Bankinter, S.A. and its subsidiaries

Independent auditor’s report on the condensed consolidated interim financial statements at 30 June 2023
Consolidated interim management report

This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Independent auditor's report on the condensed consolidated interim financial statements

To the shareholders of Bankinter, S.A.

Report on the condensed consolidated interim financial statements

Opinion

We have audited the condensed consolidated interim financial statements of Bankinter, S.A. (the Parent company) and its subsidiaries (the Group), which comprise the balance sheet as at 30 June 2023, and the income statement, statement of recognised income and expense, statement of total changes in equity, cash flow statement and related notes, all condensed and consolidated, for the six month period then ended.

In our opinion, the accompanying condensed consolidated interim financial statements of Bankinter, S.A. and its subsidiaries for the six month period then ended have been prepared, in all material respects, in accordance with the requirements of International Accounting Standard (IAS) 34, "Interim Financial Reporting", as adopted by the European Union, as provided in Article 12 of Royal Decree 1362/2007, for the preparation of condensed interim financial statements.

Basis for opinion

We conducted our audit in accordance with legislation governing the audit practice in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the condensed consolidated interim financial statements* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those relating to independence, that are relevant to our audit of the condensed consolidated interim financial statements in Spain, in accordance with legislation governing the audit practice. In this regard, we have not rendered services other than those relating to the audit of the accounts, and situations or circumstances have not arisen that, in accordance with the provisions of the aforementioned legislation, have affected our necessary independence such that it has been compromised.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the condensed consolidated interim financial statements of the current period. These matters were addressed in the context of our audit of the condensed consolidated interim financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
Measurement adjustments for impairment of financial assets at amortised cost, loans and advances – customers	
The Group applies the International Financial Reporting Standard 9 Financial instruments (IFRS 9) when it comes to measurement impairment adjustments under an expected loss model. The calculation of impairment adjustments to the credit portfolio is one of the most significant estimates in the preparation of the accompanying condensed consolidated interim financial statements, reason why it has been considered as a key audit matter. The internal models used by the Group take into account items such as: • The classification of the various credit portfolios and debtors based on their credit risk profile. • The identification and classification of assets under special supervision or that are impaired ("Stage 2" or "Stage 3"). • The estimation of the probability of default (PD) and the loss given default (LGD) for each of the models. • The use of prospective information in the different scenarios considered in the models, as well as the probability of their occurrence. The most relevant prospective information refers, among others, to the expected evolution of unemployment rates, the gross domestic product and the price of housing. To define the base scenario, the Group has considered the macroeconomic forecasts published by central banks of Spain, Portugal and Ireland. • The reasonableness of applying expert judgements to models, when applicable. • The realisable value of the collateral associated with credit transactions.	Our work has focused primarily on the analysis, evaluation and verification of the general internal control framework, as well as the performance of detailed tests on provisions that are collectively and individually estimated, in collaboration with our internal specialists in credit risk models. With respect to internal control system, we have obtained an understanding of the general internal control framework and main procedures and controls implemented by the Group, including the validation of key controls. Our procedures have focused on the following aspects: • Analysis the methodologies developed by the Group for the calculation of provisions. • Evaluation of regulatory compliance and the operation of the internal models approved. • The reasonableness of macroeconomic scenarios used. • The periodic evaluation of risks and monitoring for the classification of assets. We have also performed detailed tests consisting of: • Selective checks of the calculation methods, the portfolio segmentation, the classification of loans, the information used for the estimations, the criteria for determining a significant increase in credit risk and the inclusion of certain attributes in the databases. • Replication of a sample of models, considering the prospective information and the scenarios used by the Group, in order to check the results obtained in the calculation of the impairment collectively estimated for certain credit portfolios. • Obtaining of a selection of individual files to evaluate their adequate classification and the recognition, if appropriate, of the relevant impairment.

Key audit matters	How our audit addressed the key audit matters
In addition, the Group carries out an individual estimation in the impairment calculations for those assets considered as significant, based on a detailed future cash flows analysis. See Notes 5 and 17.5. to the accompanying condensed consolidated interim financial statements.	As result of the procedures described above, no differences have arisen outside of a reasonable range, with respect to the amount of measurement adjustments for impairment of financial assets at amortised cost, loans and advances – customers in the context of the applicable accounting framework and under the accompanying condensed consolidated interim financial statements are prepared.
Provisions for litigation and claims	
The Group is involved in some administrative, judicial or other proceedings, relating primarily to legal matters deriving from the normal course of its business. The Group's directors and management have designed a policy in this respect, under which they decide when to recognize a provision for these items. Specifically, for certain legal processes, the Group estimates the provision amount, applying consistent calculation procedures with the experience of success, legal analysis and uncertainty inherent conditions of in the obligations they cover. Both the determination of the expected result of those proceedings and the evaluation of their financial effect are generally particularly complex and uncertain in terms of their possible outcome, the period end and/or the definitive amount. As a result, the estimate of provisions for litigation and claims is one of the largest components of judgment and estimated items with respect to their possible impact on the accompanying condensed consolidated interim financial statements, reason why it has been considered as a key audit matter. See Note 11 to the accompanying condensed consolidated interim financial statements.	We have carried out our understanding and analysis of the process implemented by the Group to identify and assess open litigation and proceedings as well as the Group's process for recognizing provisions and the relevant internal controls, focusing our procedures on aspects such as: • Understanding the internal control environment and the policy for classifying claims and litigation approved by the Group, and the assignment of any provision, including controls related with calculation and analyses of legal provisions. • Evaluation of the methodology used by the Group in the estimation of the main open legal processes. • Analyzing the main types of claims and litigation relating to legal matters, in progress at June 30, 2023. • Testing of the information related with the lawsuits evolution and the sentences evolution in the main open legal processes • Analysis of a selection of lawsuits, verifying the proper grouping of cases by type, in order to calculate provisions. • Testing of the historical data used to determine the provisions to be maintained, regarding the results of the main judicial process. As a result of the procedures performed regarding the provisions for litigation and claims, no differences were shown outside of a reasonable range, regarding to the amounts recognized on the accompanying condensed consolidated interim financial statements.

Key audit matters	How our audit addressed the key audit matters
Automation of the financial reporting systems	
The Group's operations are largely dependent on the calculations, processing and information managed automatically by the diverse information systems that are used. The effectiveness of the general internal control framework for information systems relating to the accounting recognition and closing process is essential for the performance of certain audit procedures based on internal controls. The knowledge, evaluation and validation of general controls relating to financial reporting systems, due to their nature and the extension of the necessary audit procedures, constitute a critical area of our work, reason why it has been considered as a key audit matter.	Our work has consisted of performing certain procedures within the general internal control area associated with information systems, and the processes that support the Group's accounting recognition and closings. We have obtained an understanding of the functionalities and involvement of the various Group information systems within the accounting recognition and closing process, with the support of our internal specialists in information systems. With respect to information systems considered to be relevant in this context, we performed tests regarding the validation of the following aspects: • General controls over the management of authorization to access financial reporting systems and with respect to authorization of personnel to implement changes in computer processes. • The existence of management and control tools for automatic processes and potential issues. • Analysis of the manual entry generation process and selective extraction and filtering tests for the unusual entries included in the financial reporting systems. • Verification of the automatic controls that support the main key business processes that affect the recognition of items in the accounting systems. As a result of the procedures described above, we did not identify relevant issues that could affect the accompanying condensed consolidated interim financial statements.

Emphasis of matters

We draw attention to note 1.c), which describes that these condensed consolidated interim financial statements do not include all the information required in a complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and therefore the accompanying condensed consolidated interim financial statements should be read together with the consolidated annual accounts of the Group for the year ended 31 December 2022. Our opinion is not modified in respect of this matter.

Other information: Consolidated interim management report

Other information comprises only the consolidated interim management report for the six month period ended 30 June 2023, the formulation of which is the responsibility of the Parent company's directors and does not form an integral part of the condensed consolidated interim financial statements.

Our audit opinion on the condensed consolidated interim financial statements does not cover the consolidated interim management report. Our responsibility regarding the consolidated interim management report, in accordance with legislation governing the audit practice, is to evaluate and report on the consistency between the consolidated interim management report and the condensed consolidated interim financial statements as a result of our knowledge of the Group obtained during the audit of the aforementioned financial statements, as well as to evaluate and report on whether the content and presentation of the consolidated interim management report is in accordance with applicable regulations. If, based on the work we have performed, we conclude that material misstatements exist, we are required to report that fact.

On the basis of the work performed, as described in the previous paragraph, the information contained in the consolidated interim management report is consistent with that contained in the condensed consolidated interim financial statements for the six month period ended 30 June 2023, and its content and presentation are in accordance with the applicable regulations.

Responsibility of the directors and the audit commission for the condensed consolidated interim financial statements

The Parent company's directors are responsible for the preparation of the accompanying condensed consolidated interim financial statements in accordance with the requirements of International Accounting Standard (IAS) 34, “Interim Financial Reporting”, as adopted by the European Union, for the preparation of condensed interim financial information, as provided in Article 12 of Royal Decree 1362/2007, and for such internal control as the directors determine is necessary to enable the preparation of condensed consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the condensed consolidated interim financial statements, the Parent company’s directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the aforementioned directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent company's audit commission is responsible for overseeing the process of preparation and presentation of the condensed consolidated interim financial statements.

Auditor’s responsibilities for the audit of the condensed consolidated interim financial statements

Our objectives are to obtain reasonable assurance about whether the condensed consolidated interim financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with legislation governing the audit practice in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these condensed consolidated interim financial statements.

As part of an audit in accordance with legislation governing the audit practice in Spain, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the condensed consolidated interim financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent company's directors.

- Conclude on the appropriateness of the Parent company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the condensed consolidated interim financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the condensed consolidated interim financial statements, including the disclosures.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the condensed consolidated interim financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent company's audit commission regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent company's audit commission with a statement that we have complied with relevant ethical requirements, including those relating to independence, and we communicate with the aforementioned those matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Parent company's audit commission, we determine those matters that were of most significance in the audit of the condensed consolidated interim financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

Appointment period

The General Ordinary Shareholders' Meeting held on 23 March 2023 appointed us as auditors of the Group for a period of one year, for the year ended 31 December 2023.

Previously, we were appointed by resolution of the General Ordinary Shareholders' Meeting for a period of three years and we have audited the accounts continuously since the year ended 31 December 2016.

Services provided

Services provided to the Group for services other than the audit of the accounts are disclosed in note 20 to the condensed consolidated interim financial statements.

PricewaterhouseCoopers Auditores, S.L. (S0242)

Original in Spanish signed by
Amagoia Delgado Rodríguez (22009)

19 July 2023

bankinter.

Half-year financial statements

2023

Index

CONDENSED CONSOLIDATED BALANCE SHEETS AS AT 30 JUNE 2023 AND 31 DECEMBER 2022

BANKINTER GROUP (Thousands of euros)

ASSETS	Note	30.06.2023	31.12.2022 (*)
Cash, cash balances at central banks and other demand deposits		12,235,299	13,351,217
Financial assets held for trading	5	4,005,271	4,055,770
Memorandum items: loaned or pledged		444,537	524,832
Non-trading financial assets mandatorily at fair value through profit or loss	5	173,422	161,397
Memorandum items: loaned or pledged		–	–
Financial assets designated at fair value through profit or loss	5	–	–
Memorandum items: loaned or pledged		–	–
Financial assets at fair value through other comprehensive income	5	1,958,629	2,810,920
Memorandum items: loaned or pledged		472,092	618,859
Financial assets at amortised cost	5	89,442,062	84,862,782
Memorandum items: loaned or pledged		11,323,351	9,285,766
Derivatives – hedge accounting	7	1,083,848	1,128,474
Fair value changes of the hedged items in portfolio hedge of interest rate risk		(611,942)	(648,517)
Investments in joint ventures and associates		169,154	178,203
a) Joint ventures		116,727	118,243
b) Associates		52,427	59,960
Assets under reinsurance and insurance contracts		–	–
Tangible assets	8/9	440,826	447,853
a) Property, plant and equipment		438,214	447,853
i) For own use		433,148	438,915
ii) Leased out under an operating lease		5,066	8,938
iii) Assigned to welfare projects (savings banks and credit cooperatives)		–	–
b) Investment property		2,612	–
Of which: leased out under operating leases		2,612	–
Memorandum items: Acquired under finance leases		133,057	135,048
Intangible assets	8	281,567	278,940
a) Goodwill		2,276	2,276
b) Other intangible assets		279,291	276,664
Tax assets		544,290	460,241
a) Current tax assets		277,794	195,412
b) Deferred tax assets		266,496	264,829
Other assets		179,877	156,758
a) Insurance contracts linked to pensions		–	–
b) Inventories		–	–
c) Other assets		179,877	156,758
Non-current assets and disposal groups classified as held for sale	6	197,074	262,994
TOTAL ASSETS		**110,099,377**	**107,507,032**

The accompanying Notes 1 to 20 are an integral part of the condensed consolidated interim financial statements for the six months ended 30 June 2023.

(*) Presented for comparison purposes only.

CONDENSED CONSOLIDATED BALANCE SHEETS AS AT 30 JUNE 2023 AND 31 DECEMBER 2022

BANKINTER GROUP (Thousands of euros)

EQUITY AND LIABILITIES	Note	30.06.2023	31.12.2022 (*)
Financial liabilities held for trading	10	2,844,133	3,347,198
Financial liabilities designated at fair value through profit or loss		–	–
Memorandum items: subordinated liabilities		–	–
Financial liabilities at amortised cost	10	100,593,053	97,817,081
Memorandum items: subordinated liabilities		1,395,205	1,080,928
Derivatives – hedge accounting	7	631,787	625,125
Fair value changes of the hedged items in portfolio hedge of interest rate risk		(178,602)	(203,914)
Liabilities under insurance contracts		–	–
Provisions	11	358,823	376,159
a) Pensions and other post-employment defined benefit obligations		1,392	1,293
b) Other long-term employee benefits		–	–
c) Pending legal issues and tax litigation		128,360	122,755
d) Commitments and guarantees given		44,029	39,143
e) Other provisions		185,042	212,969
Tax liabilities		462,761	291,133
a) Current tax liabilities		407,005	231,932
b) Deferred tax liabilities		55,756	59,200
Share capital repayable on demand		–	–
Other liabilities		289,907	349,278
Of which: welfare fund (savings banks and credit cooperatives only)		–	–
Liabilities included in disposal groups classified as held for sale	6	–	–
TOTAL LIABILITIES		**105,001,862**	**102,602,060**

The accompanying Notes 1 to 20 are an integral part of the condensed consolidated interim financial statements for the six months ended 30 June 2023.

(*) Presented for comparison purposes only.

CONDENSED CONSOLIDATED BALANCE SHEETS AS AT 30 JUNE 2023 AND 31 DECEMBER 2022

BANKINTER GROUP (Thousands of euros)

LIABILITIES AND EQUITY (continued)	Note	30.06.2023	31.12.2022 (*)
SHAREHOLDERS' EQUITY		5,276,602	5,034,001
Capital	12	269,660	269,660
a) Paid up capital		269,660	269,660
b) Unpaid capital which has been called up		–	–
Memorandum items: Uncalled up capital		–	–
Share premium		–	–
Equity instruments issued other than capital		–	–
a) Equity component of compound financial instruments		–	–
b) Other equity instruments issued		–	–
Other equity		12,081	11,904
Retained earnings		4,656,983	4,406,753
Revaluation reserves		–	–
Other reserves		3,950	(13,289)
(-) Treasury shares		(1,310)	(1,393)
Profit or loss attributable to owners of the parent		417,906	560,203
(-) Interim dividends	3	(82,668)	(199,837)
ACCUMULATED OTHER COMPREHENSIVE INCOME		(179,087)	(129,028)
Items that will not be reclassified to profit or loss		(85,820)	(47,172)
a) Actuarial gains or (-) losses on defined benefit pension plans		6,135	6,135
b) Non-current assets and disposal groups classified as held for sale		–	–
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		(91,955)	(53,306)
e) Hedge ineffectiveness of fair value hedges for equity instruments measured at fair value through other comprehensive income		–	–
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		–	–
Items that may be reclassified to profit or loss		(93,267)	(81,856)
a) Hedge of net investments in foreign operations (effective portion)		–	–
b) Foreign currency translation		–	–
c) Hedging derivatives. Cash flow hedges (effective portion)		(5,262)	4,434
d) Fair value changes of debt instruments measured at fair value through other comprehensive income		(70,859)	(71,776)
e) Hedging instruments [not designated elements]		–	–
f) Non-current assets and disposal groups classified as held for sale		–	–
g) Share of other recognised income and expense of investments in joint ventures and associates		(17,146)	(14,514)
MINORITY INTERESTS (non-controlling interests)		–	–
Accumulated other comprehensive income		–	–
Other items		–	–
TOTAL EQUITY		**5,097,515**	**4,904,972**
TOTAL EQUITY AND LIABILITIES		**110,099,377**	**107,507,032**
MEMORANDUM ITEMS: OFF-BALANCE-SHEET EXPOSURES			
Guarantees given		1,588,297	1,976,956
Contingent commitments given		16,765,418	16,370,121
Other commitments given		11,581,665	9,682,727

The accompanying Notes 1 to 20 are an integral part of the condensed consolidated interim financial statements for the six months ended 30 June 2023.

(*) Presented for comparison purposes only.

