903
Pensions and other post-employment defined benefit obligations		1,109	932
Other long-term employee benefits		-	-
Pending legal issues and tax litigation		62,118	75,408
Commitments and guarantees given		24,608	24,330
Other provisions		232,188	284,233
Tax liabilities	17	290,835	222,140
Current tax liabilities		185,041	98,579
Deferred tax liabilities		105,793	123,561
Share capital repayable on demand		-	-
Other liabilities	18	187,621	167,292
Of which: welfare fund (savings banks and credit cooperatives only)		-	-
Liabilities included in disposal groups classified as held for sale		-	-
TOTAL LIABILITIES		102,129,347	88,711,154

The accompanying notes 1 to 51 and appendices I, II and III attached hereto form an integral part of the balance sheet as at 31 December 2021.

(*) Presented for comparison purposes only.

Balance sheet as at 31 December 2021 and 2020

(Thousands of euros)

LIABILITIES AND EQUITY (continued)	Note	31.12.2021	31.12.2020(*)
SHAREHOLDERS' EQUITY		4,383,944	4,426,648
Capital	21	269,660	269,660
a) Paid up capital		269,660	269,660
b) Unpaid capital which has been called up		-	-
Memorandum items: uncalled share capital			
Share premium		-	1,184,265
Equity instruments issued other than capital		-	-
a) Equity component of compound financial instruments		-	-
b) Other equity instruments issued		-	-
Other equity		5,877	7,112
Retained earnings		2,904,007	2,765,801
Revaluation reserves		-	-
Other reserves		-	-
(-) Treasury shares		(905)	(2,146)
Profit or loss for the period		1,371,351	201,957
(-) Interim dividends	21	(166,046)	0
ACCUMULATED OTHER COMPREHENSIVE INCOME	22	297,087	92,494
Items that will not be reclassified to profit or loss		246,582	(695)
a) Actuarial gains or (-) losses on defined benefit pension plans		3,584	(695)
b) Non-current assets and disposal groups classified as held for sale		-	-
c) Fair value changes of equity instruments measured at fair value through other comprehensive income		242,998	-
d) Hedge ineffectiveness of fair value hedges for equity instruments measured at fair value through other comprehensive income		-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income [hedged item]		-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income [hedging instrument]		-	-
e) Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk		-	-
Items that may be reclassified to profit or loss		50,505	93,188
a) Hedge of net investments in foreign operations [effective portion]		-	-
b) Foreign currency translation		-	-
c) Hedging derivatives. Cash flow hedges reserve [effective portion]		(329)	(962)
d) Fair value changes of debt instruments measured at fair value through other comprehensive income	9	50,834	94,150
e) Hedging instruments [not designated elements]		-	-
f) Non-current assets and disposal groups classified as held for sale		-	-
TOTAL EQUITY		4,681,031	4,519,141
TOTAL LIABILITIES AND EQUITY		106,810,378	93,230,295
MEMORANDUM ITEMS: OFF-BALANCE-SHEET EXPOSURES			
Loan commitments given	24	12,773,074	12,962,181
Financial guarantees given	24	1,765,266	1,850,496
Other commitments given	24	8,400,677	7,028,444

The accompanying notes 1 to 51 and appendices I, II and III attached hereto form an integral part of the balance sheet as at 31 December 2021.

(*) Presented for comparison purposes only.

Income statement for the years ended 31 December 2021 and 2020

(Thousands of euros)

	Note	(Debit)/Credit 31.12.2021	(Debit)/Credit 31.12.2020(*)
Interest income	29	1,157,430	1,087,627
Financial assets at fair value through other comprehensive income		56,029	68,664
Financial assets at amortised cost		987,100	979,669
Other assets		114,301	39,294
(Interest expenses)	29	(208,469)	(173,883)
(Expenses on share capital repayable on demand)		-	-
A) NET INTEREST INCOME		948,960	913,743
Dividend income		50,552	106,528
Fee and commission income	28	667,163	536,990
(Fee and commission expenses)	28	(174,591)	(121,933)
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	30	35,522	44,901
Financial assets at amortised cost		32,134	31,156
Other financial assets and liabilities		3,390	13,746
Gains or losses on financial assets and liabilities held for trading, net	30	19,758	8,294
Reclassification of financial assets out of fair value through other comprehensive income		-	-
Reclassification of financial assets out of amortised cost		-	-
Other gains or losses		19,758	8,294
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss, net	30	16,241	(3,623)
Reclassification of financial assets out of fair value through other comprehensive income		-	-
Reclassification of financial assets out of amortised cost		-	-
Other gains or losses		16,241	(3,623)
Gains or losses on financial assets and liabilities designated at fair value through profit or loss, net	30	-	-
Gains or losses from hedge accounting, net		12	63
Exchange differences [gain or loss], net	31	1,864	(7,967)
Other operating income	33	33,323	42,790
(Other operating expenses)	33	(144,673)	(135,633)
Of which: compulsory transfers to welfare funds (only savings banks and credit cooperatives)		-	-
B) GROSS OPERATING INCOME		1,454,131	1,384,154
(Administrative expenses)		(672,756)	(637,807)
(Staff expenses)	27	(367,397)	(343,494)
(Other administrative expenses)	32	(305,358)	(294,313)
(Depreciation)		(42,272)	(42,234)
(Provisions or reversal or provisions)	20	(102,708)	(155,537)
(Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss) or modification gains or losses, net)		(143,985)	(311,200)
(Financial assets at fair value through other comprehensive income)	9	164	512
(Financial assets at amortised cost)	10	(144,150)	(311,712)
(Impairment or reversal of impairment of investments in subsidiaries, joint ventures and associates)	13	(66)	297
(Impairment or reversal of impairment on non-financial assets)		(2,377)	(1,449)
(Tangible assets)		-	-
(Intangible assets)		(2,377)	(1,449)
(Other)		-	-
Gains or losses on derecognition of non-financial assets, net	34	735	7,037
Negative goodwill recognised in profit or loss		-	-
Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	34	(2,854)	(4,723)
C) PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS		487,847	238,537
Tax expense or income related to profit or loss from continuing operations	42	(128,186)	(36,426)
D) PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS		359,662	202,111
Profit or loss after tax from discontinued operations	13	1,011,689	(154)
E) PROFIT OR LOSS FOR THE PERIOD		1,371,351	201,957
EARNINGS PER SHARE:			
Basic	22	1.53	0.22
Diluted	22	1.50	0.20

The accompanying notes 1 to 51 and appendices I, II and III attached hereto form an integral part of the income statement for the year ended 31 December 2021.

(*) Presented for comparison purposes only.

Statement of recognised income and expense for the years ended 31 December 2021 and 2020

(Thousands of euros)

	31.12.2021	31.12.2020(*)
A) PROFIT OR LOSS FOR THE PERIOD	1,371,351	201,957
B) OTHER COMPREHENSIVE INCOME	204,593	(48,382)
Items that will not be reclassified to profit or loss	247,277	3,616
a) Actuarial gains or (-) losses on defined benefit pension plans	6,072	5,122
b) Non-current assets and disposal groups held for sale	-	-
c) Fair value changes of equity instruments measured at fair value through other comprehensive income	246,699	-
d) Gains or (-) losses from hedge accounting of equity instruments at fair value through other comprehensive income, net	-	-
e) Fair value changes of equity instruments measured at fair value through other comprehensive income (hedged item)	-	-
f) Fair value changes of equity instruments measured at fair value through other comprehensive income (hedging instrument)	-	-
g) Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	-	-
h) Income tax relating to items that will not be reclassified	(5,494)	(1,506)
Items that may be reclassified to profit or loss	(42,684)	(51,998)
a) Hedge of net investments in foreign operations [effective portion]	-	-
Valuation gains or (-) losses taken to equity	-	-
Transferred to profit or loss	-	-
Other reclassifications	-	-
b) Foreign currency translation	-	-
Translation gains or (-) losses taken to equity	-	-
Transferred to profit or loss	-	-
Other reclassifications	-	-
c) Cash flow hedges [effective portion]	904	(1,415)
Valuation gains or (-) losses taken to equity	904	(1,415)
Transferred to profit or loss	-	-
Transferred to initial carrying amount of hedged items	-	-
Other reclassifications	-	-
d) Hedging instruments [not designated elements]	-	-
Valuation gains or (-) losses taken to equity	-	-
Transferred to profit or loss	-	-
Other reclassifications	-	-
e) Debt instruments at fair value through other comprehensive income	(61,880)	(72,868)
Valuation gains or (-) losses taken to equity	(58,612)	(67,285)
Transferred to profit or loss	(3,268)	(5,583)
Other reclassifications	-	-
f) Non-current assets and disposal groups held for sale	-	-
Valuation gains or (-) losses taken to equity	-	-
Transferred to profit or loss	-	-
Other reclassifications	-	-
g) Income tax relating to items that may be reclassified to profit or loss	18,293	22,285
C) TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,575,944	153,575

The accompanying notes 1 to 50 and appendices I, II and III attached hereto form an integral part of the statement of recognised income and expense for the year ended 31 December 2021.

(*) Presented for comparison purposes only.

Statement of total changes in equity for the years ended 31 December 2021 and 2020

(Thousands of euros)

	Share capital (Note 22)	Share premium (Note 22)	Equity instruments issued other than capital	Other equity items	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares (Note 22)	Profit or loss for the period	(-) Interim dividends (Note 22)	Other comprehensive income (Note 21)	Total
Closing balance at 31.12.2020 (*)	269,660	1,184,265	-	7,112	2,765,801	-	-	(2,146)	201,957	-	92,494	4,519,141
Effects of correction of errors	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance 01.01.2021	269,660	1,184,265	-	7,112	2,765,801	-	-	(2,146)	201,957	-	92,494	4,519,141
Total comprehensive income for the period	-	-	-	-	-	-	-	-	1,371,351	-	204,593	1,575,944
Other changes in equity	-	(1,184,265)	-	(1,234)	138,206	-	-	1,241	(201,957)	(166,046)	-	(1,414,054)
Issuance of ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of preference shares	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
Exercise or expiration of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt to equity	--		-	-	-	-	-	-	-	-	-	-
Capital reduction	-	-	-	-	-	-	-	-	-	-	-	-
Dividends (or remuneration to shareholders) (Note 13)	-	(1,184,265)	-	-	-	-	-	-	-	(210,769)	-	(1,395,034)
Purchase of treasury shares	-	-	-	-	279	-	-	(18,832)	-	-	-	(18,552)
Sale or cancellation of treasury shares	--		-	-	-	-	-	20,073	-	-	-	20,073
Reclassification of financial instruments from equity to liability	--		-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liability to equity	-	-	-	-	-	-	-	-	-	-	-	-
Transfers among components of equity	-	-	-	-	157,233	-	-	-	(201,957)	44,724	-	-
Equity increase or (-) decrease resulting from business combinations	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	(1,234)	-	-	-	-	-	-	-	(1,234)
Other increases or (-) decreases in equity	-	-	-	-	(19,306)	-	-	-	-	-	-	(19,306)
Of which: discretionary transfer to welfare funds (only savings banks and credit cooperatives)	--		-	-	-	-	-	-	-	-	-	-
Closing balance at 31.12.2021	269,660	-	-	5,877	2,904,007	-	-	(905)	1,371,351	(166,046)	297,087	4,681,031

The accompanying notes 1 to 50 and appendices I, II and III attached hereto form an integral part of the statement of total changes in equity for the year ended 31 December 2021.

(*) Presented for comparison purposes only.

Statement of total changes in equity for the years ended 31 December 2021 and 2020

(Thousands of euros)

	Share capital (Note 22)	Share premium (Note 22)	Equity instruments issued other than capital	Other equity	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares (Note 22)	Profit or loss for the period	(-) Interim dividends (Note 22)	Other comprehensive income (Note 21)	Total
Closing balance at 31.12.2019 (*)	269,660	1,184,265	-	12,076	2,539,497	-	-	(984)	509,345	(175,442)	140,876	4,479,293
Effects of correction of errors	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance at 01.01.2020	269,660	1,184,265	-	12,076	2,539,497	-	-	(984)	509,345	(175,442)	140,876	4,479,293
Total comprehensive income for the period	-	-	-	-	-	-	-	-	201,957	-	(48,382)	153,575
Other changes in equity	-	-	-	(4,964)	226,304	-	-	(1,163)	(509,345)	175,442	-	(113,727)
Issuance of ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of preference shares	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
Exercise or expiration of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt to equity	--		-	-	-	-	-	-	-	-	-	-
Capital reduction	-	-	-	-	-	-	-	-	-	-	-	-
Dividends (or remuneration to shareholders)	-	-	-	-	-	-	-	-	-	(87,758)	-	(87,758)
Purchase of treasury shares	-	-	-	-	(875)	-	-	(19,359)	-	-	-	(20,234)
Sale or cancellation of treasury shares	--		-	-	-	-	-	18,196	-	-	-	18,196
Reclassification of financial instruments from equity to liability	--		-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liability to equity	-	-	-	-	-	-	-	-	-	-	-	-
Transfers among components of equity	-	-	-	-	246,146	-	-	-	(509,345)	263,199	-	-
Equity increase or (-) decrease resulting from business combinations	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	(4,964)	-	-	-	-	-	-	-	(4,964)
Other increases or (-) decreases in equity	-	-	-	-	(18,966)	-	-	-	-	-	-	(18,966)
Of which: discretionary transfer to welfare funds (only savings banks and credit cooperatives)	--		-	-	-	-	-	-	-	-	-	-
Closing balance at 31.12.2020 (*)	269,660	1,184,265	-	7,112	2,765,801	-	-	(2,146)	201,957	-	92,494	4,519,141

(*) Presented for comparison purposes only.

Statement of cash flows for the years ended 31 December 2021 and 2020

(Thousands of euros)

	Note	31.12.2021	31.12.2020(*)
A) CASH FLOWS FROM OPERATING ACTIVITIES		7,119,567	8,506,368
Profit or loss for the period		1,371,351	201,957
Adjustments to obtain cash flows from operating activities		(489,050)	(122,351)
Depreciation and amortisation	14.15	42,272	42,234
Other adjustments		(531,322)	(164,584)
Net increase/(decrease) in operating assets		6,370,191	2,119,933
Financial assets held for trading		1,879,514	(1,689,408)
Non-trading financial assets mandatorily at fair value through profit or loss		38,815	39,939
Financial assets designated at fair value through profit or loss		-	-
Financial assets at fair value through other comprehensive income		(94,190)	(1,794,250)
Financial assets at amortised cost		4,278,720	5,622,076
Other operating assets		267,333	(58,424)
Net increase/(decrease) in operating liabilities		12,917,540	10,608,054
Financial liabilities held for trading		2,311,979	(1,444,490)
Financial liabilities designated at fair value through profit or loss		-	-
Financial liabilities at amortised cost		10,948,387	11,975,788
Other operating liabilities		(342,826)	76,755
Income tax recovered/(paid)		(310,081)	(61,359)
B) CASH FLOWS FROM INVESTING ACTIVITIES		(64,659)	(7,902)
Payments		78,564	26,580
Tangible assets		10,600	10,195
Intangible assets		8,461	16,292
Investments in subsidiaries, joint ventures and associates	13	59,503	93
Other business units		-	-
Non-current assets and liabilities classified as held for sale		-	-
Other payments related to investing activities		-	-
Proceeds		13,905	18,678
Tangible assets		7,685	-
Intangible assets		-	-
Investments in subsidiaries, joint ventures and associates	13	-	868
Other business units		-	-
Non-current assets and liabilities classified as held for sale		6,220	17,810
Other proceeds related to investing activities	13	-	-
C) CASH FLOWS FROM FINANCING ACTIVITIES		340,472	221,080
Payments		429,601	147,116
Dividends	21	210,769	87,758
Subordinated liabilities	19	200,000	40,000
Redemption of own equity instruments		-	-
Acquisition of own equity instruments		18,832	19,359
Other payments related to financing activities		0	-
Proceeds		770,073	368,196
Subordinated liabilities	19	750,000	350,000
Issuance of own equity instruments		-	-
Disposal of own equity instruments		20,073	18,196
Other proceeds related to financing activities		-	-
D) EFFECT OF EXCHANGE RATE CHANGES		-	-
E) NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)		7,395,380	8,719,546
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	6	14,367,153	5,647,607
G) CASH AND CASH EQUIVALENTS AT END OF PERIOD	6	21,762,533	14,367,153
Of which: Interest received		1,036,186	1,106,489
Of which: Interest paid		233,199	201,272

The accompanying notes 1 to 50 and appendices I, II and III attached hereto form an integral part of the statement of cash flows for the year ended 31 December 2021.

(*) Presented for comparison purposes only.

Bankinter, S.A.

Notes to the financial statements for the year ended 31 December 2021

1. Nature, activities and composition of Bankinter, S.A., and the most significant events during the year

Bankinter, S.A. was incorporated by notarial deed issued in Madrid on 4 June 1965, under the name Banco Intercontinental Español, S.A. On 24 July 1990 it acquired its current name. It is entered in the Official Banks and Bankers Register. Its Tax Identification number is A-28157360 and it belongs to the Deposit Guarantee Fund with code number 0128. The company address is Paseo de la Castellana 29, 28046 Madrid, Spain. Bankinter, S.A.'s legal entity identification (LEI) code is VWMYAEQSTOPNV0SUGU82.

Bankinter, S.A. (the Bank or the Entity) is the performance of banking activity, and it is subject to the laws and regulations applicable to banking entities operating in Spain.

In addition to the activities it directly carries out, the Bank is the parent company of a Group of subsidiaries that are dedicated to various activities (mainly banking services, investment services, asset management and credit cards) and which constitute, together with the Bankinter Group (the 'Group' or 'Bankinter Group').

The companies forming Bankinter Group are listed in Note 13.

Bankinter Group's consolidated balance sheets as at 31 December 2021 and 2020 and the consolidated income statements for the years then ended are presented in Appendix II.

Key highlights with an impact on the Bank's investments during the year were as follows:

In April 2021, the resolution of the Annual General Meeting of Bankinter, S.A. of 19 March 2020, involving the distribution in kind of its entire share premium (1,184 million euros), was executed. This involved the delivery to its shareholders of securities representing 82.6% of the share capital of its subsidiary Línea Directa Aseguradora, S.A., Compañía de Seguros y Reaseguros (Note 13).

The impact of this distribution on "Profit or loss for the period" amounted to 1,011,689 million euros (1,026,601 million euros before tax), recognised under "Profit or (-) loss after tax from discontinued operations" in the consolidated income statement.

In May 2021, the Annual General Meeting of Bankinter Capital Riesgo, S.G.E.I.C., S.A. agreed to its dissolution and liquidation. The Bankinter Capital Riesgo I, FCR fund, which was managed by the former, was dissolved and liquidated in financial year 2020.

Two new alternative investment vehicles were created in 2021: a) Bankinter Logística, S.A., for the acquisition of logistics assets; and b) Victoria Hotels & Resorts, S.L., for the acquisition of hotel assets. The Bank's institutional and private banking customers invest in these vehicles as shareholders. Bankinter Auto y Hogar, S.A. was also incorporated in 2021 as part of the reorganisation of Bankinter Group's insurance businesses.

At the close of the financial year, Bankinter International Notes Sàrl was in the process of being incorporated for the purpose of issue structured bonds.

In June 2021, Bankinter issued subordinated debt (considered tier 2 for the purposes of capital adequacy regulations) in the amount of 750 million euros, for a term of 11 and a half years (to 23 December 2032) with a call redemption option after 6 and a half years, on 23 December 2027. The interest rate on this issue is 1.25% (Note 19).

The health crisis caused by the COVID-19 coronavirus continued in 2021, forcing all countries to take measures that have affected the normal course of the national and international economy. The pandemic and the measures taken to fight it have had a material impact on the Group's activity and businesses (Note 44).

2. Accounting standards applied

a) Basis of preparation of the separate financial statements

To adapt the accounting regime of Spanish credit institutions to the principles and criteria of the International Financial Reporting Standards as adopted by regulations of the European Union (IFRS-EU), Banco de España published Circular 4/2017 of 27 November, with an effective date of 1 January 2018. In 2021, it published Circular 6/2021 of 22 December amending Banco de España Circular 4/2017 of 27 November.

The objective of this new standard is to update Circular 4/2017 to credit institutions to remain aligned with the International Financial Reporting Standards as adopted by the European Union and other European regulations; to recalibrate the alternative solutions for estimating losses due to credit risk (the new percentages are applicable as of 30 June 2022); and to adjust certain disclosure requirements. The new circular also amends Circular 4/2019, to financial credit establishments, to adjust its benchmarks to the amended Circular 4/2017.

The main changes introduced include simplification of the accounting treatment of contracts affected by the interest rate benchmark reform (IBOR – InterBank Offered Rates–) (Note 44).

Adoption of this standard did not have and is not expected to have any material impacts on the Entity's financial statements.

Through this Circular, Banco de España is maintaining comparability of the accounting regime for Spanish credit institutions and the accounting policies and standards established by IFRSs, as adopted by the European Union (IFRS-EU), as provided in Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards.

The Bank's 2021 financial statements were authorised for issue by the directors (at a meeting of the board of directors held on 21 February 2022) in accordance with the regulatory framework applicable to the Bank, as set out in the Code of Commerce and other company law and Banco de España Circular 4/2017 and its subsequent amendments, and other regulations. These financial statements for 2021 will be presented for approval at the Annual General Meeting.

The financial statements for 2021 have been prepared from the Bank's accounting records. Bankinter, S.A.'s annual financial statements for 2020 were approved by the shareholders at the Annual General Meeting held on 21 April 2021.

The notes to the financial statements contain information in addition to that presented in the balance sheet, the income statement, the statement of changes in equity, the statement of recognised income and expense, and the statement of cash flows. They contain narrative descriptions or breakdowns of those statements in a clear, relevant, reliable and comparable manner.

The Directors of the Bank, as the parent company of a business group, have authorised for issue the consolidated financial statements of the Bankinter Group for the same year simultaneously with the individual statements of the bank for 2021. The consolidated financial statements are included as an appendix to this document.

The accounting policies and methods used in preparing these financial statements are the same as those applied in the financial statements for the previous year, taking into consideration the standards and interpretations that became effective in the current year.

b) Accounting principles and measurement standards

The financial statements have been prepared in accordance with generally accepted accounting principles and measurement standards, which are described in Note 5. No accounting principle or measurement standard with a significant effect in the financial statements has been omitted in the preparation thereof.

Unless stated otherwise, these financial statements are presented in thousands of euros. The accounting balances have been rounded to present amounts in thousands of euros. Therefore, amounts appearing in certain tables may not be the exact arithmetic sum of the figures preceding them.

c) Judgements and estimates used

The information included in these financial statements is the responsibility of the Bank's directors. Estimates were used to measure certain assets, liabilities, revenue, expenses and obligations, which were made by the Bank's senior management and confirmed by the directors. These estimates relate mainly to:

- impairment losses on certain assets, including the value of real estate collateral, and the definition of significant increase in risk, and additional criteria used due to the COVID-19-related crisis (Notes 10 and 44).
- the useful life applied to tangible assets and intangible assets (Notes 14 and 16).
- the fair value of certain unlisted assets and properties (Notes 43 and 12).
- the actuarial assumptions used to calculate liabilities post-employment benefit obligations (Note 27).
- the calculation of legal and tax-related provisions (Note 20).

Although these estimates were made using the best information available at the end of the reporting period, future events might make it necessary to change them in future periods, Changes in accounting estimates are made prospectively, with any effects recognised in the income statement of the period or periods affected.

d) Comparison of information

The information referred to 2020 in the notes to the financial statements is presented exclusively for comparison with the information for 2021.

There are no additional significant matters that may have a material effect on the comparability of the figures presented in relation to this year with those of the previous year.

3. Distribution of profit for the year

In 2020, the European Central Bank issued a recommendation on dividend distributions to credit institutions to help them better sustain the economy during the COVID-19 crisis. The supervisor recommended that until 30 September 2021 credit institutions exercise extreme prudence when deciding dividend payments. In July 2021, the European Central Bank decided not to extend the recommendation it issued to credit institutions to limit dividend distributions beyond that date.

The proposed distribution of the profit obtained by Bankinter, S.A. during the year ended 31 December 2021 prepared by the Bank's directors and to be submitted for approval at the Annual General Meeting is as follows:

Distribution:	
Voluntary reserves	1,152,663
Legal reserve	-
Dividends (Note 21)	218,687
Profit distributed	1,371,351
Profit or loss for the period	1,371,351

Shareholders at the Annual General Meeting held on 21 April 2021 approved the distribution of 2020 profit, which consisted of earmarking 157,233 thousand euros to "Voluntary reserves" and 44,724 thousand euros to "Dividends".

Details of the interim dividends distributed and the relevant liquidity statements are set out in Note 22.

4. Deposit Guarantee Fund and Single Resolution Fund

The expense recognised for the Bank's contributions to the Deposit Guarantee Fund and the Single Resolution Fund was recognised under "Other operating expenses" in the income statement (Note 33).

5. Accounting principles and measurement bases applied

These financial statements have been prepared in accordance with the accounting principles and measurement bases established by current accounting legislation. Following is a summary of the most significant ones:

a) Going concern principle

When preparing the financial statements the consideration was that the Bank will continue to operate on a going-concern basis. The application of the accounting standards is therefore not intended to determine the value of equity for the purposes of its complete or partial transfer or the resulting amount in the event of liquidation.

b) Accruals principle

Except with respect to the consolidated statement of cash flows, these consolidated financial statements have been prepared based on the actual flow of assets and services regardless of the date of payment or collection.

Interest accrued on both credit and debit transactions with settlement terms in excess of 12 months is calculated using the financial discounting method. In transactions with shorter terms, interest is accrued indistinctly using the financial discounting or the linear method.

Following general financial practice, transactions are recorded on the date on which they occur, which can differ from their corresponding value date. This date is used to calculate finance income and expenses.

c) Foreign currency transactions and balances

i. Functional currency

The Bank's functional currency is the euro. Accordingly, all balances and transactions in currencies other than the euro are considered to be denominated in "foreign currency".

ii. Foreign currency translation

Balances and transactions in foreign currency are translated to euros using the following rules:

- Monetary items in foreign currency are translated to the functional currency at the closing exchange rate.
- Non-monetary items measured at historical cost are translated to the functional currency at the exchange rate at the date of acquisition.
- Non-monetary items measured at fair value are translated at the exchange rates at the date when the fair value was determined.
- Income and expenses are translated at the exchange rate at the transaction date. An average exchange rate may be used for all the transactions carried out in a particular period.
- Forward foreign exchange contracts against currencies and currencies against euros not to hedge asset positions are translated at the exchange rates established at period-end by the forward foreign exchange market for the given maturity.

- Forward currency contracts: These transactions are translated at the rate of exchange at the reporting date in the forward foreign exchange market, bearing in mind the term of maturity.

iii. Recognition of exchange differences

Foreign exchange differences have been recognised in the income statement with the exception of non-monetary items measured at fair value whose fair value gain or loss is recognised in equity.

d) Statement of cash flows

The Bank has used the indirect method for preparing the statements of cash flows, which contain the following expressions including the following classification criteria:

- Cash flows: inflows and outflows of cash and cash equivalents; such equivalents are as short-term investments with high liquidity and a low risk of alterations in their value. Cash and cash equivalents include the balances of "Cash, cash balances at central banks and other demand deposits" in the accompanying balance sheets and other cash balances managed (Note 6).
- Operating activities: typical activities of credit institutions, as well as other activities that cannot be classified as investment or financing activities.
- Investment activities: the acquisition, disposal or use by other means of long-term assets and other investments not included in cash and cash equivalents.
- Financing activities: activities that produce changes in the size and composition of the shareholders' assets and of the liabilities that do not form part of the operating activities.

e) Statement of recognised income and expense

This part of the statement of changes in equity presents the income and expenses generated by the Bank as a result of its business during the period. A distinction is made between items recognised in profit or loss in the income statement for the period and other income and expenses recognised directly in equity, in accordance with prevailing regulations.

Therefore, this statement presents:

a. Profit or loss for the year.

b. The net amount of income and expenses temporarily recognised as valuation adjustments in equity.

c. The net amount of income and expenses definitively recognised in equity.

d. Income tax accrued on items indicated in b) and c) above.

e. Total recognised income and expenses, calculated as the sum of the preceding points.

Changes in income and expense recognised in equity as valuation adjustments are broken down into:

- Valuation gains (losses): records the amount of income recognised directly under equity, net of expenses arising during the year. The amounts recognised during the period in this item remain in this item, even if in the same period they are transferred to profit or loss or reclassified to another item.
- Amounts transferred to the income statement: records the amount of valuation gains or losses previously recognised under consolidated equity, even if in the same year, that are recognised in the income statement.
- Amount transferred to the initial value of hedged items: Records the amount of valuation gains or losses previously recognised under equity, even if in the same year, that are recognised in the initial value of assets or liabilities as a result of cash flow hedges.
- Other reclassifications: includes the amount of the transfers made in the period between valuation adjustment items, in accordance with the criteria established in the prevailing legislation.

The amounts of these items are presented gross, showing the relevant tax effect in "Income tax".

f) Statement of total changes in equity

The statement of changes in equity presents all changes in equity, including those arising from changes in accounting policies and corrections of errors. This statement therefore shows a reconciliation of the carrying amount at beginning and end of the period relating to all items in equity, grouping together changes based on their nature into the following items:

- Adjustments due to changes in accounting policies and error corrections: which includes the changes in equity that arise as a result of the retroactive restatement of the balances in the financial statements originating from changes in accounting policies or error corrections.
- Income and expenses recognised during the year: includes, in aggregate, the total of the items recorded in the statement of recognised income and expense indicated above.
- Other changes in equity: reflects the rest of the items recognised under equity, such as increases or decreases in the appropriation fund, distribution of earnings, transactions involving treasury shares, payments involving equity instruments, transfers between equity items and any other increase or decrease in equity.

g) Recognition, measurement and classification of financial instruments

Financial assets and liabilities are recognised when the Bank becomes party to the contractual provisions of the instrument.

Financial assets

In general, financial assets are initially measured at their fair value. Unless there is evidence to the contrary, the fair value of a financial instrument and initial recognition is the transaction price. For instruments without an active market, the transaction price is used in the initial recognition unless there is evidence from the specific terms of the instrument in the transaction that its fair value is represented by another value.

Fair value is understood as the price that would be received to sell a financial asset or paid to transfer a financial liability in an orderly transaction between market participants at the measurement date. The best evidence of the fair value is the quoted price in an active market, which is an organised, transparent and deep market.

To estimate the fair value of specific financial assets with no market price, valuation techniques are used that must have the following characteristics:

– They shall be the most consistent and suitable techniques and they shall incorporate observable market data, such as: recent transactions of other instruments that are substantially the same; discounted cash flows and market models for valuing options.

– They shall be techniques that provide the most realistic estimate on the price of the instrument, and preferably, they shall be those which, usually, use participants in the market when valuing the instrument.

– They shall maximise the use of observable market data, limiting the use of unobservable data as much as possible. The measurement method shall be applied over time so long as the reasons for choosing it do not change. In any event, the entity must regularly assess the valuation technique and examine its validity by using observable prices from recent transactions and from current market data.

– Consideration will be made of factors such as the temporary value of money, credit risk, the exchange rate, equity instrument prices, volatility, liquidity, the risk of early repayment and administration costs, among others.

Financial asset not at fair value through profit or loss are measured at fair value plus or minus transaction costs that are directly attributable to the acquisition or the issue of the financial asset. For financial instruments at fair value through profit or loss, any directly attributable transaction costs will be recognised immediately in profit or loss.

The Bank classifies financial assets, for measurement purposes, into the following categories:

a) Financial assets at amortised cost.

b) Financial assets at fair value through other comprehensive income.

c) Financial assets required at fair value through profit or loss:

Financial assets held for trading.

Non-trading financial assets mandatorily at fair value through profit or loss.

d) Financial assets designated at fair value through profit or loss.

e) Derivatives – hedge accounting.

f) Investments in subsidiaries, joint ventures and affiliated businesses.

This decision will be taken on the basis of:

- the Bank's business model for managing the financial assets, and
- the contractual cash flow characteristics of the financial asset.

1. Business model:

A business model refers to how the Bank manages its financial assets in order to generate cash flows. It is determined based on the principles and structures followed by senior management, in addition to how these are reflected in the day-to-day management of individual portfolios. An assessment is performed at portfolio and not individual level, and consideration is given as to how management manages portfolios (collection of cash flows, sale of assets or both).

There are three different business models:

Traditional business model to collect contractual cash flows: its business purpose is to hold financial assets in order to receive related contractual cash flows.

Mixed business model to both collect contractual cash flows and sell: the management objective combines collecting contractual cash flows and selling financial assets. In this business model, the sale of assets is fundamental and not ancillary. It is a mixed model that combines the traditional and trading models.

Trading business model to obtain capital gains on the sale: its purpose is to generate income through the sale of assets to obtain capital gains (RoF). Investment decision are based on a portfolio's fair value. Although contractual cash flows may be collected, it is incidental and not part of this model's purpose.

2.- Contractual cash flow characteristics:

Analysis of cash flows collected aims to specify whether the cash flows to be received with the financial asset analysed meet the 'solely payments of principal and interest' criterion. Accordingly, 'principal' is the fair value of the financial asset at initial recognition and 'interest' is the consideration for the time value of money, the credit risk associated with the principal amount outstanding during a specific period of time, and other financing or administrative costs, plus a profit margin.

On initial recognition of a financial instrument, the Group assesses whether the instrument passes the SPPI test. Contractual terms with a minimal or unlikely impact on cash flows of a financial instrument do not imply failure to pass the SPPI test.

When assessing criteria for passing the SPPI test, the contractual cash flow analysis process considers all financial assets, so no exceptions have been made in the materiality analysis. When there are contractual conditions that could have an impact on passing the SPPI test, a benchmark analysis is performed to verify that the impact of these conditions on cash flows is not significant, specifically, that it is less than 5%.

This situation has only become apparent in financial assets (loans) where the term of the reference interest rate differs from the repricing term of the benchmark (e.g. a loan at a Euribor 12-month interest rate that reprices every 6 months). In these situations, the contractual flows of the financial asset have been analysed, and they have been compared with those of a similar instrument in which the benchmark term matches its repricing term, to verify that the cumulative difference between the two is no more than 5%. The aggregate amount of the financial assets affected is not material.

A financial asset must be classified for measurement purposes in the portfolio of financial assets at amortised cost if both the following two conditions are met:

a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows (Traditional business model and,

b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance. The effective interest rate method is used in the calculation of the amortised cost of a financial asset and in the allocation and recognition of the interest revenue or interest expense in profit or loss over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset to the gross carrying amount of a financial asset, without considering expected credit losses. The calculation includes all fees, transaction costs and all other premiums or discounts that are an integral part of the return or effective cost of the instrument.

A financial asset is classified in the portfolio of financial assets at fair value through other comprehensive income if the following conditions are met:

a) The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets ('Mixed' Business Model), and

b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset must be classified in the portfolio of financial assets at fair value through profit or loss provided that, due to the business model chosen for managing the asset and the contractual cash flow characteristics, it cannot be measured at amortised cost or at fair value through other comprehensive income.

In this portfolio, regular purchases and sales are recorded using the settlement date.

In addition, the portfolio of financial assets at fair value through profit or loss must necessarily include in the trading portfolio all assets that meet the following conditions:

a) They are originated or acquired for the purpose of realising them in the short term

b) They are part of a group of identified financial instruments that are managed together for which there is evidence of a recent pattern of short-term profit taking.

c) They are derivative instruments that do not meet the definition of financial guarantee contracts and have not been designated as hedging instruments.

Nonetheless, the Bank may make an irrevocable election on initial recognition to include specific investments in equity instruments in the portfolio of financial assets at fair value through other comprehensive income that otherwise would be measured at fair value through profit or loss.

The Bank may also irrevocably designate a financial asset as measured at fair value through profit or loss at initial recognition if by doing so it eliminates or significantly reduces a recognition inconsistency (also referred to as an "accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognising gains and losses on them on different bases.

As previously indicated, after initial recognition, the Bank will measure financial assets at amortised cost, at fair value through other comprehensive income, at fair value through profit or loss, or at cost, depending on their classification.

Investments in subsidiaries, joint ventures and associates are measured at cost less any cumulative impairment losses estimated.

Financial liabilities

Financial liabilities are classified for measurement purposes into one of the following categories:

a) Financial liabilities held for trading.

b) Financial liabilities designated at fair value through profit or loss.

c) Financial liabilities at amortised cost.

d) Derivatives-hedge accounting, which includes financial derivatives acquired or issued by the Bank that qualify for hedge accounting.

Financial liabilities at amortised cost are measured in the same way as financial assets at amortised cost. By default, the Bank shall classify financial liabilities in the portfolio of financial liabilities at amortised cost, except under any of the circumstances for classifying them under another portfolio, as described below

The portfolio of financial liabilities held for trading shall include all financial liabilities having any of the following characteristics:

a) They are issued with an intention to repurchase them in the near term.

b) They are short positions on securities.

c) They are part of portfolio of identified financial instruments that are managed together for which there is evidence of a recent pattern of short-term profit taking.

d) They are derivative instruments that do not meet the definition of financial guarantee contracts and have not been designated as hedging instruments.

The mere fact that a financial liability is used to finance trading activities does not mean that it will be included under this category.

The portfolio of financial liabilities designated at fair value through profit or loss will include financial liabilities that meet one of the following conditions:

a) They have been irrevocably designated as measured at fair value at initial recognition. A financial liability can only be designated irrevocably if:

- it is hybrid financial instrument and meets certain conditions.

- if doing so eliminates or significantly reduces a measurement or recognition inconsistency (accounting mismatch) that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or

- when doing so results in more relevant information, because a group of financial liabilities, or financial assets and liabilities is managed and its performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy, and information about the group is provided on that basis to the entity's key management personnel.

b) They were designated at, or subsequent to, initial recognition by the end as a hedged item to manage credit risk by using a credit derivative that is measured at fair value through profit or loss.

After initial recognition, the entity shall measure a financial liability at amortised cost or at fair value through profit or loss.

Equity instruments

A financial instrument is an equity instrument if, and only if, the two conditions below are met:

a) The instrument does not include a contractual obligation:

(i) to deliver cash or another financial asset to another entity; or

(ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the issuing entity.

b) If the instrument will or may be settled in the issuer's own equity instruments, and is:

(i) a non-derivative instrument that carries no contractual obligation for the issuer to deliver a variable number of its own equity instruments; or

(ii) a derivative instrument that will only be settled through the exchange by the issuer of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

A contractual obligation, including any that arises from a derivative financial instrument that gives rise or may give rise to future receipt or delivery of the issuer's own equity instruments, shall not be considered an equity instrument if it does not meet conditions (a) and (b) above.

h) Recognition of income and expenses

Interest income, interest expenses and similar items are generally recognised on an accrual basis using the effective interest rate method. The calculation includes all fees, transaction costs and all other premiums or discounts that are an integral part of the return or effective cost of the instrument.

Dividends received from other entities are recorded as income where the entity's right to receive payment is declared.

Fees and commissions paid or received for financial services, however denoted contractually, are classified in the following categories, which shall determine their recognition in the income statement:

i. Credit fees and commissions, which are an integral part of the effective cost or yield of a financial transaction and are recognised in the income statement over the expected life of the transaction as an adjustment to its cost or effective yield. These include asset product arrangement and analysis fees and commissions, overdrawn credit fees and overdraft fees and commissions on liability accounts.

ii. Non-credit fees, which are those derived from the provision of financial services other than financing transactions and can arise in services rendered over a period of time and in services rendered in a single act.

Income and expenses are generally recognised in the income statement in accordance with the following criteria:

i. Those related to financial assets and liabilities measured at fair value through profit or loss are recorded upon settlement.

ii. Those related to transactions or services performed over a period of time are recognised over the period of related transactions or services.

iii. Those related to a transaction or service provided in a single act are recognised when the single act is carried out.

Non-financial income and expenses are recognised on an accrual basis. Receipts and payments deferred over periods greater than one year are recognised at the present value of the discounted cash flows at market rates.

Tax charges and obligations are recognised when the event that triggers payment takes place.

i) Impairment of financial assets

Debt instruments and off-balance-sheet exposures

Impairment losses for the period on debt instruments are recognised as an expense in the income statement. Impairment losses on debt instruments at amortised cost are recognised through an allowance account that reduces the carrying amount of the asset, while those on debt instruments at fair value through other comprehensive income are recognised in "Accumulated other comprehensive income".

Subsequent reversals of previously recognised impairment losses are recognised as income in the income statement for the period.

Expected credit losses relate to the difference between all contractual cash flows that are due to the entity in accordance with the financial asset contract and all the cash flows that the entity expects to receive discounted at the original effective interest rate, or a reasonable approximation thereof, or the credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets.

Future estimated cash flows from a debt instrument consist of all principal and interest amounts that the Group estimates it will obtain over the life of the instrument. This estimate takes into consideration all relevant information available at the date of preparation of the consolidated financial statements that provides updated and reliable information regarding the possible future collection of the contractual cash flows. Also, in estimating the future cash flows of instruments supported by collateral, the flows that would be obtained from foreclosure on the collateral less the costs of obtaining and selling the collateral, irrespective of whether enforcement of the collateral is probable.

Credit exposures are classified, in accordance with their credit risk, into one of the following categories:

1) Performing exposures (Stage 1)

2) Underperforming exposures (Stage 2)

3) Non-performing exposures (Stage 3)

4) Write-offs

At initial recognition, purchased or originated credit-impaired financial assets, such as those purchased at a large discount that reflects credit losses, are classified as non-performing exposures. The expected credit loss on the purchase or origination of these assets will not be included in the loss allowance or the gross carrying amount at initial recognition. Irrespective of how they are subsequently categorised, when the entity purchases or originates a credit-impaired financial asset, it recognises the cumulative changes in credit losses from initial recognition as a loss allowance and interest income on these assets by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset.

Expected credit losses are determined and assigned individually to each instrument. Models that provide estimates of the probability of default (PD), loss given default (LGD) and the exposure at default (EAD) are used, depending on the specific situation of each of the exposures and their obligors, which enables a collective estimate of expected losses to be made available on a daily basis. However, in Stages 2 and 3, an individualized evaluation of the instruments considered significant is carried out on a systematic basis. Conversely, in the case of Stage 1 and also for non-significant exposures in Stages 2 and 3, the use of expert analysis may exceptionally be triggered when certain results provided by the models are deemed inadequate in the monitoring of the collective estimation.

Further information on this point is provided in Note 44, Risk Policies and Management.

Equity instruments: investments in subsidiaries, joint ventures and associates.

The Bank recognises impairment losses on investments in subsidiaries, joint ventures and associates whenever there is objective evidence that the carrying amount of the investment is not recoverable. The amount of impairment losses will be the difference between the carrying amount of the instrument and its recoverable amount. The recoverable amount is the higher of fair value less costs of disposal and value in use.

For these purposes, the entity will estimate the value in use of an investment as:

a) the present value of its share of the cash flows expected to be generated by the investee, which will include both those from ordinary activities and from the gains or losses on its sale or disposal, or

b) the present value of the cash flows expected to be received by the investee in the form of dividends and those relating to the sale or disposal of the investment.

Impairment losses are recognised immediately as an expense in profit or loss for the period in which they occur. Subsequent reversals of previously recognised impairment losses are recognised immediately as income in profit or loss.

There is objective evidence that equity instruments are impaired when an event (or the combined effect of several events) occurs after their initial recognition that indicates that their carrying amount is no longer recoverable. The bank will use all the information available on the performance and operations of its investee in order to determine whether there is objective evidence of impairment.

j) Financial derivatives

The Bank uses financial derivatives traded on organised markets or bilaterally with organised off-market counterparties (OTC) both in its own transactions and in transactions with the customer wholesale or retail segments.

The Bank enters into derivatives to arrange hedges, actively manage other financial assets and liabilities, or benefit from changes in their prices. Financial derivatives which cannot be classified as hedges are classified as trading derivatives.

Derivatives with an active market are measured based on the quoted price in that market. If, for exceptional reasons, their quoted price cannot be established on a given date, similar methods to those used to measure financial derivatives not traded in organised markets are used.

Derivatives without a market, or for which a market with little activity exists, are valued following the most consistent and adequate financial methods, maximising the use of observable data and taking into consideration any factor that a market participant would evaluate, such as: a) recent transactions of other instruments that are substantially the same; b) discounted cash flows; and c) market models for valuing options. The techniques applied are those used by the market participants which provide the most realistic estimate of the price of the instrument.

On initial recognition, all financial derivatives are recognised at their fair value. The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price. If an entity determines that the fair value at initial recognition differs from the transaction price, it shall account for that instrument at that date as follows:

a) If that fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the entity recognises the difference between the fair value at initial recognition and the transaction price as a gain or loss.

b) In all other cases, the difference between the fair value at initial recognition and the transaction price is deferred, recognising that deferred difference as a gain or loss only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

Bankinter does not carry out relevant transactions with derivative instruments whose fair value at initial recognition differs from the transaction price.

Bankinter has elected to maintain the hedge accounting of the previous accounting standards under International Accounting Standard 39 (IAS 39), until the new standard on the hedging framework is issued.

A derivative may be designated as a hedging instrument only if it meets the following criteria:

i. It can be designated in its entirety as a hedging instrument, even when only for a proportion of its entire, except for options, in which case the change in its intrinsic value may be designated as a hedging instrument excluding the change in its time value or the value of forward contracts, which may be designated as such for the difference between the spot prices and forward prices of the underlying asset.

ii. It is designated as a hedge for the entirety of its remaining term.

iii. For a hedge of more than one risk, provided the different risks hedged can be clearly identified, and each part of the instrument can be designated as a hedge of specific hedged items and the effectiveness of the different hedges can be demonstrated.

The effectiveness of the hedge of derivatives defined as hedges is duly documented through effectiveness testing, which is the tool that tests that the differences arising from fluctuations in market prices between the hedged item and its hedge remain within reasonable parameters throughout the life of the transactions, thereby fulfilling the predictions established at the time they were entered into.

If this is not the case at any time, the related transactions in the hedge group would be considered trading hedges and duly reclassified in the balance sheet.

Bankinter enters into fair value and cash flow hedges:

- Micro hedges or individual hedges (for which there is a specific identification of hedged instruments and hedging instruments) cover the exposure to changes in the fair value or the cash flows relating to the hedged item. In the case of fair value hedges, the gain or loss arising on measurement of both the hedging instruments and the hedged items is recognised immediately in profit or loss. For cash flow hedges, the (effective) portion of the gain or loss on the hedging instrument will be recognised temporarily in an item of "Accumulated other comprehensive income" in consolidated equity. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in profit or loss.

- Portfolio hedges of interest-rate risk (also known as "macro-hedges") are those in which the interest-rate risk exposure of a certain amount of financial assets or financial liabilities that make up a set of financial instruments in the portfolio is hedged; however, specific instruments are not hedged. For fair value portfolio hedges of interest rate risk that are highly effective, the gain or loss arising from measuring hedging instruments is recognised immediately in profit or loss. For the hedged amount, the gain or loss arising on measurement is recognised directly in the income statement using as a balancing entry in "Fair value changes of the hedged items in portfolio hedge of interest rate risk" on the asset or liability side if the hedged amount relates to financial assets or financial liabilities. For cash flow portfolio hedges of interest rate risk, the effective portion of the change in value of the hedging instrument is recognised temporarily in equity under "Accumulated other comprehensive income" until the forecast transactions occur, when it is recognised in profit or loss. The ineffective portion is recognised directly in profit or loss.

k) Transfers and derecognition of financial instruments

Transfers of financial instruments are accounted for taking into account the way in which the transfer of the risks and rewards associated with the financial instruments transferred occurs, based on the following criteria:

i. If the risks and rewards are substantially transferred to third parties, such as in the case of unconditional sales, sales with a repurchase agreement at its fair value at the repurchase date, sales of financial assets with a purchased call option or written put option that is deeply out of the money, securitisations of assets in which the transferor does not retain a subordinated debt or grants any credit enhancement to the new holders, etc., the financial instrument transferred is derecognised, and any rights or obligations retained or created as a result of the transfer are simultaneously recognised.

ii. If the risks and rewards associated with the financial instrument transferred are substantially retained, such as in the case of sales of financial assets with an agreement to repurchase at a fixed price or at the sale price plus interest, a securities lending agreement in which the borrower undertakes to return the same or similar assets, etc., the financial instrument transferred is not removed from the balance sheet and continues to be measured using the same criteria as before the transfer. However, the related financial liability is recognised for an amount equal to the consideration received, which is subsequently measured at amortised cost. The income from the financial asset transferred but not derecognised and the expenses incurred on the new financial liability are recognised directly in profit or loss.

iii. If the entity neither transfers nor retains substantially all the risks and rewards of ownership of the transferred financial instrument, such as in the case of sales of financial assets with a purchased call option or written put option that is not deeply in or out of the money, securitisations in which the transferor assumes a subordinated debt or another type of credit enhancement for a portion of transferred asset, etc., a distinction is made between:

   - If the Bank does not retain control of the transferred financial instrument, in which case it is derecognised and any right or obligation retained or created in the transfer is recognised.
   - If the Bank retains control of the transferred financial instrument, it continues to recognise it for an amount equal to its exposure to changes in value and recognises a financial liability related to the transferred financial asset.

The net amount of the transferred asset and of the related liability will be the amortised cost of the rights and obligations retained, if the transferred asset is measured at amortised cost, or the fair value of the rights and obligations retained, if the transferred asset is measured at fair value.

Therefore, financial assets are only removed from the balance sheet when the cash flows that are generated have been extinguished or when the risks and rewards of ownership have been substantially transferred to a third party. Similarly, financial liabilities are only removed from balance sheet when the obligations they generate have been extinguished or when they are acquired for the purpose of cancelling or reselling them.

When the transferred financial asset is completely eliminated from the balance sheet, the income statement will recognise the difference between its carrying amount and the sum of: a) the payment received, including any new asset obtained less any liability assumed, and b) any accumulated profit or loss recognised directly as 'Other cumulative comprehensive income' within equity attributable to the transferred financial asset.

l) Tangible assets

As a general rule, tangible assets are measured at cost less accumulated depreciation and any impairment losses.

Depreciation is calculated systematically on a straight-line basis or using the sum-of-the-years' digits method, applying the years of estimated useful life of the various items to the cost of the assets less their residual value. The land on which the buildings and other constructions are located is understood as having an indefinite life and, therefore, not depreciated. The annual depreciation charge for tangible assets is recognised in profit or loss calculated based on the estimated useful life of the related asset, which coincides with the legal minimums:

	Depreciation method
Properties	Straight line over 50 years
Fixtures and fittings and other	Straight line between 6 and 12 years
Computer equipment	Straight line up to 4 years

The Bank reviews the depreciation period and method for each of its tangible assets at least at the end of the reporting period.

The costs of conservation and maintenance of property, plant and equipment that do not improve their use or lengthen the asset's useful life are recognised in profit or loss when they are incurred.

The Bank assesses at each reporting date whether there is any internal or external indication that the net value of its tangible assets exceeds their recoverable amount. If so, the Bank reduces the carrying amount of the asset to its recoverable amount and adjusts the future depreciation charges in proportion to the adjusted carrying amount and the new remaining useful life, where it must be re-estimated. When there are indications of a recovery in the value of an asset, the Bank recognises the reversal of the impairment loss recognised in previous periods and adjusts the future depreciation charges. The reversal of the impairment loss on an asset may not raise its carrying amount above that which it would have if no impairment losses had been recognised in prior years.

"Investment property" in the balance sheet includes the net value of land, buildings and other constructions that are owned or held under lease to earn rentals or for capital appreciation on the sale from future increases in their market prices, or both.

The criteria applied for recognising the cost of acquiring investment property, its depreciation, the estimation of useful lives and the recognition of potential impairment losses are the same as those described above.

m) Intangible assets

Intangible assets are identifiable non-monetary assets without physical appearance that arise as a result of a legal business or have been developed internally by the Bank. The Bank only recognises those intangible assets whose cost can be estimated in a reasonably objective manner and those for which it is probable that the expected future benefits will flow to the Bank.

Intangible assets are recognised initially at cost of acquisition or production and subsequently measured at cost less any accumulated amortisation and any subsequent impairment losses.

Intangible assets are amortised in accordance with their useful life based on the same criteria established for the depreciation of tangible assets. The annual amortisation of intangible assets is recognised under "Depreciation" in the income statement. The Bank reviews the amortisation period and method for intangible assets at least at the end of each reporting period. As at 31 December 2021 and 2020, the Bank only recognised intangible assets under construction, which have yet to be put into use and which it has yet to begin amortisation.

The useful life of software recorded as an intangible asset is estimated based primarily on expected usage, typical product life cycles and obsolescence, industry stability, maintenance costs, historical experience and market peers. Accordingly, the entity's accounting policies classify activated software into three categories: architecture and structural software (with useful lives between 10 and 15 years), software developed in banking applications (with useful lives between 10 and 15 years) and digital software (with useful lives between 3 and 5 years).

The Bank recognises any impairment loss on intangible assets with an indefinite and finite useful life using as a balancing entry "Impairment or (-) reversal of impairment on non-financial assets - b) Intangible assets" in the income statement. The criteria for the recognition of impairment losses on these assets and, where applicable, of the recoveries of the impairment losses recorded in prior periods are similar to those applied tangible assets for own use.

n) Leases

Lease contracts are presented on the basis of the economic substance of the transaction regardless of its legal form and are classified from inception as finance or operating leases.

i. A lease is classified as a finance lease when it transfers substantially all the risks and rewards incidental to ownership of the asset that is the subject of the lease.

   When the Bank is lessor, the sum the present values of the payments receivable from the lessee during the term of the lease plus any guaranteed residual value, normally the exercise price of the purchase option by the lessee on expiry of the least, is recognised as finance granted to third parties, so it is included under "Loans and receivables" in the balance sheet in accordance with the nature of the lessee.

   When the Bank is the lessee, it recognises the cost of the leased asset in the balance sheet based on the nature of the asset that is the subject of the lease and, simultaneously, a liability for the same amount, which is the lower of the fair value of the leased asset or the sum of the present value of the lease payments accruing to the lessor plus, where appropriate, the exercise price of the purchase option. These assets are depreciated using the same criteria as those applied to all tangible assets for own use.

ii. Lease contracts that are not considered finance leases are classified as operating leases.

   When the Bank acts is lessee, it recognises the cost for acquiring the leased assets under "Tangible assets". These assets are depreciated according to the policies adopted for similar tangible assets for own use and the income from the lease contracts is recognised in the income statement on a straight-line basis.

iii. Leases where the entity is lessee are treated as follows:

No distinction is made between operating and finance leases. All leases (with certain exceptions) must be recognised as right-of-use assets in the lessee's balance sheet with a lease liability measured at the present value of the expected lease payments over the term that it is reasonably certain that the lease will be in force. The discount rate is the interest rate implicit in the lease or, if it cannot be determined, the lessee's incremental borrowing rate. The entity calculates this incremental borrowing rate based on the quoted debt instruments issued by the Group.

The leased asset is depreciated from the commencement date to the end of the lease, while the lease liability shall be treated similarly to a financial liability, i.e. increasing the carrying amount to reflect the interest on the lease liability, reducing the carrying amount to reflect the lease payments made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

Lessees are not required to apply the standard to leases of intangible assets, short-term leases (i.e. with a lease term of 12 months or less), and leases for which the underlying asset is of low value (less than 5,000 euros) and can recognise them as an expense.

In determining the lease term, management considers all the relevant facts and circumstances the create an economic incentive for the lessee to exercise an option to extend and not an option to terminate the lease. Options to extend (or periods beyond options to terminate) are only included in the lease term if it is reasonably certain that the lease will be extended (or not terminated).

The entity assesses at each reporting date whether there are indications of impairment of right-of-use assets using the same criteria as for tangible assets.

o) Non-current assets and disposal groups classified as held for sale

Non-current assets held for sale are assets whose carrying amount will be recovered principally through sale, provided that they are available for immediate sale and this is highly probable.

Foreclosed assets or assets received in payment of debt are assets that the Bank receives from its borrowers or other debtors as payment, in full or in part, of financial assets representing receivables from them, and that are classified as "Non-current assets and disposal groups classified as held for sale".

Non-current assets held for sale are recognised at the lower of their fair value less costs to sell and their carrying amount and they are not depreciated.

The estimation of the fair value of real estate assets foreclosed or received in payment of debt at the time of the foreclosure or receipt must use, as a reference value, the market value granted by means of a complete individual appraisal. Subsequent to the foreclosure or receipt, the reference value used to estimate the fair value should be updated, at least annually. Automated valuation methods may be combined with complete individual appraisals, with the latter carried out at least every three years.

In the process of estimating the fair value of the asset foreclosed or received in payment of debt, an assessment is carried out as to whether it is necessary to apply to the reference value a discount derived from the specific conditions of the assets, such as their location or state of conservations, or the markets for these assets, such as declines in the volume or level of activity. In this assessment, the Bank will take into account its sales experience and the average time that similar assets remain on balance sheet.

The Bank has its own methods to estimate the discounts applicable to the reference value and the costs to sell of the assets foreclosed or received in payment of debt, taking into account its experience of sales of similar assets, in terms of time scales, prices and volumes, and trends in the time the asset has remained on its balance sheet. These methods are developed within the framework of internal models for collective estimation risk allowances. Nonetheless, losses on foreclosed assets are calculated on an individual basis where assets that remain on the balance for longer than period than initially expected for their sale.

Impairment losses on non-current assets held for sale are recognised in "Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations" in the consolidated income statement. Recoveries in value are recognised in the consolidated income statement up to an amount equal to the previously recognised impairment losses. The accounting policy for "Discontinued operations" is detailed in note 13.

Consideration of an operation as discontinued requires changes in the accounting policies applied to the operation and in its presentation in the balance sheet and income statement:

- Assets that comprise the discontinued operation are presented separately in the balance sheet under "Non-current assets and disposal groups classified as held for sale" and the liabilities are presented under "Liabilities included in disposal groups classified as held for sale". The amounts of these items recognised in "Other comprehensive income" in equity are classified under "Non-current assets and disposal groups classified as held for sale". The presentation criteria shall not be applied retrospectively in the comparative balance sheets included in the annual financial statements.

- The income and expenses, regardless of their nature, arising from the discontinued operation in the reporting period, even if it arises before this classification, are presented, net of tax, in the income statement as a single amount in "Profit or loss after tax from discontinued operations", along with the gains or losses on the disposal.

- In the income statement included in the financial statements for purposes of comparison, the net amount of all income and expenses of the discontinued operation for the prior period is included in "Profit or loss after tax from discontinued operations".

- The entity shall not depreciate (or amortise) assets from discontinued operations while they are classified in this category.

p) Offsetting

Debit and credit balances originating from transactions which, contractually or as required by law, permit offsetting, and where there is an intention to settle them for their net amount or to realise the asset and pay the liability simultaneously, are presented on the balance sheet at their net amount.

q) Securities loaned or pledged

Securities lending involves transactions in which the borrower receives full title to securities without making any payment, except fees and commissions, with the commitment to return other securities of the same class as those received to the lender.

Security lending in which the borrower has the obligation to return the same assets or substantially the same assets or other similar ones having the same fair value are considered transactions in which the risks and rewards associated with the ownership of the asset are substantially retained by the lender.

r) Financial guarantees

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument, irrespective of the legal form it may have, such as a guarantee, a letter of credit, an insurance contract or credit derivative.

The Bank recognises financial guarantee contracts in "Other financial liabilities" at fair value plus transaction costs that are directly attributable to their issue. At inception, and unless there is evidence to the contrary, the fair value of financial guarantee contracts issued to an unrelated third party in a stand-alone arm's length transaction will be the premium received plus, where appropriate, present value of the cash flows to be received, using an interest rate similar to that of the financial assets granted by the entity with a similar term and risk. Simultaneously, a credit is recognised in assets for the present value of the future cash flows receivable using the aforementioned interest rate.

Subsequent to initial recognition, the contracts are treated as follows:

a. The value of the fees or premiums receivable for financial guarantees will be discounted, with the differences recognised in the income statement as interest income.

b. The value of financial guarantee contracts not classified as non-performing will be the amount initially recognised in liabilities less the portion recognised in profit or loss, allocated on a straight-line basis over the expected life of the guarantee, or by another method, provided that it more adequately reflects the economic risks and rewards of the guarantee.

Financial guarantees are classified based on the risk of insolvency attributable to the customer or the transaction and, where appropriate, the need to recognise provisions is estimated by applying the same criteria as in Note (f) for debt instruments measured at amortised cost.

Where a provision must be recognised for the financial guarantee contract, the fees and commissions pending accrual are reclassified to the relevant provision.

s) Staff expenses

Post-employment benefits

The Bank's post-employment obligations with its employees are considered to be "Defined contribution plans", where the Bank makes pre-determined contributions to a separate entity with no legal or effective obligation to make further contributions if the separate entity cannot pay the employee benefits with relating to the services rendered in the current and prior periods. Post-employment obligations that do not meet the above conditions are considered "Defined benefit plans". The characteristics of those obligations are described in Note 27.

Defined contribution plans

The contribution accrued in the period in this connection is recognised under "Staff expenses" in the income statement.

Any amounts not yet contributed at 31 December to the external plan covering those obligations are recognised at their present value under "Provisions - Pension and similar obligations". At 31 December 2021 and 2020, there was no outstanding amount to be paid into external defined contribution plans.

Defined benefit plans

The Bank recognises under "Provisions - Pension and similar obligations" on the liability side of the balance sheet (or "Other assets" on the asset side depending on the sign of the difference) the present value of the post-employment defined benefit obligations net of the fair value of plan assets.

'Plan assets' are considered to be those associated with a certain defined-benefit commitment under which the obligations will be directly satisfied and the following conditions are met: They are not owned by the Bank but rather by a separate legal entity that is not a related party, they are only available to pay or finance employee post-employment compensation and cannot return to the entities unless the assets remaining in that plan are sufficient to comply with all of the obligations falling to the plan or the entities relating to the benefits for current or past employees or to reimburse employee benefits already paid by the Bank.

If the Bank can look to an insurer to pay part or all of the expenditure required to settle a defined benefit obligation, and it is practically certain that said insurer will reimburse some or all of the expenditure required to settle that obligation, but the insurance policy does not qualify as a plan asset, the Bank recognises its right to reimbursement -which, in all other respects, is treated as a plan asset- in "Insurance contracts linked to pensions" on the asset side of the consolidated balance sheet.

