2023 Pillar 3 Disclosures Report

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Executive summary

2023 was a successful year for Bankinter Group, in which it achieved record recurring profit with all business lines growing at a good pace. This allowed the bank to continue expanding its market share in each customer segment and in every country it operates in. The positive changes in interest rates, the increase in volumes in all balance sheet headings and the more active management of customer assets led to substantial growth in all areas and improvements in profitability and cost-to-income ratio.

In terms of the account ratios, return on equity, ROE, reached a record figure at the bank of 17.1%m up from 12% a year ago, with ROTE of 18.1%, which are leading figures for the financial sector in Spain. The bank's cost-to-income ratio reached a very positive 37.3%, which compares very favourably with last year's figure of 44%, which is among the best in banking: this figure is even better in Spain: 34%.

The CET1 fully-loaded capital ratio was 12.3%, well above the European Central Bank's minimum regulatory requirement for Bankinter of 7.8%, the lowest among listed banks in Spain.

The non-performing loan ratio is similar to last year, at 2.1%. In the specific case of Spain, the default rate has risen to 2.4%, although it is still well below the average figure for the sector, which according to the Banco de España stood at 3.57% in November. Coverage for non-performing loans was 64.7% at the end of the year.

Bankinter has strengthened its strategy of diversifying its sources of income, with growth in all lines of business and different geographies, with special emphasis on new businesses, whose contribution to the Group's income is gaining more and more prominence without, however, preventing consolidated lines from increasing their market share.

Within the scope of sustainability, the bank's full compliance with the 2021-2023 3D Plan stands out, which involves 20 strategic lines, distributed across 50 programmes and 580 actions. As a result, Bankinter has marked milestones such as the portfolio decarbonisation strategy. Bankinter is already working on a new 2024-2026 Plan, which has been recently approved and is much more ambitious and structured in three pillars: Responsible Action (based on ethics, transparency and good governance), Differentiation and Sustainable Business.

The optimisation of capital and the maintenance of a moderate risk profile are hallmarks of the Group and create the foundations for continued and sustainable growth.

Its management policy, its business model and prudent risk profile allow Bankinter to operate with levels of capital that are clearly above and beyond those required by regulators and supervisors. These qualities contribute to shareholders receiving a solid remuneration with continuity over time.

This document includes detailed information regarding Bankinter Group's capital and risk management as at 31 December 2023. The purpose of this document is to provide useful information on the institution's capital and risk profile in order to provide greater transparency to market agents and to ensure compliance with the disclosure requirements established in Regulation (EU) 575/2013 ('CRR'), which was modified by Regulation 2019/876 in relation to presentation and disclosure of information requirements, among other matters.

The Group publishes additional relevant information in its annual report that can be viewed on its corporate website: webcorporativa.bankinter.

Risk profile

One of the Group's primary objectives is to maintain a moderate and prudent risk profile, which will allow it to obtain a balanced and healthy balance sheet and income that is recurring and sustainable over time while maximising long-term value for its shareholders.

The board of directors uses the Risk Appetite Framework as a tool to establish risk levels at which it desires to operate in achieving the Group's strategic objectives and continuously monitor both existing and emerging risks. The Bank's internal capital adequacy assessment process (ICAAP) allows the board to periodically assess the present and future adequacy of its capital in relation to the Group's risk profile and the suitability of its risk management and control systems. The Risk Appetite Framework and Internal Capital Adequacy Assessment Process are dealt with in further depth in points 1.4.2 and 3.2 hereof, respectively.

The following metrics reflect the Group's risk profile. At year-end 2023, they were all within the risk appetite limits set by the board of directors.

Main figures of Bankinter Group

	2023	2022
Common equity tier 1 – CET1 (%) fully loaded (Chapter 2)	12.3%	11.86%
Common equity tier 1 – CET1 fully loaded (see Chapter 2)	4,799,116	4,342,023
Profit after tax (Annual Report)	844,787	560,203
ROE (Annual Report)	17.1%	12.0%
NPL ratio (Annual Report)	2.11 %	2.10%
Risk-weighted assets (Chapter 3)	39,017,626	36,601,535
Of which credit risk (Chapter 3)	34,355,688	32,595,074
Of which market risk (Chapter 3)	264,014	200,019
Of which operational risk (Chapter 3)	3,966,522	3,346,804
Liquidity Coverage Ratio - LCR (Chapter 9)	226.95%	194%
Leverage ratio (Chapter 10)	4.86%	4.40%

Figures in thousands of euros

NB: The ratio for December 2022 has been re-expressed due to the adoption of a more conservative criterion in the processing of some collateral for the purposes of calculating credit risk-weighted assets, given the potential volatility in the estimation of this.

At 31 December 2023, Bankinter Group had a CET1 ratio of 12.3%, compared to the minimum ratio of 7.802% required by the European Central Bank (ECB) for 2024 after conducting its Supervisory Review and Evaluation Process (SREP). Based on the result of this exercise performed by the ECB, the minimum level of CET1 required of 7.802% comprises the Pillar 1 requirement (4.5%), the Pillar 2R requirement (0.782%), the capital conservation buffer (2.5%) and Ireland's anticyclical buffer of 0.02%.

The total capital ratio was 16.09% at year-end, while the minimum requirement set by the supervisory authority was 11.91%.

The Prudential Relevance Report provides particulars of the regulatory risk measures reflecting the Group's risk profile and strategy. In 2023, credit risk requirements increased due to the Bank's economic momentum, consistent strategy and strong reputation, which led to significant growth across all business lines, products and regions. Market risk requirements increased compared to the previous year, which is in line with the development of the Bank's trading book and market developments. As far as operational risk requirements are concerned, there was an increase, mainly due to the increase in the corresponding income during the year. The reason for this increase in operational risk requirements is the application of the standardised approach to estimating capital consumption, where there is a close correlation between the positive development of income statement margins and the requirements resulting from this risk.

Under resolution regulations, entities must comply with a minimum requirement for own funds and eligible liabilities (MREL). The Single Resolution Board (SRB) determined that Bankinter must comply with a total binding MREL requirement of 18.29% of its Total Risk Exposure (TREA) and 5.31% of its Leverage Ratio Exposure (LRE) at 1 January 2024, at a consolidated level.

It also established that an additional subordinated MREL requirement must be met at 1 June 2024 (to be covered only with own funds and eligible subordinated liabilities) equivalent to 16.27% of TREA and 6.45% of LRE. As of that date, the total MREL requirement at a consolidated level will be 18.29% of TREA and 6.45% of LRE.

At 31 December 2023, Bankinter complied with these requirements, with its MREL level standing at 22.64% and its subordinated MREL at 21.22%.

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Introduction

00. Introduction

Regulation (EU) 575/2013 of the European Parliament and of the Council of 26 June 2013, on prudential requirements for credit institutions and investment firms, amended by Regulation (EU) 2019/876, together 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, itself modified by Directive 2019/878/EU, constitute the legislation in force on own funds and supervision on a consolidated basis of Spanish banks.

In 2020, to mitigate the potential effects of the COVID-19 pandemic on the financial system, the European Parliament and the European Council approved Regulation 2020/873 ('CRR Quick Fix') which amends both Regulation 575/2013 ('CRR') and Regulation 2019/876 ('CRR2') including certain measures that contribute positively to capital ratios, highlighting the support factors for SMEs and infrastructure, which reduce capital consumption and the level of risk-weighted assets (RWAs).

Under part 8 of the first chapter of the Regulation, institutions must publish, at least annually, relevant information for an adequate understanding of the Group's risk profile, its policies and objectives in risk management, and details of its exposure to different risks and the composition of its capital base. This report is a reflection of these requirements for the Bankinter Group in 2023.

The purpose of this report is to facilitate market agents' assessment of Bankinter Group's capital adequacy at 31 December 2023. Specifically, it contains information about its own funds, risk exposures and risk assessment processes.

This report was drawn up in observation of article 432.2 of the cited Regulation regarding confidential information. Bankinter Group states that it has not omitted any required information for reasons of confidentiality or privacy.

The board of directors of Bankinter certifies that this report has been prepared and published in accordance with the instructions set forth in Part Eight of Regulation (EU) 575/2013, as amended by Regulation (EU) 2019/876, and has been prepared in accordance with the "Bankinter economic and financial, non-financial, risk management and corporate reporting policy" initially approved by the board of directors on 16 December 2020, and subsequently amended on 20 October 2021.

No use has been made of exceptions to the publication of information considered reserved or confidential.

At its meeting on 21 March 2024, the board of directors approved this document after review by the audit committee.

Additionally, a set of quarterly reports is published in compliance with the criteria established in the European Banking Authority's Guidelines on Materiality, Proprietary and Confidentiality and on Disclosure Frequency under Articles 432(1), 432(2) and 433 of Regulation (EU) 575/2013.

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General reporting requirements

1. General reporting requirements

1.1. Company name and differences among the consolidated Group for the purposes of the capital adequacy regulation and the accounting circular

1.1.1. Company name and scope of application

Bankinter, S.A. was incorporated in Madrid as a bank on 4 June 1965 and changed its name to the present name in July 1990. The corporate purpose of the Institution is the performance of banking business. It is subject to the laws and regulations applicable to banks operating in Spain.

The Bank is the parent company of a group of subsidiaries that are engaged in various activities (mainly asset management, investment services, credit cards and the insurance business) and constitute, together with the Bank, Bankinter Group.

The consolidated group conducts its business in Spain, except its subsidiary Bankinter Luxembourg S.A., which conducts its business in another European Union member state, Luxembourg, Bankinter's branches in Portugal, which, since the acquisition of a part of Barclays Bank PLC's banking business in Portugal was completed on 1 April 2016, conduct their business in another European Union member state, Portugal, and, since 1 June 2019, Ireland, through the acquisition of 100% of EVO BANCO, S.A.U. and, consequently, of its consumer finance subsidiary in Ireland, Avantcard D.A.C.

Bankinter Consumer Finance, E.F.C., S.A. is currently the parent of AvantCard, D.A.C. after acquiring all the shares comprising its share capital.

On 30 November 2023, Bankinter Consumer Finance, E.F.C. and Sonae SGPS, S.A. entered into a joint business agreement for the Portuguese consumer credit market. This agreement involved the acquisition by the former of 50% of the company Universo, IME, S.A. on that date, with this company now belonging to both institutions in equal shares. The transaction was concluded after obtaining the necessary authorisations from supervisors. The agreement signed provides for the future integration of the loan and insurance business generated by Universo and Bankinter Consumer Finance in Portugal, subject to obtaining the necessary authorisations from the competent authorities. Universo, IME, S.A. is a joint venture integrated into the group's consolidated financial statements using the equity method. Prudentially, the integration of the joint business with Sonae involves the integration of Universo, IME, S.A. using the proportional method.

The details of the subsidiaries which comprise Bankinter Group are listed in the annual consolidated financial statements (webcorporativa.bankinter.com).

1.1.2. Differences among the consolidated Group for the purposes of capital adequacy and accounting regulations

The data in this report refer to the consolidated Bankinter Group.

The definition of the Group is based on prevailing accounting legislation. In this, investees are defined as all subsidiaries, jointly-controlled entities and associates. Subsidiaries are entities over which the Group has the ability to exercise control. Jointly-controlled entities are investees that are not subsidiaries. They are jointly controlled by the Group and another company or companies not related to the Group, and joint ventures. Associates are companies over which the Group has significant influence.

The list of the companies making up Bankinter Group is provided in Note 13 to the Group's consolidated financial statements.

The public consolidation scope differs from the prudential consolidation scope for banking under Regulation (EU) 575/2013 on prudential requirements for credit institutions and investment firms, as modified by Regulation (EU) 876/2019, which defines the prudential consolidation method. Under the definition of prudential relevant for the purposes of this report, only the typical risks of credit, investment and financial institutions are included. Risks arising from insurance business are excluded. A material difference for Bankinter is the consolidation method for companies under joint control.

At year-end 2023, the only difference between the prudential consolidation scope and the public scope of Bankinter Group was due to the integration of the joint agreement with Sonae SGPS, S.A. in which the company Universo, IME, S.A. is integrated using the proportional method in the prudential scope and by the equity method in the public scope.

1.1.3. Reconciliation of the public balance sheet from the accounting scope to the regulatory scope

Below are templates CC2, LI1 and LI2, as required by Commission Implementing Regulation (EU) 637/2021. The first template provides a breakdown of assets and liabilities by class according to the statement of financial position of the audited financial statements published in the consolidated financial statements and their reconciliation to own funds for the purposes of the solvency rules.

At year-end 2023, the Group's public and reserved balance sheet information reported in templates CC2 and LI1 was as follows:

Reconciliation of regulatory own funds to the statement of financial position of the audited financial statements (CC2).

		a)	b)	c)
		Balance sheet as per the published financial statements	In relation to regulatory consolidation	Benchmark
		At end of period	At end of period	
	Assets - Breakdown by asset class according to the balance sheet of the audited financial statements			
1	Cash, cash balances at central banks and other demand deposits	13,859,595	13,864,004	
2	Financial assets held for trading	4,505,254	4,505,254	
3	Financial assets designated at fair value through profit or loss	—	—	
4	Non-trading financial assets mandatorily at fair value through profit or loss	178,109	178,109	
5	Financial assets at fair value through other comprehensive income	1,232,595	1,232,596	
6	Financial assets at amortised cost	90,836,049	90,847,570	
7	Fair value changes of the hedged items in portfolio hedge of interest rate risk	(377,646)	(377,646)	
8	Derivatives – Hedge accounting	853,258	853,258	
9	Non-current assets held for sale	183,978	183,978	
10	Investments in joint ventures and associates	235,499	193,802	
11	Assets under reinsurance and insurance contracts	—	—	
12	Tangible assets	426,763	427,102	
13	Intangible assets	302,018	315,221	
14	Tax assets	583,055	588,323	
15	Other assets	193,113	196,734	
16	**Total assets**	**113,011,642**	**113,008,305**	
	Liabilities - Breakdown by liability class according to the balance sheet of the audited financial statements			
1	Financial liabilities held for trading	3,895,791	3,895,791	
2	Financial liabilities designated at fair value through profit or loss	—	—	
3	Financial liabilities at amortised cost	102,070,062	102,060,673	
4	Fair value changes of the hedged items in portfolio hedge of interest rate risk	(105,156)	(105,156)	
5	Derivatives – Hedge accounting	611,660	611,660	
6	Liabilities held for sale	—	—	
7	Liabilities under insurance contracts	—	—	
8	Provisions	346,190	346,190	
9	Tax liabilities	463,012	468,752	
10	Share capital repayable on demand	—	—	
11	Other liabilities	407,142	407,455	
12	**Total liabilities**	**107,688,702**	**107,685,365**	
Own funds				
1	Shareholders' equity	5,445,304	5,445,304	Note 21 of the
2	Accumulated other comprehensive income	(122,364)	(122,364)	Note 22 of the
3	Minority interests	—	—	
4	**Total equity**	**5,322,940**	**5,322,940**	
	TOTAL EQUITY AND LIABILITIES	**113,011,642**	**113,008,305**	