CONSOLIDATED INCOME STATEMENTS FOR SIX MONTHS ENDED 30 JUNE 2023 AND 2022

(Thousands of euros)

		(Debit)/Credit	
	Note	30.06.2023	30.06.2022 (*)
Interest income		1,592,881	769,215
Interest expenses		(524,623)	(103,496)
Expenses on share capital repayable on demand		–	–
A) NET INTEREST INCOME		**1,068,258**	**665,719**
Dividend income		11,160	9,427
Share of the profit or loss of entities accounted for using the equity method		16,189	19,806
Fee and commission income		404,881	395,719
Fee and commission expenses		(101,445)	(92,386)
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	16	30,672	34,039
Gains or losses on financial assets and liabilities held for trading, net		35,573	(5,300)
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss, net		6,341	12,184
Gains or losses on financial assets and liabilities designated at fair value through profit or loss, net		–	–
Gains or losses from hedge accounting, net		(72)	(64)
Exchange differences [gain or loss], net		(35,578)	12,400
Other operating income		17,273	15,544
Other operating expenses	1	(175,308)	(104,277)
Income from assets under insurance and reinsurance contracts		–	–
Expenses from liabilities under insurance and reinsurance contracts		–	–
B) GROSS OPERATING INCOME		**1,277,944**	**962,811**
Administrative expenses		(411,239)	(387,824)
a) Staff expenses		(250,492)	(237,051)
b) Other administrative expenses		(160,747)	(150,773)
Redemption		(41,024)	(39,890)
Provisions or reversal or provisions	11	(45,665)	(45,462)
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		(147,795)	(107,569)
a) Financial assets at fair value through other comprehensive income		(129)	(94)
b) Financial assets at amortised cost		(147,666)	(107,475)
Impairment or reversal of impairment of investments in joint ventures and associates		–	–
Impairment or reversal of impairment on non-financial assets		4,230	3,399
Tangible assets		–	–
Intangible assets	9	4,230	3,399
Other		–	–
Gains or losses on derecognition of non-financial assets and investments, net		(1,033)	(375)
Negative goodwill recognised in profit or loss	2	–	–
Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations		(1,770)	(4,408)
C) PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS		**625,188**	**373,883**
Tax expense or income related to profit or loss from continuing operations		(207,282)	(102,872)
D) PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS		**417,906**	**271,011**
Profit or loss after tax from discontinued operations		–	–
E) PROFIT OR LOSS FOR THE PERIOD		**417,906**	**271,011**
Attributable to minority interests (non-controlling interests)		–	–
Attributable to the owners of the parent		417,906	271,011
EARNINGS PER SHARE:			
Basic	3	0.47	0.30
Diluted	3	0.45	0.29

The accompanying Notes 1 to 20 are an integral part of the condensed consolidated interim financial statements for the six months ended 30 June 2023.

CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR THE SIX MONTHS ENDED 30 JUNE 2023 AND 2022

(Thousands of euros)

	30.06.2023	30.06.2022 (*)
A) PROFIT OR LOSS FOR THE PERIOD	**417,906**	**271,011**
B) OTHER COMPREHENSIVE INCOME	(50,059)	(179,163)
Items that will not be reclassified to profit or loss	**(38,648)**	**(65,441)**
a) Actuarial gains or (-) losses on defined benefit pension plans	—	—
b) Non-current assets and disposal groups held for sale	—	—
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	(39,237)	(66,438)
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	589	997
Items that may be reclassified to profit or loss	(11,410)	(113,722)
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]	(13,852)	(9,792)
Valuation gains or (-) losses taken to equity	(13,852)	(9,792)
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	1,310	(140,946)
Valuation gains or (-) losses taken to equity	5,811	(139,176)
Transferred to profit or loss	(4,501)	(1,770)
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) Share of other recognised income and expense of investments in joint ventures and associates	(2,631)	**(8,205)**
h) Income tax relating to items that may be reclassified to profit or (-) loss	3,763	45,221
C) TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	367,847	91,848
Attributable to minority interests (non-controlling interests)	—	—
Attributable to the owners of the parent	**367,847**	**91,848**

The accompanying Notes 1 to 20 are an integral part of the condensed consolidated interim financial statements for the six months ended 30 June 2023.

(*) Presented for comparison purposes only.

CONSOLIDATED STATEMENT OF TOTAL CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2023 AND 2022

(Thousands of euros)

												Minority interests		
	Share capital (Note 12)	Share premium (Note 12)	Equity instruments issued other than capital	Other equity	Retained earnings	Revaluation reserves (Note 12)	Other reserves (Note 12)	(-) Treasury shares (Note 12)	Profit or loss attributable to owners of the parent	(-) Interim dividends (Note 3)	Accumulated other comprehensive income (Note 12)	Accumulated other comprehensive income	Other items	Total
Closing balance at 31/12/2022	**269,660**	**–**	**–**	**11,905**	**4,406,753**	**–**	**(13,290)**	**(1,393)**	**560,203**	(199,838)	**(129,028)**	**–**	**–**	**4,904,972**
Effects of correction of errors	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Effects of changes in accounting policies	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Opening balance 01/01/2023	**269,660**	**–**	**–**	**11,905**	**4,406,753**	**–**	**(13,290)**	**(1,393)**	**560,203**	(199,838)	**(129,028)**	**–**	**–**	**4,904,972**
Total comprehensive income for the period	–	–	–	–	–	–	–	–	417,906	–	(50,059)	–	–	367,847
Other changes in equity	**–**	**–**	**–**	**176**	**250,230**	**–**	**17,239**	**84**	**(560,203)**	117,169	**–**	**–**	**–**	**(175,305)**
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)	–	–	–	–	–	–	–	–	–	(162,872)	–	–	–	(162,872)
Purchase of treasury shares	–	–	–	–	(340)	–	–	(45,140)	–	–	–	–	–	(45,479)
Sale or cancellation of treasury shares	–	–	–	–	–	–	–	45,224	–	–	–	–	–	45,224
Reclassification of financial instruments from equity to liability	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Reclassification of financial instruments from liability to equity	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Transfers among components of equity	–	–	–	–	280,162	–	–	–	(560,203)	280,041	–	–	–	–
Equity increase or (-) decrease resulting from business combinations	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Share-based payments	–	–	–	176	–	–	–	–	–	–	–	–	–	176
Other increases or (-) decreases in equity	–	–	–	–	(29,592)	–	17,239	–	–	–	–	–	–	(12,353)
Of which: discretionary transfer to welfare funds (only savings banks and credit cooperatives)	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Closing balance at 30.06.2023	**269,660**	**–**	**–**	**12,081**	**4,656,983**	**–**	**3,950**	**(1,310)**	**417,906**	**(82,668)**	**(179,087)**	**–**	**–**	**5,097,515**

The accompanying Notes 1 to 20 are an integral part of the condensed consolidated interim financial statements for the six months ended 30 June 2023.

CONSOLIDATED STATEMENT OF TOTAL CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2023 AND 2022

(Thousands of euros)

												Minority interests		
	Share capital (Note 12)	Share premium (Note 12)	Equity instruments issued other than capital	Other equity	Retained earnings	Revaluation reserves (Note 12)	Other reserves (Note 12)	(-) Treasury shares (Note 12)	Profit or loss attributable to owners of the parent	(-) Interim dividends (Note 3)	Accumulated other comprehensive income (Note 12)	Accumulated other comprehensive income	Other items	Total
Closing balance at 31.12.2021 (*)	**269,660**	**–**	**–**	**6,163**	**3,306,854**	**–**	**(12,092)**	**(1,025)**	**1,333,108**	**(166,046)**	**115,539**	**–**	**–**	**4,852,160**
Effects of correction of errors	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Effects of changes in accounting policies	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Opening balance 01/01/2022	**269,660**	**–**	**–**	**6,163**	**3,306,854**	**–**	**(12,092)**	**(1,025)**	**1,333,108**	**(166,046)**	**115,539**	**–**	**–**	**4,852,160**
Total comprehensive income for the period	–	–	–	–	–	–	–	–	271,011	–	(179,163)	–	–	91,848
Other changes in equity	**–**	**–**	**–**	**(2,488)**	**1,085,942**	**–**	**20,876**	**(322)**	**(1,333,108)**	**99,436**	**–**	**–**	**–**	**(129,663)**
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)	–	–	–	–	–	–	–	–	–	(119,252)	–	–	–	(119,252)
Purchase of treasury shares	–	–	–	–	(27)	–	–	(50,810)	–	–	–	–	–	(50,837)
Sale or cancellation of treasury shares	–	–	–	–	–	–	–	50,488	–	–	–	–	–	50,488
Reclassification of financial instruments from equity to liability	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Reclassification of financial instruments from liability to equity	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Transfers among components of equity	–	–	–	–	1,114,420	–	–	–	(1,333,108)	218,688	–	–	–	–
Equity increase or (-) decrease resulting from business combinations	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Share-based payments	–	–	–	(2,488)	–	–	–	–	–	–	–	–	–	(2,488)
Other increases or (-) decreases in equity	–	–	–	–	(28,451)	–	20,876	–	–	–	–	–	–	(7,575)
Of which: discretionary transfer to welfare funds (only savings banks and credit cooperatives)	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Closing balance at 30.06.2022 (*)	**269,660**	**–**	**–**	**3,675**	**4,392,796**	**–**	**8,784**	**(1,347)**	**271,011**	**(66,610)**	**(63,624)**	**–**	**–**	**4,814,344**

(*) Presented for comparison purposes only.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2023 AND 2022

(Thousands of euros)

	Note	30.06.2023	30.06.2022 (*)
A) CASH FLOWS FROM OPERATING ACTIVITIES		(1,292,812)	(1,142,231)
Profit or loss for the period		417,906	271,011
Adjustments to obtain cash flows from operating activities		461,002	299,238
Redemption		41,024	39,890
Other adjustments		419,978	259,348
Net increase/(decrease) in operating assets		3,985,038	6,056,939
Financial assets held for trading		(50,499)	(115,712)
Non-trading financial assets mandatorily at fair value through profit or loss		12,291	19,918
Financial assets designated at fair value through profit or loss		–	–
Financial assets at fair value through other comprehensive income		(798,305)	(95,268)
Financial assets at amortised cost		4,787,015	5,557,972
Other operating assets		34,535	690,028
Net increase/(decrease) in operating liabilities		1,923,060	4,387,730
Financial liabilities held for trading	10	(503,065)	(241,710)
Financial liabilities designated at fair value through profit or loss		–	–
Financial liabilities at amortised cost		2,346,948	4,796,694
Other operating liabilities		79,177	(167,254)
Income tax recovered/(paid)		(109,742)	(43,271)
B) CASH FLOWS FROM INVESTING ACTIVITIES		39,743	(17,544)
Payments		68,094	42,829
Tangible assets		9,692	7,324
Intangible assets		24,623	19,472
Investments in joint ventures and associates	2	–	–
Subsidiaries and other business units		6,008	16,033
Non-current assets and liabilities classified as held for sale	6	27,771	–
Other payments related to investing activities		–	–
Proceeds		107,837	25,285
Tangible assets		4,840	–
Intangible assets		144	–
Investments in joint ventures and associates		3,917	1,631
Subsidiaries and other business units		–	–
Non-current assets and liabilities classified as held for sale	6	98,937	23,654
Other proceeds related to investing activities		–	–
C) CASH FLOWS FROM FINANCING ACTIVITIES		137,151	(619,573)
Payments		208,072	670,062
Dividends	3	162,933	119,252
Subordinated liabilities	10	–	500,000
Redemption of own equity instruments		–	–
Acquisition of own equity instruments		45,140	50,810
Other payments related to financing activities		–	–
Proceeds		345,224	50,488
Subordinated liabilities	10	300,000	–
Issuance of own equity instruments		–	–
Disposal of own equity instruments		45,224	50,488
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)		(1,115,918)	(1,779,349)
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		13,351,217	22,373,090
G) CASH AND CASH EQUIVALENTS AT END OF PERIOD		**12,235,299**	**20,593,741**
Memorandum items	**Note**	**30.06.2023**	**30.06.2022 (*)**
COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD			
Of which: held by group entities but not available to the group		392,073	406,464
Cash		221,507	196,723
Cash equivalents at central banks		11,086,373	19,544,603
Other financial assets		927,420	852,415
Less: bank overdrafts repayable on demand		–	–

The accompanying Notes 1 to 20 are an integral part of the condensed consolidated interim financial statements for the six months ended 30 June 2023.

(*) Presented for comparison purposes only

Bankinter Group

Explanatory notes to the condensed consolidated interim financial statements for the first half of 2023

1. Introduction, basis of preparation of the condensed consolidated interim financial statements and other information

a) Introduction

Bankinter, S.A. (the 'Bank' or the 'Entity') was incorporated by notarial deed issued in Madrid on 4 June 1965, under the name Banco Intercontinental Español, S.A. On 4 May 2004 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. Bankinter, S.A.'s legal entity identification (LEI) code is VWMYAEQSTOPNV0SUGU82.

Its registered office is Paseo de la Castellana 29, 28046 Madrid, Spain. The Bank's by-laws and other relevant public information are available on its corporate website www.bankinter.com/webcorporativa and at its registered office.

Bankinter, S.A. engages in banking activities and is subject to the laws and regulations applicable to banking entities operating in Spain.

In addition to the activities it carries out directly, the Bank is the parent company of a group of subsidiaries dedicated to various activities and which constitute, together with the Bank, the Bankinter Group (the 'Group' or 'Bankinter Group').

The Group's condensed consolidated interim financial statements ('half-year financial statements') for the six-month period ended on 30 June 2023 have been prepared and authorised by its directors, at the meeting held on 19 July 2023. The Group's consolidated financial statements for 2022 were approved at the Bank's Annual General Meeting held on 23 March 2023.

b) Significant events in the period

In 2022, Bankinter and Liberty Seguros reached an agreement to jointly carry out their insurance businesses through Bankinter Liberty Hogar y Auto, S.A., whose main focus will be marketing car and homeowners' insurance products and services. With this transaction, which is subject to securing the pertinent authorisations from regulators, Liberty will acquire 50.01% of Bankinter Hogar y Auto, S.A. from Bankinter and Bankinter will retain the remaining 49.99%. The products' design and development will benefit from Liberty Seguros' expertise, and they will be distributed exclusively through Bankinter's online and offline retail networks in Spain and Portugal, including EVO Banco, Bankinter Group's fully digital bank. As at 30 June 2023, the company was still not operating, and the regulatory authorisations required to execute the agreement were still being processed.

Also, in the first six months of the year, 7,600 million euros were drawn by the Bank from the lines of the European Central Bank's third series of targeted longer-term refinancing operations (known TLTRO III) expired, with 4,082 million euros still to expire.

Law 38/2022, which set forth a temporary tax rate on credit institutions or financial credit establishments, stipulates that this tax is a temporary payment for two years, from 1 January 2023 and 1 January 2024. This payment must be made within the first twenty calendar days of September of that year, without prejudice to the early payment of 50% of the amount, to be made within the first twenty days of February of that year. Bankinter, S.A has recognised in 2023 the estimated amount for this tax (77.5 million euros).

During the first six months of the year, Perpetual Non-Cumulative Contingent Convertible Additional Tier 1 Preferred Securities were issued for 300 million euros, and straight ordinary debentures for 500 million. Their main characteristics are explained in Note 10, Financial Liabilities, of this Half-year financial report.

On 30 March 2023, Bankinter Group, through its subsidiary engaged in consumer lending (Bankinter Consumer Finance, E.F.C.), reached an agreement with Sonae SGPS, S.A. to create a joint venture to become leaders in consumer lending in Portugal. Closing the agreement is subject to the applicable regulatory approvals. This partnership will rely on the combination of the current consumer businesses held by bother partners in Portugal.

During the first six months of the year, Relanza Gestión, S.A., the Group's debt collection subsidiary, was sold to Gescobro Collection Services, S.L.U., one of the biggest debt management companies and the third insolvency buyer in the Spanish market. Consequently, this company will now manage collection for the Bank's businesses, which had been the responsibility of the subsidiary. This is a one-off transaction focused on very specialised operations, i.e. collection, which require great volumes of portfolios to achieve optimal efficiency. The impact of this transaction on the Group's income statement has been a loss of 383 thousand euros.

c) Basis of preparation of the half-year financial statements

In accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002, all companies that are governed by the Law of a member state of the European Union, and whose equity securities are listed on a regulated market of any of the States that constitute it, must prepare their consolidated financial statements for the years beginning on or after 1 January 2005 in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Union.

On 6 December 2017, Banco de España Circular 4/2017, of 27 November, for credit institutions, on public and confidential financial reporting rules and formats, was published in the Spanish Official State Gazette. This Circular, which became effective on 1 January 2018, repealed Banco de España Circular 4/2004, of 22 December, and its subsequent amendments to adapt the accounting regime of Spanish credit institutions to International Financial Reporting Standards 9 and 15 adopted by the European Union (IFRS-EU 9 and IFRS-EU 15).

The Group's 2022 consolidated financial statements were prepared by the directors of the Bank (at the board meeting held on 22 February 2023) in accordance with the International Financial Reporting Standards adopted by the European Union and Banco de España Circular 4/2017.

In accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002, the accompanying half-year financial statements have been prepared and are presented in accordance with IAS 34 'Interim Financial Reporting' for the purpose of preparing condensed consolidated interim financial statements, and also in accordance with Article 12 of Royal Decree 1362/2007 and in view of the requirements of Circular 3/2018, of 28 June, of the Spanish National Securities Market Commission (Comisión Nacional del Mercado de Valores or "CNMV").

IAS 34 states that the interim financial report is intended to provide an update on the latest complete set of annual financial statements. Accordingly, it focuses on new activities, events, and circumstances occurring during the six-month period and does not duplicate information previously reported in the latest complete set of annual consolidated financial statements.

Therefore, these half-year financial statements do not include all the disclosures required of a full set of consolidated financial statements prepared in accordance with International Financial Reporting Standards. Accordingly, for an appropriate understanding of the information included in these half-year financial statements, they should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022.

The accounting policies and methods used in the preparation of these half-year financial statements are consistent with those applied in the latest set of approved annual consolidated financial statements, taking into consideration the standards and interpretations that became effective during the first six months of the current year. New accounting standards became effective in the first half of the current year and have been taken into account in the preparation of the half-year condensed consolidated financial statements.

New standards, amendments and IFRS interpretations

i) Mandatory standards, amendments and interpretations for all annual periods beginning on or after 1 January 2023

IFRS 17 'Insurance Contracts[1]': IFRS 17 replaces IFRS 4 'Insurance Contracts', which permitted a wide variety of accounting practices. The new standard fundamentally changes the accounting for all entities that issue insurance contracts and investment contracts with discretionary participation features. In June 2020, the IASB amended the standard, developing specific amendments and clarifications to assist in its implementation, although they did not change its fundamental principles.

The standard is applicable for annual periods beginning on or after 1 January 2023, with early application permitted provided that the entity also applies IFRS 9 'Financial Instruments' on or before the date it first applies IFRS 17.

At the end of the half-year period, the Group's associates Bankinter Seguros de Vida, S.A. de Seguros y Reaseguros and Bankinter Seguros Generales, S.A. de Seguros y Reaseguros continue to implement this standard. Its adoption is not expected to have significant impacts on the Group's financial statements.