Post-employment benefits are recognised as follows:

- The income statement includes the following components of post-employment benefits:
    - Current service cost (the increase in the present value of the obligations resulting from employee service in the period) is recognised under "Staff expenses".
    - Past service cost, which arises from changes to existing post-employment benefits or from the introduction of new benefits and includes the cost of curtailments, is recognised under "Provisions or reversal of provisions".
    - Any gain or loss arising on settlement of the plan is recognised under "Provisions or reversal of provisions".
    - Net interest on the net defined benefit liability (asset) (understood as the change during the period in the net defined benefit liability (asset) that arises from the passage of time) is recognised in "Interest income" or "Interest expenses" in the income statement.
- The remeasurement of the net defined benefit liability (asset) is recognised in "Valuation adjustments" and includes:
    - The actuarial gains and losses arising the period, arising from the differences between the previous actuarial assumptions and what as actually occurred and the effects of changes in actuarial assumptions.
    - The return on plan assets, excluding the amounts included in net interest on the net defined benefit liability (asset).
    - Any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).

Other long-term employee benefits

Early retirements

The Bank guarantees certain obligations with employees taking early retirement -with respect to both salaries and other employee benefits- from the time of early retirement until the date of their effective retirement.

Early retirement obligation up until the date of effective retirement are treated for accounting purposes, where applicable, using the same criteria as explained above for defined-benefit post-employment benefits, except for actuarial gains and/or losses, which are recognised immediately when they arise with a balancing entry in the income statement.

Death and disability of current employees

The obligations assumed by the Bank regarding death and disability of employees while they are actively employed, covered by a co-insurance policy arranged with Axa and Caser, are recognised in the income statement at an amount equal to the premiums accrued on that insurance policy each period.

Share-based payments

The Bank remunerates certain groups of employees with shares, i.e. providing own equity instruments in exchange for services rendered.

In accordance with the accounting regulations, the services received under this remuneration scheme are recognised in the income statement, with a balancing entry in equity.

t) Provisions and contingencies

The Bank recognises provisions at the amount estimated to settle present obligations arising from past events whose nature at the reporting date is clearly specified but whose amount or settlement date is uncertain and the settlement of which is expected to result in an outflow of resources embodying economic benefits. These obligations may arise from:

- A legal or contractual requirement.
- An implicit or tacit obligation arising from valid expectations created by the Bank in third parties regarding the assumption of certain types of responsibilities. Such expectations are created when the Bank publicly accepts responsibilities, or derive from past practice or from publicly known business policies.
- Virtual certainty as to the future course of regulation in particular respects, especially proposed new legislation that the Bank cannot avoid.

Contingent liabilities are possible obligations of the Bank that arise from past events and whose existence is conditional on the occurrence or non-occurrence of one or more future events beyond the control of the Bank. They include the present obligations of the Bank when it is not probable that an outflow of resources embodying economic benefits will be required to settle them or when, in extremely rare cases, their amount cannot be measured with sufficient reliability.

Contingent obligations are considered probable when the event is more likely than not to occur, possible when it is more likely than not that they will not occur, and remote when it is extremely rare that they occur.

The Bank's financial statements include all the material provisions with respect to which it is considered that it is more likely than not the obligation will have to be settled. Contingent liabilities are not recognised in the financial statements, but rather are disclosed, unless the possibility of an outflow of resources embodying economic benefits is considered to be remote.

Provisions are quantified taking into consideration the best information available regarding the consequences of the events giving rise to them and estimated at each reporting date, taking into the financial effect, where significant. They are used to cover the specific obligations for which they were recognised, and are fully or partially reversed when such obligations cease to exist or are reduced.

At the ends of the reporting periods covered in these financial statements, various court proceedings and claims against the Bank were in progress stemming from the ordinary course of business. Both the Bank's legal advisers and the Company's Directors understand that the conclusion of these proceedings and claims will not have a significant effect on the financial statements beyond the amount included as a provision where applicable.

u) Tax expense or income related to profit or loss from continuing operations

Income tax is considered to be an expense and is recognised under "Tax expense or income related to profit or loss from continuing operations" in the income statement, except where it arises from a transaction recognised directly in equity, in which case it is recognised directly in equity, or a business combination, in which case the deferred tax is recognised as an additional item of equity.

The expense recognised under "Tax expense or income related to profit or loss from continuing operations" is determined by the tax payable on the taxable profit of a period after taking account of any changes in that period due to temporary differences, tax credits for tax deductions and benefits, and tax losses. The tax base for the period may differ from profit or loss for the period presented in the income statement since it excludes taxable or deductible income or expenses from other periods and items that are never taxable or deductible.

Deferred tax assets and liabilities include temporary differences, which are identified as the amounts expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and their related tax bases. They are recognised using the liability method in the balance sheet and are measured by applying to the relevant temporary difference or credit the tax rate at which they are expected to be realised or settled.

A deferred tax asset, such as prepaid tax, a tax credit for tax deductions and benefits and a tax credit for tax losses, is recognised whenever it is probable that the Bank will obtain sufficient future taxable profit against which the deferred tax asset can be utilised. It is considered probable that the Bank will obtain sufficient taxable profit in the future in the following cases, among others:

i. There are deferred tax liabilities that can be settled in the same period that the deferred tax asset is realised, or in a subsequent period in which the existing tax loss or that resulting from the amount carried forward can be offset.

ii. The tax losses result from identifiable causes which are unlikely to recur.

Notwithstanding the foregoing, a deferred tax asset that arises in accounting for investments in associates or joint ventures is only recognised if it is probable that it will be realised in the foreseeable future and it is expected that sufficient future taxable profits will be available against which the deferred tax asset can be utilised. Furthermore, a deferred tax asset is not recognised if it arises from the initial recognition of an asset or liability other than a business combination that at the time of recognition affects neither accounting profit nor taxable profit.

Deferred tax liabilities must also be recognised, except when goodwill is recognised or it arises in the accounting of investments in joint ventures or subsidiaries where the Bank is able to control the timing of the reversal of the temporary difference and, in addition, it is probable that the temporary difference will not reverse in the foreseeable future. Furthermore, a deferred tax liability is not be recognised if it arises from the initial recognition of an asset or liability other than a business combination that at the time of recognition affects neither accounting profit nor taxable profit.

The Bank only recognises deferred tax assets arising from deductible temporary differences, tax credits for tax deductions or benefits, or the carry forward of tax losses, if the following conditions are met:

- Deferred tax assets are recognised only if it is considered probable that the consolidated entities will have sufficient future taxable profits against which the deferred tax assets can be utilised; or they are guaranteed in accordance with legislation, and
- In the case of deferred tax assets arising from tax losses, the tax losses result from identifiable causes which are unlikely to recur.

At each reporting date, the deferred tax recognised (assets and liabilities) are reviewed in order to verify that they remain in force and any necessary adjustments are made, in accordance with the results of analyses performed.

v) Off-balance sheet customer funds

Customer funds held in custody or marketed by the Group are not included in the balance sheet as the equity belongs to third parties outside the group. Similarly, assets managed by the Bank are owned by its customers and therefore are also not recognised in the balance sheet. However, the nature and volume of these activities are disclosed in the notes to the financial statements. The fees and commissions generated by this business are included in "Fee and commission income" and "Fee and commission expenses" in the income statement.

w) Business combination

The acquisition method is used to account for all business combinations, regardless of whether or not equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary includes:

- the fair values of the assets transferred
- liabilities incurred to former owners of the acquiree
- equity interests issued by the Bank
- the fair value of any asset or liability arising from a contingent consideration arrangement, and
- the fair value of any previously held equity interest in the subsidiary

The identifiable assets acquired and the liabilities and contingent liabilities assumed in a business combination, with limited exceptions, are initially measured at their acquisition-date fair.

The acquisition-related costs are accounted for as expenses when incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree prior interest in the acquired company over the fair value of the net identifiable net acquired is recognised as goodwill. If these amounts are lower than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in profit or loss as a bargain purchase.

When the settlement of any portion of the consideration in cash is deferred, the future amounts payable are discounted at the present value on the exchange date. The discount rate used is the entity's incremental borrowing rate of interest, which is the rate at which the borrower could obtain a similar loan from an independent finance company under comparable terms and conditions.

Contingent consideration is classified as an asset or liability, or a financial liability. The amounts classified as financial liabilities are subsequently remeasured at fair value, recognising the changes in fair value in profit or loss.

In a business combination achieved in stages, the acquirer remeasures its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss, if any, in profit or loss.

6. Cash, cash balances at central banks and other demand deposits

This item includes cash, cash balances at Banco de España and at other central banks, and other demand deposits. The breakdown of this item is as follows:

		Thousands of euros
	31.12.2021	**31.12.2020**
Cash	191,843	178,430
Cash balances at central banks	21,293,492	13,959,051
Banco de España	20,684,745	13,607,864
Other central banks	610,896	353,307
Valuation adjustments	(2,149)	(2,120)
Other demand deposits	277,198	229,672
Of which managed as cash	277,198	229,672
	21,762,533	**14,367,153**
In euros	21,560,472	14,214,020
In foreign currency	202,061	153,133
	21,762,533	**14,367,153**

7. Financial assets and liabilities held for trading

"Financial assets held for trading" on balance sheet at 31 December 2021 and 2020 is as follows:

	Thousands of euros	
	31.12.2021	31.12.2020
Assets:		
Loans and advances	2,251,575	1,077,732
Debt securities	1,246,748	400,254
Equity instruments	197,862	181,834
Derivatives	342,070	498,922
	4,038,256	2,158,742
In euros	3,923,592	2,027,821
In foreign currency	114,663	130,920
	4,038,256	2,158,742
Memorandum items		
Assets loaned or pledged	667,722	136,949

The amount recorded in "Loans and advances" at 31 December 2021 and 2020 mainly relates to assets acquired under reverse repurchase agreements.

The detail of the portfolio of financial assets held for trading at 31 December 2021 and 2020, by type of instrument and counterparty, is as follows:

				Thousands of euros
				At 31 December 2021
	Public administrations	Credit institutions	Other private sectors	Total
Loans and advances	-	2,251,575	-	2,251,575
Debt securities	1,239,991	6,756	1	1,246,748
Equity instruments	-	103,826	94,036	197,862
Derivatives	-	252,327	89,743	342,070
	1,239,991	2,614,484	183,781	4,038,256

				Thousands of euros
				At 31 December 2020
	Public administrations	Credit institutions	Other private sectors	Total
Loans and advances	-	1,020,568	57,164	1,077,732
Debt securities	390,595	9,655	3	400,254
Equity instruments	-	76,970	104,864	181,834
Derivatives	-	321,511	177,411	498,922
	390,595	1,428,705	339,441	2,158,742

The detail of financial liabilities held for trading in the balance sheet at 31 December 2021 and 2020, by type of instrument, is as follows:

	Thousands of euros	
Liabilities	**31.12.2021**	**31.12.2020**
Deposits	1,785,370	444,703
Trading derivatives	433,099	437,233
Short positions in securities	1,472,332	496,886
	3,690,800	1,378,822
In euros	3,573,792	1,274,840
In foreign currency	117,008	103,982
	3,690,800	1,378,822

The amount recognised in "Deposits" at 31 December 2021 and 2020 relates mainly to assets sold under repurchase agreements. Short positions in securities at 31 December 2021 and 2020 related to the sale of financial assets received as a loan or collateral.

The net gains or losses (Note 30) on the transactions carried out in these portfolios of financial assets and liabilities held for trading amounted to 19,758 thousand euros in 2021 (2020: 8,294 thousand euros).

The portfolios of financial assets and liabilities held for trading are managed jointly. Note 44 "Risk Policies and Management" describes the joint management of these portfolios.

a) Debt securities

The detail of this item by nature of security is as follows:

	31.12.2021	31.12.2020
		Thousands of euros
Treasury bills	229,781	-
Bonds	258,730	29,572
Debentures	504,287	142,426
Strips	253,950	228,255
	1,246,748	400,254

All amounts under this item are denominated in euros. In both years, the portfolio of debt securities held for trading consisted of securities traded on organised markets.

b) Equity instruments

The composition of quoted and unquoted equity instruments is as follows:

	31.12.2021	31.12.2020
		Thousands of euros
Quoted	197,862	181,834
Unquoted	-	-
	197,862	181,834

Practically all equity instruments are denominated in euros.

c) Derivatives

The composition of this item of financial assets held for trading and financial liabilities held for trading in the balance sheet is as follows:

Carrying amount	31.12.2021		31.12.2020	
				Thousands of euros
	Financial assets held for trading	Financial liabilities held for trading	Financial assets held for trading	Financial liabilities held for trading
Interest rate	100,377	137,951	136,139	176,128
Equity instruments	55,688	118,488	191,038	123,102
Currencies and gold	186,005	176,659	171,745	138,003
DERIVATIVES	342,070	433,099	498,922	437,233

d) Short positions

This balance sheet item at 31 December 2021 includes financial liabilities arising from short sales amounting to 1,472,332 thousand euros (2020: 496,886 thousand euros). These short positions on sales are due to the outright sale of financial assets acquired under reverse repurchase agreements. The amounts are denominated in euros.

The procedure for estimating the fair value of these assets and liabilities is described in Note 43.

8. Non-trading financial assets mandatorily at fair value through profit or loss

A financial asset must be classified in the portfolio of non-trading financial assets mandatorily at fair value through profit or loss if the business model used to manage the asset is not a trading model, as defined in Note 5, and does not meet the contractual cash flow requirements described in that note, or when it cannot be classified in any of the other portfolios described in these financial statements.

The breakdown of this item at 31 December 2021 and 2020 is as follows:

	Thousands of euros	
	31.12.2021	31.12.2020
Debt securities	739	690
Equity instruments	129,675	117,089
Loans and advances to customers	57,281	31,100
	187,694	148,880
In euros	177,957	141,889
In foreign currency	9,738	6,990
	187,694	148,880
Memorandum items		
Assets loaned or pledged	-	-

The breakdown of this balance sheet item at 31 December 2021 and 2020 by instrument and counterparty is as follows:

	Thousands of euros			
	31.12.2021			
	Credit institutions	Public administrations	Other private sectors	Total
Debt securities	-	-	739	739
Equity instruments	-	-	129,675	129,675
Loans and advances to customers	-	-	57,281	57,281
	-	-	187,694	187,694

	Thousands of euros			
	31.12.2020			
	Credit institutions	Public administrations	Other private sectors	Total
Debt securities	-	-	690	690
Equity instruments	-	-	117,089	117,089
Loans and advances to customers	-	-	31,100	31,100
	-	-	148,880	148,880

9. Financial assets at fair value through other comprehensive income

The breakdown of this item in the balance sheet is as follows:

	Thousands of euros	
	31.12.2021	31.12.2020
Debt securities	2,220,217	2,376,123
Equity instruments	304,892	-
	2,525,109	2,376,123
In euros	2,468,341	2,303,433
In foreign currency	56,768	72,691
	2,525,109	2,376,123
Memorandum items		
Assets loaned or pledged	868,516	560,373
Debt securities		
Stage 1	2,220,217	2,376,123
Stage 2	-	-
Stage 3	-	-

Almost all of the assets loaned or pledged are for periods of less than a year.

By geographical area, the portfolio of financial assets at fair value through other comprehensive income is mainly concentrated in Spain (Note 47).

There are no amounts of financial assets at fair value through other comprehensive income that have significantly increased credit risk since initial recognition.

The interest retained in Línea Directa Aseguradora, S.A. is recognised in "Financial assets at fair value through other comprehensive income", in exercise of the irrevocable option in the accounting regulations to designate equity instruments at fair value through other comprehensive income. Included in “Other comprehensive income” in the “Statement of recognised income and expense” “Items that will not be reclassified to profit or loss" include the valuation adjustments related to these equity instruments recognised in the period (Note 1).

The breakdown of this balance sheet item by instrument and counterparty is as follows:

				Thousands of euros
	31.12.2021			
	Credit institutions	Public administrations	Other private sectors	Total
Debt securities	782,571	1,246,506	191,140	2,220,217
Equity instruments	-	-	304,892	304,892
	782,571	1,246,506	496,032	2,525,109

				Thousands of euros
	31.12.2020			
	Credit institutions	Public administrations	Other private sectors	Total
Debt securities	791,789	1,342,253	242,081	2,376,123
Equity instruments	-	-	-	-
	791,789	1,342,253	242,081	2,376,123

Gains or losses recognised in equity (Note 30) and those transferred to profit or loss relating to debt securities included in this portfolio are disclosed in the "Statement of recognised income and expense" in these financial statements.

In 2021, the Entity recognised a reversal of impairment amounting to 164 thousand euros in relation to debt securities under "Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss) or modification gains or (-) losses, net" in the accompanying income statement (2020: 512 thousand euros). These amounts are also reported in the "Statement of recognised income and expense" in "Transferred to profit or loss" under "e) Debt instruments at fair value through other comprehensive income". Accumulated impairment amounts to 826 thousand euros at 31 December, 2021 (2020: 990 thousand euros)

The detail of the carrying amount of "Accumulated other comprehensive income" disclosing separately capital gains and losses is as follows:

		Thousands of euros
	2021	2020
Debt securities: Capital gains	56,629	102,081
Debt securities: Capital losses	(5,795)	(7,931)
Total fixed income	50,834	94,150
Equity instruments: Capital gains	242,998	-
Equity instruments: Capital losses	-	-
Total equities	242,998	-
Balance at the end of the period	293,832	94,150

Movement in gains and losses of this portfolio recognised in "Accumulated other comprehensive income":

	Thousands of euros
	2021
Valuation adjustments at 31 December 2020	94,150
Revaluation gains and losses	188,086
Amounts transferred to profit or loss	(3,268)
Income tax expense	14,864
Valuation adjustments at 31 December 2021	293,832
Debt securities	50,834
Equity instruments	242,998

	Thousands of euros
	2020
Valuation adjustments at 31 December 2019	145,158
Revaluation gains and losses	(67,286)
Amounts transferred to profit or loss	(5,583)
Income tax expense	21,860
Valuation adjustments at 31 December 2020	94,150
Debt securities	94,150
Equity instruments	-

10. Financial assets at amortised cost

The breakdown of this item in the Bank's balance sheet is as follows:

	Thousands of euros	
	31.12.2021	31.12.2020
Loans and advances to credit institutions:	3,623,286	2,197,301
Valuation adjustments	(18)	(85)
Total loans and advances to credit institutions	3,623,268	2,197,216
Loans and advances to customers:	65,317,190	62,460,200
Valuation adjustments	(703,680)	(718,404)
Total loans and advances to customers	64,613,510	61,741,795
Debt securities	7,737,588	7,607,469
Valuation adjustments	208,232	354,240
Total debt securities	7,945,821	7,961,709
	76,182,598	71,900,721
In euros	71,794,382	67,731,771
In foreign currency	4,388,217	4,168,950
	76,182,598	71,900,721
Memorandum items		
Assets loaned or pledged	7,095,267	4,303,136
Loans and advances acquired with impairment	37,914	47,165

Valuation adjustments to financial assets at amortised cost:

	Thousands of euros	
	31.12.2021	31.12.2020
Impairment on assets	(801,287)	(739,849)
Discount on the acquisition of financial assets - Portugal	(74,438)	(88,799)
Accrued interest	70,498	69,934
Micro-hedges	217,684	375,178
Other	92,076	19,286
	(495,466)	(364,249)

Set out below is the detail of movements in the balance of financial assets at amortised cost classified as non-performing:

	Thousands of euros	
	2021	2020
Opening balance	1,477,479	1,522,852
Net additions	69,624	24,664
Transfers to write-offs	(60,122)	(70,036)
Balance at the end of the period	1,486,981	1,477,479

The detail of this balance sheet item, by type of instrument and counterparty, irrespective of the fair value of any type of guarantee ensuring compliance, is as follows:

				Thousands of euros
				31.12.2021
	Loans and advances to credit institutions	Loans and advances to customers	Debt securities	Total
Credit institutions	3,623,268	-	759,574	4,382,841
General governments	-	731,676	6,309,624	7,041,299
Other private sectors	-	63,881,834	876,623	64,758,458
	3,623,268	64,613,510	7,945,821	76,182,598

				Thousands of euros
				31.12.2020
	Loans and advances to credit institutions	Loans and advances to customers	Debt securities	Total
Credit institutions	2,197,216	-	584,453	2,781,669
General governments	-	640,385	6,512,938	7,153,323
Other private sectors	-	61,101,410	864,319	61,965,729
	2,197,216	61,741,795	7,961,709	71,900,721

Interest and income generated by the portfolio of loans and advances recorded in the income statement for the year ended 31 December 2021 and 2020 are as follows:

	Thousands of euros	
	2021	2020
Loans and advances to credit institutions (Note 29)	21,277	22,334
Loans and advances to customers (Note 29)	853,941	845,047
	875,218	867,381

a) Loans and advances to credit institutions

The composition of this item of loans and advances on the asset side of the Bank's balance sheet is as follows:

	Thousands of euros	
	31.12.2021	31.12.2020
Deposits with agreed maturity	2,822,735	1,057,119
Reverse repurchase agreements	437,915	536,457
Other accounts	362,560	603,666
Non-performing assets	76	58
Total without considering valuation adjustments	3,623,286	2,197,301
Valuation adjustments	(18)	(85)
Accrued interest	75	(85)
Other	(93)	-
	3,623,268	2,197,216
In euros	2,189,814	1,119,455
In foreign currency	1,433,454	1,077,761
	3,623,268	2,197,216
Memorandum items		
Of which activity with customers	1,540,586	990,890

b) Loans and advances to customers

The composition of this item of loans and advances on the asset side of the Bank's balance sheet is as follows:

	Thousands of euros	
Loans and advances to customers	**31.12.2021**	**31.12.2020**
Public administrations		
Loans to general governments	737,724	641,384
Non-performing assets	200	103
Total without considering valuation adjustments	737,924	641,487
Valuation adjustments	(6,248)	(1,102)
	731,676	640,385
Other private sectors		
Commercial credit	3,004,677	2,540,245
Secured loans	34,023,908	32,526,161
Reverse repurchase agreements	-	-
Other term loans	23,945,180	23,314,886
Finance leases	858,437	924,752
Receivable on demand and other	1,261,115	1,036,105
Non-performing assets	1,485,949	1,476,563
Total without considering valuation adjustments	64,579,266	61,818,713
Valuation adjustments	(697,432)	(717,302)
	63,881,834	61,101,410
	64,613,510	61,741,795
In euros	61,658,747	58,650,606
In foreign currency	2,954,763	3,091,189
	64,613,510	61,741,795

Non-performing assets by maturity:

	Thousands of euros	
	31.12.2021	**31.12.2020**
Less than 90 days	293,995	190,462
Over 90 days, but no more than 180 days	79,510	74,711
Over 180 days, but no more than 1 year	170,413	126,864
More than 1 year	942,231	1,084,629
	1,486,149	1,476,666

Past due amounts receivable not impaired related to non-performing transactions at 31 December 2021 totalled 52,242 thousand euros (2020: 51,767 thousand euros).

c) Debt securities

The composition of debt securities in financial assets at amortised cost of the Bank's balance sheet is as follows:

Thousands of euros	2021	2020
General governments	6,100,411	6,157,788
Credit institutions	759,574	584,453
Other private sectors	876,848	864,473
Non-performing assets	756	756
Total without considering valuation adjustments	7,737,588	7,607,469
Valuation adjustments	208,232	354,240
Impairment on assets	(1,370)	(1,349)
Discount on the acquisition of financial assets	-	-
Micro-hedges	209,603	355,589
	7,945,821	7,961,709
Memorandum items		
Of which activity with customers	226,667	234,007

Credit quality of the portfolio of financial assets at amortised cost

Information regarding the quality of the portfolio of financial assets at amortised cost:

GROSS AMOUNT (*)	31.12.2021	31.12.2020
Performing exposures	73,654,104	69,757,762
Underperforming exposures	1,888,138	1,461,937
Non-performing exposures	1,441,642	1,420,871
Total gross amount	76,983,884	72,640,570

IMPAIRMENT LOSSES (*)	31.12.2021	31.12.2020
Performing exposures	129,421	129,711
Underperforming exposures	63,651	45,464
Non-performing exposures	608,214	564,674
Total impairment losses on assets	801,286	739,849
Collectively measured allowances	616,342	607,578
Individually measured allowances	184,944	132,271

CARRYING AMOUNT	31.12.2021	31.12.2020
Performing exposures	73,524,684	69,628,051
Underperforming exposures	1,824,486	1,416,473
Non-performing exposures	833,429	856,197
Total carrying amount	76,182,599	71,900,721

GUARANTEES RECEIVED	31.12.2021	31.12.2020
Value of collateral	36,251,210	34,482,482
Of which: guarantees underperforming loans	1,113,967	1,063,041
Of which: guarantees non-performing exposures	565,732	599,338
Value of other guarantees	11,579,750	11,543,603
Of which: guarantees underperforming loans	512,208	204,846
Of which: guarantees non-performing exposures	168,777	128,754
Total value of guarantees received	47,830,959	46,026,085

FINANCIAL GUARANTEES GIVEN	31.12.2021	31.12.2020
Loan commitments given	12,773,074	12,962,181
Of which: classified as underperforming	104,310	38,503
Of which the amount is classified as non-performing	-	-
Amount recorded under liabilities on the balance sheet	10,613	11,364
Financial guarantees given	1,765,266	1,850,496
Of which: classified as underperforming	17,049	7,553
Of which the amount is classified as non-performing	4,172	5,311
Amount recorded under liabilities on the balance sheet	6,122	6,660
Other commitments given	8,400,677	7,028,444
Of which: classified as underperforming	46,070	31,171
Of which the amount is classified as non-performing	9,059	9,911
Amount recorded under liabilities on the balance sheet	7,873	6,306

(*) The gross amount in the preceding table includes the discount obtained on the acquisition of the loan portfolio in Portugal from Barclays Plc for 74 million and 89 million euros at 31 December 2021 and 2020, respectively. These amounts therefore do not appear under "Impairment losses" in the preceding table, but rather constitute a hedge of the receivables from customers that must be considered when assessing the risk to which the entity is exposed.

11. Derivatives - asset and liability hedge accounting

The detail of the outstanding hedging instruments at 31 December 2021 and 2020, respectively, is as follows:

	Nominal		Fair value of hedging instrument	
				Thousands of euros
	31/12/21	31/12/20	31/12/21	31/12/20
Fair value hedges				
Interest rate				
Fixed income (EUR)	1,901,940	1,787,000	(111,959)	(250,091)
Fixed income USD*	-	61,120	-	(4,435)
Loans (EUR)	356,586	407,675	(12,205)	(20,466)
Loans (USD)*	69,043	177,910	(829)	(3,926)
Loans (MXN)**	2,104	1,729	12	(47)
Senior debt	2,000,000	2,000,000	(1,690)	43,458
Subordinated debt	1,289,823	539,823	6,196	25,082
Covered bonds	2,000,000	2,000,000	58,378	95,556
Demand account macro-hedges	5,000,000	3,000,000	4,696	41,934
Mortgage macro-hedges	2,350,305	1,899,078	(54,413)	(196,587)
Total	**14,969,801**	**11,874,334**	**(111,814)**	**(269,522)**
Cash flow hedges				
Currency hedges				
JPY mortgages***	-	195,763	-	167
Interest rate				
Mortgage macro-hedges	1,800,000	-	39	-
Other				
Forward sales	55,000	43,500	(510)	(1,542)

* US dollar
** Mexican Pesos
*** Japanese Yen

The detail of the hedged items at 31 December 2021 and 2020, respectively, is as follows:

	Carrying amount		Cumulative adjustment for hedges (*)		Adjustments for hedges recognised in 2021	Cash flow hedges	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020		Continuing hedges	Discontinued hedges
Fair value							
Fixed income (EUR)	2,291,303	2,420,118	208,249	360,506	(152,257)	-	-
Fixed income USD*	-	84,082	-	3,988	(3,988)	-	-
Loans (EUR)	363,861	423,918	7,575	16,243	(8,668)	-	-
Loans (USD)*	69,861	181,212	818	3,302	(2,484)	-	-
Loans (MXN)**	2,092	1,774	(12)	45	(57)	-	-
Total financial assets	**2,727,117**	**3,111,104**	**216,630**	**384,082**	**(167,452)**	**-**	**-**
Senior debt	1,994,367	2,040,477	5,633	(40,477)	46,110	-	-
Subordinated debt	1,295,298	563,523	(5,476)	(23,700)	18,224	-	-
Covered bonds	2,042,041	2,079,996	(42,041)	(79,996)	37,955	-	-
Total financial liabilities	**5,331,706**	**4,683,996**	**(41,884)**	**(144,173)**	**102,289**	**-**	**-**
Demand account macro-hedges	5,001,957	3,038,775	(1,957)	(38,775)	36,818	-	-
Mortgage macro-hedges	2,403,701	2,094,945	53,396	195,805	(142,409)	-	-
Cash flow							
JPY mortgages***	-	195,763	-	-	-	-	-
Mortgage macro-hedges	1,800,000	-	-	-	-	39	-
Forward sales	51,273	40,702	-	-	-	(510)	-

* US dollar
** Mexican Pesos
*** Japanese Yen

(*) Cumulative hedging adjustments in this table include hedging adjustments for assets classified in the portfolio of assets at fair value through other comprehensive income of -1.4 million euros (2020: 8.9 million euros).

A summary by maturity of the fair value and cash flow hedges at 31 December 2021 is as follows:

(€ million)	Maturity			
	Up to one year	Between one and two years	After two years but not more than five years	More than five years
Fair value hedge				
Interest rate				
Interest rate swap				
Nominal	4,513	63	4,392	6,001
Cash flow hedges				
Currency hedges				
Interest rate swap				
Nominal	-	1,800	-	-
Other				
Forward sale				
Nominal	55	-	-	-

Below is a summary by maturity of the hedges as at 31 December 2020:

(€ million)	Maturity			
	Up to one year	Between one and two years	After two years but not more than five years	More than five years
Fair value hedge				
Interest rate				
Interest rate swap				
Nominal	112	4,514	1,699	5,550
Cash flow hedges				
Currency hedges				
Cross currency interest rate swap				
Nominal	196	-	-	-
Average spread (*)	0.93%	-	-	-
Average exchange rate (EUR/JPY)	123.81	-	-	-
Other				
Forward sale				
Nominal	44	-	-	-

* The CCIRS hedged the floating-rate mortgage portfolio. The average spread is that of the hedged portfolio.

Gains or losses recognised on cash flow hedges as at 31 December 2021 and 2020:

		Amounts reclassified from reserves to profit or loss as:		
	Gains or losses recognised in other comprehensive income in 2021	Ineffectiveness recognised in profit or loss	Hedged cash flows that will not occur	Cash flows affected by profit or loss
Cash flow				
Currency hedges				
JPY mortgages	(167)	-	-	-
Interest rate				
Mortgage macro-hedges	39	-	-	-
Other				
Forward sales	1,032	-	-	-

		Amounts reclassified from reserves to profit or loss as:		
	Gains or losses recognised in other comprehensive income in 2020	Ineffectiveness recognised in profit or loss	Hedged cash flows that will not occur	Cash flows affected by profit or loss
Cash flow				
Currency hedges				
JPY mortgages	127	-	-	-
Other				
Forward sales	(1,542)	-	-	-

Changes in the cash flow hedges reserve in 2021 and 2020:

Amounts recognised in other comprehensive income	Cash flow hedge reserve
Balance at 1 January 2021	(962)
Exchange rate risk	(117)
- Changes in fair value	(167)
- Taxes	50
Interest rate risk	27
- Changes in fair value	39
- Taxes	(12)
Other	722
- Changes in fair value	1,032
- Taxes	(310)
Balance sheet at 31 December 2021	(329)

Amounts recognised in other comprehensive income	Cash flow hedge reserve
Balance at 1 January 2020	28
Exchange rate risk	89
- Changes in fair value	127
- Taxes	(38)
Other	(1,079)
- Changes in fair value	(1,542)
- Taxes	463
Balance sheet at 31 December 2020	(962)

Bankinter, S.A. performs and documents the assessment to verify that, at inception of the hedge and during its life, it can expect, prospectively, that the changes in fair value or cash flows of the hedged item that are attributable to the hedged risk are nearly completely offset by changes in the fair value or cash flows of the hedging instrument and, retrospectively, that the actual results of the hedge are within a range of 80% to 125% of the results of the hedged item. Bankinter, S.A.'s hedges are highly effective.

The interbank offered rate (IBOR) reform (Note 44) did not, and not expected to, have any material impact on the hedges entered into the Bank.

12. Non-current assets and disposal groups classified as held for sale

The breakdown of the balance recognised for this item at 31 December 2021 and 2020 is as follows:

	Thousands of euros	
	2021	2020
Assets foreclosed or received in payment of debt	17,414	24,713
Gross value	27,486	36,145
Valuation adjustments	(10,072)	(11,431)
Assets from discontinued operations	-	334,149
Carrying amount	17,414	358,862

"Assets from discontinued operations" in 2020 included the shareholding of Línea Directa Aseguradora which was classified as a discontinued operation that year (Note 13).

Changes in the gross value of assets foreclosed or received in payment of debt in 2021 and 2020:

	Thousands of euros
Balance at 31.12.2019	49,014
Additions	11,360
Disposals	(24,229)
Balance at 31.12.2020	36,145
Additions	9,731
Disposals	(18,390)
Balance at 31.12.2021	27,486

Changes in valuation adjustments made to assets foreclosed or received in payment of debt classified as held for sale in 2021 and 2020 are as follows:

	Thousands of euros	
	2021	**2020**
Opening balance	11,431	15,539
Net allowances taken to profit or loss	2,844	2,997
From loan losses (Note 44)	519	-
From ageing effect (Note 34)	2,325	2,997
Amounts used	(4,203)	(5,519)
Other movements	-	(1,585)
Closing balance	10,072	11,431

The net losses recognised in 2021 (Note 34) on the disposal of non-current assets for sale totalled 529 thousand euros (2020: 1,726 thousand euros).

In 2021, the Bank recognised impairment losses on non-current assets held for sale of 2,844 thousand euros (2020: 2,997 thousand).

The classification of non-current assets held for sale from foreclosed properties, by category and average period held in the portfolio, is as follows:

	Thousands of euros							
	Residential assets		Industrial assets		Other assets		Total	
	31/12/21	31/12/20	31/12/21	31/12/20	31/12/21	31/12/20	31/12/21	31/12/20
Up to one month	94	528	86	226	-	-	180	755
More than one month and up to three months	157	-	188	546	-	-	345	546
More than three months and up to six months	-	697	138	162	-	-	138	860
More than six months and up to one year	535	193	1,464	251	-	-	2,000	444
More than one year	7,006	9,980	5,527	9,281	2,219	2,848	14,752	22,109
Total	7,792	11,398	7,403	10,466	2,219	2,848	17,414	24,714

Note 46 provides further disclosures on foreclosed assets.

Foreclosed assets not for own use or as investment property must be sold within one year from the date on which they are available for immediate sale. The lack of immediately availability for sale may determine that a foreclosed asset can remain on the balance sheet for more than a year.

Between 31 December 2021 and the date of authorisation for issue of these financial statements no significant amounts have been classified under "Non-current assets and disposal groups classified as held for sale" in the balance sheet.

Assets included in "Non-current assets and disposal groups classified as held for sale - Foreclosed assets / payments in lieu of debt" relate to foreclosed assets, payments in lieu of debt and acquisitions of assets with subrogation to the Bank. These assets are recognised initially at the carrying amount of the related debt, without any release of allowances recognised for impairment losses. These assets are subsequently measured at the lower of the carrying amount of the relevant loan at the acquisition date or the fair value of the foreclosed asset (estimated based on their appraised value), adjusted downwards based on the time the asset remains on the balance sheet. The appraisal value of non-current assets held for sale is estimated mainly using appraisals carried out by appraisal companies registered in Banco de España's Official Register of Appraisal Companies. All of the assets are denominated in euros at 31 December 2021 and 2020.

The following table provides details of the appraisal companies that have valued foreclosed assets in 2021 and 2020, as well as the total appraised amount for each type of asset.

	Thousands of euros							
Appraisal companies	Residential assets		Industrial assets		Other assets		Total	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020
SOCIEDAD DE TASACION SA	2,685	2,761	30,980	14,172	3,131	2,076	36,796	19,009
P3 -EC- ENGENHARIA E CONSTRUÇÃO, LDA	120	3,762	-	9	158	235	278	4,006
EUROVALORACIONES SA	3,235	4,345	9,513	33,842	3,198	3,667	15,946	41,854
TECNICOS EN TASACION SA TECNITASA	603	557	2,529	412	-	-	3,132	969
IBERTASA SA	-	100	-	-	-	-	-	100
TINSA TASACIONES INMOBILIARIAS	11	-	2	-	53	-	65	-
KRATA SA	103	71	150	372	-	-	252	443
GESVALT SOCIEDAD DE TASACION	7,837	148	746	104	1,138	-	9,720	252
NCG - CONSULTORIA E GESTÃO, LDA	-	1,426	-	739	-	1,537	-	3,702
PY - AVALIAÇÃO E CONSULTADORIA IMOBILIARIA, LDA	-	5,000	-	336	-	235	-	5,571
GLOVAL VALUATION SAU	341	169	621	-	-	-	962	169
CIA HISPANIA DE TASACIONES	-	53	337	966	18	18	355	1,036
OTHER	-	11	-	2	64	117	64	129
Total	14,935	18,402	44,878	50,954	7,760	7,884	67,570	77,241

The appraisals used by the Bank are primarily performed by Sociedad de Tasación, Eurovaloraciones and Gesvalt. Virtually all of these appraisals are performed in accordance with Ministerial Order ECO 805/2003 and applicable legislation. The customarily used technical methods of measurement are: the cost method, the comparison method, the discounted income method and the residual method. The main assumptions of these models are:

- The equalisation ratio of the price per square meter in the case of appraisals carried out using the comparison method.
- The equalisation ratio of annual estimated income and the discount applied for appraisals carried out using the discounted income method.

- The construction term and discount rate for appraisals carried out using the residual method.

The Bank uses its subsidiary Intermobiliaria, S.A. to manage the assets arising from problematic risks (e.g. foreclosures, transfers in lieu of payment). The company was created on 16 February 1976 and has its registered office at Paseo de la Castellana, 29, Madrid. The Group's general policy is for all assets originating from problematic risks to be recognised by this subsidiary. However, occasionally there may be circumstances that make it advisable for the assets to be directly recognised by Bankinter, S.A.

The acquisition of those assets is financed by Bankinter, S.A. on an arm's length basis. The resources contributed by the Bank to Intermobiliaria at 31 December 2021 and 2020 are summarised in the following table:

		Thousands of euros
	31.12.2021	31.12.2020
Capital contributions	7,319	7,319
Participating loans (Note 8)	680,000	650,000
Credit account	72,800	126,600
	760,119	783,919

The outstanding balances collateral or guarantees enforced by the Bank (foreclosures) at December 2021 and 2020 are as follows:

		Thousands of euros
	2021	2020
Bankinter, S.A.	18,074	23,961

The amounts financed in sales by the Bank of assets included under this item at December 2021 and 2020 are as follows:

		Thousands of euros
	2021	2020
Bankinter, S.A.	4,727	4,000

13. Investments in subsidiaries, joint ventures and associates

The breakdown of this item in the balance sheets at 31 December 2021 and 2020 is as follows:

		Thousands of euros
	31.12.2021	31.12.2020
Associates	46,315	46,315
Joint ventures	90,729	36,528
Group companies	473,139	467,837
Valuation adjustments	(42,590)	(42,523)
	567,593	508,157
In euros	567,593	508,157
	567,593	508,157

Movement in valuation adjustments for equity investments in 2021 and 2020:

		Thousands of euros
	31.12.2021	31.12.2020
Opening balance	(42,523)	(42,821)
Allowances taken to profit or loss	(317)	(8,908)
Amounts used/reversed	250	9,206
Closing balance	(42,590)	(42,523)

The most significant events with an impact on the Group's scope of consolidation arising during the year were as follows:

The resolution passed at the Annual General Meeting of Bankinter, S.A. on 19 March 2020 for the distribution in kind of its entire share premium (1,184 million euros) was executed in April 2021. This involved the delivery to shareholders of securities representing 82.6% of the share capital of subsidiary Línea Directa Aseguradora, S.A., Compañía de Seguros y Reaseguros. The valuation of the company based of market prices at the transaction date did not differ significantly from the appraisal by independent experts.

The impact of this distribution on "Profit or loss for the period" amounted to 1,011,689 million euros (1,026,601 million euros before tax), recognised in "Profit or (-) loss after tax from discontinued operations" in the consolidated income statement. The gain on transaction arose from the difference between the carrying amount of Línea Directa Aseguradora, S.A. and its fair value.

Prior to this, Línea Directa Aseguradora, S.A. distributed a dividend of 120 million euros, as planned, leaving its capital adequacy ratio at a normal level for this type of insurance company.

In May 2021, the Annual General Meeting of Bankinter Capital Riesgo, S.G.E.I.C., S.A. agreed to its dissolutionb and liquidation. The Bankinter Capital Riesgo I, FCR fund, which was managed by the former, was dissolved and liquidated in financial year 2020.

Two new alternative investment vehicles were created in 2021: a) Bankinter Logística, S.A., for the acquisition of logistics assets; and b) Victoria Hotels & Resorts, S.L., for the acquisition of hotel assets. The Bank's institutional and private banking customers invest in these vehicles as shareholders. Also incorporated in 2021 were Bankinter Hogar and Auto Sociedad Anónima de Seguros y Reaseguros as part of the reorganisation of Bankinter Group's insurance businesses.

At the close of the financial year, Bankinter International Notes Sàrl was in the process of being incorporated for the purpose of issue structured bonds.

The most significant changes in 2020 were as follows:

At the Annual General Meeting held on 19 March 2020, approval was given for the distribution in kind of the full share premium of 1,184 million euros through the delivery to shareholders of shares representing approximately 82.6% of the share capital of its subsidiary Línea Directa Aseguradora, S.A., Compañía de Seguros y Reaseguros ("Línea Directa Aseguradora").

The reasonable estimated market value of the 82.6% of Línea Directa Aseguradora to be delivered to Bankinter shareholders amounted to 1,184 million euros; i.e. 100% of the share premium to be distributed. For this purpose, based on advice received from independent experts, Línea Directa Aseguradora's entire share capital was valued at 1,434 million euros.

Before the transaction, it was agreed that Línea Directa would pay a dividend to bring its capital adequacy ratio to average market levels for similar insurance companies.

In accordance with Circular 4/2017, this decision of the Annual General Meeting resulted in the consideration of Línea Directa Aseguradora as a discontinued operation. Consideration of an operation as discontinued requires changes in the accounting policies applied to the operation and in its presentation in the balance sheet and income statement:

- Assets that comprise the discontinued operation are presented separately in the balance sheet under "Non-current assets and disposal groups classified as held for sale" and the liabilities are presented under "Liabilities included in disposal groups classified as held for sale". The amounts of these items recognised in "Other comprehensive income" in equity are classified under "Non-current assets and disposal groups classified as held for sale". The presentation criteria shall not be applied retrospectively in the comparative balance sheets included in the annual financial statements.

- The income and expenses, regardless of their nature, arising from the discontinued operation in the reporting period, even if it arises before this classification, are presented, net of tax, in the income statement as a single item in "Profit or loss after tax from discontinued operations", along with the gains or losses on the disposal.

- In the income statement included in the financial statements for purposes of comparison, the net amount of all income and expenses of the discontinued operation for the prior period is included in "Profit or loss after tax from discontinued operations".

- The entity shall not depreciate (or amortise) an asset while it is classified in this category.

Also in 2020, the fund BANKINTER CAPITAL RIESGO I, FCR DE REGIMEN SIMPLIFICADO was dissolved and liquidated after reimbursement of the units in kind in favour of its sole unitholder, Bankinter, S.A., on 27 November 2020.

Intermobiliaria, S.A. has an imbalance in its equity position. As a holding company for the Bankinter Group's entire real estate activity, Bankinter, S.A. undertakes to offset the company's losses and restore its equity within the legal deadlines through successive participating loans. The original participating loan was granted by Bankinter, S.A. on 24 June 2010, for an amount of 100,000 thousand euros. Subsequently, 200,000 thousand euros were granted on 29 December 2011 and 300,000 thousand euros on 27 December 2012. The loans granted amounted to 500,000 thousand euros at 31 December 2014, 560,000 thousand euros at 31 December 2015, and 620,000 thousand euros at 31 December 2016, 31 December 2017, 31 December 2018 and 31 December 2019, respectively. The amount was 650,000 thousand euros in 2020 and 680,000 thousand euros in 2021. These participating loans are recognised under "Non-current payables to group companies and associates" on the liabilities side of the subsidiary's balance sheet. They meet the requirements established by Royal Decree-Law 7/1996, of 7 June, on urgent fiscal measures and the promotion and liberalisation of economic activity, for consideration as equity for the purposes of company law. Through these transactions, the subsidiary has re-established a balanced position in its equity.

Fully consolidated group companies as at 31 December 2021 and their most significant data:

2021			% ownership													Summarised financial information
Name	**Tax ID No**	**Address**	**% direct interest, Bankinter**	**% indirect interest, Bankinter**	**% total interest**	**Dividends paid**	**No. of shares**	**Par value (euros)**	**Capital**	**Reserves**	**Profit or loss for the year**	**Carrying amount (*)**	**Equity**	**Cost**	**Assets**	**Liabilities**
Bankinter Global Services, S.A.	A-85982411	Calle Pico de San Pedro 2, 28760 Madrid	99.99	0.01	100	-	30,000,000	1	30,000	42,767	3,100	76,717	76,717	30,850	223,592	146,875
Relanza Gestión, S.A.	A-85593770	Avda de Bruselas 12, Alcobendas. 28018 Madrid	-	100.00	100		1,000	60	60	235	73	367	367	60	418	50
Bankinter Luxembourg, S.A	LU-001623854	37, avenue J. F Kennedy L - 1855 Luxembourg	99.99	0.01	100	-	65,230	870	56,750	10,647	7,164	74,562	77,295	69,598	903,422	826,127
Bankinter Hogar y Auto, Sociedad Anónima de Seguros y Reaseguros	A67777144	Paseo de la Castellana 29, 28046 Madrid	100.00	-	100		4,507	1,000	4,508	994	-	5,502	5,502	4,508	5,502	1

Does not include valuation adjustments recognised under "Accumulated other comprehensive income".

2021			% ownership								Summarised financial information				
Name	Tax ID No	Address	% direct interest, Bankinter	% indirect interest, Bankinter	% total interest	Dividends paid	No. of shares	Par value (euros)	Capital	Reserves	Profit or loss for the year	Carrying amount (*)	Equity	Cost	Assets	Liabilities
Bankinter Consultoría, Asesoramiento, y Atención Telefónica, S.A.	A-78757143	Paseo de la Castellana 29, 28046 Madrid	99.99	0.01	100	-	35,222	30	1,060	32,992	839	34,892	34,892	28,060	61,798	26,906
Bankinter Gestión de Activos, S.G.I.I.C.	A-78368909	Calle Marqués de Riscal 11, 28010 Madrid	100.00	-	100	5,239	144,599	30	4,345	28,452	45,582	78,420	78,420	6,416	97,813	19,393
Hispamarket, S.A.	A-28232056	Paseo de la Castellana 29, 28046 Madrid	99.99	0.01	100	-	4,516,452	6	27,144	10,894	369	38,287	38,287	32,962	38,414	127
Intermobiliaria, S.A.	A-28420784	Paseo de la Castellana 29, 28046 Madrid	99.99	0.01	100	-	243,546	30	7,319	(636,109)	(8,013)	(636,802)	(636,802)	42,496	119,249	756,050
Bankinter Consumer Finance, E.F.C., S.A.	A-82650672	Avda de Bruselas 7, Alcobendas. 28108 Madrid	99.99	0.01	100	5,000	1,299,999	30	39,065	197,359	7,699	244,123	244,123	60,002	2,548,209	2,304,086
Bankinter Sociedad de Financiación, S.A.U.	A-84129378	Paseo de la Castellana 29, 28046 Madrid	100	-	100	-	602	100	60	2,537	3	2,600	2,600	60	502,638	500,039
Arroyo Business Consulting Development, S. L.	B-84428945	Calle Marqués de Riscal 13, 28010 Madrid	100	0.01	100	-	2,976	1	3	(3)	(0)	0	0	6	0	-
Evo Banco, S.A	A-70386024	Calle Serrano 45, Madrid	100	0.01	100	-	254,327,121	1	254,327	(26,533)	(23,716)	204,079	203,956	197,124	5,181,531	4,977,575
Avantcard, D.A.C	IE002008000	Dublin Rd, Ck-on-Shannon, Leitrim	-	100.00	100	-	18,125,002	1	18,125	34,977	13,738	66,841	66,841	79,796	1,010,680	943,840

Does not include valuation adjustments recognised under "Accumulated other comprehensive income".

Companies accounted for using the equity method as at 31 December 2021 and their most significant data:

2021				% ownership									
Name	Tax ID No	Address	% direct interest, Bankinter	% indirect interest, Bankinter	% total interest	Dividends paid	No. of shares	Par value (euros)	Capital	Reserves	Profit or loss for the period	Cost
Olimpo Real Estate Socimi S.A (*)	A-87709655	Calle Goya 3, Madrid	7.44	-	9.98	366	19,625,887	0.1	19,670	152,172	6,864	13,150
Bankinter Seguros de Vida, S.A. de Seguros y Reaseguros	A-78510138	Avda de Bruselas 12, Alcobendas. 28018 Madrid	50.00	-	50.00	25,023	549,348	30	33,016	80,363	58,846	41,295
Bankinter Seguros Generales, S.A.de Seguros y Reaseguros	A-78801172	Paseo de la Castellana 29, 28046 Madrid	49.90	-	49.90	-	998	5,030	10,060	(838)	828	5,020
Atom Hoteles Socimi, S.A (*)	A-87998928	Paseo de la Castellana 29, 28046 Madrid	5.35	-	6.90	272	32,288,750	1	32,289	270,755	6,384	16,356
Olimpo Real Estate Portugal, SIGI, S.A (*)	PT-515727504	Lugar doespido-Via Norte, 4470-177 Maja Portugal	12.01	-	12.01	-	12,550,000	1	12,550	36,501	542	5,955
Bankinter Logística, S.A	A05303581	Paseo de la Castellana 29, 28046 Madrid	6.41	-	6.41	-	4,054,000	1	63,227	562,141	(559)	40,000
Victoria Hotels & Resorts, S.L	B99077844	Av Gremi Boters 24, 7009 Palma/Baleares	7.50	-	7.50	-	1,150,504	1	15,340	188,055	4,333	15,268

(*) Company over which the Entity has joint control

Fully consolidated group companies as at 31 December 2020 and their most significant data:

2020			% ownership									Summarised financial information				
Name	Tax ID No	Address	% direct interest, Bankinter	% indirect interest, Bankinter	% total interest	Dividends paid	No. of shares	Par value (euros)	Capital	Reserves	Profit or loss for the year	Carrying amount (*)	Equity	Cost	Assets	Liabilities
Bankinter Global Services, S.A.	A-85982411	Calle Pico de San Pedro 2, 28760 Madrid	99.99	0.01	100	-	30,000,000	1	30,000	34,960	7,808	73,600	73,600	30,832	211,354	137,755
Relanza Gestión, S.A.	A-85593770	Avda de Bruselas 12, Alcobendas. 28018 Madrid	-	100.00	100		1,000	60	60	235	134	429	429	60	533	104
Línea Directa Aseguradora, S.A., Compañía de Seguros y Reaseguros	A-80871031	Av Europa 7,28760 Tres Cantos, Madrid	99.99	0.01	100	-	2,400,000	16	37,512	221,218	132,671	390,654	435,051	334,149	1,412,067	977,016
Línea Directa Asistencia, S.L.U.	B-80136922	CM CERRO DE LOS GAMOS 1,28224 Pozuelo de Alarcón, Madrid	-	100.00	100	-	500	60	30	6,623	12,055	18,708	18,708	418	34,825	16,117
LDActivos, S.L.U.	B-86322880	Rd Europa 7,28760 Tres Cantos, Madrid	-	100.00	100	-	3,003,000	1	3,006	10,788	1,917	69,339	69,339	56,634	86,221	16,882
Moto Club LDA, S.L.U.	B-83868083	CL Isaac Newton 7, 28760 Tres Cantos, Madrid	-	100.00	100	-	30	100	3	82	16	101	101	3	121	20
Centro Avanzado de Reparaciones CAR, S.L.U.	B-84811553	Av Sol 5, 28850 Torrejón de Ardoz, Madrid	-	100.00	100	-	10,000	60	600	944	(585)	959	959	2,103	3,917	2,957
Ambar Medline, S.L.U.	B-85658573	Av Europa 7,28760 Tres Cantos, Madrid	-	100.00	100	-	100,310	10	1,003	99	6	1,108	1,108	1,003	1,166	58
LDA Reparaciones, S.L.U	B-87619961	Ronda de Europa 7, 28760 Tres Cantos, Madrid	-	100.00	100	-	300,000	1	300	13	156	468	468	300	770	302
Bankinter Luxembourg, S.A	LU-001623854	37, avenue J. F Kennedy L-1855 Luxembourg	99.99	0.01	100	-	65,230	870	56,750	6,465	4,182	67,397	72,541	69,598	973,242	900,701

(*) Does not include valuation adjustments recognised under "Accumulated other comprehensive income".

2020			% ownership						Summarised financial information							
Name	**Tax ID No**	**Address**	**% direct interest, Bankinter**	**% indirect interest, Bankinter**	**% total interest**	**Dividends paid**	**No. of shares**	**Par value (euros)**	**Capital**	**Reserves**	**Profit or loss for the year**	**Carrying amount (*)**	**Equity**	**Cost**	**Assets**	**Liabilities**
Bankinter Consultoría, Asesoramiento, y Atención Telefónica, S.A.	A-78757143	Paseo de la Castellana 29, 28046 Madrid	99.99	0.01	100	-	35,222	30	1,060	32,416	576	34,053	34,053	28,060	60,660	26,608
Bankinter Gestión de Activos, S.G.I.I.C.	A-78368909	Calle Marqués de Riscal 11, 28010 Madrid	100.00	-	100	33,760	144,599	30	4,345	28,452	33,164	38,076	38,076	6,416	52,080	14,004
Hispamarket, S.A.	A-28232056	Paseo de la Castellana 29, 28046 Madrid	100	0.01	100	-	4,516,452	6	27,144	10,503	391	37,289	37,289	32,962	37,305	16
Intermobiliaria, S.A.	A-28420784	Paseo de la Castellana 29, 28046 Madrid	99.99	0	100	-	243,546	30	7,319	(612,145)	(23,964)	(628,789)	(628,789)	42,496	156,329	785,119
Bankinter Consumer Finance, E.F.C., S.A.	A-82650672	Avda de Bruselas 7, Alcobendas. 28108 Madrid	99.99	0	100	5,000	1,299,999	30	39,065	183,069	19,290	236,424	236,424	60,002	2,358,092	2,121,668
Bankinter Capital Riesgo, SGECR, S.A.	A-83058214	Paseo de la Castellana 29	96.77	3	100	-	3,100	100	310	1,925	172	2,407	2,407	250	2,474	66
Bankinter Sociedad de Financiación, S.A.U.	A-84129378	Paseo de la Castellana 29, 28046 Madrid	100	-	100	-	602	100	60	2,655	(118)	2,597	2,597	60	502,607	500,010
Arroyo Business Consulting Development, S. L.	B-84428945	Calle Marqués de Riscal 13, 28010 Madrid	100	0	100	-	2,976	1	3	(3)	(0)	0	0	6	0	0
Evo Banco, S.A	A-70386024	Calle Serrano 45, Madrid	100	0	100	-	254,327,121	1	254,327	(58,630)	32,097	227,794	227,794	197,124	3,772,748	3,544,954
Avantcard, D.A.C	IE-002008000	Dublin Rd, Ck-on-Shannon, Leitrim	-	100.00	100	-	18,125,002	1	18,125	29,571	10,827	58,523	58,523	79,796	515,530	457,007

Does not include valuation adjustments recognised under "Accumulated other comprehensive income".

Companies accounted for using the equity method as at 31 December 2020 and their most significant data:

2020			% ownership									
Name	**Tax ID No**	**Address**	**% direct interest, Bankinter**	**% indirect interest, Bankinter**	**% total interest**	**Dividends paid**	**No. of shares**	**Par value (euros)**	**Capital**	**Reserves**	**Profit or loss for the period**	**Cost**
Olimpo Real Estate Socimi S.A (*)	A-87709655	Calle Goya 3, Madrid	7.44	2.54	9.98	462	19,625,887	0.10	19,670	162,502	5,117	18,954
Bankinter Seguros de Vida, S.A. de Seguros y Reaseguros	A-78510138	Avda de Bruselas 12, Alcobendas. 28018 Madrid	50.00	-	50.00	48,524	549,348	30.1	33,016	80,363	58,025	41,295
Bankinter Seguros Generales, S.A.de Seguros y Reaseguros	A-78801172	Paseo de la Castellana 29, 28046 Madrid	49.90	-	49.90	-	998	5,030	10,060	(405)	(536)	5,020
Atom Hoteles Socimi, S.A (*)	A-87998928	Paseo de la Castellana 29, 28046 Madrid	5.35	1.55	6.90	159	32,288,750	1	32,289	279,406	2,744	21,620
Olimpo Real Estate Portugal, SIGI, S.A (*)	PT-515727504	Lugar doespido-Via Norte, 4470-177 Maja Portugal	12.01	-	12.01	-	12,550,000	1	12,550	36,738	11	5,955

(*) Company over which the Entity has joint control

Following is a brief description of the activity carried out by Group companies, joint ventures and associates:

Name	Activity
Group companies:	
Bankinter Consultoría, Asesoramiento, y Atención Telefónica, S.A.	Telephone assistance
Bankinter Gestión de Activos, S.G.I.I.C.	Asset management
Hispamarket, S.A.	Holding and purchasing securities
Intermobiliaria, S.A.	Real estate management
Bankinter Consumer Finance, E.F.C.,S.A.	Financial credit establishment
Bankinter Sociedad de Financiación, S.A.U	Issuance of debt securities
Arroyo Business Consulting Development, S. L.	No activity
Bankinter Global Services, S.A.	Consulting
Relanza Gestión, S.A.	Recovery services
Naviera Sorolla, S.L	Special purpose vehicle
Naviera Goya, S.L.	Special purpose vehicle
Bankinter Luxembourg	Private banking
Evo Banco, S.A	Credit institution
Avantcard D.A.C	Cards and consumer finance
Bankinter Hogar y Auto, Sociedad Anónima de Seguros y Reaseguros	Insurance company
Joint ventures and associates:	
Olimpo Real Estate Socimi, S.A	Real estate investment trust
Atom Hoteles Socimi, S.A ,	Real estate investment trust
Bankinter Seguros de Vida, S.A. de Seguros y Reaseguros	Insurance company
Bankinter Seguros Generales, S.A. de Seguros y Reaseguros	Insurance company
Olimpo Real Estate Portugal, SIGI, S.A	Real estate investment trust
Bankinter Logística, S.A.	Acquisition of logistics assets
Victoria Hotels & Resorts, S.L	Acquisition of hotel assets

The Group has also structured the entities listed below, indicating whether or not they are consolidated.

A) Unconsolidated structured entities

2020:

Name	Tax ID No	Address	Activity	Date of origination	Total securitised exposures as at the date of origination	Total securitised exposures as at 31.12.2020
Bankinter 6 Fondo de Titulización Hipotecaria	V83756114	Cl Lagasca 120, 28006 Madrid	Financial services	25.09.2003	1,350,000	131,680

The Bankinter 6 FTA fund was redeemed in 2021 and there were no other structures of this kind at year-end (Note 25).

In 2020, there were no contractual arrangements under which the parent company or its subsidiaries provided or were required to provide financial support or sponsorship to any of these consolidated structured entities.

B) Consolidated structured entities

2021:

Name	Tax ID No	Address	Activity	% total ownership interest	Date of origination	Total securitised exposures as at the date of origination	Total securitised exposures as at 31.12.2021
Bankinter 9 Fondo de titulización de activos	V-84246099	Cl Lagasca 120, 28006 Madrid	Financial services	100.00	14.02.2005	1,035,000	135,244
Bankinter 10 Fondo de titulización de activos	V-84388115	Cl Lagasca 120, 28006 Madrid	Financial services	100.00	27.06.2005	1,740,000	252,750
Bankinter 11 Fondo de Titulización Hipotecaria	V-84520899	Cl Lagasca 120, 28006 Madrid	Financial services	100.00	28.11.2005	900,000	158,426
Bankinter 13 Fondo de titulización de activos	V-84752872	Cl Lagasca 120, 28006 Madrid	Financial services	100.00	20.11.2006	1,570,000	359,133

In 2021, the Bankinter 7 FTH and Bankinter 8 FTA funds were redeemed (Note 25).

Other structures. Summarised financial information

Name	Tax ID No	Address	% direct interest, Bankinter	No. of shares	Par value (euros)	Capital	Reserves	Profit or loss for the period	Carrying amount	Equity	Cost	Assets	Liabilities
NAVIERA SOROLLA, S.L	B86728185	Paseo de la Castellana 29, 28046 Madrid	100.00	3,000	1	3	(11)	(9)	11	11	20	517,581	517,569
NAVIERA GOYA, S.L	B86728193	Paseo de la Castellana 29, 28046 Madrid	100.00	3,000	1	3	(14)	(4)	8	8	20	376,241	376,234

2020:

Name	Tax ID No	Address	Activity	% total ownership interest	Date of origination	Total securitised exposures as at the date of origination	Total securitised exposures as at 31.12.2020
Bankinter 7 Fondo de Titulización Hipotecaria	V-83905075	Cl Lagasca 120, 28006 Madrid	Financial services	100.00	18.02.2004	490,000	48,502
Bankinter 8 Fondo de titulización de activos	V-83923425	Cl Lagasca 120, 28006 Madrid	Financial services	100.00	03.03.2004	1,070,000	113,662
Bankinter 9 Fondo de titulización de activos	V-84246099	Cl Lagasca 120, 28006 Madrid	Financial services	100.00	14.02.2005	1,035,000	158,502
Bankinter 10 Fondo de titulización de activos	V-84388115	Cl Lagasca 120, 28006 Madrid	Financial services	100.00	27.06.2005	1,740,000	293,802
Bankinter 11 Fondo de Titulización Hipotecaria	V-84520899	Cl Lagasca 120, 28006 Madrid	Financial services	100.00	28.11.2005	900,000	182,110
Bankinter 13 Fondo de titulización de activos	V-84752872	Cl Lagasca 120, 28006 Madrid	Financial services	100.00	20.11.2006	1,570,000	411,294

Other structures. Summarised financial information

Name	Tax ID No	Address	% direct interest, Bankinter	No. of shares	Par value (euros)	Capital	Reserves	Profit or loss for the period	Carrying amount	Equity	Cost	Assets	Liabilities
NAVIERA SOROLLA, S.L	B86728185	Paseo de la Castellana 29, 28046 Madrid	100.00	3,000	1	3	(5)	(8)	9	9	20	445,471	445,463
NAVIERA GOYA, S.L	B86728193	Paseo de la Castellana 29, 28046 Madrid	100.00	3,000	1	3	(7)	(10)	1	1	20	274,120	274,119

In 2021 and 2020, there were no contractual arrangements under which the parent company or its subsidiaries have provided or are required to provide financial support or sponsorship to any of these consolidated structured entities.