Figures in thousands of euros

Differences between the scope of accounting consolidation and the scope of prudential consolidation and consistency of financial statement categories with regulatory risk categories (LI1)

		a	b	c	d	e	f	g
		Carrying amounts in the financial statements	Carrying amounts under the prudential consolidation group	Carrying amounts of items				
				Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to market risk framework	Not subject to own funds requirements or subject to deduction from own funds
	Breakdown by asset class according to the balance sheet in the published financial							
1	Cash, cash balances at central banks and other demand deposits	13,859,595	13,864,004	13,864,004				
2	Financial assets held for trading	4,505,254	4,505,254		756,160		1,407,299	
3	Financial assets designated at fair value through profit or loss	–	–					
4	Non-trading financial assets mandatorily at fair value through profit or loss	178,109	178,109	178,109				
5	Financial assets at fair value through other comprehensive income	1,232,595	1,232,596	1,232,596				
6	Financial assets at amortised cost	90,836,049	90,847,570	86,589,928	5,606,525	490,663		
7	Fair value changes of the hedged items in portfolio hedge of interest rate risk	(377,646)	(377,646)					(377,646)
8	Derivatives – Hedge accounting	853,258	853,258		853,258			
9	Non-current assets held for sale	183,978	183,978	183,978				–
10	Investments in joint ventures and associates	235,499	193,802	193,802				–
11	Assets under reinsurance and insurance contracts	–	–					
12	Tangible assets	426,763	427,102	427,102				
13	Intangible assets	302,018	315,221	62,557				252,664
14	Tax assets	583,055	588,323	207,895				380,428
15	Other assets	193,113	196,734	196,734				
16	**TOTAL ASSETS**	**113,011,642**	**113,008,305**	**103,136,706**	**7,215,944**	**490,663**	**1,407,299**	**255,445**

		on (date)	b	c	cease	and	f	
		Carrying amounts as published in the financial statements	Carrying amounts under the prudential consolidation group	Carrying amounts of items				
				Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to market risk framework	Not subject to own funds requirements or subject to deduction from own funds
	Breakdown by asset class according to the balance sheet in the published financial							
1	Financial liabilities held for trading	3,895,791	3,895,791		836,110		1,042,100	2,017,580
2	Financial liabilities designated at fair value through profit or loss	–	–					–
3	Financial liabilities at amortised cost	102,070,062	102,060,673		10,558,312			102,060,673
4	Fair value changes of the hedged items in portfolio hedge of interest rate risk	(105,156)	(105,156)					(105,156)
5	Derivatives – Hedge accounting	611,660	611,660		611,660			–
6	Liabilities held for sale	–	–					–
7	Liabilities under insurance contracts	–	–					–
8	Provisions	346,190	346,190	17,441				363,631
9	Tax liabilities	463,012	468,752					468,752
10	Share capital repayable on demand	–	–					–
11	Other liabilities	407,142	407,455					407,455
12	**TOTAL LIABILITIES**	**107,688,702**	**107,685,365**	17,441	**12,006,083**		**1,042,100**	**105,212,935**

Figures in thousands of euros

As described in the previous point, at year-end 2023 the differences between column a) and b) of table LI1, accounting and prudential consolidation, totalling 3.3 million euros, relate to the joint venture agreement between Bankinter Consumer Finance, E.F.C. and Sonae SGPS, S.A. The main differences in the items are explained below:

- The Group has acquired 50% of Universo IME. The public statements therefore reflect the cost of the shareholding acquired using the equity method, while in the reserved statement 50% of the accounting items of Universo IME are included in both in the balance sheet and in the income statement.
- Additionally, Bankinter finances the activity of Universo IME through a loan whose drawdown amounts to 360 million, which is reflected in the public balance sheet in financial assets at amortised cost, while 50% of the loan is eliminated in the prudential balance sheet.
- Fifty per cent of the assets and liabilities of Universo are included in the prudential balance sheet, primarily financial assets and liabilities at amortised cost that do not appear on the public balance sheet since they are integrated by the equity method and therefore included in the cost of the shareholding.
- Lastly, 50% of the Universo IME income statement is included in the Group's income statement while in the public balance sheet it is only reflected in the contribution of the results of companies using the equity method.
- Own funds are the same in both scopes of consolidation since the after-tax profits of both scopes produce the same result.

Main reasons for the difference between the amounts of exposures for regulatory purposes and the carrying amounts in the financial statements (LI2)

		a	b	c	d	e
			Items subject to			
		Total	**Credit risk framework**	**Securitisation framework**	**Counterparty credit risk framework**	**Market risk framework**
1	Asset carrying value amount under scope of prudential consolidation (as per template LI1)	112,250,611	103,136,706	490,663	7,215,944	1,407,299
2	Liabilities carrying value amount under scope of prudential consolidation (as per template LI1)	13,065,624	17,441		12,006,083	1,042,100
3	Total net amount in the scope of consolidation prudence	99,184,988	103,119,265	490,663	(4,790,139)	365,199
4	*Off balance sheet amounts*	24,862,881	24,862,881			
5	*Differences in valuations*	(3,657)			(3,656)	
6	*Differences due to different netting rules, other than those included in row 2*	5,245,700			5,610,899	(365,199)
7	*Differences due to consideration of provisions*	(496,906)	(496,906)			
8	*Differences due to the use of credit risk reduction techniques*	(2,234,574)	(2,234,574)			
9	*Differences due to credit conversion factors*	(19,857,612)	(19,857,612)			
10	*Differences due to securitisations with risk transfer*	(96,624)		(96,624)		
11	*Other differences*	(534,098)	(534,098)			
12	**Exposure amounts considered for regulatory purposes**	**106,070,099**	**104,858,957**	**394,039**	**817,103**	**–**

Figures in thousands of euros

1.1.4. Main changes in the Group's scope of consolidation in 2023

Note 13 of the Notes to the consolidated financial statements for the financial year 2023 describes the most significant events with an impact on the Group's scope of consolidation that occurred during the financial year 2023, which are also listed below:

- In 2022, Bankinter and Liberty 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 relevant 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 will benefit from Liberty Seguros' expertise in their design and development, and they will be distributed exclusively through Bankinter's online and offline retail networks in Spain and Portugal, including EVO Banco. At year-end, the company had yet to begin business, with the corresponding regulatory authorisations for the execution of the agreement still pending.
- During the year, Bankinter Consumer Finance, E.F.C. and Sonae SGPS, S.A. entered into a joint business agreement for the Portuguese consumer credit market. This agreement involved the acquisition by the former of 50% of the company Universo, IME, S.A., with this company now belonging to both institutions in equal shares. The transaction was concluded after obtaining the necessary authorisations from supervisors. The agreement signed provides for the future integration of the loan and insurance business generated by Universo and the open market business of Bankinter Consumer Finance in Portugal, subject to obtaining the necessary authorisations from the competent authorities. Universo, IME, S.A. is a joint venture integrated into the group's consolidated financial statements using the equity method. and into the prudential consolidation scope using the proportional method.
- During the year, Relanza Gestión, S.A., the Group's recovery subsidiary, was sold to Gescobro Collection Services, S.L.U., one of the largest debt management companies and the third largest insolvency buyer in the Spanish market. The latter company will now be responsible for managing collection for the bank's businesses, as this was done by the subsidiary previously. This is a one-off transaction focussed on a very specialised activity, collections, which requires large volumes of portfolios to achieve optimum efficiency. The impact of this transaction on the group's income statement was a loss of 383 thousand euros.

The most significant changes in the consolidation scope were as follows.

- During the year, Bankinter and Liberty Insurance signed an agreement to jointly perform insurance business through the company Bankinter Liberty Hogar y Auto, S.A, as mentioned above as one of the most significant events in the year.
- On 17 February 2022, the company Bankinter Investment, S.A.U., fully owned by Bankinter, S.A., was incorporated. On 20 April 2022, the board of directors resolved to spin off a portion of the assets of Bankinter, S.A. to Bankinter Investment, S.A.U.

  The spun off assets constituted an economic unit that has been providing the Company with, on an individualised basis, the services and activities of origination and structuring of alternative investment transactions, advice on corporate transactions (mainly mergers and acquisitions) and advice on structured and alternative financing transactions.
- The company Bankinter Investment S.G.E.I.C., an alternative investment fund management company under Bankinter Investment, S.A.U., was also incorporated.
- Bankinter International Notes S.à r.l. is a wholly owned Bankinter Group subsidiary located in Luxembourg. It was set up for the issuance of structured bonds, which are marketed by its parent, Bankinter, S.A.

1.2. Subsidiaries with own funds below the required minimum

None of the subsidiary institutions included in the consolidated Group present an amount of own funds below the minimum required by the applicable legislation.

There is no current or foreseeable legal or practical obstacle relevant to the transfer of own funds or repayment of liabilities between the subsidiary institutions and the parent company.

1.3. Exemptions to capital charges at an individual or sub-consolidated level

Bankinter Group asked Banco de España for a waiver for the application of prudential requirements on an individual basis to Bankinter, S.A. and Bankinter Consumer Finance E.F.C., S.A. for the sake of efficiency and better management and given that the Group's characteristics guarantee the adequate distribution of own funds between the parent company and the subsidiary and the free movement of flows and commitments within the Group. Banco de España authorised both exemptions in writing to the Institution on 8 October 2009.

1.4. Risk management and control system: Risk management policies and objectives

Quality risk management is essential for the business of any credit institution and, in particular, those like Bankinter Group, which carry out their activity mainly in the retail sector and consider the trust of their customers and shareholders to be a core value.

Note 44 to the 2023 consolidated financial statements details Bankinter Group's risk policies and management. The governance of risk management and control in Bankinter Group is described below.

The Group's risk culture, based on prudence and risk control, is fully integrated into the institution's risk management. Fully committed to this culture, the governance bodies have opted for a prudent risk policy to ensure the sustained and profitable growth of its activity and safeguard alignment with the Group's risk profile and risk appetite. Bankinter Group's policy thus aims to maintain a moderate and prudent risk profile in accordance with the strategic objectives of the Group.

The risk management system comprises the following elements:

1. General risk management principles.
2. The risk appetite framework.
3. Corporate governance of the risk function.
4. The structure and organisation of risk management.
5. The internal control model.
6. The risk culture

1.4.1. Principles and culture of risk management and control

The board of directors of Bankinter, S.A. has the power, which it cannot delegate, to establish a risk management and control framework that considers all the various types of financial and non-financial risks that could arise - including credit, market, liquidity, concentration, operational, information management, IT, reputational, legal and conduct risks, risk of compliance with anti-money laundering and terrorist financing and other financial crimes, and environmental, social and governance (ESG) and strategic risks - with regular monitoring of internal information and control systems.

The principles set out by the board in the area of risk management and control are as follows:

- **Integrity**. Comprehensive consideration of all material risks, including risks generated directly or indirectly.
- **Independence of the risk function** from the business units: separating the functions of the areas involved in the taking of risks and those responsible for the analysis, control and supervision of them. This guarantees an appropriate level of independence and autonomy to ensure proper risk control.
- **Direct involvement of senior management** in decision-making.
- **Collective decisions** to ensure consideration of different opinions, with no assignment of solely individual decision-making powers.
- **Clear definition of responsibilities**. Each risk acceptance and management unit will have clearly defined activity, segments and risks it may incur and the decisions it may make as refers to risk, according to its delegated powers. How transactions are arranged and managed and where they are recognised are also defined.
- **Centralised control**. Risk control and management is carried out in an integrated manner through a corporate structure with global responsibilities.
- **Transparency of the information** on the Group's risks and the operation of risk control systems provided to regulatory bodies and key external agents, while maintaining the channels needed to facilitate communication.
- **A forward-looking view** that aligns management with the expected macroeconomic scenario but also takes into account less favourable plausible alternative scenarios and the extent to which the Bank would be able to comply with its risk appetite statement under those scenarios.
- **Alignment** of all documents that need to be developed in the area of risk in the Group's various businesses and subsidiaries.
- **Assurance of compliance** with the corporate governance rules established by the Company through its corporate governance system, as set out in Bankinter Group's Corporate Governance Policy, and the ongoing updating and improvement of that system, within the scope of best international practices in transparency and good governance, and monitoring and measurement of these.
- **Accountability.** All staff and bodies must be accountable for their performance in risk management and control. In cases where this management is not adequate, various sanctions should be applied depending on the degree of non-compliance. This accountability should also extend to the Group's governing bodies.
- **Conduct at all times within the law and respecting the Entity's corporate governance system,** particularly the values defined in the Bankinter Group Code of Professional Ethics.
- **Responsibility to society**, which is manifested through various lines of action:
  - Providing adequate financing to the situation and needs of customers.
  - Encouraging sustainable development that allows the goals set by the United Nations to be achieved and that, in particular, promotes environmental protection and ensures that the commitments to combat the effects of climate change are met.
  - Ensuring that the purpose of the funds is lawful and that it is not related to activities that violate fundamental rights, labour rights or that negatively affect society.

Accordingly, the board of directors has established the **general risk management and control framework**, identifying the main risks of the Company and other companies in the Group whose parent company, as defined by law, is Bankinter. It also set up the appropriate internal control and information systems to regularly monitor these systems so that the material risks in all of the Group's activities and businesses are adequately identified, measured, managed, controlled and reported, all with a view to:

Reaching the **Group's strategic** objectives with **controlled volatility.**

Offering **maximum guarantees to shareholders,** protecting the generation of sustainable profit and the Group's reputation.

Defending the interests of shareholders, customers, other stakeholders in the Company's performance and that of society in general

Guaranteeing **business stability and financial robustness** over time

The board of directors regularly reviews and approves the **risk appetite framework**, which defines the risk appetite and tolerance that the Entity is willing to assume in its activities. This framework contains a set of key metrics for the levels of the various risks, and the quality and recurrence of earnings, liquidity and capital adequacy. Risk tolerance levels that Bankinter Group is willing to assume are defined for each metric. The appropriateness of the metrics and levels is reviewed by the risk and compliance committee every quarter, as it is the committee that makes proposals to the board for updates and approval of modifications, if applicable. These metrics are also monitored on a quarterly basis. Where a negative trend is seen in any of them, action plans are drawn up and monitored until the metrics return to appropriate levels.

Bankinter Group also conducts business in accordance with the principles and values established by the board of directors. These include respect and compliance with applicable rules and regulations, and effective and prudent management of all the risks that could arise in the course of the Group's business.

These principles and values form part of Bankinter Group's corporate culture, as reflected in the entity's code of conduct, and must be adhered to, promoted and exercised by all companies and people that form part of the Group.

The board of directors is tasked with establishing and overseeing a sound and comprehensive internal control system for the institution and all the activities it carries out. In accordance with guidelines issued by supervisors and best practices in the market, Bankinter Group's internal control system is based on establishing the so-called **"three lines of defence':**

Three lines of defence

1 Bankinter Group business and all support units

- Business units
- Support units

- Identifying and managing exposure to the various risks to which their activity - the products, services, processes and systems that comprise them - could be exposed, and taking informed decisions, applying controls and mitigating factors required and, in any event, those outlined by the Group's risk management framework, and by the applicable policies and procedures.
- Promoting dissemination of, and raising awareness about, the corporate culture.

2 Specialised supervision and monitoring units

- Regulatory compliance unit,
- Anti-money laundering and counter terrorist financing,
- Financial control and outsourcing,
- Risk control and internal validation.

They are tasked with

- developing and promoting risk management policies, procedures and guidelines in their respective areas of specialisation, reviewing and contributing to the oversight and reporting of risks managed by the first line of defence,
- designing and promoting training and awareness-raising in these topics.

3 Internal audit

Independent internal audit.

The internal audit function performs these tasks with full independence from the other lines of defence.

Conducts risk-based audits and reviews the provisions, processes and control mechanisms to ensure that they are sound, effective and applied consistently.

Performs reviews of other internal functions, units and business lines.

For **tax risks**, and in accordance with article 529 ter 1b) of Royal Legislative Decree 1/2010 of 2 July, which enacted the consolidated text of the Spanish Companies Act, the tax risk control policy is listed as a non-delegable power vested in the board of directors. It is implemented through the Office of the General Secretary of Bankinter and through the Tax Advisory Department (which is assigned to and subordinate to the Office of the General Secretary).

Consequently, the board of directors of Bankinter, S.A. approved Bankinter's tax risk control policy on 18 September 2019. This policy establishes the principles and internal rules of governance for Bankinter's tax function, setting out:

- Obligations and responsibilities within the organisation.
- Description of the measures in place to mitigate tax risks.
- The ex-ante preventive controls and ex-post controls entailing the identification, measurement, analysis, monitoring and reporting of tax risks in line with Bankinter's Risk Management and Control Policy, Risk Appetite Framework (RAF) and Risk Map.