IFRS 17 (Amendment) 'Initial application of IFRS 17 and IFRS 9 – Comparative information: The IASB has published an amendment to IFRS 17 that introduces narrow scope amendments to the transition requirements of IFRS 17 'Insurance Contracts' and does not affect any other requirements of IFRS 17. IFRS 17 and IFRS 9 'Financial instruments' have different transition requirements. For some insurers, these differences may cause specific accounting mismatches between financial assets and insurance contract liabilities in the comparative information they present in their financial statements on initial application of IFRS 17 and IFRS 9. The amendment will help insurance companies to avoid these mismatches and therefore improve the usefulness of comparative information for investors.

This amendment is effective for annual periods beginning on or after 1 January 2023.

At the end of the half-year period, the Group's associates Bankinter Seguros de Vida, S.A. de Seguros y Reaseguros and Bankinter Seguros Generales, S.A. de Seguros y Reaseguros continue to implement this standard. Its adoption is not expected to have significant impacts on the Group's financial statements.

[1] In 2017, the IASB issued IFRS 17, with an effective date of 1 January 2021. Subsequently, in June 2020, it amended IFRS 17, introducing certain clarifications to make it easier to implement the standard and changed the effective date of IFRS 17 to 1 January 2023. The European Union endorsed IFRS 17 as amended, with its updated text and effective date, in November 2021.

IAS 1 (Amendment) 'Disclosure of accounting policies': IAS 1 has been amended to improve disclosures about accounting policies to provide more useful information to investors and other primary users of financial statements. The amendments are effective from 1 January 2023.

Adoption of this standard did not have any impact on the Group's financial statements in the period.

IAS 8 (Amendment) 'Definition of accounting estimates': IAS 8 has been amended to help distinguish between changes to accounting estimates and changes to accounting policies. The amendments are effective from 1 January 2023.

Adoption of this standard did not have any impact on the Group's financial statements in the period.

IAS 12 (Amendment) 'Deferred tax related to assets and liabilities arising from a single transaction': Under IAS 12, companies are in certain circumstances exempt from recognising deferred taxes when they recognise assets or liabilities for the first time ('initial recognition exemption'). There was some uncertainty as to whether this exemption applied to transactions such as leases and decommissioning obligations, where both an asset and a liability are recognised upon initial recognition. The amendment clarifies that the exemption does not apply and that, therefore, there is an obligation to recognise deferred taxes on such transactions.

The amendment is effective for annual periods beginning on or after 1 January 2023, although early application is permitted.

Adoption of this standard did not have any impact on the Group's financial statements in the period.

ii) Standards, amendments and interpretations that have not yet become effective but may be adopted early

To date, there are no standards, amendments and interpretations that have not yet become effective and may be adopted early.

iii) Standards, interpretations and amendments to existing standards that cannot be adopted early or that have not been endorsed by the European Union.

At the date of authorisation for issue of these consolidated financial statements, the IASB and the IFRS Interpretations Committee had issued the following standards, amendments and interpretations that have yet to be adopted by the European Union.

IFRS 10 (Amendment) and IAS 28 (Amendment) 'Sale or contribution of assets between an investor and its associate or joint venture': These amendments clarify the accounting treatment for sales and contributions of assets between an investor and its associates and joint ventures, which will depend on whether or not the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business'. Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss. If the assets do not meet the definition of a business, the investor will recognise the gain or loss only to the extent of the other investors' interest. The amendments will only apply when an investor sells or contributes assets to its associate or joint venture.

Originally, these amendments to IFRS 10 and IAS 28 were prospective and effective for annual periods beginning on or after 1 January 2016. However, at the end of 2015 the IASB decided to defer their effective date (although it did not set any specific new date), as it is planning to undertake a more extensive review that could lead to the simplification of accounting for these transactions and other aspects of accounting for associates and joint ventures.

Adoption of this standard is not expected to have significant impacts on the Group's financial statements.

IFRS 16 (Amendment) 'Lease Liability in a Sale and Leaseback': IFRS 16 sets forth requirements on how to post a sale with leaseback on the date the transaction takes place. However, it did not specify how to recognise the transaction after that date. This amendment explains how to post a sale with leaseback after the transaction date.

The amendment is effective from 1 January 2024, although early application is permitted. This amendment has yet to be endorsed by the European Union.

Adoption of this standard is not expected to have significant impacts on the Group's financial statements.

IAS 1 (Amendment) 'Classification of liabilities as current or non-current': These amendments released in January 2020 clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. The classification is unaffected by the expectations of the entity or events after the reporting period (e.g. the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability. The amendments are effective from 1 January 2022, although early application is permitted.

However, in July 2020 there was an amendment to change the effective date of the amendment to 1 January, 2023. In October, there was an amendment that changed the effective date of this amendment to 1 January, 2024, among other changes. If, after October 2022, this amendment were to be applied early for a previous, the amendment to the IAS 1 from October 2022 should also be applied.

These amendments have yet to be endorsed by the European Union.

Adoption of this standard is not expected to have significant impacts on the Group's financial statements.

IAS 1 (amendment) 'Non-current Liabilities with Covenants': In October 2022, the IASB released an amendment to IAS 1 'Presentation of Financial Statements', in response to the concerns raised about the application of prior amendments (in January and July 2020) on the classification of liabilities as current or non-current.

The new amendment aims to improve the information provided when the right to defer the payment of a liability is subject to covenants, within the 12 months after the reporting period.

This amendment, which is pending endorsement by the European Union, is effective for annual periods beginning on or after 1 January 2024. he amendment may be applied before this date, but it is pending approval by the European Union.

Adoption of this standard is not expected to have significant impacts on the Group's financial statements.

AIS 12 (Amendment) 'International Tax Reform – Pillar Two Model Rules': In October 2021, more than 130 countries, representing over 90% of the world's GDP, agreed to implement a minimum tax regime for multinational companies, 'Pillar Two'. In December 2021, the Organisation for Economic Co-operation and Development ('OECD) published the model rules for Pillar Two to reform international corporate taxation. Big multinational enterprises affected by this reform must calculate their effective Global Anti-Base Erosion (GloBE) tax rate for every jurisdiction they operate in. These companies must pay an additional tax for the difference between their effective GloBE tax rate by jurisdiction and the minimum rate of 15%.

In May 2023, the IASB issued limited scope amendments to IAS 12. The amendments introduce a temporary exception to the accounting for deferred taxes deriving from a tax law (substantially) enacted, which implements the model rules for Pillar Two published by the OECD.

The amendments also introduce specific disclosure requirements for the affected companies:

- The fact that they have applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes;
- Their current tax expense (income) related to Pillar Two income taxes; and
- For periods in which Pillar Two legislation is (substantively) enacted but not yet effective, disclosure of known or reasonably estimable information that helps users of financial statements understand the entity's exposure arising from Pillar Two income taxes.

The amendment to IAS 12 must be applied immediately (subject to any local approval process) and retrospectively according to IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', including the requirement to disclose the application of the aforementioned temporary exception, if relevant. Additionally, the disclosures linked to the current tax expense (income) and the known or reasonably estimable exposure arising from Pillar Two income taxes are mandatory for annual periods starting from 1 January 2023. However, this information does not have to be disclosed in the interim financial statements for any intermediate period ending on 31 December 2023 or earlier.

This amendment has yet to be endorsed by the European Union.

Adoption of this standard is not expected to have significant impacts on the Group's financial statements.

'Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)': The IASB amended IAS 7 and IFRS 7 to improve the disclosures on supplier finance arrangements and their effects on a company's liabilities, cash flows and liquidity risk exposure. The amendment comes in response to investor concerns that the supplier finance arrangements of some companies are not sufficiently visible.

This amendment, which is pending endorsement by the European Union, is effective for annual periods beginning on or after 1 January 2024. he amendment may be applied before this date, but it is pending approval by the European Union.

Adoption of this standard is not expected to have significant impacts on the Group's financial statements.

d) Accounting policies not described in the consolidated annual financial statements for the year ended 31 December 2022

The Group does not apply any accounting policies that might help readers better understand these interim financial statements beyond those already mentioned in the consolidated annual financial statements for 2022.

Unless stated otherwise, these condensed consolidated interim 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.

e) Estimates made

The information included in these condensed consolidated interim financial statements is the responsibility of the Group's directors. Estimates were used to measure certain assets, liabilities, revenue, expenses and obligations, which were made by the Group's senior management and confirmed by the directors. The main judgements and estimates used are explained in Note 2.c to the 2022 consolidated annual financial statements.

f) Seasonal nature of the Group's transactions

Given the business activities carried out by the various Group companies, the Group's transactions are not considered cyclical or seasonal. Therefore, no specific disclosures have been provided in these notes to the condensed consolidated interim financial statements for the first half of the year.

g) Materiality

When determining the information to be disclosed under the various line items of the financial statements or other business, the Group has, in accordance with IAS 34, considered materiality in relation to the financial statements for the six-month period.

h) Events after the reporting period

No significant event occurred between the end of the first half and the date of authorisation for issue of the half-year financial statements worth disclosing.

i) Deposit Guarantee Fund and Single Resolution Fund

In accordance with current accounting standards, the Group did not recognise any expense for its contribution to the Deposit Guarantee Fund for the first half in either the current or previous year.

In the first half of this year, the Group recognised an annual contribution to the Single Resolution Fund of 47.27 million euros (55.85 million euros in the previous year). According to prevailing accounting standards, these amounts have been fully recognised as an in the condensed consolidated interim income statements.

j) Comparative information

The information contained in these half-year financial statements for the prior period is presented solely and exclusively for comparative purposes.

k) Condensed consolidated statements of cash flow

The condensed consolidated statements of cash flows use the following expressions with the meanings described below:

1. Cash flows: inflows and outflows of cash and cash equivalents; cash equivalents understood as short-term investments with high liquidity and a low risk of fluctuation in their value.
2. Operating activities: typical activities of credit institutions, as well as other activities that cannot be classified as investment or financing activities.
3. Investment activities: the acquisition, disposal or use by other means of long-term assets and other investments not included in cash and cash equivalents.
4. 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.

When preparing the condensed consolidated statements of cash flow, 'cash and cash equivalents' means highly liquid short-term investments with little risk of any change in value. Therefore, the Group considers as cash and cash equivalents the balances reported under "Cash, cash balances at central banks and other demand deposits" in the condensed consolidated balance sheet.

2. Bankinter Group

The latest set of annual consolidated financial statements provides relevant information on the consolidated Group companies and the companies accounted for using the equity method.

The most significant changes in the Group's scope of consolidation arising in the first half of the year are described below:

During the first six months of the year, Relanza Gestión, S.A., the Group's debt collection subsidiary, was sold to Gescobro Collection Services, S.L.U., one of the biggest debt management companies and the third insolvency buyer in the Spanish market. Consequently, this company will now manage collection for the Bank's businesses, which had been the responsibility of the subsidiary. This is a one-off transaction focused on very specialised operations, i.e. collection, which require great volumes of portfolios to achieve optimal efficiency. The impact of this transaction on the Group's income statement has been a loss of 383 thousand euros.

3. Dividends paid by the Bank and earnings per share

Dividends paid out of 2022 and 2023 profit are as follows:

Date of board approval	Amount (thousands of euros)	Profit (loss) for the year
June-22	66,610	2022
Sept-22	57,995	2022
Dec-22	75,233	2022
Mar-23	80,264	2022
Total 2022	**280,102**	
June-23	82,668	2023
Total 2023	**82,668**	

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:

	May 2023
	First
Profit after tax (thousands of euros)	350,069
Dividends paid (thousands of euros)	
Interim dividend (thousands of euros)	82,668
Accumulated interim dividends (thousands of euros)	82,668
Gross dividend per share (euros)	0.09199018
Payment date	June-23

Basic and diluted earnings per share in the first half of the year are set out below, calculated as explained in the Group's most recently published annual financial statements:

	30.06.2023	30.06.2022
Profit/(loss) for the period (thousands of euros)	417,906	271,011
Coupon amount of perpetual non-cumulative contingent convertible instrument	(13,499)	(7,596)
Earnings for the period (thousands of euros)	**404,407**	**263,415**
Weighted average number of shares outstanding (thousands of shares)	898,566	898,589
Basic earnings per share (euros)	**0.47**	**0.30**
Diluted earnings per share (euros)	**0.45**	**0.29**

4. Remuneration and other benefits payable to the Bank's board of directors and senior management

Note 36 to the Group's consolidated financial statements for the year ended 31 December 2022 provides information on the remuneration and other benefits paid to the Bank's board members and senior management in 2022.

At the Annual General Meeting held on 21 April 2021, the shareholders approved the Director Remuneration Policy for 2022, 2023 and 2024, and established the maximum amount of remuneration to be received by directors in their capacity as such, pursuant to the reasoned proposal approved by the Board of Directors attached to the report by the Remuneration Committee, all of which are available on Bankinter's corporate website.

This policy, together with the latest annual report on the remuneration of directors approved at the Annual General Meeting held on 23 March 2023, which contains detailed information on the amounts of the various remuneration items paid in 2022 and the proposals for 2023, and the changes with respect to the previous year, make up the remuneration policy for Bankinter directors for the current year.

The following table provides a breakdown of the most significant information on remuneration and benefits for the six months ended 30 June 2023 and 2022:

Remuneration of members of the board of directors

	Thousands of euros	
	30.06.2023	**30.06.2022**
Members of the board of directors:		
Remuneration item		
Fixed remuneration (1)	1,383	1,264
Variable remuneration (2)	-	-
Attendance fees (3)	244	226
By-law allowances (4)	735	703
Share options and/or other financial instruments	-	-
Other	-	-
	2,362	**2,193**

(1) Corresponds to fixed remuneration of executive directors in their status as such and to the chairman of the board as a result of their non-executive institutional functions.

(2) Corresponds to variable remuneration of executive directors in their status as such. The annual report on director remuneration published by Bankinter on its corporate website (www.bankinter.com/webcorporativa) approved at the Annual General Meeting held on 23 March 2023 describes the system of annual variable remuneration payable to all Bankinter Group employees, including executive directors and senior managers. The variable remuneration corresponding to 2022 accrued on 31 December 2022. Although variable remuneration is calculated on a semi-annual basis, the accrual for 2023 will not occur until 31 December 2023. Therefore, no amount is shown for 2022 and 2023.

(3) Fees for attending board and committee meetings (all directors).

(4) Comprises fixed remuneration for duties as directors.

Other benefits of members of the board of directors

	Thousands of euros	
	30.06.2023	**30.06.2022**
Members of the board of directors:		
Other benefits -		
Advances	-	-
Credit facilities granted	1,181	1,437
Pension plans and funds: Contributions (1)	609	583
Pension plans and funds: Obligations undertaken (2)	3,969	3,360
Life insurance premiums (3)	1	2
Guarantees provided to directors	-	-

(1) On 20 December 2017, Bankinter's board of directors, on the recommendation of the remuneration committee, approved a "Supplementary pension scheme for executive directors and management committee members". Compatible with the Entity's corporate strategy, objectives, values and long-term interests, the scheme includes mechanisms to adjust the Entity's contributions based on earnings or adverse circumstances.

(2) Bankinter does not have any pension obligations to its non-executive directors.

(3) Life insurance premiums were for the chairman of the board and the chief executive officer

Remuneration of senior management

	Thousands of euros	
	30.06.2023	30.06.2022
Senior management:		
Total remuneration received by senior management	1,403	1,338

For members of the senior management, 50% of the amount accrued as variable remuneration is typically deferred on a straight-line basis over a five-year period payable in January of the year following the year the remuneration is approved at the Annual General Meeting. Meanwhile, 50% of the deferred portion and the portion not deferred of the total variable remuneration accrued during the year is paid with delivery of shares of the Company after approval by shareholders at the Annual General Meeting held in the year following the year of accrual. This rule also applies to variable remuneration received by executive directors for their executive duties, with the only exception being that the deferred portion for the Chief Executive Officer represents 60% of variable remuneration, and 60% of the deferred portion will be delivered in shares.

The variable remuneration for senior management corresponding to 2022 accrued on 31 December 2022. Although variable remuneration is calculated on a semi-annual basis, the accrual for 2023 will not occur until 31 December 2023. Therefore, no amount is shown for 2022 and 2023. The total amount for remuneration received only refers to fixed remuneration.

In addition to the information presented in the preceding table, on 20 December 2017, Bankinter's board of directors, on the recommendation of the remuneration committee, approved a 'Supplementary pension scheme for executive directors and management committee members'. Compatible with the Entity's corporate strategy, objectives, values and long-term interests, the scheme includes mechanisms to adjust the Entity's contributions based on earnings or adverse circumstances. Contributions to senior management as at 30 June 2023 amounted to 875 thousand euros. A contribution to senior management was made on 30 June 2022 amounting to 726 thousand euros.

The amounts stated above reflect the remuneration in the relevant period regardless of the months during which the director was a member of the Bank's senior management team and excluding executive directors. At the date of approval of these condensed consolidated interim financial statements, the Bank's senior management comprised seven individuals (2022: seven).

Certain groups of Group employees receive remuneration in the form of shares; i.e. own equity instruments in exchange for services rendered. In accordance with applicable accounting regulations, the services received under this remuneration scheme are recognised in profit or loss as an increase in equity.

5. Financial assets

Composition and breakdown

The following table provides a breakdown of the Group's financial assets other than balances relating to 'Cash, cash balances at central banks and other demand deposits' and 'Derivatives – hedge accounting', at 30 June 2023 and at 31 December 2022, presented by type and category for measurement purposes.