C) Investment funds, SICAVs and pension funds managed by the Group.

2021

	TOTAL ASSETS	TOTAL EQUITY
Pension funds	3,800,666	3,792,735
Guaranteed fixed income	102,437	102,275
Guaranteed equity	55,560	54,910
Mixed fixed income	993,572	992,491
Mixed equity	770,810	769,394
Short-term fixed income	513,023	511,765
Long-term fixed income	143,647	143,063
Equity	1,221,617	1,218,837
Mutual funds	11,034,166	10,958,792
Partially secured	26,040	24,734
Guaranteed fixed income	84,673	83,369
Guaranteed equity	862,484	827,375
Specific non-guaranteed return target	6,334	6,329
Global	84,055	83,772
Short-term fixed income euro fund	900,456	900,096
Fixed income (euros)	626,968	626,589
Mixed fixed income (euros)	375,029	374,809
International mixed fixed income	3,406,345	3,396,331
Equity (euros)	303,443	302,887
International equity	1,287,240	1,281,597
Euro mixed equity	134,964	134,837
International mixed equity	2,911,007	2,890,960
Absolute return	25,130	25,107
Open-ended investment companies ('SICAVs')	4,259,550	4,246,132
TOTAL	19,094,381	18,997,659

2020

	TOTAL ASSETS	TOTAL EQUITY
Pension funds	3,272,629	3,264,998
Guaranteed fixed income	114,469	114,247
Guaranteed equity	57,915	57,544
Mixed fixed income	1,018,855	1,016,945
Mixed equity	388,501	387,821
Short-term fixed income	626,503	624,702
Long-term fixed income	156,623	155,957
Equity	909,763	907,782
Mutual funds	8,833,194	8,791,132
Partially secured	32,096	32,065
Guaranteed fixed income	90,361	89,831
Guaranteed equity	949,569	920,231
Global	7,089	7,082
Passively managed CIS	80,106	79,943
Money market	1,337,388	1,336,911
Fixed income (euros)	749,537	749,073
Mixed fixed income (euros)	277,281	276,996
International mixed fixed income	2,139,418	2,136,375
Equity (euros)	286,612	286,178
International equity	843,308	841,372
Euro mixed equity	100,130	100,025
International mixed equity	1,889,627	1,884,428
Absolute return	50,672	50,624
Open-ended investment companies ('SICAVs')	3,705,826	3,692,277
TOTAL	15,811,648	15,748,407

14. Tangible assets

The detail of this balance sheet item at 31 December 2021 and 2020 is as follows:

		Thousands of euros
	31.12.2021	31.12.2020
For own use	384,389	376,510
Investment property	-	-
Other assets leased out under an operating lease	8,708	19,530
	393,097	396,040

Below is a summary of the items of tangible assets and their movements in 2021 and 2020:

2021				Thousands of euros
	Opening balance	Additions	Disposals and other	Closing balance
Cost:				
For own use:	660,391	10,600	3,388	667,603
Land and buildings	297,771	3	2,150	295,624
Construction in progress	2,499	8,385	7,110	3,774
Facilities	294,280	1,551	(5,611)	301,442
IT equipment	1,901	1	(479)	2,381
Furniture and fittings	63,928	660	218	64,370
Other property, plant and equipment	11	-	-	11
Other assets leased out under an operating lease	19,530	-	10,822	8,708
Depreciation:				
For own use:	396,265	15,687	1,586	410,365
Land and buildings	87,587	4,420	855	91,152
Facilities	250,506	9,293	531	259,268
IT equipment	907	410	3	1,313
Furniture and fittings	57,264	1,564	197	58,631
Other property, plant and equipment	1	-	-	1
Other assets leased out under an operating lease	-	-	-	-
Net:				
For own use:	264,126	(5,087)	1,801	257,238
Land and buildings	210,184	(4,417)	1,295	204,472
Construction in progress	2,499	8,385	7,110	3,774
Facilities	43,775	(7,742)	(6,142)	42,175
IT equipment	994	(409)	(482)	1,068
Furniture and fittings	6,664	(905)	21	5,738
Other property, plant and equipment	10	-	-	10
Other assets leased out under an operating lease	19,530	-	10,822	8,708
Total	283,656	(5,087)	12,623	265,946

2020				Thousands of euros
	Opening balance	Additions	Disposals and other	Closing balance
Cost:				
For own use:	651,353	10,195	1,157	660,391
Land and buildings	296,115	1,395	(261)	297,771
Construction in progress	938	6,159	4,598	2,499
Facilities	289,574	1,720	(2,986)	294,280
IT equipment	1,296	277	(328)	1,901
Furniture and fittings	63,419	644	135	63,928
Other property, plant and equipment	11	-	-	11
Other assets leased out under an operating lease	24,298	-	4,768	19,530
Depreciation:				
For own use:	380,410	16,818	963	396,265
Land and buildings	83,168	4,421	2	87,587
Facilities	241,208	10,104	807	250,506
IT equipment	534	395	22	907
Furniture and fittings	55,499	1,897	132	57,264
Other property, plant and equipment	1	-	-	1
Other assets leased out under an operating lease	-	-	-	-
Net:				
For own use:	270,943	(6,623)	194	264,126
Land and buildings	212,947	(3,026)	(263)	210,184
Construction in progress	938	6,159	4,598	2,499
Facilities	48,366	(8,384)	(3,792)	43,775
IT equipment	762	(118)	(350)	994
Furniture and fittings	7,920	(1,253)	2	6,664
Other property, plant and equipment	10	-	-	10
Other assets leased out under an operating lease	24,298	-	4,768	19,530
Total	295,241	(6,623)	4,962	283,656

No impairment losses on tangible assets were recognised in 2021 and 2020.

The cost of the fully depreciated elements for own use as at 31 December 2021 that are still in use amounts to 274,988 thousand euros (2020: 257,585 thousand euros).

The profits and losses recognised in 2021 and 2020 on the disposal of investment property and other items by type of asset are presented in Note 34.

Note 43 "Fair value of assets and liabilities" provides the fair value of the main tangible assets and the calculation methodology used.

As at 31 December 2021 and 2020, the Bank had no tangible assets for its own use or under construction with restrictions on ownership or which have been pledged to secure repayment of debts. Additionally, as at these dates there were no commitments with third parties for the acquisition of tangible assets. In these periods, no amounts have been received or were expected to be received from third parties as compensation or indemnity for the impairment or loss of value of tangible assets for own use.

Operating leases.

The balance of assets leased out under an operating lease presented in the balance sheet at 31 December 2021 was 8,708 thousand euros (2020: 19,530 thousand euros).

The amount of minimum lease payments receivable under operating leases in which the Bank acts as the lessor is as follows:

	Thousands of euros	
	2021	2020
Operating leases - Minimum payments		
Within one year	2,402	2,951
After one year but not more than five years	6,306	9,137
More than five years	-	7,442

There are no contingent rents on operating leases currently in force.

All of the Bank's tangible assets for own use as at 31 December 2021 and 2020 were denominated in euros.

15. Leases of right-of-use assets

Right-of-use assets under leases and changes in the year:

					31.12.2021
	Initial cost	Additions	Disposals and other	Final cost	Accumulated depreciation
Right-of-use assets:	152,391	38,318	(4,588)	186,122	(58,971)
Land and buildings	147,973	36,238	(3,615)	180,596	(56,399)
IT equipment	-	-	-	-	-
Vehicles	3,536	2,001	(973)	4,564	(2,343)
Other	883	79	-	962	(229)

					31.12.2020
	Initial cost	Additions	Disposals and other	Final cost	Accumulated depreciation
Right-of-use assets:	128,225	27,239	(3,073)	152,391	(40,009)
Land and buildings	124,355	26,497	(2,879)	147,973	(37,805)
IT equipment	-	-	-	-	-
Vehicles	3,022	708	(194)	3,536	(2,051)
Other	849	34	-	883	(153)

The detail of the lease liabilities related to the right-of-us assets is as follows:

	31.12.2021	31.12.2020
Other liabilities - Lease liabilities	129,905	113,854
Current lease liabilities	19,379	18,109
Non-current lease liabilities	110,526	95,745

Bankinter's lease liabilities at 31 December 2021 and 2020 by maturity are as follows.

				31.12.2021
Up to one month	Between one and three months	Between three months and one year	After one year but not more than five years	More than five years
1,708	3,361	14,310	63,400	47,126

				31.12.2020
Up to one month	Between one and three months	Between three months and one year	After one year but not more than five years	More than five years
1,673	3,265	13,171	55,885	39,860

The weighted average incremental borrowing rate applied to lease liabilities in 2021 was 0.53% (2020: 0.61%).

The impact on the income statement of right-of-use assets in the Group's leases is as follows:

	31.12.2021	31.12.2020
Depreciation expense of right-of-use assets	20,404	20,208
Land and buildings	19,127	18,964
IT equipment	0	0
Vehicles	1,201	1,168
Other	76	76
Interest expense on lease liabilities	886	848
Cash outflows	19,986	20,373

16. Intangible assets

The detail of this item of the balance sheet and movement in 2021 and 2020 is as follows:

2021				Thousands of euros
	Opening balance	Additions	Disposals and other	Closing balance
Cost:	68,990	8,461	(1,701)	75,750
Goodwill	-	-	-	-
Intangible assets	46,308	-	16,178	62,486
Software in progress	22,682	8,461	(17,879)	13,264
Amortisation:	7,781	6,181	(700)	13,262
Goodwill	-	-	-	-
Intangible assets	7,781	6,181	(700)	13,262
Software in progress	-	-	-	-
Impairment:	1,449	2,377	-	3,826
Goodwill	-	-	-	-
Intangible assets	1,449	2,377	-	3,826
Software in progress	-			-
Net:	59,760	(97)	(1,001)	58,662
Goodwill	-	-	-	-
Intangible assets	37,078	(8,558)	16,878	45,398
Software in progress	22,682	8,461	(17,879)	13,264

2020				Thousands of euros
	Opening balance	Additions	Disposals and other	Closing balance
Cost:	52,699	16,292	-	68,990
Goodwill	-	-	-	-
Intangible assets	29,548	-	16,761	46,308
Software in progress	23,151	16,292	(16,761)	22,682
Amortisation:	2,573	5,208	-	7,781
Goodwill	-	-	-	-
Intangible assets	2,573	5,208		7,781
Software in progress	-	-	-	-
Impairment:	-	1,449	-	1,449
Goodwill	-	-	-	-
Intangible assets	-	1,449	-	1,449
Software in progress	-			-
Net:	50,126	9,634	-	59,760
Goodwill	-	-	-	-
Intangible assets	26,975	(6,657)	16,761	37,078
Software in progress	23,151	16,292	(16,761)	22,682

One of the Bankinter Group's objectives for the coming years is to renew its technology platform, redesign its processes and develop digital banking, taking into account the Group's growth and its growing needs of operational and technological transformation. In line with these objectives, the capitalisation of IT developments is the Bank's only source of generating new intangible assets in 2021 and 2020.

17. Tax assets and liabilities

The breakdown of these items in the balance sheets at 31 December 2021 and 2020 is as follows:

Thousands of euros

	Current		Deferred	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Tax assets:				
Withholdings	12,921	8,898	-	-
Income tax	387,915	88,961	383,220	390,381
VAT	12,343	16,418	-	-
Other	-	3,390	-	-
	413,179	117,667	383,220	390,381
Tax liabilities:				
Income tax	178,470	91,794	105,793	123,561
VAT	6,571	6,786	-	-
	185,041	98,579	105,793	123,561

The movement in deferred tax assets and liabilities in 2021 and 2020 is as follows:

Thousands of euros

	Deferred taxes	
	Assets	Liabilities
Balance at 31.12.2019	370,333	150,097
Additions	40,383	5,339
Reductions	20,335	31,875
Balance at 31.12.2020	390,381	123,561
Additions	18,515	3,700
Reductions	25,676	21,468
Balance at 31.12.2021	383,220	105,793

The reconciliation of the movement of deferred taxes in 2021 is as follows:

Thousands of euros

	Balance at 31.12.2020	Charge/credit to profit or loss	Charge/credit to equity	Balance at 31.12.2021
Deferred tax assets	390,381	(6,851)	(310)	383,220
- Arising from the branch in Portugal	*4,796*	*679*	-	*5,476*
Deferred tax liabilities	123,561	(3,018)	(14,749)	105,793
-From the branch in Portugal	*31,699*	*(2,113)*	-	*29,586*

Charges/credits for deferred taxes recognised in the income statement (3,833 thousand euros) include the deferred tax expense corresponding to 30% of the temporary differences for 2021 from the business in Spain (6,717 thousand euros). The remaining amount mainly relate to the charges/credits that are recognised in the income statement for 2021 as a result of accounting for the definitive corporation tax of the prior year (-80 thousand euros), and accounting for the deferred tax expense of the Bankinter branch in Portugal (-2,792 thousand euros) as well as other deferred tax charges/credits that do not necessarily relate to timing differences.

Of the amount of deferred tax liabilities recognised at 31 December 2021, 29,586 thousand euros related to the amount recognised in 2016 for temporary difference of liabilities arising from the negative goodwill recognised in the acquisition of the business of the branch in Portugal of 40,152 thousand euros. The Bank recognises this amount as income for the purpose of calculating income tax over a 20-year period, under the framework of prevailing tax legislation in Portugal.

The reconciliation of the movement of deferred taxes in 2020 was as follows:

Thousands of euros

	Balance at 31.12.2019	Charge/credit to profit or loss	Charge/credit to equity	Balance at 31.12.2020
Deferred tax assets	370,333	19,585	463	390,381
- Arising from the branch in Portugal	*4,384*	*413*	-	*4,798*
Deferred tax liabilities	150,097	(4,950)	(21,587)	123,561
-From the branch in Portugal	*33,834*	*(2,135)*	-	*31,699*

The detail of deferred tax assets and liabilities is as follows:

	Thousands of euros	
	31.12.2021	31.12.2020
Deferred tax assets	383,220	390,381
Within 10 years		
Provisions and other accruals	183,665	197,358
Pension fund	1,708	1,674
Other	4,458	4,094
Loan fees and commissions	465	553
Beyond 10 years		
Impairment of equity investments	192,924	186,701
Deferred tax liabilities	105,793	123,561
Within 10 years		
Financial assets at fair value through other comprehensive income	25,357	40,259
Provisions and other	8,105	8,105
Beyond 10 years		
Goodwill	29,586	31,699
Revaluation of properties	42,745	43,497

Royal Decree-Law 14/2013, of 29 November, on urgent measures to adapt Spanish law to European Union regulations regarding the supervision and solvency of financial institutions, added the twenty-second additional provision to the consolidated text of the Spanish Corporate Income Tax Law, establishing the conversion of certain deferred tax assets into loans payable to the taxation authorities. The Bank estimates that approximately 57,779 thousand euros in deferred tax assets will be monetisable 31 December 2021 (2020: 54,629 thousand euros). Nevertheless, Royal Decree Law 3/2016, of 2 December, introduced certain amendments to Corporate Income Tax Law 27/2014, of 29 November. Specifically, the law sets a limit of 25% on inclusion of monetisable assets in the tax base and tax loss carryforwards.

Also, there is a new limit for applying double taxation relief: 50% of the full tax base for companies with net turnover over 20 million euros. This was also applicable in 2021.

The Bank performed an analysis of the recoverability of the deferred tax assets recognised at 31 December 2021, supporting their recoverability within the legal maximum.

18. Other assets and other liabilities

The breakdown of these balance sheet items as at 31 December 2021 and 2020 is as follows:

				Thousands of euros
	Assets		Liabilities	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Accruals and prepayments	55,186	35,265	147,963	130,012
Other items:	9,649	5,967	39,658	37,280
Transactions in transit	2,467	1,577	16,156	11,785
Other	7,182	4,390	23,502	25,495
	64,835	41,232	187,621	167,292
In euros	64,835	41,212	187,445	167,180
In foreign currency	-	20	176	112
	64,835	41,232	187,621	167,292

"Other" includes transitional items pending allocation based on their nature.

19. Financial liabilities at amortised cost

The detail of this balance sheet item at 31 December 2021 and 2020 is as follows:

	Thousands of euros	
	31.12.2021	31.12.2020
Deposits	87,249,296	76,363,266
Deposits from central banks	14,190,714	12,885,116
Deposits from credit institutions	5,953,977	3,886,831
Customer deposits	67,104,604	59,591,319
Debt securities issued	8,400,112	8,159,175
Payables represented by marketable securities	6,706,763	6,991,970
Subordinated liabilities	1,693,350	1,167,205
Other financial liabilities	1,713,627	1,514,747
	97,363,036	86,037,189
In euros	93,932,283	83,352,792
In foreign currency	3,430,753	2,684,397
	97,363,036	86,037,189

The breakdown of "Valuation adjustments" of the portfolio of financial liabilities at amortised cost at 31 December 2021 and 2020 is as follows:

	Thousands of euros	
	31.12.2021	31.12.2020
Accrued interest		
Deposits at central banks	(174,730)	(52,884)
Deposits with credit institutions	3,527	2,806
Customer deposits	9,564	7,168
Payables represented by marketable securities	52,296	47,724
Subordinated liabilities	15,180	17,058
	(94,164)	21,873
Micro-hedges	41,883	144,173
Other	(13,170)	(11,527)
	(65,451)	154,519

Note 44 "Risk policies and management" provides details of maturities and interest rate review periods of the items comprising financial liabilities at amortised cost.

Note 43 "Fair value of assets and liabilities" provides fair value by type of instrument of financial liabilities at amortised cost and the calculation methodology used.

a) Deposits from central banks

The composition of this heading of the portfolio of financial liabilities at amortised cost within the liabilities of the balance sheet of 2021 and 2020 is as follows:

	Thousands of euros	
	31.12.2021	31.12.2020
Central Banks	14,365,444	12,938,000
Valuation adjustments	(174,730)	(52,884)
Accrued interest	(174,730)	(52,884)
	14,190,714	12,885,116
In euros	14,058,275	12,885,116
In foreign currency	132,439	-
	14,190,714	12,885,116

Balances with Central Banks at year-end include 14,232,000 thousand euros (31 December 2020: 12,938,000 thousand euros), obtained in 5 operations of the third series of targeted longer-term refinancing operations (TLTRO III) of the European Central Bank (ECB), as well as negative interest accrued thereon of 174,730 thousand euros (31 December 2020: 52,884 thousand euros).

The TLTRO III operations started in the 2019 financial year, originally within a period of three years. As in the previous series, these operations accrue a more favourable interest rate for those institutions that meet certain thresholds of qualifying investment growth during the period from 31 March 2019 to 31 March 2021 ("original period"). Specifically, in Bankinter's case, the operations accrue interest at the ECB's deposit facility rate (-0.5% in 2021), as it was above these thresholds.

However, during the financial year 2020, the Governing Council of the ECB decided to modify some of the conditions of its TLTRO III, to better support lending to households and businesses in the face of economic shocks and heightened uncertainty against the background of the spread of the coronavirus disease (COVID-19).

It decided to establish a "special interest rate" for TLTRO IIIs – provided that positive growth of the eligible investment was achieved during "special reference periods" – as well as making certain other changes. Two "special reference periods" were set: from 1 March 2020 to 31 March 2021 (special period 1) and from 1 October 2020 to 31 December 2021 (special period 2), to be eligible for the "special interest rate" for TLTRO III operations from June-2020 to June-2021 and from June-2021 to June-2022, respectively. Specifically, this "special interest rate" is set as 50 basis points below the average interest rate on the deposit facility, and may in no case be higher than -1%. At the end of 2020 and 2021, this special rate was -1%.

The bank recognises interest on these operations by applying the effective interest rate, calculated for each transaction based on the following:

- As at year-end 2021, the bank had exceeded the investment growth thresholds established for the original period. Therefore, TLTRO III transactions will accrue at least the ECB deposit facility rate over their estimated life.
- At year-end 2021, the bank had exceeded the investment growth thresholds set for special periods 1 and 2. Therefore, TLTRO III transactions will accrue the "special interest rate" 50 basis points below the average deposit facility rate for the fixed part of their estimated life.
- The Bank estimates that the rate of the ECB's deposit facility will be maintained over the expected life of TLTRO III's operations.
- The estimated life of TLTRO III operations is the same as their original term.

b) Deposits from credit institutions

The composition of this item of the portfolio of financial liabilities at amortised cost on the liability side of the balance sheet is as follows:

	Thousands of euros	
	31.12.2021	31.12.2020
Deposits with agreed maturity	3,714,791	2,502,036
Repurchase agreements	1,879,849	1,082,020
Other accounts	355,811	299,968
Valuation adjustments	3,527	2,806
Accrued interest	3,527	2,806
	5,953,977	3,886,831
In euros	5,233,996	3,472,961
In foreign currency	719,981	413,870
	5,953,977	3,886,831

c) Customer deposits

The composition of this item of the portfolio of financial liabilities at amortised cost on the liability side of the balance sheet is as follows:

	Thousands of euros	
	31.12.2021	31.12.2020
Public administrations	948,722	849,705
Deposits received	948,728	849,702
Valuation adjustments	(6)	3
Accrued interest	(6)	3
Other private sectors	66,155,883	58,741,614
Demand deposits	62,820,128	55,251,581
Deposits with agreed maturity	3,192,153	3,482,868
Repurchase agreements	134,032	-
Valuation adjustments	9,570	7,165
Accrued interest	9,570	7,165
Micro-hedges	-	-
	67,104,604	59,591,319
In euros	64,832,570	57,600,609
In foreign currency	2,272,034	1,990,710
	67,104,604	59,591,319

d) Payables represented by marketable securities

The composition of this item of the portfolio of financial liabilities at amortised cost on the liability side of the balance sheet is as follows:

	Thousands of euros	
	31.12.2021	31.12.2020
Promissory notes and bills	1,235,192	1,174,394
Mortgage-backed securities	15,680,708	14,665,722
Other non-convertible securities	1,995,738	1,995,738
Hybrid securities	678,328	959,035
Own securities	(12,964,528)	(11,963,039)
Valuation adjustments	81,325	160,121
Accrued interest	52,296	47,724
Micro-hedges	36,408	120,473
Other	(7,379)	(8,076)
	6,706,763	6,991,970
In euros	6,506,652	6,804,988
In foreign currency	200,111	186,983
	6,706,763	6,991,970

As a result of the planning required for management of the Bank's liquidity and capital, Bankinter, S.A. maintains various financing programmes and instruments, both in the domestic Spanish market and in the international markets, in order to raise finance or to issue securities of all types, both short-term (promissory notes, Euro Commercial Paper) and long-term (bonds, debentures and notes, covered bonds), in any form of debt (e.g. guaranteed, senior, subordinated).

At 31 December 2021, "Own securities" included covered bonds amounting to 12,950,000 thousand euros (2020: 11,950,000 thousand euros).

Promissory notes and bills

The detail of outstanding promissory note issues at 31 December 2021 and 2020 is shown below, by redemption value:

	Thousands of euros	
	Outstanding balance at 31.12.2021	Outstanding balance at 31.12.2020
CNMV registration date		
10/10/2020	-	1,189,690
10/10/2021	1,252,550	`-
Promissory notes	**1,252,550**	**1,189,690**
Outstanding interest at discount	(17,358)	(15,296)
Total	**1,235,192**	**1,174,394**

These issues are denominated in euros.

The interest accrued by these promissory note issues in 2021 totalled 40,252 thousand euros (Note 29) (2020: 35,246 thousand euros).

Mortgage-backed securities, other non-convertible securities and hybrid securities

Mortgage-backed securities, other non-convertible securities and hybrid liabilities at 31 December 2021 and 2020 include the outstanding balance of bond, debenture and covered bond issues made by the Bank.

Outstanding covered bonds at 31 December 2021 and 2020 (nominal amounts in thousands of euros):

					31.12.2021
Issue	Nominal amount (thousands of euros)	Type of security	Interest %	Quoted price	Final maturity of the issue
May-13	1,300,000	Covered bonds	3M EUR+2.50%	YES	May-23
Feb-15	1,000,000	Covered bonds	Fixed rate 1.00%	YES	Feb-25
Aug-15	1,000,000	Covered bonds	Fixed rate 0,857%	YES	Aug-22
Apr-17	1,000,000	Covered bonds	3M EUR+0.60%	YES	Apr-27
Nov-17	1,000,000	Covered bonds	3M EUR+0.35%	YES	Nov-27
Feb-18	500,000	Covered bonds	Fixed rate 1.25%	YES	Feb-28
Sept-18	1,700,000	Covered bonds	3M EUR+0.15%	YES	Sept-23
June-2019	50,000	Covered bonds	Fixed rate 1.20%	YES	June-35
Sept-19	1,250,000	Covered bonds	3M EUR+0.30%	YES	Sept-29
Dec-19	1,200,000	Covered bonds	3M EUR+0.25%	YES	Nov-26
Dec-19	194,597	Covered bonds	3M LIBOR+0.65%	YES	Dec-27
Apr-20	2,000,000	Covered bonds	3M EUR+0.40%	YES	Apr-30
May-20	2,000,000	Covered bonds	3M EUR+0.35%	YES	May-25
Sept-20	500,000	Covered bonds	3M EUR+0.30%	YES	Sept-24
Feb-21	1,000,000	Covered bonds	3M EUR+0.20%	YES	Feb-28
	15,694,597				
Discounted interest and other items	(13,889)				
Total	15,680,708				

					31.12.2020
Issue	Nominal amount (thousands of euros)	Type of security	Interest %	Quoted price	Final maturity of the issue
May-13	1,300,000	Covered bonds	3M EUR+2.50%	YES	May-23
Feb-15	1,000,000	Covered bonds	Fixed rate 1.00%	YES	Feb-25
Aug-15	1,000,000	Covered bonds	Fixed rate 0,857%	YES	Aug-22
Apr-17	1,000,000	Covered bonds	3M EUR+0.60%	YES	Apr-27
Nov-17	1,000,000	Covered bonds	3M EUR+0.35%	YES	Nov-27
Feb-18	500,000	Covered bonds	Fixed rate 1.25%	YES	Feb-28
Sept-18	1,700,000	Covered bonds	3M EUR+0.15%	YES	Sept-23
June-2019	50,000	Covered bonds	Fixed rate 1.20%	YES	June-35
Sept-19	1,250,000	Covered bonds	3M EUR+0.30%	YES	Sept-29
Dec-19	1,200,000	Covered bonds	3M EUR+0.25%	YES	Nov-26
Dec-19	179,610	Covered bonds	3M LIBOR+0.65%	YES	Dec-27
Apr-20	2,000,000	Covered bonds	3M EUR+0.40%	YES	Apr-30
May-20	2,000,000	Covered bonds	3M EUR+0.35%	YES	May-25
Sept-20	500,000	Covered bonds	3M EUR+0.30%	YES	Sept-24
	14,679,610				
Discounted interest and other items	(13,889)				
Total	14,665,721				

The interest accrued by these covered bond issues in 2021 amounted to 28,419 thousand euros (2020: 34,075 thousand euros) (Note 29).

Detail of outstanding issues of hybrid liabilities (structured bonds) as at 31 December 2021 and 2020, by original term:

TERM		BALANCE
	31.12.2021	31.12.2020
Up to one year	-	-
Over one year and up to two years	-	835
Over two years and up to three years	-	3,657
Over three years and up to four years	23,825	84,486
Over four years and up to five years	50,792	50,492
Over five years	603,712	819,565
Total	678,328	959,035

In accounting for hybrid financial liabilities (structured bonds), embedded derivatives have been separated from the main agreement. These embedded derivatives are recorded at their fair value under "Derivatives" in "Assets or liabilities held for trading" portfolios in the consolidated balance sheet. At year-end 2021, the underlying asset positions of these embedded derivatives amounted to 44,824 thousand euros (2020: 104,130 thousand euros).

Hybrid liability issues (structured bonds) basically consist of taking out a bond whose remuneration is linked to the risk performance of equity financial markets (mainly equities and indices). Structured bonds have a maximum duration of 7 years, and may have different percentages of initial capital guaranteed to the investor (between 0% and 100%). In the accounting process, the host contract (a debt instrument) is segregated from the embedded derivative reflecting the exposure to the aforementioned risks in financial markets, pursuant to the applicable accounting rules and, in particular, considering that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract.

The interest accrued by these promissory note issues in 2021 totalled 1,270 thousand euros (2020: 1,641 thousand euros) (Note 29).

Outstanding non-convertible bonds as at 31 December 2021 and 2020 (nominal amounts in thousands of euros):

					31.12.2021
Issue	**Nominal amount (thousands of euros)**	**Type of security**	**Interest %**	**Quoted price**	**Final maturity of the issue**
Other non-convertible securities					
Mar-19	500,000	Bonds	Fixed rate 0.875%	YES	Mar-24
July-19	750,000	Bonds	Fixed rate 0.875%	YES	July-26
Feb-20	750,000	Bonds	Fixed rate 0.675%	YES	Oct-27
	2,000,000				
Discounted interest	(4,262)				
	1,995,738				

					31-12-2019
Issue	**Nominal amount (thousands of euros)**	**Type of security**	**Interest %**	**Quoted price**	**Final maturity of the issue**
Other non-convertible securities					
Mar-19	500,000	Bonds	Fixed rate 0.875%	YES	Mar-24
July-19	750,000	Bonds	Fixed rate 0.875%	YES	July-26
Feb-20	750,000	Bonds	Fixed rate 0.675%	YES	Oct-27
	2,000,000				
Discounted interest	(4,262)				
	1,995,738				

All these outstanding issues are denominated in euros.

The interest accrued by the issues of other non-convertible securities in 2021 amounted to 16,931 thousand euros (2020: 16,443 thousand euros) (Note 29).

e) Subordinated liabilities

The composition of this item of the portfolio of financial liabilities at amortised cost in the balance sheet is as follows:

		Thousands of euros
	31.12.2021	**31.12.2020**
Subordinated liabilities	1,678,376	1,129,898
Non-convertible securities	1,328,376	579,898
Convertible contingent preference shares	350,000	550,000
Valuation adjustments	14,974	37,307
Accrued interest	15,180	17,058
Micro-hedges	5,476	23,700
Other	(5,682)	(3,451)
	1,693,350	**1,167,205**
In euros	1,693,350	1,167,205
	1,693,350	**1,167,205**

The interest accrued by issues of non-convertible subordinated debentures in 2021 amounted to 23,505 thousand euros (2020: 20,883 thousand euros).

The interest accrued by issues of contingent convertible preference shares at 31 December 2021 and 2020 is recognised in equity, as explained in Note 22. f). In 2021 and 2020, no amounts of interest paid on the preference shares are recognised in "Interest expense and similar charges" in the accompanying consolidated income statement (see Note 29).

Non-convertible subordinated debentures

Subordinated debentures at 31 December 2021 and 2020 (nominal amounts in thousands of euros):

Balance at 31 December 2021				Thousands of euros
	Issue	Nominal	Interest %	Issue maturity
III SUBORDINATED DEBENTURES 1998	14.05.1998	81,893	Fixed rate 6.00%	18.12.2028
I SUBORDINATED DEBENTURES April 2017	6.04.2017	500,000	Fixed rate 2.50%	6.04.2027
I SUBORDINATED DEBENTURES June 2021	23.06.2021	750,000	Fixed rate 1.25%	23.12.2032
		1,331,893		
Interest and other items		(3,518)		
		1,328,375		

Balance at 31 December 2020				Thousands of euros
	Issue	Nominal	Interest %	Issue maturity
III SUBORDINATED DEBENTURES 1998	14.05.1998	81,893	Fixed rate 6.00%	18.12.2028
I SUBORDINATED DEBENTURES April 2017	6.04.2017	500,000	Fixed rate 2.50%	6.04.2027
		581,893		
Interest and other items		(1,996)		
		579,897		

In June 2021, Bankinter issued subordinated debt (considered tier 2 for the purposes of capital adequacy regulations) in the amount of 750 million euros, for a term of 11 and a half years (to 23 December 2032) with a call redemption option after 6 and a half years, on 23 December 2027. The interest rate on this issue was 1.25% (Note 29).

Preference shares

On 17 July 2020, Bankinter, S.A. launched a new issue of perpetual non-cumulative, contingent convertible instruments classified as Additional Tier 1 (AT1), in the form of preference shares, of 350 million euros.

These preference shares accrue an initial coupon of 6.25%. The Bank reserves the right, at its sole discretion, to cancel the payout of any accrued coupon at any time.

As a contingent condition for the irrevocable and mandatory conversion of the preference shares into ordinary shares, the Common Equity Tier 1 (CET 1) ratio must fall below 5,125%. In this case, the holders of the preference share will receive a variable number of ordinary shares depending on the higher of i) the market price of the share at the time of conversion, ii) a floor price of 4,1686 euros subject to adjustments, or iii) the par value of the ordinary shares (0.30 euros as at 31 December 2021).

This preferred share issue targeted investors authorised under Legislative Royal Decree 4/2015, of 23 October, approving the Restated Spanish Securities Market Act, with sales to minority shareholders not allowed. The securities issued were admitted to listing on Irish Stock Exchange (ISE).

In accordance with the characteristics of the issue, the conversion into shares of the nominal amount of these instruments would occur if the CET1 ratio of the Bank's consolidated group were to fall below a certain level, in which case the issuer could not avoid delivery of a variable number of shares. Consequently, in accordance with IAS 32, the principal amount of the instruments issued was classified as a financial liability. Moreover, the Group has decision-making power on payment of the coupon, so it considered it has a component of equity under IAS 32. At 31 December 2021, the Group had recognised 82,272 thousand euros (net of tax) in retained earnings for the coupon accrued by preference shares issued (2020: 62,966 thousand euros.

In 2021, it redeemed an issue of perpetual non-cumulative, contingent convertible instruments classified as Additional Tier 1 (AT1), in the form of preference shares, of 200 million euros.

Issues of preference shares on the balance sheet at 31 December 2021 and 2020:

				31.12.2021
	Issue	Nominal	Interest %	Issue maturity
Bankinter, S.A.	17.07.2020	350,000	6,250%	PERPETUAL
		350,000		

				31.12.2020
	Issue	Nominal	Interest %	Issue maturity
BK Emisiones Serie I	10.05.2016	200,000	8.625%	PERPETUAL
Bankinter, S.A.	17.07.2020	350,000	6.250%	PERPETUAL
		550,000		

f) Other financial liabilities

The composition of this item of the portfolio of financial liabilities at amortised cost on the liability side of the balance sheet is as follows:

		Thousands of euros
	31.12.2021	31.12.2020
Payment obligations	332,757	313,178
Factoring account payables	28,762	23,083
Other	303,995	290,095
Collateral received	81,449	92,419
Clearing houses	317,262	327,302
Tax collection accounts	634,014	470,057
Special accounts	254,454	229,706
Of which: Unsettled transactions	136,321	90,668
Financial guarantees	17,289	17,246
Other	76,403	64,840
	1,713,627	1,514,747
In euros	1,607,439	1,421,912
In foreign currency	106,188	92,835
	1,713,627	1,514,747

"Collateral received" relates mainly to security transactions with credit institutions.

20. Provisions

Balances and movements in provisions in 2021 and 2020:

					Thousands of euros
	Total	Pensions and other post-employment defined benefit obligations	Commitments and guarantees given	Pending legal issues and tax litigation	Other provisions
Balance at 31.12.2019	363,859	3,508	10,781	63,380	286,190
Net increases in the period	155,537	-	13,656	47,515	94,366
Amounts used	(125,575)	-	-	(35,487)	(90,088)
Other movements	(8,918)	(2,576)	(107)	-	(6,235)
Balance at 31.12.2020	384,903	932	24,330	75,408	284,233
Net increases in the period	102,708	-	178	43,477	59,053
Amounts used	(163,228)	-	-	(56,767)	(106,461)
Other movements	(4,361)	177	99	-	(4,637)
Balance at 31.12.2021	320,023	1,109	24,608	62,118	232,188

Provisions for “Pending legal issues and tax litigation” include, , provisions for tax and legal litigation, which have been estimated using methods of calculation that are reasonable and consistent with the conditions of uncertainty inherent in the obligations they cover. They are estimated upon the definitive outflow of the resources for each obligation in some cases, and without a fixed term of repayment in others, in accordance with the ongoing litigation.

Based on available information, the Bank estimated the extent of the obligations relating to each claim and/or lawsuit and recognised, where necessary, appropriate provisions to reasonable cover liabilities that could arise from claims received and/or ongoing lawsuits.

Specifically, estimating provisions related to lawsuits with customers is a particularly complex process given the uncertainty surrounding the final outcome and/or the final amount of the loss. This estimate is based on a detailed analysis of the nature and amount claimed by the customer. Subsequently, the Bank estimates the amount of the provisions, taking into account such aspects as the number and type of claims received, the amount subject to the risk of an outflow of resources and the probability that this outflow will ultimately occur considering, among other factors, past experience in rulings handed down against the Bank in claims already resolved. The assumptions used to establish the provisions are reviewed on an ongoing basis and validated in accordance with the historical outcomes of claims brought against the Bank and rulings handed down against the Bank.

“Other provisions” includes mainly provisions arising from multicurrency loan agreements through which the Entity has claims for which a ruling has yet to be handed down by the courts.

These provisions are estimated for all ongoing legal proceedings. The Entity monitors the contingencies and obligations associated with these types of instruments periodically. At each reporting date, the Bank's management analyses and determines the best estimate of the legal provisions to be recognised in the Bank's financial statements, taking into account the number of claims submitted by customers and the outcome of the rulings handed down in judgements of second instance on the various proceedings initiated by customers. Specifically, to calculate the legal provision associated with these types of transactions, the average record of adverse rulings handed down by the courts against the Entity and the estimated average loss per case are taken into account. The Parent Company's governance bodies and management consider that the provision recognised at year-end is the best estimate of the probable outflow of resources that the Entity would have to make as a result of the actual contingency arising from multicurrency loans sold to customers.

Regarding the schedule for the outflow of resources, the average weighted maturity in 2021 was 3.2 years for tax contingencies was 2 years for legal contingencies (2020: 5.1 and 2 years, respectively).

The Bank considers that there will not be any future reimbursements giving rise to the recognition of assets.

The Group's main contingencies are described in Note 42 “Tax situation” of the notes to the financial statements. Note 27 “Staff expenses” gives further details on the provision for pensions and similar obligations. Furthermore, Note 44 “Risk policies and management” provides additional disclosures on provisions for contingent liabilities and commitments.

The crisis caused by the Covid-19 pandemic did not give rise to any changes in the Group's approach to estimating provisions to cover these contingencies.

21. Accumulated other comprehensive income

The detail of this balance sheet item at 31 December 2021 and 2020 is as follows:

	Thousands of euros	
	31.12.2021	31.12.2020
ACCUMULATED OTHER COMPREHENSIVE INCOME	297,087	92,494
Items that will not be reclassified to profit or loss	246,582	(695)
Actuarial gains or (-) losses on defined benefit pension plans	3,584	(695)
Fair value changes of equity instruments measured at fair value through other comprehensive income	242,998	-
Items that may be reclassified to profit or loss	50,505	93,188
Hedging derivatives. Cash flow hedges [effective portion]	(329)	(962)
Fair value changes of debt instruments measured at fair value through other comprehensive income	50,834	94,150
Debt instruments	50,834	94,150
Equity instruments	-	-

22. Shareholders' equity

The composition of, and changes in, the Bank's own funds in 2021 and 2020 are included in the statement of total changes in equity.

a) Capital

At 31 December 2021 and 2020, Bankinter, S.A.'s share capital was represented by 898,866,154 fully subscribed and paid registered shares with a par value of 0.30 euros each. These shares confer the same voting and dividend rights.

All the shares are represented by book entries, are listed on the Madrid and Barcelona Stock Exchanges and are traded on the Spanish continuous market.

There were no movements in share capital in 2021 and 2020.

		Thousands of euros
	Number of shares	Nominal value
Balance at 31.12.2019	898,866,154	269,660
Additions	-	-
Balance at 31.12.2020	898,866,154	269,660
Additions	-	-
Balance at 31.12.2021	898,866,154	269,660

Shareholders with an ownership interest equal to or greater than 10% of share capital at 31 December 2021 and 2020:

	No. of direct shares		No. of indirect shares		% of share capital	
Shareholder	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Cartival, S.A.	208,426,443	208,410,131	-	-	23.19	23.19

b) Share premium

Movement in the share premium account in 2021 and 2020:

	Thousands of euros
	Share premium
Balance at 31.12.2019	1,184,265
Additions	-
Reductions	-
Balance at 31.12.2020	1,184,265
Additions	-
Reductions	1,184,265
Balance at 31.12.2021	-

In April 2021, the resolution of the Annual General Meeting of Bankinter, S.A. of 19 March 2020, involving the distribution in kind of its entire share premium reserve (1,184 million euros), was executed. This involved the delivery to its shareholders of securities representing 82.6% of the share capital of its subsidiary Línea Directa Aseguradora, S.A., Compañía de Seguros y Reaseguros (Note 13).

c) Reserves

Reserves comprises the following balance sheet items: "Retained earnings", "Revaluation reserves" and "Other reserves". Allocation to these reserves:

		Thousands of euros
	31.12.2021	31.12.2020
Legal reserve	57,467	57,467
Unrestricted reserves	2,396,640	2,418,674
Revaluation reserves	-	-
Treasury share reserve:	261,943	126,723
Due to acquisition	905	2,146
Due to guarantee	261,038	124,577
Capitalisation reserve	159,594	134,574
Canary Islands investment reserve	28,363	28,363
	2,904,007	2,765,801

Legal reserve: Companies must earmark 10% of profit for the year to the legal reserve fund until it reaches at least 20% of the share capital. The legal reserve cannot be distributed to shareholders and can only be used to offset losses, provided that other reserves are not available for this purpose. Also, under certain circumstances, it may be used to increase the share capital in the portion of this reserve that exceeds 10% of the share capital amount after the increase. At 31 December 2021 and 2020, the legal reserves were fully allocated.

Capitalisation reserve: This reserve is established to comply with section 1.b) of article 25 of Law 27/2014, on Corporate Income Tax, as a result of the Bankinter Group's use in 2021 and 2020 of the tax credit for the capitalisation reserve regulated by this article.

With the exception of unrestricted reserves, the rest of the reserves are restricted.

d) Other equity

This item includes share-based payments.

e) Treasury shares

As at 31 December 2021, the Bank possessed 200,000 treasury shares of 0.3 euros par value each (2020: 481,540 treasury shares).

In 2021, the Bank purchased 3,813,873 shares (2020: 4,331,708) and sold 4,095,413 shares (2020: 4,000,168) on the stock market, giving rise to a gain of 279 thousand euros recognised under "Reserves" on the balance sheet (2020: loss of 875 thousand euros).

f) Earnings per share

Earnings per share are calculated by dividing the earnings attributable to the Bank adjusted by the profit after tax recognised in equity from contingent convertible preference shares, by the weighted average number of ordinary shares outstanding during the period, excluding, where applicable, the treasury shares acquired by the Bank. Earnings per share in 2021 and 2020:

	2021	2020
Profit for the period (thousands of euros)	1,371,351	201,957
Coupon amount of perpetual non-cumulative contingent convertible instrument	(19,306)	(18,966)
Earnings for the period (thousands of euros)	1,352,045	182,990
Average number of shares (thousands of shares)	898,866	898,866
Average number of treasury shares (thousands of shares)	209	155
Basic earnings per share (euros)	1.53	0.22
Diluted earnings per share (euros)	1.50	0.20
Memorandum items:		
Continuing activities.		
Earnings for the period (thousands of euros)	340,355	183,145
Basic earnings per share (euros)	0.40	0.22
Diluted earnings per share (euros)	0.38	0.20
Discontinued operations		
Earnings for the period (thousands of euros)	1,011,690	-154
Basic earnings per share (euros)	1.13	0.00
Diluted earnings per share (euros)	1.13	0.00

The convertibility of the Bank's perpetual non-cumulative contingent convertible instruments (preference shares, Note 19) is conditional on compliance with certain terms and conditions other than the Bank's earnings or the market price of the Bank's shares. In accordance with applicable financial regulations, as these terms and conditions were not met at 31 December 2021, these convertible instruments have not considered to have any effect on the weighted average number of shares outstanding and, accordingly, do not affect the Bank's diluted earnings per share at 31 December 2021 or at 31 December 2020.

These perpetual non-cumulative contingent convertible instruments accrue a coupon (Note 19), with the Bank reserving the right to cancel the payout of any accrued coupon at its own discretion. Under applicable financial regulations, this right is considered an equity item, recognised in "Other increases or (-) decreases in equity" in the statement of total changes in equity. The coupon accrued during the year by these perpetual non-cumulative contingent convertible instruments, net of tax, is adjusted to the profit (loss) for the period from continuing operations for calculation of basic and diluted earnings per share.

g) Dividends and remuneration

Dividends distributed and distributable charge to profit for 2021 and 2020, excluding treasury shares held by the Bank:

Date	Dividend per share (euros)	Number of shares	Amount (thousands of euros)	Date of board approval	Profit/(loss) for the year
Mar-2021	0.04976381	898,866,154	44,724	Feb-21	2020
	0.04976381		44,724		
Oct-2021	0.13328659	898,866,154	119,780	Sept-2021	2021
Dec-2021	0.05148231	898,866,154	46,265	Dec-2021	2021
Mar-2022	0.05857824	898,866,154	52,642	Feb-2022	2021
	0.24334714		218,687		

The provisional accounting statements prepared by Bankinter, S.A. in accordance with legal requirements justifying the existence of sufficient resources for the distribution of interim dividends were as follows:

	August 2021	November 2021
	First	Second
Profit after tax (thousands of euros)	1,215,659	1,278,919
Dividends paid (thousands of euros)		119,780
Interim dividend (thousands of euros)	119,780	46,265
Accumulated interim dividends (thousands of euros)	119,780	166,045
Gross dividend per share (euros)	0.13328659	0.05148231
Payment date	Oct-2021	Dec-2021

23. Offsetting of financial assets and liabilities and collateral

The Bank does not carry on activities involving the net recognition of assets and liabilities. It does, however, carry out activities that require the deposit of mutual collateral with counterparties, calculated on the basis of net risks.

The products subject to collateralisations are mainly the derivatives under CSAs (Credit Support Annex) signed, and repurchase and reverse repurchase agreements under GMRAs (Global Master Repurchase Agreement) or GMSLAs (Global Master Securities Lending Agreement). The main items are detailed as follows:

Counterparty	Assets	Liabilities	Net	Collateral received	Collateral provided
Company 1	22,595	(52,663)	(30,068)	-	30,070
Company 2	7,684	(28,032)	(20,349)	-	20,350
Company 3	15,490	-	15,490	15,500	-
Company 4	3,770	(9,516)	(5,745)	-	5,750
Company 5	61,142	(66,687)	(5,545)	-	5,590
Company 6	-	(4,823)	(4,823)	-	4,830
Company 7	1,614	(5,879)	(4,264)	-	4,480
Company 8	17,782	(14,944)	2,838	2,840	-
Company 9	15,514	(17,777)	(2,264)	-	2,300
Company 10	13,652	(15,613)	(1,961)	-	1,990
Company 11	4,477	(2,533)	1,944	1,710	-
Company 12	6,829	(5,246)	1,583	1,680	-
Company 13	-	(1,326)	(1,326)	-	1,250
Company 14	2,132	(851)	1,281	1,300	-
Company 15	2,358	(1,114)	1,244	1,400	-
Company 16	348	(1,579)	(1,231)	-	1,250
Company 17	-	(1,008)	(1,008)	-	910
Company 18	2,213	(1,288)	925	850	-
Company 19	5,284	(4,374)	909	990	-
Company 20	1,044	(193)	851	800	-
Company 21	15,873	(15,032)	841	738	-
Company 22	811	-	811	820	-
Company 23	2,902	(3,616)	(714)	-	600
Company 24	596	(1,231)	(636)	-	660
Company 25	9,583	(10,152)	(569)	-	480
Company 26	-	(457)	(457)	-	300
Company 27	850	(395)	455	360	-
Company 28	1,782	(2,232)	(450)	-	440
Company 29	-	(387)	(387)	-	390
Company 30	397	(11)	385	340	-
Company 31	1,689	(1,417)	272	260	-
Other	5,991	(5,771)	220	1,160	482

The differences at year-end between the measurement and the collateral are adjusted through contributions of collateral between the counterparties on the next business day, if the transfer minimums are reached.

In addition, guarantees for 201 million euros have been deposited in clearing houses.

For repurchase and reverse repurchases, the situation of collateral is as follows, by whether they represent a positive or negative valuation for the Bank:

Counterparty	Exposure	Collateral
Company 1	3,077	3,080
Company 2	2,444	2,450
Company 3	7,309	7,260
Company 4	5,038	5,038
Company 5	2,895	2,620
Company 6	4,224	4,224
Company 7	5,538	5,540
Company 8	3,929	3,770
Other	3,393	3,095

Furthermore, at year-end the Group had special guarantees for its securitisation transactions, which are set out below (thousands of euros):

Counterparty	Special guarantee
Bankinter 13 FTA	11,370
Bankinter 10 FTA	1,030
Bankinter 11 FTH	5,100
Other securitisation funds	8,240

24. Guarantees and contingent commitments provided

Breakdown of "Guarantees given" at 31 December 2021 and 2020 :

	Thousands of euros	
	31.12.2021	**31.12.2020**
Contingent risks		
Financial guarantees	1,765,266	1,850,496
Other guarantees and sureties provided	4,084,451	3,347,476
Irrevocable documentary credits	971,636	714,701
	6,821,352	5,912,673
Contingent commitments		
Drawable by third parties:	12,773,074	12,962,181
Regular way financial asset purchase contracts	3,321,934	2,949,583
Other contingent commitments	22,657	16,685
	16,117,665	15,928,448

"Contingent commitments drawable by third parties" consists entirely of loan commitments immediately drawable.

25. Transfers of financial assets

Breakdown of the transfers of financial assets by the Bank as at 31 December 2021 and 2020:

	Thousands of euros	
	31.12.2021	**31.12.2020**
Removed from the balance sheet	-	131,680
Retained fully on the balance sheet	905,583	1,207,872
	905,583	1,339,552

In 2021, the Bankinter 6 FTH, Bankinter 7 FTH and Bankinter 8 FTA funds were redeemed for 131,680 thousand euros, 48,502 thousand euros and 102,750 thousand euros, respectively.

No securitisation funds were redeemed in 2020.

The assets derecognised corresponded to securitisations of loans made prior to 1 January 2004, as indicated below:

- In 2003, mortgage loans for 1,350,000 thousand euros were transferred to "Bankinter 6, Fondo de Titulización de Activos" and loans granted to SMEs for 250,000 thousand euros to "Bankinter I FTPYME, Fondo de Titulización de Activos".
- In 2002, mortgage loans for 1,025,000 thousand euros were transferred to "Bankinter 4, Fondo de Titulización de Activos" and mortgage loans for 710,000 thousand euros to "Bankinter 5, Fondo de Titulización Hipotecaria".
- In 2001, mortgage loans for 1,332,500 thousand euros were transferred to "Bankinter 3, Fondo de Titulización Hipotecaria".
- In 1999, mortgage loans for 600,000 thousand euros were transferred to "Bankinter 1, Fondo de Titulización de Activos" and mortgage loans for 320,000 thousand euros to "Bankinter 2, Fondo de Titulización Hipotecaria".

The assets fully retained on the balance sheet of the Bank correspond to the securitisations of loans made after 1 January 2004. The main characteristics of these securitisations are as follows (amounts in thousands of euros):

Fund	Series	Rating	Nominal amount	Coupon	Maturity
BK 13 FTA	Series A1	Aaa/AAA:	85,000	3M EUR + 0.06%	17.07.2049
	Series A2	Aaa/AAA:	1,397,400	3M EUR + 0.15%	
	Series B	Aa3/A:	22,400	3M EUR + 0.27%	
	Series C	A3/BBB	24,100	3M EUR + 0.48%	
	Series D	Ba1/BB-	20,500	3M EUR + 2.25%	
	Series E	Ca/CCC-	20,600	3M EUR + 3.90%	
Total			1,570,000		

Fund	Series	Rating	Nominal amount	Coupon	Maturity
BK 9 FTA	Series A1 (P)	Aaa/AAA:	66,600	3M EUR + 0.07%	16.07.2042
	Series A2 (P)	Aaa/AAA:	656,000	3M EUR + 0.11%	
	Series B (P)	A2/A+:	15,300	3M EUR + 0.50%	
	Series C (P)	Baa3/BBB:	7,100	3M EUR + 0.95%	
		Total (1)	745,000		
	Series A1 (T)	Aaa/AAA:	21,600	3M EUR + 0.07%	16.07.2042
	Series A2 (T)	Aaa/AAA:	244,200	3M EUR + 0.11%	
	Series B (T)	A1/A:	17,200	3M EUR + 0.50%	
	Series C (T)	Baa1/BBB -:	7,000	3M EUR + 0.95%	
		Total (2)	290,000		
Total			1,035,000		
BK 10 FTA	Series A1	Aaa/AAA:	80,000	3M EUR + 0.08%	21.06.2043
	Series A2	Aaa/AAA:	1,575,400	3M EUR + 0.16%	
	Series B	A1/A:	20,700	3M EUR + 0.29%	
	Series C	Baa1/BBB -:	22,400	3M EUR + 0.70%	
	Series D	Ba3/BB-:	19,100	3M EUR + 2.00%	
	Series E	Caa3/CCC-	22,400	3M EUR + 3.90%	
Total			1,740,000		
BK 11 FTH	Series A1	Aaa/AAA:	30,000	3M EUR + 0.05%	21.08.2048
	Series A2	Aaa/AAA:	816,800	3M EUR + 0.14%	
	Series B	Aa3/A:	15,600	3M EUR + 0.30%	
	Series C	Baa1/BBB -:	15,300	3M EUR + 0.55%	
	Series D	Ba3/BB-:	9,800	3M EUR + 2.25%	
	Series E	Ca	12,500	3M EUR + 3.90%	
Total			900,000		

At 31 December 2021, the balance sheet included securitisation bonds issued by securitisation funds integrated and acquired or retained by the Bank in the amount of 600,553,913 euros (2020: 797,977,766 euros). These securities are recognised under "Debt securities issued" on the liabilities side of the balance sheet with a reduction to the amount of the corresponding issues.

There are no agreements through which the Bank must recognise a financial liability on the balance sheet as a result of undertaking to provide financial backing to securitised assets.

The outstanding balance of securitisations at 31 December 2021 and 2020 derecognised from the balance sheet before 1 January 2004 is as follows:

		Thousands of euros
	31.12.2021	31.12.2020
Derecognised from the balance sheet before 1.1,2004:		
Bankinter 6 Fondo de Titulización Hipotecaria	-	131,680
	-	131,680

Securitisations fully maintained on the balance sheet:

					Thousands of euros
	Outstanding balance as at 31.12.2021	Carrying amount of associated liabilities (bonds)	Fair value of assets transferred	Fair value of associated liabilities	Net position
Fully maintained on the balance sheet:					
Bankinter 9 Fondo de Titulización de Activos	135,274	54,689	138,464	55,002	83,462
Bankinter 10 Fondo de Titulización de Activos	252,750	89,294	258,709	89,873	168,836
Bankinter 11 Fondo de Titulización Hipotecaria	158,426	67,759	162,161	68,289	93,872
Bankinter 13 Fondo de Titulización de Activos	359,133	93,287	367,601	94,222	273,379
	905,583	305,030	926,935	307,386	619,550

	Outstanding balance as at 31.12.2020	Carrying amount of associated liabilities (bonds)	Fair value of assets transferred	Fair value of associated liabilities	Net position
					Thousands of euros
Fully maintained on the balance sheet:					
Bankinter 7 Fondo de Titulización Hipotecaria	48,502	9,222	49,715	9,236	40,478
Bankinter 8 Fondo de Titulización de Activos	113,662	33,682	116,504	33,805	82,699
Bankinter 9 Fondo de Titulización de Activos	158,502	64,765	162,465	65,455	97,011
Bankinter 10 Fondo de Titulización de Activos	293,802	110,358	301,148	111,615	189,533
Bankinter 11 Fondo de Titulización Hipotecaria	182,110	84,227	186,663	85,469	101,194
Bankinter 13 Fondo de Titulización de Activos	411,294	107,640	421,578	109,509	312,069
	1,207,872	409,894	1,238,074	415,088	822,985

26. Financial derivatives

Notional amounts of financial derivatives held by the Bank at 31 December 2021 and 2020:

	31.12.2021	31.12.2020
		Thousands of euros
Financial derivatives (Notes 7 and 11):		
Foreign currency risk	31,021,071	20,146,454
Interest rate risk	24,930,544	19,495,970
Equity risk	1,822,004	3,770,304
	57,773,619	43,412,728

The breakdown above shows the notional amount of the formalised contracts, which does not represent the actual risk assumed by the Bank, since the net position in these financial instruments results from their offsetting and/or combination.

27. Staff expenses

Breakdown of this heading of the income statement for the years ended 31 December 2021 and 2020:

	2021	2020
		Millions of euros
Salaries and bonuses of current employees	272,043	251,711
Social security contributions	62,143	61,437
Contributions to defined benefit plans	1,604	1,884
Contributions to defined contribution plans	5,497	4,478
Termination benefits	4,010	1,371
Other staff expenses	22,100	22,613
	367,397	343,494

The Bank remunerates certain groups of employees with shares, i.e. providing shares in exchange for services rendered. In accordance with the accounting standards, the services received are recognised in the income statement, with a corresponding increase in equity. The amount recognised under "Shareholders' equity" at 31 December 2021 is 5,877 thousand euros (7,112 thousand euros at 31 December 2020).

The breakdown of Bank staff (number of employees) at 31 December 2021 and 2020 according to the pension obligations is as follows:

	31.12.2021	31.12.2020
Employees in Spain with recognised service prior to 8 March 1980	26	45
Employees in Portugal with recognised service prior to March 2009	617	627
Staff beneficiaries of a vested pension	126	125
Former employees with vested rights	119	109
Other current employees	3,936	3,905

Post-employment benefits

In relation to Bankinter Spain's pension obligations, in accordance with the Collective Bargaining Agreement in force, for staff hired prior to 8 March 1980, as well as for certain staff in accordance with individually established agreements, the Bank has assumed an obligation to supplement Social Security benefits in the event of retirement (under a defined benefit system). This pension scheme is managed and guaranteed externally from the Bank through various insurance policies covering all their economic (returns and interest rate fluctuation) and demographic (survival) risks, thereby obtaining, firstly, a high level of immunity from the above risks and their diversification across different insurance companies; and, secondly, the guarantee of the plan being managed externally from the risks of the Bank itself.

The defined benefit obligations in the Collective Bargaining Agreement affect staff that have not yet retired, which have yet to receive the benefit (considered current employees or staff in active service and staff who have taken early retirement, or staff in early retirement), and staff who have earned a benefit for retirement, widowhood, orphanage, or permanent disability and are receiving a pension (non-active staff).

In order to cover these pension obligations, the Bank has an insurance contract with AXA Seguros y Reaseguros S.A., ("AXA"), with the unconditional guarantee of its Parent Company, that guarantees the future coverage of all pension supplements for non-active staff vested prior to 2003. Additionally, for non-active staff starting from 2003 and to cover staff in active service, these benefits are guaranteed through a co-insurance policy, in which AXA Seguros y Reaseguros S.A. participates at the rate of 40% acting as the company leading the co-insurance, and Caser S.A. de Seguros y Reaseguros and Allianz, Compañía de Seguros y Reaseguros S.A. ("Allianz") at the rate of 30% each.

In addition, for a small group of retired staff (non-active), in-kind remuneration is guaranteed (a Christmas basket). This post-employment obligation is not externalised as it is a non-monetary obligation, but rather it is provisioned in the balance sheet.

Lastly, for top executives, the following contributions will be made:

- For top executives appointed from 2012, in the year of appointment as top executive, an initial contribution equal to 656,560 euros to a unit-linked policy taken out with AXA Seguros y Reaseguros S.A. and, from the sixth year from when this initial contribution was made, they will have a regular annual contribution to a savings insurance policy taken out with Generali España S.A. Seguros y Reaseguros ("Generali"), equal to a percentage of their annual gross salary according to their professional category and year of appointment.

- For top executives appointed between 2000 and 2010, from 2019, they will be entitled to a regular annual contribution to a savings insurance policy taken out with Generali España S.A. Seguros y Reaseguros, equal to a percentage of their annual gross salary according to their professional category and year of appointment.

In the event of retirement, death or disability, top executives or their designated beneficiary(ies) will receive the accumulated funds under the unit-linked policy and savings insurance policy at the time of the contingency.

For Bankinter Portugal, for all employees in service prior to March 2009, taking account of the seniority date of Barclays Bank, they shall be entitled to receive at retirement age a pension in accordance with the Collective Labour Agreement in banking in Portugal or, if greater, a top-up for the retirement pension of social security, where the sum total of the two pensions shall be equal to 70% of fixed salary at the time of retirement.

This pension plan has been externalised through a pension fund managed by BPI Vida e Pensões – Companhia de Seguros de Vida, S.A.

In addition, the pension fund indicated above includes SAMS coverage for the post-employment period for all Bankinter Portugal employees.

Lastly, the Bank's collective bargaining agreement in Portugal includes a retirement bonus for all employees, which consists of a 1.5 monthly salary payment upon retirement, whereby this obligation is part of the internal fund.

Other long-term employee benefits

Similarly, in accordance with the Collective Bargaining Agreement in force, the Bank has assumed the obligation to supplement the Social Security payments up to certain amounts, where necessary, for permanent disability, widowhood or orphanage.

In addition, the premium paid for death and disability coverage in Spain amounted to 189 thousand euros in 2021 (2020: 360 thousand euros).