In the **fight against corruption and bribery,** Bankinter is acutely aware of the serious effects of corruption on economic activity and on society as a whole, and of the important role that entities in the financial sector play in preventing and combating such conduct. For this reason, as an associate and signatory of the United Nations Global Compact, and following national and international best practices, at its meeting on 22 April 2020, Bankinter's board of directors approved Bankinter Group's Anti-Corruption Policy, on the recommendation of the audit committee. This policy is published on the corporate website. This policy complements the Group's Code of Professional Ethics and Crime Prevention and is an essential tool for disseminating the Group's uncompromising attitude to corruption and establishing the rules and principles of action needed to prevent and act against any conduct involving corruption in the Group's corporate activity.

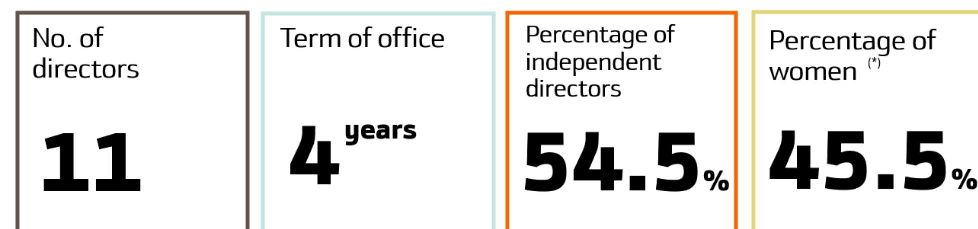
1.4.2. Governance of the risk function

Board of directors

As explained in the preceding section, the board of directors, in accordance with the rules and regulations of the board of directors, is responsible for approving the risk management and control framework and regularly monitoring the internal information and risk control systems.

Description of the structure of the board of directors[1]*:*

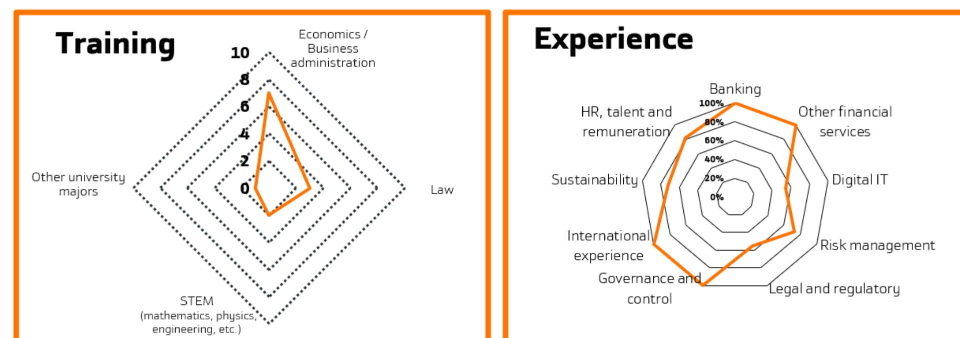
Composition of the board of directors



(*) One as chief executive officer and highest-ranking executive of the company since 2010.

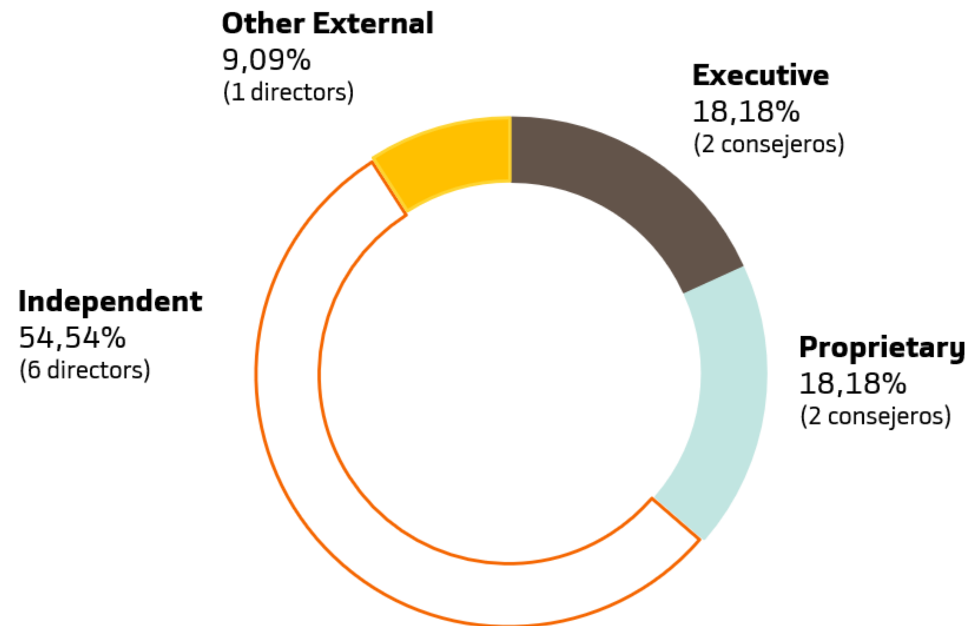
The 2023 Corporate Governance Report, available on the corporate website, includes a detailed description of both the composition of the board of directors and its committees and their members, including their profiles and professional experience, and their positions within and outside the Bankinter Group. It also describes the selection and succession processes, performance appraisal, among others.

Knowledge and experience
Board of directors



[1] At 31 December 2023, the new structure of the board of directors following the annual general meeting is available in the 2023 corporate governance report published on the corporate website.

Breakdown by category of director
Board of directors



To perform these functions, the board of directors is supported by the following board committees:

The executive committee.

All of the functions of the board, except those that cannot be delegated under the law, the by-laws or the rules and regulations of the board of directors, are delegated to the executive committee. It takes decisions for managing and monitoring all manner of risks and, in turn, delegates such powers to the following internal committees:

- Credit risk: in the executive risk committee, which in turn sets the limits on the delegation of powers to lower-ranking internal bodies, within the limits set by the board of directors. The executive risk committee is the reference committee on matters related to risk, except for those that are assigned to other specialised committees, such as the assets and liabilities committee (hereinafter "ALCO").
- Business risk: which is monitored in the weekly meetings that the chief executive officer holds with members of senior management (which, as per the corporate governance policy, is called the "management committee").
- Structural (liquidity, interest rate, currency) and market risks, to the asset and liability committee (ALCO).

Risk and compliance committee

The risk and compliance committee is an advisory body that oversees the Entity's risks and provides advice on risks to the board of directors. The risk and compliance committee is also entrusted with monitoring the risk appetite framework.

This committee is also responsible for supervision of the Corporate Control and Compliance function, as a second line of defence. It reports monthly on its activity. The risk and compliance committee's remit also includes overseeing compliance with legal requirements, supervising the effectiveness of internal control and risk management systems, supervising compliance with the Group's code of conduct in securities markets, anti-money laundering manuals and procedures and, in general, the Bank's governance and compliance rules, and making any necessary proposals for their improvement, as well as reviewing fulfilment of any actions and measures arising from reports or actions by government supervisory and control authorities.

The committee is also responsible for oversight of the outsourced services control function, including overseeing compliance with prevailing regulations and provisions regarding outsourcing of services and scrutinising all reports and proposals it receives regularly from the Corporate Control and Compliance division, and remaining abreast of significant irregularities and breaches or risks observed during control activities for outsourced services.

Audit committee

The audit committee, among other responsibilities, supervises relations with external auditors and their work and reports, and supervises the operation of internal audit and control services.

It is also in charge of managing Internal Audit activity. Its annual plan focuses closely on work related to the measurement, monitoring and management of risks.

The crime prevention and professional ethics committee reports annually and directly to the audit committee on any suspicious behaviour identified and any sanctions and penalties imposed.

Remuneration committee

The committee's remit includes annually reviewing the remuneration policy of directors and employees whose activities have a material impact on the Company's risk profile (in general all members of identified staff for remuneration purposes) to ensure that it is aligned with the Bank's short-, medium- and long-term situation and strategy and with market conditions, and to assess whether it contributes to the creation of long-term value and to adequate control and risk management.

Sustainability and appointments committee

This committee manages and controls sustainability risks, including environmental and climate risk. It is responsible for identifying, evaluating and managing the environmental risk associated with the bank's activity, which is why it has rigorous and responsible decision-making processes in place regarding ESG issues. Some of the functions performed by the committee in this area include:

It reviews the Bankinter Group's Sustainability Policy and Corporate Governance Policy, both of which are approved by the board of directors, ensuring that they are always focused on the creation of value.

It monitors the sustainability strategy and practices, best practices in this regard and evaluation of their degree of compliance.

It assesses all of the Company's social, environmental, political and reputational risks, irrespective of the powers granted to the risk and compliance committee or other board committees.

1.4.3. Risk control and management function structure and internal organisation

The risk management and control function is distributed among different divisions of the Bank, such as Risk, Corporate Control and Compliance, Finance, Capital Markets, Digital Banking and Internal Audit.

Bankinter's organisational structure is based on the principle of independence and separation of functions between the various units that identify, assume and manage risks and those that monitor and track risks.

- The **Risk division** is overseen by the chief risk officer. The appointment or replacement of the chief risk officer falls to the board's risk and compliance committee, at the proposal of the chair, vice chair (if executive), or the CEO of the bank.

The Risk division covers the main risks (credit and counterparty, market, liquidity, structural, operational and model), with global and corporate-wide responsibilities and support to Bankinter Group's governance bodies.

It is charged with defining the methods and executing the risk controls as the first line of defence. It is also geared towards executing and integrating the risk function into the management of the various businesses of Bankinter and Bankinter Group. It comprises the following first-line divisions and units:

- **Credit risk:** tasked with defining the risk policies associated with each of the segments. It is delegated powers to authorise customer transactions. It is responsible for the entire risk process, from approval, which requires IT support capable of achieving the highest level of efficiency, to monitoring and recovering.
- **Global Risk Management:** responsible for developing, improving, controlling, implementing and regularly monitoring statistical and risk parameter models for the various credit portfolios, and enhancing the integration of these models into management. The internal models perform a key role in the approval process, in the calculation of regulatory and internal capital, in the collective estimation of provisions, in recovery processes and in the establishment of risk-adjusted return measures (RARORAC). It also oversees, together with the Global Risk division, the development of the specific policies and procedures that must be included in the framework for the risk management model. Its responsibilities also include supervisor relations, official announcements and regulatory reporting in regard to models, and monitoring the sequentially implementation plan for IRB models in the Bank.
- **Risk Analysis and Processes** its main duties include defining and supporting risk reporting, and designing, implementing, maintaining and evolving credit risk approval and monitoring systems.
- **Global Risk:** coordinates the Risk areas in activities and projects related to methodologies, policies, procedures and regulations, seeking to adopt industry best practices in the measurement and management of risks and, in particular, management of the Group's global risk profile.
- **Risk Analysis unit:** acts on universal factors, coordinating and promoting a sectoral approach to the management of credit portfolios, analysing sectors and promoting the most appropriate information and management processes at all times, managing climate- and environment-related factors and their translation into different risks.
- **Market Risk and Institutional Control:** Reporting to the chief risk officer (CRO), its function is to control and monitor structural risks (liquidity, interest rate and foreign currency) and market risks arising from the Entity's institutional and trading operations.
- As discussed later, the Balance Sheet Management area and the Trading department, which report to the Treasury and Capital Markets division, are responsible, respectively, for managing liquidity, interest and foreign currency risks (structural risks) and market risk. Market Risk has the independent duty of measuring, monitoring and controlling changes in interest rate, liquidity, foreign currency, market and counterparty risks in 'institutional' positions; i.e. those taken by the assets and liabilities committee (ALCO) and by the Treasury department for trading purposes.
- **Operational Risk**: responsible for promoting and coordinating the procedures and tools for the identification, measurement, control and reporting of operational risks, providing the organisation with a uniform vision of operational risk. Management of the first line of operational risk is delegated to the Group's various subsidiaries, support areas and business units. This management is occasionally performed by specialised or centralised departments where determined in the circumstances (e.g. complexity, size, cross-sector corporate processes).
- **Non-Performing Loans and Incidents:** responsible for running and managing the process for recovering outstanding loans in early stages of default, by implementing and promoting internal and external tools and actions for this purpose with a view to minimising new non-performing loans. It is also tasked with running and managing the control, monitoring and non-amicable recovery of loans in accordance with prevailing legislation by creating and developing automatic systems that make management more efficient and by implementing more efficient and effective mechanisms and processes to improve the recovery of past-due transactions. It is also responsible for all matters related to the policy, analysis, approval and monitoring of refinancing and forbearance arrangements.
- **Real Estate Assets:** sets and updates the price of foreclosed real estate assets and decides how they should be used. Its responsibilities include ensuring the technical and legal adequacy of these assets and monitoring them to prevent impairment. Its purpose and main responsibility is to proactively seek out buyers by marketing and managing assets in accordance with principles of transparency, sufficient publicity, competition and effectiveness in order to obtain the highest price possible. It prioritises quick selling.
- **Technical division:** This area is in charge of procedural aspects of the risk appetite framework and the corporate risk map, and oversight of the second line of defence of certain specific risks (e.g. reputational risk). It also oversees the second lines of Group subsidiaries.

Other risks managed indirectly by the managing director of risk/CRO

- **Structural risks:**

  The board of directors sets the strategy and management policy for structural risks (interest rate, liquidity and foreign currency risks) and market risks and designates various bodies to manage, monitor and control them. It also sets the risks profile to be assumed by Bankinter, setting maximum limits that it delegates to such bodies, as defined in the risk management and control framework.

  The board of directors confers powers upon the assets and liabilities committee (ALCO), authorising it to continuously monitor decisions regarding structural balance sheet risks (interest and liquidity risk), stock market risk and the exchange rate risk of the Bank's institutional positions, while also establishing financing policies. It reviews and approves the relevant limits for the management of all such risks every year and delegates such powers to the ALCO.

  ALCO is directly responsible for managing overall interest rate, liquidity, stock market and institutional change risks, and the Entity's financing policies. Capital Markets may take action to protect the Bank from risks or take advantage of trading opportunities, under its own powers or following guidelines from the chairman, chief executive officer or the head of Trading and Capital Markets.

  The board of directors reviews the framework and policies for managing these risks and the appropriateness of changing the operating limits established therein as often as it deems necessary and at least once a year.

  The Balance Sheet Management Unit or, on its instructions, Treasury and Capital Markets, implements the decisions taken by the ALCO in relation to the Bank's institutional positions. Depending on the circumstances, it may act immediately to protect the Bank from potential adverse market movements, subsequently reporting its actions to the ALCO.

- **Climate and environmental risks:**

  Climate change has certain unique features that require a completely different approach than other risks. Firstly, it has the potential to cause dramatic and irreversible damage. These impact would materialise over the long run, far beyond periods typically considered in financial planning exercises. Secondly, it is surrounded by uncertainty because its effect is so long term and, more importantly, considering the scope of the mitigation measures to be implemented; i.e. they must be global. Thirdly, there are no comparable historical references.

  The corporate climate rating has been implemented in the risk approval process since October 2021. The aim of this is to focus dialogue with customers, especially those exposed to higher levels of risk. By doing this, we incorporate climate and environmental factors into our risk decision-making and attempt to identify opportunities to assist these customers financially in their transition.

  Definition of a new business strategy because of climate change risk. Bankinter is working on the four pillars that should underpin this:

  - Sustainability policy. Bankinter has been managing sustainability for over a decade now through successive policies and strategic plans. It is also a signatory of the leading international sustainability and climate change initiatives and commitments, such as the United Nations Global Compact, the Equator Principles, UNEPFI (the United Nations Environment Programme Financial Initiative), the Responsible Banking Principles and the Net Zero Banking Alliance.

  - Scenario analysis. Using the baseline scenario; i.e. Net Zero 2050, and assessing the entity's strength according to its strategy and assuming that a set of other plausible scenarios may occur.