					Thousands of euros
	30.06.2023				
Nature/ category	**Financial assets held for trading**	**Financial assets designated at fair value through profit or loss**	**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	757,327	–	–	–	–
Equity instruments	238,353	–	156,380	–	172,338
Debt securities	910,527	–	1,802,249	9,558,526	884
Loans and advances	2,099,064	–	–	79,883,536	200
Central banks	–	–	–	–	–
Credit institutions	2,098,873	–	–	7,160,361	–
Customers	191	–	–	72,723,175	200
	4,005,270	**–**	**1,958,629**	**89,442,062**	**173,422**

					Thousands of euros
	31.12.2022				
Nature/ category	**Financial assets held for trading**	**Financial assets designated at fair value through profit or loss**	**Financial assets at fair value through other comprehensiv e income**	**Financial assets at amortised cost**	**Non-trading financial assets mandatorily at fair value through profit or loss**
Derivatives	1,181,732	–	–	–	–
Equity instruments	164,756	–	195,617	–	160,046
Debt securities	974,684	–	2,615,303	9,352,619	884
Loans and advances	1,734,598	–	–	75,510,163	466
Central banks	–	–	–	–	–
Credit institutions	1,320,483	–	–	3,758,565	–
Customers	414,115	–	–	71,751,598	466
	4,055,770	**–**	**2,810,920**	**84,862,782**	**161,397**

Movements between stages 1, 2 and 3 in the first half of 2023 and 2022 in the gross carrying amount of loans and advances of the portfolio of financial assets at amortised cost and changes in the corresponding impairment allowances:

Loans and advances				30.06.2023
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount at	**72,214,541**	**2,690,888**	**1,686,167**	**76,591,596**
Additions, disposals and changes in	4,889,252	(313,564)	(61,366)	4,514,322
Transfers between stages	(364,654)	124,608	240,046	–
Removals from Stage 1	(992,716)	972,556	20,160	–
Removals from Stage 2	607,753	(874,228)	266,475	–
Removals from Stage 3	20,309	26,280	(46,589)	–
Write-offs	–	–	(55,416)	(55,416)
Gross carrying amount at	**76,739,139**	**2,501,932**	**1,809,431**	**81,050,502**

Loans and advances				30.06.2022
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount at	**66,019,507**	**2,022,468**	**1,634,172**	**69,676,147**
Additions, disposals and changes in	5,234,400	(160,959)	(96,982)	4,976,459
Transfers between stages	(898,249)	737,534	160,715	–
Removals from Stage 1	(1,374,228)	1,351,170	23,058	–
Removals from Stage 2	459,095	(647,790)	188,695	–
Removals from Stage 3	16,885	34,154	(51,039)	–
Write-offs	–	–	(47,020)	(47,020)
Gross carrying amount at	**70,355,658**	**2,599,043**	**1,650,885**	**74,605,586**

At 30 June 2023, including these figures, the 'Gross carrying amount' of the portfolio of impaired loans and advances acquired amounted to 19,896 thousand euros (31 December 2022: 22,690 thousand euros), representing an average discount of 58.2% (31 December 2022: 59.9%) with respect to the principal owed in these exposures, plus an impairment loss of 4,190 thousand euros (31 December 2022: 6,423 thousand euros).

Loans and advances. Impairment losses.				30.06.2023
	Stage 1	Stage 2	Stage 3	Total
Closing balance at 31.12.2022	**153,786**	**94,942**	**832,706**	**1,081,433**
Additions, disposals and changes in	(28,179)	35,264	126,236	133,322
Transfers between stages	12,683	(37,867)	25,184	–
Removals from Stage 1	(7,242)	6,515	727	–
Removals from Stage 2	14,545	(50,848)	36,303	–
Removals from Stage 3	5,380	6,465	(11,845)	–
Write-offs	–	–	(47,789)	(47,789)
Closing balance at 30.06.2023	**138,290**	**92,339**	**936,338**	**1,166,966**

Loans and advances. Impairment losses.				30.06.2022
	Stage 1	Stage 2	Stage 3	Total
Closing balance at 31.12.2021	**176,946**	**89,224**	**720,601**	**986,771**
Additions, disposals and changes in	(26,745)	34,106	67,980	75,341
Transfers between stages	8,522	(33,097)	24,575	–
Removals from Stage 1	(18,012)	17,158	853	–
Removals from Stage 2	23,242	(57,906)	34,664	–
Removals from Stage 3	3,292	7,650	(10,942)	–
Write-offs	–	–	(34,713)	(34,713)
Closing balance at 30.06.2022	**158,723**	**90,233**	**778,443**	**1,027,399**

In the first half of 2023, 59.3 million euros of non-performing loans and write-offs have been sold.

Credit quality of the portfolio of financial assets at amortised cost

The following tables present data on credit quality of the loan book at the respective reporting dates:

		Gross amount
	30.06.2023	31.12.2022
Performing loans	86,299,749	81,568,460
Underperforming loans	2,501,932	2,690,888
Non-performing loans	1,810,187	1,686,922
Total gross amount	**90,611,868**	**85,946,271**

		Impairment losses
	30.06.2023	31.12.2022
Total impairment losses on assets	1,169,806	1,083,489
Collectively measured allowances	930,339	858,084
Individually measured allowances	239,467	225,405

		Carrying amount
	30.06.2023	31.12.2022
Total carrying amount	**89,442,062**	**84,862,782**

	Guarantees received	
	30.06.2023	31.12.2022
Value of collateral	41,072,404	40,736,904
Of which: guarantees underperforming loans	1,210,065	1,318,892
Of which: non-performing exposures	419,309	441,325
Value of other guarantees	11,596,282	12,058,697
Of which: guarantees underperforming loans	710,812	723,339
Of which: non-performing exposures	347,644	286,081
Total value of guarantees received	**52,668,686**	**52,795,601**

	Commitments and financial guarantees given	
	30.06.2023	31.12.2022
Loan commitments given	**16,765,418**	**16,370,121**
Of which: classified as underperforming	305,381	412,554
Of which: classified as non-performing	—	—
Amount recognised under liabilities on the balance sheet	33,493	28,699
Financial guarantees given	**1,588,297**	**1,976,956**
Of which: classified as underperforming	67,642	55,442
Of which: classified as non-performing	8,061	8,438
Amount recognised under liabilities on the balance sheet	4,227	4,996
Other commitments given	**11,581,665**	**9,682,797**
Of which: classified as underperforming	78,164	75,947
Of which: classified as non-performing	7,139	5,943
Amount recognised under liabilities on the balance sheet	6,309	5,448

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

The breakdown of the balance recognised for this item at 30 June 2023 and 31 December 2022 is as follows:

	Thousands of euros	
	30.06.2023	31.12.2022
Assets foreclosed or received in payment of debt	42,160	54,052
Gross value	100,127	122,865
Valuation adjustments	(57,967)	(68,813)
Other assets	154,914	208,942
Carrying amount	**197,074**	**262,994**

'Other assets' includes mainly owner-occupied properties currently being sold. It also includes financial assets acquired solely for subsequent disposal within less than one year in the course of the operations of investment banking.

7. Derivatives - asset and liability hedge accounting

The detail of the outstanding hedging instruments at the end of the first half of the current period and December last year is as follows:

				Thousands of euros
	Nominal		Fair value Hedging instrument	
	30.06.2023	31.12.2022	30.06.2023	31.12.2022
Fair value				
Interest rate				
Fixed income (EUR)	1,521,940	1,361,940	398,825	404,124
Loans (EUR)	437,022	417,758	30,395	32,631
Loans (USD)*	131,270	57,472	2,187	2,765
Loans (MXN)**	799	1,175	17	35
Mortgage macro-hedges	4,987,256	2,953,426	613,745	648,425
Total financial assets	**7,078,288**	**4,791,772**	**1,045,170**	**1,087,979**
Senior debt	2,500,000	2,000,000	(214,291)	(213,498)
Subordinated debt	789,823	789,823	(94,045)	(101,909)
Covered bonds	1,750,000	1,750,000	(73,534)	(58,346)
Demand account macro-hedges	3,000,000	3,000,000	(202,621)	(215,993)
Total financial liabilities	**8,039,823**	**7,539,823**	**(584,492)**	**(589,747)**
Cash flows				
Interest rate				
Mortgage macro-hedges	1,058,000	2,011,000	(8,618)	(21,498)
Other				
Forward sales	—	1,164,000	—	26,674
Total assets	**8,136,288**	**7,966,772**	**1,036,552**	**1,093,155**
Total liabilities	**8,039,823**	**7,539,823**	**(584,492)**	**(589,747)**

* US dollar

** Mexican Pesos

The detail of hedged items at the end of the first half of the current period and December last year is as follows:

	Carrying amount		Cumulative adjustment for hedges (*)		Adjustments for hedges recognised in the period	Cash flow hedges	
	30.06.2023	31.12.2022	30.06.2023	31.12.2022		Continuing hedges	Discontinued hedges
Fair value							
Fixed income (EUR)	1,252,329	1,081,449	(321,009)	(344,985)	23,975	—	—
Loans (EUR)	406,640	384,355	(30,382)	(33,403)	3,021	—	—
Loans (USD)*	129,136	54,751	(2,134)	(2,721)	587	—	—
Loans (MXN)**	783	1,141	(16)	(35)	18	—	—
Mortgage macro-hedges	4,375,314	2,304,896	(611,942)	(648,517)	36,574	—	—
Total financial assets	**6,164,202**	**3,826,592**	**(965,484)**	**(1,029,660)**	**64,176**	**—**	**—**
Senior debt	2,308,422	1,792,311	191,578	207,689	(16,111)	—	—
Subordinated debt	695,429	689,381	94,393	100,442	(6,048)	—	—
Covered bonds	1,685,306	1,685,083	64,694	64,917	(222)	—	—
Demand account macro-hedges	2,821,398	2,796,086	178,602	203,914	(25,312)	—	—
Total financial liabilities	**7,510,554**	**6,962,861**	**529,269**	**576,962**	**(47,694)**	**—**	**—**
Cash flow	—	**—**	**—**	**—**	—	—	
Mortgage macro-hedges	1,058,000	2,011,000	—	—	—	(7,518)	—
Forward sales	—	1,181,203	—	—	—	—	—
Total assets	**7,222,202**	**7,018,795**	**(965,484)**	**(1,029,660)**	**64,176**	**(7,518)**	**—**
Total liabilities	**7,510,554**	**6,962,861**	**529,269**	**576,962**	**(47,694)**	**—**	**—**

* US dollar

** Mexican Pesos

(*) 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 -8.8 million euros (2022: -10.2 million euros)

8. Tangible and intangible assets

a) Tangible assets

No significant impairment losses on tangible assets were recognised in the first six months of 2023 and 2022.

Moreover, the Group did not have any significant commitments to acquire property, plant and equipment at 30 June 2023 or 2022.

b) Intangible assets

Goodwill

The balance of 'Intangible assets – Goodwill' at 30 June 2023 relates to the goodwill arising from the acquisition of Bankinter Luxembourg, S.A.

The Group performs an assessment at least annually (and whenever there are indications of impairment) of the potential loss in value of goodwill recognised compared to its recoverable amount. Note 16 to the Bank's consolidated financial statements at 31 December 2022 describes the estimates made by the Bank.

No indications of significant impairment requiring the recognition of impairment losses arose in the first half of 2023 and 2022.

Other intangible assets

No significant impairment losses on intangible assets were recognised in the first six months of 2023 and 2022.

The Group began amortising intangible assets comprising software in the first half of the year, for 38,577 thousand euros, arising mainly from its strategic projects (43,146 thousand euros at 30 June 2022).

9. Right-of-use assets

The Group has rights to use assets under leases, mainly of buildings, premises and offices where it carries out its business and, to a lesser extent, motor vehicles, IT equipment and car parks.

No significant impairment losses on right-of-use assets were recognised in the first six months of 2023 and 2022.

10. Financial liabilities

Composition and breakdown

Details of the Group's financial liabilities other than 'Derivatives - hedge accounting' as at 30 June 2023 and at 31 December 2022 by type and measurement category:

			Thousands of euros
			30.06.2023
	Financial liabilities held for trading	Financial liabilities designated at fair value through profit or loss	Financial liabilities at amortised cost
Derivatives	894,493	–	–
Short positions	812,969	–	–
Deposits	1,136,671	–	88,689,672
Central banks	–	–	4,089,166
Credit institutions	625	–	9,681,160
Customers	1,136,046	–	74,919,346
Debt securities issued	–	–	7,658,987
Other financial liabilities	–	–	4,244,394
Total	**2,844,133**	**–**	**100,593,053**

			Thousands of euros
			31.12.2022
	Financial liabilities held for trading	Financial liabilities designated at fair value through profit or loss	Financial liabilities at amortised cost
Derivatives	1,140,068	–	–
Short positions	918,983	–	–
Deposits	1,288,147	–	87,965,731
Central banks	–	–	11,699,869
Credit institutions	–	–	3,363,827
Customers	1,288,147	–	72,902,036
Debt securities issued	–	–	6,433,093
Other financial liabilities	–	–	3,418,257
Total	**3,347,198**	**–**	**97,817,081**

As regards Deposits at central banks, in the first six months of the year, 7,600 million euros were drawn by the Bank from the lines of the European Central Bank's third series of targeted longer-term refinancing operations (known TLTRO III) expired, with 4,082 million euros still to expire at close of the period.

Information on issues, repurchases and redemptions of debt securities

The main features of the most significant issuances, repurchases and redemptions by the Group in the first six months of 2023 and 2022 are as follows:

Details of the issuer				Details of issuances carried out in 2023 (a)							
Name	Relationship with the Group	Country	Issuer or issue credit rating	ISIN code	Type of security	Type of transaction	Date of transaction	Amount of the issue, repurchase or redemption (thousands)	Outstanding balance at 30.06.2023c (Thousands of Euros)	Interest rate	Market on which it is quoted	Type of guarantee or collateral given
Bankinter, S.A.	Parent	SPAIN	Aa1/AA+	ES0413679533	Covered bonds	Redemption	19.01.2023	500,000	–	3M EUR+0.15%	AIAF	Mortgage portfolio
Bankinter, S.A.	Parent	SPAIN	BB	XS2585553097	Preference debentures	Issue	15.02.2023	300,000	300,000	7.375%	AIAF	–
Bankinter, S.A.	Parent	SPAIN	Aa1	ES0413679533	Covered bonds	Issue	02.03.2023	1,500,000	1,500,000	3M EUR+0.50%	AIAF	Mortgage portfolio
Bankinter, S.A.	Parent	SPAIN	Aa1/AA+	ES0413679533	Covered bonds	Redemption	14.03.2023	1,200,000	–	3M EUR+0.15%	AIAF	Mortgage portfolio
Bankinter, S.A.	Parent	SPAIN	Aa1	ES0413679541	Covered bonds	Issue	13.04.2023	1,000,000	1,000,000	3M EUR+0.40%	AIAF	Mortgage portfolio
Bankinter, S.A.	Parent	SPAIN	Aa1	ES0413679558	Covered bonds	Issue	13.04.2023	1,000,000	1,000,000	3M EUR+0.50%	AIAF	Mortgage portfolio
Bankinter, S.A.	Parent	SPAIN	A-	ES0213679006	Straight debentures	Issue	03.05.2023	500,000	500,000	4.375%	AIAF	–
Bankinter, S.A.	Parent	SPAIN	Aa1	ES0413679566	Covered bonds	Issue	22.06.2023	250,000	250,000	3M EUR+0.70%	AIAF	Mortgage portfolio
							Total issues:	**4,550,000**				
							Total redemptions:	**1,700,000**				

(a) Where these relate to securities denominated in a foreign currency, the amounts have been converted to euros at the closing exchange rate.

Details of the issuer				Details of issuances carried out in 2022 (a)							
Name	Relationship with the Group	Country	Issuer or issue credit rating	ISIN code	Type of security	Type of transaction	Date of transaction	Amount of the issue, repurchase or redemption (thousands)	Outstanding balance at 30.06.2022 (Thousands of Euros)	Interest rate	Market on which it is quoted	Type of guarantee or collateral given
Bankinter, S.A.	Parent	SPAIN	BBB-	XS1592168451	Subordinated debentures	Redemption	06.04.2022	500,000	–	2.50%	AIAF	0
							Total issues:	**–**				
							Total redemptions:	**500,000**				

(a) Where these relate to securities denominated in a foreign currency, the amounts have been converted to euros at the closing exchange rate.

Other issuances guaranteed by the Group

At 30 June 2023 and 2022, no debt securities issued by associates or third parties (unrelated to the Group) were guaranteed by the Bank or any other Group entity.

11. Provisions

Balances of and changes in provisions at 30 June 2023 and 31 December 2022:

Thousands of euros	30.06.2023	31.12.2022
Pensions and other post-employment defined benefit obligations	1,392	1,293
Other long-term employee benefits	–	–
Pending legal issues and tax litigation	128,360	122,755
Commitments and guarantees given	44,029	39,143
Other provisions	185,042	212,969
	358,823	**376,159**

Thousands of euros	30.06.2023	30.06.2022
Closing balance (previous period)	**376,159**	**419,911**
Net increases in the period	45,665	45,463
Amounts used	(52,389)	(86,442)
Other movements	(10,612)	(13,073)
Balance at the end of the period	**358,823**	**365,858**

The amounts of provisions were estimated in accordance with the procedures described in the Group's annual financial statements for the year ended 31 December 2022.

"Net increases in the period" includes mainly provisions arising from multicurrency loan agreements in which the Entity has claims pending ruling by the courts. The Group considers that the provisions recognised at 30 June 2023 were sufficient to cover any potential losses arising from the multicurrency loan portfolio and to face the outcome of any risks that may affect the Group. The criteria, calculations and monitoring mechanisms were consistent with those described in Note 44 to the 2022 consolidated annual financial statements.

Group management and directors have assessed the potential impact on the Group's related portfolio at 30 June 2023 of Supreme Court ruling 149/2020 nullifying a revolving credit facility after deeming that the interest rate charged was usurious, and estimated the provisions required to cover the potential losses from lawsuits that could be brought against the Group in this connection.

12. Equity

Bankinter, S.A.'s share capital at 30 June 2023 and 31 December 2022 amounted to 269,660 thousand euros and was represented by 898,866,154 fully subscribed and paid registered shares with a par value of 0.3 euros each. These shares confer the same voting and dividend rights.

13. Segment reporting

The following table provides the distribution of 'Interest income' by the geographic area at 30 June 2023 and 2022:

Distribution of interest income by geographic area (thousands of euros)

Geographic area	Individual		Consolidated	
	30.06.2023	30.06.2022	30.06.2023	30.06.2022
Domestic market	1,269,861	570,312	1,386,350	672,393
Exports:				
a) European Union	124,995	41,397	206,531	96,822
b) OECD countries	–	–	–	–
c) Other countries	–	–	–	–
Total	**1,394,856**	**611,709**	**1,592,881**	**769,215**

The distribution of revenue by business segment used by the Group is shown below. For the purposes of the following table, revenue comprises the following line items of the condensed consolidated income statement:

- 'Interest income'
- 'Dividend income'
- 'Fee and commission income'
- 'Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net'
- 'Gains or losses on financial assets and liabilities held for trading, net'
- 'Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss, net'
- 'Gains or losses from hedge accounting, net'
- 'Exchange differences, net'
- 'Other operating income' and
- "Income from assets under insurance and reinsurance contracts".