Main assumptions used to determine pension obligations

The following table sets out the basic actuarial assumptions used to calculate the defined benefit obligations to current employees, non-active employees and early retirees of Bankinter at 31 December 2021 and 2020:

	Spain		Portugal	
	31.12.2021	**31.12.2020**	**31.12.2021**	**31.12.2020**
Survival	PERM/F-2020p	PERM/F-2000p	TV88/90	TV88/90
Disability	N/A	N/A	EKV80	EKV80
Discount rate	1.00%	1.00%	1.65%	1.65%
Expected rate of return	1.00%	1.00%	1.65%	1.65%
Marital status	Actual marital status	Actual marital status	70% married, where the spouse is 3 years older/younger than the employee	70% married, where the spouse is 3 years older/younger than the employee
CPI	2.00%	2.00%	2.00%	2.00%
Salary increase	3.50%	3.50%	1.75%	1.75%
Pension increase	2%	2%	0.75%	0.75%
Retirement age in the Bank	65	65	65	65
Retirement age in the Social Security system	65	65	66 years and 7 months in 2021, projecting that age to the future in accordance with the Eurostat forecast for the Portuguese population	66 years and 5 months in 2020, projecting that age to the future in accordance with the Eurostat forecast for the Portuguese population

The PERMF2020 survival table has been used in the valuation of year-end 2021 pension commitments.

The financial term of all payment obligations assumed or accrued at the end of the year (post-employment and long-term remuneration) is 15.00 years at Bankinter Spain (2020: 15.24 years) and 22.95 years at Bankinter Portugal (2020: 25.77 years), distributed as follows:

	2021		2020	
	Spain	Portugal	Spain	Portugal
Within 5 years	21%	0%	17%	0%
Between 5 and 10 years	21%	0%	20%	0%
Between 10 and 15 years	18%	24%	18%	23%
Between 15 and 20 years	14%	7%	15%	8%
Beyond 20 years	26%	69%	30%	69%

The fair value of plan assets was calculated in accordance with the following methodology:

- To value the co-insurance contracts taken out with AXA, Allianz and Caser (in which the pension obligations of employees covered under the Banking Agreement prior to 8 March 1980 are externalised since these are savings insurance policies at a "matched rate"), the actuarial present value of the insured benefits discounted at the discount rate used for calculating the obligation are used for insured benefits that are "perfectly matched" with the associated obligations; and the actuarial present value of the insured benefits discounted at the estimated divestment rate used by insurance companies will be used for insured benefits that are not "perfectly matched" with associated obligations.
- The value of the pension fund at year-end will be used to measure the pension plan in which Bankinter Portugal's pension obligations are externalised.

Set out below is the reconciliation of the value of the obligations and the fair value of the assets assigned to cover them for 2020 and 2021:

	Spain		Portugal	
	Pension obligations	**Fair value of plan assets**	**Pension obligations**	**Fair value of plan assets**
Balance at 31 December 2019 – Total	23,981	28,393	93,592	90,117
Active staff	14,263	18,504	72,760	69,285
Staff beneficiaries of a vested pension	9,719	9,889	19,243	19,243
Former employees since retirement	-	-	1,589	1,589
Former employees until	-	-	-	-
Total accounting cost for 2020	(1,272)	281	2,351	1,176
Normal cost for the year	344	-	779	-
Employee contributions	-	-	-	591
Risk premium for assets	-	-	-	(1,130)
Interest cost/income (pensions)	240	281	1,729	1,715
Curtailments	(1,856)	-	(157)	-
Other variations to accounting expense for 2020	(1,248)	(4,891)	(732)	3,664
Benefits paid (pensions)	(1,356)	(6,081)	(1,186)	(1,053)
Company contributions (pensions)	-	298	-	-
Losses/(gains) on actuarial assumptions	-	-	611	-
Losses/(gains) on actuarial experience	108	-	(157)	-
(Losses)/gains on the fund	-	891	-	4,716
Balance at 31 December 2020 – Total	21,461	23,783	95,211	94,957
Active staff	12,027	14,376	74,055	74,125
Staff beneficiaries of a vested pension	9,433	9,406	19,365	19,243
Former employees since retirement	-	-	1,791	1,589
Total accounting cost for 2021	(931)	234	1,822	954
Normal cost for the year	253	-	569	-
Employee contributions	-	-	-	541
Risk premium for assets	-	-	-	(1,152)
Interest cost/income (pensions)	214	234	1,571	1,566
Curtailments	(1,397)	-	(318)	-
Other variations to accounting expense for 2021	(3,947)	(5,591)	(1,732)	2,193
Benefits paid (pensions)	(4,429)	(6,894)	(1,186)	(1,078)
Company contributions (pensions)	-	312	-	-

	Spain		Portugal	
	Pension obligations	Fair value of plan assets	Pension obligations	Fair value of plan assets
Losses/(gains) on actuarial assumptions	-	-	-	-
Losses/(gains) on actuarial experience	482	-	(546)	-
(Losses)/gains on the fund	-	991	-	3,271
Balance at 31 December 2021 – Total	16,582	18,424	95,301	98,104
Active staff	6,800	8,669	73,899	76,705
Staff beneficiaries of a vested pension	9,782	9,755	19,429	19,429
Former employees since retirement	-	-	1,973	1,970

Key features of the difference between actuarial valuations at 31 December 2021 and 2020:

- Provisions for pension obligations - Spain: these provisions decreased as a result of employees leaving the company in 2021 with the resulting loss of pension obligations, and the retirements that took place in 2021, whereby benefits were received in almost all cases in the form of a single payment.
- Provisions for pension obligations - Portugal: these provisions were decreased owing to two factors:
    - First, the provisions increased as a result of the early retirements occurring in 2021, requiring recognition of 100% of the obligation assumed by these early retirees during the year.
    - Second, they decreased due to employee departures in 2021, thereby decreasing the obligations to be assumed since they then became considered former employees.

  In Portugal, net provisions decreased from the year before.
- Fund gains/(losses) - Spain: the expected return at the beginning of the year on the plan's assets was estimated to be 234 thousand euros, when the actual return obtained was 991 thousand euros; the change is due, in its entirety, to the redemption of the funds by the retirees who have received the benefit in the form of capital and by Bankinter due to the increase in employees' rights.
- Fund gains/(losses) - Portugal: the expected return on plan assets at the beginning of the year was estimated at 1,561 thousand euros, while the actual return obtained was 3,271 thousand euros due to the market rally, which increased the value of the assets in which the pension fund was invested.
- Accounting cost of the pension obligations: the total amount recognised in the income statement in 2021 to cover defined-benefit pension obligations was 1,212 thousand euros in Spain and a cost of 868 thousand euros in Portugal (2020: 1,553 thousand euros in Spain and 1,174 thousand euros in Portugal).

  The Company's estimate at the beginning of the year for pension costs in 2022 is 1,129 thousand euros.

Provisions for pensions and other post-employment defined benefit obligations and long-term remuneration at 31 December 2021 and 31 December 2020:

	31.12.2021			31.12.2020		
	RD 1588/1999			RD 1588/1999		
	Externalised	Internal	Other	Externalised	Internal	Other
Present value of committed remuneration	110,774	1,109	-	115,739	932	-
Value of related funds	116,528	-	-	118,739	-	-
Pension liability	-	1,109	-	-	932	-
Pension asset	5,755	-	-	3,000	-	-
Insurance contracts linked to pensions	-	-	-	-	-	-

Breakdown of the changes in the present value of defined benefit pension obligations and plan assets covered at the close of each year

Thousands of euros

Year	Defined benefit obligations	Plan assets	Other funds	Deficit/surplus	Total actuarial gains and losses
2017	118,072	124,794	418	7,140	(1,429)
2018	109,153	112,462	509	3,818	(2,425)
2019	117,573	118,510	751	1,688	(3,102)
2020	116,671	118,739	932	3,000	5,046
2021	111,883	116,528	1,109	5,755	4,326

Accumulated actuarial gains and losses recognised in reserves

At 31 December 2021, Bankinter's accumulated actuarial gains recognised under "Accumulated other comprehensive income" amounted to 3,584 thousand euros (2020: 695 thousand euros in actuarial losses).

Sensitivity to changes in the main valuation assumptions

	Year-end	Interest rate		Salary increase		Pension plan increase		Mortality table
		-50 bp	+50 bp	-50 bp	+50 bp	-50 bp	+50 bp	-1 year
Present value of committed remuneration	111,883	125,033	100,599	104,779	120,249	108,378	116,029	116,265
Value of plan funds	116,528	117,696	115,482	116,524	116,532	116,528	116,528	117,422

Detail of plan assets associated with the coverage of defined-benefit pension obligations

Main categories of plan assets:

		2021
	Percentage	Amount (in thousands of euros)
Fixed income	66.04%	76,959
Equity	16.78%	19,554
Real estate	0.01%	4
Cash	1.36%	1,587
Unrelated insurance policies	15.81%	18,424

The Bank's estimate of the expected contributions to the plan (net of recoveries) in 2022 amounts to 0 thousand euros.

Pension costs incurred in 2021 due to defined contribution obligations

The total expense recognised in the income statement in 2021 for coverage for defined contribution pension commitments amounts to 5,497 thousand euros (2020: 4,478 thousand euros).

This cost is due practically entirely to the Company Pension Plan implemented in 2014 and managed by Mutuactivos Pensiones, fulfilling the requirements of the 22nd Collective Labour Agreement for Banking, which establishes the creation of a defined contribution Supplementary Pension Scheme for employees hired from 8 March 1980 onward that have accumulated at least two years of service in the Company and with a minimum annual contribution of 450 euros, and to contributions to the unit linked contracts and savings insurance the cover the pension obligations of senior officers.

Average number of employees in 2021 and 2020:

	2021		2020	
	Male	Female	Male	Female
Managers	88	33	90	32
Middle managers	732	513	757	529
Commercial/Senior Technicians	720	707	674	695
Commercial/Technicians	561	896	552	845
Staff	119	209	127	226
Total	2,220	2,358	2,200	2,327

Breakdown of employees by gender and category at 31 December 2021 and 2020:

	2021		2020	
	Male	Female	Male	Female
Managers	86	35	88	32
Middle managers	738	510	726	501
Commercial/Senior Technicians	724	726	711	689
Commercial/Technicians	562	885	574	920
Staff	121	213	125	211
Total	2,231	2,369	2,224	2,353

Average number of persons employed with a disability equal to or greater than 33%:

	2021		2020	
	Male	**Female**	**Male**	**Female**
Managers	1	-	-	-
Middle managers	10	4	8	3
Commercial/Senior Technicians	4	6	5	4
Commercial/Technicians	7	12	6	11
Staff	2	1	2	1
Total	24	23	21	19

28. Fee and commission income and expenses

Breakdown of these headings of the income statement for the years ended 31 December 2021 and 2020:

	Thousands of euros	
	2021	**2020**
Fee and commission income		
On guarantees and documentary credits	49,238	45,300
On contingent commitments	21,415	17,710
On foreign exchange and foreign banknotes	82,642	78,324
On collection and payment services	99,828	84,508
Bills of exchange	14,940	14,715
Demand accounts	20,620	18,254
Credit and debit cards	39,667	32,027
Cheques	1,611	1,410
Payment orders	22,989	18,101
On securities services	126,569	107,853
Underwriting and placement of securities	36,106	24,108
Purchase and sale of securities (Note 40)	35,730	37,699
Securities administration and custody	40,321	34,595
Asset management (Note 40)	14,412	11,452
For marketing of non-banking financial products	179,919	149,580
Other fees and commissions	107,552	53,714
Total	667,163	536,990
Fee and commission expenses		
Fees and commissions ceded to other entities and agencies	78,961	40,087
Fees and commissions ceded to agents	77,825	65,565
Other fees and commissions	17,805	16,281
Total	174,591	121,933

29. Interest income/expense

Breakdown of these items of the income statement by nature of the transactions giving rise to them for the financial years ended 31 December 2021 and 2020:

	Thousands of euros	
Interest income:	**2021**	**2020**
Deposits at Banco de España and other central banks	121,846	58,789
Loans and advances to credit institutions (Nota10)	21,277	22,334
Money market transactions through counterparties	24	-
Loans and advances to customers (Note 10)	853,941	845,047
Debt securities	190,404	191,401
Non-performing assets	11,633	13,025
Correction of income for hedging transactions	(63,337)	(54,901)
Returns from insurance contracts related to pensions and similar obligations	1,789	1,971
Other interest	19,854	9,960
	1,157,430	1,087,627

"Loans and advances to customers" in 2021 included 317,843 thousand euros corresponding to secured loans (2020: 344,278 thousand euros).

	Thousands of euros	
Interest expenses:	**2021**	**2020**
Deposits from Banco de España	63,672	26,676
Deposits from credit institutions	62,632	55,294
Money market transactions through counterparties	227	355
Customer deposits	30,296	31,131
From payables represented by marketable securities (Note 19)	86,872	87,405
From subordinated liabilities (see Note 19)	23,505	20,883
Correction of expenses for hedging transactions	(66,933)	(55,703)
Interest cost of pension funds	1,776	1,949
Other interest	6,422	5,894
	208,469	173,883

Bankinter Group's average annual returns by line in 2021 and 2020:

	Average return	
	31.12.2021	31.12.2020
Similar income:		
Deposits at central banks	0.70%	0.64%
Deposits with credit institutions	0.18%	0.13%
Loans and advances to customers	1.85%	1.93%
Debt securities	1.70%	1.69%
Equity	2.99%	3.91%
Similar expenses:		
Deposits from central banks	0.46%	0.28%
Deposits from credit institutions	1.28%	1.27%
Customer funds	0.03%	0.05%
Customer deposits	0.00%	0.02%
Payables represented by marketable securities	0.28%	0.31%
Subordinated liabilities	1.65%	2.05%

30. Gains or losses on derecognition of financial instruments and gains or losses from hedge accounting

Breakdown of these headings of the income statement for the years ended 31 December 2021 and 2020:

	Thousands of euros	
	2021	2020
Gains or losses on financial assets and liabilities held for trading, net (Note 7)	19,758	8,295
Debt securities	(7,056)	24,249
Equity instruments	17,692	(6,829)
Trading derivatives	9,122	(9,125)
Gains or (-) losses on financial assets and liabilities measured at fair value through profit or loss, net	-	-
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	35,522	44,902
Financial assets at fair value through other comprehensive income (Note 9)	3,104	5,071
Debt securities	3,104	5,071
Equity instruments	-	-
Financial assets at amortised cost	32,134	31,156
Financial liabilities at amortised cost	534	8,340
Other	(249)	335
Gains or losses from hedge accounting, net	12	63
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss, net (Note 8)	16,241	(3,623)
	71,533	49,637

31. Exchange differences (net)

The amount of net foreign exchange differences recorded in the income statement for the year ended 31 December 2021 was a gain of 1,864 thousand euros (2020: a loss of 7,967 thousand euros).

Breakdown by currency of the assets and liabilities of the Bank's balance sheet denominated in foreign currency at 31 December 2021 and 2020:

	Thousands of euros			
	2021		2020	
	Assets	Liabilities	Assets	Liabilities
US dollar	3,528,440	3,202,564	3,004,960	2,452,288
Pound sterling	251,456	146,955	209,087	174,983
Japanese yen	653,275	42,838	884,693	48,218
Swiss franc	221,242	82,122	308,191	59,246
Norwegian krone	25,767	9,675	14,440	14,754
Swedish krona	1,922	14,867	2,223	17,693
Danish kroner	1,216	2,203	1,316	3,483
Other	88,164	49,279	107,795	27,311
	4,771,482	3,550,503	4,532,704	2,797,977

32. Other administrative expenses

Breakdown of this heading of the income statement for the years ended 31 December 2021 and 2020:

	Thousands of euros	
	2021	2020
Property, fixtures and material	14,530	15,242
Information technology	148,762	137,249
Communications	10,407	11,602
Advertising and publicity	17,852	17,121
Legal and lawyer expenses	4,392	4,169
Technical reports	4,960	5,826
Surveillance and security carriage services	2,966	2,868
Insurance and self-insurance premiums	3,641	2,313
Governing and control bodies	3,590	3,369
Entertainment and staff travel expenses	3,691	3,090
Association membership fees	7,738	6,649
Outsourced administrative services	68,167	69,249
Contributions and taxes	12,406	9,788
Other	2,256	5,778
	305,359	294,314

In 2021, the premium was paid for a group civil liability insurance policy for all Bankinter directors and executives for potential damage caused by wrongful acts committed or allegedly committed in the performance of their duties, for a total amount of 295 thousand euros (2020: 188 thousand euros).

33. Other income and other operating expenses

Breakdown of these headings of the income statement for the years ended 31 December 2021 and 2020:

	Thousands of euros			
	2021		2020	
	Income	Expenses	Income	Expenses
Income from exploitation of investment property and other operating leases	5,986	-	8,032	-
Financial fees and commissions offsetting direct costs	16,822	-	23,194	-
Contribution Deposit Guarantee Fund and Single Resolution Fund (Note 4)	-	93,258	-	87,893
Other	10,516	51,414	11,563	47,739
	33,323	144,673	42,789	135,632

34. Gains or losses on derecognition of non-financial assets and investments and profit or loss from non-current assets classified as held for sale not qualifying as discontinued operations

Breakdown of these headings of the income statement for the years ended 31 December 2021 and 2020:

	Thousands of euros	
	2021	2020
Gains (losses) on disposal of non-financial assets and investments		
Tangible assets (Note 14/15)	(282)	(381)
Intangible assets (Note 16)	(1,000)	-
Investments	2,018	7,418
Total	736	7,037
Gains (losses) of non-current assets classified as held for sale		
Gains on disposal	4,402	6,201
Losses on disposals	(4,931)	(7,927)
Impairment of assets (see Note 12)	(2,325)	(2,996)
Total	(2,854)	(4,723)

35. Related party transactions and balances

The breakdown of transactions and balances with the Bank and other related companies and natural persons at 31 December 2021 and 2020 is set out in Appendix I and Note 36 below.

36. Remuneration of and balances with members of the board of directors

Remuneration of the board of directors

The directors' remuneration policy for 2019, 2020 and 2021 was approved at the Annual General Meeting held on 19 March 2019 and subsequently amended at the Annual General Meeting held on 20 March 2020, with 91,655% and 97,380%, respectively, of total capital present and represented at the meetings voting in favour.

In addition, Bankinter submits the annual report on directors' remuneration, which is presented using the template provided in the CNMV Circular, to consultative vote at the Annual General Meeting. The latest report on the remuneration of directors was approved at the Annual General Meeting held on 21 April 2021, with 87.3% of total capital present and represented voting in favour. The report included information on the general remuneration policy, its application in 2020 and the remuneration system applicable in 2021. While this practice has only been mandatory for listed companies since 2014, Bankinter has been submitting this report to the General Meeting since 2008, in line with the recommendations of the Good Governance Code of Listed Companies.

Approval was also given at the Annual General Meeting held on 21 April 2021 for a Directors' remuneration policy for 2022, 2023 and 2024, the application of which will be disclosed in subsequent reporting period.

i) Remuneration of directors for carrying out their director functions:

According to Bankinter's corporate by-laws, directors may be compensated for performing the duties entrusted to them as mere members of the board of directors in the following manner:

- annual fixed amount;
- fees for attending meetings of the board of directors and any board committees to which they belong, and
- delivery of shares, share options or any remuneration linked to the value of the shares following a resolution by the general meeting regarding the number and price of the shares, and other items required by law.

The shareholders at the Annual General Meeting on 21 March 2019 voted to set the maximum annual remuneration of directors in their status as such at 2,000,000 euros, pursuant to articles 217 and 529 septdecies of the Spanish Companies Act.

The board of directors, on the recommendation of the remuneration committee, determined the specific amount that has corresponded to each of the directors, in their capacity as such, conforming to the agreement of the General Meeting when legally required.

For 2021, the total remuneration received by directors individually in that capacity has been paid by means of: i) an annual fixed amount for members of the board of directors and acting as chairs of its committees and ii) fees for attending meetings of the board and its committees. No Bankinter shares were delivered as remuneration during the year, as has been the case since 1 January 2015.

Remuneration of non-executive directors does not include any variable components, as it not subject to the achievement of objectives. Therefore, it complies with corporate governance recommendations.

Itemised total individual remuneration of members of Bankinter's board of directors in their capacity as such (supervisory and collective decision-making duties) in 2021 and 2020:

		In euros
Directors	**2021**	**2020**
Pedro Guerrero Guerrero	238,553	237,438
Cartival, S.A.	220,717	219,045
María Dolores Dancausa Treviño	196,193	197,865
Marcelino Botín-Sanz de Sautuola y Naveda	114,817	109,244
Fernando Masaveu Herrero	127,079	125,964
María Teresa Pulido Mendoza	113,145	111,473
Teresa Marín-Retortillo Rubio	153,276	142,407
Álvaro Álvarez-Alonso Plaza	165,538	150,768
María Luisa Jordá Castro	154,948	146,866
Fernando José Francés Pons (1)	129,866	85,556
Cristina García-Peri Álvarez (2)	92,461	-
Former directors (3)	62,239	262,798
Total	1,768,833	1,789,424

(1) Fernando José Francés Pons was appointed board member (independent external director) at the Annual General Meeting held on 20 March 2020.

(2) Cristina García-Peri Álvarez was appointed member of the board of directors (independent external director) at the Annual General Meeting held on 21 April 2021.

(3) Gonzalo de la Hoz Lizcano and Jaime Terceiro Lomba completed their term of office as directors of Bankinter on 20 March 2020, and Rafael Mateu de Ros Cerezo his term of office on 21 April 2021. Their re-elections were not proposed by the board of directors, since they ceased to be independent external directors after more than 12 years in their roles as members.

Breakdown of the total amounts shown in preceding table for each director as such between the fixed remuneration and the amount received in fees for attending meetings of the board of directors and board committees in 2021 and 2020:

				In euros
	2021		2020	
Directors	Fixed remuneration	Attendance fees	Fixed remuneration	Attendance fees
Pedro Guerrero Guerrero	189,504	49,048	189,504	47,934
Cartival, S.A.	183,931	36,786	183,931	35,114
María Dolores Dancausa Treviño	167,210	28,983	167,210	30,655
Marcelino Botín-Sanz de Sautuola y Naveda	94,752	20,065	94,752	14,492
Fernando Masaveu Herrero	94,752	32,327	94,752	31,212
María Teresa Pulido Mendoza	94,752	18,393	94,752	16,721
Teresa Marín-Retortillo Rubio	111,473	41,802	107,293	35,114
Álvaro Álvarez-Alonso Plaza	111,473	54,064	107,293	43,475
María Luisa Jordá Castro	111,473	43,475	107,293	39,573
Fernando José Francés Pons (1)	94,752	35,114	71,064	14,492
Cristina García-Peri Álvarez (2)	77,412	15,049	-	-
Former directors (3)	34,371	27,868	171,390	91,408
Subtotals	1,365,857	402,976	1,389,234	400,190
Total	1,768,833		1,789,424	

(1) Fernando José Francés Pons was appointed board member (independent external director) at the Annual General Meeting held on 20 March 2020.

(2) Cristina García-Peri Álvarez was appointed member of the board of directors (independent external director) at the Annual General Meeting held on 21 April 2021.

(3) Gonzalo de la Hoz Lizcano and Jaime Terceiro Lomba completed their term of office as directors of Bankinter on 20 March 2020, and Rafael Mateu de Ros Cerezo his term of office on 21 April 2021. Their re-elections were not proposed by the board of directors, since they ceased to be independent external directors after more than 12 years in their roles as members.

As noted previously, since 1 January 2015 no shares have been delivered to directors in their capacity as such as compensation for their supervisory and collective decision-making duties.

1 Details of these functions are set out in the corporate governance report, which forms part of the management report in the notes to the annual financial statements.

ii) **Fixed remuneration of the chairman of the board of directors** for his additional institutional and non-executive duties since January 2013[1] as chairman (the latter remunerated in accordance with the previous point).

Pedro Guerrero Guerrero Guerrero received 726,294 euros of remuneration in 2021, the same as the year before since the amount was not updated relative to 2020 for the same reasons as explained in the preceding paragraph on remuneration of directors in their capacity as such. The chairman of the board of directors has also received as beneficiary of medical insurance policies and other items of remuneration in kind and other corporate benefits totalling 5,428 euros (2020: 5,709 thousand euros).

The chairman of the board does not receive any variable remuneration and is subject to the scheme described in the previous paragraph for non-executive directors. The chairman is also not a beneficiary of any pension scheme.

The SLA signed between Bankinter and Pedro Guerrero Guerrero does not include any golden parachute clauses, or any clauses that link the accrual of financial rights to situations of change of control over the Bank (standard clauses in these types of contracts in large corporations), as specified in the directors' remuneration reports that will be submitted to a consultative vote at Annual General Meeting, as in previous years.

iii) Remuneration of executive directors for their executive duties.

a) <u>Components of remuneration of executive directors for their executive duties</u>

Components of remuneration of executive directors in 2021 for their executive duties

- basic fixed remuneration, which primarily reflects the professional experience and organisational responsibility; and

- variable remuneration, which reflects sustainability of performance and is adapted to risk.

Fixed remuneration:

Basic fixed remuneration, which primarily reflects the professional experience and organisational responsibility.

Executive directors may be beneficiaries of health insurance policies taken out by the Bank. The Bank pays the related premiums, which are attributed to the directors as remuneration in kind. The Bank also compensates certain of these directors with other remuneration in kind, such as the leasing of vehicles and other corporate benefits that apply to all other staff.

Bankinter also has a "Supplementary pension scheme for executive directors and management committee members" in which currently only the chief executive officer among executive directors takes part.

Bankinter's pension scheme is a defined contribution plan. To implement it, the Bank has taken out a unit-linked group insurance policy and a guaranteed return group insurance policy covering retirement, death and disability.

It consists of an initial contribution, which is a fixed contribution for the same amount for all beneficiaries, and an annual contribution, which varies in accordance with the responsibilities and functional scope of each employee.

This system and contribution are explained in the Directors' remuneration policy and also in the reports on the remuneration of directors approved via consultative vote at the Annual General Meetings in recent years.

Variable remuneration:

- Annual variable remuneration:

The annual variable remuneration system for executive directors was the same as that for other Bankinter Group employees who receive this type of remuneration.

The variable incentive for 2021 has been calculated semi-annually. This annual variable remuneration had the following financial indicators for the annual incentive: i) Earnings before tax (EBT) for banking business in Spain, Portugal and Ireland (including EVO), to achieve appropriate risk management and engagement to performance over the medium and long term, and ii) Operating profit/(loss) before provisions for the banking business in Spain, Portugal and Ireland (including EVO), as a critical factor for the sustainability of the business over the medium and long term and alignment with the Entity's risk policy. Each one of the indicators, EBT for the banking business and gross operating income of the banking business for Spain, Portugal and Ireland (including EVO), represent 35% and 65%, respectively, of variable remuneration, independently. The variable component accrues from the achievement of 90% and up to a maximum of 120% of the targets, potentially resulting in between 80% and 120% of the variable amount assigned to each beneficiary, according to the aforementioned achievement percentages. Therefore, the total incentive amount to be received for the maximum level of achievement of targets is 120% of the benchmark incentive. Pursuant to these tables of achievement and accrual, the overall percentage accrual of the incentive in 2021 was 106.62% (2020: 27.48%, because of the coronavirus pandemic - COVID-19 - during the year, the percentage of attainment of the first target, EBT Banking Business, was below 80%, so no incentive was accrued for that bracket). Furthermore, to earn this 2021 variable remuneration, the following indicators (which may reduce accrued variable remuneration to zero but may never increase the amount) had to be met cumulatively:

- Risk appetite framework ratios, which measure the following risks: credit risk, solvency risk, liquidity risk, interest rate risk and reputational risk, which must meet the condition of not exceeding the risk level defined in the risk appetite framework. The level of achievement of this indicator in 2021 was 100%. Therefore, the amount of the variable remuneration receivable for the EBT and gross operating income targets will not be reduced.

- RoE TTC (through the cycle); i.e. return on equity invested factoring in the structure perspective which eliminates the effect of the cycle, thereby providing the ideal measurement of performance, must be above 7% to accrue 100% of the incentive achieved. If this ratio were between 6% and 7%, 50% of the incentives achieved would acruss; however, if it were below 6%, no amount whatsoever would be accrued. The level of achievement of this indicator in 2021 was over 100% (reaching 8.22%), so the amount of variable remuneration receivable for the EBT and gross operating income targets is not reduced.

Thus, the percentage of annual variable remuneration was earned was: 106.62%, as indicated above.

- Multi-year variable remuneration:

The 2019-2021 multi-year incentive plan, the main features of which are described in the directors' remuneration report and whose beneficiaries exclude executive directors, concluded with none of the beneficiaries entitled to receive any amount as the targets set for final accrual were not met.

b) <u>Amounts of remuneration accrued in 2021 by the executive vice chairman:</u>

b.1) Amount of fixed remuneration received by the executive vice chairman in 2021.

CARTIVAL, S.A., executive vice chairman of Bankinter, received 617,652 euros of fixed remuneration in 2021, the same as the year before because the amount was not updated relative to 2020 for the same reasons as the remuneration of directors listed in the sections above.

The executive vice chairman is not a beneficiary of medical insurance taken out by the Bank or other remuneration in kind, such as the leasing of vehicles and other corporate benefits that apply to all other staff.

This pension scheme described above does not apply to the executive vice chairman, CARTIVAL, S.A., or its natural person representative.

b.2) Amount of annual variable remuneration accrued by the executive vice chairman in 2021.

At the end of 2021, as a result of the achievement rate previously mentioned, the amount of variable incentive accrued by the executive vice chairman was 230,499 euros. This amount will be paid in the form and time frame indicated below:

- <u>In cash</u> (the gross amounts accrued are provided below. These amounts will be paid net of tax):

    - 50% of the **non-deferred** variable remuneration accrued under the variable incentive in 2021: 69,150 euros.

    - 50% of the **deferred** variable remuneration accrued from the 2021 variable incentive will be paid in cash, according to the following schedule:

        - 1/5 of 50% of the deferred variable remuneration accrued by the variable incentive for 2021 will be paid in January 2023: 9,220 euros.

        - 1/5 of 50% of the deferred variable remuneration accrued by the variable incentive for 2021 will be paid in January 2024: 9,220 euros.

        - 1/5 of 50% of the deferred variable remuneration accrued by the variable incentive for 2021 will be paid in January 2025: 9,220 euros.

        - 1/5 of 50% of the deferred variable remuneration accrued by the variable incentive for 2021 will be paid in January 2026: 9,220 euros.

        - 1/5 of 50% of the deferred variable remuneration accrued by the variable incentive for 2021 will be paid in January 2027: 9,220 euros.

- <u>In shares</u>[2] (as stated above, conditional upon shareholders' approval in the Annual General Meeting). The maximum number of Bankinter shares to be delivered, as calculated over gross amounts accrued, is shown below. The average quoted price of the Bankinter share at the close of business for the trading sessions between 3 January and 20 January 2022, inclusive, will be used to determine the number of shares to be delivered. This share price is 4,9125 euros/per share:

    - 50% of the **non-deferred** variable remuneration accrued by the 2021 variable incentive will be paid through the delivery of 14,076 shares. If shareholders at the General Meeting approve this delivery of shares, the shares will be delivered within 15 business days after approval.

    - 50% of the **deferred** variable remuneration accrued from the 2021 variable incentive will be paid in shares, in the following way:

        - 1,876 Bankinter shares will be delivered in the month of January 2023, corresponding to 1/5 of 50% of the deferred remuneration accrued by the variable incentive in 2021.

        - 1,876 Bankinter shares will be delivered in the month of January 2024, corresponding to 1/5 of 50% of the deferred remuneration accrued by the

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2 Nonetheless, for the executive vice chairman, shares will be delivered if they are approved by shareholders at the Annual General Meeting of Bankinter in 2022 (one year after remuneration has accrued), as required by article 219 of the Spanish Companies Act.

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variable incentive in 2021.

- 1,876 Bankinter shares will be delivered in the month of January 2025, corresponding to 1/5 of 50% of the deferred remuneration accrued by the variable incentive in 2021.

- 1,876 Bankinter shares will be delivered in the month of January 2026, corresponding to 1/5 of 50% of the deferred remuneration accrued by the variable incentive in 2021.

- 1,876 Bankinter shares will be delivered in the month of January 2027, corresponding to 1/5 of 50% of the deferred remuneration accrued by the variable incentive in 2021.

The shares will be delivered net of taxes and in accordance with the schedule provided previously.

c) Amounts of remuneration accrued in 2021 by the chief executive officer:

c.1) Amount of fixed remuneration received by the chief executive officer in 2021:

María Dolores Dancausa Treviño, CEO of Bankinter, received 933,695 euros of fixed remuneration in 2021, the same as the year before because the amount was not updated relative to 2020 for the same reasons as the remuneration of directors listed in the sections above.

The chief executive officer also received 13,966 euros (14,612 euros in 2020) as remuneration in kind and other items in corporate benefits as chief executive officer.

c.2) Contributions to the pension scheme in 2021 and accumulated amounts

An annual contribution in 2021 of 560,217 euros was made to the CEO in 2021 (2020: 560,217 euros). These contributions are not vested, but the accumulated amount is reported in the directors' remuneration report submitted to consultative vote at the 2022 Annual General Meeting.

c.3) Amount of annual variable remuneration accrued by the chief executive officer in 2021:

At the end of 2021, as a result of the achievement rate previously mentioned, the amount of variable incentive accrued by the chief executive officer was 348,442 euros. This amount will be paid in the form and time frame indicated below:

- In cash (the gross amounts accrued are provided below. These amounts will be paid net of tax):

  - 50% of the **non-deferred** variable remuneration accrued under the variable incentive in 2021: 69,688 euros.

  - 40% of the **deferred** variable remuneration accrued from the 2021 variable incentive will be paid in cash, according to the following schedule:

    - 1/5 of 40% of the deferred variable remuneration accrued by the variable incentive for 2021 will be paid in January 2023: 16,725 euros.

    - 1/5 of 40% of the deferred variable remuneration accrued by the variable incentive for 2021 will be paid in January 2024: 16,725 euros.

    - 1/5 of 40% of the deferred variable remuneration accrued by the variable incentive for 2021 will be paid in January 2025: 16,725 euros.

    - 1/5 of 40% of the deferred variable remuneration accrued by the variable incentive for 2021 will be paid in January 2026: 16,725 euros.

    - 1/5 of 40% of the deferred variable remuneration accrued by the variable incentive for 2021 will be paid in January 2027: 16,725 euros.

- In shares[3] (as stated above, conditional upon shareholders' approval in the Annual General Meeting). The maximum number of Bankinter shares to be delivered, as calculated over gross amounts accrued, is shown below. The average quoted price of the Bankinter share at the close of business for the trading sessions between 3 January

3 Nonetheless, for the chief executive officer, shares will be delivered if they are approved by the shareholders at the Annual General Meeting of Bankinter in 2022 (one year after remuneration has accrued), as required by article 219 of the Spanish Companies Act.

and 20 January 2022, inclusive, will be used to determine the number of shares to be delivered. This share price is 4,9125 euros/per share:

- 50% of the **non-deferred** variable remuneration from the 2021 variable incentive will be paid through the delivery of 14,185 shares. If shareholders at the General Meeting approve this delivery of shares, the shares will be delivered within 15 business days after approval.

- 60% of the **deferred** variable remuneration accrued under the variable incentive in 2021 will be paid in shares, as follows:

  - 5,106 Bankinter shares will be delivered in the month of January 2023, corresponding to 1/5 of 60% of the deferred remuneration accrued by the variable incentive in 2021.

  - 5,106 Bankinter shares will be delivered in the month of January 2024, corresponding to 1/5 of 60% of the deferred remuneration accrued by the variable incentive in 2021.

  - 5,106 Bankinter shares will be delivered in the month of January 2025, corresponding to 1/5 of 60% of the deferred remuneration accrued by the variable incentive in 2021.

  - 5,106 Bankinter shares will be delivered in the month of January 2026, corresponding to 1/5 of 60% of the deferred remuneration accrued by the variable incentive in 2021.

  - 5,106 Bankinter shares will be delivered in the month of January 2027, corresponding to 1/5 of 60% of the deferred remuneration accrued by the variable incentive in 2021.

The shares will be delivered net of taxes and in accordance with the schedule provided previously.

During 2021, the corresponding shares for the deferral of the variable remuneration accrued in the years 2017, 2018 and 2019, as well as the shares corresponding to the immediate payment of the remuneration accrued in 2020 and the shares corresponding to the extraordinary remuneration accrued in 2018, have been delivered to the Executive Directors in accordance with the agreements approved at Annual General Meeting between 2018 and 2021, respectively. Detail of the shares delivered in 2021:

	Delivery of shares corresponding to the annual variable remuneration accrued in 2017		Delivery of shares corresponding to the annual variable remuneration accrued in 2018		Delivery of shares corresponding to the annual variable remuneration accrued in 2019		Delivery of shares corresponding to the annual variable remuneration accrued in 2020		Delivery of shares corresponding to the multi-year variable remuneration accrued in 2018	
Executive director	**Unit price assigned to each share [1]**	**In shares [5]**	**Unit price assigned to each share [2]**	**In shares [5]**	**Unit price assigned to each share [3]**	**In shares [5]**	**Unit price assigned to each share [4]**	**In shares [5]**	**Unit price assigned to each share [2]**	**In shares [5]**
CARTIVAL, S.A.	8,3072	1,722	7,022	1,176	6,44708	1,320	4,8014	3,712	7,022	8,382
María Dolores Dancausa Treviño	8,3072	1,577	7,022	1,978	6,44708	2,270	4,8014	2,431	7,022	13,201

1 Average quoted price of the Bankinter share at market close for each trading session held between 2 January and 20 January 2018.
2 Average quoted price of the Bankinter share at market close for each trading session held between 2 January and 20 January 2019.
3 Average quoted price of the Bankinter share at market close for each trading session held between 2 January and 20 January 2020.
4 Average quoted price of the Bankinter share at market close for each trading session held between 2 January and 20 January 2021.
5 Number of shares delivered net of the related tax.

The **recognition of variable remuneration that may be settled in shares** with respect to compensation for the board of directors did not have an impact on the income statement for 2021 and 2020, as provisions were recognised in the years in which it accrued. Economic value of the shares delivered (amounts in euros):

	2021(*)	**2020(*)**
Directors	-	-
Executive directors	332,384	420,192
Total	332,384	420,192

(*) Figures gross of taxes

The impact of these share deliveries on equity amounted to 332,384 euros at 31 December 2021.

iv) Other remuneration:

No remuneration has accrued to Bankinter directors by way of a consideration for services provided other than those inherent to their posts, or remuneration at companies for their services at a third-party company at which the director provides services.

Bankinter does not have any pension obligations to external or non-executive directors.

Bankinter has not agreed any golden parachute clauses with the chairman in his services contract, or any clauses that link the accrual of financial rights to situations of change of control over the bank, which are common clauses in these types of contracts in large companies, as specified in the directors' remuneration report that will be submitted to a consultative vote at the 2021 General Meeting, as in previous years.

Summary of director remuneration, loans and other benefits

Remuneration by type

	Thousands of euros	
	2021	2020
Fixed remuneration (1)	2,297	2,298
Variable remuneration (2)	579	149
Attendance fees (3)	403	400
By-law allowances (4)	1,366	1,389
Share options and/or other financial instruments	-	-
Other	-	-
	4,645	4,236

(1) Fixed remuneration accrued in 2021 corresponding exclusively to executive directors in their capacity as executives and to the chairman of the board of directors for their non-executive institutional functions. Includes the remuneration in kind and other items of corporate benefits received by the chairman and the chief executive officer (amounting to 19 thousand euros in 2021 and 20 thousand euros in 2020.

In 2021, an annual contribution of 560,217 euros was made to the chief executive officer's pension scheme (2020: same amount). These are not included in fixed remuneration, since they have not vested.

(2) Variable remuneration corresponding exclusively to Executive Directors in their capacity as executives, as annual variable remuneration accrued in 2021 and 2020. Each Executive Director was assigned an amount that he or she would receive if the goal was achieved, as explained under 'Remuneration of Executive Directors for their executive duties'. For purposes of clarification, the chairman of the board does not receive variable remuneration. No multi-year remuneration was accrued in either 2020 or 2021.

(3) Attendance fees for board and committee meetings (directors).

(4) Includes fixed remuneration of the board (for seats on the board)

Remuneration by director type including all items

				Thousands of euros
	2021		2020	
Director type	By company[1]	By group (**)	By company[2]	By group (**)
Executive (*)	2,561	-	2,132	-
Proprietary external	243	-	235	-
Independent external	871	108	900	103
Other external (***)	970	-	969	-
	4,645	108	4,236	103

1 Includes the in-kind remuneration received by the chairman and the chief executive officer or other corporate benefits received (which amount to 19 thousand euros).

2 Includes the remuneration in kind received by the chairman and the chief executive officer or other corporate benefits received (which amount to 20 thousand euros).

(*) The following are executive directors: CARTIVAL, S.A., executive vice chairman, and María Dolores Dancausa Treviño, chief executive officer. The same annual contribution was made to the chief executive officer's pension scheme in 2021 and 2020, of 560,217 euros each year. These are not included in fixed remuneration, since they have not vested.

(**) Includes amounts received for:

- Gonzalo de la Hoz Lizcano (until 19 March 2020, when he ceased to be a director of Bankinter), in all companies as non-executive director in fees for attending board meetings of Línea Directa Aseguradora, S.A. (9,156 euros), and for attendance fees at meetings of the board of directors of Bankinter Global Services, S.A., 1,248 euros.

- Rafael Mateu de Ros, as non-executive director of Línea Directa Aseguradora, S.A., received attendance fees of 13,733 euros and in 2021 (until he resigned from his position in that company) 4,578 euros.

- Teresa Martín-Retortillo Rubio and Cristina García-Peri Álvarez are board members at EVO Banco, a subsidiary of Bankinter, as well as members of several of its supervisory committees. Teresa Martín-Retortillo Rubio received 79 thousand euros for these components in 2020 and 65,600 euros in 2021. From her appointment Bankinter (21 April 2021) until the end of 2021, Cristina García-Peri received 37,600 euros.

(***) The chairman, Pedro Guerrero Guerrero, is classified as an "other external director".

Other benefits

	Thousands of euros
Advances	-
Credit facilities granted	-
Pension funds and schemes: Contributions	560
Pension funds and schemes: Obligations undertaken	2,238
Life insurance premiums	4
Guarantees provided by the Company to directors	-

Transactions with members of the board of directors

See section D (related party transactions) of the 2021 annual corporate governance report for significant transactions implying a transfer of resources or obligations between Bankinter and Bankinter Group companies and directors of Bankinter, S.A., its significant shareholders, executives and related parties outside the ordinary course of business of Bankinter, S.A., or any transactions that were not carried out at arm's length.

Overall information and characteristics of the credit facilities and guarantees granted to directors are provided below:

- The amount drawn down on credit facilities granted to directors at 31 December 2021 was 745 thousand euros, with a limit of 11,842 thousand euros (2020: 2,523 thousand euros drawn down and 12,799 thousand euros limit). As at 31 December 2021, the Company had no guarantees extended to directors (2020: 0 euros).

- The average remaining term on the loans and credit facilities granted to the Bank's directors in 2021 was approximately 1 year and 11 months (2020: 2 years and 4 months). Interest rates in 2021 ranged between 0.15% and 1.25% (2020: 0.15% and 2.75%).

Additional disclosures on related-party transactions appearing in Appendix I of to these notes are provided below:

- The average remaining term on the finance agreements listed in that Appendix is 6 years and 11 months (2020: 7 years and 9 months).
- The average effective interest rate on credit facilities granted to directors and managers is 0,374% (2020: 0,623%). Of these credit facilities, 58% was backed by personal guarantees and the remaining 42% by collateral (2020: 47% and 53%, respectively).
- The average effective interest rate on credit facilities granted to other related parties was 0,431% (2020: 0,478%). Of these credit facilities, 89% was backed by personal guarantees and the remaining 11% by collateral (2020: 88% and 12%, respectively).

At the end of 2021 and 2020, no loss allowance was recognised for doubtful receivables relating to amounts included in the outstanding balances.

At the end of 2021 and 2020, no expenses were recorded for uncollectible or doubtful receivables from related parties.

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Conflicts of interest of members of the board of directors

Article 229 of the Spanish Companies Act states that directors must notify the board of directors of any direct or indirect conflict of interest that they or persons related to them may have with the interests of the company. Bankinter also has a Conflict of Interest Prevention Policy, adopted by the board on 22 April 2015 and amended on 16 November 2016. No member of the board of directors has reported a situation of conflict of interest as defined under Article 229 of the Spanish Companies Act; and the board members have made an express record thereof as per section 3 of said Article.

Directors' stakes in share capital

Shareholdings owned by members of the board of directors in the Entity's share capital are disclosed in the annual corporate governance report for 2021.

Remuneration of senior management

At 31 December 2021, the Bank had seven senior managers excluding executive directors and chairman, given the status as non-executive directors (2020: 8). Therefore, the aggregate remuneration of senior management in 2021 by item was as follows:

– Fixed salary: 2,406 thousand euros (2020: 2,705 thousand euros).

– Annual variable remuneration: 940 thousand euros (2020: 377 thousand euros).

– Multi-year variable remuneration: 839 thousand euros (2020: no amount was accrued by any member of senior management).

– Contributions to social benefit schemes: 624 thousand euros in 2021 (2020: 608 thousand euros).

37. Information on sustainability management

In carrying on their businesses, the companies in Bankinter Group ("the Group" or "BANKINTER"), in addition to meeting their own goals in benefit of shareholders, aim to generate shared value with stakeholders by implementing guidelines for responsible behaviour with a view to becoming the benchmark bank in sustainability.

To achieve this, a comprehensive corporate responsibility management process was implemented that is sustainable, lasting, focused on value creation, and integrated in the Bank's management in a global, transversal and gradual manner.

In March 2021, the board of directors approved a new sustainability policy, which sets out corporate-wide guidelines for Bankinter Group to integrate values and principles of responsible management into its activity so it can contribute to the prosperity of society and sustainable development. Compared to previous versions of the policy, this one factors new trends; e.g. biodiversity impact management, cybersecurity and a human rights policy, and includes subsidiaries Evo and Avant Money in the scope.

The policy's principles aim to contribute to the sustainable and inclusive development of the environment in which the entity operates based on the three strategic pillars of quality, innovation and technology, in line with Bankinter's corporate values of agility, enthusiasm, integrity and originality.

The principles of the Bankinter Group's sustainability policy are:

1. Good governance in the organisation, promoting best corporate governance practices in management that ensure compliance with applicable legislation, promotion of sustainable finance, transparency, business ethics, proper risk management, transparent tax policy with responsible and prudent criteria, and the application of best practices in information security.
2. A balanced, transparent and clear relationship with our stakeholders, as well as our clients, developing products and services tailored to their needs.

3. The inclusion of ESG (environmental, social and governance) criteria when analysing investments and funding.
4. The consideration of social and environmental impacts when designing products and services, promoting those that generate added environmental or social value.
5. The integration of sustainability risks into investment decisions and advice on investments and insurance.
6. Financial inclusion, facilitating access to Bankinter services and financial education under equal conditions, ensuring non-discrimination.
7. The advanced management of people as the Bank's most important capital, promoting their well-being and motivation through work-life balance, personal and career development and health and safety, and promoting inclusion and employee diversity.
8. The responsible and sustainable management of the chain of suppliers, fostering a positive mutual influence society for a better the social, ethical and environmental performance.
9. The contribution to the social development of the communities where the Bank operates, through both its own activity and initiatives aimed at social investment via the Bankinter Innovation Foundation (Fundación para la Innovación Bankinter), collaboration with the third sector and the corporate volunteering programme.
10. An environmentally conscious approach to its business activities, involving its main stakeholders in the global challenge posed by climate change and loss of biodiversity.
11. The assumption of the obligations set out in international protocols and standards, implementing their best practices.

The Group implements its sustainability policy while always guaranteeing its full suitability and consistency with the Bank's strategy and the demands of an ever-changing environment, through the following instruments:

- Strategic sustainability plans, drawn up on a multi-year basis;
- Strategic lines, which structure and implement these plans;
- Related programmes and their economic, social and environmental goals arising from implementation of the strategic lines;
- The Group's other internal policies, which reflect the guidelines set out by the Bank for various areas.

The Board of Directors is the body responsible for establishing and overseeing compliance with the Sustainability Policy and its implementing instruments, and deciding on any amendments that may be necessary.

The board appointments, sustainability and corporate governance committee is staked with monitoring implementation of the policy.

The sustainability committee is responsible for proposing and executing the strategic plan by planning and implementing the initiatives set out in it and integrating in each area of the Bank the principles set forth in the sustainability policy in a manner that is consistent and integrated with the Bank's overall strategy. Committee resolutions must be adopted by a majority of votes, with the chairman having a casting vote in case of a tie. The sustainability committee meets at least once every four months and reports to the board of directors, through the appointments and corporate governance committee, at least once a year and whenever required, on the degree of deployment of the strategic lines included in the strategic sustainability plan.

The chairman of the sustainability committee is in charge of coordinating and supervising the committee's activities, as well as the duties inherent as Chairman of a collective body.

The sustainability division is responsible for coordinating and monitoring the actions defined in the strategic sustainability plan's lines and programmes, verifying the level of compliance with the related goals and identifying areas of improvement based on ongoing engagement with stakeholders and in accordance with recognised standards and sustainability indices.

Internal audit supervises the non-financial information reported at least annually by the sustainability committee to the board through the appointments and corporate governance committee.

Following the approval of the new sustainability policy, a new strategic sustainability plan was drawn up for the 2021-23 period called "3D", as it addresses management of the three dimensions of sustainability: environmental, social and governance (ESG). This plan contains 17 strategic lines, which contribute to the achievement of 11 of the 17 sustainable development goals (SDGs) of the United Nations Agenda 2030, as verified by certification firm EQA (European Quality Assurance) in an independent report.

Its design was based on the outcome of a materiality assessment performed using a questionnaire in which the Bank's main stakeholders took part and aimed to identify the matters they considered to be the most relevant for the Bank's sustainability management.

The plan was also inspired by recognised standards, such as the ISO 26000 corporate responsibility guidance standard or the Forética SGE21 standard; and following recommendations from international influencers, such as sustainability rating agencies and corporate responsibility observatories.

The Bank's sustainability management was recognised in 2021 when Bankinter was included in the Dow Jones Sustainability Europe Index for the second straight year, as one of the institutions with the best corporate governance and best environmental and social performance. In addition, the Bank maintained its position on the FTSE4Good and MSCI indices, among others, and on that of environmental management of the Carbon Disclosure Project, along with other global largecap companies. Bankinter was also included in two additional sustainability indices in 2021: ESG Euronext Vigeo Eiris Eurozone 120 and STOXX Global ESG Leaders.

Bankinter adheres to the main international sustainability and climate change initiatives commitments, e.g.: the UN Global Compact, the Equator Principles, UNEPFI (United Nations Environment Programme Finance Initiative), the Principles for Responsible Banking and, more recently, the Net Zero Banking Alliance. Through the Net Zero Banking Alliance, signatory banks are committed to aligning their lending and investment portfolios net-zero emissions by 2050, setting an intermediate target for 2030.

In pursuing these objectives, Bankinter created a working group represented by various areas of the Bank (risk, capital management, supervisor relations, corporate banking and sustainability) to draw up roadmap for decarbonising portfolios, which it will present 2022. Meanwhile, significant progress was made in managing climate change risk, as described is the note on risk management (Note 44).

Bankinter is also a member of Forética (the Spanish association of businesses whose mission is to promote a culture of business ethics) and collaborates with Corporate Excellence for Reputation Leadership, a corporate foundation created to pursue excellent management of intangible assets, and Fundación Lealtad, a not-for-profit institution whose mission is to strengthen confidence of Spanish society in NGOs by promoting their transparency.

The Group saw no need in the year to set aside provisions for any environmental risks and liabilities, as there were no contingencies linked to environmental protection and improvement, and no penalties or fines were imposed on Bankinter Group for its environmental management. The Group also did not incur any expenses or receive subsidies related to such risks. The Group's directors consider that any environmental risks that may arise from its operations are minimal and adequately covered, although it is working actively on managing the climate change risks associated with its financial activity.

38. Customer service area

Bankinter, S.A.'s customers and users have a Customer Service Area (CSA) available to file any complaints or claims about transactions and banking and financial services stemming from their relationship with the entity. This service operates independently, applying regulations related to customer protection, regulators and best practices, and is separate from commercial services.

Bankinter, S.A. customers and users can send their complaints and claims to the CSA through the various communication channels (e.g. online, e-mail, mobile, branch office, telephone). The CSA guarantees appropriate attention, resolution and communication to customers.

In addition, Bankinter has an independent Customer Ombudsman, who is equally competent in resolving claims by customers with full autonomy in its decisions, which are binding for the Entity.

The activities of Bankinter, S.A.'s CSA and Customer Ombudsman are carried out in accordance with article 17 of Ministry of Economy Order 734/2004, of 11 March. In accordance with this article, following is a summary of their activity.

Customer Service area activity report.

In 2021, the CSA handled 19,785 cases, of which 3,249 were complaints (16.42%) and 16,536 were claims (83.58%). Of these claims, 78.52% were resolved in favour of Bankinter and 21.48% in favour of the customer.

Of cases in 2021, 45.05% were resolved in less than 7 days. The average resolution time was 13.8 days.

Further improvement was made during the year to the systems used to enhance the efficiency of the department's performance. The CSA has a specific tool for following up and assessing the reasons for the complaints and controlling the customer response time. Meanwhile, the various websites were modified to make it easier for customers to send documents so purpose of the complaint could be completed.

In 2021, the training plan proceeded as scheduled. The main purpose is to ensure that managers in the CSA have the knowledge needed to perform their functions in controlling the Bank's activities so that they comply with prevailing regulations. Training on banking transparency, products, services and risk transactions (anti-money laundering and terrorist financing).

Customer Ombudsman activity report

In addition to the CSA, customers and users can file claims and complaints with a competent and independent body.

The customer ombudsman, José Luis Gómez-Dégano y Ceballos-Zúñiga, handles claims where customers or users disagree with the Customer Service Department’s decision or they prefer to contact this body directly.

The Customer Ombudsman handled 477 cases in 2021, of which 8 were complaints and 469 were financial claims. A total of 379 of the financial claims were resolved in favour of the Bank (80.81%) and 90 in favour of the customer (19.19%).

Banco de España

Banco de España handled a total of 209 cases in 2021, of which:

- In the Bank's favour: 49
- In the customer's favour: 33
- Uncontested: 18
- Not pursued: 30
- Outstanding: 79

Spanish National Securities Market Commission

In 2021, 37 cases were presented through the Spanish National Securities Market Commission, with 26 resolved. Of these claims:

- Against the bank: 16
- In favour of the bank: 9
- Rejected/not pursued: 1
- Outstanding: 11

39. Branches, centres and agents

Bankinter, S.A. branches, centres and agents at 31 December 2021 and 2020:

	31.12.2021	31.12.2020
Branches	446	446
Other business units		
Corporate banking	25	25
SMEs	77	78
Private banking and personal banking	50	50
Virtual branches	346	331
Number of agents and financial advisory companies (EAFIs)	379	388
Telephone and Internet branches	3	3

At 31 December 2021, Bankinter, S.A. had a network of 348 agents plus five agents at Bankinter branch in Portugal (2020: 354), composed of natural or legal persons granted powers to deal with the Bank's customers generally on its behalf in negotiating and arranging transactions that are typical of a credit institution, and with 26 financial advisory companies (2020: 27). At 31 December 2021, this network managed 2,599 million euros of average customer deposits (2020: 2,510 million euros) and 1,874 million euros of average loans and receivables (2020: 1,713 million euros). A list is on file at the Banco de España's Office of Financial Institutions (Oficina de Instituciones Financieras). Financial advisory companies are regulated by the Spanish Securities Market Act, Royal Decree 217/2008, of 15 February, on the legal framework for investment services companies and, in particular, Spanish National Securities Market Commission Circular 10/2008, of 30 December, on financial advisory companies.

40. Fiduciary businesses and investment services

Fees and commissions recorded in 2021 and 2020 for investment services and ancillary activities provided by the Bank:

	Thousands of euros	
	2021	2020
For securities services-	126,569	107,853
Underwriting and placement of securities	36,106	24,108
Purchase and sale of securities	35,730	37,699
Securities administration and custody	40,321	34,595
Asset management	14,412	11,452
For marketing of non-banking financial products	179,919	149,580
Total fees and commissions received	306,488	257,433

Summary of balances of assets of investment funds, pension funds, customer portfolios and SICAVs managed by the Group, of which the Bank is parent, together with the external investment funds marketed (Note 28):

	Thousands of euros	
	31.12.2021	31.12.2020
Own investment funds (Note 13)	10,958,792	8,791,132
External investment funds marketed	18,841,081	14,152,270
Pension funds (Note 13)	3,792,735	3,264,999
Asset management and SICAVs	5,940,968	4,952,679
	39,533,575	31,161,079

41. Remuneration of auditors

The fees for the audit of the annual financial statements and other services provided by the auditor of the Bank and the Group, PricewaterhouseCoopers Auditores, S.L., or by a company related to the auditor as a result of control, common ownership or common management, in 2021 and 2020 were as follows:

Description	Fees for services charged by the auditor and related companies	
	Thousands of euros	
	Bankinter, S.A.	
	2021	2020
Audit services	972	790
Other assurance services	86	129
Total audit and related services	1,058	919
Tax advisory services	40	-
Other services	107	141
Total professional services	1,205	1,060

In 2021, the Group's auditor, PricewaterhouseCoopers Auditores, S.L., and its related companies due to control, ownership or management, provided non-audit services. These services are primarily of the following types:

- Other assurance services:
  - Report on agreed-upon procedures regarding certain information included in the Form related to ex ante contributions to the Single Resolution Fund in 2022.
  - Issue of the auditor's report on the "Internal Control over Financial Reporting (ICFR) System".
  - Annual Report on Customer Asset Protection of several Group companies.
  - Independent review report on the internal procedures and controls required to pledge credit claims to Banco de España as collateral for monetary policy operations.
  - Other reports on agreed procedures required by Banco de España.
- Other services:
  - External expert review report on anti-money laundering and terrorism financing.
  - Assurance report on the non-financial statement.

42. Tax situation

On 27 December 2000, the Bank notified the National Revenue Agency of its decision to apply the tax consolidation system from 2001 onwards. The Tax Group number 13/2001 was allocated by the National Revenue Agency.

Bankinter subsidiaries comprising the tax group at 31 December 2014:

- Bankinter Consultoría, Asesoramiento y Atención Telefónica, S.A.
- Bankinter Gestión de Activos, S.A., S.G.I.I.C.
- Hispamarket, S.A.
- Intermobiliaria, S.A.
- Bankinter Consumer Finance E.F.C., S.A.
- Bankinter Capital Riesgo, S.G.E.C.R, S.A.
- Bankinter Emisiones, S.A.
- Bankinter Sociedad de Financiación, S.A.
- Arroyo Business Consulting Development, S.L.
- Relanza Gestión, S.A.
- Bankinter Global Services, S.A.
- Línea Directa Aseguradora, S.A.
- Línea Directa Asistencia, S.L.U.
- Motoclub LDA. S.L.U.
- Centro Avanzado de Reparaciones CAR, S.L.U.
- Ambar Medline, S.L.U.
- LDActivos, S.L.
- Naviera Goya S.L.U.

- Naviera Sorolla, S.L.U.
- Bankinter Securities, S.A.

Law 27/2014, of 27 November 2014, on Corporate Income Tax ("LIS"), became effective on 1 January 2015, replacing the previous consolidated text of the Spanish Corporate Income Tax Law approved by RDL 4/2004, of 5 March, and amending the tax rates with a reduction in the general rate from 30% to 25% (2015: 28%). However, the tax rate for credit institutions remains at 30%.

As a result of this modification and the developments in the tax consolidation system arising therefrom, the Bank has changed the composition of the tax group such that, as 1 January 2015, tax group no. 13/01 is composed of Bankinter, S.A., Bankinter Consumer Finance E.F.C., S.A. and Intermobiliaria, S.A. Also, effective from 1 January 2016, the companies Naviera Goya S.L.U and Naviera Sorolla S.L.U. were added to the tax group 13/01, the parent company of which is Bankinter, S.A.

The other companies that formed part of tax group no. 13/01 in 2014 were removed and now file individual tax returns, with the exception of Línea Directa Aseguradora, S.A., Línea Directa Asistencia, S.L.U., Motoclub LDA, S.L.U., Centro Avanzado de Reparaciones CAR, S.L.U., Ambar Medline, S.L.U., and LDActivos, S.L., which have formed their own consolidated tax group effective as from 1 January 2015 (Group no. 486/15). LDA Reparaciones, S.L. was included in this tax group with effect from 1 January 2017.

On 31 May 2019, EVO Banco S.A. was removed from VAT Group 0066/16 and tax group 269/15 following the acquisition of EVO Banco S.A. and Avantcard by Bankinter, S.A. It had been filing consolidated taxes since 2015 and in 2019 filed individual tax returns in Spain. In 2020, EVO Banco S.A. has joined the tax group 13/01, whose parent company is Bankinter, S.A., with effect from 1 January 2020.

Avantcard continues to file individual taxes in its jurisdiction (Ireland).

Reconciliation between the accounting profit (loss) and taxable profit (loss) for 2021 and 2020:

	Thousands of euros	
	31.12.2021	**31.12.2020**
Accounting profit (loss) for the year before tax	1,514,449	238,317
Permanent differences-	(1,064,005)	(161,565)
Exemption, branch in Portugal	(25,700)	(25,318)
Exemption, LDA transaction	(862,893)	-
Other	(175,412)	(136,247)
Adjusted accounting profit:	450,444	76,752
Temporary differences	(22,392)	104,228
Accounting tax base	428,052	180,980

Positive temporary differences in 2021 amounted to 131,523 thousand euros included mainly differences due to adjustments for non-tax deductible provisions.

Negative temporary differences in 2021 amounted to 153,915 thousand euros and mainly included reversals of adjustments for provisions and other items that were not tax deductible in previous years.