  - Decarbonisation strategy. Bankinter is well aware that the financial sector must assume its role as an enabler of the transformation towards a sustainable economic model that can mitigate or adapt to the impact of climate change and protect the environment. It is fully committed to this, as illustrated by its membership of the Global Compact Network Spain, UNEP FI and the Net Zero Banking Alliance. By belonging to this Alliance, Bankinter undertakes a commitment to making its financial and investment activity emissions neutral by 2050, in line with the objectives of the Paris Agreement on Climate Change. To deliver on this commitment, in February 2022 the Group drew up its own decarbonisation strategy, approved by the Group's administrative body through the sustainability and appointments committee. This involved establishing specific quantitative targets for financed emissions intensity to 2030 in line with the emission reduction plans laid down in Spain's Integrated National Energy and Climate Plan. To meet its decarbonisation targets, Bankinter is firmly committed to an inclusive strategy that helps our customers transform and adapt to a lower-emission and more eco-friendly economy. However, we must remember that the combustion of fossil fuels is the main source of greenhouse gases, so efforts over the coming years must focus on reducing our reliance on fossil fuels considerably. Against this backdrop, Bankinter will become increasingly demanding in terms of compliance with decarbonisation objectives, limiting funding of activities that are incompatible with emissions reduction or customers who are not willing to change.

  - Sustainable businesses. Bankinter has designed several products linked to sustainability criteria; e.g. sustainable investment funds, green mortgages, debt issues, renewable energy project finance, alternative venture capital funds, pension funds managed using criteria of sustainability and financing of energy efficiency activities in homeowners' associations.

- **Technological risks:**

  These risks are supervised by the Digital Security area, which reports hierarchically to the Digital Banking division. Functionally, it reports regularly to Bankinter's chief risk officer (CRO). Its main responsibilities regarding management of these risks include:

i) training and awareness-raising on information security, and coordination of plans to improve the technological environment;

ii) management of system vulnerabilities;

iii) coordination of certified risk management systems;

iv) cryptographic key custody, and identification and definition of the security requirements for new projects and developments;

v) definition, approval and maintenance of policies and standards in relation to technological risk, and authorisation of access for exceptional users;

vi) management of business continuity, technological contingency and incident response plans;

vii) implementing security measures for operating systems, databases and middleware;

viii) identification and management of identified vulnerabilities.

- **Reputational risk:**

  The first-line management of this risk is delegated to the various subsidiaries, support areas and business units, operating within the scope of the policies and guidelines issued by the corporate reputation unit. This unit in the corporate communications and responsibility area draws up reputational risk metrics, overseeing the preventive management of this risk and mitigation of potential reputational risks by participating in crisis response actions.

- The second lines of control, integrated into the **Corporate Control and Compliance department** (hereinafter "DCC"), which reports directly to the board of directors through the risk and compliance committee, except with regard to financial control for which it reports to the audit committee, include the following areas of action: (i) risk control and internal validation; (ii) regulatory compliance; (iii) financial control and outsourcing; and (iv) prevention of money laundering and financing of terrorism, (v) any other expressly entrusted to it by board of directors.

The Corporate Control and Compliance Department may perform duties and extend its remit to all entities, subsidiaries and branches belonging to Bankinter Group to supervise the business lines and support units independently and objectively, under a single management body, so that:

- Persons who perform duties for the Corporate Control and Compliance Department will be dedicated exclusively to these duties, and in no case will they perform duties or tasks corresponding to the areas they supervise or control.
- It will be separate, from an organisational point of view, from the activities it supervises and controls; and
- The remuneration of its staff will be structured in such a way that:

  a. It does not interfere with their independence and objectivity;

  b. Qualified and experienced personnel can be employed in these roles;

  c. It is not substantially linked to the results obtained by the areas they supervise or monitor; and

  d. It is primarily made up of fixed components.

The units comprising the second line of defence must be highly specialised and extremely knowledgeable about their areas of operation. However, in line with corporate governance recommendations and best practices, the actions of the second line of defence units must be coordinated, so that they share:

1. A comprehensive view of the set of risks to which the Group is exposed;
2. A full scope, so that the second line of defence effectively impacts all Group entities and the activities they carry out;
3. A common methodology, tools and resources;
4. A level, recognition and independence of its function; and
5. A system of reporting and access to the Group's board of directors and senior management that provides a comprehensive overview of the entity's internal control situation.

In short, the DCC's general functions are: (i) effective risk control within the general risk appetite framework; (ii) respect and application of the Group's policies; and (iii) compliance with the operational procedures and the regulations in the following areas of action:

1. Regulatory compliance: this comprises control over legal and compliance risks, including risks related to conduct and transparency with customers in the provision of banking, financial, insurance and investment products and services, and the prevention of market abuse and conduct in the securities markets. It reports to the risk and compliance committee on compliance with the code of conduct in securities markets; the requirements and ongoing inspections of regulatory bodies; advice provided to the Bank on regulatory matters through the various regulatory proposals; involvement in the configuration and development of new products; and training in the organisation, among other topics.
2. Anti-money laundering and terrorist financing: this relates to risks arising from compliance with related regulations. It reports to the risk and compliance committee on matters including the analysis of risks to determine the Entity's risk appetite, in accordance with its Bank's risk framework, and the definition and monitoring of the oversight plan, identifying critical areas for action (e.g. governance, due diligence, detection, analysis and reporting, contact with regulators and training).

3. Financial control and outsourcing: this includes control over the effectiveness of administrative and accounting procedures for the preparation of internal and external financial reporting and overseeing the control framework for the Group's outsourced services, especially critical services, and compliance with the outsourcing policy and external regulations.
4. Risk control and internal validation: it is responsible for oversight of all material risks outside the scope of the other second line of defence control units. The Internal Validation unit is also in charge of validating the advanced risk models and their results. To do so, it analyses them and issues reports with opinions on their validity for risk management and on their use in managing risks, and issues the related recommendations. It also oversees credit risk management at regional organisations.
5. Any other responsibilities expressly entrusted to it by the board of directors.

On 17 January 2022, the risk and compliance committee approved the Corporate Control and Compliance department charter. Its purpose is to provide a regulatory framework for the Corporate Control and Compliance function, giving it the organisational elements required to discharge its duties effectively, and determining the related roles and responsibilities for the people and bodies that comprise it. This regulatory framework considers the unique features and specialisation of the units that comprise the Corporate Control and Compliance division. Therefore, it is complemented by the charter of each function:

1. Charter of the anti-money laundering and terrorist financing function;
2. Charter of the regulatory compliance function;
3. Charter of the risk control and internal validation function; and
4. Charter of the financial control and outsourcing function.

Other units or bodies that monitor specific risks at Group level (that are not within the Control and Compliance Department):

- Privacy and data protection

The board of directors of Bankinter, S.A., as the parent of Bankinter Group, must ensure that the Bank and Group have an appropriate privacy governance framework in place to guarantee respect for the right to privacy and personal data protection of customers, employees, shareholders and suppliers ("data subjects"). With this objective and to guarantee that the company genuinely has a culture of compliance in this area, the board of directors updated Bankinter Group's Privacy Policy in October 2022. This includes the general principles that govern all activities and initiatives carried out by Bankinter Group that may affect the right to privacy of data subjects. Additionally, the following organisational chart is defined in Bankinter Group's Privacy Policy:

Privacy committee**,** comprising mainly the Bank's senior management and representatives of subsidiaries that promote and approve initiatives that are strategically important for Bankinter Group.

The privacy committee is entrusted with the following duties:

- Approving initiatives that affect the right to privacy and the protection of personal data of strategic importance to the Bank.
- Approving the internal procedures necessary to ensure that the right to privacy is duly respected.
- Making recommendations on any necessary alterations to Bankinter Group's privacy policy, for approval by the board of directors.
- Approving the control system and measures to remedy any deficiencies detected.
- Regularly verifying the measures approved by the committee.
- Fostering the culture of compliance.
- Making decisions on the disclosure of security breaches that pose a high risk to the rights and freedoms of data subjects.

The privacy committee has its own internal rules and regulations and reports annually on its activity to the audit committee.

As a further show of its commitment to proactive responsibility, the Bank has appointed a **corporate data protection officer**, who has been assigned the following duties:

1. Coordinating the privacy and data protection officers of Group companies, to guarantee that they apply the same criteria in matters of privacy and personal data protection.
2. Approving new initiatives that affect the right to privacy and personal data protection that are different to those already approved in the organisation the responsibility for which exceeds that of the privacy and data protection officers of the Group entities.

Lastly, Bankinter Group entities that process personal data have appointed a **data protection and privacy officer** with the duties outlined in Regulation 2016/ 679/ EU of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation), including:

- Advising the data controller of their obligations in relation to data privacy and protection.
- Approving initiatives that affect the right to privacy and the protection of data similar to those already approved at corporate level.
- Overseeing compliance with applicable regulations governing privacy and data protection.

Each data privacy and protection officer (DPO) is supported by a DPO office, comprising the necessary profiles (recruited internally and externally, as required) to ensure that they can perform their duties. The DPO office also has its own set of rules and regulations.

- Crime prevention and professional ethics committee

Over the years, Bankinter has demonstrated its zero-tolerance policy toward crime, having adopted all measures necessary to convey this commitment and the obligation to prevent, detect and persecute crime in all its forms and to the full extent at all levels of the Bank's structure.

On 21 October 2015, the board of directors of Bankinter, S.A., in accordance with the reform of the Criminal Code, approved by Organic Law 1/2015, of 30 March, which entered into force on 1 July 2015, approved the creation of the crime prevention and professional ethics committee, which is responsible for overseeing the functioning and compliance of the criminal risk prevention model and has autonomous powers of initiative and control.

The regulations implementing the powers and functions of this committee include the criminal compliance systems in Bankinter Consumer Finance, Luxembourg and Evo, to ensure proper harmonisation and integration with the Bank's system. This was presented to the audit committee at its meeting on 20 July 2020 and was submitted for approval by the board of directors at its meeting on 22 July 2020.

The chair of the crime prevention and professional ethics committee reports annually and directly to the audit committee, informing the board of directors.

Bankinter's general Criminal Compliance model has been certified by an external expert, according to which "Bankinter's crime prevention model has the capacity to prevent the commission of crimes effectively and to enable the Bank to be exempt from criminal liability pursuant to article 31 bis 2 of the Criminal Code."

The update of the Criminal Compliance Model for the subsidiaries Bankinter Consumer Finance, E.F.C., S.A. and EVO Banco were approved by their boards of directors in meetings held on 31 March and 25 April 2023, respectively. At Bankinter Investment, S.A.U. and Bankinter Investment SGEIC, S.A.U. (the asset manager), the Criminal Compliance Model was implemented on October 25 and October 10, 2023, respectively. All subsidiaries have a report from an external expert concluding that they have a Criminal Compliance Model that meets the requirements established in the Criminal Code and that the model has the capacity to effectively prevent criminal offences and to exempt the bank from criminal liability pursuant to Article 31bis.2) of the Criminal Code.

In addition to the mandatory Circulars and Policies that have to be complied with, Bankinter currently also has:

- the Code of Professional Ethics for Bankinter Group Employees, the current text of which was approved by the board in its meeting 22 February 2023, on the recommendation of the audit committee. This is available to all employees through the Intranet
- the Code of Professional Ethics for Agents, which is available to agents through the agents' extranet.
- the Code of Professional Ethics for Suppliers, which is available to suppliers through the suppliers' portal.

Bankinter has a whistleblower channel available on the bank's public website. The whistleblower channel is a communication channel that allows any person who has any relationship with the bank to inform the organisation's senior managers of any acts contrary to ethical values, anonymously and in the strictest confidence, which the Group is firmly committed to respecting.

The 2023 Corporate Governance Report, which is available on the corporate website, provides greater detail on the materialisation of risks, tolerance levels and supervision of the main risks it faces.

1.5. Risk mitigation and hedging policies. Supervision strategies and policies.

Prudence is a hallmark of Bankinter Group's lending policy: the criteria for granting credit are based on the customer's demonstrated solvency and capacity to make repayments, in line with a realistic payment plan and taking only the customer's ordinary income into account. Transaction guarantees are only considered a secondary method of recovery.

In many cases, mitigation of the credit risk is achieved through the contribution of guarantees by the borrower, with the acceptance of either collateral (essentially mortgage securities, money securities, pledged securities or other securities) or personal guarantees (both of the counterparty and guarantors that have a better credit rating).

For more details about the risk mitigation and hedging policies, and the strategies and processes used to supervise the continued effectiveness of hedging and risk mitigation techniques, as required by article 435.1.d. of the CRR, please refer to the following points:

- 4.3.1. Counterparty credit risk management policy
- 4.7. Information on credit risk mitigation techniques
- 5.2. Characteristics of the market risk management system and models used
- 6.1. Management of operational risk
- 8. Structural interest rate and foreign exchange risk
- 9. Liquidity and funding risk.

02

Information on own funds

2. Information on own funds

Title I of Part Two of Regulation (EU) 575/2013 of the European Parliament and of the Council, modified by Regulation (EU) 2019/876, defines the different levels of capital that will constitute the Institution's own funds under the new solvency regulations, as well as the items comprising them. Regulation (EU) 2016/445 of the European Central Bank establishes the options and discretions that, in relation to the prudential requirements of credit institutions, are exercised by the Supervisor, specifying the phase-in periods to be followed for certain items to qualify as own funds.

2.1. Elements that constitute Own Funds

Under solvency regulations, the Institution's own funds are the sum of tier 1 (T1) and tier 2 (T2) capital. In turn, Tier 1 consists of Common Equity Tier 1 (CET1) and Additional Tier 1 (AT1) capital.

Common Equity Tier 1 (CET1) is considered first-class quality capital for its loss absorption capacity. CET1 instrument holders are subordinated to the rest of the bank's creditors, including AT1 and T2 instrument holders.

Additional tier 1 capital (AT1) only has preference, in the order of precedence of payments in case of insolvency, over CET1 instrument holders, remaining subordinated to the rest of creditors of the Institution, including T2 instrument holders.

Lastly, Tier 2 (T2) absorbs losses after instruments CET1 and T1, and it remains subordinated to the rest of the bank's creditors. Its loss absorption capacity is therefore lower.

Common equity tier 1

Bankinter's common equity tier 1 (CET1), as established in the regulation, consists of:

- The Bank's share capital.
- Share premiums associated with the share capital.
- Accumulated gains in accordance with Article 26.1.c) of Regulation (EU) 575/2013 available to the institution for unrestricted and immediate use to cover losses. It also includes the reserves of institutions accounted for by the equity method.
- Interim profit accumulated over the course of the financial year related to the prudent consolidation scope and net of the foreseeable dividends to distribute against the financial year's profit. These provisional profits accumulated during the year are verified quarterly by the statutory auditors. They are only included as common equity tier 1 after receiving authorisation for their inclusion from the supervisor.
- Other accumulated income, which basically reflects valuation adjustments associated with financial assets at fair value through other comprehensive income, from exchange rate differences and from institutions accounted for by the equity method, and other valuation adjustments.

The common equity tier 1 calculated in this manner must be adjusted by the following deductions:

- Intangible assets. Deductions for software assets have a new treatment with the entry into force of Regulation (EU) 2020/873 (CRR2- Quick Fix).
- Holdings of instruments eligible as common equity tier 1 that the institution or any Group institution holds directly, indirectly or synthetically, including those shares that the institution must acquire by virtue of any contractual commitment.
- The shortfall in provisions, if any, resulting from comparing the calculation of expected loss amounts for exposures for which minimum capital requirements are calculated using internal ratings-based (IRB) methodologies with the provisions associated with those exposures, and the shortfall in provisions, if any, resulting from insufficient supervisory coverage of non-performing exposures.
- The amount of shares held in financial sector institutions, including insurance companies, where the entity has a significant investment, that exceeds the threshold of 10% of CET1, in accordance with Article 48 of Regulation (EU) 575/2013.
- Additional valuation adjustments that arise from prudential valuation of positions accounted for at fair value, in accordance with Article 105 of Regulation (EU) 575/2013. For the calculation of AVAs, Bankinter uses the simplified approach set out in Regulation (EU) 101/2016 on the methodology for calculating additional valuation adjustments.
- Items that must be deducted from additional tier 1 capital elements that exceed the Institution's additional tier 1 capital.