Segment	Revenue			
	Revenue from foreign customers		Total revenue	
	30.06.2023	30.06.2022	30.06.2023	30.06.2022
Commercial and Retail Banking	582,094	396,097	582,094	396,097
Corporate Banking	689,906	356,558	689,906	356,558
Bankinter Ireland	57,534	40,392	57,534	40,392
BKCF (Spain)	150,879	129,709	150,879	129,709
Bankinter Portugal	183,782	94,507	183,782	94,507
Other businesses	398,936	225,902	398,936	225,902
	2,063,131	**1,243,165**	**2,063,131**	**1,243,166**

Thousands of euros

14. Related parties

The following table shows the main transactions carried out by the Group in the first half of 2023 and 2022 with its related parties, distinguishing between significant shareholders, members of the Bank's board of directors and members of its management, Group entities and other related parties. Transactions with related parties are carried out on an arm's length basis and the corresponding remuneration in kind has been recognised.

Expenses and revenue — Thousands of euros

30.06.2023

	Significant shareholders	Directors and managers	Group employees, companies and entities	Other related parties	Total
Finance costs	–	19	–	251	270
Total	**–**	**19**	**–**	**251**	**270**
Finance income (*)	–	43	–	2,637	2,680
Dividends received	–	–	–	20,516	20,516
Services rendered	–	–	–	1,402	1,402
Other income	–	–	–	31,997	31,997
Total	**–**	**43**	**–**	**56,551**	**56,594**

(*) 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

30.06.2023

	Significant shareholders	Directors and managers	Group employees, companies and entities	Other related parties	Total
Trade receivables	–	–	–	–	–
Loans and credit given		6,145	–	233,746	239,891
Other receivables	–	–	–	–	–
TOTAL RECEIVABLES	**–**	**6,145**	**–**	**233,746**	**239,891**
Trade payables	–	–	–	–	–
Loans and credit received	–	7,111	–	273,166	280,277
Other payment obligations	–	–	–	–	–
TOTAL PAYABLES	**–**	**7,111**	**–**	**273,166**	**280,277**

Expenses and revenue — Thousands of euros

30.06.2022

	Significant shareholders	Directors and managers	Group employees, companies and entities	Other related parties	Total
Finance costs	–	–	–	50	50
Total	**–**	**–**	**–**	**50**	**50**
Finance income (*)	–	–	–	56	56
Dividends received	–	–	–	12,473	12,473
Services rendered	–	–	–	1,180	1,180
Other income	–	–	–	33,787	33,787
Total	**–**	**–**	**–**	**47,496**	**47,496**

(*) 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
					30.06.2022
	Significant shareholders	Directors and managers	Group employees, companies and entities	Other related parties	Total
Trade receivables	–	–	–	–	–
Loans and credit given	–	6,512	–	52,952	59,464
Other receivables	–	–	–	–	–
TOTAL RECEIVABLES	**–**	**6,512**	**–**	**52,952**	**59,464**
Trade payables	–	–	–	–	–
Loans and credit received	–	7,712	–	468,330	476,042
Other payment obligations	–	–	–	–	–
TOTAL PAYABLES	**–**	**7,712**	**–**	**468,330**	**476,042**

At 30 June 2023 and 2022, no valuation adjustments were recognised for non-performing loans relating to amounts included as part of the outstanding balances, nor had any expenses been recognised in relation to uncollectible or non-performing loans of related parties.

15. Workforce and number of branches

The following table shows the Group's and Bank's workforce at 30 June 2023 and 2022, by gender:

	Bankinter, S.A.		Group	
	30.06.2023	30.06.2022	30.06.2023	30.06.2022
Men	2,338	2,289	3,237	3,141
Women	2,449	2,409	3,223	3,170
	4,787	**4,698**	**6,460**	**6,311**

The following table shows the Group's and Bank's average number of employees at 30 June 2023 and 2022, by gender:

	Bankinter, S.A.		Group	
	30.06.2023	30.06.2022	30.06.2023	30.06.2022
Average workforce	**4,775**	**4,644**	**6,449**	**6,198**
Men	2,330	2,256	3,228	3,079
Women	2,445	2,388	3,221	3,119

The following table shows the number of Group offices, broken down by Spanish and foreign branches.

	30.06.2023	31.12.2022
Number of offices	**445**	**446**
Spain	364	365
Abroad	81	81

16. Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net

At 30 June 2023 and 2022, the main component of the result recognised under this item in the condensed income statement arose on the sale of debt securities.

17. Other information

17.1 Regulation on covered bonds

Decree-Law 24/2021, of 2 November, entered into force in July 2022 (hereinafter, RDL 24/2021). It transposes the European Union directors on, inter alia, covered bonds.

Since RDL 24/2021 entered into force, the bonds issued are now covered by assets incorporated by Bankinter to the pool of cover assets provided for in the regulation (the Cover Pool), which differs in its composition and value from the pool of assets that used to cover covered bonds until then.

The Cover Pool is composed of the cover assets that Bankinter has incorporated into to the Special Cover Register subject to authorisation from the Cover Pool Monitor, according to RDL 24/2021.

Article 34 of RDL 24/2021 stipulates that issuing institutions must have a covered bond programme in place with prior authorisation from Banco de España. Intermoney Agency Services, S.A. ('IMAS') has been chosen as the Cover Pool Monitor. Bankinter received approval from Banco de España for its covered bond programme on 4 July 2022.

17.2 Information on exposure to credit risk

Information on exposure to credit risk

Information on exposure to real estate credit risk and assets foreclosed or received in payment of debts at 30 June 2023 and 31 December 2022:

Exposure to real estate credit risk (business in Spain)

	Gross amount (thousands of euros)	
	30.06.2023	31.12.2022
Financing for real estate construction and development (including land)	336,525	329,580
Of which: non-performing	3,420	3,631
Total gross amount	**336,525**	**329,580**

	Impairment losses (thousands of euros)	
	30.06.2023	31.12.2022
Financing for real estate construction and development (including land)	3,354	2,727
Of which: non-performing	1,806	1,786
Total impairment losses on assets	**3,354**	**2,727**

	Carrying amount (thousands of euros)	
	30.06.2023	31.12.2022
Financing for real estate construction and development (including land)	333,171	326,853
Of which: non-performing	1,614	1,845
Total carrying amount	**333,171**	**326,853**
Total carrying amount of financing granted to customers	**62,353,773**	**62,403,592**

	Guarantees received (thousands of euros)	
	30.06.2023	31.12.2022
Value of collateral	329,463	307,318
Of which: non-performing exposures	1,383	1,610
Value of other guarantees	2,853	3,210
Of which: non-performing exposures	30	30
Total value of guarantees received	**332,316**	**310,528**

	Financial guarantees (thousands of euros)	
	30.06.2023	31.12.2022
Financial guarantees given for real estate construction and development	–	–
Amount recognised under liabilities on the balance sheet	–	–

Assets foreclosed or received in payment of debts in Spain

	Gross amount (*) (thousands of euros)	
	30.06.2023	31.12.2022
Real estate assets foreclosed or received in payment of debts	57,499	74,012
Of which: land	13,766	16,748
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	**57,499**	**74,012**

	Impairment losses (*) (thousands of euros)	
	30.06.2023	31.12.2022
Real estate assets foreclosed or received in payment of debts	24,941	25,393
Of which: land	1,219	11,243
Foreclosed equity instruments or instruments		–
Total impairment losses on assets	**24,941**	**25,393**

	Carrying amount (*) (thousands of euros)	
	30.06.2023	31.12.2022
Real estate assets foreclosed or received in payment of debts	32,558	48,619
Of which: land	12,547	5,504
Foreclosed equity instruments or instruments	–	–
Total carrying amount	32,558	48,619

(*) 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.

Portfolio of commercial real estate loans

The following table shows the commercial real estate (CRE) loans with non-financial companies, as per the definition in the regulations from the European Systemic Risk Board (ESRB). Commercial real estate loans are loans given to legal entities to purchase real estate that generates income or real estate for use by its owners to perform their operations, be it finished or under construction, and exposure backed by this type of real estate:

Non-financial corporations. Gross carrying amount 30.06.2023 (thousands of euros)						
	Total	Homes	Branches	Commercial establishments and buildings	Other real estate	Average amount by contract
Total commercial real estate	**5,821,699**	**1,571,815**	**364,431**	**1,451,064**	**2,434,389**	**430**
- Purchase of real estate that generates income	2,904,677	1,013,943	206,280	899,137	785,318	458
Of which: Private Banking	1,319,385	581,601	92,911	360,826	284,047	475
Of which: structured finance	369,932	23,026	57,395	161,650	127,861	6,490
- For own use and other purposes	2,614,691	255,541	158,152	551,927	1,649,071	378
- Real estate development	302,331	302,331	–	–	–	1,128

17.3 Additional information on risks: Refinancing and restructuring transactions.

The refinancing policy 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-back liquidity facility schemes described in the Note on 'Information on and impacts of the health crisis' in this Report should be considered macroprudential mechanisms designed essentially to help customers cope with the temporary difficulties arising from the health crisis.

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.

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 of 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:
  - They rely on an inappropriate payment plan. For example, a payment plan is not appropriate when failure to pay is repeated, the plan has been changed to avoid failures to pay, or it is based on expectations not backed by macroeconomic forecasts.
  - 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.

According to the IFRS 9, under certain circumstance, amending a contract may lead to the source account being derecognised from the balance sheet and the destination account being considered a 'new' transaction (paragraph B.5.5.25). This paragraph is generally interpreted as meaning that the recognition and derecognition from the balance sheet is justified from a substantial change of the financial instrument's conditions.

Consequently, the Bank's internal procedures set out that refinancing and restructuring can be considered new transactions only if the following conditions are met simultaneously, duly justified:

1 Non-performing transactions are refinanced or, otherwise, the new refinancing transaction is reclassified as non-performing exposure.

2 The contract's terms are changed substantially. This includes:

- Adding parties that substantially change the transaction's risk profile
- Presenting additional guarantees that substantially improve the recovery expectations in case of default
- Refinancing is the result of court or bankruptcy proceedings that result in debt settlement and a sustainability agreement relating to part of the debt.

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: a transaction which, irrespective of the borrower or collateral furnished, granted or used for economic or legal reasons relating 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 institutions 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 payment, 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 due 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 institution 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 experiencing any financial difficulties or foreseeably having any in the future; i.e. where 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.

The following table details the outstanding balance of refinancing and restructuring transactions at 30 June 2023 and 31 December 2022, respectively:

Outstanding refinancing and restructuring balances as at 30 June 2023:

(thousands of euros)

	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 the security that may be considered							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	–	–	–	–	–	–	–	–	–	–	–	–	–	–
General governments	1	11	–	–	–	–	–	1	11	–	–	–	–	3
Other financial corporations and individual entrepreneurs (financial business)	27	3,540	7	1,411	1,374	7	(1,651)	21	2,923	3	300	271	–	(1,640)
Non-financial corporations and individual entrepreneurs (non-financial business)	3,486	306,853	1,311	345,224	293,141	8,445	(148,849)	2,201	171,837	504	125,571	86,772	1,309	(140,345)
Of which: financing for construction and property development (including land)	1	50	12	4,778	3,694	–	(996)	1	50	5	1,933	869	–	(977)
Other households	3,684	30,931	2,410	273,895	249,911	919	(31,383)	1,381	15,286	571	69,891	52,633	233	(25,990)
Total	**7,198**	**341,335**	**3,728**	**620,530**	**544,427**	**9,371**	**(181,883)**	**3,604**	**190,057**	**1,078**	**195,762**	**139,676**	**1,543**	**(167,971)**
ADDITIONAL INFORMATION														
Financing classified as non-current assets and disposal groups classified as held for sale														

Outstanding balances of refinancing and restructuring transactions at 31 December 2022:

(thousands of euros)

	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 the security that may be considered							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	–	–	–	–	–	–	–	–	–	–	–	–	–	–
General governments	1	23	–	–	–	–	–	1	23	–	–	–	–	–
Other financial corporations and individual entrepreneurs (financial business)	20	2,895	6	1,436	1,407	–	(1,404)	16	2,696	3	300	271	–	(1,404)
Non-financial corporations and individual entrepreneurs (non-financial business)	3,348	293,934	1,351	365,073	302,921	10,097	(148,057)	2,163	166,744	520	133,237	93,446	1,059	(139,567)
Of which: financing for construction and property development (including land)	2	71	13	4,908	3,898	–	(938)	2	71	7	2,055	1,054	–	(929)
Other households	3,687	30,667	2,271	264,359	239,898	1,169	(30,296)	1,261	14,022	570	72,738	56,154	152	(24,635)
Total	**7,056**	**327,520**	**3,628**	**630,868**	**544,225**	**11,266**	**(179,758)**	**3,441**	**183,484**	**1,093**	**206,275**	**149,871**	**1,211**	**(165,606)**
ADDITIONAL INFORMATION														
Financing classified as non-current assets and disposal groups classified as held for sale														

Details of the average probability of non-compliance of the groups of refinanced and restructured transactions:

At 30 June 2023:

	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	—	-	—	-	—	-	—	-
General governments	1	—	—	—	1	—	—	—
Other financial corporations and individual entrepreneurs (financial business)	27	0.92	7	0.72	21	1	3	1
Non-financial corporations and individual entrepreneurs (non-financial business)	3,486	0.74	1,311	0.53	2,201	1	504	1
Of which: financing for construction and property development (including land)	1	—	12	—	1	—	5	—
Other households	3,684	0.79	2,410	0.52	1,381	1	571	1
Total	**7,198**	**0.75**	**3,728**	**0.53**	**3,604**	**1**	**1,078**	**1**

Details of the average probability of non-compliance of the groups of refinanced and restructured transactions:

At 31 December 2022:

	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	—	—	—	—	—	—	—	—
General governments	1	—	—		1	—	—	—
Other financial corporations and individual entrepreneurs (financial business)	20	0.95	6	0.76	16	1	3	1
Non-financial corporations and individual entrepreneurs (non-financial business)	3,348	0.74	1,351	0.52	2,163	1	520	1
Of which: financing for construction and property development (including land)	2	1	13	1.00	2	1	7	—
Other households	3,687	0.71	2,271	0.51	1,261	1	570	1
Total	**7,056**	**0.75**	**3,628**	**0.52**	**3,441**	**1**	**1,093**	**1**

17.4 Geographic and sector concentration of risks.

The distribution of the carrying amount of the Group's most significant financial assets by geographical area and segment of activity, counterparty and purpose of the financing granted as at 30 June 2023 and 31 December 2022 is set out below.

Distribution of loans and advances to customers by activity (carrying amount).

At 30 June 2023:

(thousands of euros)

	TOTAL	Of which: Real estate collateral	Of which: Other collateral	Secured loans. 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%
General governments	**1,174,198**	**6,365**	**—**	**5,780**	**586**	**—**	**—**	**—**
Other financial corporations and individual entrepreneurs (non-financial business)	**2,559,374**	**227,930**	**140,035**	**70,632**	**204,543**	**44,309**	**5,174**	**43,307**
Non-financial corporations and individual entrepreneurs (non-financial business)	**31,248,941**	**7,657,926**	**1,347,918**	**3,066,398**	**3,476,939**	**1,562,038**	**451,824**	**448,645**
Real estate construction and development	352,139	331,041	15,991	68,881	140,992	114,218	5,776	17,164
Civil engineering	450,212	9,441	4,524	2,670	6,096	1,181	888	3,131
Other purposes	30,446,590	7,317,444	1,327,403	2,994,847	3,329,851	1,446,639	445,160	428,350
Large corporations	12,023,401	656,928	213,731	297,062	309,197	138,303	79,291	46,806
SMEs and individual entrepreneurs	18,423,189	6,660,516	1,113,672	2,697,784	3,020,654	1,308,336	365,869	381,544
Other households	**36,516,070**	**31,196,950**	**795,263**	**6,824,366**	**10,815,063**	**12,099,537**	**1,459,657**	**793,590**
Residential	29,544,049	29,397,088	83,591	6,130,330	10,001,247	11,394,424	1,221,723	732,956
Consumer loans	3,881,695	455,024	79,605	131,908	201,589	160,555	33,463	7,114
Other purposes	3,090,326	1,344,838	632,067	562,128	612,227	544,558	204,471	53,520
TOTAL	**71,498,583**	**39,089,171**	**2,283,216**	**9,967,175**	**14,497,131**	**13,705,884**	**1,916,655**	**1,285,542**
MEMORANDUM ITEMS								
Refinancing, refinanced and restructured transactions	**779,982**	**549,608**	**10,989**	**184,780**	**127,021**	**138,723**	**48,983**	**61,090**

Distribution of loans and advances to customers by activity (carrying amount).

At 31 December 2022:

(thousands of euros)

	TOTAL	Of which: Real estate collateral	Of which: Other collateral	Secured loans. 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%
General governments	**968,224**	**6,791**	**–**	**6,170**	**622**	**–**	**–**	**–**
Other financial corporations and individual entrepreneurs (non-financial business)	**1,736,296**	**177,497**	**126,976**	**104,224**	**127,974**	**37,753**	**13,705**	**20,818**
Non-financial corporations and individual entrepreneurs (non-financial business)	**31,606,324**	**7,631,308**	**1,389,454**	**3,056,204**	**3,408,072**	**1,642,339**	**461,085**	**453,064**
Real estate construction and development	341,619	324,351	10,236	68,532	126,794	116,565	5,998	16,698
Civil engineering	403,972	9,160	4,398	2,339	4,196	1,806	880	4,337
Other purposes	30,860,733	7,297,798	1,374,821	2,985,334	3,277,082	1,523,967	454,208	432,028
Large corporations	11,569,132	666,957	215,225	280,759	331,152	181,145	35,780	53,347
SMEs and individual entrepreneurs	19,291,601	6,630,841	1,159,595	2,704,575	2,945,930	1,342,822	418,428	378,682
Other households	**36,411,237**	**30,842,686**	**748,155**	**6,721,972**	**10,600,125**	**12,309,745**	**1,533,036**	**425,963**
Residential	29,269,712	29,063,083	92,439	6,030,151	9,855,876	11,615,324	1,309,524	344,647
Consumer loans	3,602,765	467,941	96,498	129,465	203,387	179,099	44,758	7,730
Other purposes	3,538,760	1,311,661	559,218	562,357	540,862	515,322	178,753	73,586
TOTAL	**70,722,080**	**38,658,283**	**2,264,585**	**9,888,570**	**14,136,792**	**13,989,836**	**2,007,825**	**899,845**
MEMORANDUM ITEMS	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Refinancing, refinanced and restructured transactions	**778,630**	**557,412**	**12,986**	**176,566**	**134,414**	**133,186**	**53,013**	**73,218**

Distribution of exposure by activity and geographic area (carrying amount). Total activity.