Calculation of income tax expense for 2021 and 2020:

	Thousands of euros	
	31.12.2021	**31.12.2020**
Tax charge for the year (Spain)	135,133	23,026
Tax charge for the year (Portugal branch)	8,432	6,011
Tax relief and credits	(3,537)	(2,710)
Other	2,636	11,784
Tax adjustments from previous financial years	433	(1,751)
	143,098	36,360

"Tax adjustments from previous financial years" in 2021 reflects the income tax expense for tax adjustments made in the settlement of Bankinter's income tax for 2020 not foreseen at 31 December 2020.

Current tax expense for the period and the amount of deferred tax expenses (income) for 2021 and 2020:

	Thousands of euros	
	31.12.2021	**31.12.2020**
Current tax expense	139,265	60,895
Deferred tax expense	3,833	(24,535)
Total tax expense	143,098	36,360

Reconciliation of profit (loss) before tax and tax expense:

	Thousands of euros	
	2021	2020
Accounting profit (loss) before tax:	1,514,449	238,317
Tax at 30%	454,335	71,495
Items for reconciliation of tax payable at the tax rate and income tax expense for the year:		
Non-deductible expenses	7,941	5,352
Non-eligible income	(327,143)	(53,822)
Total deductions applied during the year	(3,537)	(2,710)
Tax losses		
Other:		
Tax adjustment from previous financial year	433	(1,751)
Tax expense, Portugal branch	8,432	6,011
Other	2,636	11,784
Income tax expense for the year	143,098	36,360
Effective tax rate for the year	9.45%	15.26%

On 18 June 2021, the Bank, as parent of Tax Group 13/01 and VAT Group 0066/15, received notification of the commencement of partial and limited inspections of the tax deduction for technological innovation from corporate income tax in 2017-2019 and the share of the volume of transactions in the Common Territory (i.e. Spain excluding Navarre and the Basque Country) and in Navarre and the Basque Country of Intermobiliaria, S.A. for value added tax purposes for the February 2017-2019 period.

Regarding proceedings arising from tax inspections of previous years, in the inspection of income tax for 2007 to 2009, a ruling by the National High Court was received on 14 September 2021 partially upholding the procedure, for which an appeal against this decision filed with the Supreme Court.

The proceedings relating to the partial verification and investigation of personal income tax withholding for indemnities paid between 2010 and 2012 in Bankinter, S.A. are currently being appealed before the courts.

Regarding proceedings involving the general inspection for 2011 to 2013, appeals are under way over value added tax with the Spanish High court and over income tax with the TEAC.

In any case, the tax liabilities that might derive from the claims lodged against the disputed assessments were adequately provided for at the end of 2021 and preceding financial years.

Because of the possible interpretations of tax legislation applicable to some transactions carried out in the banking sector, certain tax liabilities of a contingent nature could exist. However, in the opinion of the Bank's directors, the possibility of such liabilities arising is remote, and if they did arise, the resulting tax charge would not have a material impact on the financial statements.

In 2005, the Group elected to apply the tax regime for foreign holding companies regulated in Chapter XIII of Title VII of Corporate Income Tax Law 27/2014, of 27 November, notifying the competent body of the Spanish Tax Administration Agency (Agencia Estatal de la Administración Tributaria) of its decision to do so on 21 April 2005.

In accordance with article 108.3 of this Law, the Bank reported that it did not obtain any gains or dividends in 2021 and 2020.

Finally, in relation to the merger between Bankinter, S.A. (acquiring company) and Bankinter Securities, Sociedad de Valores, S.A. (absorbed company) in 2018, the required disclosures in the notes according to 86.3 of Law 27/2014, of 27 November, on Corporate Income tax are presented in the notes to the 2018 financial statements approved in 2019.

43. Fair value of assets and liabilities.

a) Fair value of financial instruments

Breakdown of fair value of financial instruments and the procedure used to obtain the price:

2021:

ASSETS	Carrying amount	Fair value	Fair value hierarchy	Fair value	Valuation techniques	Main inputs
Cash, cash balances at central banks and other demand deposits	21,762,533	21,762,700	Level 2	21,762,700	Present value	Discounted expected cash flows with market curve
Financial assets held for trading						
Loans and advances to credit institutions	2,251,575	2,251,575	Level 2	2,251,575	Price calculation using market inputs and explicit formulae	Yield curves and interest rate fixing
Loans and advances to customers	-	-	Level 2	-	Price calculation using market inputs and explicit formulae	Yield curves and interest rate fixing
Debt securities	1,246,748	1,246,748	Level 1	1,246,748	Directly capturing quoted prices in markets	Observable market data
Equity instruments	197,862	197,862	Level 1	197,862	Directly capturing quoted prices in markets	Observable market data
Derivatives	342,071	341,733				
		338	Level 1	338	Directly capturing quoted prices in markets	Observable market data
			Level 2	100,397	Price calculation using market inputs and explicit formulae and counterparty credit-risk adjustments, where applicable	Yield curves and interest rate fixing.
			Level 2	69,420	Price calculation using market inputs and explicit formulae and counterparty credit-risk adjustments, where applicable	Currency fixing and yield curves
			Level 2	116,585	Price calculation using market inputs and explicit formulae and counterparty credit-risk adjustments, where applicable	Currency fixing, yield curves and exchange rate volatility
			Level 2	8,753	Price calculation using market inputs and explicit formulae and counterparty credit-risk adjustments, where applicable	Equity fixing and volatility of the underlying
			Level 2	46,578	Price calculation using market inputs and standard techniques, and counterparty credit-risk adjustments, where applicable	Equity fixing, volatility of the underlying, yield curves and interest rate fixing

ASSETS	Carrying amount	Fair value	Fair value hierarchy	Fair value	Valuation techniques	Main inputs
Non-trading financial assets mandatorily at fair value through profit or loss						
Equity instruments	129,675	129,675	Level 1	8,354	Directly capturing quoted prices in markets	Observable market data
			Level 3	121,320	Discounted cash flow method, net asset value	NAV of fund management company; the entity's business plans
Debt securities	739	739	Level 1	739	Directly capturing quoted prices in markets	Observable market data
Loans and advances to customers	57,281	57,281	Level 3	57,281	Gross carrying amount less impairment	Discounted expected cash flows with the entity's market curve and business plans
Financial assets at fair value through other comprehensive income						
Debt securities	2,220,217	2,220,217	Level 1	2,220,217	Directly capturing quoted prices in markets	Observable market data
Equity instruments	304,892	304,892	Level 1	304,892	Directly capturing quoted prices in markets	Observable market data
Financial assets at amortised cost						
Loans and advances to credit institutions	3,623,268	3,744,781	Level 2	3,744,781	Present value	Discounted expected cash flows with market curve
Loans and advances to customers	64,613,510	68,845,281	Level 2	68,845,281	Present value	Discounted expected cash flows with market curve
Debt securities	7,945,821	8,414,808	Level 1	7,686,397	Directly capturing quoted prices in markets	Observable market data
			Level 2	501,939	Price calculation using market inputs and explicit formulae	Yield curves and interest rate fixing
			Level 3	226,472	Calculation of the present value of the future cash flows using internal estimates. Cost less impairment.	Discounted expected cash flows with the entity's market curve and business plans
Hedging derivatives						
Derivatives – hedge accounting	162,792	162,792	Level 2	162,792	Price calculation using market inputs and explicit formulae	Yield curves and interest rate fixing
			Level 2	-	Price calculation using market inputs and explicit formulae and counterparty credit-risk adjustments, where applicable	Currency fixing and yield curves

LIABILITIES	Carrying amount	Fair value	Hierarchy	Fair value	Valuation techniques	Main inputs
Financial liabilities held for trading						
Deposits-Credit institutions	245,677	245,677	Level 2	245,677	Price calculation using market inputs and explicit formulae	Yield curves and Euribor fixing
Customer deposits	1,539,693	1,539,693	Level 2	1,539,693	Price calculation using market inputs and explicit formulae	Yield curves and Euribor fixing
Trading derivatives	433,099	107,080	Level 1	107,080	Directly capturing quoted prices in markets	Observable market data
		326,019	Level 2	137,080	Price calculation using market inputs and explicit formulae and counterparty credit-risk adjustments, where applicable	Yield curves and interest rate fixing.
			Level 2	56,688	Price calculation using market inputs and explicit formulae and counterparty credit-risk adjustments, where applicable	Currency fixing and yield curves
			Level 2	120,721	Price calculation using market inputs and explicit formulae and counterparty credit-risk adjustments, where applicable	Currency fixing, yield curves and exchange rate volatility
			Level 2	5,807	Price calculation using market inputs and explicit formulae and counterparty credit-risk adjustments, where applicable	Equity fixing and volatility of the underlying
			Level 2	5,723	Price calculation using market inputs and standard techniques, and counterparty credit-risk adjustments, where applicable	Equity fixing, volatility of the underlying, yield curves and interest rate fixing
Short positions in securities	1,472,332	1,472,332	Level 1	1,472,332	Directly capturing quoted prices in markets	Observable market data
Financial liabilities at amortised cost						
Deposits from central banks	14,190,714	14,334,411	Level 2	14,334,411	Present value	Discounted expected cash flows with market curve
Deposits from credit institutions	5,953,977	5,953,797	Level 2	5,953,797	Present value	Discounted expected cash flows with market curve
Customer deposits	67,104,604	66,956,810	Level 2	66,956,810	Present value	Discounted expected cash flows with market curve
Payables represented by marketable securities	6,706,763	7,022,752	Level 2	7,022,752	Present value	Discounted expected cash flows with market curve
Subordinated liabilities	1,693,350	1,816,345	Level 2	1,816,345	Present value	Discounted expected cash flows with market curve
Other financial liabilities	1,713,627	1,713,627	Level 2	1,713,627	Present value	Discounted expected cash flows with market curve
Derivatives – hedge accounting						
Hedging derivatives	275,076	275,076	Level 2	275,076	Price calculation using market inputs and explicit formulae and counterparty credit-risk adjustments, where applicable	Yield curves and interest rate fixing

2020:

ASSETS	Carrying amount	Fair value	Fair value hierarchy	Fair value	Valuation techniques	Main inputs
Cash, cash balances at central banks and other demand deposits	14,367,153	14,367,243	Level 2	14,367,243	Present value	Discounted expected cash flows with market curve
Financial assets held for trading						
Loans and advances to credit institutions	1,020,568	1,020,568	Level 2	1,020,568	Price calculation using market inputs and explicit formulae	Yield curves and interest rate fixing
Loans and advances to customers	57,164	57,164	Level 2	57,164	Price calculation using market inputs and explicit formulae	Yield curves and interest rate fixing
Debt securities	400,254	400,254	Level 1	400,254	Directly capturing quoted prices in markets	Observable market data
Equity instruments	181,834	181,834	Level 1	181,834	Directly capturing quoted prices in markets	Observable market data
Derivatives	498,922	36,693	Level 1	36,693	Directly capturing quoted prices in markets	Observable market data
		462,229	Level 2	136,105	Price calculation using market inputs and explicit formulae and counterparty credit-risk adjustments, where applicable	Yield curves and interest rate fixing.
			Level 2	79,215	Price calculation using market inputs and explicit formulae and counterparty credit-risk adjustments, where applicable	Currency fixing and yield curves
			Level 2	92,530	Price calculation using market inputs and explicit formulae and counterparty credit-risk adjustments, where applicable	Currency fixing, yield curves and exchange rate volatility
			Level 2	45,358	Price calculation using market inputs and explicit formulae and counterparty credit-risk adjustments, where applicable	Equity fixing and volatility of the underlying
			Level 2	109,020	Price calculation using market inputs and standard techniques, and counterparty credit-risk adjustments, where applicable	Equity fixing, volatility of the underlying, yield curves and interest rate fixing

ASSETS	Carrying amount	Fair value	Fair value hierarchy	Fair value	Valuation techniques	Main inputs
Non-trading financial assets mandatorily at fair value through profit or loss						
Equity instruments	117,089	117,089	Level 1	7,384	Directly capturing quoted prices in markets	Observable market data
			Level 3	109,705	Discounted cash flow method, net asset value	NAV of fund management company; the entity's business plans
Debt securities	690	690	Level 1	690	Directly capturing quoted prices in markets	Observable market data
Loans and advances to customers	31,100	31,100	Level 3	31,100	Gross carrying amount less impairment	Discounted expected cash flows with the entity's market curve and business plans
Financial assets at fair value through other comprehensive income						
Debt securities	2,376,123	2,354,370	Level 1	2,354,370	Directly capturing quoted prices in markets	Observable market data
		21,753	Level 2	21,753	Price calculation using market inputs and explicit formulae	Yield curves and interest rate fixing
Financial assets at amortised cost						
Loans and advances to credit institutions	2,197,216	2,294,538	Level 2	2,294,538	Present value	Discounted expected cash flows with market curve
Loans and advances to customers	61,741,795	65,923,882	Level 2	65,923,882	Present value	Discounted expected cash flows with market curve
Debt securities	7,961,709	8,807,931	Level 1	8,070,515	Directly capturing quoted prices in markets	Observable market data
			Level 2	501,939	Price calculation using market inputs and explicit formulae	Yield curves and interest rate fixing
			Level 3	235,477	Calculation of the present value of the future cash flows using internal estimates. Cost less impairment.	Discounted expected cash flows with the entity's market curve and business plans
Hedging derivatives						
Derivatives – hedge accounting	210,773	210,773	Level 2	210,773	Price calculation using market inputs and explicit formulae	Yield curves and interest rate fixing
			Level 2	-	Price calculation using market inputs and explicit formulae and counterparty credit-risk adjustments, where applicable	Currency fixing and yield curves

LIABILITIES	Carrying amount	Fair value	Hierarchy	Fair value	Valuation techniques	Main inputs
Financial liabilities held for trading						
Deposits-Credit institutions	-	-	Level 2	-	Price calculation using market inputs and explicit formulae	Yield curves and Euribor fixing
Customer deposits	444,703	444,703	Level 2	444,703	Price calculation using market inputs and explicit formulae	Yield curves and Euribor fixing
Trading derivatives	437,232	94,249	Level 1	94,249	Directly capturing quoted prices in markets	Observable market data
		342,983	Level 2	171,162	Price calculation using market inputs and explicit formulae and counterparty credit-risk adjustments, where applicable	Yield curves and interest rate fixing.
			Level 2	39,110	Price calculation using market inputs and explicit formulae and counterparty credit-risk adjustments, where applicable	Currency fixing and yield curves
			Level 2	103,907	Price calculation using market inputs and explicit formulae and counterparty credit-risk adjustments, where applicable	Currency fixing, yield curves and exchange rate volatility
			Level 2	18,782	Price calculation using market inputs and explicit formulae and counterparty credit-risk adjustments, where applicable	Equity fixing and volatility of the underlying
			Level 2	10,023	Price calculation using market inputs and standard techniques, and counterparty credit-risk adjustments, where applicable	Equity fixing, volatility of the underlying, yield curves and interest rate fixing
Short positions in securities	496,886	496,886	Level 1	496,886	Directly capturing quoted prices in markets	Observable market data
Financial liabilities at amortised cost						
Deposits from central banks	12,885,116	13,089,623	Level 2	13,089,623	Present value	Discounted expected cash flows with market curve
Deposits from credit institutions	3,886,831	3,910,595	Level 2	3,910,595	Present value	Discounted expected cash flows with market curve
Customer deposits	59,591,319	59,939,931	Level 2	59,939,931	Present value	Discounted expected cash flows with market curve
Payables represented by marketable securities	6,991,970	7,380,696	Level 2	7,380,696	Present value	Discounted expected cash flows with market curve
Subordinated liabilities	1,167,205	1,458,391	Level 2	1,458,391	Present value	Discounted expected cash flows with market curve
Other financial liabilities	1,514,747	1,514,747	Level 2	1,514,747	Present value	Discounted expected cash flows with market curve
Derivatives – hedge accounting						
Hedging derivatives	482,033	482,033	Level 2	482,033	Price calculation using market inputs and explicit formulae and counterparty credit-risk adjustments, where applicable	Yield curves and interest rate fixing

"Level 1" in the hierarchy includes data on financial instruments whose fair values are obtained from quoted prices in active markets for identical instruments; i.e. without modification or reorganisation. "Level 2" in the hierarchy includes data on financial instruments whose fair value is obtained from quoted prices in active markets for similar instruments or other valuation techniques in which all significant inputs are based on observable market data. "Level 3" in the hierarchy includes data on financial instruments whose fair value is obtained from valuation techniques in which some significant input is not based on observable market data. There were no transfers between stages in the hierarchy for significant amounts in 2021.

Certain equity instruments are measured at cost where fair value cannot be estimated reliably. The lack of reliability of a fair value estimate is due to the wide range of estimates and the impossibility of measuring the probabilities of each estimate within the range reasonably.

The fair value of financial instruments determined using internal models considers contract terms and conditions, and observable market data, such as interest rates, credit risk, exchange rates, share prices and volatility. It is assumed that the markets in which they are traded are efficient, so their data are representative. The valuation models do not factor in subjective considerations.

In addition, in some cases, the price published by the counterparty in official media, such as Reuters, is used given the complexity of the products measured.

At 31 December 2021 and 2020, the main techniques used by internal models to determine the fair value of financial instruments were the present value model (which discounts future cash flows to present value using market interest rates) and the Black-Scholes model and its derivative (which allow, through a closed formula and using only market inputs, the valuation of interest rate options). Credit derivatives are measured like any other interest rate derivative, but include (market) spreads in the market inputs related to underlying of the issue. Counterparties are reviewed on an ongoing basis during the different valuation processes to ensure that the models and inputs used remain valid at all times.

When calculating the fair value of derivative liabilities, the entity distinguishes between collateralised positions, for which the impact of own credit risk is estimated as zero, and uncollateralised positions, for which the own credit risk adjustment is estimated objectively based on the probability of default by the entity observed in data published by the market's main financial news agencies.

When calculating the fair value of derivative assets, the entity distinguishes between collateralised positions, for which the impact of counterparty credit risk is estimated as zero, and uncollateralised positions, for which the counterparty credit risk adjustment is estimated based on internal probability of default models constructed on the basis of historical information from the Bank's databases.

When determining fair value of equity investments in subsidiaries, jointly controlled entities or associates, the entity's accounting policy is to consider the whole investment as the unit of account.

b) Fair value of non-financial assets and liabilities

Detail of fair value of non-financial assets and liabilities at 31 December 2021 and 2020:

	Thousands of euros		Thousands of euros	
	31.12.2021		31.12.2020	
	Amount recognised	Fair value	Amount recognised	Fair value
Assets:				
Tangible assets	393,097	418,648	396,040	394,060
Non-current assets held for sale	17,414	67,570	24,713	77,240

The fair values of properties were calculated based on observable market prices provided by appraisal reports certified by appraisal companies, not including any potential discounts required to liquidate the assets.

44. Risk policies and management

Risk appetite

Bankinter understands the risk function as a core element of its competitive strategy, which is translated into its risk management and differentiates the Entity in the financial system.

Adequately identifying, measuring, managing and controlling the relevant risks of all the Entity's businesses is a priority of the board of the directors. Therefore, it establishes the basic risk management mechanisms and principles to achieve the Entity's strategic goals, protect the Entity's earnings and reputation, defend the interests of shareholders, customers, other stakeholders and society at large, and ensure business stability and financial soundness on a sustained basis over time.

The board of directors approves and reviews the risk appetite framework, which defines the risk appetite and tolerance that the Entity is willing to assume in its activities, on a regular basis. The framework contains a set of key metrics for the levels of the various risks, and the quality and recurrence of earnings, liquidity and solvency. Risk tolerance levels that the Entity is willing to assume are defined for each metric.

These metrics are monitored on a quarterly basis. Where a negative trend is seen in any of them, action plans are drawn up and monitored until the metrics return to appropriate levels.

Therefore, the risk appetite framework is a governance tool to ensure that the risks assumed are consistent with the Entity's strategy and business plans, irrespective of any limits established for the various risks and monitored regularly though the relevant committees and organisational structures. See the chapter on "Risk appetite framework" in the Pillar III Report for more information.

Corporate governance of the risk function

Following is a brief description of the corporate governance and organisation of the risk function. For a broader description, see the following sections of the Pillar 3 Disclosures Report: "Corporate governance of the risk function" and "Structure and organisation of the risk management and control function".

Bankinter has a corporate governance system that is in line with the industry best practices and adapted to regulatory requirements.

The board of directors, in accordance with board of directors regulations, is responsible for approving the risk control and management policy and regularly monitoring the internal information and risk control systems.

To perform these functions, the board of directors is supported by two of its delegated committees: the executive committee and the risk and compliance committee.

Executive committee

The executive committee has delegated to is all of the functions of the board except those that cannot be delegated under the law, the by-laws or the rules and regulations of the board of directors. It takes decisions for managing and monitoring all types risks and, in turn, delegates to the following first-level committees:

Credit risk, in the executive risk committee, which in turn sets the limits on the delegation of powers to the lower-ranking internal bodies, within the limits set by the board of directors. (The executive risk committee is the top risk committee, except for risks that fall under the management committee's and the assets and liabilities committee's remit).

Business risk, to the management committee.

Structural risk (liquidity, interest rate, foreign currency) and market risk, to the assets and liabilities committee (ALCO).

Risk and compliance committee

The risk and compliance committee has supervisory duties related to risks and is the board of directors main support in risk-related matters.

Its duties include: i) advising the board of directors on the entity's overall risk propensity and on its strategy in this regard, and assisting the board of directors in the effective implement of that strategy, determining, together with the board of directors, the nature, quantity, format and frequency of the information on risks to be received; ii) agreeing on the appointment and removal of the chief risk officer and the head of control and compliance, based on a suitability assessment in both cases by the pertinent committee, and iii) overseeing the Group's control and compliance function, and specifically risk control, internal validation, regulatory compliance and anti-money laundering and counter-terrorist financing.

Audit committee

Body delegated by the board of directors to exercise the board's powers relating to the oversight and monitoring of the company's activity; the accuracy, objectivity and transparency of its accounting practices; its economic and financial reporting; and its compliance with legislation and regulations by which the Bank is bound. As a general rule, it acts by making recommendations of good practices for the Bank's areas albeit it may also reach resolutions about issues under its supervision.

The audit committee directs the internal audit activity. Its annual plan focuses closely on work related to the measurement, monitoring and management of risks.

Organisation of the risk function

Bankinter's organisational structure is based on the principle of independence and separation of functions between the various units that assume and manage risks and those that monitor and control risks.

The board of directors is ultimately responsible for managing and controlling Bankinter's risks.

The managing director of risk is the CRO ("chief risk officer") in accordance with current regulations. The board risk and compliance committee appoints and removes the chief risk officer on the recommendation of the chairman, vice chairman (if an executive) or the chief executive officer of the Entity.

There are two differentiated and separate functions under the oversight of the Risk division/CRO:

- Risk management.
- Control and compliance function.

The organisation of these functions is described below.

Risk management

The risk management function covers the main risks (credit and counterparty, market, liquidity, structural, operational and model), with global and corporate-wide responsibilities and support to the Entity's governance bodies. It is charged with defining the methods and executing the risk controls as the first line of defence. It is also geared towards executing and integration the risk function into the management of the various businesses of Bankinter. It comprises the following first-line divisions and units:

Credit risk: tasked with defining the risk policies associated with each of the segments. It is delegated powers that allow it to authorise customer transactions. It oversees the entire risk process, from approval (which requires IT support capable of achieving the highest level of efficiency) to monitoring and recovery.

Global risk management: responsible for developing, improving, controlling, implementing and regularly monitoring statistical and risk parameter models for the various credit portfolios, and enhancing the integration of these models into management. The internal models perform a key role in the approval process, in the calculation of regulatory and internal capital, in the collective estimation of provisions, in recovery processes and in the establishment of risk-adjusted return measures (RARORAC). It also oversees, together with the global risk division, the development of the specific policies and procedures that must be included in the framework for the risk management model. Its responsibilities also include supervisor relations, official announcements and regulatory reporting in regard to models, and monitoring the sequentially implementation plan for IRB models in the Bank.

Global Risk: coordinates the different Risk areas in activities and projects related to methodologies, policies, procedures and regulations, seeking to adopt industry best practices in the measurement and management of risks and, in particular, management of the Bank's global risk profile.

The Risk Assessment unit acts on cross-cutting factors, coordinating and promoting: a sectoral approach to credit portfolio management, analysing sectors and promoting the most appropriate information and management processes at all times. As managing climate- and environment-related factors and their translation into different risks.

Market risk and institutional control: Reporting to the managing director of risk/chief risk officer, its function is to control and monitor structural risks (liquidity, interest rate and foreign currency) and market risks arising from the Entity's institutional and trading operations.

As discussed further on, the balance sheet management area and the trading department, which report to the general capital markets division, are responsible, respectively, for managing liquidity, interest and foreign currency risks (structural risks) and market risk. Market risk has the independent duty of measuring, monitoring and controlling changes in interest rate, liquidity, foreign currency, market and counterparty risks in 'institutional' positions; i.e., those taken by the assets and liabilities committee (ALCO) and by the treasury department for trading purposes.

Operational risk: responsible for promoting and coordinating the procedures and tools for the identification, measurement, control and reporting of operational risks, providing the organisation with a uniform vision of operational risk. First-line management of operational risk is delegated to the Entity's various subsidiaries, support areas and business units. Operational risk is occasionally managed by specialised or centralised departments when necessary given the circumstances (complexity, size, cross-sector corporate processes, etc.).

Non-performing loans and incidence: It is responsible for running and managing the process for recovering outstanding loans in early stages of default, by implementing and promoting internal and external tools and actions for this purpose with a view to minimising new non-performing loans. It is also responsible for running and managing the control, monitoring and non-amicable recovery of loans in accordance with prevailing legislation by creating and promoting automatic systems that make management more efficient and by implementing more efficient and effective mechanisms and processes to improve outstanding debt collection. It is also responsible for all matters related to the policy, analysis, approval and monitoring of forbearance arrangements.

Real estate assets: setting and updating the price of foreclosed assets and determining their purpose. Its duties include the adapting the assets technically and legally and monitoring them to prevent impairment. Its purpose and main responsibility is to proactively seek out buyers by publicising and managing assets in accordance with principles of transparency, sufficient publicity, competition and effectiveness in order to obtain the highest price possible. It prioritises quick selling.

Control and Compliance function

The Corporate Control and Compliance division, as the second line of defence, reports to the risk and compliance committee and is integrated into the Bank's organisation through the Risk division (CRO). The corporate responsibilities in its remit extend to all areas and include providing support to the Entity's governance bodies. It is organised into the following units with the following responsibilities:

Risk control unit: The purpose of this area is to oversee the quality of the Bank's risk management. More specifically, it seeks to guarantee that the systems for managing and controlling the various risks involved in its activity meet the most demanding criteria and the best practices in the banking sector and/or required by regulators, overseeing that the actual risk profile assumed is in line with that established by senior management.

Organisations and subsidiaries control unit: This unit oversees credit risk management at regional organisations and the second line of defence for the various risks of the Bank's subsidiaries.

Technical division: This area is in charge of procedural aspects of the risk appetite framework and the corporate risk map, and oversight of the second line of defence of certain specific risks (e.g. reputational risk).

Internal validation unit: It is in charge of validating the advanced risk models and their results. To do so, it analyses them and issues reports with opinions on their validity for risk management and on their use in managing risks, and issues the related recommendations.

Regulatory compliance unit

The board of directors is responsible for overseeing compliance with the Bank's general code of conduct, the general anti-money laundering and terrorist financing policy and the products and services marketing policy.

The risk and compliance committee is charged with functions that include overseeing compliance with legal requirements, supervising the effectiveness of internal control and risk management systems, supervising compliance with the Entity's code of conduct in securities markets, anti-money laundering manuals and procedures and, in general, the Bank's governance and compliance rules, and making any necessary proposals for their improvement, as well as reviewing fulfilment of any actions and measures arising from reports or actions by government supervisory and control authorities.

The duties of the Regulatory Compliance unit, which is integrated in the Corporate Control and Compliance division and reports to the risk and compliance committee, include the following: Advising of senior management, employees and the Entity's business and operating areas. Supervising and controlling compliance with rules of conduct. Detecting and managing non-compliance risks. Relations with regulatory and oversight authorities and bodies in matters that fall within its remit.

Financial control and analysis unit

The Financial Control and Analysis, integrated in the Corporate Control and Compliance division, reports directly and regularly to the audit committee.

Its mission is to assess the effectiveness of the general internal financial control framework, to ensure the reliability of the Entity's financial information. Its scope includes the functions and competencies of all Bankinter Group entities, subsidiaries and branches. It can also consider activities performed as outsourced services.

Applying a systematic and methodological approach to overseeing the existence of an effective control framework (ICFR), performing internal control over financial reporting. This helps to improve the effectiveness of management processes for financial risks and their internal control framework.

This function also includes control over outsourced services, in accordance with the guidance in the EBA guidelines on outsourcing arrangements.

Anti-money laundering unit

This is the technical unit under the Control and Compliance division that reports to the internal control body. It is staffed by specialist, full-time personnel with suitable training in analysis, as established in prevailing legislation.

It reports to the board risk and compliance committee on progress in measures and action plans concerning anti-money laundering and counter-terrorist financing (AML/CFT).

Its aim is to guarantee adequate coverage of the risks arising from money laundering and terrorist financing, complying with all related legislation.

Other risks managed indirectly by the managing director of risk/CRO

Structural risks

The board of directors sets the strategy and policy for structural risks (interest rate, liquidity and foreign currency risks) and market risks and designates various bodies to manage, monitor and control them. It also sets the risks profile to be assumed by the Entity, setting maximum limits that it delegates to such bodies, as defined in the risk control and management framework.

The board of directors delegates to the assets and liabilities committee (ALCO) the ongoing monitoring of decisions regarding structural risks of the balance sheet (interest and liquidity risk), stock market risk and the exchange rates of the Entity's institutional positions, as well as the establishment of the financing policies. It reviews, approves and delegates to the ALCO, on an annual basis, the applicable limits for the management of the aforementioned risks.

The ALCO is directly responsible for managing all interest rate and liquidity risks, as well as stock exchange and institutional change risks and the Bank's financing policies. However, capital markets, within its powers or following the guidelines of the chairman, chief executive officer or managing director of capital markets may carry out actions aimed at protecting the Bank from its risks or taking advantage of trading opportunities that arise.

The board of directors reviews the framework and policies for managing these risks and the appropriateness of changing the operating limits established therein as often as it deems necessary and at least annually.

The Treasury and Balance Sheet Management areas, which are part of the Capital Markets division, implement the decisions taken by the ALCO in relation to the functions in the previous section. It has powers to act immediately if market circumstances require, with subsequent reporting to the ALCO.

Technological risks

These risks are supervised by the Technological Risk and IT Security area, which reports hierarchically to the Digital Banking Division. Functionally, it reports regularly to Bankinter's Chief Risk Officer (CRO). Its main responsibilities regarding management of these risks include: training and awareness-raising on information security; coordination of technology environment improvement plans; management of system vulnerabilities; coordination of certified risk management systems; cryptographic key custody; identification and definition of the security requirements for new projects and developments; definition, approval and maintenance of business continuity plans, technological contingency and incident response plans;

implementation of security measures on operating systems, databases and middleware; identification and management of vulnerabilities detected.

Reputational risk

The first-line management of this risk is delegated to the Bank's various subsidiaries, support areas and business units, operating within the scope of the policies and guidelines issued by the corporate reputation unit. This unit, which is part of the corporate communication and responsibility area, also draws up reputational risk metrics, oversees the preventive management of this risk and mitigates potential reputational risks by taking part in crisis response actions.

Other units completing the risk control and management framework

Data protection officer*.*

The corporate privacy and data protection officer reports to Legal Counsel and has the following functions: Coordinating the privacy and data protection officers of the Entity's companies, to guarantee that they apply the same criteria in matters of privacy and personal data protection. Approving new initiatives that affect the right to privacy and personal data protection that differ from those approved in the organisation. Its competencies in this area exceed those of the privacy and data protection officers of the Entity's companies. Advising the data controller of their obligations in relation to data privacy and protection. Overseeing compliance with the requirements of privacy and data protection regulations.

Privacy committee

The privacy committee is responsible for approving initiatives that are strategically important for the organisation or that pose significant legal or technology risks in relation to the right to privacy and personal data protection. It also oversees initiatives and procedures adopted by data protection officers.

Customer service area

The Customer Service area analyses complaint and claims management data continuously to identify and address recurring or systemic issues, and potential legal, operational, conduct and other risks, reporting the findings to the board of directors. Given the importance of the information it handles, these findings constitute an early warning mechanism for issues arising from the marketing of products or services and/or the Bank's relationship with its customers, which is considered the Bank when selecting and adopting the appropriate measures to address or prevent the issues.

Risk diversification is an essential management principle, as illustrated in the successive financial crises. The Bank regularly monitors risk diversification by sectors, geographic location, products, guarantees, customers and counterparties.

Classification of the portfolio based on credit risk

Credit risk is the main risk to which the Bank is exposed. The procedures and criteria used to estimate credit risk are set out below. This section starts with their classification and the next explains how expected credit losses are estimated.

Credit exposures are classified, in accordance with their credit risk, into one of the following categories:

1) Performing exposures (Stage 1): includes transactions for which credit risk has not increased significantly since initial recognition. The loss allowance will be measured at an amount equal to 12-month expected credit losses. Interest income will be calculated by applying the effective interest rate to the financial asset's gross carrying amount.

2) Underperforming exposures (Stage 2): includes transactions with a significant increase in credit from initial recognition, but no default event or impairment. The loss allowance will be measured at an amount equal to the financial asset's lifetime expected credit losses. Interest income will be calculated by applying the effective interest rate to the financial asset's gross carrying amount.

3) Non-performing exposures (Stage 3): includes credit-impaired assets; i.e. that present a default event or impairment. The loss allowance is measured at an amount equal to the financial asset's lifetime expected credit losses. Interest income will be calculated applying the effective interest rate to the financial asset's amortised cost (i.e., adjusted for any impairment losses). If these positions are reclassified to Stage 1 or Stage 2, the reversal of previously recognised impairment losses is recognised as a loss allowance update, not as interest income.

4) Write-offs: Transactions for which there is no reasonable expectation of recovery, or which are over 4 years past-due, will be included in this category. Classification in this category will entail recognising losses in profit or loss at the financial asset's carrying amount and its full derecognition, although the Bank may take any actions necessary to attempt to collect until its rights have been definitively extinguished due to statute of limitations, forgiveness or other causes.

The criteria used by the Bank to determine whether a significant increase in risk has occurred can be divided into three categories:

- Objective increase in Probability of Default (PD), according to estimates provided by daily provisions models. Once this objective increase in PD is identified, depending on the significance of the transaction and the customer's rating, it is assessed whether to automatically reclassify to Underperforming Exposures (Stage 2) or if this needs to be confirmed or rejected by an expert analyst. This will always apply to exposures above 1 million euros. The analysis to be performed is set out in an internal procedure detailing the circumstances for both individuals and legal entities to verify a substantial change in an instrument's risk profile from its origination.

- Expert assessment: In addition, a reclassification based on an expert's opinion may take place if a situation is observed that might lead to the conclusion that there is a significant increase in the risk. Therefore, there is system of warnings that contributes to the early identification of these situations, and a procedure of expert assessment of the significant increase in risk that includes the following indicators:

  - Changes in the economic or regulatory environment or in conditions of markets to which the customer may be particularly sensitive.
  - Deterioration of the customer's economic and financial structure (e.g. income, debt levels, margins, cash flows, debt service ratios)
  - Technological risks
  - Pending litigation
  - Pre-insolvency proceedings
  - Significant downgrade of internal and/or external rating
  - Significant deterioration of market indicators
  - Waivers, breach of covenants, standstill, etc.
  - Potential contagion effects
  - Defaults in other exposures

  These indicators address the guidelines contained in the IFRS9 standards, the EBA - Guidelines on accounting for expected credit losses or Annex 9 of Banco de España Circular 4/2017.

- Backstops: Moreover, the following additional criteria are taken into account:

  - Forbearance is objective evidence of a significant increase in risk, and therefore reclassification to Stage 2, provided there are no indications of impairment.
  - In general, the Bank adds the accumulation of more than 35 days past due as additional objective evidence of a significant increase in risk. The rejection of the general approach in paragraph 5.5.11 of IFRS 9 to the presumption of a significant increase in risk when a default occurs that is more than 30 past due is based on the example set out in paragraph B5.5.20 of the same standard. It is based on the empirical analysis of observed default frequencies conditional on days of non-payment as well as collection activity. This analysis shows that there is a significant volume of collections between days 30 and 35 of non-payment, which can be explained for several reasons:

    - The regular income from customers, although occurring on a monthly basis, does not necessarily have to be exactly 30 days apart due to the length of the months and the effect of holidays.
    - Exposures from 30 days past due are given a different management status and, as a result, recovery actions are stepped up.
    - In products such as factoring, 30 days of non-payment can accumulate without triggering recourse to the assignor, so there is not really a significant increase in risk.

    Consequently, the Bank opted to adjust the general criterion by five days with the sole objective of not automatically classifying exposures where no significant increase in risk is actually observed in Stage 2, so making the classification system more stable.

  - As for the exemption for low risk provided in the standard, Bankinter analyses the significant increase in risk in all its exposures.

The credit risk monitoring and provisions committee governs the entire classification system and approves the criteria and procedures for analysing and determining the existence of a significant increase in risk. Specifically, this committee approves the thresholds set with respect to the increases in PDs and days past due, by which any significant increase in risk is determined in each of the categories into which the loan portfolio is divided. For this purpose, quantitative analyses are taken into consideration to check the stability of the system (and certain other factors) taking into account that the classification is updated daily and that entering Stage 2 means a change in customer management.

The following criteria are used to identify impairment:

- Over 90 days past due: Includes all positions with amounts more than 90 days past due, without applying any material filter.
- Carry-forward: This category includes the amounts of all transactions with a holder when the transactions with amounts overdue for more than 90 days exceed 20% of the amounts pending collection.
- Refinancing, refinanced and restructured transactions that meet the following characteristics:
    - The transaction has a grace period of more than 24 days.
    - If any contract to be refinanced was already impaired, including successive refinancing of positions that were already refinanced and impaired.
    - If a haircut is arranged on the principal amount of the transaction.

  The Bank's forbearance policy, which includes the criteria for determining the existence of impairment, is described later in this note.

- Other criteria for reasons other than late payment, including the following indicators:
    - Transactions in which legal proceedings have been taken to recover the debt.
    - The transactions of borrowers that are or will be declared in insolvency proceedings without a winding up petition. The guarantees granted to borrowers declared subject to insolvency proceedings for whom there is a record that the winding up stage has been or will be declared, or who undergo a considerable and unrecoverable impairment in their solvency, even though the guarantee beneficiary has not ordered payment.
    - Financial lease transactions in which the entity has decided to terminate the contract in order to repossess the asset.
    - The set of transactions of borrowers with a balance categorised as non-performing due to delinquency, that do not reach the percentage indicated in the carry-forward scenario, in the event that there are conclusively reasonable doubts about their total repayment following an individualised study.
    - Purchased or originated credit-impaired transactions or transactions with a considerable discount.
    - Sales of loans of a borrower with significant losses.
    - Exposures fall under a situation of no interest accrual or conditional interest accrual.

Bankinter also considers the following indicators in performing impairment tests:

- Significant financial difficulties of the borrower that seriously affect its ability to comply with its loan obligations.
- Continuous losses that have comprised the debtor's solvency.
- Generalised delay in payments to settle debts and other obligations.
- Existence of an internal or external credit rating that shows the borrower to be in default.
- Existence of impaired positions in other companies of the Entity to which the debtor belongs or in companies where a relationship of contagion on the debtor has been identified.

All these criteria established for the recognition of impairment are fully consistent with the definition of "Impaired asset" in Appendix A of IFRS 9 as well as with the indications in paragraph B5.5.37, considering in all cases that an instrument is recognised as non-performing when it is 90 days past due.

Section 4.1 "Accounting definitions" in the Entity's Pillar 3 report describes the differences between the definition of default applied for prudential purposes (as set out in article 178 of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 27 June 2013 - CRR) and the guidelines issued by the European Banking Authority on the application of the definition of default and the definition of credit-impaired. Although there are certain differences between the definition of "default" used by the Group and the concept of non-performing/doubtful, these have no substantial effect. Therefore, the differences between portfolios in default and those classified as non-performing/doubtful are in practice limited.

The main differences are as follows:

- The concept of non-performing/doubtful is applied at exposure level, which means that transactions from the same debtor with different ratings (e.g. sustainable and unsustainable tranches in a restructuring agreement). On the other hand, for legal entities, the concept of default is applied at obligor level and, once they are considered to be in default, a carry-over of all of their exposures takes place. However, it should be noted that, where carry-over criteria are observed in relation to assets classified as non-performing/doubtful and, in general, for assets seen as "subjective doubtful", then this carry-over effect is also applied at individual level.

- The definition of default includes material thresholds not considered in past due/non-performing, although these thresholds are extremely limited according to Commission Delegated Regulation (EU) 2018/171.
- On the other hand, for individuals, the concept of default is applied at exposure level, without considering automatic carry-over criteria like those anticipated in the case of non-performing/doubtful exposures.
- Prudential default considers a three-month "testing period" during which the situation remains the same even if payment has been made. Past due/non-performing does not consider automatic criteria, so the position may be reclassified from Stage 3 once payment is made and there are no other additional criteria for considering impairment.

Transitions between a stage of credit risk and another arise depending on when a financial asset meets or no longer meets the definitions of impairment and significant increase in credit risk. However, the Bank has established minimum cure periods for forborne exposures and minimum terms for the individualised analysis. Refinancing/restructuring measures are also indicators of impairment and/or a significant increase in credit risk. This type of transaction is treated in line with the standards issued in this respect by the European Banking Authority and Banco de España Circulars.

Estimation of expected credit losses

The expected loss is calculated and assigned on a contract-by-contract basis, taking into account its specific characteristics, and which are used to determine EAD, PD and LGD risk parameters. There is, therefore, no estimation on the basis of aggregated groups of exposures with a homogeneous risk profile, except in those portfolios where what are known as the "practical expedients" provided for in paragraph B.5.5.35 of IFRS 9 are used. However, a distinction must be made between two different procedures:

- The individualised estimation of coverage based on a detailed analysis of future flows performed by an expert analyst.
- The collective estimation of hedges obtained automatically through internal provisioning models.

The first of these procedures is applied systematically in the following cases:

- From 2 million euros of credit risk (which includes the drawn amount plus the undrawn commitment) for exposures in Stage 3.
- From 3 million euros of credit risk for exposures in Stage 2.

These thresholds, which are applied without exceptions, follow a customer risk criterion so that, for example, if a customer is doubtful and has a risk of more than 2 billion, it will be analysed under an individualised methodology even if not all its positions are doubtful. Moreover, the worse customer rating prevails. In other words, if a customer has only one exposure in Stage 2 and the rest in Stage 1, the Stage 2 methodology will be applied for all exposures, unless the Stage 2 risk is considered residual (no more than 5% of the client's total risk).

On the other hand, operations classified as performing (Stage 1) are generally only subject to the collective estimation of expected losses. However, it should be noted that in the coverage estimation procedure, the individualised analysis can be applied to those transactions, irrespective of their classification, where it is found that the model provides an inadequate estimate of the coverage. This exceptional treatment is carried out under governance criteria, so that all proposals are submitted to the monitoring and provisions committee, leaving a trace of the justification, validity and proponent. Moreover, this extension is not limited to a particular segment of the portfolio as forward-looking valuation criteria may emerge that are not adequately captured by the models.

It might be thought that the collective estimate is simply a shared estimate for groups of instruments with similar characteristics. However, bearing in mind that there are 21 internal models for estimating PD and 19 models for estimating LGD, and, also, these models are broken down into sub-models, each of which has its own explanatory variables, the combination of possible situations characterised by a given expected loss is extremely high and incompatible with an alternative non-parametric procedure, as there are not enough individuals in each homogeneous group to estimate losses with a minimum degree of precision.

In addition, an individualised estimate in the case of an unimpaired exposure classified as Stage 2 also requires the probabilities of default provided by the collective estimation models. So the individualised analysis and the collective analysis differ in that the former provides a detailed analysis of the potential losses in the event of default under three alternative scenarios that are weighted according to their probability of occurrence, taking into account the evolution of the exposure over the life of the instrument. A hypothetical calculation of the provision through a case-by-case analysis for Stage 1 exposures is simplified since it is reduced to the expected loss in the first 12 months from the reference date and should therefore not differ significantly (except for possible LGD expert valuation biases referred to in the next paragraph) from the collective calculation since both procedures are based on the PD estimates provided by the models.

Also, a hypothetical individualised analysis applied to performing exposures for the determination of 12-month expected losses should be based on probabilities of default provided by the models, analysing potential losses based on the assumption of default. There is a risk of this analysis being biased, however, because the starting conditions in terms of revenue generation capacity or even the value of collateral if liquidated may be far removed from those that would exist under a hypothetical default situation, also taking into account that there has not been a significant increase in risk. In fact, in LGD models, a very relevant factor is the so-called probability of cure, a parameter which is difficult for analysts to specify and which must be supported by empirical evidence. That is why we do not think it is appropriate to establish a threshold in Stage 1 that would systematically lead to replacing collective estimation with individualised analysis.

The internal provisioning models are the key part of the impairment calculation methodology, providing the various components that affect the expected loss over both a twelve-month horizon from the reference date (Stage 1) and the life of the instrument (Stages 2 and 3): EAD ("exposure at default") reflects the exposure drawn on transactions at the time the impairment is incurred. It therefore incorporates the estimate of the amounts expected to be paid on off-balance sheet exposures through a conversion factor applied to the nominal value of the transaction. PD ("probability of default") reflects the probability that a borrower will not meet its payment obligations in the time horizon considered (one year or at maturity). Lastly, the LGD (loss given default) reflects the part of the EAD that is assumed to be a loss in the event of such an event. These parameters are calculated and adjusted taking into account the economic climate at each reporting date.

The following table presents the different categories into which the Bank's credit risk portfolio is divided at year-end 2021. The approach used for the collective estimation of expected losses is also shown:

Application	Category	Approach from 1 January 2018 on
BK Spain	Mortgages to individuals Personal loans to individuals Bankinter non-company cards Other Individual transactions Small businesses Medium-sized companies Large companies Very large companies Very large insurers Developer project finance Comp. without valid balance sheet	Collective models
BK Portugal	Crédito Habitaçao Grandes Operaçoes Second mortgages Small enterprises Mid-corporate Large companies Empresas sem balanço Corporate Companies	
BK Spain	Foreclosed properties	
BK Spain	Individual overdrafts Financial institutions Public Sector - Central Admin. Public Sector - Regional Admin. Public companies Operations Weighting 100% Other Fixed Income Non-inventoried Accounts	Alternative Solutions
BK Portugal	Personal Credit Credit Cards Other personal operations Real estate promotion Financial institutions Public sector	Benchmarks / Simple Collective Models

It can be seen that the portfolio is subdivided using a highly granular segmentation according to different criteria, such as the geographical location, nature and size of borrowers. The type of financing, the collateral or even the distribution channel (Bankinter business or open business) is also considered for individuals. In legal persons, certain activities and specific types of financing, such as project developers, are separated into specific categories. The public sector is also separated, distinguishing between private companies and local, regional or state administrations.

In general, each of these categories has shared risk characteristics and in most cases, this means that collective models can be developed, to make a causal relationship between a set of attendant variables and credit risk. Each of these models may in turn contain sub-models, however, which can give a specific response when, for example, instruments are past due. Clearly, the same category may show very substantial differences in the risk profile. These models are able to find these differences according to the explanatory variables that characterise the borrower and the instrument.

At the end of 2021, 95% of the provisions for instruments and assets subject to collective estimation correspond to the categories for which collective internal models are applied. The "practical expedients" (IFRS 9, paragraph B.5.5.35), which include both the so-called alternative solutions provided by Banco de España and other simple solutions applied in other geographies, are rarely used if we exclude the categories corresponding to financial institutions and the public sector. In the specific case of Evo Banco, sufficient historical information referring to its current business model and the Entity's risk policy applicable to this institution will have to be accumulated for the future development of collective internal models.

The Bank has established regular procedures to assess the reliability and coherence of the results obtained through its methods for collectively estimating credit loss allowances through back testing. These tests assess accuracy by subsequently comparing actual losses effectively observed on transactions.

Alternative solutions are used to calculate expected loss of exposures to financial institutions, the public sector and fixed income. This is because the Bank does not have sufficient historical experience of defaults in these portfolios to develop internal models, especially when various types of customers and instruments have to be covered, and the fact that they must be sensitive to the economic scenario. Alternatively, Banco de España has estimated coverage percentages for the different Stages drawing on its experience and the information it has on the Spanish banking sector, and forecasts on future conditions. These strike us as being the best option, and fit in with our limited experience and future expectations in this type of exposures. However, the decision needs to be continuously reviewed according to possible events and analysts' expectations.

In this respect, we highlight the following:

- Up to now, the forward-looking assessment of expected loan losses has been based on various scenarios assuming the continuity of the euro.
- Exposure to the public sector is limited under the Bank's risk appetite framework.
- Ratings issued by rating agencies are a key benchmark in this area, an investment grade rating being needed.
- Other indicators such as risk premiums, which have a more situational nature, are also relevant as indicators of a potential structural change.

Bankinter takes into consideration forward-looking information to determine expected **credit losses** and to identify significant increases in risk. In this regard, the Bank has defined a baseline macroeconomic scenario it uses to draw up the Bank's budgets, business projections and capital planning. This scenario covers a 5-year period, with growth gradually converging towards levels consistent with the potential growth of the economy. The Bank considers that it is not possible to make forecasts with a minimum degree of precision beyond this period, although it still considers the contractual terms of transactions to determine expected losses. The Bank considers alternative forward-looking information to the baseline scenario as follows:

- Bankinter has two alternative scenarios to the baseline scenario: a pessimistic and an optimistic scenario. It uses these to estimate the risk parameters for calculating expected credit losses by applying collective assessment approaches. The outcome of each scenario –baseline, optimistic and pessimistic– is weighted in accordance with its probability of occurrence, with 40% for the baseline scenario, and 30% for each of the alternative scenarios.
- The function of these scenarios is to correct for possible biases in the estimation of expected losses. They must thus adequately reflect the dispersion of the business cycle in both directions and in a balanced manner. They therefore represent equiprobable deviations from the baseline scenario, converging to the latter at the end of the projection period, and are constructed by Monte Carlo simulation, in accordance with the historical evidence of relationships between the various macroeconomic variables considered and their uncertainty. The probabilities of occurrence attributed as based on empirical evidence, minimising the difference between the dispersion of thousands of scenarios simulated and the three scenarios chosen.

For Spain, each scenario features specific amounts for year-on-year growth in GDP, the unemployment rate, year-on-year growth in housing prices, and year-on-year growth in the business turnover index (ICNE). For Portugal, they consider the same variables with the exception of the ICNE, and also include the headline inflation rate. The following table summarises the various scenarios through the three common variables to all geographies:

				Average of the first three years of the projection*	
Country	Scenario	Prob.	GDP	Unemployment rate	Property price
Spain	Basis	40%	3.7	13.2	(0.2)
	Pessimistic	30%	2.3	16.2	(2.8)
	Optimistic	30%	5.1	10.2	2.3
Portugal	Basis	40%	3.6	5.8	6.1
	Pessimistic	30%	2.9	8.0	4.3
	Optimistic	30%	4.4	3.5	8.0

(*) 2022-2024. Housing prices in Spain are taken from appraised value statistics published by the Ministry of Transport.

- Averages for the first three years of the project are shown, since there is a reversion back to the baseline scenario in the next two years to complete the five-year period. The macroeconomic variables are included in the models to determine expected losses. Taking GDP is the most important, e.g. for Bankinter Spain, a reduction/increase of 1 percentage point would result in an increase/reduction of expected loss in collective estimation models of 6.3%/6.1%, respectively. The individual estimations also take into consideration the scenarios established and are weighted taking into account the probability of occurrence of each scenario and, in the case of financial assets in Stage 2, the probability of default of a counterparty in each scenario.
- The prospective idiosyncratic elements are captured in the collective models with ad hoc adjustments governed in a provisions committee to adjust elements that the expected credit loss models are unable to capture. Here, we highlight the explanation provided in the section on the impacts of the health crisis regarding maintenance of the "Macroeconomic Effect" caused by lingering uncertainty over the pandemic's potential impact on the loan book.

Information and impacts of the health crisis

The pandemic caused by SARS-COV-2 is an unprecedented event. It has triggered a unique crisis and prompted a raft of extraordinary measures, which have limited the normal course of productive activity and consumption as they seek to protect the productive fabric and employment under the assumption that it was a temporary shock. In this protection role, the financial sector has played a key role by providing the necessary liquidity to companies and alleviating the financial burden on households affected by the decline in activity.

A key feature of the crisis is the sectoral asymmetry of its impacts. Certain sectors of activity have been effectively derailed for a long time now. While the outlook improved over the course of 2020, the reality is that there have been significant declines in income, and levels of debt have been rising for the most part. This situation also affects households whose income comes directly or indirectly from the activities hit hardest by the pandemic.

That is why it was necessary to maintain the support needed by viable businesses in 2021, prompting the Spanish government to complement legislative measures implemented in 2020[4] with Royal Decrees 3/2021 and 5/2021:

The first of these, published on 2 February 2021, extends the period for requesting new moratoria and or the term of existing moratoria until 31 March, in line with the European Banking Authority 's latest review of its guidelines on moratoria issued on 2 December 2020[5]. The maximum term of the new aid that can be requested or for extensions was limited to nine months.

Spanish Royal Decree 5/2021, of 12 March, ushered in a raft of extraordinary measures to keep afloat sustainable businesses that had been seriously affected by the health crisis. This involved support of 11,000 million euros earmarked for direct aid (7,000 million euros), financial debt restructuring support for companies (3,000 million euros) and the establishment of a recapitalisation fund (1,000 million euros) supplementing the fund already managed by SEPI. This Royal Decree sets out the actions on the drawing board and announced the approval of a Code of Good Practices to contain the specific criteria for the effective implementation of these actions and proper coordination among creditors.

The Code of Good Practices was approved by the Council of Ministers on 11 May and published on 13 May 2021. Its core objective is to bolster the solvency of viable companies through debt guaranteed by the government, so that the survival of productive activity can be guaranteed. Three instruments have been proposed for this, subject to eligibility criteria:

1. Extension of the terms of the guaranteed transactions, which will be mandatory at the request of the customer if they experience a drop in their turnover of more than 30% in 2020 compared to 2019.
2. Conversion of guaranteed transactions into participating loans, maintaining the public guarantee.
3. Debt reduction agreements.

Application of the last two of these requires the debtor's income to have fallen by at least 30% between 2019 and 2020, and the debtor to have made a loss in 2020. The amounts involved are limited by the provisions of section 3.1 of the European Commission's State Aid Temporary Framework.

4 Royal Decrees-Law 6/2020, 8/2020, 11/2020, 15/2020, 18/2020, 19/2020, 25/2020 and 26/2020

5 Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis

Its application requires the participation of all the entities that have voluntarily signed up to the Code of Good Practices, with a commitment to ensure the best use of public funds and assuming a part of the costs that may result from the sustainability agreements reached. Bankinter formally submitted its adherence to the Code of Best Practices on 1 June.

The Portuguese Government also implemented a package of similar aid measures in 2020, with the same objective. This involves moratoria for individuals and companies and lines of support for the economy in response to COVID-19. This is coordinated by the Mutual Guarantee Companies (SGM). Compared to Spain, it gives considerably greater weight to the use of moratoria.

Considering the development of the pandemic in the early months of 2021, Decree-Law 22-C/2021 was approved on 22 March, introducing a nine-month extension of the interest-only periods, assuming acceptance in the sectors most affected unless expressly waived. This Decree also extends the special scheme for granting guarantees by the Mutual Counter-guarantee Fund (SGM) for 12 months.

With the 1 October deadline looming of a large percentage of moratoria granted, Banco Português de Fomento presented the "Línea Retomar" facility in the last days of September. This facility, with total guarantees to be provided of 1,000 million euros, targets viable non-financial undertakings of any size through three mechanisms:

- Restructuring of all loans under a moratorium
- Partial refinancing of all loans under a mortorium
- Guarantee loan to cover liquidity requirements

The maximum terms being considered are eight years, which can be extended to 10 years for micro and small enterprises, with a grace period of up to two years. Bankinter has said it will avail itself of this new facility.

The following table provides a summary of new loans subject to legislative and non-legislative moratoria in Bankinter, S.A. as at 31 December:

Legislative and non-legislative moratoria		Gross carrying amount, thousands of euros			Distribution by stages		
	No. of obligors	Total	Legislative moratoria	Unexpired moratoria	1	2	3
Households		1,491,081	727,715	10,777	81.3%	16.9%	1.8%
Collateralised by residential immovable property		*1,450,612*	*719,663*	*10,159*	81.3%	16.9%	1.8%
Non-financial corporations		461,256	460,692	23,006	81.6%	7.3%	11.0%
Small- and medium-sized enterprises		356,081	355,517	12,577	88.8%	9.5%	1.7%
Collateralised by commercial immovable property		202,971	202,874	18,886	70.5%	7.1%	22.4%
Total loans and advances	**12,213**	**1,968,875**	**1,204,944**	**33,783**	**81.5%**	**14.5%**	**3.9%**

As illustrated, the gross carrying amount of the Entity's moratoria is 1,969 million euros, of which only 34 million euros has not expired. A prospective assessment of the risk of this portfolio was carried out in the year, causing the Entity to recognise significant increases in credit risk (stage 2), which accounts for 14.5% of the total moratoria and marks an 8.2 percentage point increase from year-end 2020. Non-performing exposures also increased (to 3.9% from 0.9% at 31 December 2020), but most of the increase was due to a single position. The level is still moderate, with virtually the entire portfolio already expired.

The following table sets out transactions with public guarantee schemes in response to the COVID-19 crisis:

Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis	Number of obligors	Gross carrying amount (thousands of euros)	Distribution by stages 1	2	3
Households		67,792	99.0%	0.0%	1.0%
Non-financial corporations		6,413,121	93.3%	5.4%	1.3%
Total loans and advances	**31,056**	**6,511,936**	**93.4%**	**5.3%**	**1.3%**

The gross carrying amount at year-end stood at 6,512 million euros, leaving an NPL ratio of 1.3%. Taken together, the sum of moratoria and facilities backed by government guarantee schemes represents 11.4% of eligible exposures. Analysing the distribution of aid by segments of activity, the wholesale and retail trade sectors are the two biggest recipients, followed by manufacturing due to the large size of this industry, although, in relative terms, the hotel and hospitality industry also received a considerable volume of aid.

Considering the transitory shock caused by this unique crisis, the set of measures implemented to date has clearly had a positive effect on containing the economic damage caused by the pandemic. This is demonstrated by the volume of exposure, with unpaid balances at their lowest level in recent years. At 31 December 2020, they were 38.4% lower than at year-end 2019, then fell another 6.1% by 31 December 2021 from the year before. This also means that, at the moment, defaults are not materialising on a scale that would lead us to expect a substantial increase in non-performing loans in the coming months. This is particularly the case considering vritually all the moratoria that have expired and, therefore, returned to their normal repayment schedule. Further evidence is the trend in cost of risk in 2021, with an accumulated total at 31 December of 144.2 million euros (144 million euros recognised in "Impairment on financial assets not measured at fair value through profit or loss" and 0.3 million euros recognised in "Provisions for commitments and guarantees given"), representing an annualised cost of risk of 19bp of the Entity's eligible exposures at year-end. This came while recognising significant increases in credit during the year.

The performance of the loan book exposure is demonstrating the effectiveness of Bankinter's strategy of prospective assessment of impairment, considering both the decline in activity in 2020 and the subsequent recovery expected for the following years, and how this recovery, together with the support measures implemented, could support the economy's productive fabric. Nevertheless, we remained extremely prudent, considering both the present and the future as the backdrop for a gradual recovery following a sharp drop in activity that cannot be considered completely behind us.

Following the recommendation of the European Central Bank, since the start of the crisis Bankinter has been using the quarterly forecasts published by the ECB for the European Union and the country-specific forecasts issued by the central banks, consistently with the former, as its benchmark. Thus, considering the macroeconomic projections of the Spanish economy for the 2020-2022 period published by Banco de España in June and September 2020[6], an extraordinary provision of 222.1 million euros was recognised as at 31 December 2020 to adjust to the new macroeconomic landscape.

The outlook in this September 2020 publication was more pessimistic due to the emergence and spread of the so-called second wave and, according to Scenario 1, placed the decline in GDP at -10.5% in 2020, with a subsequent recovery of 7.3% and a 1.9% increase in GDP in 2021 and 2022, along with an unemployment rate of 19.4% in 2021.

As early as December 2020, Banco de España turned more upbeat in its forecasts and this tone continued in its quarterly publications of March, June and September 2021. The latter, built on the evidence of the progress and effectiveness of the ongoing vaccination campaign, the performance of the economy itself and the reality of the European recovery funds, placed the cumulative rate of change in GDP between 2020 and 2022 at 0.41%, which meant a full recovery in activity with respect to 2019. Meanwhile, the unemployment rate (annual average), at 14.3% in 2021, was practically the same as the rate reported in 2019 and a far cry from the 19.4% initially forecast in September 2020, as described above.

The effectiveness of the vaccines had become evident by the end of the third quarter of 2021; i.e. 19 months after the declaration of the state of alarm in Spain, so the return to normality appeared to be a reality. This was also reflected in the economic projections published by a range of organisations, particularly the European Central Bank and competent national authorities, which showed increasing optimism over the pace of recovery in economic activity and, especially, employment.

The extreme uncertainty characterising this crisis since it emerged seemed to be much lower now, pointing to a near future of growth. This is also being driven by the approval, on 16 June by the European Commission, of the national recovery plans presented by Spain and Portugal. This will enable the effective application, between 2021 and 2026, of 70,000 million euros in aid and 70,000 million euros in loans to Spain, and 14,000 million euros of aid and 2,600 million euros of loans to Portugal, from the Next Generation EU fund.

Nevertheless, there were still pockets of uncertainty that the Entity needs to wary of. Shortly after these September 2021 forecasts were released, Spain's National Statistics Institute revised down its quarter-on-quarter GDP growth rates for the preceding quarters. The biggest cut was for the second quarter, from 2.8% to 1.1%. Moderation in the growth of activity came amid a special backdrop, featuring a sharper impact on manufacturers and a quicker recovery by employment. The cause lies in the frictions related to the recovery of activity, as seen by supply shortages and rising energy prices, resulting is an overall rise in inflation, as noted by Banco de España in its latest report, of December 2021.