Additional tier 1 capital

Bankinter's additional tier 1 capital (AT1), as established in the Regulation, consists of:

- Additional Tier 1 capital instruments, which are perpetual, potentially convertible securities that have the characteristics set out in Article 52 of Regulation (EU) No 575/2013. These instruments ranks below Tier 2 capital instruments in case of insolvency.
- Share premiums associated with these instruments, if available.

The characteristics of issues of potentially convertible into securities forming part of Additional Tier 1 capital (AT1) at 31 December 2023 are detailed in the CCA template in Annexe I.

Additional tier 1 capital must be adjusted by the following deductions:

- Direct, indirect and synthetic holdings of own AT1 instruments belonging to Group institutions, including the AT1 instruments that the institution may be forced to acquire as a result of current contractual commitments.
- Direct, indirect and synthetic holdings of own AT1 instruments in financial sector entities, with certain limitations when the institution maintains a significant investment in these entities.

Tier 2 capital

Bankinter's tier 2 capital (T2), as established in the Regulation, consists of:

- Additional Tier 2 capital instruments, which are subordinated obligations that have the characteristics set out in Article 63 of Regulation (EU) No 575/2013. These instruments are ranked behind common creditors in case of insolvency.
- Share premiums associated with these instruments, if available.

It should be borne in mind that, according to the Regulation, issues of eligible tier 2 instruments with less than five years left until their maturity, start to lose their eligibility as tier 2 capital at an annual rate of 20%.

The characteristics of issues of subordinated bonds forming part of additional tier 2 capital at 31 December 2023 are detailed in the CCA template in Annex I.

The eligible outstanding balance of issues eligible as tier 2 capital at 31 December 2023 amounted to 829,878 thousand euros and €830,371 thousand euros at 31 December 2022.

Tier 2 capital calculated in this manner must be adjusted by the following deductions:

- Direct, indirect and synthetic holdings of own tier 2 instruments belonging to Group entities, including the tier 2 instruments that the institution may be forced to acquire as a result of current contractual commitments.
- Direct, indirect and synthetic holdings of own tier 2 instruments in financial sector entities, with certain limitations when the institution maintains a significant investment in these entities.

2.2. Amount of own funds

The breakdown and composition of Bankinter Group's own funds is as follows:

Amount of eligible own funds (fully loaded)

Amount of eligible own funds	2023	2022
Common Equity Tier 1: Instruments and reserves	5,240,030	4,821,667
Capital instruments and share premiums	269,660	269,660
Retained earnings	4,657,792	4,405,368
Other accumulated income	(109,816)	(133,463)
Interim profit net of foreseeable dividends	422,394	280,101
Common Equity Tier 1: regulatory adjustments	(440,914)	(479,644)
Other regulatory valuation adjustments	(4,645)	(43,923)
Intangible assets	(252,664)	(204,545)
Shortfall of prudential provisions and of IRB portfolios	(174,626)	(213,475)
Direct and indirect holdings of own instruments	(5,519)	(14,241)
Deferred tax assets	(3,460)	(3,460)
Investments in financial institutions	—	—
Common equity tier 1 (CET1)	4,799,116	4,342,023
Additional Tier 1 Capital: instruments	650,000	350,000
Eligible AT1 instruments	650,000	350,000
Additional Tier 1 Capital: regulatory adjustments	—	—
Temporary adjustments to additional tier 1 capital	—	—
Additional tier 1 capital (AT1)	650,000	350,000
Tier 1 capital (CET1 + AT1)	5,449,116	4,692,023
Tier 2 Capital: instruments	829,878	830,371
Eligible tier 2 instruments	829,878	830,371
Tier 2 Capital: regulatory adjustments	—	—
Temporary adjustments to additional tier 1 capital	—	—
Tier 2 capital	829,878	830,371
Total capital (tier 1 capital + tier 2 capital)	6,278,994	5,522,394
Risk-weighted assets	39,017,626	36,601,535
CET1 fully loaded (%)	12.30%	11.86%
Tier 1 fully loaded (%)	13.97%	12.82%
Total capital fully loaded (%)	16.09%	15.09%

Figures in thousands of euros

As already mentioned, the ratio for December 2022 has been re-expressed due to the adoption of a more conservative criterion in the processing of some guarantees for the purposes of calculating credit risk-weighted assets, due to the potential volatility in estimating them.

The increase in Common Equity Tier 1 (CET1) in 2023 is mainly due to the retention of part of the ordinary profit for the year, after the application of the estimated 50% payout. Deductions have also fallen in the year, mainly due to the trend in the shortfall of prudential and of IRB portfolio provisions.

At 31 December 2023, additional tier 1 capital (AT1) amounted to 650,000 thousand euros, compared to 350,000 thousand euros at 31 December 2022, with a 300,000 thousand euro increase due to the incorporation into tier 1 capital of a new issue of AT1 securities in the first quarter of 2023.

Risk-weighted assets increased in 2023 due to the performance of the Institution's ordinary business, which led to an increase in loans and receivables.

The reconciliation between own funds reported in the public financial statements and the regulatory capital is presented below for capital adequacy purposes:

Reconciliation between accounting own funds and regulatory capital (fully loaded)

Eligible amounts	2023	2022
Paid up capital	269,660	269,660
Share premium	—	—
Reserves	4,637,984	4,393,463
Other equity	19,807	11,905
Own shares	(1,365)	(1,393)
Attributed earnings	844,787	560,203
Interim dividends	(325,570)	(199,837)
Total own funds (public balance sheet)	**5,445,304**	**5,034,001**
Accumulated other comprehensive income	(122,364)	(129,028)
Total equity (public balance sheet)	**5,322,940**	**4,904,973**
Eligible preferred stock	650,000	350,000
Other valuation adjustments	(3,656)	(5,923)
Intangible assets	(252,664)	(204,545)
Shortfall of prudential provisions and of IRB portfolios	(175,614)	(251,475)
Deferred tax assets	(3,460)	(3,460)
Investments in financial institutions	—	—
Other adjustments	(88,429)	(97,546)
Tier 1	**5,449,116**	**4,692,023**

Figures in thousands of euros

Bankinter Group has chosen not to apply the transitional provisions under article 473 bis of Regulation (EU) 575/2013, as per the first paragraph of section 9 of that article. Therefore, in accordance with the explanations required in the EBA 2018/01 guide, it should be noted that at 31 December 2023 Bankinter is not applying the transitional provisions under IFRS 9 or similar ECL.

2.3. Capital Buffers

Directive 2013/36/EU of the European Parliament and of the Council, of June 26, 2013, on access to the activity of credit institutions and their prudential supervision (CRD IV), as amended by European Directive 2019/878 of the European Parliament and of the Council, of May 20, 2019 (CRD V), together with Regulation (EU) 575/2013 of the European Parliament and of the Council (CRR), in turn modified by Regulation (EU) 2019/876 of the European Parliament and of the Council (CRR2), comprise the capital adequacy regulations applicable to European credit institutions. The contents of this Directive have been incorporated in Spain in Act 10/2014 of 26 June on the regulation, supervision and capital adequacy of banks. This includes the establishment of additional capital buffers above the minimum regulatory levels set by Regulation (EU) 575/2013.

In addition to the minimum capital requirements, a total of five capital buffers are also established:

- **Capital Conservation Buffer:** The objective of this buffer is to ensure that the institutions have capital in a sufficient amount and quality to absorb losses in a stressed economic environment and keep it above minimum requirements. To attain this objective, the capital buffer must be made up of Common Equity Tier 1 (CET1).
- **Countercyclical Capital Buffer:** This is not a permanent buffer. Instead, it shall be required only in moments in which credit activity is growing excessively in a certain jurisdiction. Its purpose is to act as a brake on this excessive growth and alleviate the possible consequences of economic bubbles. In periods of normal credit growth, this buffer is zero.
- **Systemic Risk Buffer:** Its purpose is to prevent or avoid systemic risks or macroprudential countercyclical risks in the long term. These are risks that can cause a disturbance in the financial system with serious negative consequences for the system and the real economy.
- **Global Systemically Important Institutions Buffer:** This is established for institutions that constitute a systemic risk due to their size, degree of interconnection with other institutions or non-existence of substitute services and activities, as their failure can affect the financial system as a whole.
- **Other Systemically Important Institutions Buffer:** This buffer is established for institutions whose demise can affect the financial system, albeit to a lesser extent than the aforementioned, and therefore, it has fewer requirements.

Two of the buffers included in the Act are not discretionary: the Capital Conservation Buffer and the Global Systematically Important Institutions Buffer, which are in place in all jurisdictions of the European Union. Banco de España has the discretionary authority to set a buffer for other systematically important institutions, the countercyclical capital buffer and the systemic risk buffer.

The capital conservation buffer was phased in from 2016 to 2019, at an annual rate of 0.625%, until it reached 2.5%. From 2020 until year-end 2023, the required level of this capital buffer has remained at 2.5%.

The application of buffers for systematically important institutions and other systemically important institutions are not applicable to Bankinter; therefore, there are no additional requirements for these items.

For 2023, Banco de España, after analysing the macroeconomic environment and developments in credit and the real estate market, decided to establish a countercyclical buffer of 0%, as it considered that there was no risk of excessive credit growth.

For the first quarter of 2024, Banco de España has decided to maintain the countercyclical buffer at 0%, as it announced on 13 December 2023, following analysis of various indicators - such as the credit-GDP gap, (measurement of the deviation of the ratio of credit to the non-financial private sector compared to GDP with respect to its trend) - and monitoring Spain's real estate sector.

Banco de Portugal has also ratified the maintenance of the countercyclical buffer applicable to credit risk exposures located in Portugal at 0% for the first quarter of 2024.

Based on its forecasts and the outlook for macroeconomic conditions, Ireland's central bank has decided to gradually rebuild the macroprudential capital buffers that it removed in April 2020 as a result of the COVID crisis, through a countercyclical capital buffer with a gradual schedule of adaptation. As a result, 2024 CET1 includes a component for Ireland's countercyclical capital buffer estimated at 0.02%, due to the Group's lending business in Ireland.

The Entity maintains active management of capital that ensures compliance with minimum requirements and anticipates any phased-in implementation of buffers or increases in requirements to due to changes brought about by market cycles.At 31 December 2023, the entity's credit risk exposures that are considered in calculating the countercyclical principal buffer were as follows, broken down by country.

Geographical distribution of credit risk exposures relevant for the calculation of the countercyclical capital buffer (CC and B1)

		a	b	c	cease	e	f
		General credit risk exposures		Trading book exposures			
10	Breakdown by country	Value of exposure according to standardised approach	Value of exposure according to IRB method	Sum of long and short positions in the trading book	Value of trading book exposure under internal approaches	Securitisation exposures	Total value o exposure
	Spain	17,529,789	39,398,307	4,683,929		395,543	62,007,56
	Portugal	3,463,126	5,630,471	–		–	9,093,59
	Ireland	3,032,540	–	–		–	3,032,54
20	**Total**	**24,025,455**	**45,028,778**	**4,683,929**	–	**395,543**	**74,133,70**

When calculating the countercyclical capital buffer, all categories other than those referred to in points (a) to (f) of Article 112 of the CRR are included. Therefore, exposures to central and regional governments, public sector entities, multilateral development banks, international organisations and institutions are not taken into account.

Following the instructions of Regulation (EU) 2021/637, exposures to other countries representing less than 2% of the aggregate total risk-weighted exposure amounts have been included in Spain.

At year-end 2023, the entity held the countercyclical buffer established in Ireland, which has a gradual implementation schedule, as explained in this section of the report. This buffer amounted to 17,812 thousand euros, 0.05% of total risk-weighted exposures.

Amount of the specific countercyclical capital cushion for each entity (CC and B2)

		a
1	Total amount of risk-weighted exposure	39,017,626
2	Percentage of the entity's specific countercyclical capital buffer	0.05 %
3	Countercyclical capital buffer requirement of each entity	17,812

Figures in thousands of euros

03

Information on key indicators and own funds requirements

3. Information on key indicators and own funds requirements

Title II of Part Two of Regulation (EU) 575/2013 of the European Parliament and of the Council, modified by Regulation (EU) 876/2019, defines the credit risk capital requirements; Title III refers to the requirements of own funds for operational risk; and Title IV refers to the requirements of own funds for market risk. The following titles specify the own funds requirements for settlement risk and for credit valuation adjustment risk.

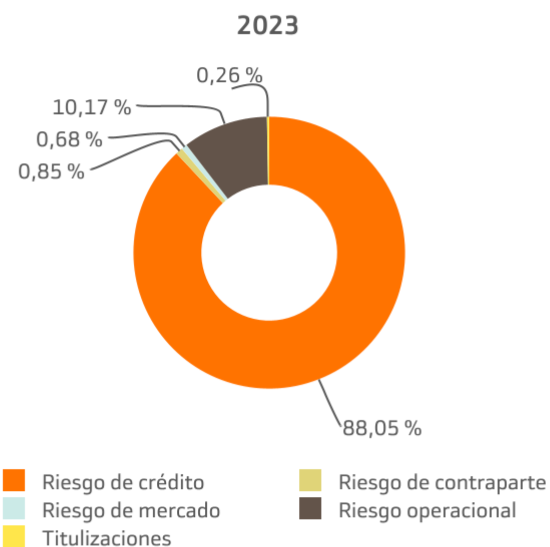
3.1. Breakdown of risk-weighted exposure

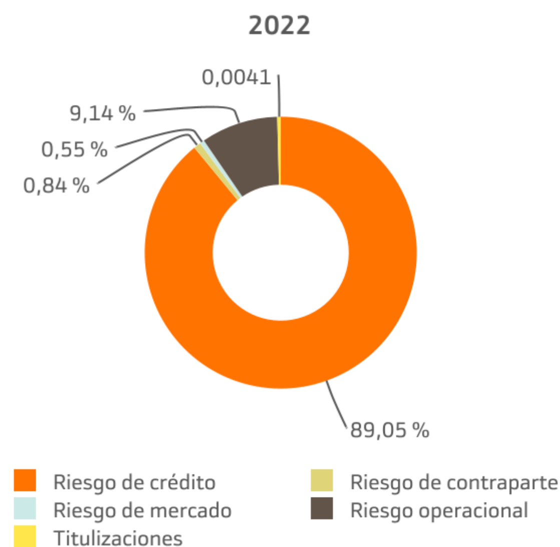
The total risk-weighted exposure, broken down by credit risk, market risk and operational risk at 31 December 2023 and 2022 is presented below.

Credit risk-weighted assets include positions in securitisations, equity positions that are not recorded in the trading book, holdings in financial institutions in which there is a significant investment below the 10% CET1 threshold and deferred tax assets that do not rely on future profitability.