At 30 June 2023:

(thousands of euros)

	TOTAL	Spain	Other EU	America	Rest of the world
Central banks and credit institutions	**25,288,837**	**18,612,693**	**4,866,146**	**531,824**	**1,278,174**
General governments	**10,722,079**	**7,468,384**	**3,152,855**	**36,569**	**64,271**
Central government	9,263,173	6,278,608	2,928,475	12,755	43,334
Other general governments	1,458,906	1,189,775	224,379	23,815	20,937
Other financial corporations and individual entrepreneurs (financial business)	**4,296,150**	**2,860,850**	**1,268,596**	**99,538**	**67,166**
Non-financial corporations and individual entrepreneurs (non-financial business)	**39,848,675**	**34,110,315**	**4,176,427**	**1,018,500**	**543,432**
Real estate construction and development	355,543	352,456	3,088	–	–
Civil engineering	713,390	556,076	79,021	73,029	5,264
Other purposes	38,779,741	33,201,783	4,094,319	945,470	538,168
Large corporations	16,894,544	14,198,474	1,353,573	878,404	464,093
SMEs and individual entrepreneurs	21,885,197	19,003,310	2,740,745	67,066	74,075
Other households	**36,624,157**	**27,406,207**	**8,298,774**	**211,089**	**708,086**
Homes	29,544,049	22,097,045	6,606,212	206,325	634,467
Consumer loans	3,887,530	2,222,105	1,640,470	1,348	23,608
Other purposes	3,192,578	3,087,057	52,092	3,417	50,012
TOTAL	**116,779,898**	**90,458,450**	**21,762,798**	**1,897,520**	**2,661,130**

Distribution of exposure by activity and geographic area (carrying amount). Total activity.

At 31 December 2022:

(thousands of euros)

	TOTAL	Spain	Other EU	America	Rest of the world
Central banks and credit institutions	**22,524,738**	**16,938,814**	**3,438,201**	**543,298**	**1,604,425**
General governments	**11,470,170**	**8,253,439**	**3,129,859**	**20,874**	**65,998**
Central government	10,250,190	7,278,304	2,929,195	0	42,691
Other general governments	1,219,979	975,135	200,664	20,874	23,307
Other financial corporations and individual entrepreneurs (financial business)	**3,747,130**	**2,281,615**	**1,354,003**	**54,343**	**57,169**
Non-financial corporations and individual entrepreneurs (non-financial business)	**39,424,562**	**33,985,885**	**3,946,417**	**1,067,835**	**424,424**
Real estate construction and development	343,998	339,338	4,659	–	–
Civil engineering	688,338	539,914	84,827	63,597	–
Other purposes	38,392,226	33,106,633	3,856,931	1,004,238	424,424
Large corporations	16,325,369	13,747,090	1,271,409	941,610	365,260
SMEs and individual entrepreneurs	22,066,857	19,359,543	2,585,522	62,628	59,164
Other households	**36,525,361**	**27,891,040**	**7,725,717**	**205,963**	**702,642**
Homes	29,269,712	22,352,219	6,094,382	195,151	627,960
Consumer loans	3,609,840	2,011,146	1,572,683	1,627	24,383
Other purposes	3,645,810	3,527,675	58,651	9,186	50,298
TOTAL	**113,691,961**	**89,350,793**	**19,594,197**	**1,892,314**	**2,854,657**

Distribution of exposure by activity and geographic area (carrying amount). Activity in Spain.

At 30 June 2023:

(thousands of euros)

	TOTAL	Andalusia	Aragon	Asturias	Balearic Islands	Canary Islands	Cantabria	Castilla - La Mancha	Castile and Leon	Catalonia
Central banks and credit institutions	**18,612,693**	**96,248**	**210,181**	**16**	**334**	**—**	**791,348**	**113**	**1**	**73,680**
General governments	**7,468,384**	**35,737**	**12,600**	**88,072**	**—**	**75,117**	**2,189**	**—**	**115,217**	**26,546**
Central government	6,278,608									
Other general governments	1,189,775	35,737	12,600	88,072	—	75,117	2,189	—	115,217	26,546
Other financial corporations and individual entrepreneurs (financial business)	**2,860,850**	**23,066**	**7,278**	**6,044**	**34,168**	**12,815**	**2,897**	**3,857**	**3,626**	**69,462**
Non-financial corporations and individual entrepreneurs (non-financial business)	**34,110,315**	**3,451,416**	**960,011**	**438,535**	**1,458,399**	**1,225,161**	**361,638**	**752,298**	**586,988**	**4,105,659**
Real estate construction and development	352,456	24,944	14,302	8,926	9,016	1,469	2,284	5,435	10,080	34,113
Civil engineering	556,076	36,589	13,292	4,138	6,850	4,532	10,399	10,879	12,935	32,185
Other purposes	33,201,783	3,389,883	932,417	425,470	1,442,533	1,219,160	348,955	735,984	563,972	4,039,361
Large corporations	14,198,474	778,619	325,158	242,528	940,956	431,609	113,372	223,410	138,690	1,425,690
SMEs and individual entrepreneurs	19,003,310	2,611,264	607,259	182,942	501,577	787,551	235,583	512,574	425,282	2,613,672
Other households	**27,406,207**	**3,310,825**	**565,573**	**289,814**	**772,447**	**972,171**	**369,780**	**664,543**	**786,568**	**4,299,250**
Homes	22,097,045	2,635,877	432,080	217,140	641,482	725,663	257,766	522,392	625,809	3,577,043
Consumer loans	2,222,105	336,457	49,823	35,382	62,056	128,870	31,288	78,491	89,888	326,356
Other purposes	3,087,057	338,491	83,670	37,292	68,909	117,638	80,727	63,660	70,871	395,851
TOTAL	**90,458,450**	**6,917,291**	**1,755,643**	**822,481**	**2,265,348**	**2,285,265**	**1,527,852**	**1,420,811**	**1,492,400**	**8,574,598**

(thousands of euros)

	TOTAL	Extremadura	Galicia	Madrid	Murcia	Navarre	Valencia	Basque Country	La Rioja	Ceuta and Melilla
Central banks and credit institutions	**18,612,693**	**–**	**290,945**	**13,408,466**	**–**	**–**	**1,071,129**	**2,670,232**	**–**	**–**
General governments	**7,468,384**	**41,542**	**69,160**	**6,869,437**	**–**	**38,943**	**29**	**93,289**	**505**	**–**
Central government	6,278,608			6,278,608						
Other general governments	1,189,775	41,542	69,160	590,828	–	38,943	29	93,289	505	–
Other financial corporations and individual entrepreneurs (financial business)	**2,860,850**	**1,464**	**21,760**	**2,511,893**	**15,732**	**6,834**	**67,749**	**70,916**	**1,289**	**–**
Non-financial corporations and individual entrepreneurs (non-financial business)	**34,110,315**	**286,341**	**842,852**	**12,463,495**	**822,529**	**488,393**	**3,252,978**	**2,364,254**	**233,228**	**16,139**
Real estate construction and development	352,456	26	18,816	148,573	12,099	4,318	38,484	17,318	2,253	–
Civil engineering	556,076	2,620	15,488	286,640	10,399	36,935	56,274	15,029	891	–
Other purposes	33,201,783	283,696	808,548	12,028,282	800,030	447,141	3,158,220	2,331,907	230,084	16,139
Large corporations	14,198,474	139,458	306,439	6,059,826	287,604	156,686	1,188,561	1,391,482	47,383	1,003
SMEs and individual entrepreneurs	19,003,310	144,238	502,109	5,968,456	512,426	290,455	1,969,659	940,425	182,701	15,137
Other households	**27,406,207**	**183,667**	**585,956**	**10,332,200**	**504,077**	**211,395**	**2,332,921**	**1,079,802**	**132,043**	**13,177**
Homes	22,097,045	142,418	435,841	8,588,752	362,318	170,406	1,828,077	827,565	100,225	6,191
Consumer loans	2,222,105	25,192	80,197	550,961	63,456	17,226	245,998	85,906	10,428	4,132
Other purposes	3,087,057	16,057	69,918	1,192,487	78,303	23,762	258,846	166,332	21,390	2,854
TOTAL	**90,458,450**	**513,014**	**1,810,673**	**45,585,491**	**1,342,338**	**745,565**	**6,724,806**	**6,278,493**	**367,065**	**29,316**

Distribution of exposure by activity and geographic area (carrying amount). Activity in Spain.

At 31 December 2022:

(thousands of euros)

	TOTAL	Andalusia	Aragon	Asturias	Balearic Islands	Canary Islands	Cantabria	Castilla - La Mancha	Castile and Leon	Catalonia
Central banks and credit institutions	**16,938,814**	**18,651**	**27,005**	**16**	**318**	**—**	**725,312**	**227**	**—**	**129**
General governments	**8,253,439**	**39,514**	**13,780**	**89,302**	**848**	**61,038**	**2,347**	**152**	**90,457**	**3,154**
Central government	7,278,304									
Other general governments	975,135	39,514	13,780	89,302	848	61,038	2,347	152	90,457	3,154
Other financial corporations and individual entrepreneurs (financial business)	**2,281,615**	**23,261**	**6,845**	**4,980**	**36,134**	**8,462**	**2,867**	**4,676**	**4,454**	**67,141**
Non-financial corporations and individual entrepreneurs (non-financial business)	**33,985,885**	**3,548,318**	**1,069,775**	**414,332**	**1,435,492**	**1,301,000**	**367,435**	**811,665**	**632,506**	**4,317,252**
Real estate construction and development	339,338	22,811	19,559	11,370	7,239	57	4,195	5,004	14,246	40,592
Civil engineering	539,914	33,996	13,352	3,700	6,522	4,099	7,531	5,763	12,557	29,993
Other purposes	33,106,633	3,491,511	1,036,864	399,261	1,421,731	1,296,845	355,709	800,898	605,704	4,246,667
Large corporations	13,747,090	788,985	379,030	204,688	938,904	460,381	103,969	256,555	168,527	1,544,567
SMEs and individual entrepreneurs	19,359,543	2,702,526	657,834	194,573	482,827	836,464	251,740	544,343	437,177	2,702,100
Other households	**27,891,040**	**3,344,481**	**588,738**	**295,065**	**772,609**	**961,330**	**383,234**	**685,199**	**816,032**	**4,249,730**
Homes	22,352,219	2,685,641	452,749	222,523	646,561	727,978	270,680	548,229	657,818	3,564,349
Consumer loans	2,011,146	314,644	46,922	33,178	58,923	121,609	30,212	73,179	83,695	303,650
Other purposes	3,527,675	344,196	89,067	39,364	67,126	111,744	82,342	63,791	74,519	381,730
TOTAL	**89,350,793**	**6,974,225**	**1,706,144**	**803,695**	**2,245,402**	**2,331,831**	**1,481,195**	**1,501,919**	**1,543,449**	**8,637,406**

										(thousands of euros)
	TOTAL	Extremadura	Galicia	Madrid	Murcia	Navarre	Valencia	Basque Country	La Rioja	Ceuta and Melilla
Central banks and credit institutions	**16,938,814**	**—**	**364,544**	**14,433,945**	**49**	**—**	**1,044,201**	**324,418**	**—**	**—**
General governments	**8,253,439**	**43,282**	**70,724**	**405,716**	**—**	**55,130**	**5,722**	**93,968**	**—**	**—**
Central government	7,278,304			7,278,304						
Other general governments	975,135	43,282	70,724	405,716	—	55,130	5,722	93,968	—	—
Other financial corporations and individual entrepreneurs (financial business)	**2,281,615**	**557**	**20,267**	**1,997,724**	**18,501**	**2,624**	**34,302**	**47,277**	**1,542**	**—**
Non-financial corporations and individual entrepreneurs (non-financial business)	**33,985,885**	**284,620**	**799,856**	**11,387,065**	**885,313**	**487,742**	**3,301,827**	**2,674,382**	**251,133**	**16,172**
Real estate construction and development	339,338	29	11,919	124,582	10,492	1,673	40,380	24,241	949	—
Civil engineering	539,914	2,813	15,270	282,791	9,670	37,412	60,307	13,366	771	—
Other purposes	33,106,633	281,778	772,667	10,979,691	865,151	448,657	3,201,140	2,636,775	249,413	16,172
Large corporations	13,747,090	113,136	263,818	5,268,604	324,350	173,666	1,100,758	1,597,658	58,493	1,003
SMEs and individual entrepreneurs	19,359,543	168,643	508,849	5,711,087	540,801	274,991	2,100,382	1,039,117	190,920	15,170
Other households	**27,891,040**	**194,068**	**597,474**	**10,647,768**	**511,458**	**223,580**	**2,341,680**	**1,127,728**	**137,168**	**13,699**
Homes	22,352,219	155,081	444,140	8,577,727	371,617	181,909	1,850,326	881,797	105,846	7,247
Consumer loans	2,011,146	23,176	76,231	445,965	58,692	16,193	229,489	82,008	9,676	3,707
Other purposes	3,527,675	15,811	77,103	1,624,075	81,149	25,478	261,865	163,924	21,646	2,745
TOTAL	**89,350,793**	**522,527**	**1,852,865**	**38,872,218**	**1,415,321**	**769,075**	**6,727,732**	**4,267,773**	**389,843**	**29,871**

17.5 Information and impacts connected with the macroeconomic environment

On 5 May, the WHO declared the end of the international COVID-19 emergency. This shows that, despite the increase in cases in China in late 2022 and the XBB omicron variant, the health crisis is considered completely overcome, and the recovery of pre-COVID activity is already a fact.

In order to tackle the transient shock caused by the pandemic, protecting the productive sector and employment, governments in different countries deployed extraordinary measures, including the rollout of 'aid instruments' in the form of legislative and non-legislative moratoria on loan repayments and government-backed liquidity facilities.

Moratoria are practically expired since 2021 and have returned to their original repayment schedule against a backdrop of strong economic recovery. Consequently, they are not currently a particularly vulnerable portfolio. In fact, the European Banking Authority announced in December 2022 the end of reporting obligations with regard to all aid instruments. On the other hand, government-backed liquidity facilities are reducing their exposure overall, but they must still be tracked; also because they kept being used in the context of the war in Ukraine, albeit in a substantially more restricted format.

The Spanish government took various measures to mitigate the economic effects of this war, including the approval of Royal Decree 6/2022, of 29 March, which introduces new government-backed liquidity facilities, similar to those provided during the pandemic, for companies and self-employed professionals affected by the economic impact of the war. The scope is broad, excluding just the financial and insurance sectors. This was completed by the resolution of the Council of Ministers of 29 March amending the Code of Good Practices for the debt renegotiation framework with customers granted secured financing provided for in Royal Decree-Law 5/2021, of 12 March. The biggest change was the removal of the eligibility requirement for the mandatory extension of deadlines for government-backed transactions of a decline in revenue of at least 30% in 2020 from 2019. Also, self-employed professionals and SMEs in the agricultural, livestock, fishing and road transport sectors were given a six-month grace period for extensions to maturities applied for and granted as of 31 March 2022.

The following table sets out transactions with public guarantee schemes in response to the COVID-19 crisis as at 31 December 2022 and 30 June 2023, respectively:

Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis (31/12/2022)

	Number of obligors	Gross carrying amount (thousands of euros)	Distribution by stages 1	2	3
Households		56,337	97.3%	— %	2.7%
Non-financial corporations		5,657,234	87.6%	8.8%	3.7%
Total loans and advances	**29,189**	**5,742,545**	**87.7%**	**8.7%**	**3.7%**

Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis (30.06.2023)

	Number of obligors	Gross carrying amount (thousands of euros)	Distribution by stages 1	2	3
Households		51,199	96.4%	— %	3.6%
Non-financial corporations		4,814,650	84.3%	10.1%	5.6%
Total loans and advances	**27,421**	**4,894,836**	**84.4%**	**10.0%**	**5.6%**

This information refers to the entire Group and, as a result, includes loans backed by the ICO, CESCE and FEI (the latter two with a minor weight) and loans backed by Portuguese mutual guarantee companies in coordination with the Portuguese government. They all share similar characteristics and the same purpose. As shown, at close of June 2023 the Group had a gross carrying amount of 4,895 million euros, accounting for 5.9% of the total computable risk. The non-performing loan ratio was 5.6%, up by 1.9 percentage points in the six-month period, of which 0.9 points can be attributed to the denominator effect considering that the portfolio was reduced by 15% in the first half of 2023. In addition, new ICO Ukraine loans amounting to 608 million euros began to be granted in quarter four 2022. Therefore, this is a recent portfolio with a non-performing loan ratio at close of June 2023 of 0.03% and 1.9% of exposure in stage 2.

Even though a substantial part of the debt of these instruments is ultimately guaranteed by the government, at the end of the first half of 2023, the Group has continued to recognise them as a single risk, so that their classification in any of the stages corresponds to a full amount. For this reason, at this date, the derecognition from the balance sheet of none of these exposures was considered since they are guaranteed. The protection offered by the guarantee is particularly relevant on the risk cost of these exposures, and the increased impairment of this portfolio has a limited impact on the Group's income statement. However, the existence of these guarantees affects the recovery process with a general effect of extended terms, translated into an increase in net additions to non-performing loans in this period versus the previous year.

Additionally, after 2022 and its marked uncertainty about the 'third-round effects' of the war in Ukraine on the economic recovery in the post-pandemic period, it seems its scope is currently better defined and is reflected in the macroeconomic forecasts published by the various bodies, specifically the European Central Bank for the European Union, and the forecasts released by central banks, consistent with the former, which have been used as a reference since the start of the pandemic, as per the European Central Bank's recommendation. The latest from Banco de Espãna were presented in June and are summarised below:

	Forecasts as at 30 June 2022					
Annual variation rate (%), unless otherwise indicated	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
GDP	-11.3	5.5	5.5	2.3	2.2	2.1
Harmonised consumer price index (HCPI)	-0.3	3	8.3	3.2	3.6	1.8
Unemployment rate (% of the active population) Annual average	15.5	14.8	12.9	12.2	11.5	11.3

Source: Banco de España: Macroeconomic projections for the Spanish economy for 2022-2025. June 2023

Compared to December 2022, Banco de España revised the GDP forecast for 2023 up by 1 percentage point (notice should also be given to the major correction made to the 2022 GDP, up by 9 tenths and closing the year at 5.5%). The inflation outlook for 2023 also improved substantially from 4.9% to 3.2%, which has had a decisive impact on reducing energy prices. In contrast, the growth of activity for 2024 has been revised down by 5 tenths. The inflation rate stays unchanged and finally returns to below 2% in 2025. This is consistent with the forecast of high interest rates for the entire projection period, assuming that the restrictive monetary policy remains in place.