In these circumstances, the pace of recovery is likely to slow down. However, the factors described above are offset by the European funds programmes and financing conditions that are still propitious for coping with the effects of the pandemic for a longer period of time. This is conveyed in Banco de España's economic forecasts released in December 2021, as summarised in the table below:

	Forecasts as at December 2021				
Annual variation rate (%), unless otherwise indicated	2020	2021	2022	2023	2024
GDP	-11	5	5.4	3.9	1.8
Harmonised consumer price index (HCPI)	-0.3	3.0	3.7	1.2	1.5
Unemployment rate (% of the active population) Annual average	15.5	15.0	14.2	12.9	12.4

*Source: Banco de España: Macroeconomic scenarios for the Spanish economy 2020-2022. Dec 2021

Compared to September, the new forecasts show activity recovery much more slowly until 2023. They also show some price pressure in 2022. Unemployment forecasts are slightly better, with Social Security registration data showing a stronger rebound in employment. As few days after the release, the opposite to what happened in September occurred: the National Institute of Statistics revised upwards its quarter-on-quarter GDP growth for the third quarter, from 2% to 2.6%, just one tenth below Banco de España's September forecast. Therefore, the future trend in activity showed in the preceding table has a conservative bias due to a statistical error, which also bears out certain limitations in the National Statistics Institute's criteria for preparing preliminary forecasts of quarterly accounts amid this unique recovery.

These forecasts factor in the increase in coronavirus case counts over the last few months of the year, which could be partly behind the slower recovery, especially in international tourism. However, they do not consider specific effects related to the Omicron variant. This new strain constitutes a major source of uncertainty. Nevertheless, we agree with Banco de España that economies' and societies' ability to adapt has grown with each new wave. Also, health care professional know more about how to fight the virus, so it is not as severe as in the first waves.

6 Reports on forecasts by Banco de España for the Spanish economy are available at [Banco de España - Publications - Bulletins and magazines - Economic Analysis and Research - Macro Projections (bde.es)]

There is still an asymmetrical sector impact. Indeed, the new scenario with the Omicron variant can cause much greater damage, especially to tourism and leisure activities.

Against this backdrop, even if the scenario considered materialises, there is still some uncertainty about the potential impact of the pandemic on our loan book and the potential biases in the estimation of expected losses using provisioning models. Therefore, the Group clearly confirmed at year-end 2021 the maintenance of the "Macroeconomic effect" provisions, which also provides adequate coverage for the new, more upbeat scenario than between June and September 2020, even assuming only recovery until 2022.

The Bank has shown its ability to carry on its business despite the circumstances. Operating profit before provisions totalled 704 million euros in 2020 By year-end 2021, it had risen 5%, evidencing the strength of the income statement and its ability to withstand more severe scenarios.

Performance in the year

As was the case in 2020, the health and economic crises caused by COVID 19 pandemic, alongside gradual economic recovery amid widespread uncertainty characterised 2021.

Government measures to provide business with much-needed support were extended during the year, especially the payment moratoria and state guarantees started up in 2020. A more in-depth explanation is provided in the last section of this note "Information and impacts of the health crisis".

Bankinter remained proactive in 2021, implementing the support measures it began in 2020. Figures at year-end for extraordinary measures (moratoria and state guarantees). Growth in credit risk was moderate again last year. Eligible exposures (which include off-balance-sheet exposures) increased by 6.0%.

Underperforming exposures increased by 29.9%, driven mostly by the reclassification of customers in sectors hit hardest by COVID-19. Non-performing loans were steady (+0.5%), while the NPL ratio fell to 2.01%; i.e. a reduction of 5.2pp in the year. Bankinter, S.A.'s NPL ratios is 47% of the sector average (4.29% according to Banco de España data from November 2021).

Provisions for credit risk rose by 5.7% in anticipation of the potential effects of the pandemic, as explained at greater length in the previous section of this Note.

The balance of foreclosed assets decreased by 24.0% in the year to 28 million euros at 31 December 2021.

Asset quality - Credit risk

Thousands of euros	31.12.2021	31.12.2020	Change	%
Eligible exposures	**74,586,122**	**70,375,102**	**4,211,020**	**6.0%**
Stage 1 (Performing exposures)	71,126,300	67,373,673	3,752,627	5.6%
Stage 2 (Underperforming exposures)	1,959,611	1,508,728	450,883	29.9%
Stage 3 (Non-performing exposures)	1,500,212	1,492,701	7,511	0.5%
Credit risk allowances and provisions	**888,916**	**840,878**	**48,038**	**5.7%**
Stage 1 (Performing exposures)	154,543	160,212	(5,669)	-3.5%
Stage 2 (Underperforming exposures)	77,333	56,010	21,322	38.1%
Stage 3 (Non-performing exposures)	657,040	624,655	32,385	5.2%
Non-performing loan ratio (%)	2.01%	2.12%	-0.11%	-5.2%
Non-performing loan coverage ratio (%)	59.25%	56.33%	2.92%	5.2%
Foreclosed assets	27,486	36,145	(8,658)	-24.0%
Provision for foreclosed assets	10,072	11,431	(1,359)	-11.9%
Foreclosure coverage (%)	36.65%	31.63%	5.02%	15.9%

The performance and main figures by internal business segment are discussed below.

Lending to individuals increased by 6.5% in 2021, with strong growth in all segments. The individual lending portfolio totalled 31,724 million euros at year-end, with an NPL ratio of 2.0%.

The residential mortgage loan book for individuals showed a loan-to-value (LTV) ratio of 56% at 2021 year-end and 87% of these loans were secured by the primary residence of the owners. The NPL ratio of this portfolio ended the year 1.6%. The average effort (measured as the proportion of income that the customer allocates to paying mortgage loan instalments) remained extremely low (22%).

Consumer lending returned towards more normal levels, growing by 7.4%. The total for this business in the Group at year-end stood at 2,671 million euros; i.e. 3.5% of total credit risk. Risk-adjusted margins, and NPLs and NPL ratios remained under control and in line with typical levels for this type of business.

Corporate banking

Credit risk in Corporate Banking decreased by 5.1% to 16,403 million euros, with an NPL ratio of 0.66%. In this segment, where the business activities are more international and less exposed to Spain's economic cycle, Bankinter boasts a solid competitive position based on specialisation, KYC, flexibility and quality of service.

Small- and medium-sized enterprises

The SMEs Banking (small and medium-size enterprises) segment grew by 3.0%, ending the year with a loan book of 15,171 million euros and an NPL ratio of 5.2%. The Bank uses automated decision-making models to manage this segment, along with centralised teams of highly-experienced risk analysts.

Portugal

Bankinter Portugal's loan book contributed 7,611 million euros of exposures to the balance sheet at year-end, an increase of 8.8% in the year, and an NPL ratio of 1.72%.

Maximum exposure to credit risk

The table below shows the maximum level of exposure to credit risk assumed by the Group at 31 December 2021 and 2020 for each type of financial instrument, without deductions for collateral or other credit enhancements to ensure compliance by borrowers.

At 31 December 2021:

Types of instruments	Thousands of euros						
	Asset balances					Off-balance-sheet accounts	Total
	Financial assets held for trading	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Non-trading financial assets mandatorily at fair value through profit or loss	Derivatives – hedge accounting		
Debt and equity instruments							
Loans and advances to credit institutions	2,251,575	-	3,623,268	-	-	-	5,874,843
Debt securities and equity instruments	1,444,611	2,525,109	7,945,821	130,413	-	-	12,045,953
Loans and advances to customers	-	-	64,613,510	57,281	-	-	64,670,791
Total debt and equity instruments	3,696,186	2,525,109	76,182,598	187,694	-	-	82,591,587
Contingent risks							
Financial guarantees	-	-	-	-	-	1,765,266	1,765,266
Other contingent risks	-	-	-	-	-	5,056,086	5,056,086
Total contingent exposures	-	-	-	-	-	6,821,352	6,821,352
Other exposures							
Derivatives	342,070	-	-	-	162,792	-	504,862
Contingent commitments	-	-	-	-	-	16,117,665	16,117,665
Total other exposures	342,070	-	-	-	162,792	16,117,665	16,622,528
MAXIMUM LEVEL OF EXPOSURE TO CREDIT RISK	4,038,256	2,525,109	76,182,598	187,694	162,792	22,939,018	106,035,467

At 31 December 2020:

Types of instruments	Thousands of euros						
	Asset balances					Off-balance-sheet accounts	Total
	Financial assets held for trading	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Non-trading financial assets mandatorily at fair value through profit or loss	Derivatives – hedge accounting		
Debt and equity instruments							
Loans and advances to credit institutions	1,020,568	-	2,197,216	-	-	-	3,217,784
Debt securities and equity instruments	582,088	2,376,123	7,961,709	117,780	-	-	11,037,700
Loans and advances to customers	57,164	-	61,741,795	31,100	-	-	61,830,059
Total debt and equity instruments	1,659,820	2,376,123	71,900,721	148,880	-	-	76,085,543
Contingent risks							
Financial guarantees	-	-	-	-	-	1,850,496	1,850,496
Other contingent risks	-	-	-	-	-	4,062,177	4,062,177
Total contingent exposures	-	-	-	-	-	5,912,673	5,912,673
Other exposures							
Derivatives	498,922	-	-	-	210,773	-	709,695
Contingent commitments	-	-	-	-	-	15,928,448	15,928,448
Total other exposures	498,922	-	-	-	210,773	15,928,448	16,638,143
MAXIMUM LEVEL OF EXPOSURE TO CREDIT RISK	2,158,742	2,376,123	71,900,721	148,880	210,773	21,841,121	98,636,359

Ageing analysis of past due amounts receivable from unimpaired financial assets at 31 December 2021 and 2020:

		Thousands of euros
By type of guarantee or collateral	**31.12.2021**	**31.12.2020**
Transactions with mortgage collateral	12,369	4,244
Transactions with other collateral	818	1,541
Other	39,055	45,982
of which Bankinter branch in Portugal	932	1,165
Total	52,242	51,767
By term		
0-30 days past-due	42,341	41,826
30-60 days past-due	6,319	4,772
60-90 days past-due	3,582	5,169
Total	52,242	51,767

Risk mitigation

Key criteria for approval in the Bank's risk policy are payment capacity and solvency, with collateral and guarantees providing additional assurance of obligations. Collateral and guarantees should not be the primary means of recovering amounts from transactions, and not the determining factor in the decision regarding approval. However, provided they meet certain requirements, they provide an element of credit-risk mitigation and are required where possible.

For accounting purposes, effective collateral and guarantees include collateral and personal guarantees shown to be valid as a means of mitigating risk considering the time needed to realise them, the ability to do so, and past experience.

Personal guarantees, barring certain exceptions, cover the total amount of the transaction and imply the Bank's direct and joint liability. The guarantor's payment capacity and solvency to meet the obligation guaranteed is assessed. Personal guarantees are particularly relevant in transactions with businesses, often requiring the guarantee of the owners.

Real estate mortgages are generally first mortgages, constituted and registered in favour of the Bank. The properties provided to the Bank as collateral are generally located in urban areas and are highly liquid.

Collateral in the form of pledged financial assets are generally deposited at the Bank and operations with them are blocked. More or less strict coverage criteria are applied depending on the nature and liquidity of the pledged assets.

In line with regulations, the appraisals of real estate collateral are updated as follows:

Performing portfolio: The policy for updating the portfolio of residential and commercial properties (commercial premises, warehouses and offices) is to update the appraisal where there are significant declines in value through full individual appraisals or automated appraisals by independent appraisal companies. For individual assets, such as land or plots, or assets used for financial exploitation, and all transactions with significant risk, a full individual appraisal is made every three years, or less is there are significant declines in value. Potential declines in value are verified annually.

Transactions classified as underperforming are updated annually. The appraisal of collateral and guarantees for non-performing loans is updated on classification as non-performing and annually thereafter. The appraisal of assets foreclosed or received in payment of debt is updated at the time of foreclosure or receipt and annually thereafter.

Bankinter's Risk Control function verifies compliance with the procedure for approving collateral and guarantees and the estimate of value approved by the board of directors.

Non-performing loans and foreclosed assets

The Group defines its exposure to credit risk in terms of eligible exposures, as indicated above. Eligible exposure represents the risk assumed in relation to the borrowers, as well as the committed amount drawable or off-balance-sheet risk.

At year-end 2021, total non-performing eligible exposures stood at 1,685 million euros, up 4 million euros (or 0.2%) from the year before. The NPL ratio was 2.37% at year-end, with a reduction of 14 basis points (5.7%).

The portfolio of forbearance transactions at the end of 2021 was 745 million euros, considering as forbearance any modifications in the credit risk conditions.

Flow of non-performing loan balances in the year:

	Change in non-performing exposures (including contingent risk)			
Thousands of euros	**31.12.2021**	**31.12.2020**	**Change**	**% change**
Opening balance	1,492,701	1,537,502	(44,801)	-2.9%
Net additions	67,633	25,236	42,397	168.0%
Transfers to write-offs	(60,122)	(70,036)	9,914	-14.2%
Balance at the end of the period	1,500,212	1,492,701	7,511	0.5%
Impairment allowances	888,916	840,878	48,038	5.7%

Movements between stages 1, 2 and 3 in 2021 and 2020 in the gross carrying amount of the loans and advances of the portfolio of financial assets at amortised cost (Notes 10 (a) and (b)) and changes in the corresponding impairment allowances:

				Loans and advances
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount at 31.12.2020	61,795,459	1,461,937	1,420,115	64,677,511
Additions, disposals and changes in balance	4,765,079	(226,265)	(124,712)	4,414,102
Transfers between stages	(852,868)	652,466	200,402	-
Removals from Stage 1	(1,312,866)	1,284,014	28,852	-
Removals from Stage 2	431,321	(679,839)	248,518	-
Removals from Stage 3	28,677	48,291	(76,968)	-
Write-offs	-	-	(54,919)	(54,919)
Gross carrying amount at 31.12.2021	65,707,670	1,888,138	1,440,887	69,036,694

				Loans and advances
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount at 31.12.2019	58,288,872	1,478,806	1,456,851	61,224,529
Additions, disposals and changes in balance	3,888,128	(246,261)	(121,523)	3,520,344
Transfers between stages	(381,541)	229,391	152,150	-
Removals from Stage 1	(720,931)	683,226	37,706	-
Removals from Stage 2	306,258	(504,622)	198,364	-
Removals from Stage 3	33,132	50,788	(83,920)	-
Write-offs	-	-	(67,362)	(67,362)
Gross carrying amount at 31.12.2020	61,795,459	1,461,937	1,420,115	64,677,511

(*) The gross carrying amount is the sum of the carrying amount and the amount of impairment of the assets. Therefore, it includes the value of the discount on the acquisitions of financial assets from Portugal and other valuation adjustments from loans and advances to customers and credit institutions (Note 10)

At 31 December 2021, including these figures, the "Gross carrying amount" of the portfolio of impaired loans and advances acquired amounted to 37,914 thousand euros (31 December 2020: 47,165 thousand euros), representing an average discount of 55.3% (31 December 2020: 56.1%) with respect to the principal owed in these exposures, plus an impairment loss of 4,982 thousand euros (31 December 2020: 6,487 thousand euros).

				Loans and advances. Impairment losses
				31.12.2021
	Stage 1	Stage 2	Stage 3	Total
Closing balance at 31.12.2020	128,588	45,464	564,447	738,500
Additions, disposals and changes in provisions	(2,235)	38,342	58,666	94,773
Transfers between stages	1,924	(20,154)	18,230	-
Removals from Stage 1	(10,326)	9,593	733	-
Removals from Stage 2	7,988	(37,524)	29,536	-
Removals from Stage 3	4,263	7,777	(12,040)	-
Write-offs	-	-	(33,356)	(33,356)
Closing balance at 31.12.2021	128,278	63,652	607,987	799,917

				Loans and advances. Impairment losses
				31.12.2020
	Stage 1	Stage 2	Stage 3	Total
Closing balance at 31.12.2019	56,739	47,178	417,546	521,462
Additions, disposals and changes in provisions	58,700	23,525	181,045	263,269
Transfers between stages	13,150	(25,238)	12,088	-
Removals from Stage 1	(6,735)	4,867	1,868	-
Removals from Stage 2	15,255	(38,968)	23,713	-
Removals from Stage 3	4,631	8,863	(13,493)	-
Write-offs	-	-	(46,232)	(46,232)
Closing balance at 31.12.2020	128,588	45,464	564,447	738,500

The gross balance of the portfolio of foreclosed assets at year-end stood at 27 million euros, with a reduction in the year of 9 million euros.

The real estate assets are highly diversified geographically and by type of property, which facilitates their sale.

The portfolio of real estate portfolio assets does not include hardly any developments in progress and the weight of rural land is negligible.

Forbearance policy

The Group's refinancing policy still conforms to best practices set out in prevailing legislation. The main objective is to recover all amounts due, which means any amounts considered unrecoverable must be recognised immediately.

The Group's refinancing policy described below has not been altered by the COV SARS 2 health crisis. The Group has simply followed the recommendations of banking regulators and supervisors to make appropriate use of the flexibility implicit in the regulatory framework, and has sought to avoid automatically recording measures deployed to support families and companies as a result of the pandemic as refinancing arrangements. Both the legislative and industry moratoria and the government-backed liquidity facility schemes described in last section of this Note should be considered macroprudential mechanisms designed essentially to help customers cope with the temporary difficulties arising from the health crisis. It is not automatically assumed that they should be considered as refinancing and that they therefore constitute a significant increase in risk.

Forbearance measures must take into account:

- An up-to-date and **individualised assessment** of the economic and financial situation of the borrowers and guarantors, as well as their capacity and willingness to pay.
- The situation and effectiveness of the guarantees and collateral provided.
- Past **Experience** with the borrower: sufficiently extensive history of debt repayment or, failing that, of an equivalent amount of repayment of the principal.

The refinancing or restructuring of transactions that are not current with payments **will not interrupt the period of their default status**, nor will it result in them being reclassified, unless there is reasonable certainty that the customer can meet their repayment obligations or that new effective guarantees will be provided and, in both cases, provided at least the past due ordinary interest is paid.

The solution that best adapts to the situation of the obligor will be chosen through individual analysis from among the potential forbearance options, for the purpose of recovering all amounts owed. In this regard, a suitable repayment plan without any grace periods will be chosen, unless there are short-term liquidity restrictions or a disposal plan needs to be executed to cover all or part of the debt. In general, measures that allow payments to be deferred in the short term or leave open refinancing terms and conditions in the long term must be based on the temporary nature of the situation of the obligors that warranted adopting these types of measures and on the clear willingness of customers to fulfil their payment obligations.

When a transaction is refinanced, it will be classified under one of the following categories:

- Underperforming refinancing transaction: Those for which there is objective evidence that the recovery all outstanding amounts is highly probable. In this regard, the following factors will be taken into consideration:
  - Grace period of less than 24 months.
  - Existence of a suitable repayment plan. In the case of transactions with individuals structured via monthly payments, the debt burden should not exceed 50 per cent.
  - Addition of guarantors of unquestionable solvency, or of new effective guarantees or collateral.
- Non-performing forborne exposures: Transactions where there is evidence of weaknesses in the borrower's repayment capability will be classified as non-performing. In this regard, the following factors will be taken into consideration:
  - The grant of grace periods on capital repayment exceeding 24 months.
  - The need to write off amounts from the balance sheet estimated as irrecoverable for the arrangement to continue.
  - Failure to provide new effective guarantees or collateral.
  - Acceptability of previous forbearance measures.

  Borrowers will be classified as non-performing unless there is evidence of sufficient capacity to fulfil their contractual obligations.

  Distress restructuring: Due to Bankinter's size and risk management, in general it appears as a minority entity among the creditors in debt restructuring processes and, therefore, it does not have a leading role in these processes. However, the various proposals submitted must be assessed for the purpose of defending the one with greater expectations of recovering the debt within a context of uncertainty. The conditions under which business continuity is viable and likely, as well as the reasonableness of the disposal plans and their implications, must therefore be analysed in detail.

Reclassification of forbearance

The reclassification between forbearance categories requires an exhaustive review of the equity and financial position that concludes that it is not likely that the holder will encounter financial difficulties. In this regard, it must assess:

- For reclassification from non-performing forborne exposure to underperforming forborne exposure:
  - That 12 months have elapsed since the date of the refinancing
  - That the renegotiated principal amount has decreased since the date of the transaction and there should be no past-due amounts from that time.
  - That the holder does not have any other amounts more than 90 days past due.
- For reclassification from underperforming to performing:
  - That 24 months have elapsed from the date of the forbearance or from the date of reclassification as non-performing loans.

- That the borrower has settled an amount equivalent to the amount past due on the date of the forbearance and there are no past-due amounts from that point on.

That the holder does not have any other amounts more than 30 days past due.

Accounting classification

Refinancing means any transaction, irrespective of the borrower or the guarantees or collateral given, granted or used for economic or legal reasons related to the -current or foreseeable-- financial difficulties of the borrower(s) in order to cancel one or more transactions granted by the Bank or by other Group entities to the borrower(s) or to one or more other companies of the borrower's economic group, or whereby such transactions are brought totally or partially up to date with payments, so as to help the borrower(s) under the cancelled or refinanced transactions repay their debts (principal and interest) because they cannot, or it is thought that they will not be able to comply in time and form with the terms of the arrangement.

Regarding modifications of terms and conditions, transactions can be classified as:

- **Refinancing transaction***:* any transaction, irrespective of the borrower or the guarantees or collateral given, granted or used for economic or legal reasons related to the -current or foreseeable-- financial difficulties of the borrower(s) in order to cancel one or more transactions granted by the Bank or by other Group entities to the borrower(s) or to one or more other companies of the borrower's economic group, or whereby such transactions are brought totally or partially up to date with payments, so as to help the borrower(s) under the cancelled or refinanced transactions repay their debts (principal and interest) because they cannot, or it is thought that they will not be able to comply in time and form with the terms of the arrangement.
- **Refinanced transaction***:* a transaction that is brought totally or partially up to date with payments as a consequence of a refinancing transaction carried out by the Bank or another entity in its economic group.
- **Restructured transaction:** a transaction in which, for economic or legal reasons relating to the current or foreseeable financial difficulties of the borrower(s), the financial terms and conditions are modified in order to help the borrower(s) under the cancelled or refinanced transactions repay their debts (principal and interest) because they cannot, or it is thought that they will not be able to comply in due time and form with its conditions, even if such modification is envisaged in the contract. In any case, the following transactions shall be considered to be restructured: transactions involving a 'haircut' or debt forgiveness or where assets are received to reduce the debt, or where the terms and conditions are modified to extend the maturity, change the repayment schedule to reduce the amount of the instalments in the short term or reduce their frequency, or establish or extend a grace period for principal, interest or both, except when it can be shown that the conditions are modified for reasons other than the borrower's financial difficulties and are analogous to those applied in the market at the date of the modification to transactions granted to customers with a similar risk profile.
- **Rollover transaction:** a transaction executed to replace another previously granted by the entity itself without the borrower having any financial difficulties or foreseeably having any in the future, i.e. the transaction takes place for reasons other than refinancing.
- **Renegotiated transaction***:* a transaction whose financial terms and conditions are changed without the borrower having any financial difficulties or foreseeably having any in the future; i.e. the terms and conditions are changed for reasons other than restructuring.

In any case, for a transaction to be classified as a rollover or as renegotiated, the borrowers must be able to obtain transactions on the market and at the date of the rollover or renegotiation for a similar amount and under substantially similar financial conditions to those applied by the Bank, and these must also be in line with those granted at that date to other borrowers with a similar risk profile.

Reconciliation of the opening and closing balances of refinanced and restructured assets:

	Thousands of euros
Refinanced portfolio at 31.12.2020	**Carrying amount**
Public administrations	1,934
Legal persons and entrepreneurs	497,652
Natural persons	302,972
Balance at 31.12.20	802,558
Additions	
Public administrations	0
Legal persons and entrepreneurs	82,168
Natural persons	34,504
Total additions	116,672
Disposals	
Public administrations	1,887
Legal persons and entrepreneurs	126,421
Natural persons	46,213
Total disposals	174,521
Refinanced portfolio at 31.12.2021	
Public administrations	48
Legal persons and entrepreneurs	453,399
Natural persons	291,263
Balance at 31.12.2021	744,709

Exposure to sovereign risk

Set out below is the carrying amount of sovereign risk exposure at year-end:

2021				Debt securities
Thousands of euros				
	Short positions in securities	Financial assets at fair value through other comprehensive income	Financial assets held for trading	Financial assets at amortised cost
SPAIN	(1,472,333)	1,236,147	1,007,043	4,068,550
ITALY	-	-	232,897	1,386,620
PORTUGAL	-	10,359	51	798,964
BULGARIA	-	-	-	2,464
ROMANIA	-	-	-	11,195
ICELAND	-	-	-	7,018
ANDORRA	-	-	-	9,102
SAUDI ARABIA	-	-	-	25,711
	(1,472,333)	1,246,506	1,239,991	6,309,624

2020				Debt securities
Thousands of euros				
	Short positions in securities	Financial assets at fair value through other comprehensive income	Financial assets held for trading	Financial assets at amortised cost
SPAIN	(496,886)	1,327,680	371,106	4,347,604
ITALY	-	-	19,281	1,282,217
PORTUGAL	-	10,543	54	818,271
BULGARIA	-	-	-	2,648
ROMANIA	-	-	-	11,335
MEXICO	-	-	-	15,531
ICELAND	-	-	-	7,061
ANDORRA	-	4,030	-	-
SAUDI ARABIA	-	-	-	28,271
EUROPEAN UNION	-	-	154	-
	(496,886)	1,342,253	390,595	6,512,938

Structural and market risks

Structural liquidity risk

Structural liquidity risk is associated with the Bank's ability to meet its payment obligations and fund its lending activity. The Bank actively monitors its liquidity position and forecasts, as well as the actions to taken both in business as usual market situations and in exceptional circumstances arising due to internal causes or market behaviours.

The ALCO is in charge of managing this risk by delegation of the board of directors.

The liquidity management principles, strategies and practices are set out in the Liquidity Planning Framework and that the ensure that the Bank has sufficient liquidity to meet its day-to-day liquidity obligations and to cope during a period of liquidity stress. Liquidity management is underpinned by the following strategic principles:

- Limited reliance on wholesale markets to fund operations through balanced growth in retail funds.
- Diversification of wholesale funding sources by instruments and markets, and maintenance a balanced maturity schedule.

To comply with these principles, the following strategic liquidity management lines have been established:

- Maintaining a customer funding gap with a loan-to-deposit (LtD) ratio below 120%;
- Being present in all wholesale markets, with frequent issues depending on market needs and opportunities;
- Offering maximum transparency to investors and regularly providing them with information on Bankinter;
- Keeping an adequate wholesale maturities profile and avoiding credit risk concentrations; and
- Maintaining a sufficient buffer of liquid assets to cover a possible shutdown of wholesale markets.

Customer funds increased by more than 6,700 million euros in 2021, with the balance at year-end representing 105.9% of loans and receivables, up from 99.7% the year before. Customer loans grew by 2,820 million euros, leaving the customer funding gap (i.e. the difference between loans and funds) at -2,889 million euros. This was more than 3,900 million euros lower than at the end of 2020. The banking business in Spain's customer funding gap decreased by 3,264 million euros thanks to strong growth in customer funds, which easily outstripped the liquidity requirements generated by the growth of loans and receivables. The banking business Portugal helped to narrow the customer funding gap by an additional 703 million euros.

In wholesale funding, a 750 million euro subordinated debt issue was carried out in June, with strong take-up by wholesale investors.

The improved liquidity position drove significant growth in the liquidity buffer, leaving the LCR well above both internal and regulatory limits. The LCR stood at 227.0% at year-end 2021, up from 193.0% at year-end 2020.

Wholesale funding maturities are distributed over time so as to minimise refinancing difficulties.

One analysis used by analysts is information on liquid assets relative to the maturities of the liabilities is detailed below. This is the Bank's liquidity profile. It can be used to verify the Bank's ability to assume liquidity obligations without affecting its traditional lending business.

LIQUIDITY PROFILE

Liquid assets

Liquidity

	Total, million euros
Cash	21,487
Liquid assets	3,091
Eligible for Banco de España	6,432
Eligible for other central banks	-
Other securities	271
Fixed income (A-rated or higher)	10
Quoted securities	137
Money market funds	

WHOLESALE

Financial institutions (excluding repos)

	Total, million euros	<1 month	1-3 months	3-6 months	6-9 months	9-12 months	1-2 years	2-3 years	3-5 years	> 5 years
Net financial institutions	(2,730)	(6,035)	1,218	1,270	193	312	68	525	1,050	(1,331)
Loans										
Banks	3,100	730	522	347	154	102	46	0	0	1,200
Other financial institutions	4,581	216	968	972	72	247	110	553	1,107	336
Borrowings										
Banks	(3,759)	(982)	(111)	(6)	(7)	(3)	0	(0)	(0)	(2,650)
Second-floor facilities (préstamos de mediación)	(507)	(11)	(17)	(36)	(22)	(32)	(87)	(28)	(57)	(217)
Other financial institutions	(6,146)	(5,987)	(146)	(6)	(4)	(3)	(0)	-	-	-

Other wholesalers

	Total, million euros	<1 month	1-3 months	3-6 months	6-9 months	9-12 months	1-2 years	2-3 years	3-5 years	> 5 years
Other wholesalers	(3,295)									
Corporate	(1,712)	(1,702)	(4)	(1)	(0)	(2)	(1)	(1)	-	-
Public sector	(1,583)	(1,582)	-	(0)	(0)	(0)	-	-	-	-

Repurchase agreements

	Total, million euros	<1 month	1-3 months	3-6 months	6-9 months	9-12 months	1-2 years	2-3 years	3-5 years	> 5 years
Repos, net	(16,552)	(2,099)	(93)	79	-	(2,757)	(10,388)	(1,294)	-	-
Assets										
Reverse repos	2,690	2,154	311	225	-	-	-	-	-	-
Liabilities										
ECB repos	(14,232)	-	-	-	-	(2,550)	(10,388)	(1,294)	-	-
Other repos	(5,010)	(4,253)	(404)	(146)	-	(207)	-	-	-	-

Outstanding debt

	Total, million euros	<1 month	1-3 months	3-6 months	6-9 months	9-12 months	1-2 years	2-3 years	3-5 years	> 5 years
Outstanding debt	(6,537)									
Senior	(2,000)	-	-	-	-	-	-	(500)	(750)	(750)
Government-backed	-	-	-	-	-	-	-	-	-	-
Subordinated and preference	(1,682)	-	-	(500)	-	-	-	-	(350)	(832)
Covered bonds	(2,550)	-	-	-	(1,000)	-	-	-	(1,000)	(550)
Short term	-									
Securitisations	(305)	(5)	(7)	(12)	(12)	(12)	(65)	(72)	(73)	(47)
Debt withheld	12,950									
Government-backed	-									
Covered bonds	11,950									
Issue capacity	6,526									
In progress	-									
Covered bonds	3,872									
Government-backed	-									

RETAIL

Retail financing

	Total, million euros	<1 month	1-3 months	3-6 months	6-9 months	9-12 months	1-2 years	2-3 years	3-5 years	> 5 years
Retail										
Individuals and SMEs	(58,296)	(55,671)	(826)	(665)	(253)	(578)	(90)	13	(179)	(48)
Debt placed with retailers										
Placements	(1,919)	(81)	(680)	(33)	(523)	(45)	(93)	(227)	(236)	(1)
Credit facilities	8,076									

Moreover, the measures used by the market risks department to control liquidity risk include verifying compliance with the limits set by the board and delegated to the market risk offers and the ALCO. The market risks department calculates the limits based on information prepared for the various regulators.

The limits are grouped into large classes:

1) Determining the liquidity buffer

   The Bank uses both the definition of regulatory LCR and a similar ratio extended to 90 days and with a definition of liquid assets in accordance with assets accepted by the European Central Bank as collateral for liquidity. Another reference for calculating the liquidity buffer is the schedule of maturities of wholesale issues over the ensuing months.

2) Wholesale funding concentration ratios

   With the aim of not subjecting Bankinter to stress as a result of a possible sudden shutdown of the wholesale markets, limits are established on short-term wholesale funding, as well as on the concentration of issue maturities.

3) Ratio of stable deposits to total loans.

   In order to reduce the reliance on wholesale funding, a minimum ratio of stable deposits to total loans is established. In order to establish the stability of the deposits, the regulatory definition of the net stable funding ratio (NSFR) and the experience of the Spanish financial sector are combined.

In addition to the limits established by the board of directors, trends in the liquidity gap or liquidity map are monitored, and information is obtained and analyses performed on the specific situation of balances resulting from commercial transactions, wholesale maturities, interbank assets and liabilities and other funding sources. These analyses are performed both under normal market conditions and simulating different scenarios of liquidity needs that could arising from different business conditions or changes in market conditions.

For contingent liabilities shown below, 13,850 million euros are stated as demand deposits, but this does not mean they will be demanded in the immediate future. Credit accounts, which make up the bulk of the amount, are drawn by customers depending on their financing needs over time.

Figures at December 2021 in millions of euros	On demand	1D to 1M	1M to 3M	3M to 12M	12M to 5Y	> 5Y	TOTAL
Contingent liabilities							
Financial guarantees and documentary letters of credit	1,077	133	380	901	35	211	2,737
Commitments drawable by third parties	12,773	-	-	-	-	-	12,773

Bankinter has implemented a liquidity contingency plan that specifies the persons responsible and the lines of action to take in order to raise liquidity in the event of adverse conditions in financial markets. This plan identifies three levels of alert: minor problems, serious problems and severe liquidity crisis. Besides including the procedure for identification, it outlines the action to take for persons affected in each scenario. The activation of the contingency plan is also decided by the ALCO. The alerts included in the contingency plan are monitored by both the balance sheet management and market risk areas, which notify the ALCO members in the event of deterioration of the objective conditions identified.

Structural interest rate risk

Structural interest rate risk is the Entity's exposure to changes in market interest rates arising from the different timing structure of maturities and repricing of global balance sheet items.

Bankinter actively manages this risk to protect net interest income and preserve the Bank's economic value in the event of fluctuations in interest rates.

To control exposure to structural interest rate risk, the Bank has established a limits structure that is reviewed and approved annually by the board of directors in accordance with Bankinter's risk management strategies and policies.

Bankinter has tools to control and monitor structural interest rate risk. The main measurements used by the Bank to manage and control the interest rate risk profile approved by the board of directors of the parent company are as follows:

a. Sensitivity of net interest income:

   The exposure of net interest income to different scenarios of interest rate fluctuations and for a 12-month time horizon is measured monthly using dynamic measurements. The sensitivity of net interest income is obtained as the difference between the net interest income projected with the market curves at each analysis date and the net interest income projected with the interest rate curves altered in different scenarios, of both parallel movements of interest rates and changes in the slope of the curve.

   The sensitivity of Bankinter's net interest income to parallel shifts of 100 basis points in market interest rates is approximately +9.5% for increases and -2.6% for decreases, both for a 12-month horizon, under the Group's management assumptions.

b. Sensitivity of economic value:

   This is a supplementary measure to the two previous measures and is calculated monthly. It allows the Bank to quantify the exposure of its economic value to interest rate risk, and it is obtained as the difference between the net present value of the items sensitive to the interest rates calculated using the interest rate curves in different scenarios and the curve quoted in the market at each analysis date.

   The sensitivity of economic value to parallel shifts of +/- 100 basis points was +7.5% and -8.8%, respectively, of own funds at year-end 2021. The scenario of interest-rate cuts considers more negative rates than at present.

Management assumptions were used to calculate both measures, considering negative interest rates, except for items with a Euribor floor.

Market risk

The board of directors delegates the bank's proprietary trading in financial markets to the general capital markets management area through the trading area. The financial instruments traded must be sufficiently liquid and be associated with hedging instruments. The risk that may arise from managing the Bank's proprietary accounts relates to changes in interest rates, stock market prices, exchange rates, volatility and credit spreads.

The board of directors delegates to the ALCO the continuous monitoring of the proprietary trading activities carried out by treasury's trading area and establishes maximum limits for authorisation of the possible excesses that may occur in this activity.

Market risk, which reports to the managing director of risk/CRO, independently measures, monitors and controls the Bank's market risks and the limits delegated by the board.

Market risk is measured mainly using the Value at Risk (VaR) methodology.

Value at Risk (VaR)

Value at Risk (VaR) is defined as the maximum expected loss in a given portfolio of financial instruments, in normal market conditions, for a specific confidence interval and time horizon as a result of variations in market prices and variables.

VaR is the principal indicator daily by Bankinter to comprehensively and globally measure and control exposure to market risk due to interest rates, equity, exchange rates, volatility and credit.

The historical simulation approach is used to measure VaR. VaR is calculated with a 95% confidence interval and a 1-day time horizon, although additional monitoring is carried out with other confidence intervals.

Set out below are comparative figures of VaR by risk factor for 2021 and 2020 of the Bank's positions in overall figures and by portfolio:

VaR financial assets held for trading in 2021		VaR financial assets held for trading in 2020	
Millions of euros	**Last**	**Millions of euros**	**Last**
Interest rate VaR	0.46	Interest rate VaR	1.23
Equity VaR	0.40	Equity VaR	0.85
Exchange rate VaR	0.06	Exchange rate VaR	0.11
Volatility rate VaR	0.40	Volatility rate VaR	0.82
	0.71		**2.09**

VaR financial assets at fair value through other comprehensive income 2021		VaR financial assets at fair value through other comprehensive income 2020	
Millions of euros	**Last**	**Millions of euros**	**Last**
Interest rate VaR	0.90	Interest rate VaR	6.29
Equity VaR	-	Equity VaR	-
Exchange rate VaR	-	Exchange rate VaR	-
	0.90		**6.29**

VaR non-trading financial assets mandatorily at fair value through profit or loss, 2021		VaR non-trading financial assets mandatorily at fair value through profit or loss, 2020	
Millions of euros	**Last**	**Millions of euros**	**Last**
Interest rate VaR	0.00	Interest rate VaR	-
Equity VaR	0.08	Equity VaR	0.11
Exchange rate VaR	-	Exchange rate VaR	-
	0.08		**0.11**

Operational risk

Operational risk is the risk of incurring losses from failed internal processes, people and systems or from external events, including legal risks. These are risks encountered in processes and generated internally by people and systems or that arise as a result of external agents, such as natural disasters.

Bankinter's operational risk management model is the "standardised approach" in accordance with prevailing solvency regulations. This method requires the existence of systems for identifying, measuring and managing operational risks with prior authorisation by Banco de España and an annual audit. Bankinter ensures access to best sector management practices by participating in the Spanish Operational Risk Consortium (Consorcio Español de Riesgo de Operacional), a forum of financial institutions for sharing experiences regarding operational risk management.

Principles of action and management framework

With a view to achieving an adequate system for managing operational risk, Bankinter has established the following basic principles of action:

- The main goal is to identify and mitigate the major operational risks, seeking to minimise any possible losses.
- Systematic procedures are defined for assessing, analysing, measuring and reporting risks.

- In order to explore all the Bank's activities to inventory operational risks, the business units are established as the analysis unit such that, after analysing the risks of the units, the Entity's total risks are arrived at by aggregation.

The main elements of Bankinter's operational risk management framework are:

- Identification and assessment of risks, by developing risk maps that estimate the importance of the risk and assess the appropriateness of its control environment.
- Registration of loss events, with information on their management.
- Preparation of continuity and contingency plans, outlining the alternative procedures to business as usual to restore critical services in the event of interruptions.
- Generation and dissemination of management information adapted to the needs of each governing body.

Governance structure

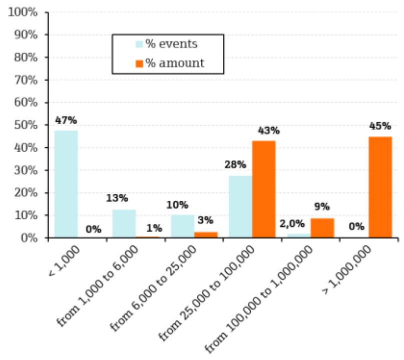
Bankinter follows a decentralised model in which ultimate responsibility for managing operational risk falls on the respective business and support units.

For governance purposes, the following control bodies and lines of responsibility have been established:

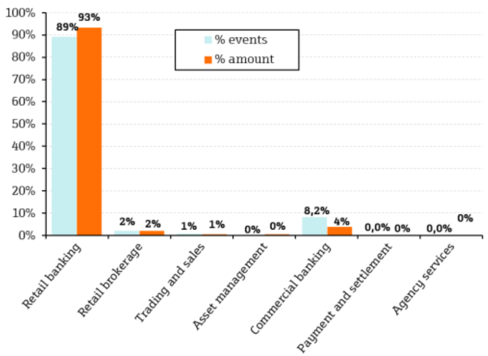
- Board of directors: It approves the policies and the management framework, establishing the level of risk that Bankinter is willing to assume.
- Risk committee: It assumes the following operational risk management functions:
  - Promote the implementation of operational risk management policies.
  - Monitor the significant operational risks.
  - Resolve conflicts of responsibility and decide on the proposals made by the operational risk area.
- The products and operational risk committee. It assumes the following operational risk management functions:
  - Oversee compliance with procedures for identifying and assessing operational risks associated with the launch of new products and business lines. Authorise or reject, as appropriate, the sale of products with relevant operational risks.
  - Review operational risks associated with the sale of existing products, their sales policies and the materialisation of these risks in relations with customers, partners and suppliers.
  - Monitor plans for mitigating the risks associated with launching and selling products and services.
  - Monitor and analyse the main indicators associated with operational risk management, such as operational losses, monitoring of current or potential risks, monitoring the effectiveness of controls, monitoring the risk profile and appetite.
- Operational risk: It assumes the following functions:
  - Promote the management of operational risks in the areas and units, encouraging their identification, allocation of responsibility, establishment of controls, generation of indicators, design of mitigation plans, regular review and the actions to be taken in the event of new losses or material risks.
  - Provide the areas with the necessary methodologies, tools and procedures for managing their risks.
  - Promote the design of business continuity plans that are appropriate and in proportion to the size and activity of the Bank in the units that require them.
  - Ensure that the Bank's operational losses are correctly and accurately recorded.
  - Provide the organisation with a uniform vision of its exposure to operational risk, identifying, integrating and assessing existing operational risks.
  - Provide the information on operational risk for disclosure to regulators, supervisors and external institutions.
- Business units: They have the following functions:
  - Manage operational risks and specifically, identify, assess, monitor, analyse, mitigate and control the operational risks on which they have the ability to act.
  - Record incidents and communicate the operational losses incurred in their business activities.
  - Study, define, prioritise and fund plans to mitigate the operational risks under their management.
  - Maintain and test the business continuity plans for which they are responsible.

With regard to loss events databases, Bankinter's operational risk profile is summarised in the charts below:

Percentage breakdown by amount intervals



Percentage breakdown by business line



Insurance in operational risk management

Bankinter uses insurance as a key element in managing certain operational risks, thereby complementing the mitigation of those risks that require it due to their nature. Accordingly, the insurance area, together with the Bankinter various other areas and taking into account the operational risk assessments and loss history, assesses the advisability of modifying the scope of coverage of the insurance policies for the various operational risks.

Examples are the insurance taken out with various companies of recognised solvency for contingencies affecting the Bank's property (e.g. earthquake, fire insurance), internal or external fraud (e.g. robbery, embezzlement), employees' civil liability, etc.

Reputational risk

Reputational risk is the risk arising when the expectations of stakeholders (e.g. customers, shareholders, employees, investors) are not met and their reaction can adversely affect existing or new business relationships with them.

They are unique because they depend on external assessments and can originate from a wide variety of sources, including other risks. This is particularly important against a backdrop characterised by immediate and easy access to communication.

The reputational risk management model involves preventing such risks, identifying and controlling them proactively to reduce their probability of occurrence and mitigate their impact. The entity has various tools at its disposal for this:

- Regular measurement of the perception and expectations of the main stakeholders (through customer satisfaction, internal climate, perception and customer and non-customer surveys using RepTrak® methodology, analyst ratings, etc.).
- Monitoring and analysis of mentions of the entity in conventional and social media, in addition to active listening to gauge trends in the market and environment.
- Assessment of reputational risk before marketing a product, outsourcing a service or partnering with a third party.
- Reputational risk map, with a series of KPIs, impact and control metrics, including the main ones in the risk appetite framework and the internal reporting system.
- Crisis management protocol to preserve reputation and business continuity.
- Employee training and awareness-raising within the Bank to reinforce a preventive culture.
- Monitoring and analysis of mentions of the entity in conventional and social media, in addition to active listening to gauge trends in the market and environment.
- Crisis management protocol to preserve reputation and business continuity.

Throughout 2021, the Bank made progress in updating the repertoire of reputational risk events and developing a global reputational risk exposure indicator.

Legal risk

Bankinter's lending transactions, retail mortgage segment and denominated in foreign currency ("multicurrency loans"): the Parent has received claims whose estimated obligations have been recognised by the Bank at 31 December 2021 under "Other provisions" (Note 20). The Bank has also been notified of two lawsuits filed by two consumer associations in 2016 and 2018, respectively, which claim to represent Bankinter's consumer customers with multi-currency mortgages.

Regarding the proceeding initiated in 2016, Bankinter submitted its reply to the lawsuit on 17 May 2021. It is still ongoing, with no ruling having been made regarding the underlying case.

As for the lawsuit notified in 2018, on 18 October 2021, after a pre-trial hearing, the competent court issued an order dismissing the proceedings after accepting the procedural plea of lis pendens filed by Bankinter (as the proceedings initiated in 2016 referred to above were still ongoing). That order became final and the proceedings were dimissed definitively.

The Entity has policies and procedures aimed at adequately managing the legal risk arising from these transactions. Some of the main features can be summarised as follows:

- The Company has a policy for estimating legal provisions, defined in Note 20, which includes regular monitoring of the main variables, such as the average record of adverse rulings handed down against the Entity and the average loss per case, in order to estimate the allowances necessary for the legal risk associated with the transactions against which claims are filed.

- The Company carries out an individual analysis, by court and by geographical area, of the key factors that give rise to the adverse rulings in the judgements received, and their possible ramifications on the maximum risk and the estimate, at each review date, of the legal provisions required and associated with multicurrency loan transactions. The Bank is also tracks case law handed issued by the Supreme Court and the Court of Justice of the European Union, assessing potential impacts on the Entity's multi-currency loan portfolio with the assistance of independent experts.

- The Company has also identified the multicurrency mortgage loan portfolio as a separate segment within the mortgage loan portfolio. In this regard, to calculate the expected loss on multicurrency loans, the Entity's internal models include certain elements that affect the estimate of the probability of default and loss given default associated with these transactions, resulting in greater coverage of credit risk for the multicurrency loan segment.

The Entity considers that the provisions recognised at 31 December 2021 were sufficient to cover any potential losses arising from the multicurrency loan portfolio and to face the outcome of any risks that may affect it.

Climate change risk

In line with supervisory expectations, Bankinter is actively working to identify, assess, manage and reduce the impact of climate change on its loan book. It has drawn up four lines of work on this front: Identification and measurement, assessment, action and monitoring.

Identification and measurement:

A large portion of data used are estimates and weights due to the scant information and previous measurements available. While it gathers specific information from customers, Bankinter uses a variety of methods to estimate these risks:

- The PCAF approach for calculating financed emissions. According to this approach, Bankinter's financed emissions generated by companies in Spain through loans and investments of 27,051 million euros amount to 1.8 million tonnes. Thanks to the composition of our portfolio, with less financing of high emission intensity industries (e.g. agriculture or refineries) and the significant weight of renewables in energy financing, we have a better starting point than the system.
- We have implemented a system of assigning a climate rating to all companies that tells us how likely they are to being affected by climate change risks, so we can initiate dialogue with them for an assessment.
- In the mortgage portfolio, Bankinter is taking part in an industry project to secure energy efficiency certificates for all its mortgaged properties.

Assessment

Bankinter is aware that this poses a serious challenge to financial institutions because of the potential long-term effects, the problems obtaining reliable and verified data, and how new the exercises are. Therefore, it is working on three methodological approaches, in line with the recommendations by the EBA in the "EBA Report on management and supervision of ESG risks for credit institutions and investment firms":

- Portfolio alignment. Measuring financed emissions allows financial institutions to have a decarbonisation strategy, and build characteristics on concentrations of direct and indirect emissions, and carbon footprint by branch of activity.
- Sensitivity analysis, including the European Central Bank 2022 stress test. Bankinter is also developing its own climate sensitivity analyses in line with NGFS scenarios and projections, assessing the potential impact by sector of activity and the long-term effects.
- Exposure method, which entails understanding the risks to which customers are exposed and how they are mitigating, or plan to mitigate, them. This climate rating system has been implemented to Corporate Banking in Spain and Portugal.

Action.

This entails essential two lines of action

Inclusion of climate change risk in the credit risk approval process.

The corporate climate rating has been implemented in the risk approval process since October 2021. This aim is focus dialogue with customers, especially those exposed to higher levels of risk. By doing this, we incorporate climate and environmental factors into our risk decision-making and attempt to identify opportunities to assist these customers financially in their transition.

Definition of a new business strategy because of climate change risk. Bankinter is working on the four pillars that should underpin this according to the EBA guide of October 2021:

- Sustainability policy. Bankinter has been managing sustainability for over a decade now through successive policies and strategic plans. It is also a signatory of the leading international sustainability and climate change initiatives and commitments; e.g. the United Nations Global Compact, the Equator Principles, UNEPFI (the United Nations Environment Programme Financial Initiative), the Responsible banking Principles and the Net Zero Banking Alliance.
- Scenario analysis. Using the baseline scenario; i.e. Net Zero 2050, and assessing the entity's strength according to its strategy and assuming that a set of other plausible scenarios may occur.

- Decarbonisation strategy, which entails setting long-term financed emission reduction targets. These will be delivered mostly by meeting national decarbonisation targets. Bankinter aims to pursue an inclusive policy; i.e. not abandon sectors, but rather help companies invest to decarbonise.
- Sustainable businesses. Bankinter has designed several products linked to sustainability criteria; e.g. sustainable investment funds, green mortgages, debt issues, renewable energy project finance, alternative venture capital funds, pension funds managed using sustainability criteria and financing of energy efficiency activities in homeowners' associations.

Disclosure and monitoring

Lastly, a project was launched last year aimed at making progress in defining climate risk KPIs in the loan book and including them in Bankinter's management systems, accessible by Bank staff for monitoring and management, and new, regular reporting to senior management and the board of directors with close monitoring of this activity.

Despite the lack of specific customer information and the uncertainty regarding climate risk at present, this risk is not expected to have a material short-term impact on the Group's financial statements based on the estimates and weightings used by the Group and its active management to identify, assess and reduce this risk.

IBOR reform

In 2014, the Financial Stability Board recommended reforms to interest rate benchmarks (e.g. interbank offered rates, or IBOR) to strengthen existing benchmarks and ensure their sustainability. Since then, public authorities in several jurisdictions have made considerable progress implement the reform of interest rate benchmarks, urging market participants to ensure their timely transition toward the reform of interest rate benchmarks, including replacing reference rates with alternative reference rates. These reforms affected widely used indices, e.g. LIBOR and, in the euro area, the EONIA and EURIBOR.

As a result, currency/jurisdictional task forces were set up to define and promote adoption of these alternative risk-free reference rates.

Despite the measures taken by UK authorities to strengthen the LIBOR, they still had too many concerns about its sustainability, because of its lower liquidity of the money market and, accordingly, the low volume of underlying transactions. Therefore, in July 2017 the British FCA said it would no longer oblige LIBOR panel banks to continue contributing to the LIBOR as of end-2021. Consequently, it recommended they cease publishing LIBOR by the end of 2021 and urged them to stop entering into new contracts using the index as soon as they could and, in any case, by 31 December 2021.

In the euro area, the recommendations were articulated in the 2016 publication of the European Benchmark Regulation (BMR), effective from 1 January 2018. Regulatory efforts focused on different approach, based on continuity of the EURIBOR index (applying a clearer, more transparent and robust calculation methodology) and creation of a risk-free rate, the €STR published by the ECB since October 2019, which will replace the EONIA as of January 2022.

On 5 March 2021, the British authorities formally announced the LIBOR cessation as at 31 December 2021 in all its settings and currencies, except USD, whose publication will continue until 30 June 2023 to facilitate the transition of existing contracts (which is necessary consider that the USD index is the most widely used in the world).

The LIBOR's disappearance means that market must transition to alternative rates that, in accordance with the recommendations of the FSB and other authorities, must be based on the risk-free rates identified in each: SONIA as a replacement for GDP LIBOR benchmarks, SOFR for the USD LIBOR, SARON for the Swiss franc benchmark, TONAR for JPY LIBOR and €STR for the EUR LIBOR.

The transition to risk-free rates is evidently one of the most complex issues facing the financial industry at present. The impact is corporate-wide, involving practically all the Bank's operations, transactions, contracts, market risks, accounting, etc. To help banks that use the benchmark in their financial transaction and contracts adequately manage the transition, the CNMV has stressed the importance of monitoring the developments and actions of the working groups, the main advances in the reform process, and the identification and assessment of the risks and possible impacts arising from their exposure.

It also recommends designing an overall strategy for planning the related implementation actions and having an adequate organisational structure to coordinate the design and implementation of the transition.

To ensure a smooth transition, minimise risks and address both current and future issues resulting from the reform, Bankinter Group set up a working group, which reports to the management committee, composed of members from all the areas involved; i.e. Operations, Legal department, Financial department, Risk area, Treasury, Products and Commercial Segments.

This team launched a project that considers all products, systems and processes affected by the benchmark reform, and different paces at which the indices will be discontinued, depending on the currency.

All positions position were identified and, accordingly, the economic, operational, legal, financial and reputational risks associated with the change in benchmark indices was assessed. Different lines of work were designed, while technical changes were also made to processes and applications, employee training, communication to customers affected by some of the indexes that are disappearing, rewording of contract clauses, and participation in working groups and forums.

A great deal of the work last year focused on preparing the Entity to operate with the new, alternative rates proposed by the working groups of the main monetary areas and on managing the change of indices in outstanding products whose benchmarks have been discontinued.

The Entity's exposure to the LIBOR is limited relative to its total balance sheet. Therefore, the impact of the reform is not material for any of its products: loans, credits, hedges, etc.

Exposure is concentrated primarily in USD-denominated loans and credits and JPY-denominated mortgage loans. Other LIBOR currencies affect some of the Entity's products, but do not pose any significant risk.

Below is the detail of the carrying amount as at 31 December 2021 of loans and advances and deposits referenced to the indices subject to the reform.

Benchmarked to the LIBOR at 31.12.2021	Products			
	Loans and advances		Deposits	
	Number of contracts	Thousands of euros	Number of contracts	Thousands of euros
USD	1,162	1,293,139	1,503	265,890
GBP	130	18,146	586	48,433
CHF	1,468	204,281	496	19,509
JPY	4,939	632,371	135	30,398

45. Disclosures regarding the mortgage market

The board of directors of Bankinter declares that the Bank has express policies and procedures in place to carry out its business activities in the mortgage market. It is responsible for complying with all mortgage market regulations and as such has approved these policies and procedures.

Each year, the board of directors sets out the basic principles regarding its risk policy for each business segment in a document titled The Risk Management and Control Framework. The board also approves a responsible lending policy, in accordance with the Transparency Act, which sets forth the principles that the Bank has always applied in this field.

Bankinter has adapted its products and processes to the Real Estate Credit Act 5/2019.

The policies regarding the granting of mortgage loans include, , the following criteria:

- The ratio between the loan amount and the appraisal value of the mortgaged property, as well as the existence of other guarantees and collateral.
- The ratio between the borrower's debt and income, as well as verification of the information provided by the borrower and its solvency.

The key elements of the risk policies for this product are:

Automatic authorisation and discrimination by rating.

- In home mortgage loan transactions the maximum authorisation is sought via automatic systems.
- Bankinter has an internal rating model, developed and improved over the years, based on statistical systems in accordance with solvency regulations. Obtaining a rating for each transaction implies a certain probability of default, which is estimated on the basis of historical performances and projections of future scenarios. The rating is the main indicator of transaction quality and the main variable in the automatic authorisation and in manual approval.

Customer classification and repayment capacity

- Transactions are accepted based on an individual study of customers, the rating and economic capacity. Prices are customised according to the transaction rating and the customer's socio-economic profile.
- The maximum burden that customers may take on must always be taken into account. The following information must be available in order to make this calculation: servicing of all debts in the financial system and their net recurring income (extraordinary income should not be taken into account). This verifies whether the final disposable net income is enough to service the financing and

usual expenses. The documentation used to calculate the burden of the transaction is tax related, and must be as up-to-date as possible.

Financing the primary residence and second home.

- Bankinter's mortgage loan policy targets financing of primary residences and second homes for individuals, and not investment financings.

LTV (Loan to Value; relationship between the amount of the loan and the value of the property).

- The Bank's general policy is to finance homes up to an LTV of 80%. Exceptionally, for transactions involving customers with a high socio-economic profile, and a strong repayment ability and solvency, a higher LTV may be permitted. The collateral must be appraised correctly, both on authorisation of the transaction and throughout its life.
- On authorisation, the value of the collateral will be determined by the lower of the official appraisal or the purchase value executed by deed. There may not be any major difference between the two values.

Non-residents

- In these transactions, the required debt burden ratio is stricter.

Type of asset

- The home subject to finance must be located in established areas or urban locations, where there must be a real estate market with extensive supply and demand.

Standardisation of the mortgage process

- Standardisation is crucial to achieve a process where efficiency is its core element, particularly in retail commercial banking.
- End-to-end management of the process and coordination with all parties involved (mostly agencies and appraisal companies) is entrusted to a specialised department, which is in charge of establishing the procedures, applications, organisation and control of the process. This ensures that the process will be undertaken correctly, with optimal customer service and excellent credit quality in mortgage transactions.

Independent appraisal process

- The appraisal process is completely independent of the commercial network. Generally speaking, it is carried out centrally and the appraiser appointed for each appraisal is selected randomly. This ensures that the transactions carried out by a branch have been appraised by different appraisal companies.

Monitoring of the real estate market

- Official reports are collected and examined on a regular basis so as to monitor the value on the real estate market. The value of the mortgage collateral is updated in accordance with prevailing legislation.

Multi-currency

- Given the volatility of the currency-linked portfolio, specific monitoring and control is performed. (Note 44)

Sales policy for foreclosed assets

Prior to foreclosure, the team of specialised professionals forming the real estate assets unit first conducts an on-site inspection of the property to perform a technical analysis that covers the characteristics, type, description and condition of the property, as well as a study of the market and prices in the area.

Selling prices are set centrally based on objective criteria and are reviewed periodically to ensure that they are in line with the market, following an active real estate management policy as quickly and efficiently as possible.

For the sale of real estate assets, the Bank has created a network of external partners specialising in the property market. These specialist partners are selected individually based on their proximity, knowledge of the local market and product suitability. The effectiveness of this network is monitored closely, with daily contact and assessment of the level of sales and commitments.

By way of sales support the Bank relies on:

- The branch network, which has a financial incentive for referring potential buyers.
- Its own real estate portal on the Bank's website: https://www.bankinter.com/www/es-es/cgi/ebk+inm+home
- The assets are published on the main national portals.
- Sales service call centre.
- An active policy is in place aimed at studying the possibility of disposing of the entire portfolio or in batches of foreclosed assets.

Land and construction in progress

Due to the highly restrictive risk policy on developer finance, the amount for foreclosed land is low relative to the Bank's share and particularly compared to the banking sector as a whole.

Knowing the developer, the size of the development and the risk policy pursued has enabled us to support these developers to ensure at least that the financed projects are completed. Therefore, there are virtually no developments in progress among the foreclosed assets. In any case, the land management policy is aimed at establishing controls to prevent impairment of the asset and improving its condition to ensure a quick sale.

Specific examples of these procedures include:

- Selecting and controlling specialist service providers to resolve planning issues with land and unfinished developments, accepting budgets and monitoring budget execution.
- Supervising and monitoring the procedures to obtain the necessary sale permits from official bodies or municipalities.
- Proposing the analysis of viability studies for the real estate development to investors and property promoters.

Policy on lending to problematic real estate developers

Bankinter maintains a limited risk appetite in this business, closely monitoring exposures to ensure that they are within the authorised frameworks and that the strict risk policy established for authorisation of the developer loan transactions is respected scrupulously.

a) Credit transactions

Nominal value (in thousands of euros) of all mortgage credits and loans outstanding at 31 December 2021 and 2020 for these Group companies, nominal value of these eligible loans and credit facilities, the mortgage credits and loans covering the issue of mortgage bonds, those which were operated through mortgage participations or mortgage transfer certificates and uncommitted transactions:

	31 December 2021	
	Nominal value	Present value
1 Total loans	33,914,536	
2 Mortgage participations issued	233,202	
Of which: Loans held on the balance sheet	233,202	
3 Mortgage transfer certificates issued	633,785	
Of which: Loans held on the balance sheet	633,785	
4 Mortgage loans pledged in guarantee for financing received	-	
5 Loans backing mortgage bonds issues and covered bond issues	33,047,549	
5.1 Non-eligible loans	5,276,923	
5.1.1 Meet the eligibility requirements except the limit under article 5.1 of RD 716/2009	-	
5.1.2 Other	5,276,923	
5.2 Eligible loans	27,770,626	
5.2.1 Non-computable amounts	-	
5.2.2 Computable amounts	27,770,626	
5.2.2.1 Loans covering issues of mortgage bonds	-	
5.2.2.2 Loans eligible to cover issues of covered bonds	27,770,626	

	31 December 2020	
	Nominal value	Present value
1 Total loans	32,582,632	
2 Mortgage participations issued	453,914	
Of which: Loans held on the balance sheet	369,515	
3 Mortgage transfer certificates issued	841,801	
Of which: Loans held on the balance sheet	796,349	
4 Mortgage loans pledged in guarantee for financing received	-	
5 Loans backing mortgage bonds issues and covered bond issues	31,286,917	
5.1 Non-eligible loans	8,087,062	
5.1.1 Meet the eligibility requirements except the limit under article 5.1 of RD 716/2009	-	
5.1.2 Other	8,087,062	
5.2 Eligible loans	23,199,855	
5.2.1 Non-computable amounts	-	
5.2.2 Computable amounts	23,199,855	
5.2.2.1 Loans covering issues of mortgage bonds	-	
5.2.2.2 Loans eligible to cover issues of covered bonds	23,199,855	

Main characteristics of the loans covering mortgage bond and covered bond issues.