The following tables show a breakdown of risk-weighted exposures by type of risk:

Breakdown of risk-weighted assets by risk type





Presentation of RWA (OV1)

		Total amount of risk exposure			Total own funds requirements
		a	b		c
		4Q23	3Q23	4Q22 (1)	4Q23
1	**Credit risk (excluding counterparty credit risk)**	**34,355,688**	**33,420,572**	**32,595,074**	**2,748,455**
2	Of which: with standardised approach (SA)	17,213,552	16,445,901	15,837,840	1,377,084
3	Of which: with the foundation IRB approach (F-IRB)	10,622,142	10,414,312	10,269,886	849,771
4	Of which: slotting criteria	488,222	478,519	451,437	39,058
EU 4a	Of which: equities under the simple risk weighting method				
5	Of which: advanced internal ratings based (IRB) approach	6,031,773	6,081,839	6,035,911	482,542
6	**Counterparty credit risk (CCR)**	**330,951**	**273,003**	**309,001**	**26,476**
7	Of which: with standardised approach	241,110	167,338	247,734	19,289
8	Of which: with the internal model method (IMM)				
EU 8a	Of which: exposures to a central counterpart	16,343	47,646	19,371	1,307
EU 8b	Of which: credit valuation adjustment (CVA)	64,113	51,538	41,188	5,129
9	Of which: other counterparty risk	9,385	6,480	707	751
15	**Settlement risk**				
16	**Securitisation exposures in loans and receivables (after application of the cap)**	**100,450**	**104,579**	**150,638**	**8,036**
17	Of which: the SEC-IRBA method	100,450	104,579	150,638	8,036
18	Of which: the SEC-ERBA approach (including the internal assessment approach)				
19	Of which: with the SEC-SA method				
EU 19a	Of which: 1250%				
20	**Position, exchange rate and commodity risks (market risk)**	**264,014**	**249,369**	**200,019**	**21,121**
21	Of which: with standardised approach (SA)	264,014	249,369	200,019	21,121
22	Of which: with the internal model method (IMM)				
EU 22a	**Large exposures**				
23	**Operational risk**	**3,966,523**	**3,346,804**	**3,346,804**	**317,322**
EU 23a	Of which: with the basic indicator approach				
EU 23b	Of which: with standardised approach	3,966,523	3,346,804	3,346,804	317,322
EU 23c	Of which: with the advanced measurement approach				
24	**Amounts below the thresholds for deduction (subject to 250% risk weight) (2)**	**910,374**	**929,504**	**999,134**	**72,830**
29	**Total**	**39,017,626**	**37,394,327**	**36,601,535**	**3,121,410**

Figures in thousands of euros

(*) Data included in the total for row 2

Key metrics template (KM1)

		a	b	c	cease	and
		4Q23	3Q23	2Q23	1Q23	4Q22 (1)
	Available shareholders' equity					
1	Common equity tier 1 (2)	4,799,116	4,667,130	4,547,983	4,414,908	4,342,023
2	Tier 1 capital	5,449,116	5,317,130	5,197,983	5,064,908	4,692,023
3	Total capital	6,278,994	6,147,501	6,028,354	5,895,279	5,522,394
	Amount of risk-weighted exposure					
4	Total amount of risk-weighted exposure	**39,017,626**	**37,394,327**	**37,113,989**	**36,479,088**	**36,601,535**
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common equity tier 1 ratios (%)	12.30 %	12.48%	12.25%	12.10%	11.86%
6	Equity tier 1 ratio (%)	13.97 %	14.22%	14.01%	13.88%	12.82%
7	Total capital ratio (%)	16.09%	16.44%	16.24%	16.16%	15.09%
	Additional own funds requirements for risks other than the risk of excessive leverage (as a percentage of the risk-weighted exposure amount)					
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	0.73 %	0.73%	0.73%	0.73%	0.73%
EU 7b	Of which: composed of common equity tier 1 (percentage points)	0.24 %	0.24%	0.24%	0.24%	0.24%
EU 7c	Of which: composed of common equity tier 1 (percentage points)	0.32 %	0.32%	0.32%	0.32%	0.32%
EU 7d	Total SREP own funds requirements (%)	9.29%	9.29%	9.29%	9.29%	9.29%
	Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer (%)	2.50 %	2.50%	2.50%	2.50%	2.50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk observed in a Member State (%)	— %	— %	— %	— %	— %
9	Institution-specific countercyclical capital buffer (%)	0.05 %	0.02%	0.02%	— %	— %
EU 9a	Systemic risk buffer (%)	— %	— %	— %	— %	— %
10	Global systemically important entities buffer (%)	— %	— %	— %	— %	— %
EU 10a	Other systemically important entities buffer (%)	— %	— %	— %	— %	— %
11	Combined buffer requirement	2.55%	2.52%	2.52%	2.50%	2.50%
EU 11a	Overall capital requirement (%)	11.84%	11.81%	11.81%	11.79%	11.79%
12	Common Equity Tier 1 capital available after meeting the total of the SREP's own funds requirements (%)	6.80 %	7.15%	6.95%	6.64%	5.80%
	Leverage ratio					
13	Total exposure measurement	112,070,874	106,936,477	106,731,601	105,427,044	106,581,781
14	Leverage ratio (%)	4.86%	4.97%	4.87%	4.80%	4.40%
	Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)					
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	— %	— %	— %	— %	— %
EU 14b	Of which: composed of CET1 (percentage points)	— %	— %	— %	— %	— %
EU 14c	Total SREP leverage ratio requirements (%)	3 %	3%	3%	3%	3%
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of the total exposure measure)					
EU 14d	Required leverage ratio buffer requirement (%)	— %	— %	— %	— %	— %
EU 14e	Overall leverage ratio requirement (%)	3%	3%	3%	3%	3%
	Liquidity coverage ratio (1)					
15	Total high quality liquid assets (HQLA) (value-weighted, average)	19,623,539	19,263,149	19,440,621	20,061,847	22,065,845
EU 16a	Cash outflows — Total weighted value	14,946,234	14,875,472	15,039,813	15,088,034	15,279,982

EU 16b	Cash inflows – Total weighted value	5,361,053	5,251,865	5,273,739	4,989,313	4,698,919
16	Total net cash outflows (adjusted value)	9,585,181	9,623,607	9,766,074	10,098,721	10,581,063
17	Liquidity coverage ratio (%)	206.28 %	201.64%	200.86%	198.40%	208.41%
	Net stable funding ratio					
18	Total stable funding available	75,113,959	72,965,424	73,243,717	69,260,108	71,590,503
19	Total stable funding total required	53,259,424	51,934,464	52,303,231	51,113,040	51,238,554
20	Net stable funding ratio (%)	141.03 %	140.50%	140.04%	135.50%	139.72%

Figures in thousands of euros

Notes:

(1) The December 2022 ratio has been recalculated given the adoption of a more conservative criterion in the treatment of some guarantees when calculating risk-weighted assets.

3.2. Description of the internal capital adequacy assessment process

One of the requirements established in Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 (modified by the European Directive 2019/878/EU of the European Parliament and of the Council of May 20, 2019), on access to the activity of credit institutions and their prudential supervision, is that the institutions must conduct, at least annually, an internal capital adequacy assessment process following the guidelines established in that Directive. Bankinter conducts its internal capital adequacy assessment process following the guidelines set by supervisors and regulators.

The following aspects are included in the Bank's internal capital adequacy assessment process (ICAAP):

- **Risk profile of the Group:** an assessment is made of the inherent and residual risk involved in the various risks to which the Institution is exposed. An internal quantitative and qualitative assessment is carried out of credit, market, operational and liquidity risks, and of the amount of capital necessary to cover such risks.
- **Governance, management and risk control systems:** the Bank's corporate governance procedures and system and the control and management processes of each relevant risk, as well as their adequacy for the Institution's risk profile, is assessed during the process.

  The European Banking Authority 'Guidelines on Internal Governance' are employed in the assessment of the corporate governance system. The Institution's risk culture, its reflection in the organisation of the function, its policies and procedures in terms of risks, and the procedures related to internal control and audit are assessed in the review of risk management and control.
- **Risk measurement and quantification of internal capital:** internal methods are used to quantify the capital requirements for Pillar 2 risks to which the company is exposed. Capital adequacy is therefore assessed beyond the traditional regulatory risks (credit, market and operational risks) by considering, among others, structural interest rate risks, concentration risks, reputational risks, business risks and climate risks.
- **Capital target:** this is set in terms of Common Equity Tier 1 (CET1) and Total Capital, and is compared to existing levels of capital. These targets are set by the board of directors, and it monitors them periodically.
- **Capital planning:** the Group's capital plan is summarised and assessed in the medium term, including the actions established in the strategic and business plans, and the capitalisation and dividend policies. The capital plan is subjected to stress scenarios in order to assess the resilience of the Institution's capital levels in adverse situations.
- **Capital contingency planning:** the potential sources of capital generation available to the entity in the event of a potential deterioration in its capital position are described and assessed. This analysis provides the governing bodies with an overview of the potential strategies available and the impact of their implementation.
- **Future action programme:** this includes the actions established to correct any weakness identified in the internal capital adequacy assessment process, as well as any action established to improve the control and management of risks.

The internal capital adequacy assessment process is carried out continuously throughout the year and involves several areas of the Institution. The process is materialised in the internal capital adequacy assessment report, which is approved annually by the board of directors and submitted to the Supervisor. This report is the basis for dialogue with the Supervisor on the Institution's medium-term plans, risk profile and capital adequacy.

04

Credit risk

4. Credit risk

4.1. Information on exposure to credit risk

4.1.1. Impairment of financial assets

Note 5i) of the notes to the Group's 2023 annual consolidated financial statements defines the concepts related to impairment of financial assets.

Debt instruments and off-balance-sheet exposures:

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

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

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

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

Forward-looking information through the use of alternative scenarios and the occurrence of future idiosyncratic items is taken into consideration in both determining expected credit losses and classifying credit risk exposures. Expected credit losses are weighted by the probability of occurrence of each scenario or idiosyncratic event.

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

1) **Performing exposure (Stage 1):** includes transactions for which credit risk has not increased significantly since initial recognition. The loss allowance will be measured at an amount equal to 12-month expected credit losses. Interest income will be calculated by applying the effective interest rate to the financial asset's gross carrying amount.

2) **Watchlist exposures (Stage 2):** includes transactions with a significant increase in credit risk since initial recognition, but no default event or impairment. The loss allowance will be measured at an amount equal to the financial asset's lifetime expected credit losses. Interest income will be calculated by applying the effective interest rate to the financial asset's gross carrying amount.

3) **Non-performing exposures (Stage 3):** includes credit-impaired assets; i.e. that present a default event or impairment. The loss allowance is measured at an amount equal to the financial asset's lifetime expected credit losses. Interest income will be calculated applying the effective interest rate to the financial asset's amortised cost (i.e. adjusted for any impairment losses). If these positions are reclassified to Stage 1 or Stage 2, the reversal of previously recognised impairment losses is recognised as a loss allowance update, not as interest income.

4) **Risks in default:** Transactions for which there is no reasonable expectation of recovery, or which are over 4 years past-due, will be included in this category. Classification in this category will entail recognising losses in profit or loss at the financial asset's carrying amount and its full derecognition, although the Group may take any actions necessary to attempt to collect until its rights have been definitively extinguished due to statute of limitations, forgiveness or other causes.

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

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

Note 44 to the financial statements, Risk Management and Policies, expands on this information, and also includes a section on the estimation of expected credit losses and another on forbearance policy.

The Group has established regular procedures to assess the reliability and coherence of the results obtained through its methods for collectively estimating credit loss allowances through back testing. These tests assess accuracy by subsequently comparing actual losses effectively observed on transactions.

Equity instruments: Joint ventures and associates

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

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

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

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

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

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

Regulatory definition of default

The definition of default used in the prudential parameters for the estimation of Bankinter Group's capital complies with the prudential requirements set out in Article 178 of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 (CRR) and the supervisory guidance and technical standards set out in the EBA/GL/2016/07 guidelines and Commission Delegated Regulation (EU) 2018/171 of 19 October 2017, as well as the materiality threshold requirements set out in European Central Bank Regulation (EU) 2018/1845 of 21 November 2018.

A set of concepts related to default are briefly defined below:

- Past due: Failure to pay or meet credit obligations by the payment maturity date.
- Default: (indistinctly bad). Default of a credit obligation in accordance with Article 178 of the Capital Requirement Regulation (CRR) and applicable for the purposes of determining capital requirements. The definition of default is the precise purpose of this section.
- Non-performing/doubtful: Credit default criterion according to Banco de España accounting circulars and Commission Regulation (EU) 2016/2067 of 22 November 2016 (hereinafter referred to as IFRS 9 interchangeably) used for the purpose of classifying exposures into phases or stages. Specifically, non-performing/doubtful corresponds to Stage 3.

The definition of default in Bankinter Group is set at the debtor level for legal entities and, as permitted by the CRR (art. 178.1), at the operation level for natural persons. In this respect, a debtor (for legal entities) or a transaction (for natural persons) is considered to be in default if one of the following conditions is met:

- It is in default of its payment obligation (principal, interest or fees) for 90 consecutive days, subject to specified materiality criteria, or is in the trial period: all accounts of the legal entity, if applicable, or a specific transaction in the case of natural persons.
- It is established that there are reasonable doubts about the ability or willingness of the counterparty to meet its payment obligations in a timely manner without the bank having to resort to legal action such as enforcement of collateral.

Includes situations where an obligation has been placed in default, or a foreclosure event has occurred, refinancings that may result in a significant decrease in the financial obligation as a result of forgiveness or deferral of principal, interest or fees for the above purpose should be identified as a default.

In the case of legal entities, the default is considered at the level of the debtor, so that all accounts in which that person is a holder are taken into account. In this way, all accounts of which the person is the holder and which are overdue are taken into account in the assessment of the debtor's default status.

The identification of default exposures with individuals takes place at the level of the transaction, such that the rest of the positions belonging to that person are not taken into account.

An exposure shall cease to be classified as a default if the conditions that led to its classification as a default are no longer fulfilled after the expiry of a "trial period", which would be one of the following cases:

- When the amounts outstanding (debt + interest) do not exceed the materiality criteria.
- When the conditions no longer exist which led to the exposure being classified as 'subjective doubtful'.

Although there are certain differences between the definition of 'default' used by the Group and the concept of non-performing/doubtful, (which fully responds to the definition of an 'Impaired Asset' contained in Appendix A of IFRS 9 as well as the indications of its Paragraph B5.5.37, considering in all cases that an instrument is recognised as doubtful when it is more than 90 days past due), these have no substantial effect. Therefore, the differences between portfolios in default and those classified as non-performing/doubtful are in practice limited. The main differences are as follows:

- The concept of non-performing/doubtful is applied at exposure level, which means that transactions from the same debtor may have different ratings (e.g. sustainable and unsustainable tranches in a restructuring agreement). On the other hand, for legal entities, the concept of default is applied at the customer level and, once they are considered to be in default, this carries over to all of their exposures. However, it should be noted that, where carry-over criteria are observed in relation to assets classified as non-performing/doubtful and, in general, for assets seen as 'subjective doubtful', then this carry-over effect is also applied at the individual level.
- The concept of default includes materiality thresholds, as mentioned earlier, not considered in non-performing/doubtful exposures.
- On the other hand, for individuals, the concept of default is applied at the exposure level, without considering automatic carry-over criteria like those in the case of non-performing/doubtful exposures.

The volume of doubtful loans and advances at the start and end of 2023, and the entries and exits that occurred during the period, are shown below.

Changes in the volume of non-performing loans and advances (CR2)

		a
		Gross carrying amount
10	**Initial volume of non-performing loans and advances**	**1,936,929**
20	Entries to non-performing portfolios	571,040
30	Exits from non-performing portfolio	(96,597)
40	Exits due to write-offs	(257,903)
50	Exits for other reasons*	(150,728)
60	**Final total of non-performing loans and advances**	**2,002,742**

Figures in thousands of euros

4.1.2. Transfers and removals from the balance sheet of financial instruments

Note 5k) of the notes to the Group's 2023 annual consolidated financial statements defines the concepts related to transfers and removals from the balance sheet of financial instruments.