Linked to better activity prospects for 2023, the unemployment rate remains on its downward path this year, given the really positive recent performance of job figures. Here, we highlight that the unemployment rate is a key indicator for determining expected loss on individuals' loan portfolios.

As remarked by Banco de España, these macroeconomic forecasts are devised against a still highly uncertain context. Therefore, the underlying hypotheses may not materialise, particularly as regards prices and their impact on demand and, consequently, activity and employment. In any case, the general recovery of activity compared to 2019 is a fact in 2023, despite the war in Ukraine. In short, it seems clear that, after a singular sequence of events (pandemic and war), uncertainty is now lower, and the economic forecasts can be considered more reliable. Nevertheless, even if the scenario proposed by Banco de España, which was developed in coordination with the European Central Bank and is therefore in line with the hypotheses of other central banks such as Ireland's or Portugal's, proves true, the combined effect of higher prices and higher interest rates undermines both the cash flow of companies and the disposable income of individuals, potentially affecting their ability to pay. Therefore, already in our 2022 Annual Report, we stated that an uptick in non-performing loans and the cost of risk would very likely in 2023. However, if the central scenario materialises and growth continues, this uptick would be moderate. At end of June, the non-performing loan ratio has increased by 12 basis points to 2.22%, as a result of not only a slightly higher number of new additions but also greater difficulties in recovery; but it has performed better than budgeted.

In 2020, as a consequence of the pandemic, the Group made a major provision allocation due to the change in the macroeconomic scenario, with a particular characteristic. This extraordinary allocation was called 'macroeconomic effect' and was not considered an 'overlay adjustment' since it derived directly from applying internal provision models. In 2021, macroeconomic projections came to light that reflected growing optimism and, therefore, led to a more favourable estimate of expected losses. Nevertheless, there were still major uncertain focal points linked to a slowdown of the economic recovery. For this reason, at close of 2021, the Group registered an overlay adjustment amounting to 141 million euros that instead of being meant to address the impacts of an adverse scenario, it was meant to address the model risk associated with the estimates. Given the particular situation caused by the health crisis, this was a very high risk.

At year-end 2022, the Group decided to keep an overlay adjustment of additional provisions amounting to 135.1 million euros for the same reasons; it was determined as the difference between the estimate adjusted to the updated macroeconomic scenario and an estimate for a more pessimistic scenario.

At close of June 2023, the Group has decided to channel one third of its overlay adjustment to reinforce the coverage of the non-performing portfolio, with 90 million euros left in the overlay adjustment. This is a specific allocation of part of the overlay justified by the existence of a greater model risk in non-performing exposures and, specifically, those that have been longer in this situation.

This overlay adjustment has not impacted the staging of financial instruments. During the pandemic and later in response to the effects of the Ukraine crisis, this staging was primarily forward-looking and with a strong link to expert assessment, both individually and collectively.

18. Fair value

Value of financial instruments recognised in the Group's financial statements:

At 30 June 2023:

ASSETS	Carrying amount	Fair value	Fair value hierarchy	Fair value	Valuation techniques	Main inputs
Cash, cash balances at central banks and other demand deposits	12,235,299	12,235,444	Level 2	12,235,444	Present value	Discounted expected cash flows with market curve
Financial assets held for trading						
Loans and advances to credit institutions	2,098,873	2,098,873	Level 2	2,098,873	Price calculation using market inputs and explicit formulae	Yield curves and interest rate fixing
Loans and advances to customers	191	191	Level 2	191	Price calculation using market inputs and explicit formulae	Yield curves and interest rate fixing
Debt securities	910,527	910,527	Level 1	910,527	Directly capturing quoted prices in markets	Observable market data
Equity instruments	238,354	238,354	Level 1	238,354	Directly capturing quoted prices in markets	Observable market data
Derivatives	757,327	4,167	Level 1	4,167	Directly capturing quoted prices in markets	Observable market data
		753,161	Level 2	394,314	Price calculation using market inputs and explicit formulae and counterparty credit-risk adjustments, where applicable	Yield curves and interest rate fixing
			Level 2	237,259	Price calculation using market inputs and explicit formulae and counterparty credit-risk adjustments, where applicable	Currency fixing and yield curves
			Level 2	89,754	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	3,489	Price calculation using market inputs and explicit formulae and counterparty credit-risk adjustments, where applicable	Equity fixing and volatility of the underlying
			Level 2	28,344	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	172,338	172,338	Level 1	6,389	Directly capturing quoted prices in markets	Observable market data
			Level 2		Price calculation using market inputs and explicit formulae and counterparty credit-risk adjustments, where applicable	Discounted expected cash flows with market curve
			Level 3	165,949	Discounted cash flow method, net asset value	NAV of fund management company; the entity's business plans
Debt securities	884	884	Level 1	884	Directly capturing quoted prices in markets	Observable market data
			Level 3	–	Discounted cash flow method, net asset value	NAV of fund management company; the entity's business plans
Financial assets at fair value through other comprehensive income						
Debt securities	1,802,249	1,802,249	Level 1	1,802,051	Directly capturing quoted prices in markets	Observable market data
			Level 2	198	Price calculation using market inputs and explicit formulae	Yield curves and interest rate fixing
Equity instruments	156,380	156,380	Level 1	156,380	Directly capturing quoted prices in markets	Observable market data
			Level 3	–	Discounted cash flow method, net asset value	NAV of fund management company; the entity's business plans
Financial assets at amortised cost						
Loans and advances to credit institutions	7,160,361	7,216,742	Level 2	7,216,742	Present value	Discounted expected cash flows with market curve
Loans and advances to customers	72,723,175	74,651,689	Level 2	74,651,689	Present value	Discounted expected cash flows with market curve
Debt securities	9,558,526	8,854,543	Level 1	8,234,345	Directly capturing quoted prices in markets	Observable market data
			Level 3	620,198	Present value	Discounted expected cash flows with market curve
Hedging derivatives						
Hedging derivatives	1,083,848	1,083,848	Level 2	1,083,848	Price calculation using market inputs and explicit formulae and counterparty credit-risk adjustments, where applicable	Yield curves and interest rate fixing

LIABILITIES	Carrying amount	Fair value	Hierarchy	Fair value	Valuation techniques	Main inputs
Financial liabilities held for trading						
Deposits from credit institutions	625	625	Level 2	625	Price calculation using market inputs and explicit formulae	Yield curves and Euribor fixing
Customer deposits	1,136,046	1,136,046	Level 2	1,136,046	Price calculation using market inputs and explicit formulae	Yield curves and Euribor fixing
Trading derivatives	894,493	894,493	Level 1	107,604	Directly capturing quoted prices in markets	Observable market data
			Level 2	438,967	Price calculation using market inputs and explicit formulae and counterparty credit-risk adjustments, where applicable	Yield curves and interest rate fixing
			Level 2	206,251	Price calculation using market inputs and explicit formulae and counterparty credit-risk adjustments, where applicable	Currency fixing and yield curves
			Level 2	102,482	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	13,629	Price calculation using market inputs and explicit formulae and counterparty credit-risk adjustments, where applicable	Equity fixing and volatility of the underlying
			Level 2	25,560	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	812,970	812,970	Level 1	812,970	Directly capturing quoted prices in markets	Observable market data
Financial liabilities at amortised cost						
Deposits from central banks	4,089,167	4,524,291	Level 2	4,524,291	Present value	Discounted expected cash flows with market curve
Deposits from credit institutions	9,681,159	9,603,489	Level 2	9,603,489	Present value	Discounted expected cash flows with market curve
Customer deposits	74,919,346	71,357,277	Level 2	71,357,277	Present value	Discounted expected cash flows with market curve
Payables represented by marketable securities	6,263,782	6,045,373	Level 2	6,045,373	Present value	Discounted expected cash flows with market curve
Subordinated liabilities	1,395,205	1,389,849	Level 2	1,389,849	Present value	Discounted expected cash flows with market curve
Other financial liabilities	4,244,394	4,244,394	Level 2	4,244,394	Present value	Discounted expected cash flows with market curve
Derivatives – hedge accounting						
Hedging derivatives	631,787	631,787	Level 2	631,787	Price calculation using market inputs and explicit formulae and counterparty credit-risk adjustments, where applicable	Yield curves and interest rate fixing

At 31 December 2022

ASSETS	Carrying amount	Fair value	Fair value hierarchy	Fair value	Valuation techniques	Main inputs
Cash, cash balances at central banks and other demand deposits	13,351,217	13,351,889	Level 2	13,351,889	Present value	Discounted expected cash flows with market curve
Financial assets held for trading						
Loans and advances to credit institutions	1,320,483	1,320,483	Level 2	1,320,483	Price calculation using market inputs and explicit formulae	Yield curves and interest rate fixing
Loans and advances to customers	414,115	414,115	Level 2	414,115	Price calculation using market inputs and explicit formulae	Yield curves and interest rate fixing
Debt securities	974,684	974,684	Level 1	974,684	Directly capturing quoted prices in markets	Observable market data
Equity instruments	164,756	164,756	Level 1	164,756	Directly capturing quoted prices in markets	Observable market data
Derivatives	1,181,732	699	Level 1	699	Directly capturing quoted prices in markets	Observable market data
		1,181,033	Level 2	413,832	Price calculation using market inputs and explicit formulae and counterparty credit-risk adjustments, where applicable	Yield curves and interest rate fixing
			Level 2	521,250	Price calculation using market inputs and explicit formulae and counterparty credit-risk adjustments, where applicable	Currency fixing and yield curves
			Level 2	182,082	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	38,530	Price calculation using market inputs and explicit formulae and counterparty credit-risk adjustments, where applicable	Equity fixing and volatility of the underlying
			Level 2	25,339	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	160,046	160,046	Level 1	9,500	Directly capturing quoted prices in markets	Observable market data
			Level 3	150,546	Discounted cash flow method, net asset value	NAV of fund management company; the entity's business plans
Debt securities	884	884	Level 1	884	Directly capturing quoted prices in markets	Observable market data
Financial assets at fair value through other comprehensive income						
Debt securities	2,615,303	2,615,303	Level 1	2,615,303	Directly capturing quoted prices in markets	Observable market data
			Level 2	–	Price calculation using market inputs and explicit formulae	Yield curves and interest rate fixing
Equity instruments	195,617	195,617	Level 1	195,617	Directly capturing quoted prices in markets	Observable market data
			Level 3	–	Discounted cash flow method, net asset value	NAV of fund management company; the entity's business plans
Financial assets at amortised cost						
Loans and advances to credit institutions	3,758,565	3,855,977	Level 2	3,855,977	Present value	Discounted expected cash flows with market curve
Loans and advances to customers	71,751,598	73,439,185	Level 2	73,439,185	Present value	Discounted expected cash flows with market curve
Debt securities	9,352,619	8,307,922	Level 1	7,861,193	Directly capturing quoted prices in markets	Observable market data
			Level 2	446,729	Present value	Discounted expected cash flows with market curve
Hedging derivatives						
Derivatives – hedge accounting	1,128,474	1,128,474	Level 2	1,128,474	Price calculation using market inputs and explicit formulae	Yield curves and interest rate fixing

LIABILITIES	Carrying amount	Fair value	Hierarchy	Fair value	Valuation techniques	Main inputs
Financial liabilities held for trading						
Deposits from credit institutions	–	–	Level 2	–	Price calculation using market inputs and explicit formulae	Yield curves and Euribor fixing
Customer deposits	1,288,147	1,288,147	Level 2	1,288,147	Price calculation using market inputs and explicit formulae	Yield curves and Euribor fixing
Trading derivatives	1,140,068	1,140,068	Level 1	86,961	Directly capturing quoted prices in markets	Observable market data
			Level 2	459,184	Price calculation using market inputs and explicit formulae and counterparty credit-risk adjustments, where applicable	Yield curves and interest rate fixing
			Level 2	390,059	Price calculation using market inputs and explicit formulae and counterparty credit-risk adjustments, where applicable	Currency fixing and yield curves
			Level 2	184,248	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	19,101	Price calculation using market inputs and explicit formulae and counterparty credit-risk adjustments, where applicable	Equity fixing and volatility of the underlying
			Level 2	515	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	918,983	918,983	Level 1	918,983	Directly capturing quoted prices in markets	Observable market data
Financial liabilities at amortised cost						
Deposits-Central banks	11,699,869	12,452,380	Level 2	12,452,380	Present value	Discounted expected cash flows with market curve
Deposits-Credit institutions	3,363,827	3,368,186	Level 2	3,368,186	Present value	Discounted expected cash flows with market curve
Customer deposits	72,902,035	67,701,477	Level 2	67,701,477	Present value	Discounted expected cash flows with market curve
Payables represented by marketable securities	5,352,165	5,111,331	Level 2	5,111,331	Present value	Discounted expected cash flows with market curve
Subordinated liabilities	1,080,928	1,015,924	Level 2	1,015,924	Present value	Discounted expected cash flows with market curve
Other financial liabilities	3,418,257	3,418,257	Level 2	3,418,257	Present value	Discounted expected cash flows with market curve
Derivatives – hedge accounting						
Hedging derivatives	625,125	625,125	Level 2	625,125	Price calculation using market inputs and explicit formulae and counterparty credit-risk adjustments, where applicable	Yield curves and interest rate fixing

19. Capital adequacy information

Bankinter Group calculates its capital and leverage ratios in accordance with 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 (CRD IV), and with Regulation 575/2013/EU of the European Parliament and of the Council of 26 June 2013, on prudential requirements for credit institutions and investment firms (CRR), and its updates in Regulation (EU) 2019/876 of the European Parliament and of the Council (CRR II) and Regulation (EU) 2020/873 of the European Parliament and of the Council (CRRII Quick Fix), and their implementing regulations.

The best estimate, at the time of the financial statements, of consolidated own funds, at 31 December 2022 and 30 June 2023 and the corresponding capital ratios, according to applicable regulations (however, these are continuously revised by the prudential supervisor):

CAPITAL RATIOS	30.06.2023	31.12.2022
Eligible Common Equity Tier 1 (thousands of euros) (a)	4,547,983	4,342,023
Eligible Additional Tier 1 capital (thousands of euros) (b)	650,000	350,000
Eligible Tier 2 capital (thousands of euros) (c)	830,371	830,371
Risks (thousands of euros) (d)	37,113,989	36,601,535
Common Equity Tier 1 capital ratio (CET 1) (A)=(a)/(d)	12.25%	11.86%
Additional Tier 1 capital ratio (AT 1) (B)=(b)/(d)	1.75%	0.96%
Tier 1 capital ratio (Tier 1) (A)+(B)	14.01%	12.82%
Tier 2 capital ratio (Tier 2) (C)=(c)/(d)	2.24%	2.27%
Tier 2 capital ratio (Tier 2) (C)=(c)/(d)	**16.24%**	**15.09%**

Note: The ratio for December 2022 was expressed again because of the adoption of a more conservative approach to the handling of some guarantees for the calculation of risk-weighted assets, given the potential volatility in their estimate.

LEVERAGE	30.06.2023	31.12.2022
Tier 1 capital (thousands of euros) (a)	5,197,983	4,692,023
Exposure (thousands of euros) (b)	106,731,601	106,581,781
Leverage ratio (a)/(b)	**4.87%**	**4.40%**

20. Non-audit services provided by the auditor

From 1 January through to 30 June 2023, the Group's auditor, PricewaterhouseCoopers Auditores, S.L., and its related companies due to control, ownership or management, provided the following non-audit services. These services are of the following types:

– Financial due diligence on the acquisition of companies that are not part of the consolidation perimeter

– External expert review report on anti-money laundering and counter terrorism financing.

– Assurance engagements related to the non-financial statement.

Bankinter Group

Consolidated interim management report for the first half of 2023

Group performance

In 2022, Bankinter and Liberty Seguros reached an agreement to jointly carry out their insurance businesses through Bankinter Liberty Hogar y Auto, S.A., whose main focus will be marketing car and homeowners' insurance products and services. With this transaction, which is subject to securing the pertinent authorisations from regulators, Liberty will acquire 50.01% of Bankinter Hogar y Auto, S.A. from Bankinter and Bankinter will retain the remaining 49.99%. The products' design and development will benefit from Liberty Seguros' expertise, and they will be distributed exclusively through Bankinter's online and offline retail networks in Spain and Portugal, including EVO Banco, Bankinter Group's fully digital bank. At the end of the reporting period, the company was still not operating, and the regulatory authorisations required to execute the agreement were still being processed.

Also, in the first six months of the year, 7,600 million euros were drawn by the Bank from the lines of the European Central Bank's third series of targeted longer-term refinancing operations (known TLTRO III) expired, with 4,082 million euros still to expire.

Law 38/2022, which set forth a temporary tax rate on credit institutions or financial credit establishments, stipulates that this tax is a temporary payment for two years, from 1 January 2023 and 1 January 2024. This payment must be made within the first twenty calendar days of September of that year, without prejudice to the early payment of 50% of the amount, to be made within the first twenty days of February of that year. Bankinter, S.A has recognised in 2023 the estimated amount for this tax (77.5 million euros).

During the first six months of the year, Perpetual Non-Cumulative Contingent Convertible Additional Tier 1 Preferred Securities were issued for 300 million euros, and straight ordinary debentures for 500 million. Their main characteristics are explained in Note 10, Financial Liabilities, of this Half-year financial report.

On 30 March 2023, Bankinter Group, through its subsidiary engaged in consumer lending (Bankinter Consumer Finance, E.F.C.), reached an agreement with Sonae SGPS, S.A. to create a joint venture to become leaders in consumer lending in Portugal. Closing the agreement is subject to the applicable regulatory approvals. This partnership will rely on the combination of the current consumer businesses held by bother partners in Portugal.