		31 December 2021
	Loans backing mortgage bonds issues and covered bond issues	Of which: Eligible loans
TOTAL	33,047,549	27,770,626
1 ORIGIN OF TRANSACTIONS	33,047,549	27,770,626
1.1 Originated by the Bank	30,995,050	25,877,274
1.2 Subrogated from other entities	2,052,500	1,893,353
1.3 Other	-	-
2 CURRENCY	33,047,549	27,770,626
2.1 Euro	32,170,915	26,987,630
2.2 Other currencies	876,635	782,996
3 PAYMENT STATUS	33,047,549	27,770,626
3.1 Normal payment	32,622,792	27,768,877
3.2 Other situations	424,757	1,749
4 AVERAGE REMAINING MATURITY	33,047,549	27,770,626
4.1 Up to 10 years	5,104,998	4,421,784
4.2 More than 10 years and up to 20 years	12,453,035	10,941,616
4.3 More than 20 years and up to 30 years	13,271,476	11,927,316
4.4 Over 30 years	2,218,040	479,910
5 INTEREST RATE	33,047,549	27,770,626
5.1 Fixed	8,800,411	7,302,392
5.2 Floating	23,728,202	20,021,552
5.3 Mixed	518,936	446,682
6 HOLDERS	33,047,549	27,770,626
6.1 Legal entities and individual business owners	6,572,522	4,918,053
Of which: Real estate developers	329,585	76,405
6.2 Other individuals and NPISH	26,475,028	22,852,573
7 TYPE OF COLLATERAL	33,047,549	27,770,626
7.1 Completed assets/buildings	30,743,333	26,114,081
7.1.1 Residential	29,258,075	24,959,777
Of which: Subsidised housing	-	-
7.1.2 Commercial	1,485,259	1,154,304
7.1.3 Other	-	-
7.2 Assets/buildings under construction	1,888,669	1,540,668
7.2.1 Residential	63,769	63,769
Of which: Subsidised housing	-	-
7.2.2 Commercial	1,824,899	1,476,899
7.2.3 Other	-	-
7.3 Land	415,547	115,877
7.3.1 Developed	331,039	109,713
7.3.2 Other	84,508	6,163

		31 December 2020
	Loans backing mortgage bonds issues and covered bond issues	Of which: Eligible loans
TOTAL	31,286,917	23,199,855
1 ORIGIN OF TRANSACTIONS	31,286,917	23,199,855
1.1 Originated by the Bank	29,388,770	21,526,753
1.2 Subrogated from other entities	1,898,147	1,673,102
1.3 Other	-	-
2 CURRENCY	31,286,917	23,199,855
2.1 Euro	30,119,071	22,136,973
2.2 Other currencies	1,167,846	1,062,882
3 PAYMENT STATUS	31,286,917	23,199,855
3.1 Normal payment	30,825,368	23,180,836
3.2 Other situations	461,549	19,019
4 AVERAGE REMAINING MATURITY	31,286,917	23,199,855
4.1 Up to 10 years	4,923,011	3,984,901
4.2 More than 10 years and up to 20 years	12,074,907	9,698,574
4.3 More than 20 years and up to 30 years	11,944,176	9,290,131
4.4 Over 30 years	2,344,823	226,248
5 INTEREST RATE	31,286,917	23,199,855
5.1 Fixed	5,331,905	4,079,635
5.2 Floating	25,472,467	18,703,935
5.3 Mixed	482,545	416,285
6 HOLDERS	31,286,917	23,199,855
6.1 Legal entities and individual business owners	6,572,449	4,653,944
Of which: Real estate developers	452,242	265,556
6.2 Other individuals and NPISH	24,714,468	18,545,911
7 TYPE OF COLLATERAL	31,286,917	23,199,855
7.1 Completed assets/buildings	28,997,814	21,668,015
7.1.1 Residential	27,460,955	20,580,151
Of which: Subsidised housing	-	-
7.1.2 Commercial	1,536,859	1,087,864
7.1.3 Other	-	-
7.2 Assets/buildings under construction	1,785,740	1,304,685
7.2.1 Residential	29,942	29,942
Of which: Subsidised housing	-	-
7.2.2 Commercial	1,755,798	1,274,743
7.2.3 Other	-	-
7.3 Land	503,363	227,155
7.3.1 Developed	408,982	227,155
7.3.2 Other	94,381	-

Breakdown of the nominal value of eligible mortgage loans and credits outstanding at 31 December 2021 and 31 December 2020 by the percentage of the transaction amount of the related value of the guarantee (loan to value) obtained from the latest admissible individual appraisal for the mortgage market:

	31 December 2021					
	RISK ON AMOUNT OF LATEST AVAILABLE APPRAISAL FOR THE PURPOSES OF THE MORTGAGE MARKET (loan to value)					
TYPE OF COLLATERAL	Less than or equal to 40%	Greater than 40% and less than or equal to 60%	Greater than 60%	Greater than 60% and less than or equal to 80%	Greater than 80%	TOTAL
Loans eligible for mortgage bond and covered bond issues	10,437,650	10,460,097	-	6,872,879	-	27,770,626
- On homes	8,218,256	8,976,608		6,872,879	-	24,067,744
- On other assets	2,219,393	1,483,489	-	-		3,702,883

	31 December 2020					
	RISK ON AMOUNT OF LATEST AVAILABLE APPRAISAL FOR THE PURPOSES OF THE MORTGAGE MARKET (loan to value)					
TYPE OF COLLATERAL	Less than or equal to 40%	Greater than 40% and less than or equal to 60%	Greater than 60%	Greater than 60% and less than or equal to 80%	Greater than 80%	TOTAL
Loans eligible for mortgage bond and covered bond issues	8,937,422	8,922,552	-	5,339,881	-	23,199,855
- On homes	6,786,744	7,527,300		5,339,881	-	19,653,925
- On other assets	2,150,678	1,395,252	-	-		3,545,930

	31 December 2021	
MOVEMENTS	Eligible loans	Non-eligible loans
1 Opening balance 31.12.2020	23,199,855	8,087,062
2 Reductions in the period	3,257,146	3,829,999
2.1 Repaid at maturity	1,888,691	538,949
2.2 Repaid early	1,368,454	513,569
2.3 Subrogated by other entities	-	-
2.4 Other	-	2,777,480
3 Increases in the period	7,827,917	1,019,860
3.1 Originated by the Bank	4,814,181	977,971
3.2 Subrogated from other entities	38,089	9,288
3.3 Other	2,975,647	32,600
4 Closing balance at 31.12.2021	27,770,626	5,276,923

	31 December 2020	
MOVEMENTS	Eligible loans	Non-eligible loans
1 Opening balance 31.12.2020	22,461,732	8,233,427
2 Reductions in the period	2,963,470	632,463
2.1 Repaid at maturity	1,887,286	225,200
2.2 Repaid early	1,076,184	407,263
2.3 Subrogated by other entities	-	-
2.4 Other	-	-
3 Increases in the period	3,701,593	486,098
3.1 Originated by the Bank	3,435,838	443,700
3.2 Subrogated from other entities	43,463	6,452
3.3 Other	222,292	35,946
4 Closing balance at 31.12.2021	23,199,855	8,087,062

Nominal amount of undrawn balances on eligible and non-eligible mortgage loans and credits at 31 December 2021 and 2020:

	31 December 2021
Mortgage loans and credits	Available balances
	Nominal value
Total	902,855
- Potentially eligible	537,952
- Non-eligible	364,903

	31 December 2020
Mortgage loans and credits	Available balances
	Nominal value
Total	855,017
- Potentially eligible	521,105
- Non-eligible	333,912

The Bank did not have any replacement assets relating to covered bond and mortgage bond issues at 31 December 2021 and 2020.

d) Debit transactions

Details of the aggregate nominal value of covered bonds outstanding at 31 December 2021 and 2020 issued by the Bank by remaining maturity, and mortgage participations and mortgage transfer certificates outstanding at 31 December 2021 and 2020 issued by the Bank, by remaining maturity:

MORTGAGE SECURITIES	Nominal value	Present value	Average remaining maturity
			31 December 2021
1 Outstanding mortgage bonds issued	-	-	
2 Covered bonds issued	15,694,597		
Of which: recognised in liabilities	2,744,597		
2.1 Debt securities. Issued by public offering	15,694,597		
2.1.1 Remaining maturity of up to one year	1,000,000		
2.1.2 Remaining maturity greater than one year and up to two years	3,000,000		
2.1.3 Remaining maturity greater than two years and up to three years	500,000		
2.1.4 Remaining maturity greater than three years and up to five years	4,200,000		
2.1.5 Remaining maturity greater than five years and up to 10 years	6,944,597		
2.1.6 Remaining maturity greater than 10 years	50,000		
2.2 Debt securities. Other issues	-		
2.2.1 Remaining maturity of up to one year	-		
2.2.2 Remaining maturity greater than one year and up to two years	-		
2.2.3 Remaining maturity greater than two years and up to three years	-		
2.2.4 Remaining maturity greater than three years and up to five years	-		
2.2.5 Term to maturity greater than five years and up to 10 years	-		
2.2.6 Term to maturity greater than 10 years	-		
2.3 Deposits	-		
2.3.1 Remaining maturity of up to one year	-		
2.3.2 Remaining maturity greater than one year and up to two years	-		
2.3.3 Remaining maturity greater than two years and up to three years	-		
2.3.4 Remaining maturity greater than three years and up to five years	-		
2.3.5 Term to maturity greater than five years and up to 10 years	-		
2.3.6 Term to maturity greater than ten years	-		
3 Mortgage participations issued	233,202		142
3.1 Issued by public offering	233,202		142
3.2 Other issues	-		-
4 Mortgage transfer certificates issued	633,785		212
4.1 Issued by public offering	633,785		212
4.2 Other issues	-		-

Average remaining maturity is expressed in days.

MORTGAGE SECURITIES	Nominal value	Present value	Average remaining maturity
			31 December 2020
1 Outstanding mortgage bonds issued	-	-	
2 Covered bonds issued	14,679,610		
Of which: recognised in liabilities	2,729,610		
2.1 Debt securities. Issued by public offering	14,679,610		
2.1.1 Remaining maturity of up to one year	-		
2.1.2 Remaining maturity greater than one year and up to two years	1,000,000		
2.1.3 Remaining maturity greater than two years and up to three years	3,000,000		
2.1.4 Remaining maturity greater than three years and up to five years	3,500,000		
2.1.5 Remaining maturity greater than five years and up to 10 years	7,129,610		
2.1.6 Remaining maturity greater than 10 years	50,000		
2.2 Debt securities. Other issues	-		
2.2.1 Remaining maturity of up to one year	-		
2.2.2 Remaining maturity greater than one year and up to two years	-		
2.2.3 Remaining maturity greater than two years and up to three years	-		
2.2.4 Remaining maturity greater than three years and up to five years	-		
2.2.5 Term to maturity greater than five years and up to 10 years	-		
2.2.6 Term to maturity greater than 10 years	-		
2.3 Deposits	-		
2.3.1 Remaining maturity of up to one year	-		
2.3.2 Remaining maturity greater than one year and up to two years	-		
2.3.3 Remaining maturity greater than two years and up to three years	-		
2.3.4 Remaining maturity greater than three years and up to five years	-		
2.3.5 Term to maturity greater than five years and up to 10 years	-		
2.3.6 Term to maturity greater than ten years	-		
3 Mortgage participations issued	369,515		136
3.1 Issued by public offering	369,515		136
3.2 Other issues	-		-
4 Mortgage transfer certificates issued	796,349		205
4.1 Issued by public offering	796,349		205
4.2 Other issues	-		-

Average remaining maturity is expressed in days.

46. Exposure to the construction and real estate development sector

Exposure to real estate credit risk (business in Spain)

GROSS AMOUNT	31.12.2021	31.12.2020
Financing for real estate construction and development (including land)	384,467	475,652
Of which: non-performing	5,884	6,913
Total gross amount	384,467	475,652

IMPAIRMENT LOSSES	31.12.2021	31.12.2020
Financing for real estate construction and development (including land)	3,016	2,430
Of which: non-performing	1,842	1,272
Total impairment losses on assets	3,016	2,430

CARRYING AMOUNT	31.12.2021	31.12.2020
Financing for real estate construction and development (including land)	381,451	473,222
Of which: non-performing	4,041	5,641
Total carrying amount	381,451	473,222
Total carrying amount of financing granted to customers	57,959,982	55,504,784

GUARANTEES RECEIVED	31.12.2021	31.12.2020
Value of collateral	363,227	432,004
Of which: guarantees non-performing exposures	2,758	3,861
Value of other guarantees	7,141	6,830
Of which: guarantees non-performing exposures	-	-
Total value of guarantees received	370,369	438,834

FINANCIAL GUARANTEES	31.12.2021	31.12.2020
Financial guarantees given for real estate construction and development	-	-
Amount recorded under liabilities on the balance sheet	-	-

Assets foreclosed or received in payment of debts (business in Spain)

GROSS AMOUNT (*)	31.12.2021	31.12.2020
Real estate assets foreclosed or received in payment of debts	15,408	18,357
Of which: land	1,228	1,228
Foreclosed equity instruments or instruments received as payment for debts, holdings in capital and lending to entities holding foreclosed property or property received as payment for debts	-	-
Total gross amount	15,408	18,357

IMPAIRMENT LOSSES (*)	31.12.2021	31.12.2020
Real estate assets foreclosed or received in payment of debts	4,374	3,477
Of which: land	832	622
Foreclosed equity instruments or instruments received as payment for debts, holdings in capital and lending to entities holding foreclosed property or property received as payment for debts	-	-
Total impairment losses on assets	4,374	3,477

CARRYING AMOUNT (*)	31.12.2021	31.12.2020
Real estate assets foreclosed or received in payment of debts	11,034	14,880
Of which: land	395	606
Foreclosed equity instruments or instruments received as payment for debts, holdings in capital and lending to entities holding foreclosed property or property received as payment for debts	-	-
Total carrying amount	11,034	14,880

(*) Includes the value of tangible assets classified as investment property and non-current assets classified as held for sale from foreclosure of property in payment of debts.

Financing by credit institutions to real estate construction and development (Businesses in Spain)

			Figures at 31.12.2021
	Gross carrying amount	Excess of gross exposure on the maximum recoverable amount of effective collateral	Accumulated impairment
Financing for real estate construction and development (including land) (business in Spain)	384,467	50,617	(3,016)
Of which: non-performing	5,884	3,317	(1,842)

			Figures at 31.12.2020
	Gross carrying amount	Excess of gross exposure on the maximum recoverable amount of effective collateral	Accumulated impairment
Financing for real estate construction and development (including land) (business in Spain)	475,652	120,340	(2,430)
Of which: non-performing	6,913	3,405	(1,272)

	Figures at 31.12.2021
	Gross carrying amount
Memorandum items:	
Write-offs	(6,619)
	Amount
Memorandum items:	
Loans and advances to customers, excluding general governments (business in Spain) (carrying amount)	56,430,991
Total assets (total business) (carrying amount)	106,810,378
Impairment and allowances for performing exposures (total business)	215,009

	Figures at 31.12.2020
	Gross carrying amount
Memorandum items:	
Write-offs	(6,568)
	Amount
Memorandum items:	
Loans and advances to customers, excluding general governments (business in Spain) (carrying amount)	54,208,178
Total assets (total business) (carrying amount)	93,230,295
Impairment and allowances for performing exposures (total business)	197,027

Breakdown of financing for real estate construction and development (including land) (business in Spain)

	Figures at 31.12.2021
	Financing for real estate construction and development. Gross amount
Without real estate collateral	9,750
With real estate collateral (broken down by type of asset received as collateral)	374,717
Buildings and other completed construction	106,163
Homes	85,753
Other	20,409
Buildings and other constructions under construction	233,877
Homes	233,877
Other	-
Land	34,676
Consolidated urban land	34,676
Other land	-
TOTAL	384,467

	Figures at 31.12.2020
	Financing for real estate construction and development. Gross amount
Without real estate collateral	9,064
With real estate collateral (broken down by type of asset received as collateral)	466,588
Buildings and other completed construction	130,262
Homes	102,093
Other	28,169
Buildings and other constructions under construction	277,478
Homes	277,478
Other	-
Land	58,849
Consolidated urban land	58,849
Other land	-
TOTAL	475,652

Loans to households for home purchase (business in Spain)

	Figures at 31.12.2021	
	Gross carrying amount	Of which: non-performing
Loans for home purchase	21,123,206	251,696
Without real estate mortgage	165,219	6,438
With real estate mortgage	20,957,988	245,258

	Figures at 31.12.2020	
	Gross carrying amount	Of which: non-performing
Loans for home purchase	19,823,966	289,897
Without real estate mortgage	165,934	8,125
With real estate mortgage	19,658,033	281,772

Breakdown of real estate mortgage loans to households for home purchase as a percentage of total gross carrying amount to the amount of the latest appraisal (loan to value) (business in Spain)

Figures at 31.12.2021						
	Gross carrying amount to amount of the latest appraisal (loan to value)					
	Less than or equal to 40%	Greater than 40% and less than or equal to 60%	Greater than 60% and less than or equal to 80%	Greater than 80% and less than or equal to 100%	Greater than 100%	TOTAL
Gross carrying amount	4,570,322	6,554,935	8,189,382	1,248,774	394,575	20,957,988
Of which: non-performing	30,444	46,751	57,130	47,813	63,119	245,258

Figures at 31.12.2020						
	Gross carrying amount to amount of the latest appraisal (loan to value)					
	Less than or equal to 40%	Greater than 40% and less than or equal to 60%	Greater than 60% and less than or equal to 80%	Greater than 80% and less than or equal to 100%	Greater than 100%	TOTAL
Gross carrying amount	4,252,615	5,898,683	7,440,853	1,512,113	553,769	19,658,033
Of which: non-performing	35,262	53,866	61,893	56,569	74,182	281,772

Assets foreclosed or received in payment of debts (business in Spain)

2021		Thousands of euros
	Gross carrying amount	Accumulated impairment
Real estate assets from financing for real estate construction and development	2,212	(960)
Buildings and other completed construction	984	(128)
Homes	66	(10)
Other	918	(118)
Buildings and other constructions under construction	-	-
Homes	-	-
Other	-	-
Land	1,228	(832)
Consolidated urban land	1,228	(832)
Other land	-	-
Real estate assets from mortgage loans to households for home purchase	3,033	(533)
Other assets foreclosed or received in payment of debt	10,164	(2,881)
Equity instruments foreclosed or received in payment of debt	-	-
Equity instruments of holders of real estate assets foreclosed or received in payment of debt	42,494	(42,494)
Financing granted to holders of real estate assets foreclosed or received in payment of debt	91,597	

2020	Thousands of euros	
	Gross carrying amount	Accumulated impairment
Real estate assets from financing for real estate construction and development	2,473	(727)
Buildings and other completed construction	1,246	(105)
Homes	66	(5)
Other	1,179	(100)
Buildings and other constructions under construction	-	-
Homes	-	-
Other	-	-
Land	1,228	(622)
Consolidated urban land	1,228	(622)
Other land	-	-
Real estate assets from mortgage loans to households for home purchase	4,821	(833)
Other assets foreclosed or received in payment of debt	11,063	(1,917)
Equity instruments foreclosed or received in payment of debt	-	-
Equity instruments of holders of real estate assets foreclosed or received in payment of debt	42,494	(42,494)
Financing granted to holders of real estate assets foreclosed or received in payment of debt	157,700	

Refinancing and restructuring transactions

Outstanding refinancing and restructuring balances at 31 December 2021:

47. Additional information on risks: Refinancing and restructuring transactions Geographic and sector concentration of risks

The Bank's refinancing and restructuring policy is described in Note 44.

Set out below is the breakdown by counterparty, NPL classification and type of guarantee or collateral, and the outstanding balances 31 December 2021 and 2020 of the restructuring and refinancing transactions carried out by the Bank.

2021	TOTAL							Of which: NON-PERFORMING						
	Without collateral		With collateral				Accumulated impairment or accumulated losses in fair value due to credit risk	Without collateral		With collateral				Accumulated impairment or accumulated losses in fair value due to credit risk
					Maximum amount of eligible collateral							Maximum amount of eligible collateral		
	Number of transactions	Gross carrying amount	Number of transactions	Gross carrying amount	Real estate collateral	Other collateral		Number of transactions	Gross carrying amount	Number of transactions	Gross carrying amount	Real estate collateral	Other collateral	
Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public administrations	1	48	-	-	-	-	-	1	48	-	-	-	-	-
Other financial corporations and individual entrepreneurs (financial business)	30	3,502	9	1,071	1,071	-	26	21	3,215	8	998	998	-	26
Non-financial corporations and individual entrepreneurs (non-financial business)	2,968	230,680	1,463	373,668	313,994	6,313	(155,548)	2,015	160,988	537	149,216	111,492	494	(141,401)
Of which: financing for construction and property development (including land)	2	71	18	9,618	7,091	-	(1,409)	2	71	8	4,360	2,041	-	(1,201)
Other households	1,100	15,108	2,467	302,770	275,954	1,494	(26,616)	485	8,644	655	86,486	69,346	142	(20,950)
Total	4,099	249,339	3,939	677,509	591,019	7,807	(182,138)	2,522	172,895	1,200	236,700	181,835	636	(162,325)
ADDITIONAL INFORMATION														
Financing classified as non-current assets and disposal groups classified as held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Outstanding balances of refinancing and restructuring at 31 December 2020:

2020	TOTAL							Of which: NON-PERFORMING						
	Without collateral		With collateral				Accumulated impairment or accumulated losses in fair value due to credit risk	Without collateral		With collateral				Accumulated impairment or accumulated losses in fair value due to credit risk
					Maximum amount of eligible collateral							Maximum amount of eligible collateral		
	Number of transactions	Gross carrying amount	Number of transactions	Gross carrying amount	Real estate collateral	Other collateral		Number of transactions	Gross carrying amount	Number of transactions	Gross carrying amount	Real estate collateral	Other collateral	
Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public administrations	2	1,934	-	-	-	-	-	1	71	-	-	-	-	-
Other financial corporations and individual entrepreneurs (financial business)	32	3,336	21	4,355	2,700	-	(1,413)	23	2,973	19	4,250	2,595	-	(1,413)
Non-financial corporations and individual entrepreneurs (non-financial business)	3,074	270,080	1,528	381,259	321,646	2,855	(159,966)	1,987	175,592	570	158,234	119,853	294	(141,704)
Of which: financing for construction and property development (including land)	2	71	23	12,935	10,275	-	(1,011)	2	71	8	4,197	1,873	-	(942)
Other households	1,362	17,693	2,381	317,732	282,462	2,314	(32,453)	610	10,451	714	98,174	76,076	142	(25,572)
Total	4,470	293,044	3,930	703,346	606,809	5,168	(193,832)	2,621	189,087	1,303	260,657	198,524	436	(168,689)
ADDITIONAL INFORMATION														
Financing classified as non-current assets and disposal groups classified as held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Figures in thousands of euros

Details of the average probability of default of the groups of refinanced and restructured transactions:

2021	TOTAL				Of which: NON-PERFORMING			
	Without collateral		With collateral		Without collateral		With collateral	
	Number of transactions	PD	Number of transactions	PD	Number of transactions	PD	Number of transactions	PD
Credit institutions	-	0.00	-	0.00		0.00	-	0.00
Public administrations	1	0.00	-	-	1	-	-	0.00
Other financial corporations and individual entrepreneurs (financial business)	30	0.95	9	0.75	21	1.00	8	1.00
Non-financial corporations and individual entrepreneurs (non-financial business)	2,968	0.74	1,463	0.55	2,015	1.00	537	1.00
Of which: financing for construction and property development (including land)	2		18		2		8	
Other households	1,100	0.70	2,467	0.46	485	1.00	655	1.00
Total	**4,099**	**0.73**	**3,939**	**0.51**	**2,522**	**1.00**	**1,200**	**1.00**

2020	TOTAL				Of which: NON-PERFORMING			
	Without collateral		With collateral		Without collateral		With collateral	
	Number of transactions	PD	Number of transactions	PD	Number of transactions	PD	Number of transactions	PD
Credit institutions	-	-	-	-	-	-	-	-
Public administrations	2	-	-	-	1	-	-	-
Other financial corporations and individual entrepreneurs (financial business)	32	0.96	21	0.98	23	1.00	19	1.00
Non-financial corporations and individual entrepreneurs (non-financial business)	3,074	0.76	1,528	0.63	1,987	1.00	570	1.00
Of which: financing for construction and property development (including land)	2		23	0.73	2		8	1.00
Other households	1,362	0.82	2,381	0.40	610	1.00	714	1.00
Total	**4,470**	**0.76**	**3,930**	**0.50**	**2,621**	**1.00**	**1,303**	**1.00**

Geographic and sector concentration of risks

The distribution of the carrying amount of the Bank's most significant financial assets by geographical area and segment of activity, counterparty and purpose of the financing granted at 31 December 2021 and 2020 is set out below. The figures include asset positions of the held for trading portfolio, but not the offsetting liability positions required to measure the net exposure of each sector or geographical area. Note 7 provides further disclosures on the composition of the held for trading portfolio.

Distribution of loans and advances to customers by activity (carrying amount). 2021

2021				Secured loans. Loan to value				
	TOTAL	Of which: Real estate collateral	Of which: Other collateral	Less than or equal to 40 %	Greater than 40% and less than or equal to 60%	Greater than 60% and less than or equal to 80%	Greater than 80% and less than or equal to 100%	Greater than 100%
Public administrations	731,676	7,706	-	7,007	699	-	-	-
Other financial corporations and individual entrepreneurs (financial business)	4,287,768	155,533	106,416	45,866	158,371	34,091	4,782	18,839
Non-financial corporations and individual entrepreneurs (non-financial business)	30,852,397	7,464,774	1,422,577	2,968,466	3,138,887	1,802,742	586,365	390,890
Real estate construction and development	387,007	375,729	167	48,629	126,593	155,386	16,915	28,373
Civil engineering	354,036	8,739	3,847	2,367	4,002	1,532	1,431	3,254
Other purposes	30,111,353	7,080,306	1,418,563	2,917,470	3,008,293	1,645,825	568,019	359,263
Large corporations	11,040,067	651,147	300,688	322,614	268,581	107,316	189,561	63,764
SMEs and individual entrepreneurs	19,071,286	6,429,160	1,117,875	2,594,857	2,739,713	1,538,509	378,457	295,500
Other households	27,901,515	26,408,648	614,212	5,794,562	8,541,317	10,679,144	1,507,998	499,840
Homes	24,824,138	24,660,764	86,869	5,160,406	7,819,371	10,005,033	1,338,174	424,648
Consumer loans	717,622	480,060	102,900	123,898	200,666	202,637	44,988	10,771
Other purposes	2,359,755	1,267,824	424,443	510,258	521,280	471,473	124,836	64,420
TOTAL	63,773,356	34,036,661	2,143,205	8,815,902	11,839,274	12,515,977	2,099,145	909,568
MEMORANDUM ITEMS								
Refinancing, refinanced and restructured transactions	744,709	607,496	9,396	176,626	157,439	133,961	71,391	77,475

Distribution of loans and advances to customers by activity (carrying amount). 2020

2020								Secured loans. Loan to value
	TOTAL	Of which: Real estate collateral	Of which: Other collateral	Less than or equal to 40 %	Greater than 40% and less than or equal to 60%	Greater than 60% and less than or equal to 80%	Greater than 80% and less than or equal to 100%	Greater than 100%
Public administrations	640,385	8,010	-	7,235	774	-	-	-
Other financial corporations and individual entrepreneurs (financial business)	3,483,128	163,582	124,739	41,083	181,474	41,329	7,013	17,423
Non-financial corporations and individual entrepreneurs (non-financial business)	30,223,576	7,573,100	1,347,539	2,797,300	2,974,619	1,927,930	710,908	509,882
Real estate construction and development	477,378	468,327	-	43,960	171,537	170,795	23,730	58,305
Civil engineering	321,170	10,217	3,154	3,116	1,355	1,576	1,213	6,112
Other purposes	29,425,027	7,094,556	1,344,385	2,750,224	2,801,727	1,755,559	685,966	445,465
Large corporations	10,713,573	685,988	246,139	336,906	178,188	178,997	166,208	71,827
SMEs and individual entrepreneurs	18,711,454	6,408,569	1,098,246	2,413,318	2,623,539	1,576,562	519,757	373,638
Other households	26,789,313	24,842,226	517,264	5,391,916	7,648,423	9,848,369	1,783,610	687,173
Homes	23,328,123	23,156,980	83,354	4,789,076	7,028,321	9,220,843	1,611,109	590,985
Consumer loans	686,679	477,306	82,601	110,642	186,726	204,897	41,681	15,961
Other purposes	2,774,511	1,207,941	351,309	492,198	433,376	422,629	130,820	80,226
TOTAL	61,136,402	32,586,918	1,989,543	8,237,534	10,805,290	11,817,628	2,501,531	1,214,477
MEMORANDUM ITEMS								
Refinancing, refinanced and restructured transactions	802,558	629,121	8,139	152,421	156,166	137,123	88,965	102,584

* Bankinter manages internally an exposure for “Small and medium-sized enterprises“ which is lower than that shown in this table for “SMEs and individual entrepreneurs“. The amount and characteristics of this portfolio are described in the “Small and medium-sized companies” section of Note 44 Risk Policies and Management.

Distribution of exposure by activity and geographic area (carrying amount). Total activity.

					2021
Figures in thousands of euros	**TOTAL**	**Spain**	**Other EU**	**America**	**Rest of the world**
Central banks and credit institutions	30,497,327	26,318,106	1,994,100	523,293	1,661,828
Public administrations	9,645,704	7,037,637	2,526,325	29,816	51,926
Central government	8,774,668	6,290,275	2,442,561	-	41,832
Other general governments	871,036	747,362	83,764	29,816	10,094
Other financial corporations and individual entrepreneurs (financial business)	6,482,213	4,533,363	1,886,313	48,339	14,198
Non-financial corporations and individual entrepreneurs (non-financial business)	37,450,464	32,647,948	3,523,289	905,988	373,239
Real estate construction and development	391,739	386,182	5,556	-	-
Civil engineering	564,985	459,206	84,574	21,205	-
Other purposes	36,493,740	31,802,560	3,433,158	884,783	373,239
Large corporations	15,011,931	12,795,828	1,038,487	836,874	340,741
SMEs and individual entrepreneurs	21,481,809	19,006,733	2,394,671	47,909	32,497
Other households	27,980,377	22,639,437	4,531,794	155,100	654,045
Homes	24,824,138	20,134,360	3,947,818	147,303	594,656
Consumer loans	722,887	143,811	544,876	1,809	32,391
Other purposes	2,433,352	2,361,267	39,101	5,987	26,998
SUBTOTAL	112,056,085	93,176,492	14,461,822	1,662,536	2,755,236

Distribution of exposure by activity and geographic area (carrying amount). Activity in Spain. 2021

Figures in thousands of euros	TOTAL	Andalusia	Aragon	Asturias	Balearic Islands	Canary Islands	Cantabria	Castilla - La Mancha	Castile and Leon	Catalonia
Central banks and credit institutions	26,318,106	194,417	11,692	-	81	-	526,952	-	-	1,145
Public administrations	7,037,637	15,912	15,318	68,986	1,048	68,261	2,717	666	61,170	2,237
Central government	6,290,275	-	-	-	-	-	-	-	-	-
Other general governments	747,362	15,912	15,318	68,986	1,048	68,261	2,717	666	61,170	2,237
Other financial corporations and individual entrepreneurs (financial business)	4,533,363	25,504	12,626	3,831	31,774	7,675	4,400	1,957	6,148	65,930
Non-financial corporations and individual entrepreneurs (non-financial business)	32,647,948	3,456,647	1,016,652	421,856	1,397,487	1,401,534	367,217	752,327	617,054	4,310,014
Real estate construction and development	386,182	31,316	16,416	9,741	11,628	924	6,937	4,145	11,834	45,033
Civil engineering	459,206	25,920	14,928	2,335	4,897	4,057	5,968	5,248	6,770	15,654
Other purposes	31,802,560	3,399,411	985,308	409,780	1,380,961	1,396,553	354,312	742,934	598,450	4,249,327
Large corporations	12,795,828	746,580	319,096	221,691	955,862	579,956	113,658	180,463	135,119	1,608,413
SMEs and individual entrepreneurs	19,006,733	2,652,831	666,212	188,089	425,100	816,598	240,654	562,470	463,331	2,640,915
Other households	22,639,437	2,668,903	511,755	248,159	640,944	744,803	332,612	568,453	696,178	3,275,167
Homes	20,134,360	2,431,304	427,468	217,793	595,498	672,394	257,341	522,022	640,556	2,968,329
Consumer loans	143,811	13,640	4,175	2,052	2,160	6,073	2,801	4,041	5,712	18,295
Other purposes	2,361,267	223,958	80,112	28,314	43,286	66,336	72,470	42,390	49,910	288,542
TOTAL	93,176,492	6,361,382	1,568,043	742,831	2,071,334	2,222,273	1,233,899	1,323,404	1,380,550	7,654,492

Figures in thousands of euros	TOTAL	Extremadura	Galicia	Madrid	Murcia	Navarre	Valencia	Basque Country	La Rioja	Ceuta and Melilla
Central banks and credit institutions	26,318,106	-	68,073	23,205,384	-	-	1,616,487	693,875	-	-
Public administrations	7,037,637	45,784	22,831	272,149	-	57,358	2,208	102,830	7,887	-
Central government	6,290,275	-	-	-	-	-	-	-	-	-
Other general governments	747,362	45,784	22,831	272,149	-	57,358	2,208	102,830	7,887	-
Other financial corporations and individual entrepreneurs (financial business)	4,533,363	507	21,875	4,248,465	19,285	2,851	39,964	39,457	1,114	-
Non-financial corporations and individual entrepreneurs (non-financial business)	32,647,948	266,716	710,831	10,597,104	847,583	424,526	3,204,700	2,561,682	275,677	18,343
Real estate construction and development	386,182	-	7,395	118,386	12,385	-	58,695	26,269	25,080	-
Civil engineering	459,206	2,088	11,803	238,337	9,761	34,570	52,515	23,418	938	-
Other purposes	31,802,560	264,628	691,633	10,240,382	825,437	389,956	3,093,490	2,511,996	249,659	18,343
Large corporations	12,795,828	112,855	221,735	4,783,269	297,425	122,715	1,014,110	1,318,291	61,429	3,161
SMEs and individual entrepreneurs	19,006,733	151,773	469,898	5,457,113	528,012	267,241	2,079,380	1,193,704	188,230	15,181
Other households	22,639,437	160,221	467,640	8,812,255	404,635	193,449	1,799,737	993,346	113,120	8,059
Homes	20,134,360	149,528	412,234	7,771,117	337,092	172,683	1,602,116	857,198	91,930	7,756
Consumer loans	143,811	812	4,185	50,810	2,611	1,881	11,401	12,084	974	104
Other purposes	2,361,267	9,881	51,222	990,327	64,932	18,886	186,220	124,064	20,216	199
TOTAL	93,176,492	473,228	1,291,251	47,135,357	1,271,503	678,184	6,663,096	4,391,191	397,799	26,402

Distribution of exposure by activity and geographic area (carrying amount). Total activity.

2020

					2020
Figures in thousands of euros	**TOTAL**	**Spain**	**Other EU**	**America**	**Rest of the world**
Central banks and credit institutions	20,180,662	16,914,410	1,800,466	329,220	1,136,566
Public administrations	8,999,539	6,776,498	2,168,148	15,531	39,362
Central government	8,229,470	6,030,074	2,144,503	15,531	39,362
Other general governments	770,069	746,424	23,645	-	-
Other financial corporations and individual entrepreneurs (financial business)	5,274,652	4,244,501	973,375	44,834	11,943
Non-financial corporations and individual entrepreneurs (non-financial business)	36,077,396	31,884,610	3,307,922	717,299	167,565
Real estate construction and development	482,431	478,274	4,156	-	-
Civil engineering	498,250	408,276	89,442	426	106
Other purposes	35,096,715	30,998,060	3,214,324	716,873	167,459
Large corporations	14,233,623	12,334,867	1,074,104	675,013	149,638
SMEs and individual entrepreneurs	20,863,093	18,663,193	2,140,220	41,859	17,821
Other households	26,872,542	21,405,041	4,664,520	540,276	262,705
Homes	23,328,123	18,902,629	4,055,477	122,255	247,762
Consumer loans	689,809	132,102	548,793	508	8,405
Other purposes	2,854,610	2,370,309	60,250	417,513	6,538
SUBTOTAL	97,404,792	81,225,060	12,914,431	1,647,159	1,618,142

Distribution of exposure by activity and geographic area (carrying amount). Activity in Spain.

Figures in thousands of euros	TOTAL	Andalusia	Aragon	Asturias	Balearic Islands	Canary Islands	Cantabria	Castilla - La Mancha	Castile and Leon	Catalonia
Central banks and credit institutions	16,914,410	288,913	29,397	-	81		468,134	-	-	785
Public administrations	6,776,498	1,039	18,535	74,312	-	32,531	2,482	782	83,518	3,829
Central government	6,030,074	-	-	-	-	-	-	-	-	-
Other general governments	746,424	1,039	18,535	74,312	-	32,531	2,482	782	83,518	3,829
Other financial corporations and individual entrepreneurs (financial business)	4,244,501	24,770	18,308	3,513	29,191	7,564	5,945	2,635	6,388	57,538
Non-financial corporations and individual entrepreneurs (non-financial business)	31,884,610	3,359,258	1,014,444	384,399	1,322,362	1,321,674	359,368	750,130	638,058	4,338,344
Real estate construction and development	478,274	51,986	36,119	6,862	9,838	1,858	2,904	7,708	12,717	40,048
Civil engineering	408,276	25,022	9,081	2,130	5,198	5,045	7,081	17,705	7,503	11,736
Other purposes	30,998,060	3,282,250	969,244	375,408	1,307,326	1,314,771	349,383	724,717	617,838	4,286,559
Large corporations	12,334,867	665,204	322,801	184,174	882,152	524,561	121,206	166,818	163,562	1,666,957
SMEs and individual entrepreneurs	18,663,193	2,617,045	646,443	191,233	425,174	790,210	228,178	557,899	454,276	2,619,602
Other households	21,405,041	2,483,323	464,930	248,150	594,174	701,409	326,055	578,357	693,025	3,060,868
Homes	18,902,629	2,256,557	390,793	215,812	553,652	636,908	253,224	529,902	641,185	2,759,927
Consumer loans	132,102	13,539	3,857	1,867	2,078	5,469	2,510	3,581	5,242	16,417
Other purposes	2,370,309	213,227	70,279	30,471	38,444	59,032	70,321	44,873	46,597	284,524
TOTAL	81,225,060	6,157,303	1,545,614	710,374	1,945,808	2,063,178	1,161,983	1,331,905	1,420,989	7,461,364

Figures in thousands of euros	TOTAL	Extremadura	Galicia	Madrid	Murcia	Navarre	Valencia	Basque Country	La Rioja	Ceuta and Melilla
Central banks and credit institutions	16,914,410		-	15,502,795	-	-	464,632	159,673	-	-
Public administrations	6,776,498	28,505	55,948	243,365	-	62,036	300	123,075	16,167	-
Central government	6,030,074	-	-	-	-	-	-	-	-	-
Other general governments	746,424	28,505	55,948	243,365	-	62,036	300	123,075	16,167	-
Other financial corporations and individual entrepreneurs (financial business)	4,244,501	508	20,798	3,976,602	19,966	1,145	34,106	34,488	1,036	-
Non-financial corporations and individual entrepreneurs (non-financial business)	31,884,610	257,564	679,537	10,270,915	811,091	451,709	3,036,634	2,618,697	253,737	16,688
Real estate construction and development	478,274	-	1,231	192,836	17,875	11,362	37,929	42,017	4,984	-
Civil engineering	408,276	2,198	12,012	196,993	8,953	20,331	46,793	29,625	871	-
Other purposes	30,998,060	255,367	666,294	9,881,086	784,263	420,017	2,951,912	2,547,055	247,883	16,688
Large corporations	12,334,867	104,158	198,056	4,701,021	265,073	111,190	859,089	1,348,215	50,630	-
SMEs and individual entrepreneurs	18,663,193	151,209	468,238	5,180,065	519,190	308,827	2,092,823	1,198,840	197,252	16,688
Other households	21,405,041	156,194	436,078	8,360,553	369,955	188,186	1,679,256	953,200	103,384	7,945
Homes	18,902,629	143,890	385,082	7,253,408	311,109	163,627	1,491,692	825,170	83,017	7,672
Consumer loans	132,102	921	3,938	45,864	2,332	1,408	11,340	10,744	868	126
Other purposes	2,370,309	11,383	47,058	1,061,281	56,513	23,150	176,225	117,286	19,499	147
TOTAL	81,225,060	442,771	1,192,361	38,354,230	1,201,011	703,076	5,214,927	3,889,132	374,325	24,633

48. Own funds and minimum reserves

a) Own funds

Applicable legislation

At 31 December 2021, the Bankinter Group's consolidated eligible capital was are calculated in accordance with Regulation (EU) No. 876/2019 of the European Parliament and of the Council of 20 May 2019 amending the previous Regulation (EU) No. 575/2013 on prudential requirements for credit institutions and investment firms, and Directive 2019/878/EU of the European Parliament and of the Council, amending Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions. Both regulations govern the levels of solvency and composition of eligible capital with which credit institutions must operate. In 2020, to mitigate the potential effects of the COVID-19 pandemic on the financial system, the European Parliament and the European Council approved Regulation 2020/873 ('CRR Quick Fix') which amends both Regulation 575/2013 ('CRR') and Regulation 2019/876 ('CRR2') including certain measures that contribute positively to capital ratios, highlighting the new support factors for SMEs and infrastructures, which reduce capital consumption and the level of risk-weighted assets (RWAs).

The minimum capital requirements are calculated, in compliance with these regulations, on the basis of the Group's exposure to credit and dilution risk, counterparty risk, market risk of the trading book, foreign currency risk and operational risk. The Group is also subject to compliance with limits to large exposures, with liquidity and leverage ratios and with the internal corporate governance obligations established by law.

The Bankinter Group requested from its supervisor an exemption from individual compliance with the requirements established in solvency regulations for Bankinter, S.A. and Bankinter Consumer Finance, E.F.C., S.A. for purposes of efficiency and better management and since, given that the Group's characteristics, the adequate distribution of own funds between the parent undertaking and its subsidiaries is guaranteed. The supervisor authorised both exemptions on 8 October 2009.

Consolidated shareholders' equity and related capital ratios at 31 December 2021 and 2020:

Thousands of euros

	31.12.2021	31.12.2020	Change	% chg
Capital	269,660	269,660	-	0.00%
Reserves	4,513,848	4,634,080	(120,233)	(2.59)%
CET 1 deductions	(529,305)	(732,165)	202,859	(27.71)%
Common Equity Tier 1 (CET 1)	4,254,202	4,171,576	82,626	1.98%
AT1 instruments	350,000	350,000	-	0.00%
AT1 deductions	-	-	-	0.00%
Additional Tier 1 capital (AT1)	350,000	350,000	-	0.00%
Tier 1 capital (TIER 1 = CET 1 + AT1)	4,604,202	4,521,576	82,626	1.83%
TIER 2 instruments	830,371	579,899	250,473	43.19%
TIER 2 deductions	-	-	-	0.00%
Tier 2 capital (TIER 2)	830,371	579,899	250,473	43.19%
Total capital (TIER 1 + TIER 2)	5,434,574	5,101,475	333,099	6.53%
Risk-weighted assets	35,303,115	33,954,487	1,348,628	3.97%
Of which credit risk	30,248,699	29,125,672	1,123,027	3.86%
Of which market risk	389,100	189,972	199,128	104.82%
Of which operational risk	3,096,891	2,959,810	137,080	4.63%
CET1 (%)	12.05%	12.29%	(0.24)%	(1.92)%
Tier 1 (%)	13.04%	13.32%	(0.27)%	(2.06)%
Tier 2 (%)	2.35%	1.71%	0.64%	37.72%
Solvency ratio (%)	15.39%	15.02%	0.37%	2.46%

The changes in the Common Equity Tier 1 (CET1) ratio are mainly due by the retained annual recurring profit, the impact of the Línea Directa Aseguradora spin-off and the decrease in deductions.

The change in the Tier 2 capital ratio (TIER 2) was driven by the 750 million euro subordinated debt issue in June 2021 to replace the 500 million issue, the early redemption of which was requested for 2022.

Reconciliation of the Bankinter Group's equity for accounting purposes with its regulatory capital:

	31.12.2021	31.12.2020
Shareholders' equity	**4,736,621**	**4,816,055**
(-) Retained earnings	(52,642)	(44,724)
(+/-) Other	1,025	(826)
(+) Valuation adjustments	115,539	148,103
CET 1 deductions	**(546,341)**	**(747,032)**
Common equity Tier 1	**4,254,202**	**4,171,576**

Management of own funds

The principle laid down by Bankinter's Board of Directors in relation to the management of own funds consists of operating with a level of solvency in excess of the level established by applicable legislation adapted to the risks inherent in its business and its operating environment. The goal is the continuous reinforcement of solvency as a basis for sustained growth and creating long-term value for shareholders.

To meet this objective, the Bank has a number of management processes and policies for managing own funds, the main guidelines of which are:

- The board of directors and senior management are actively involved in the strategies and policies affecting the Group's capital management.
- The Group's capital management is based on the following fundamental pillars:
    - Maintaining robust solvency ratios and adequate quality, consistent with the Bank's risk profile and business model.
    - Maximising return on capital and sustained value creation over time without losing focus on preserving the Bank's solvency and ensuring it adapts to its entity's risk profile, balancing solvency and profitability to maintain sounds ratios and capital composition.
- The capital management and monitoring function is independent from the areas in charge of managing, developing and maintaining risk measurement methodologies and the areas that validate, control and independently review the results.
- Internal ratings-based (IRB) approaches are used to measure risk and calculate the own fund requirements for certain credit portfolios, which have been validated and approved by the supervisor.

The Bank considers its eligible own funds and own funds requirements established by regulations as key elements of its management, which affect investment decisions, the analysis of the viability of transactions, the strategy for distributing profit or loss and issues by the Parent, subsidiaries and the Group, etc.

b) Minimum reserves ratio

At 31 December 2021 and 2020, and throughout 2021 and 2020, the Bank met the minimum reserves ratio required by applicable legislation.

The cash held by the Bank in Central Bank accounts for these purposes amounted to 21,231,526 thousand and 13,852,903 thousand euros at 31 December 2021 and 2020, respectively. However, the obligation to maintain the balance required by applicable legislation of the various Group companies subject to this ratio for compliance with the minimum reserve ratio is calculated using the average balances at the end of the day held by each Group company in this account over the holding period.

49. Equity investments in credit institutions

The following table presents the Bank's holdings in Spanish and foreign credit institutions or banks that exceed 5% of their share capital or voting rights:

	% ownership
Bankinter Consumer Finance, S.A., E.F.C	100
Bankinter Luxemburgo, S.A.	100
EVO Banco S.A.	100
Avantcard D.A.C	100

In accordance with article 20 of Royal Decree 1245/1995, of 14 July, regarding holdings of more than 5% of the share capital or voting rights of the Bank's financial institutions held by Spanish or foreign credit institutions or banks, as defined in article 4 of the Spanish Securities Market Act, including a Spanish or foreign credit institution, at 31 December 2021 and 2020 there was no institution or bank with a holding exceeded this percentage.

50. Information on the average period of payment to suppliers

In accordance with the resolution of the Spanish Accounting and Audit Institute (ICAC), of 29 January 2016, on the disclosures to be included in the notes to the financial statements regarding the average period of payment to suppliers in commercial transactions, the following information is provided:

	2021	2020
	Days	**Days**
Average period of payment to suppliers	15.35	11.43
Ratio of transactions paid	15.31	11.36
Ratio of transactions pending payment	27.41	40.09
Total payments made	366,254	285,559
Total payments outstanding	1,257	705

51. Events after the reporting period

No significant events have taken place since the end of the reporting period.

Appendix I - Related party transactions

Most significant balances with related parties and the impact of related party transactions on the income statement:

Expenses and revenue					Thousands of euros 2021
	Significant shareholders	Directors and managers	Group employees, companies and entities	Other related parties	Total
Finance costs	-	-	52,833	94	52,927
Services received			180,520		180,520
Other expenses			6,485		6,485
Total	-	-	239,838	94	239,932
Finance income (*)	-	10	41,548	211	41,769
Dividends received		-	5,239	25,661	30,899
Services rendered		-	9,099	2,320	11,419
Other income	-	-	41,528	58,514	100,042
Total	-	10	97,414	86,705	184,129

(*) Finance income relates to interest accrued in the period calculated using amounts drawn down under financing agreements.

Balances on the reporting date					Thousands of euros 2021
	Significant shareholders	Directors and managers	Group employees, companies and entities	Other related parties	Total
Trade receivables	-	-	1,465	-	1,465
Loans and credit given		6,133	4,371,759	23,063	4,400,955
Other receivables	-	-	75,858	-	75,858
TOTAL RECEIVABLES	-	6,133	4,449,082	23,063	4,478,278
Trade payables					
Loans and credit received	-	-	13,714	-	13,714
Other payment obligations	-	11,286	4,801,999	331,344	5,144,629
TOTAL PAYABLES	-	-	3,751	-	3,751

Expenses and revenue					Thousands of euros
					2020
	Significant shareholders	Directors and managers	Group employees, companies and entities	Other related parties	Total
Finance costs	-	3	44,990	548	45,541
Services received	-	-	170,655	-	170,655
Other expenses	-	-	5,858	-	5,858
Total	-	3	221,503	548	222,054
Finance income (*)	-	9	38,695	123	38,827
Dividends received	-	-	38,760	49,145	87,905
Services rendered	-	-	9,410	2,005	11,415
Other income	-	-	42,176	46,163	88,339
Total	-	9	129,041	97,436	226,486

(*) Finance income relates to interest accrued in the period calculated using amounts drawn down under financing agreements.

Balances on the reporting date					Thousands of euros
					2020
	Significant shareholders	Directors and managers	Group employees, companies and entities	Other related parties	Total
Trade receivables	-	-	1,451	-	1,451
Loans and credit given	-	7,957	3,283,898	59,368	3,351,223
Other receivables	-	-	54,353	-	54,353
TOTAL RECEIVABLES	-	7,957	3,339,702	59,368	3,407,027
Trade payables	-	-	11,519	-	11,519
Loans and credit received	-	4,083	3,603,735	323,806	3,931,624
Other payment obligations	-	-	4,675	-	4,675
TOTAL PAYABLES	-	4,083	3,619,929	323,806	3,947,818

Appendix II Consolidated financial statements
Consolidated balance sheet and income statement

BANKINTER GROUP. Consolidated balance sheets at 31 December 2021 and 2020

(Thousands of euros)

ASSETS	Note	31.12.2021	31.12.2020(*)
Cash, cash balances at central banks and other demand deposits	6	22,373,090	15,044,317
Financial assets held for trading	7	4,038,256	2,158,742
Derivatives		342,071	498,922
Equity instruments		197,862	181,834
Debt securities		1,246,748	400,254
Loans and advances		2,251,575	1,077,732
Central banks		-	-
Credit institutions		2,251,575	1,020,568
Customers		-	57,164
Memorandum items: loaned or pledged		667,722	136,949
Non-trading financial assets mandatorily at fair value through profit or loss	8	131,316	119,555
Equity instruments		130,328	118,865
Debt securities		738	690
Loans and advances		250	-
Central banks		-	-
Credit institutions		-	-
Customers		250	-
Memorandum items: loaned or pledged		-	-
Financial assets designated at fair value through profit or loss		-	-
Debt securities		-	-
Loans and advances		-	-
Central banks		-	-
Credit institutions		-	-
Customers		-	-
Memorandum items: loaned or pledged		-	-
Financial assets at fair value through other comprehensive income	9	2,751,517	2,629,598
Equity instruments		304,893	-
Debt securities		2,446,624	2,629,598
Loans and advances		-	-
Central banks		-	-
Credit institutions		-	-
Customers		-	-
Memorandum items: loaned or pledged		868,516	560,373
Financial assets at amortised cost	10	76,285,363	72,861,812
Debt securities		7,595,987	7,579,330
Loans and advances		68,689,376	65,282,482
Central banks		-	-
Credit institutions		2,407,309	2,122,461
Customers		66,282,067	63,160,021
Memorandum items: loaned or pledged		7,095,267	4,303,136
Derivatives – hedge accounting	11	170,077	210,773
Fair value changes of the hedged items in portfolio hedge of interest rate risk		46,124	195,805
Investments in joint ventures and associates	13	169,971	109,526
Joint ventures		91,329	36,679
Associates		78,642	72,847
Assets under reinsurance and insurance contracts		-	-
Tangible assets	14.15	450,436	455,070
Property, plant and equipment		450,436	455,070
For own use		441,728	435,540
Leased out under an operating lease		8,708	19,530
Assigned to welfare projects (savings banks and credit cooperatives)		-	-
Investment property		-	-
Of which: Leased out under operating leases		-	-
Memorandum items: Acquired under finance leases		130,740	115,221
Intangible assets	16	269,685	258,075
Goodwill		2,276	2,276
Other intangible assets		267,409	255,799
Tax assets	17	638,444	380,085
Current tax assets		364,636	110,053
Deferred tax assets		273,808	270,032
Other assets	18	153,645	120,326
Insurance contracts linked to pensions		-	-
Inventories		-	-
Other assets		153,645	120,326
Non-current assets and disposal groups classified as held for sale	12	106,184	1,708,409
TOTAL ASSETS		107,584,108	96,252,093

(*) Presented for comparison purposes only. Presented under the financial statements format in force at the date shown.

Appendix II
Consolidated balance sheet and income statement
BANKINTER GROUP. Consolidated balance sheet as at 31 December 2021 and 2020

(Thousands of euros)

LIABILITIES AND EQUITY	Note	31.12.2021	31.12.2020(*)
LIABILITIES		102,731,948	91,287,936
Financial liabilities held for trading	7	3,696,496	1,382,300
Derivatives		438,795	440,711
Short positions		1,472,331	496,886
Deposits		1,785,370	444,703
Central banks		-	-
Credit institutions		245,677	-
Customers		1,539,693	444,703
Debt securities issued		-	-
Other financial liabilities		-	-
Financial liabilities designated at fair value through profit or loss		-	-
Deposits		-	-
Central banks		-	-
Credit institutions		-	-
Customers		-	-
Debt securities issued		-	-
Other financial liabilities		-	-
Memorandum items: subordinated liabilities		-	-
Financial liabilities at amortised cost	19	97,809,974	87,472,834
Deposits		87,995,644	78,028,886
Central banks		14,190,714	12,885,116
Credit institutions		3,026,174	2,072,639
Customers		70,778,756	63,071,131
Debt securities issued		7,689,865	7,623,285
Other financial liabilities		2,124,465	1,820,663
Memorandum items: subordinated liabilities		1,693,190	1,167,074
Derivatives – hedge accounting	11	275,264	482,033
Fair value changes of the hedged items in portfolio hedge of interest rate risk		1,957	38,775
Liabilities under reinsurance and insurance contracts		-	-
Provisions	20	419,911	438,511
Pensions and other post-employment defined benefit obligations		1,669	1,265
Other long-term employee benefits		-	-
Pending legal issues and tax litigation		136,609	100,098
Commitments and guarantees given		38,216	37,787
Other provisions		243,417	299,361
Tax liabilities	17	254,543	220,102
Current tax liabilities		139,054	90,490
Deferred tax liabilities		115,489	129,612
Share capital repayable on demand		-	-
Other liabilities	18	273,803	264,433
Of which: welfare fund (savings banks and credit cooperatives only)		-	-
Liabilities included in disposal groups classified as held for sale		-	988,948
TOTAL LIABILITIES		102,731,948	91,287,936

(*) Presented for comparison purposes only. Presented under the financial statements format in force at the date shown.

Appendix II - Consolidated balance sheet and income statement

BANKINTER GROUP. Consolidated balance sheet as at 31 December 2021 and 2020

(Thousands of euros)

LIABILITIES AND EQUITY (continued)	Note	31.12.2021	31.12.2020(*)
Shareholders' equity		4,736,621	4,816,054
Capital	21	269,660	269,660
a) Paid up capital		269,660	269,660
b) Unpaid capital which has been called up		-	-
Memorandum items: uncalled share capital		-	-
Share premium	21	-	1,184,265
Equity instruments issued other than capital		-	-
a) Equity component of compound financial instruments		-	-
b) Other equity instruments issued		-	-
Other equity		6,162	7,482
Retained earnings	21	3,306,854	3,051,137
Revaluation reserves	21	-	4,806
Other reserves	21	(12,092)	(14,778)
Reserves or accumulated losses of investments in joint ventures and associates		(12,092)	(14,778)
Other		-	-
(-) Treasury shares		(1,025)	(3,641)
Profit or loss attributable to owners of the parent		1,333,108	317,123
(-) Interim dividends		(166,046)	-
Accumulated other comprehensive income	22	115,539	148,103
Items that will not be reclassified to profit or loss		57,602	6,200
a) Actuarial gains or (-) losses on defined benefit pension plans		3,272	(976)
b) Non-current assets and disposal groups classified as held for sale		-	7,176
c) Share of other recognised income and expense of investments in joint ventures and associates		-	-
d) Fair value changes of equity instruments measured at fair value through other comprehensive income	9	54,330	-
e) Hedge ineffectiveness of fair value hedges for equity instruments measured at fair value through other comprehensive income		-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income [hedged item]		-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income [hedging instrument]		-	-
f) Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk		-	-
Items that may be reclassified to profit or loss		57,937	141,903
a) Hedge of net investments in foreign operations [effective portion]		-	-
b) Foreign currency translation		-	-
c) Hedging derivatives. Cash flow hedges [effective portion]		(452)	(962)
d) Fair value changes of debt instruments measured at fair value through other comprehensive income	9	53,951	99,711
e) Hedging instruments [not designated elements]		-	-
f) Non-current assets and disposal groups classified as held for sale		-	37,550
g) Share of other recognised income and expense of investments in joint ventures and associates		4,438	5,604
Minority interests [Non-controlling interests]		-	-
Accumulated other comprehensive income		-	-
Other items		-	-
TOTAL EQUITY		4,852,160	4,964,157
TOTAL LIABILITIES AND EQUITY		107,584,108	96,252,093
MEMORANDUM ITEMS: OFF-BALANCE-SHEET EXPOSURES			
Loan commitments given	24	15,963,920	16,985,633
Financial guarantees given	24	1,676,285	1,749,716
Other commitments given	24	8,405,185	7,028,444

(*) Presented for comparison purposes only. Presented under the financial statements format in force at the date shown.