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

- If the risks and rewards are substantially transferred to third parties, such as in the case of unconditional sales, sales with a buyback agreement at the fair value on the repurchase date, sales of financial assets with a purchase option acquired or a put option issued that is significantly out of the money, securitisations of assets in which the grantor does not retain subordinated financings nor grants any kind of credit improvement to the new holders, etc., the financial instrument transferred is removed from the balance sheet, and any right or obligation retained or created as a result of the transfer is simultaneously recognised.
- If the risks and rewards associated with the financial instrument transferred are substantially retained, such as in the case of sales of financial assets with a buyback agreement at a fixed price or at the sale price plus an interest charge, security loan contracts in which the borrower has the obligation to return the securities or similar assets, etc., the financial instrument transferred is not removed from the balance sheet and it continues to be measured with the same criteria used prior to the transfer. However, the related financial liability is recognised for an amount equal to the consideration received, which is subsequently measured at amortised cost. The income from the financial asset transferred but not removed from the balance sheet and the expenses of the new financial liability are recognised directly in the income statement.
- If the entity neither transfers nor retains substantially all the risks and rewards of ownership of the transferred financial instrument, such as in the case of sales of financial assets with a purchased call option or written put option that is not deeply in or out of the money, securitisations in which the transferor assumes a subordinated debt or another type of credit enhancement for a portion of the transferred asset, etc., a distinction is made between:
  - If the Group does not retain control of the transferred financial instrument, in which case it is derecognised and any right or obligation retained or created in the transfer is recognised.
  - If the Group does not retain control over the transferred financial instrument, in which case it continues to recognise it in the balance sheet at an amount equal to its exposure to the changes in value that may occur and a financial liability associated with the transferred financial asset is recognised.

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

Financial assets are therefore only written off the consolidated balance sheet when the cash flows that are generated have been extinguished or when all implicit risks and benefits have been substantially transferred to a third party. Similarly, financial liabilities are only removed from balance sheet when the obligations they generate have been extinguished or when they are acquired for the purpose of cancelling or reselling them.

4.1.3. Criteria for the recognition of earnings when removing assets from the balance sheet

When the transferred financial asset is completely removed from the balance sheet, an amount will be recognised in the income statement based on the difference between its carrying amount and the sum of a) the payment received, including any new asset obtained less any liability assumed, and b) any accumulated profit or loss recognised directly as "Accumulated other comprehensive income" in equity attributable to the transferred financial asset.

The accounting regulations establish that modification of a contract may, under certain circumstances, lead to derecognition of the balance of the source account and consideration of the destination account as a "new" transaction. The general interpretation of this paragraph is that derecognition and addition of the balance is only justified by a substantial change in the conditions of the financial instrument.

Accordingly, the Bank's internal procedures provide that refinancings and restructurings may only be considered as new operations when the following conditions are simultaneously met, with due justification:

a) Doubtful transactions are refinanced or, if not, the new refinancing transaction is reclassified as a doubtful risk.

b) There is a substantial modification of the terms of the contract. These include:

- Incorporation of participants that substantially change the risk profile of the transaction.
- Provision of additional guarantees that substantially improve the prospects of recovery in the event of default.
- Refinancing is the result of a judicial or bankruptcy process that results in a debt settlement from which a sustainability agreement on a part of the debt emerges. Information on credit risks

In accordance with Chapter 2 of Title II of Regulation (EU) 575/2013, modified by Regulation (EU) 2019/876, exposure refers to all asset items and memorandum accounts that incorporate credit risk and that have not been deducted from own funds. Therefore, it includes entries for loans and advances, debt securities, equity instruments, derivatives, cash and deposits with central banks and other demand deposits, guarantees and contingent obligations.

As previously indicated in this report, one of Bankinter Group's primary objectives is to maintain a moderate and prudent risk profile. To do this, Bankinter uses the risk appetite framework as a governance tool to ensure that the risk levels assumed are consistent with the Group's strategy and business plans. These objectives apply to credit risk, which is also the main risk to which the Group is subject. The structure and organisation of the credit risk management and control functions, the relationships between the credit risk management, risk control, compliance and internal audit functions, has been previously explained throughout sections 1.3. and 1.4. of this report.

Note 44 of the notes to the annual consolidated financial statements contains a breakdown of the information on credit risk policies and management, along with the procedures and criteria for estimating it.

This section provides information on credit risk exposures according to Article 442 of Regulation (EU) 575/2013:

- By maturity of exposures.
- Credit quality of credit risk exposures:
  - Non-performing and performing exposures.
  - Restructured or forborne exposures.
  - Performing and non-performing exposures by maturity days.
  - Doubtful exposures by geographic area and sector of activity.
  - Loans and advances to non-financial corporations by sector of activity.
  - Collateral obtained by taking possession and execution processes.

4.2.1. Maturity of exposures:

This section presents the breakdown of loans and debt securities by residual maturity, as referred to in Article 442(g) of Regulation (EU) 575/2013:

Maturity of exposures (CR1-A)

		a	b	c	d	e	f
		Value of net exposure					
		On demand	≤ 1 year	> 1 year < = 5 years	> 5 years	No set maturity	Total
1	Loans and advances	88	17,147	14,528	45,531	5,318	82,612
2	Debt securities		2,028	3,601	7,276		12,906
3	Total	88	19,176	18,129	52,807	5,318	95,517

Figures in millions of euros

4.2.3. Credit quality of credit risk exposures:

This section provides information on credit risk exposures according to Article 442 sections c), e) and f) of Regulation (EU) 575/2013.

Performing and non-performing exposures and related provisions (CR1)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount / nominal amount						Accumulated impairment and provisions and negative fair value adjustments due to credit risk							Collateral and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures - Accumulated impairment and provisions			Non-performing exposures - Accumulated impairment and provisions and negative fair value adjustments due to credit risk			Accumulated partial write-offs	On performing exposures	On non-performing exposures
			Of which: Stage 1	Of which: Stage 2		Of which: Stage 2	Of which: Stage 3		Of which: Stage 1	Of which: Stage 2		Of which: Stage 2	Of which: Stage 3			
5	Cash balances at central banks and other demand deposits	13,683,505	13,683,505	–	–	–	–	–	–	–	–	–	–		–	–
10	Loans and advances	79,404,401	77,043,336	2,352,026	2,002,742	157,012	1,760,424	(234,202)	(153,088)	(85,738)	(903,080)	(12,166)	(887,077)	–	51,595,442	928,852
20	Central banks	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
30	Public administrations	1,335,230	1,335,230	–	2,816	–	2,810	–	–	–	–	–	–	–	163,563	2,432
40	Credit institutions	6,070,428	6,070,398	30	80	–	80	–	–	–	–	–	–	–	28,043	–
50	Other financial corporations	3,640,864	3,619,713	21,151	7,890	785	7,104	(1,892)	(1,847)	(45)	(2,786)	–	(2,786)	–	819,284	4,749
60	Non-financial corporations	29,347,770	27,984,638	1,361,808	1,246,185	72,389	1,123,750	(110,225)	(66,051)	(46,313)	(589,273)	(4,398)	(583,379)	–	17,116,024	605,688
70	Of which, SMEs	17,300,332	16,271,464	1,027,545	1,093,511	67,572	992,619	(81,169)	(43,233)	(40,074)	(532,045)	(4,235)	(526,652)	–	12,601,712	549,724
80	Households	39,010,109	38,033,357	969,037	745,770	83,838	626,680	(122,085)	(85,190)	(39,379)	(311,021)	(7,768)	(300,912)	–	33,468,528	315,983
90	Debt securities	11,682,600	11,681,713	–	10,137	–	10,137	(3,515)	(3,515)	–	(9,550)	–	(9,550)	–	–	–
100	Central banks	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
110	Public administrations	8,830,820	8,830,820	–	–	–	–	(319)	(319)	–	–	–	–	–	–	–
120	Credit institutions	1,847,726	1,847,726	–	–	–	–	(54)	(54)	–	–	–	–	–	–	–
130	Other financial corporations	52,712	52,707	–	–	–	–	(317)	(317)	–	–	–	–	–	–	–
140	Non-financial corporations	951,343	950,460	–	10,137	–	10,137	(2,824)	(2,824)	–	(9,550)	–	(9,550)	–	–	–
150	Off balance sheet exposures	29,049,358	28,476,640	436,122	87,108	33,578	12,364	(23,231)	(21,140)	(2,091)	(6,210)	(1,607)	(2,447)	–	3,182,188	25,546
160	Central banks	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
170	Public administrations	1,049,234	1,049,234	–	–	–	–	–	–	–	–	–	–	–	2,848	–
180	Credit institutions	1,012,144	1,012,129	–	–	–	–	(105)	(105)	–	–	–	–	–	4,580	–
190	Other financial corporations	1,888,776	1,860,176	3,389	200	–	119	–	–	–	(8)	–	–	–	101,493	11
200	Non-financial corporations	19,486,882	19,092,026	346,289	85,754	32,953	12,129	(13,934)	(12,283)	(1,651)	(6,179)	(1,601)	(2,440)	–	2,596,274	25,328
210	Households	5,612,322	5,463,074	86,445	1,154	625	116	(9,191)	(8,752)	(439)	(23)	(6)	(7)	–	476,993	207
220	**Total**	**120,136,359**	**117,201,689**	**2,788,148**	**2,099,987**	**190,590**	**1,782,926**	**(260,947)**	**(177,742)**	**(87,829)**	**(918,840)**	**(13,773)**	**(899,074)**	**–**	**54,777,630**	**954,398**

Figures in thousands of euros

Details are provided below of the credit quality of forborne exposures at 31 December 2023.

Credit quality of forborne exposures (CQ1)

		a	b	c	d	e	f	g	h
		Gross carrying amount/nominal amount of forborne exposures				Accumulated impairment and provisions and negative fair value adjustments due to credit risk		Collateral and financial guarantees received on forborne exposures	
		Forborne performing exposures	Forborne non-performing exposures	Of which: in default	Of which: with impairment	On forborne performing exposures	On forborne non-performing exposures		Collateral and financial guarantees received on forborne non-performing exposures
5	Cash balances at central banks and other demand deposits	—						—	
10	**Loans and advances**	474,872	455,613	451,705	367,712	(9,131)	(160,211)	681,886	266,741
20	Central banks	—	—	—	—	—	—	—	—
30	Public administrations	—	—	—	—	—	—	—	—
40	Credit institutions	—	—	—	—	—	—	—	—
50	Other financial corporations	2,473	2,984	2,984	2,975	(17)	(1,679)	3,289	982
60	Non-financial corporations	274,296	310,351	310,027	266,168	(5,569)	(128,261)	208,093	163,282
70	Households	198,104	142,279	138,694	98,569	(3,544)	(30,271)	280,851	102,477
80	**Debt securities**	—	—	—	—	—	—	—	—
90	**Loan commitments given**	36,302	2	1	1	—	—	—	—
100	**Total**	**511,174**	**455,615**	**451,707**	**367,713**	**(9,131)**	**(160,211)**	**681,886**	**266,741**

Figures in thousands of

The following chart provides information on the credit quality of performing and non-performing exposures by maturity days, at 31 December 2023.

Credit quality of performing and non-performing exposures by maturity days (CQ3)

	a	b	c	d	e	f	g	h	i	j	k	l
	Gross carrying amount/nominal amount											
	Exposures without defaults			Non-performing exposures								
		Not past due or past due =< 30 days	Past due >30 days =< 90 days		Unlikely to pay not past due or past due =< 90 days	Past due >90 days =< 180 days	Past due >180 days =< 1 year	Past due >1 year =< 2 years	Past due >2 years =< 5 years	Past due >5 years =< 7 years	Past due > 7 years	of which: with default
5 Cash balances at central banks and other demand deposits	13,683,505	13,683,505	–	–	–	–	–	–	–	–	–	–
10 Loans and advances	**79,404,401**	**79,201,639**	**202,762**	**2,002,742**	**522,044**	**174,810**	**276,655**	**330,864**	**318,589**	**120,847**	**258,932**	**1,946,947**
20 Central banks	–	–	–	–	–	–	–	–	–	–	–	–
30 Public administrations	1,335,230	1,334,928	302	2,816	5	–	2,708	–	–	–	103	2,816
40 Credit institutions	6,070,428	6,070,398	30	80	80	–	–	–	–	–	–	–
50 Other financial corporations	3,640,864	3,640,829	36	7,890	1,385	2,283	610	94	474	1,931	1,113	5,910
60 Non-financial corporations	29,347,770	29,277,436	70,334	1,246,185	347,667	72,560	146,568	183,063	252,228	89,580	154,519	1,223,813
70 Of which: SMEs	17,300,332	17,235,366	64,966	1,093,511	281,091	65,807	120,838	171,327	220,704	86,251	147,494	1,081,138
80 Households	39,010,109	38,878,048	132,061	745,770	172,906	99,968	126,770	147,706	65,888	29,336	103,197	714,408
90 Debt securities	**11,682,600**	**11,682,600**	**–**	**10,137**	**–**	**10,137**	**–**	**–**	**–**	**–**	**–**	**10,137**
100 Central banks	–	–	–	–	–	–	–	–	–	–	–	–
110 Public administrations	8,830,820	8,830,820	–	–	–	–	–	–	–	–	–	–
120 Credit institutions	1,847,726	1,847,726	–	–	–	–	–	–	–	–	–	–
130 Other financial corporations	52,712	52,712	–	–	–	–	–	–	–	–	–	–
140 Non-financial corporations	951,343	951,343	–	10,137	–	10,137	–	–	–	–	–	10,137
150 Off balance sheet exposures	**29,049,358**			**87,108**								**77,860**
160 Central banks	–			–								–
170 Public administrations	1,049,234			–								–
180 Credit institutions	1,012,144			–								–
190 Other financial corporations	1,888,776			200								173
200 Non-financial corporations	19,486,882			85,754								77,163
210 Households	5,612,322			1,154								524
220 **Total**	**120,136,359**	**90,884,239**	**202,762**	**2,099,987**	**522,044**	**184,948**	**276,655**	**330,864**	**318,589**	**120,847**	**258,932**	**2,034,945**

Figures in thousands of euros

The following chart provides information on the credit quality of non-performing exposures by country, at 31 December 2023.

Quality of non-performing exposures by geographical location (CQ4)

		a	b (1)	c	d (2)	e	f	g
		Gross carrying amount/nominal amount				Accumulated impairment	Off-balance sheet provisions for commitments and guarantees given	Accumulated negative changes in fair value due to credit risk for non-performing exposures
			of which: non-performing		Of which: subject to impairment			
				Of which: with default				
10	**On-balance sheet exposures**	**93,099,880**		**1,957,085**		**(1,150,347)**		
20	Spain	66,908,983		1,819,761		(1,003,988)		
30	Portugal	10,009,648		99,846		(90,725)		
70	Other countries	16,181,249		37,478		(55,634)		
80	**Off balance sheet exposures**	**29,136,465**		**77,860**			**29,441**	
90	Spain	24,158,600		73,617			24,813	
100	Portugal	2,221,231		4,074			2,858	
140	Other countries	2,756,634		169			1,770	
150	**Total**	**122,236,346**		**2,034,945**		**(1,150,347)**	**29,441**	

Figures in thousands of euros

Below is a table detailing the credit quality of loan and advance exposures to non-financial corporations by sector of activity at 31 December 2023:

Credit quality of loans and advances to non-financial corporations by sector of activity (CQ5)

		a	b (1)	c	d (2)	e	f
		Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk for non-performing exposures
			Of which: non-performing		Of which: loans and advances subject to impairment		
				Of which with default			
10	Agriculture, livestock raising, forestry and fishing	677,582		39,317		(21,237)	–
20	Mining and quarrying	80,791		2,427		(1,303)	–
30	Manufacturing	5,326,852		252,267		(124,375)	–
40	Supply of electricity, gas, steam and air conditioning	1,685,014		6,348		(6,459)	–
50	Water supply	196,369		4,436		(2,910)	–
60	Construction	2,806,078		159,456		(79,236)	–
70	Wholesale and retail trade	5,542,250		357,762		(189,235)	–
80	Transport and storage	1,067,600		53,918		(28,282)	–
90	Accommodation and food service activities	1,822,888		72,408		(27,201)	–
100	Information and communication	616,222		35,413		(18,554)	–
110	Real estate activities	–		–		–	–
120	Financial and insurance activities	4,443,531		65,808		(29,475)	–
130	Professional, scientific and technical activities	3,679,536		74,834		(40,888)	–
140	Administrative activities and ancillary services	1,255,033		64,446		(26,713)	–
150	Public administration and defence; compulsory social security	2,162		–		(3)	–
160	Education	128,223		7,395		(3,812)	–
170	Health and social service activities	427,507		9,066		(4,712)	–
180	Artistic, recreational and leisure activities	225,958		10,004		(3,755)	–
190	Other services	610,361		8,508		(91,347)	–
200	**Total**	**30,593,955**		**1,223,813**		**(699,498)**	–

Figures in thousands of euros

Notes:

(1), (2) Columns "b" and "d" have not been completed because they are not applicable under article 8.3. of Regulation (EU) 2021/637.