During the first six months of the year, Relanza Gestión, S.A., the Group's debt collection subsidiary, was sold to Gescobro Collection Services, S.L.U., one of the biggest debt management companies and the third insolvency buyer in the Spanish market. Consequently, this company will now manage collection for the Bank's businesses, which had been the responsibility of the subsidiary. This is a one-off transaction focused on very specialised operations, i.e. collection, which require great volumes of portfolios to achieve optimal efficiency. The impact of this transaction on the Group's income statement has been a loss of 383 thousand euros.

Consolidated results for the first half

Profit before tax from continuing operations in the first six months of the year was 625.2 million euros, an increase of 67.21% compared to the same period in 2022, with profit after tax of 417.9 million euros, 54.20% higher. This increase is primarily due to the increase in net interest income.

This account continues to reflect the strength of the customer business, forming the basis for robust and recurring results.

BANKINTER GROUP

	30.06.2023	30.06.2022	Change	
	Amount	Amount	Amount	%
Interest and similar income	1,592,881	769,215	823,666	107.08%
Interest expense and similar charges	(524,623)	(103,496)	(421,126)	406.90%
Net interest income	**1,068,258**	**665,719**	**402,539**	**60.47%**
Return on equity instruments	11,160	9,427	1,733	18.39%
Share of the profit or loss of entities accounted for using the equity method	16,189	19,806	(3,616)	(18.26)%
Net fees and commissions	303,436	303,334	103	0.03%
Gains or losses on financial assets and liabilities and exchange differences	36,936	53,259	(16,323)	(30.65)%
Other operating income/expenses	(158,035)	(88,733)	(69,302)	78.10%
Gross operating income	**1,277,944**	**962,811**	**315,134**	**32.73%**
Staff expenses	(250,492)	(237,051)	(13,440)	5.67%
Administrative expenses/depreciation	(201,771)	(190,663)	(11,108)	5.83%
Operating profit (loss) before provisions	**825,682**	**535,096**	**290,585**	**54.31%**
Provisions	(45,665)	(45,462)	(202)	0.44%
Impairment losses	(147,795)	(107,569)	(40,227)	37.40%
Net operating income	**632,222**	**382,065**	**250,156**	**65.47%**
Gains/(losses) on disposal of assets	(7,034)	(8,182)	1,149	(14.04)%
Profit (loss) before tax	**625,188**	**373,883**	**251,305**	**67.21%**
Income tax expense	(207,282)	(102,872)	(104,410)	101.49%
Profit or loss for the period	**417,906**	**271,011**	**146,895**	**54.20%**

Net interest income amounted to 1,068.3 million euros, up 60.47% on the first half of 2022.

Net interest margin in the second quarter of 2023 was 2.99%, a 110bps improvement year-on-year and a 3bps improvement from the first quarter.

Figures in %

	Q2 23		Q1 23		Q4 22		Q3 22		Q2 22	
	Weight	**Rate**	**Weight**	**Rate**	**Weight**	**Rate**	**Weight**	**Rate**	**Weight**	**Rate**
Deposits at central banks	11.87%	3.17%	9.81%	2.38%	12.59%	0.29%	16.53%	0.58%	18.34%	0.61%
Deposits with credit institutions	4.68%	3.11%	4.38%	2.31%	3.84%	0.32%	3.40%	0.06%	4.37%	0.07%
Loans and advances to customers (a)	67.11%	3.73%	68.58%	3.26%	65.95%	2.64%	64.01%	2.14%	62.23%	1.93%
Debt securities	11.50%	2.05%	12.07%	2.01%	12.21%	2.13%	11.25%	1.95%	10.67%	1.82%
Of which ALCO portfolio	10.34%	1.71%	10.74%	1.82%	10.41%	1.83%	9.82%	1.65%	8.80%	1.62%
Equity	0.73%	0.81%	0.76%	4.93%	0.67%	2.01%	0.63%	2.82%	0.69%	2.52%
Other unweighted income		0.05%		— %		-0.04%		-0.04%		-0.06%
Average interest-bearing assets (b)	**95.90%**	**3.46%**	**95.61 %**	**2.98%**	**95.26%**	**2.13%**	**95.82%**	**1.74%**	**96.30%**	**1.53%**
Other assets	4.10%		4.39%		4.74%		4.18%		3.70%	
AVERAGE TOTAL ASSETS	**100.00%**	**3.31%**	**100.00%**	**2.85%**	**100.00%**	**2.03%**	**100.00%**	**1.66%**	**100.00%**	**1.47%**
Deposits from central banks	8.38%	2.28%	11.13%	1.94%	12.98%	-0.04%	12.82%	0.13%	12.95%	0.54%
Deposits from credit institutions	6.25%	3.30%	2.74%	2.50%	2.78%	0.83%	2.60%	1.76%	2.89%	1.50%
Customer funds	74.34%	0.96%	74.46%	0.48%	73.82%	0.20%	74.60%	0.10%	73.82%	0.06%
Customer deposits (c)	68.90%	0.74%	69.33%	0.30%	69.27%	0.10%	69.90%	0.05%	68.55%	0.04%
Payables represented by marketable securities	5.44%	3.78%	5.13%	2.97%	4.55%	1.79%	4.71%	0.85%	5.27%	0.40%
Subordinated liabilities	1.31%	1.12%	1.20%	1.25%	1.03%	1.38%	1.03%	1.34%	1.06%	2.03%
Other unweighted costs		0.13%		0.12%		0.05%		0.06%		0.04%
Average interest-bearing funds (d)	**90.29%**	**1.38%**	**89.51%**	**0.85%**	**90.60%**	**0.29%**	**91.06%**	**0.22%**	**90.71%**	**0.22%**
Other liabilities	**9.71%**		**10.49%**		**9.40%**		**8.94%**		**9.29%**	
AVERAGE TOTAL FUNDS	**100.00%**	**1.25%**	**100.00%**	**0.76%**	**100.00%**	**0.27%**	**100.00%**	**0.20%**	**100.00%**	**0.20%**
Net interest margin (a-c)		**2.99%**		**2.96%**		**2.54%**		**2.09%**		**1.89%**
Net interest margin (b-d)		**2.07%**		**2.13%**		**1.84%**		**1.52%**		**1.31%**

The fees and commissions remain constant, with year-on-year growth of 0.03%, resulting in a 0.1 million euro increase in revenue. There were increases in several line items, led by fee and commission income from collections and payments, guarantees and documentary credits.

CUMULATIVE FEES AND COMMISSIONS	H1 23	H1 22	Change	%
FEES AND COMMISSIONS PAID	**101,445**	**92,386**	**9,059**	**9.81%**
FEES AND COMMISSIONS RECEIVED				
On guarantees and documentary credits	31,572	28,414	3,158	11.11%
On foreign exchange and foreign banknotes	41,530	46,841	(5,312)	(11.34)%
On contingent commitments	11,266	10,853	413	3.81%
On collection and payment services	88,487	76,579	11,909	15.55%
For securities services	73,173	71,545	1,628	2.28%
Underwriting and placement of securities	17,284	16,468	816	4.96%
Purchase and sale of securities	20,705	20,686	18	0.09%
Securities administration and custody	23,625	22,983	642	2.79%
Asset management	11,560	11,408	152	1.33%
For marketing of non-banking financial products	126,246	133,513	(7,267)	(5.44)%
Asset management	82,674	90,484	(7,810)	(8.63)%
Insurance and pension funds	43,572	43,029	543	1.26%
Other fees and commissions	32,607	27,974	4,633	16.56%
Total fees and commissions received	404,881	395,719	9,162	2.32%
TOTAL NET FEES AND COMMISSIONS:	**303,436**	**303,334**	**103**	**0.03%**

Gross operating income increased by 32.73% in the first half of the year to 1,277.9 million euros, 315 million euros higher than in the first half of 2022. By business area, Customer segments was again the largest contributor to gross operating income.

CONTRIBUTION BY BUSINESS AREA				Thousands of euros
	H1 23	H1 22	Thousands of euros	%
Customer segments	1,248,571	829,082	419,489	50.60%
Commercial Retail Banking and Private Banking	484,419	330,081	154,338	46.76%
Corporate Banking	569,752	338,920	230,832	68.11%
Consumer group	194,400	160,081	34,319	21.44%
BK Portugal	147,682	81,542	66,140	81.11%
EVO	30,525	18,404	12,121	65.86%
Capital markets	136,700	119,198	17,502	14.68%
Corporate Centre	(285,534)	(85,415)	(200,119)	234.29%
Gross operating income	**1,277,944**	**962,811**	**315,134**	**32.73%**

On the expense front, staff expenses increased by 5.67% and administrative expenses/depreciation by 5.83%.

Quarterly income statement:

INCOME STATEMENT							
	Bankinter Group					% change	
	Q2 23	Q1 23	Q4 22	Q3 22	Q2 22	Q2 23/Q2 22	Q2 23/Q1 23
Interest and similar income	876,746	716,135	542,917	455,473	400,408	118.96%	22.43%
Interest expense and similar charges	(330,716)	(193,907)	(71,728)	(55,659)	(54,708)	504.52%	70.55%
Net interest income	**546,030**	**522,228**	**471,189**	**399,814**	**345,700**	**57.95%**	**4.56%**
Return on equity instruments	1,567	9,593	3,634	4,898	4,787	-67.26%	-83.66%
Share of the profit or loss of entities accounted for using the equity method	**6,672**	**9,518**	**5,154**	**11,640**	**8,579**	**-22.23%**	**-29.90%**
Net fees and commissions	150,701	152,735	153,898	148,861	156,740	-3.85%	-1.33%
Gains or losses on financial assets and liabilities and exchange differences	21,101	15,834	11,984	5,549	20,744	1.72%	33.26%
Other operating income/expenses	(64,022)	(94,014)	(79,243)	(15,888)	(73,234)	-12.58%	-31.90%
Gross operating income	**662,050**	**615,895**	**566,617**	**554,874**	**463,317**	**42.89%**	**7.49%**
Staff expenses	(128,702)	(121,789)	(145,682)	(126,127)	(122,276)	5.26%	5.68%
Administrative expenses/depreciation	(103,984)	(97,787)	(117,279)	(101,236)	(97,802)	6.32%	6.34%
Operating profit (loss) before provisions	**429,363**	**396,319**	**303,656**	**327,511**	**243,240**	**76.52%**	**8.34%**
Provisions	(22,496)	(23,169)	(32,235)	(29,319)	(22,523)	-0.12%	-2.90%
Impairment losses	(72,380)	(75,415)	(79,595)	(65,854)	(56,791)	27.45%	-4.02%
Net operating income	**334,487**	**297,735**	**191,826**	**232,338**	**163,926**	**104.05%**	**12.34%**
Gains/(losses) on disposal of assets	(3,718)	(3,316)	(8,359)	(4,650)	(4,314)	-13.82%	12.12%
Profit (loss) before tax	**330,769**	**294,419**	**183,466**	**227,688**	**159,612**	**107.23%**	**12.35%**
Income tax expense	(97,577)	(109,705)	(53,387)	(68,576)	(42,876)	127.58%	-11.06%
Profit or loss for the period	**233,192**	**184,714**	**130,079**	**159,113**	**116,736**	**99.76%**	**26.25%**

Trends in loans and funds in the first half

Loans and receivables to customers grew by 2.97% compared to the first half of 2022. Contingent risks increased by 5.78% and those drawable by third parties by 3.53%, resulting in a 4.24% increase in off-balance sheet risks.

LOANS AND RECEIVABLES				Thousands of euros
			Change	
	H1 23	H1 22	Thousands of euros	%
General governments	**1,174,164**	**846,511**	**327,653**	**38.71%**
Other private sectors	**71,549,011**	**69,043,623**	**2,505,388**	**3.63%**
Commercial credit	3,358,345	3,440,782	(82,436)	(2.40)%
Secured loans	39,451,082	38,050,818	1,400,264	3.68%
Other term loans	24,010,008	23,205,015	804,993	3.47%
Personal loans	15,395,270	14,531,356	863,914	5.95%
Credit accounts	8,507,283	8,597,714	(90,431)	(1.05)%
Other	107,455	75,945	31,510	41.49%
Finance leases	688,009	819,106	(131,097)	(16.00)%
Non-performing assets	1,831,806	1,686,987	144,819	8.58%
Valuation adjustments	(821,730)	(865,239)	43,509	(5.03)%
Other credit	3,031,490	2,706,154	325,335	12.02%
Loans and advances to customers	**72,723,175**	**69,890,134**	**2,833,041**	**4.05%**
Other financial assets at amortised costs - Customers	1,873,821	2,555,769	(681,948)	(26.68)%
Total	**74,596,996**	**72,445,903**	**2,151,093**	**2.97%**
Off-balance sheet exposures	**24,699,137**	**23,694,258**	**1,004,879**	**4.24%**
Contingent risks	7,933,720	7,500,405	433,315	5.78%
Drawable by third parties	16,765,418	16,193,854	571,564	3.53%

On the lending front, retail funds remain the same as last year (+0.53%), led by loans and advances to general government (+33.09%).

Wholesale marketable securities were up 6.37%, led by the 25.04% increase in senior bonds.

Taken together, this resulted in 0.61% growth in balance sheet funds.

Off-balance sheet funds were up by 11.91%.

CUSTOMER FUNDS				Thousands of euros
			Change	
	H1 23	H1 22	Thousands of euros	%
Retail funds	**77,958,465**	**77,546,783**	**411,682**	**0.53%**
Loans and advances to general government	1,740,214	1,307,568	432,646	33.09%
Loans and advances to private sector	73,179,611	73,409,471	(229,860)	(0.31)%
Current accounts	57,035,827	67,655,216	(10,619,389)	(15.70)%
Term deposits	16,064,332	5,749,739	10,314,593	179.39%
Valuation adjustments	79,453	4,517	74,936	1659.11%
Other demand accounts	1,578,331	1,546,567	31,764	2.05%
Retail marketable securities	1,460,309	1,283,176	177,133	13.80%
Repurchase agreements	**708,435**	**926,182**	**(217,747)**	**(23.51)%**
Wholesale marketable securities	**5,230,605**	**4,917,246**	**313,359**	**6.37%**
Securitised bonds	216,467	271,389	(54,922)	(20.24)%
Covered bonds	2,742,054	2,748,300	(6,246)	(0.23)%
Senior bonds	2,495,403	1,995,738	499,665	25.04%
Valuation adjustments	(223,318)	(98,180)	(125,138)	127.46%
Total on-balance sheet funds	**83,897,505**	**83,390,211**	**507,294**	**0.61%**
Off-balance sheet funds	**41,180,325**	**36,797,638**	**4,382,687**	**11.91%**

The total average assets from Corporate Banking and Commercial Retail Banking were 28,182 and 41,032 millions respectively on H1 2023 (27,307 and 41,436 million in H1 2022, respectively). Of which, 6,177 million correspond to small-sized enterprises, i.e. companies with group turnover of less than 5 million euros.

The debt securities portfolio acquired by the assets and liabilities committee, while managing the balance sheet structured risks (ALCO portfolio), has the following composition and profit/losses before tax, in millions of euros:

	Gross carrying amount		Profit/loss before tax	
	30.06.2023	31.12.2022	30.06.2023	31.12.2022
Financial assets at fair value through other comprehensive income	1,904	2,690	(101)	(102)
Financial assets at amortised cost	9,206	9,227	(708)	(842)
TOTAL ALCO portfolio	**11,110**	**11,917**	**(809)**	**(944)**

The profit/loss of 'Financial assets at fair value through other comprehensive income's is recognised in the balance sheet, while the profit/loss of 'Financial assets at amortised cost' is tacit and net of their corresponding hedging.

Credit risk

Exposure to credit risk with customers amounts to 83,358 million euros at 30 June 2023, representing a 3.13% increase when compared to June 2022. The non-performing balance and non-performing ratio have increased. The non-performing ratio at close of 1H 2023 was 2.22% versus 2.11% in 2022, up by 5.37 in percentage.

Thousands of euros

	30.06.2023	30.06.2022	Amount	%
Eligible exposures	**83,357,992**	**80,824,930**	**2,533,062**	**3.13%**
Stage 1 (Performing loans)	78,830,220	76,426,745	2,403,475	3.14%
Stage 2 (underperforming exposures)	2,674,741	2,693,109	(18,368)	(0.68)%
Stage 3 (non-performing exposures)	1,853,031	1,705,076	147,955	8.68%
Non-performing exposures (includes contingent exposures)	**1,853,031**	**1,705,076**	**147,955**	**8.68%**
Credit risk allowances and provisions	**1,229,250**	**1,103,389**	**125,861**	**11.41%**
Stage 1 (Performing loans)	158,100	181,672	(23,572)	(12.98)%
Stage 2 (underperforming exposures)	104,804	102,643	2,161	2.11%
Stage 3 (non-performing exposures)	966,346	819,074	147,272	17.98%
NPL ratio (%)	**2.22%**	**2.11%**	**0.11%**	**5.37%**
Coverage ratio (%)	66.34%	64.71%	1.63%	2.51%
Foreclosed assets	**100,127**	**144,923**	**(44,796)**	**(30.91)%**
Provision for foreclosed assets	57,967	79,734	(21,767)	(27.30)%
Foreclosure coverage (%)	57.89%	55.02%	2.88%	5.23%

Control, monitoring and recoveries

The table below shows flows in NPLs this year:

Change in non-performing exposures (including contingent risk)

Thousands of euros

			Change	
	30.06.2023	30.06.2022	Amount	%
Opening balance	**1,734,606**	**1,693,541**	**41,065**	**2.42%**
Net additions	178,674	58,542	120,132	205.20%
Write-offs	(60,249)	(47,007)	(13,241)	28.17%
Balance at the end of the period	**1,853,031**	**1,705,076**	**147,955**	**8.68%**

Risk management

Note 44 to the annual financial statements for 2022 describes the Group's risk policy and specifically:

- 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.
- Legal risk.

Note 11 to the annual financial statements lists the asset and liability hedges entered into by the entity

Non-financial information

The non-financial information is included in the "2022 Consolidated non-financial statement" attached as a separate document to the Group's consolidated financial statements for the year ended 31 December 2022.

Research and development activities

The Group was not involved in any significant research and development activities in the first half of the year.

Treasury shares

The Group had a total of 898,866,154 shares in issue at 30 June 2023 and held 229,107 treasury shares.

Events after the reporting period

There have been no events occurring between the reporting date at the end of the first half and the date of authorisation for issue of the interim financial statements.