Appendix II - Consolidated balance sheet and income statement

BANKINTER GROUP. Consolidated income statement for the years ended 31 December 2021 and 2020

(Thousands of euros)

	Note	(Debit)/Credit 31.12.2021	(Debit)/Credit 31.12.2020(*)
Interest income	29	1,446,347	1,385,745
Financial assets at fair value through other comprehensive income		58,164	71,069
Financial assets at amortised cost		1,273,523	1,275,012
Other interest income		114,660	39,664
Interest expenses	29	(171,069)	(138,745)
Expenses on share capital repayable on demand		-	-
A) NET INTEREST INCOME		1,275,278	1,247,000
Dividend income		20,611	19,032
Share of the profit or loss of entities accounted for using the equity method	21	33,368	28,766
Fee and commission income	28	787,772	631,565
Fee and commission expenses	28	(184,313)	(134,805)
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	30	36,073	45,807
Financial assets at amortised cost		32,134	31,156
Other financial assets and liabilities		3,939	14,651
Gains or losses on financial assets and liabilities held for trading, net	30	16,559	6,017
Reclassification of financial assets out of fair value through other comprehensive income		-	-
Reclassification of financial assets out of amortised cost		-	-
Other gains or losses		16,559	6,017
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss, net	30	19,401	5,025
Reclassification of financial assets out of fair value through other comprehensive income		-	-
Reclassification of financial assets out of amortised cost		-	-
Other gains or losses		19,401	5,025
Gains or losses on financial assets and liabilities designated at fair value through profit or loss, net		-	-
Gains or losses from hedge accounting, net	30	12	63
Exchange differences [gain or loss], net	31	2,254	(7,813)
Other operating income	33	28,556	36,928
Other operating expenses	33	(180,244)	(168,545)
Of which: compulsory transfers to welfare funds (only savings banks and credit cooperatives)		-	-
Income from assets under insurance and reinsurance contracts	33	-	-
Expenses from liabilities under insurance and reinsurance contracts	33	-	-
B) GROSS OPERATING INCOME		1,855,327	1,709,040
Administrative expenses		(775,417)	(753,281)
a) Staff expenses	27	(472,786)	(446,695)
b) Other administrative expenses	32	(302,631)	(306,586)
Depreciation	14/15/16	(77,787)	(75,577)
Provisions or reversal or provisions	20	(182,835)	(204,766)
Impairment or reversal of impairment and gains or losses on modifications of cash flows of financial assets not measured at fair value through profit or loss or modification gains or losses, net		(263,071)	(425,429)
a) Financial assets at fair value through other comprehensive income	9	166	567
b) Financial assets at amortised cost	10	(263,237)	(425,996)
Impairment or reversal of impairment of investments in joint ventures and associates		-	-
Impairment or reversal of impairment on non-financial assets		(7,185)	(2,084)
Tangible assets		(1,142)	-
Intangible assets	16	(6,046)	(2,082)
Other		3	(2)
Gains or losses on derecognition of non-financial assets	34	(742)	(1,190)
Negative goodwill recognised in profit or loss	13	-	-
Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	34	(11,581)	(16,174)
C) PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS		536,709	230,539
Tax expense or income related to profit or loss from continuing operations	42	(139,276)	(56,413)
D) PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS		397,433	174,126
Profit or loss after tax from discontinued operations	13	935,675	142,997
E) PROFIT OR LOSS FOR THE PERIOD		1,333,108	317,123
Attributable to minority interests (non-controlling interests)		-	-
Attributable to the owners of the parent		1,333,108	317,123
EARNINGS PER SHARE:			
Basic	21	1.49	0.35
Diluted	21	1.46	0.33

The accompanying notes 1 to 51 and appendices I, II and III attached hereto form an integral part of the balance sheet as at 31 December 2021

(*) Presented for comparison purposes only

Appendix II - Banking Group consolidated statement of recognised income and expense for the years ended 31 December 2021 and 2020

(Thousands of euros)

	Note	31.12.2021	31.12.2020(*)
A) PROFIT OR LOSS FOR THE PERIOD		1,333,108	317,123
B) OTHER COMPREHENSIVE INCOME		(32,564)	(39,518)
Items that will not be reclassified to profit or loss		51,403	8,097
a) Actuarial gains or (-) losses on defined benefit pension plans		6,029	5,159
b) Non-current assets and disposal groups held for sale		(9,567)	9,567
c) Share of other recognised income and expense of investments in joint ventures and associates		-	-
d) Fair value changes of equity instruments measured at fair value through other comprehensive income	9	52,875	(3,627)
e) Gains or (-) losses from hedge accounting of equity instruments at fair value through other comprehensive income, net		-	-
f) Fair value changes of equity instruments measured at fair value through other comprehensive income (hedged item)		-	-
g) Fair value changes of equity instruments measured at fair value through other comprehensive income (hedging instrument)		-	-
h) Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk		-	-
i) Income tax relating to items that will not be reclassified		2,066	(3,002)
Items that may be reclassified to profit or loss		(83,967)	(47,615)
a) Hedge of net investments in foreign operations [effective portion]		-	-
Valuation gains or (-) losses taken to equity		-	-
Transferred to profit or loss		-	-
Other reclassifications		-	-
b) Foreign currency translation		-	-
Translation gains or (-) losses taken to equity		-	-
Transferred to profit or loss		-	-
Other reclassifications		-	-
c) Cash flow hedges [effective portion]		727	(1,414)
Valuation gains or (-) losses taken to equity		727	(1,414)
Transferred to profit or loss		-	-
Transferred to initial carrying amount of hedged items		-	-
Other reclassifications		-	-
d) Hedging instruments [not designated elements]		-	-
Valuation gains or (-) losses taken to equity		-	-
Transferred to profit or loss		-	-
Other reclassifications		-	-
e) Debt instruments at fair value through other comprehensive income	9	(65,365)	(117,052)
Valuation gains or (-) losses taken to equity		(61,544)	(64,605)
Transferred to profit or loss		(3,821)	(6,544)
Other reclassifications	13	-	(45,903)
f) Non-current assets and disposal groups held for sale		(50,067)	50,067
Valuation gains or (-) losses taken to equity		(50,068)	4,164
Transferred to profit or loss		-	-
Other reclassifications	13	-	45,903
g) Share of other recognised income and expense of investments in joint ventures and associates		(1,166)	65
h) Income tax relating to items that may be reclassified to profit or (-) loss		31,904	20,719
C) TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		1,300,544	277,605
Attributable to minority interests (non-controlling interests)		-	-
Attributable to the owners of the parent		1,300,544	277,605

The accompanying notes 1 to 51 and appendices I, II and III attached hereto form an integral part of the balance sheet as at 31 December 2021

(*) Presented for comparison purposes only

Appendix II - Bankinter Group consolidated statement of total changes in equity for the years ended 31 December 2021 and 2020

(Thousands of euros)

												Minority interests		
	Capital	Share premium	Equity instruments issued other than capital	Other equity	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares	Profit or loss attributable to owners of the parent	(-) Interim dividends	Accumulated other comprehensive income	Accumulated other comprehensive income	Other items	Total
Closing balance at 31.12.2020	269,660	1,184,265	-	7,482	3,051,137	4,806	(14,778)	(3,641)	317,123	-	148,103	-	-	4,964,157
Effects of correction of errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance 01.01.2021	269,660	1,184,265	-	7,482	3,051,137	4,806	(14,778)	(3,641)	317,123	-	148,103	-	-	4,964,157
Total comprehensive income for the period	-	-	-	-	-	-	-	-	1,333,108	-	(32,564)	-	-	1,300,544
Other changes in equity	-	(1,184,265)	-	(1,319)	255,716	(4,806)	2,686	2,616	(317,123)	(166,046)	-	-	-	(1,412,541)
Issuance of ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of preference shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exercise or expiration of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital reduction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends (or remuneration to shareholders)	-	(1,184,265)	-	-	-	-	-	-	-	(210,769)	-	-	-	(1,395,034)
Purchase of treasury shares	-	-	-	-	733	-	-	(48,836)	-	-	-	-	-	(48,103)
Sale or cancellation of treasury shares	-	-	-	-	-	-	-	51,452	-	-	-	-	-	51,452
Reclassification of financial instruments from equity to liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liability to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers among components of equity	-	-	-	-	272,400	-	-	-	(317,123)	44,723	-	-	-	-
Equity increase or (-) decrease resulting from business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	(1,319)	-	-	-	-	-	-	-	-	-	(1,319)
Other increases or (-) decreases in equity	-	-	-	-	(17,417)	(4,806)	2,686	-	-	-	-	-	-	(19,537)
Of which: discretionary transfer to welfare funds (only savings banks and credit cooperatives)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance at 31.12.2021	269,660	-	-	6,163	3,306,853	-	(12,092)	(1,025)	1,333,108	(166,046)	115,539	-	-	4,852,160

The accompanying notes 1 to 51 and appendices I, II and III attached hereto form an integral part of the balance sheet as at 31 December 2021

	Capital	Share premium	Equity instruments issued other than capital	Other equity	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares	Profit or loss attributable to owners of the parent	(-) Interim dividends	Accumulated other comprehensive income	Minority interests: Accumulated other comprehensive income	Minority interests: Other items	Total
Closing balance at 31.12.2019 (*)	269,660	1,184,265	-	12,567	2,762,882	4,716	4,252	(1,222)	550,665	(175,442)	187,621	-	-	4,799,964
Effects of correction of errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance at 01.01.2020	269,660	1,184,265	-	12,567	2,762,882	4,716	4,252	(1,222)	550,665	(175,442)	187,621	-	-	4,799,964
Total comprehensive income for the period	-	-	-	-	-	-	-	-	317,123	-	(39,518)	-	-	277,605
Other changes in equity	-	-	-	(5,085)	288,255	90	(19,030)	(2,419)	(550,665)	175,442	-	-	-	(113,412)
Issuance of ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of preference shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exercise or expiration of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital reduction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends (or remuneration to shareholders)	-	-	-	-	-	-	-	-	-	(87,757)	-	-	-	(87,757)
Purchase of treasury shares	-	-	-	-	(340)	-	-	(59,003)	-	-	-	-	-	(59,343)
Sale or cancellation of treasury shares	-	-	-	-	-	-	-	56,584	-	-	-	-	-	56,584
Reclassification of financial instruments from equity to liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liability to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers among components of equity	-	-	-	-	287,466	-	-	-	(550,665)	263,199	-	-	-	-
Equity increase or (-) decrease resulting from business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	(5,085)	-	-	-	-	-	-	-	-	-	(5,085)
Other increases or (-) decreases in equity	-	-	-	-	1,129	90	(19,030)	-	-	-	-	-	-	(17,811)
Of which: discretionary transfer to welfare funds (only savings banks and credit cooperatives)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance at 31.12.2020 (*)	269,660	1,184,265	-	7,482	3,051,137	4,806	(14,778)	(3,641)	317,123	-	148,103	-	-	4,964,157

(*) Presented for comparison purposes only.

Appendix II - Banking Group consolidated statement of cash flows for the years ended 31 December 2021 and 2020

(Thousands of euros)

	Note	31.12.2021	31.12.2020(*)
A) CASH FLOWS FROM OPERATING ACTIVITIES		7,050,834	8,538,308
Profit or loss for the period		1,333,108	317,123
Adjustments to obtain cash flows from operating activities	14/15/16	(182,434)	860,390
Depreciation and amortisation		77,787	75,577
Other adjustments		(260,221)	784,813
Net increase/(decrease) in operating assets		5,615,322	4,355,843
Financial assets held for trading		1,879,514	(1,689,408)
Non-trading financial assets mandatorily at fair value through profit or loss		11,511	(10,748)
Financial assets designated at fair value through profit or loss		-	-
Financial assets at fair value through other comprehensive income		(140,270)	(1,816,622)
Financial assets at amortised cost		3,599,962	7,946,282
Other operating assets		264,605	(73,661)
Net increase/(decrease) in operating liabilities		11,877,918	11,837,451
Financial liabilities held for trading		2,314,196	(1,441,548)
Financial liabilities designated at fair value through profit or loss		-	-
Financial liabilities at amortised cost		9,971,341	13,296,974
Other operating liabilities		(407,619)	(17,975)
Income tax recovered/(paid)		(362,436)	(120,813)
B) CASH FLOWS FROM INVESTING ACTIVITIES		(63,908)	(120,860)
Payments		(121,156)	(189,627)
Tangible assets		(18,304)	(17,911)
Intangible assets		(49,019)	(68,773)
Investments in joint ventures and associates		-	-
Subsidiaries and other business units	13	(53,833)	-
Non-current assets and liabilities classified as held for sale		-	(102,943)
Other payments related to investing activities		-	-
Proceeds		57,248	68,767
Tangible assets		7,685	-
Intangible assets		-	-
Investments in joint ventures and associates	13	-	228
Subsidiaries and other business units		-	-
Non-current assets and liabilities classified as held for sale		49,563	68,539
Other proceeds related to investing activities	13	-	-
C) CASH FLOWS FROM FINANCING ACTIVITIES		341,847	219,823
Payments		(459,605)	(186,761)
Dividends		(210,769)	(87,758)
Subordinated liabilities	19	(200,000)	(40,000)
Redemption of own equity instruments		-	-
Acquisition of own equity instruments		(48,836)	(59,003)
Other payments related to financing activities		-	-
Proceeds		801,452	406,584
Subordinated liabilities	19	750,000	350,000
Issuance of own equity instruments		-	-
Disposal of own equity instruments		51,452	56,584
Other proceeds related to financing activities		-	-
D) EFFECT OF EXCHANGE RATE CHANGES		-	-
E) NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)		7,328,773	8,637,271
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	6	15,044,317	6,407,046
G) CASH AND CASH EQUIVALENTS AT END OF PERIOD	6	22,373,090	15,044,317
Of which: Interest received		1,317,773	1,413,935
Of which: Interest paid		198,439	168,193

(*) Presented for comparison purposes only.

The accompanying notes 1 to 51 and appendices I, II and III attached hereto form an integral part of the balance sheet as at 31 December 2021

Appendix III. Annual Banking Report

This information has been prepared in compliance with the article 87 and transitional provision twelve of Law 10/2014, of June 26, additional provision twelve of Law 10/2014, of 26 June, on the organisation, supervision and solvency of credit institutions, published in the Spanish Official State Gazette on 27 June 2014, which transposes article 89 of Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC (CRD IV) and repealing Directives 2006/48/EC and 2006/49/EC.

a) Name(s), nature of activities and geographical location

Bankinter, S.A. was incorporated by notarial deed issued in Madrid on 4 June 1965, under the name Banco Intercontinental Español, S.A. On 24 July 1990 it acquired its current name. It is entered in the Official Banks and Bankers Register. Its Tax Identification number is A-28157360 and it belongs to the Deposit Guarantee Fund with code number 0128. The Bank's registered office is located Paseo de la Castellana 29, 28046 Madrid, Spain.

Bankinter, S.A. engages in banking activities and is subject to the laws and regulations applicable to banks operating in Spain.

In addition to the activities it directly carries out, the Bank is the parent company of a group of subsidiaries that are dedicated to various activities (essentially banking services, investment services asset management and credit cards) and which constitute, together with the Bank, the Bankinter Group. As a result, the Bank is obliged to prepare, in addition to its own separate financial statements, the Group's consolidated financial statements, including investments in joint ventures and associates.

The consolidated group conducts its business in Spain, except its subsidiary Bankinter Luxembourg S.A., which conducts its business in another European Union member state, Luxembourg, Bankinter's branches in Portugal, which, since the acquisition of a part of Barclays Bank PLC's banking business in Portugal was completed on 1 April 2016, conduct their business in another European Union member state, Portugal, and, since 1 June 2019, Ireland, before acquiring 100% of EVO BANCO, S.A.U. and, consequently, of its consumer finance subsidiary in Ireland, Avantcard D.A.C.

Bankinter Consumer Finance, E.F.C., S.A. is currently the parent of AvantCard, D.A.C. after acquiring all the shares comprising its share capital.

b) Turnover

This section presents information on turnover by country on a consolidated basis. Turnover is considered to be gross operating income, as presented in the Group's consolidated income statement at year-end 2021:

	Figures at 31 December 2021
	Turnover (in thousands of euros)
Spain	1,627,292
Luxembourg	16,660
Portugal	152,115
Ireland	59,259
Total	1,855,327

c) Number of employees on a full-time equivalent basis

Full-time employees per country at year-end 2021:

	Figures at 31 December 2021
	No. of employees
Spain	5,101
Luxembourg	33
Portugal	772
Ireland	232
Total	6,138

d) Gross profit or loss before tax

This item shows gross profit before tax on a consolidated basis.

	Figures at 31 December 2021
	Gross profit or loss (in millions of euros)
Spain	1,427,640
Luxembourg	7,184
Portugal	50,265
Ireland	15,716
Total	1,500,804

e) Tax on profit or loss

This item shows tax on profit or loss on a consolidated basis.

	Figures at 31 December 2021
	Income tax (in millions of euros)
Spain	154,565
Luxembourg	-
Portugal	11,154
Ireland	1,977
Total	167,696

f) Public subsidies received

Neither Bankinter, S.A. nor any Group company have received any public subsidies.

g) Return on assets.

As set forth in Law 10/2014, of 26 June, the return on the Group's assets, calculated by dividing net profit by total assets at 31 December 2021, was 1.24%, including the profit or loss from discontinued operations.

Management report for the year ended 31 December 2021

1. Performance of the Group in the period

Bankinter, S.A. obtained a net profit in 2021 including the gain on the Línea Directa transaction of 1,371 million euros, 579% more than the year before. Net interest income rose 3.9% to 949 million euros. The return on equity instruments was 60.1% higher. Net fees and commissions increased by 18.7% or 77.5 million euros to 493 million euros. Administrative expenses including depreciation rose 5.4%. Impairment losses were 167 million euros lower, due to the additional provisions for the macroeconomic impact of the pandemic recognised in 2020.

Bankinter, S.A. reported growth 14.6% in assets, of 4.4% in loans and advances to customers and of 6.3% in debt securities. Customer deposits rose by 14.1%, led by the sharp increase in demand deposits of 2.6%.

Bankinter, S.A. is the parent company of a group of subsidiaries and associates, which operate mainly in the banking, securities and insurance sectors. Management of the parent company is management of the Group. Accordingly, the management report of the consolidated group, of which Bankinter, S.A. is the parent, is included.

1.1 Corporate activity

The Group's structure is described in Note 13, on investments, to the consolidated financial statements: main subsidiaries and associates, percentages of direct and indirect participation, activity, main economic data, among other information of interest. Also disclosed are the Group's consolidated and unconsolidated structured entities, investment funds, pension funds and SICAVs managed by the Group.

The most significant changes in the Group's scope of consolidation arising during the year are shown below:

- The resolution passed at the Annual General Meeting of Bankinter, S.A. on 19 March 2020 for the distribution in kind of its entire share premium (1,184 billion euros) was executed in April 2021. This involved the delivery to shareholders of securities representing 82.6% of the share capital of subsidiary Línea Directa Aseguradora, S.A., Compañía de Seguros y Reaseguros.

  The impact of this distribution on "Profit or loss for the period" amounted to 895,732 million euros (910,797 million euros before tax), recognised under "Profit or (-) loss after tax from discontinued operations" in the consolidated income statement.

- In May 2021, the Annual General Meeting of Bankinter Capital Riesgo, S.G.E.I.C., S.A. agreed to its winding up and liquidation. The Bankinter Capital Riesgo I, FCR fund, which was managed by the former, was dissolved and liquidated in financial year 2020.

- Two new alternative investment vehicles were created in 2021: a) Bankinter Logística, S.A., for the acquisition of logistics assets; and b) Victoria Hotels & Resorts, S.L., for the acquisition of hotel assets. The Bank's institutional and private banking customers invest in these vehicles as shareholders. Bankinter Auto y Hogar, S.A. was also incorporated in 2021 as part of the reorganisation of Bankinter Group's insurance businesses.

  At the close of the financial year, Bankinter International Notes Sàrl was in the process of being incorporated for the purpose of issue structured bonds.

- In June 2021, Bankinter issued subordinated debt (considered tier 2 for the purposes of capital adequacy regulations) in the amount of 750 million euros, for a term of 11 and a half years (to 23 December 2032) with a call redemption option after 6 and a half years, on 23 December 2027. The interest rate on this issue is 1.25%.

- The health crisis caused by the COVID-19 coronavirus continued in 2021, forcing all countries to take measures that have affected the normal course of the national and international economy. The pandemic and the measures taken to fight it have had a material impact on the Group's activity and businesses.

The most significant changes in 2020 were:

- At the Annual General Meeting held on 19 March 2020, approval was given for the distribution in kind of the full share premium of 1,184 million by the delivery to its shareholders of shares representing approximately 82.6% of the share capital of its subsidiary Línea Directa Aseguradora, S.A., Compañía de Seguros y Reaseguros ("Línea Directa Aseguradora").
- Meanwhile, Consumer Finance, E.F.C., S.A. became the parent of AvantCard, D.A.C. after acquiring all of shares comprising its share capital. These shares were held previously by Evo Banco, S.A.
- And, lastly, the dissolution and liquidation of the fund BANKINTER CAPITAL RIESGO I, FCR DE REGIMEN SIMPLIFICADO, after reimbursement of the units in kind in favour of its sole unitholder, Bankinter, S.A., on 27 November 2020.

1.2. Results

Bankinter Group posted record profit in 2021, underpinned by the Bank's stronger commercial activity in a year of economic recovery in which Bankinter showcased its financial soundness, strong value proposition and potential of its expanding and more diversified business mix. Bankinter earned 1,333 million euros in 2021, including the capital gain on the Línea Directa transaction, and achieved record revenue from its recurring business. Stripping out the capital gain from Línea Directa, net recurring profit amounted to 437.4 million euros, up 37.9% from 2020.

All margins registered sharp increases, with operating profit before provisions soaring 13.9% to at an all-time high of 1,002.1 million euros; i.e. 19% higher than the pre-COVID level in 2019.

Bankinter achieved a CAGR for profit after tax from 2012 to 2021 of 15%, despite the low level of earnings in 2020 caused by extraordinary provisions. Among the main ratios, return on equity (RoE) excluding the capital gain from Línea Directa was 9.6%, leaving an RoTE of 10.2% and compared to an RoE of 7.03% in 2020. The ratio that year was undermined by the higher provisions recognised against a worse macroeconomic outlook because of the pandemic.

Turning to capital, Bankinter ended the year with a CET1 fully-loaded capital ratio of 12.1%, well clear of the ECB's 7.68% requirement.

The NPL ratio stood at 2.24%, down 13 basis points from the year-earlier figure, with little impact from the end of the mortgage moratoria. The NPL coverage ratio was 63.56%, an improvement of 302 basis points from year-end 2020.

Turning to liquidity, Bankinter has a negative customer funding gap, with a deposit-to-loan ratio of 108.5%.

Thanks to all these good ratios, Bankinter came out as the most resilient bank in Spain under challenging macroeconomic scenarios and the third best in Europe in the latest stress test conducted by the European Banking Authority (EBA).

Stronger commercial activity boosted margins, which in all cases were not just higher than in 2020, but also than in 2019; i.e., before the pandemic. This enabled the Bank to post record revenue. The diverse revenue mix, coupled with the combination of traditional business lines and newly created business lines with far greater potential, bode extremely well for figures going forward and offset Línea Directa's departure from the Group's perimeter and the subsidiary's contribution to overall revenue to date.

Bankinter achieved excellent results in commercial activity in 2021 in all types of products and businesses and in all its footprint markets.

In the Corporate Banking business, lending volume amounted to 28,700 million euros, with growth in the loan book in Spain of 1% compared to an average decline for the sector of 1.4% according to figures by Banco de España through to November. This came despite the absence during the year of ICO-backed loans, which featured prominently the year before.

All Commercial and Retail Banking products, above all those with the greatest capacity to bring in new customers, performed just as well. To illustrate, the balance held in salary accounts in Spain reached 14,900 million euros, up from 12,700 million euros in 2020.

Elsewhere, 2021 was one of the best years ever for Bankinter's mortgage business, with new loans - including EVO Banco - of 5,900 million euros, a 58% increase from the year before. The total mortgage portfolio stood at around 31,300 million euros. Growth in the mortgage loan book in Spain alone was 8.6%, compared to the sector average of 1.3% according to Banco de España figures through to November. Market share in new transactions reached 9%.

In the Asset Management business, customers were delighted with the Bank's commercial and advisory activity in the current interest rate environment. Off-balance-sheet managed funds rose 26.95 to 39,533.6 million euros. Growth was particularly strong in investment funds, both proprietary and third-party, rising 30% in the year to 29,800 million euros. Some Bankinter Asset Management funds were among the year's most profitable in their respective categories.

The investment banking business, overseen by Bankinter Investment, merits special analysis because of the type of business and its projection. Needless to say, the Bank has become a benchmark in some activities, e.g. alternative investment. So far it has launched 16 investment vehicles in diverse economic sectors, mobilising 3,200 million euros of capital of over 3,000 private banking and institutional customers. Meanwhile, structured financing volume stand at 4,000 million euros. Overall, Bankinter obtained gross operating income of 187 million euros in 2021, up from 116 million euros the year before.

Meanwhile, Bankinter Portugal had an equally successful year, reporting profit before tax of 50 million euros and growth in all business indicators and margins. The loan book grew by 6% to 6,900 million euros, while customer deposits increased by 23% to 5,900 million euros. Off-balance-sheet assets under management increased by 22% to 4,400 million euros. This enabled Bankinter Portugal to deliver increases compared to 2020 of 5% in net interest income, to 99 million euros, and of 10% in gross operating income, to 152 million euros, driven by the good performance of fee and commission income, which totalled 61 million euros.

Bankinter Consumer Finance, the brand under which the Consumer business is operated, ended the year with a loan book of 3,500 million euros, 23% higher than in December 2020. New origination in the year amounted to 1,500 million euros, reflecting the rebound in household consumption alongside an improvement in the overall economy. Consumer loans accounted for 1,900 million euros, while the rest relates to cards, in their various types, and to the mortgages marketed in Ireland. The activity carried out in Ireland, through the Avant Money brand, expanded considerably in 2021, with 1,000 million euros in the loan book at year-end, of which

400 million euros were new mortgages. Despite just having started up this business there recently, the Bank has already become a major player in this market. Avant Money's NPL ratio is 0.6%.

Meanwhile, EVO Banco continues to bolster its positioning among younger and more digital customers, with a total of 678,000 customers at the end of December. Total lending at year-end stood at 1,860 million euros, up from 1,224 million euros in 2020. New mortgages awarded in the year totalled 729 million euros, compared to 395 million euros the year before, which gives an idea of how much the digital bank has turned round this business.

Comparative results for 2021 and 2020:

	31.12.2021	31.12.2020	Change	
BANKINTER GROUP	**Amount**	**Amount**	**Amount**	**%**
Interest and similar income	1,446,347	1,385,745	60,602	4.37
Interest expense and similar charges	(171,069)	(138,745)	(32,325)	23.30
Net interest income	**1,275,277**	**1,247,000**	**28,277**	**2.27**
Return on equity instruments	20,611	19,033	1,578	8.29
Share of the profit or loss of entities accounted for using the equity method	33,368	28,766	4,602	16.00
Net fees and commissions	603,459	496,759	106,699	21.48
Gains or losses on financial assets and liabilities and exchange differences	74,300	49,099	25,201	51.33
Other operating income/expenses	(151,688)	(131,617)	(20,071)	15.25
Gross operating income	**1,855,327**	**1,709,040**	**146,287**	**8.56**
Staff expenses	(472,786)	(446,695)	(26,091)	5.84
Administrative expenses/depreciation	(380,418)	(382,162)	1,744	-0.46
Operating profit (loss) before provisions	**1,002,123**	**880,183**	**121,940**	**13.85**
Provisions	(182,835)	(204,768)	21,933	-10.71
Impairment losses	(263,069)	(425,430)	162,361	-38.16
Net operating income	**556,219**	**249,986**	**306,233**	**122.50**
Gains/(losses) on disposal of assets	(19,510)	(19,447)	(63)	0.32
Profit (loss) before tax from continuing operations	**536,709**	**230,539**	**306,170**	**132.81**
Tax expense or income related to profit or loss from continuing operations	(139,276)	(56,413)	(82,863)	146.89
Profit or loss after tax from continuing operations	**397,433**	**174,126**	**223,307**	**128.24**
Profit or loss from discontinued operations	935,674	142,997	792,677	554.33
Profit or loss for the period	**1,333,108**	**317,123**	**1,015,984**	**320.38**
Net profit attributable to the Group excluding the capital gain upon distribution of the share premium	437,375	317,123	120,252	37.92

Quarterly trends in the income statement:

INCOME STATEMENT	Bankinter Group					% change	
	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q4 2021/Q4 2020	Q4 2021/Q3 2021
Interest and similar income	369,065	360,615	365,833	350,833	355,337	3.9%	2.3%
Interest expense and similar charges	(48,840)	(44,922)	(38,290)	(39,018)	(35,300)	38.4%	8.7%
Net interest income	**320,225**	**315,694**	**327,543**	**311,815**	**320,037**	**0.1%**	**1.4%**
Return on equity instruments	6,653	7,207	4,630	2,122	1,805	268.6%	-7.7%
Share of the profit or loss of entities accounted for using the equity method	9,315	9,854	7,798	6,400	6,520	42.9%	-5.5%
Net fees and commissions	160,807	177,759	135,056	129,838	138,249	16.3%	-9.5%
Gains or losses on financial assets and liabilities and exchange differences	9,332	12,602	24,587	27,779	16,821	-44.5%	-25.9%
Other operating income/expenses	(73,898)	(14,916)	(49,887)	(12,987)	(70,645)	4.6%	395.4%
Gross operating income	**432,433**	**508,200**	**449,726**	**464,967**	**412,786**	**4.8%**	**-14.9%**
Staff expenses	(126,702)	(118,997)	(116,552)	(110,534)	(122,022)	3.8%	6.5%
Administrative expenses/depreciation	(102,274)	(94,651)	(92,047)	(91,445)	(105,217)	-2.8%	8.1%
Operating profit (loss) before provisions	**203,457**	**294,551**	**241,127**	**262,988**	**185,547**	**9.7%**	**-30.9%**
Provisions	(26,534)	(75,036)	(41,422)	(39,842)	(63,081)	-57.9%	-64.6%
Impairment losses	(74,728)	(60,071)	(69,640)	(58,630)	(40,570)	84.2%	24.4%
Net operating income	**102,195**	**159,444**	**130,065**	**164,516**	**81,896**	**24.8%**	**-35.9%**
Gains/(losses) on disposal of assets	(8,286)	(4,249)	(3,080)	(3,896)	(4,619)	79.4%	95.0%
Profit (loss) before tax from continuing operations	**93,909**	**155,195**	**126,985**	**160,620**	**77,278**	**21.5%**	**-39.5%**
Tax expense or income related to profit or loss from continuing operations	(11,448)	(44,802)	(38,759)	(44,267)	(18,097)	-36.7%	-74.4%
Profit or loss after tax from continuing operations	**82,461**	**110,393**	**88,226**	**116,353**	**59,179**	**39.3%**	**-25.3%**
Profit or loss from discontinued operations	0	-	903,754	31,921	37,882	-100.0%	#DIV/0!
Profit or loss for the period	**82,461**	**110,393**	**991,980**	**148,273**	**97,062**	**-15.0%**	**-25.3%**
Net profit attributable to the Group excluding the capital gain upon distribution of the share premium	82,461	110,393	96,248	148,273	97,062	-15.0%	-25.3%

Net interest income in 2021 totalled 1,275.3 million euros, up 2.3% from 2020, driven by higher volumes and price optimisation, even amid low interest rates.

The net interest margin has grown consistently in recent years and ended December 2021 at 1.82%, up from 1.88% the year before. This decrease is based on loans and advances to customers, which went from 1.93% in December 2020 to 1.85% in December 2021. Customer deposits closed the year at 0.00%, compared to 0.02% the year before.

Cumulative returns and costs

	31.12.2021		31.12.2020	
	Weight	Rate	Weight	Rate
Deposits at central banks	17.24%	0.70%	10.14%	0.64%
Deposits with credit institutions	3.29%	0.18%	3.25%	0.13%
Loans and advances to customers (a)	63.77%	1.85%	67.68%	1.93%
Debt securities	11.33%	1.70%	12.72%	1.69%
Of which ALCO portfolio	8.85%	1.75%	10.04%	1.79%
Equity	0.69%	2.99%	0.54%	3.91%
Other unweighted income		-0.07%		-0.06%
Average interest-bearing assets (b)	96.31%	1.52%	94.32%	1.65%
Other assets	3.69%		5.68%	
AVERAGE TOTAL ASSETS	100.00%	1.46%	100.00%	1.56%
Deposits from central banks	13.85%	0.46%	11.00%	0.28%
Deposits from credit institutions	3.12%	1.28%	2.74%	1.27%
Customer funds (c)	72.70%	0.03%	74.72%	0.05%
Customer deposits	66.41%	0.00%	66.66%	0.02%
Payables represented by marketable securities	6.29%	0.28%	8.06%	0.31%
Subordinated liabilities	1.41%	1.65%	1.13%	2.05%
Other unweighted costs		0.03%		0.03%
Average interest-bearing funds (d)	91.09%	0.19%	89.59%	0.17%
Other liabilities	8.91%		10.41%	
AVERAGE TOTAL FUNDS	100.00%	0.17%	100.00%	0.15%
Customer spread (a-c)		1.82%		1.88%
Net interest margin (b-d)		1.33%		1.48%

Net fees and commissions rose by 21.5%, to 106.7 million euros. Growth was particularly strong in fees and commissions related to asset management activities, collections and payments, and securities services. A highlight of Bankinter Investment's activity in the year was the 47.9 million euros of commission income from the sale of the renewable energy fund Helia I to Northland Power.

CUMULATIVE FEES AND COMMISSIONS	31.12.2021	31.12.2020	Change	%
FEES AND COMMISSIONS PAID	184,313	134,805	49,508	36.73
FEES AND COMMISSIONS RECEIVED				
On guarantees and documentary credits	49,180	45,197	3,983	8.81
On foreign exchange and foreign banknotes	82,821	78,467	4,354	5.55
On contingent commitments	21,415	17,710	3,705	20.92
On collection and payment services	129,760	111,372	18,388	16.51
On securities services	136,188	115,260	20,928	18.16
Underwriting and placement of securities	36,106	24,108	11,998	49.77
Purchase and sale of securities	36,416	38,691	(2,274)	(5.88)
Securities administration and custody	41,707	35,635	6,072	17.04
Asset management	21,959	16,826	5,132	30.50
For marketing of non-banking financial products	261,232	209,946	51,286	24.43
Asset management	181,921	139,734	42,187	30.19
Insurance and pension funds	79,311	70,212	9,099	12.96
Other fees and commissions	107,175	53,612	53,563	99.91
Total fees and commissions received	787,772	631,565	156,207	24.73
TOTAL NET FEES AND COMMISSIONS:	603,459	496,759	106,699	21.48

Gross operating income totalled 1,855.3 million euros at 31 December 2021, up 8.56% year on year. Growth was driven by the increase in net interest income (+2.27%), higher fees and commissions (+21.5%), and the share of profit companies accounted for using the equity method (+16%, due to the higher profits from BK Vida). Other operating income, which mainly includes regulatory charges, increased by 15.3%. Gains on financial assets and liabilities and dividends combined were up 39%, driven mostly by the dividend from LDA.

Bankinter remained one of the most profitable and solvent financial institutions in Spain. Its strategy is still focused primarily on its strategic lines of Corporate Banking, Commercial Banking, Consumer Finance, Bankinter Portugal, Bankinter Investment, Asset Management, EVO and Avantcard, making it sustainable going forward.

Operating costs (including staff expenses, general expenses, depreciation and amortisation) increased by 2.9% in the year. The banking business cost-to-income ratio including depreciation and amortisation was 46.0%, signalling a vast improvement from 48.5% the year before.

1.3. Performance of customer deposits and loans

Loans to customers were 3,664.5 million euros or 5.69% higher than the year before.

LOANS AND ADVANCES	31.12.2021	31.12.2020	Change	%
			Thousands of euros	
Public administrations	731,676	640,385	91,291	14.26
Other private sectors	65,550,392	62,519,636	3,030,756	4.85
Commercial credit	3,004,677	2,540,245	464,432	18.28
Secured loans	36,452,675	33,869,349	2,583,326	7.63
Other term loans	21,914,197	22,171,548	(257,352)	(1.16)
Personal loans	14,038,938	14,317,078	(278,140)	(1.94)
Credit accounts	7,813,354	7,806,261	7,093	0.09
Other	61,904	48,209	13,695	28.41
Finance leases	867,900	935,191	(67,290)	(7.20)
Non-performing assets	1,679,278	1,669,069	10,209	0.61
Valuation adjustments	(874,480)	(916,296)	41,816	(4.56)
Other credit	2,506,145	2,250,531	255,615	11.36
Loans and advances - Customers	66,282,067	63,160,021	3,122,047	4.94
Other financial assets at amortised costs - Customers	1,766,687	1,224,283	542,404	44.30
Total	68,048,754	64,384,304	3,664,450	5.69
Off-balance sheet exposures	22,696,291	22,797,526	(101,235)	(0.44)
Contingent risks	6,732,371	5,811,893	920,478	15.84
Drawable by third parties	15,963,920	16,985,633	(1,021,713)	(6.02)

Retail funds from customers grew by 7,474.9 million euros, or 11.50% from the end of 2020.

Off-balance-sheet funds were up, by 26.9% or 8,372 million euros from 2020.

CUSTOMER FUNDS	31.12.2021	31.12.2020	Change	%
			Thousands of euros	
Retail funds	72,484,855	65,009,889	7,474,967	11.50
Loans and advances to general government	948,722	849,705	99,017	11.65
Loans and advances to private sector	69,695,832	62,221,388	7,474,444	12.01
Current accounts	63,993,348	56,556,117	7,437,231	13.15
Term deposits	5,698,340	5,662,143	36,196	0.64
Valuation adjustments	4,145	3,128	1,017	32.52
Other demand accounts	773,573	563,282	210,291	37.33
Retail marketable securities	1,066,728	1,375,514	(308,786)	(22.45)
Repurchase agreements	1,363,039	251,795	1,111,244	441.33
Wholesale marketable securities	5,106,770	5,273,644	(166,874)	(3.16)
Securitised bonds	305,030	410,597	(105,567)	(25.71)
Covered bonds	2,726,355	2,708,336	18,020	0.67
Senior bonds	1,992,711	1,992,014	697	0.03
Valuation adjustments	82,674	162,698	(80,024)	(49.19)
Total on-balance sheet funds	78,954,664	70,535,327	8,419,337	11.94
Off-balance sheet funds	39,533,575	31,161,079	8,372,496	26.87
Proprietary investment funds	10,958,792	8,791,132	2,167,660	24.66
Third-party investment funds sold	18,841,081	14,152,270	4,688,811	33.13
Pension funds and insurance contracts	3,792,735	3,264,999	527,736	16.16
Assets management and SICAVs	5,940,968	4,952,679	988,289	19.95

1.4. Liquidity

Bankinter's liquidity management includes monitoring of short-term (the liquidity coverage ratio or LCR) and long-term (net stable funding ratio or NSFR) regulatory ratios. Both ratios are also included in the liquidity metrics of the Risk Appetite Framework (MAR).

The Entity's liquidity position improved significantly in 2021, driven by the trend in the customer funding gap, i.e. the difference between customer loans and deposits, with customer deposits growing higher than customer loans. Client funds have grown sharply and have comfortably met the liquidity needs generated by the growth in lending. This improvement drove a marked increase in available liquid assets, keeping the LCR well above both the internal limits set in the RAF and regulatory limits. The LCR stood at 227.0% at year-end 2021, up from 193.0% at year-end 2020, with an average for the year of around 230%.

The long-term liquidity ratio, the NSFR, which measures the proportion of long-term assets funded by stable funding, stood at 149.59%, up from 133.40% in 2020. The institution's financing structure, with a significant and increasing weight of customer deposits and wholesale funding focused on the medium-long term, has driven a steady increase in the NSFR to above 100%.

1.5. Activity in business segments

Appendix III to the consolidated financial statements provides detailed information and comparisons of profit or loss of the Bank's main business segments and key business indicators.

2. Solvency and management of own funds

Bankinter's capital management, business model and prudent risk policy allow it to operate with comfortable levels of capital, of high quality and far above that the requirements of the regulatory authorities and supervisors.

Note 48 of the notes to the annual financial statements describes the adequacy and management of the Group's own funds.

3. Economic environment

By the end of 2021, the economy was still rebounding, but held back by several factors, mainly: (i) supply bottlenecks; and (ii) a new virus variant (Omicron), which prompted some countries in Europe to impose new restrictions. OECD forecasts global GDP growth of 5.6% in 2021.

Looking ahead to 2022, the World Bank expects global growth to decelerate to 4.1%, but still outstrip levels seen in recent years. For the US, it estimates 3.7% in 2022 and 5.6% in 2021, and for the euro area 4.2% and 5.2%, respectively. Spain is one of the few countries expected to see growth accelerate in 2022. Banco de España (BdE) estimates GDP growth for Spain of 5.4% in 2022, vs. an estimated 4.5% for 2021 and above growth of recent years, underpinned by the reopening of the economy and the Next Generation EU (NGEU) recovery fund.

A key highlight of the fourth quarter of 2021 was the jump in global inflation. Inflation by the end of the year reached 7.0% in the US, 5.0% in the euro area and 6.7% in Spain. The main drivers were rising commodity prices and energy costs. Oil prices rose to $78/barrel from $52/barrel in December 2020. The IMF expects inflation to ease in 2022 to 3.5% in the US and 1.7% in the euro area, while the BdE is forecasting a rate of 3.7% in Spain.

Central banks react to inflationary pressures and announce the gradual withdrawal of monetary stimuli. The ECB will end its pandemic emergency purchase program (PEPP) in March this year but temporarily increase its ordinary asset purchase programme (APP).

Stock markets remain buoyed by strong growth in corporate earnings, excess liquidity and still accommodative monetary policies. Gains in share prices were widespread in the fourth quarter on 2021 (MSCI World +7.5%, S&P500 +10.6%, Eurostoxx50 +6.2%). The Ibex 35 (-1.0%) was one of the few exceptions, undermined by the Omicron variant's impact on the services sector. On balance, 2021 was a good year for equities (MSCI World +20.1%, S&P500 +26.9%, Eurostoxx50 +21.0% and Ibex35 +7.9%).

Sovereign bond yields rose in 2021 on the back of tapering or withdrawal of asset purchase programmes by central banks and potential interest rate hikes in coming years. The IRR of the US 10-year T-Note closed the year at 1,512%, up from 0,916% at end-December 2020, while the yield on the German Bund ended at -0,182% compared to -0,572% in 2020 and that of the Spanish bond at 0,563% vs 0,043 % in 2020. Noteworthy was the US dollar's appreciation vis-à-vis the euro in 2021 (7.5%), while the yen depreciated slightly (-3.5%).

4. Risk management

Note 44 of the notes to these financial statements describes the Group's risk policy and risk management in 2021. We refer to that note, which specifically relates to:

- Risk policy framework established by the board of directors.
- Credit risk: organisation, policies and management, performance in the year, maximum exposure to credit risk, refinancing and restructuring policy, trends in customer risks, control, monitoring and recoveries, non-performing loans and foreclosures, provisions and allowances
- Structural risk management policies: structural interest rate, liquidity and market risks.
- Market risk management policies
- Operational risk
- Reputational and compliance risk.
- Climate change risk.

Note 11 lists the asset and liability hedging operations carried out by the Bank.

5. Other relevant information

For the stock market, growth in company profits, surplus liquidity in the economy and the ECB's still expansive monetary policy have paved the way for gains in share prices around the world. While the Omicro variant of the COVID-19 virus affected the fourth quarter last year, the Ibex35 still ended 2021 up 7.9%. Financial sector stocks rebounded, especially in the last quarter, fuelled by expectations of interest rate hikes, although the ECB has yet ot make any an official announcement.

With the COVID-19 pandemic still resulting in a challenging backdrop, Bankinter shares performed exceptionally well. Shareholder returns rose more than any other year, buoyed by the positive impact from Línea Directa Aseguradora's spin-off in April. Shareholders who kept their shares in Bankinter and Línea Directa throughout the year earned a dividend yield of over 5.3% in both cases, representing a 31% increase on dividends paid by Bankinter in 2019 alone. Moreover, their investment gained 38% in 12 months combining the return on both stocks, outstripping the average of 31% for Spain's listed banks (the same as they lost in 2020).

The Bank's market capitalisation at 31 December 2021 stood at 4,053 million euros.

Share capital

At the end of 2021, Bankinter, S.A.'s share capital was represented by 898,866,154 fully subscribed and paid shares with a par value of 0.30 euros each. All the shares are represented by book entries, admitted for listing on the Madrid and Barcelona Stock Exchanges and traded on the Spanish continuous market.

Bankinter had 58,632 shareholders at 31 December. Residents in Spain held 55% of the share capital and non-residents the remaining 45%. Registered shareholders with more than 5% of the share capital are detailed in the table below.

Key data and ratios for Bankinter shares in 2021 are detailed in the following tables:

Table of shareholders with significant holdings

Shareholders with significant holdings		**31.12.2021**
Name	**Total shares**	**%**
Cartival, S.A.	208,426,443	23.19
Corporación Masaveu, S.A.	44,959,730	5.00

Table of shareholder structure by number of shares

Shareholder structure by number of shares				**31.12.2021**
Brackets	**No. of shareholders**	**%**	**No. of shares**	**%**
From 1 to 100 shares	15,379	26.23	249,056	0.03
From 101 to 1,000 shares	19,525	33.30	9,850,410	1.10
From 1,001 to 10,000 shares	20,038	34.18	66,531,895	7.40
From 10,001 to 100,000 shares	3,404	5.80	80,386,191	8.94
More than 100,000 shares	286	0.49	741,848,602	82.53
Total	58,632		898,866,154	

Summary table by type of shareholder

Summary by type of shareholder	**No. of shareholders**	**%**	**No. of shares**	**%**
Residents	57,809	98.60	492,608,072	54.80
Non-residents	823	1.40	406,258,082	45.20
Total	58,632		898,866,154	

Table of per share data for the period

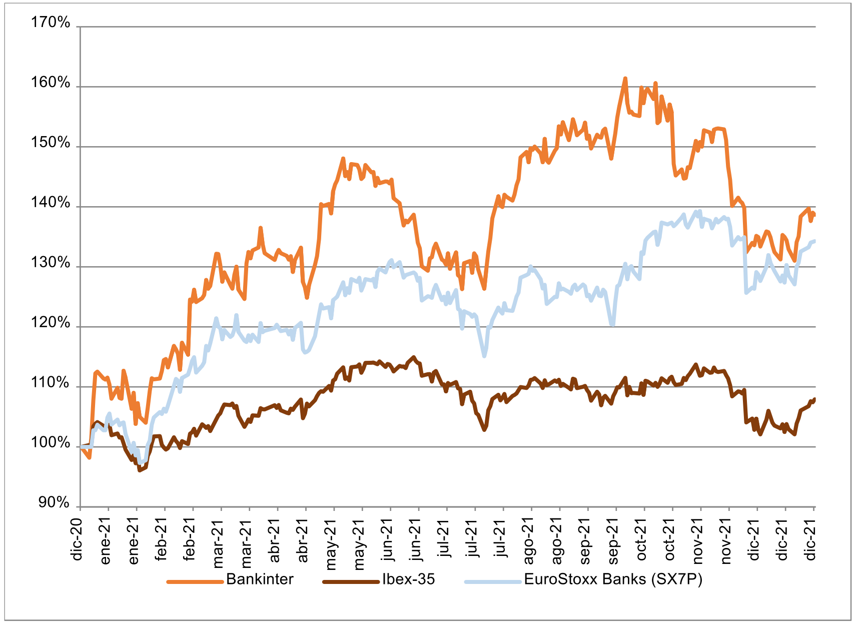
Data per share for the period, at 31.12.2021 (euros)	
Earnings per share	1.46
Dividend per share	0.23
Book value per share	5.40
Share price at beginning of period	4.42
Minimum intraday share price	4.04
Maximum intraday share price	6.06
Last share price	4.51
Performance over last 12 months (%)	38.28

Table on stock market ratios at 31.12.2021

Stock market ratios at 31.12.2021	
Price/book value (times)	0.84
PER (price/earnings, times)	9.26
Dividend yield (%)	5.20
Number of shareholders	58,632
Number of shares	898,866,154
Number of shares of non-residents	406,258,082
Average daily trading volume (number of shares)	2,871,919
Average daily trading volume (thousands of euros)	14,201
Market capitalisation (thousands of euros)	4,052,987

Chart on share price

Share price Relative performance (%) last 12 months (Dec-20 base 100)



Dividend policy

Bankinter resumed its dividend policy on 1 October, the last day the ECB recommended banks not distribute dividends. In accordance with the ECB regulation, Bankinter made a first payment of 0,133 euros per share out of 2021 profit. Then, in accordance with its policy of distributing dividends amounting to approximately 50% of recurring period of the previous year, Bankinter distributed a second interim dividend for 2021 amounting to a total of 46.3 million euros.

In addition to these interim dividends, the final dividend approved at the 2022 Annual General Meeting on the recommendation of the board of directors at its previous meeting will be paid.

Dividends distributed in 2021 out of 2021 profit, excluding treasury shares held by the Bank:

Table on dividend distributions

Date	Dividend per share (euros)	Number of shares	Amount (thousands of euros)	Date of board approval	Profit (loss) for the year
Oct-2021	0,13328659	898,866,154	119,780	Sept-2021	2,021
Dec-2021	0,05148231	898,866,154	46,265	Dec-2021	2,021
Mar-2022	0,05857824	898,866,154	52,642	Feb-2022	2,021
Total	0,24334714		218,687		

American Depositary Receipts (ADR)

Bankinter has a Level 1 ADR programme managed by Bank of New York-Mellon, with 68,048 ADRs outstanding at the end of 2021. This allows US residents to invest in foreign companies through a US dollar-denominated product and to receive dividend payments in their own currency.

6. New products

Commercial Banking

Clearly, 2021 was shaped by the global pandemic caused by COVID-19, declared as such on 11 March 2020 by the WHO and which has continued since. Mostly, the early part of the year, until massive vaccination began in Spain (June 2021), when the government began easing some control measures and restrictions on mobility, when society and economic activity began returning to a certain level of normality.

On 2 February, Royal Decree-Law 3/2021 was published, allowing banks to extend mortgage moratoria for a further nine months, until 30 March 2021. It also extended the moratorium in the transport and tourism sectors by up to nine months.

Bankinter continued the work begun in 2020, helping customers apply for these moratoria.

Applications for legal and sectoral moratoria at our Bank peaked at 1.16% of the total mortgage portfolio for the legal moratorium and 3.74% of the sector moratorium in 2020.

By the end of 2021, the mortgage portfolio still making use of the banking sector moratorium was far lower, at around 15% of the peak (0.55% of our total mortgage portfolio).

On the asset side, as part of our commitment to society, we designed new mortgage products aimed at making it easier for young people to buy a home, lending them up to 90% of the purchase-sale price or the appraisal value of the property.

In line with our commitment to sustainability, on 24 June 2021, the Bank began offering customers a specific mortgage loan to purchase new or existing homes with high energy category certification ratings. This new product, "Efficient Home Mortgage", broadens our range of mortgages that emphasise energy efficiency and sustainability as priorities and steps up our offering of sustainable products. This mortgage provides finance for both new and existing properties that are highly energy efficient. Customers applying for this type of mortgage loan have the arrangement fee waived. The product includes fixed- and variable-rate mortgage loans and developer loans. New properties must have category "A" energy rating and second-hand or refurbished properties an "A" or "B" rating. With this, the Bank gives preferential treatment to mortgage loans that finance highly efficient homes; i.e. those that consume little energy, thereby reinforcing our range of sustainable initiatives.

We are still a bank that attracts new customer accounts. Our salary account is the main driver; bank customers had 10% more salary accounts at year-end 2021 than at the end of December 2020. The measures taken in 2020 to make it easier to uphold the terms and conditions of the salary account and other products that could be hurt by the overall market decline and the drop on income of our customers remained in place in 2021.

Lastly, in commercial retail banking, we made further efforts in 2021 to strengthen our multi-channel approach, digitalisation and transparency in the range of products and services we offer customers.

On this front, since the first quarter our private banking and personal banking customers had online access to the reporting or investment portfolio tool, a power consultation tool enabling them to analyse the performance of their assets at the Bank. Moreover, a new and precise return module was completed.

Also during the year, we continued to make progress on and improve our "Account transfer service", regulated by RD Law 19/2017, of 24 November, 24 on the transfer of payment accounts. Bankinter became one of Spain's first banks to help customers who are pensioners deposit their pensions directly without any paperwork, fully online, using the online Account service. As at 31 December 2021, this channel accounted for 45% of direct debits and 24% of pensions transferred to Bankinter by customers.

Corporate Banking

2021 was clearly shaped by global COVID-19 pandemic, declared as such on 11 March 2020 by the WHO. March 2020 marked the start of an never-seen-before period, full of uncertainty and with economic activity virtually at a standstill.

To mitigate the effects of an unprecedented crisis on Spain's productive sector, the government launched a number of measures targeting the sectors affected most.

These Included: a 400 million credit facility for the tourism and tourism-related sectors; an extraordinary insurance cover facility of up to 2,000 million euros; a line of state-backed guarantees to cover the financing granted by credit institutions for a maximum amount of 100,000 million euros; and moratoria on loans and leases in certain sectors (e.g. tourism and road freight).

What was unquestionably one of the measures with the greatest impact on the financial sector and the business world in general were the guarantee facilities financed by the government and managed by Spain's official credit institute (Instituto de Crédito Oficial or ICO).

Adapting all these facilities posed a major challenge that began in 2020, since it required adapting the various applications and databases to record transactions, implementing cutting-edge methods for agile communication with ICO, transferring all information on the facilities to branch offices and the networks of sales managers, understanding EU regulations underpinning them, creating simulators, etc. In sum, myriad developments were made that continued in 2021 so we could continue offering these facilities to our customers. Meanwhile, the Bank has adhered to the Code of Good Practices to help Spain's business community and economic recovery.

In June, Bankinter and the European Investment Fund (EIF) signed an agreement whereby the EIF will bear up to 70% of the risk of new loans. EIF will guarantee 350 million euros to leverage up to 500 million euros in support to Spanish and Portuguese small- and medium-sized enterprises (SMEs) impacted by the health and economic crisis caused by COVID-19. The agreement is backed by the European Guarantee Fund (EGF), part of the 540,000 million euro EU rescue package approved by the European Council to tackle the economic impact caused by the pandemic. The agreement aims to support their growth and development strategies in the medium to long term. The EIF will bear up to 70% of the risk of the new loans granted by Bankinter to eligible SMEs.

For current accounts, we revamped our catalogue of accounts for SMEs by launching the new Bankinter Corporate Plan account, a new way of connecting with customers, and streamlined the existing product catalogue to enhance transparency and flexibility. Customers who take out this account start with Plan 0. Customers pay no fees for their main transactions and have three months to decide what relationship they want with the Bank, as depending on the level they will automatically be classified into one of the three plans available: Plan 0, Plan 10 or Plan 20.

1. To belong to Plan 0, for which there is not maintenance fee, customers have three choices:

1. Inflows of at least 100,000 euros per quarter and three payment transactions; 2. Inflows of at least 50,000 euros, three payment transactions and arrangement of an insurance policy; 3. International business transactions of at least 15,000 euros per quarter.
2. Customers on the plan with a 10 euro maintenance fee have two choices: inflows of at least 50,000 euros and three payment transactions; or take out an insurance policy.
3. Operations under Plan 20 are free.

Customers also have access to a range of non-financial services under special terms, which will be expanded over the coming months to include new agreements.

Among working capital facilities for customers, we continued to invest in products that generate high value for our customers: factoring and reverse factoring. Highlights include the improvements made to reverse factoring: we signed a new agreement with a new underwriter, leveraging our ability to factor debtors to create a specific where the customer assigns their insurance policy to use and we leverage it to factor their main debtor. We also made operational enhancements for customers, offices and central services to optimise the management of both products.

As for products related to international business, worked focused mainly on two areas that are particularly important for our customers:

- The disappearance of the Libor. As is widely known, 31.12.2021 was the deadline for several benchmark indices we used for customers ceased to be published. As a result, all products indexed to them had to be adapted to alternative rates.
- Supply chain finance: we developed the possibility of doing what in the Spanish market is known as reverse factoring in foreign currency, with a pilot currently under way with customers. Until now, customers could make payments to their international clients this way, but they always had to be in euros. As of next year, once the required quality controls have been passed, our customers will be able to pay using this financial instrument in currency with which bank works. This effectively eliminates foreign currency risk for suppliers, since they can obtain financing in the currency agreed with our customer.

7. Outlook

Going forward, Bankinter will continue to develop its business model based on the value creation through differentiation, focused on quality of service and underpinned by a multichannel approach and ongoing innovation, together with rigorous monitoring of asset quality and solvency. With this model, the outlook is to maintain the positive trend in earnings and value creation.

8. Events after the reporting period

No significant events have taken place since the end of the reporting period.

9. Research and development activities

At year-end, the Bank was not involved in any significant research and development activities.

10. Reliance on patents and licences

At year-end, the Bank was not subject to any significant degree of reliance on issuers of patents, licences, industrial, commercial or financial contracts, or new manufacturing processes.

11. Transactions involving treasury shares

These transactions are described in Note 22 to the separate financial statements.

12. Annual Corporate Governance Report

The annual corporate governance report, under the format outlined in Circular 5/2013, of 12 June, of the Spanish National Securities Market Commission (including subsequent amendments) and which is included in the management report as a separate section, in accordance with article 538 of Legislative Royal Decree 1/2010, of 2 July, approving the consolidated text of the Spanish Companies Act, is available for consultation the CNMV website under Other relevant information (OIR), and on Bankinter's website, under "Corporate gov.-remuneration pol.".

Link to the report on the CNMV website: [CNMV - Information of corporate governance]

13. Annual report on directors' remuneration

The annual report on director remuneration, using the format provided in Circular 4/2013, of 12 June, of the Spanish National Securities Market Commission (including subsequent amendments), which is part of the management report, after the entry into force of Law 5/2021, of 12 April, amending the consolidated text of the Spanish Companies Act approved by Legislative Royal Decree 1/2010, of 2 July, and other financial regulations, with regard to the promotion of long-term shareholder involvement in listed companies, is available for consultation on the CNMV website as Other relevant information (OIR) and on Bankinter's website under "Corporate gov.- remuneration pol.".

Link to the report on the CNMV website: [CNMV - Information of corporate governance]

14. Non-financial statement

The non-financial statement, which is part of the consolidated management report, in accordance with Law 11/2018, of 28 December, amending, *inter alia*, article 49.5 of the Code of Commerce, and which includes non-financial information for the year ended 31 December 2021, is available for consultation on CNMV website as Other relevant information (OIR) and on Bankinter's website under the "Sustainability" section.

Link to the report on the CNMV website: [CNMV - Other relevant information]

15. Alternative performance measures

In addition to the financial information contained in this document, prepared in accordance with applicable international financial reporting standards, certain 'Alternative Performance Measures' (**APM**s) are included both in this document and in the information incorporated by reference, which comply with the Guidelines on Alternative Performance Measures issued by the European Securities and Markets Authority on 30 June 2015 (ESMA/2015/1057) ("the ESMA Guidelines").

The ESMA Guidelines define APMs as a financial measure of historical or future financial performance, financial position or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework.

Bankinter uses certain APMs, which have not been audited to allow users to better understand the Company's financial performance. These measures should be considered as additional information and under no circumstances replace the financial information prepared in accordance with international financial reporting standards. Furthermore, these measures can, both in their definition and in their calculation, differ from other similar measures calculated by other companies and, therefore, may not be comparable.

The main APMs used by Bankinter are as follows:

Alternative performance measure	Definition	Purpose
Eligible exposures	Loans and advances to customers (without valuation adjustments) for each portfolio of financial assets + Loans and advances to credit institutions from customer activity (without valuation adjustments) + Fixed Income from customer activity (without valuation adjustments) + Contingent risks + Securitised assets derecognised from the balance sheet (before 2004)	It measures the total credit risk assumed by the Group with customers.
Non-performing loan ratio	Calculated as non-performing loans (with off-balance sheet exposure) divided by total exposure.	It measures the quality of the entities' loan book, indicating the percentage of non-performing loans of total loans.
Non-performing loan coverage ratio (%)	Calculated as provisions and allowances divided by non-performing loans (with off-balance sheet exposure).	It measures the percentage of non-performing loans portfolio covered by provisions and allowances for credit risk.
Cost-to-income ratio	This is the result of dividing the sum of staff expenses, other general administrative expenses and depreciation and amortisation by gross operating income.	It measures the amount of general administrative expenses and depreciation required to generate income.
Return on equity (ROE)	Net profit from continuing operations divided by average equity for the period (excluding profit or loss for the year, dividends and remuneration, and valuation adjustments). In the denominator, average own funds is the moving average of own funds of the previous 12 calendar months, or the corresponding period, excluding the profit/(loss) attributed to the Group as part of own funds, as well as dividends and accumulated other comprehensive income.	It measures the return obtained on funds invested in/held by the Company.

Alternative performance measure	Definition	Purpose
Earnings per share (EPS)	Earnings per share are calculated by dividing the earnings attributable to the Group, adjusted by the profit after tax arising recognised in equity from contingent convertible preference shares, by the weighted average number of ordinary shares outstanding during the period, excluding, where applicable, the treasury shares acquired by the Group.	It measures the net profit generated by each share, and enables shareholders to measure their return on their investment per share.
Loan-to-deposit ratio	The loan-to-deposit ratio is the result of dividing customer deposits by customer loans.	It measures the percentage of investment financed with customer funds and, therefore, represents the degree of reliance on wholesale funding.
Customer funding gap	The customer funding gap is the amount of customer loans not funded with retail deposits, but rather with funds raised on wholesale markets and the Bank's own funds Loans and receivables are considered to include: Loans to the public sector, commercial loans (including ICO loans), foreign-currency effect, secured loans, other term loans, demand loans, non-performing loans and valuation adjustments, non-resident customers, Portugal debt securities which are not bills of exchange and lending to credit institutions. Customer deposits are considered to include: Demand accounts, term deposits, promissory notes placed by the network, repos of promissory notes, structured bonds, subordinated debt placed by the network and ICO funds.	As an additional measure of reliance on wholesale funding, it measures the amount of business activity requiring finance with own funds or wholesale funding.
Liquidity gap	The liquidity gap is defined as the liquidity needs arising from the business that are covered by funds obtained on wholesale markets and the Bank's own funds. It includes the customer funding gap (the difference between customer loans and deposits) plus other items that generate inflows and outflows of funds. On the asset side of balance sheet: foreclosed assets, net of collateral and derivatives; and on the liability side: external securitisation fund accounts and BK securitisation fund accounts, net of other financial assets and liabilities (such as temporary accounts of transactions in progress).	As an additional measure of reliance on wholesale funding, it measures the amount of business activity requiring finance with own funds or wholesale funding.

Ratios	Formula	31.12.2021	31.12.2021
Eligible exposures	Loans and advances to customers (without valuation adjustments) for each portfolio of financial assets + Loans and advances to credit institutions from customer activity (without valuation adjustments) + Fixed Income from customer activity (without valuation adjustments) + Contingent risks + Securitised assets derecognised from the balance sheet (before 2004)	67,167,868+250+1,540,662+6,732,371+226667+0	75,667,817
Non-performing loan ratio	Non-performing loans (includes contingent exposures) / Eligible exposures	1,693,541 / 75,667,818	2.24%
Non-performing loan coverage ratio (%)	Provisions for credit risk / Non-performing loans (includes contingent exposures)	1,076,381/ 1,693,541	63.56%
Cost-to-income ratio	(Staff expenses + other general and administrative expenses + depreciation) / Gross operating income	(472,786+302,631+77,787) / 1,855,327	45.99%
RoE	Profit/(loss) from continuing operations for the period / Average own funds	437,375/ 4,560,879	9.59%
EPS	Profit/(loss) for the period adjusted for contingent convertible preference shares / Average number of shares in circulation at the period-end, excluding treasury shares	1,313,802/897,715	1.46
Loan-to-deposit ratio	Customer deposits with tax collection accounts/Customer loans excluding securitisation	72,486,299/66,815,028	108.49%
Customer funding gap with collection accounts	Loans and receivables - Customer deposits	67,120,058 – 71,850,361	-4,730,303
Liquidity gap	Customer funding gap + Other assets - Other liabilities	-4,730,303 – 635,938 + 481,655 – 379,781	-5,264,367
Ratios	**Formula**	**31.12.2020**	**31.12.2020**
Eligible exposures	Loans and advances to customers (without valuation adjustments) for each portfolio of financial assets + Loans and advances to credit institutions from customer activity (without valuation adjustments) + Fixed Income from customer activity (without valuation adjustments) + Contingent risks + Securitised assets derecognised from the balance sheet (before 2004)	64,079,819+0+990,948+5,811,893+234,007+127,274	71,243,941
Non-performing loan ratio	Non-performing loans (includes contingent exposures) / Eligible exposures	1,685,207 / 71,243,941	2.37%
Non-performing loan coverage ratio (%)	Provisions for credit risk / Non-performing loans (includes contingent exposures)	1,020,270 / 1,685,207	60.54%
Cost-to-income ratio	(Staff expenses + other general and administrative expenses + depreciation) / Gross operating income	(446,695+306,586+75,576) / 1,709,040	48.50%
RoE	Profit/(loss) for the period / Average own funds	317,123 / 4,512,335	7.03%
EPS	Profit/(loss) for the period adjusted for contingent convertible preference shares / Average number of shares in circulation at the period-end, excluding treasury shares	298,157 / 898,628	0.33
Loan-to-deposit ratio	Customer deposits with tax collection accounts/Customer loans excluding securitisation	65,250,441 / 63,252,574	103.16%
Customer funding gap with collection accounts	Loans and receivables - Customer deposits	63,662,469 - 64,778,990	-1,116,521
Liquidity gap	Customer funding gap + Other assets - Other liabilities	-1,116,521 - 471,451 + 587,614 - 523,385	-1,523,743