Finally, this section gives details of the collateral obtained by taking possession and through execution processes, at 31 December 2023.

Collateral obtained by taking possession and execution processes (CQ7)

		a	b
		Collateral obtained by taking possession	
		Value at initial recognition	Accumulated negative changes
10	Property, plant and equipment		
20	Other differences of items classified as property, plant and equipment	54,854	(24,145)
30	Residential real estate	28,400	(8,279)
40	Commercial real estate	22,536	(12,354)
50	Moveable property (vehicles, ships, etc.)	489	(82)
60	Debt and equity instruments	3,429	(3,429)
70	Other		
80	**Total**	**54,854**	**(24,145)**

Figures in thousands of euros

The difference between the value of assets at initial recognition and the accumulated negative changes is 72,141 thousand euros, excluding debt and equity instruments.

4.3. Information on counterparty credit risk

Chapter 6 of Regulation (EU) No 575/2013) of the European Parliament and the Council, as amended by Regulation (EU) No 2019/876 (CRR2), describes counterparty credit risk as the risk a counterparty to a transaction could default before the final settlement of the transaction's cash flows. The types of transactions in which this risk may arise are deferred settlement transactions, in which a counterparty agrees to deliver a security on a settlement date, and margin lending transactions, in which an entity extends credit in connection with the purchase, sale, transfer or trading of securities, not including other collateralised securities lending transactions.

The limits with each counterparty, including clearing houses, are established by the Risk division after analysing the counterparty's transactions and the macroeconomic situation, and they are submitted for approval to the appropriate body according to the powers circular. The limits are established on the basis of the term of the transactions to which the Entity is exposed and the guarantee contracts signed between the counterparty and Bankinter.

The control of these limits is performed by the Corporate Banking Risk function, which is independent of the business units. The same operational platform used by Treasury is used for this control. The use of transactions subject to the counterparty limits is measured in terms of the mark-to-market (MtM) valuation plus the potential risk and bearing in mind possible risk mitigating factors (netting arrangements, collateral). The consumption of the limits of the clearing houses, given the joint guarantee of all members, is considered exclusively the MtM.

4.3.1. Counterparty credit risk management policy

Bankinter Group's counterparty credit risk management mainly aims to align security with the Institution's business objectives.

The Group has signed collateral agreements - Credit Support Annexes (CSA) or Master Agreements for Financial Transactions (MAFT) - with the majority of the counterparties with which it operates bilaterally. These agreements entail either the receipt of collateral to secure the net balance owed by the counterparty or the contribution of collateral to the counterparty to secure the net balance owed by the Group, depending on how the transaction is settled.

Bankinter has a tool especially designed to process and manage the collateral contracts signed bilaterally with counterparties. This application enables the management of collateral at a transaction level (useful for controlling and monitoring the status of specific transactions) as well as at a position level by providing aggregate information according to different parameters or characteristics. The market prices of transactions subject to such contracts and the deposits made by the counterparties are monitored on a daily basis. Once the amount of the collateral to be delivered or received is calculated, the collateral demand, or the demand received by the counterparty, is carried out at the intervals established in the contract, usually daily. If significant variations arise in the calculation of the valuation between the counterparties, Treasury Back Office reports them weekly to the Market Risks and Treasury areas for subsequent analysis and monitoring.

The institution's external rating is closely linked to the level of collateral that it must contribute in transactions subject to CSA/MAFT agreements. A downgrade of an institution's credit quality below a certain level would involve, if settlement of the transaction entails providing guarantees, contributing a larger amount. In the particular case of Bankinter, a downgrade of its external rating below the investment grade would involve providing an additional 4.8 million euros for the active CSA contracts at 31 December 2023.

4.3.2. Collateral policy and policy regarding the risk of negative correlations.

The Group is not involved in activities involving the netting of assets and liabilities. However, it is involved in activities that require the posting of reciprocal collateral with counterparties calculated on a net risk basis.

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

In addition, guarantees for 425 million euros have been deposited in clearing houses.

Derivatives may have wrong way adverse effects between the guarantee and the guarantor, but there is no risk at year end when the entirety of the collateral is received in cash.

4.3.3. Amounts of counterparty credit risk

In accordance with the conditions set out in Chapter 6, Counterparty Risk, of Title II, of Regulation 575/2013, for the use of the different approaches for calculating the exposure value and capital requirements for counterparty risk, Bankinter uses the standardised approach, as explained in Section 3 of Chapter 6 of the CRR.

Under this method, counterparty risk is obtained by adding the replacement cost and the potential future exposure calculated in accordance with the provisions of this section and multiplying this sum by an alpha factor of 1.4.

Replacement cost is calculated for netting rates within a margin agreement and includes factors such as current market value and collateral received or posted. The latter are used to mitigate risk.

Potential future exposure is calculated by applying a multiplication factor to an add-on which is calculated differently depending on the risk categories of each instrument. These categories are: interest rate risk, foreign exchange risk, credit risk, equity risk and commodity risk. The financial collateral comprehensive approach is used for SFTs, using volatility adjustments in accordance with the supervisory approach set out in the CRR.

The total net exposure for counterparty risk amounted to 784,177 thousand euros at 31 December 2023, including exposure from repurchase agreements. The breakdown of exposure and of the counterparty credit risk-weighted assets of OTC derivatives and repo operations for 2023 is as follows:

Analysis of CCR exposure by approach (CCR1)

		a	b	c	d	e	f	g	h
		Replacement cost	Potential future exposure	Effective EPE	Alpha used to calculate the value of regulatory exposure	Exposure value before application of credit risk mitigation techniques	Exposure value after application of credit risk mitigation techniques	Exposure value	Amount of risk-weighted exposure
EU-	EU – Original risk method (for derivatives)				1.4				
EU-	EU – Simplified standardised approach for counterparty risk (for derivatives)				1.4				
1	Standardised approach for counterparty risk (for derivatives)	98,812	251,366		1.4	913,568	626,262	626,262	257,453
2	MMI (for derivatives and securities financing transactions)								
2a	Of which: netting sets of securities financing transactions								
2b	Of which: sets of derivatives transactions and netting transactions with deferred settlement								
2c	Of which: from netting sets of netting transactions with contractual netting across products								
3	Simple method for collateral of a financial nature (for securities financing transactions)								
4	Comprehensive method for financial collateral (for securities financing transactions)					6,045,113	190,841	190,841	9,385
5	VaR for securities financing transactions								
6	**Total**					6,958,680	817,103	817,103	266,838

Figures in thousands of euros

Standardised approach - Counterparty risk exposures by regulatory exposure categories and risk weights (CCR3)

		a	b	c	d	e	f	g	h	i	j	k	l
		Risk weighting											
	Exposure category	—%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Other	Total exposure value
1	Central governments or central banks	226,309											226,309
2	Regional governments or local authorities												
3	Public sector entities												
4	Multilateral development banks												
5	International organisations												
6	Institutions	—	92,689	5,968	—	94,750	238,649	—	—	—	—		432,056
7	Companies									125,812			125,812
8	Retail exposures								—				—
9	Entities and companies with short-term credit rating												
10	Other items												
11	**Total exposure value**	**226,309**	**92,689**	**5,968**	**—**	**94,750**	**238,649**	**—**	**—**	**125,812**	**—**	**—**	**784,177**

Figures in thousands of euros

(*) In the table above, rows with no information have been omitted.

The breakdown below includes collateral employed in transactions with derivatives at the close of 2023. The fair values of collateral, received and posted, have followed the trend in market prices over the year.

Composition of collateral for counterparty risk exposures (CCR5)

		a	b	c	d	e	f	g	h
		Collateral pledged in derivatives transactions				Collateral pledged in securities financing transactions			
	Type of collateral	Fair value of collateral received		Fair value of collateral pledged		Fair value of collateral received		Fair value of collateral pledged	
		Segregated	Not segregated	Segregated	Not segregated	Segregated	Not segregated	Segregated	Not segregated
1	Cash - domestic currency	561,063		135,456		6,463		169,467	
2	Cash - other currencies								
3	Domestic sovereign debt								
4	Other sovereign debt								
5	Debt of public bodies								
6	Corporate bonds								
7	Equity instruments								
8	Other collateral								
9	**Total**	**561,063**		**135,456**		**6,463**		**169,467**	

Figures in thousands of euros

In transactions settled through clearing houses, risk-weighted assets would amount to €16,343 million at the end of the reporting period, taking into account the part of the contribution to the default guarantee fund.

Exposures to CCP (CCR8)

		a	b
		Exposure value	Amount of risk-weighted exposure
1	Exposures to qualifying CCPs (QCCP) (total)		**16,343**
2	**Transaction exposures to QCCP (excluding initial margin and default fund contributions); of which:**	**119,874**	15,685
3	(i) OTC derivatives	92,689	1,854
4	(ii) Derivatives traded on organised markets	27,185	13,831
5	(iii) Securities financing transactions	–	–
6	(iv) Nettable transaction sets for which cross-product netting has been approved		
7	Segregated initial margin		
8	Non-segregated initial margin		
9	Pre-funded contributions to the default fund	32,926	659
10	Non-funded contributions to the default fund		
11	Exposures to unqualifying CCPs (total)		
12	**Transaction exposures to unqualifying CCP (excluding initial margin and default fund contributions); of which:**		
13	(i) OTC derivatives		
14	(ii) Derivatives traded on organised markets		
15	(iii) Securities financing transactions		
16	(iv) Nettable transaction sets for which cross-product netting has been approved		
17	Segregated initial margin		
18	Non-segregated initial margin		
19	Pre-funded contributions to the default fund		
20	Non-funded contributions to the default fund		

Figures in thousands of euros

All exposures to central counterparties correspond to QCCP. These have also followed the trends in the markets over the period without experiencing significant changes compared to the previous year, since there have been no changes in OTC derivatives trades made through these CCPs.

Lastly, the Institution has no exposure in credit derivatives at year end.

4.3.4. CVA capital charge

According to Title IV of the CRR, credit valuation adjustments (CVA) are adjustments of valuations of the portfolio of transactions with a counterparty to average market prices that reflect the current market value of the counterparty's credit risk for the Entity.

The credit valuation adjustment (CVA) is the difference between the risk-free valuation and the real valuation of the portfolio, including counterparty credit risk. Thus, the CVA capital charge aims to cover losses caused by changes in the market value of the portfolio due to CVA variations.

Bankinter uses the standardised approach established in the CRR to calculate its CVA own funds requirements. The amounts relating to credit risk adjustments for OTC derivative instruments at 31 December 2023 are shown below.

Transactions subject to own funds requirements for CVA risk (CCR2)

		a	b
		Exposure value	Amount of risk-weighted exposure
1	**Total transactions subject to the advanced method**		
2	(i) VaR component (including the 3x multiplier)		
3	(ii) SVaR component (including the 3x multiplier)		
4	Transactions subject to the standardised approach	71,694	64,113
EU- 5	Transactions subject to the alternative approach (based on the original risk approach)		
5	**Total transactions subject to own funds requirements for CVA risk**	**71,694**	**64,113**

Figures in thousands of euros

4.4. Information on the standardised approach

As established in Chapter 2 of Title II of Regulation (EU) 575/2013, modified by Regulation (EU) 2019/876, the calculation of capital requirements for credit risk using the standardised approach is based on the exposure's assigned category and on its credit quality. The credit quality will be determined by reference to external ratings that external credit assessment institutions (ECAI) give to obligors or transactions.

4.4.1. Information on external credit assessment institutions

The External Credit Assessment Institutions (ECAI) appointed by the Group to determine the risk weightings applicable to its exposures are Standard & Poor's, Moody's, Fitch Ratings and DBRS Ratings.

In cases where a counterparty or operation has ratings from different rating agencies, Bankinter follows the procedure laid down in Article 138 of the Regulation, which specifies the following:

- When there are two different credit assessments, the higher risk weighting will be applied.
- However, when there are more than two credit assessments, the two lowest risk weightings shall be used. If the two weightings do not coincide, the higher of the two will be applied.

The exposures for which the ratings of different agencies are used are "Central Governments and Central Banks", "Public Sector Entities", "Rated institutions", "Enterprises" and "Covered bonds". The following table presents the correspondence between risk ratings from the different credit assessment institutions and the risk weightings applied according to the exposure category:

Credit quality level	External long-term ratings				Risk weighting					
	S&P	Moody's	Fitch	DBRS	Central governments and	Public sector entities	Institut. < = 3 months	Institut. > 3 months	Unrated institutions	Corporates
1	AAA to AA-	Aaa to Aaa3	AAA to AA-	AAA to AAL	0%	20%	20%	20%	20%	20%
2	A+ to A-	A1 to A3	A+ to A-	AH to AL	20%	50%	20%	50%	50%	50%
3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-	BBBH to BBBL	50%	100%	20%	50%	100%	100%
4	BB+ to BB-	Ba1 to Ba3	BB+ to BB-	BBH to BBL	100%	100%	50%	100%	100%	100%
5	B+ to B-	B1 to B3	B+ to B-	BH to BL	100%	100%	50%	100%	100%	150%
6	< B	< B3	< B	< CCCH	150%	150%	150%	150%	150%	150%

4.4.2. Credit ratings of public securities issues

At present, no process exists in the Institution to assign credit ratings of public securities issues to comparable assets not included in the trading book

4.4.3. Exposure values before and after application of credit risk mitigation techniques

As set forth in chapter 4 of Title II of the Regulation, institutions may recognise, in their calculation of capital requirements for credit risk, the mitigation of risk by collateral, personal guarantees and netting agreements associated with operations that meet the criteria and requirements specified in the regulation.

Depending on the type of guarantee used, the mitigation of the credit risk can be reflected in the exposure value or in the risk weight applied.

The following table presents the amounts for net exposure amounts before and after the application of credit risk mitigation techniques, broken down by risk category and weightings and excluding securitisation positions and exposure to counterparty credit risk.

Standardised approach: credit risk exposure and Credit Risk Mitigation (CRM) effects (CR4)

	Exposure category	Exposures prior to the application of conversion factors and credit risk mitigation		Exposures after the application of conversion factors and credit risk mitigation		RWA and RWA density	
		On-balance sheet exposures	Off balance sheet exposures	On-balance sheet exposures	Off balance sheet exposures	RWA	RWA density (%)
		a	b	c	d	e	f
1	Central government	24,625,925	1,280,858	26,782,605	793,878	4	0.00%
2	Regional governments or local authorities	986,704	59,100	986,485	6,446	10,350	1.04%
3	Public sector entities	70,764	27,271	70,733	12,421	83,153	100.00%
4	Multilateral development banks	45,715	–	66,351	–	–	0.00%
5	International organisations	–	–	–	–	–	0.00%
6	Financial institutions	6,952,151	1,296,470	6,977,013	234,607	2,754,250	38.19%
7	Companies	4,091,115	2,354,360	3,269,910	561,200	3,190,814	83.29%
8	Retail	8,730,122	7,481,470	7,916,824	500,282	5,526,308	65.66%
9	Secured by mortgages on real estate	10,442,996	200,038	10,358,971	81,390	3,804,111	36.44%
10	In default	270,351	38,919	260,677	5,894	297,371	111.55%
11	Items associated with particularly high risks	111,172	9,514	110,872	2,069	169,411	150.00%
12	Covered bonds	–	–	–	–	–	0.00%
13	Institutions and companies with a short-term credit assessment	–	–	–	–	–	0.00%
14	Investments or shares in collective investment undertakings (CIUs)	–	–	–	–	–	0.00%
15	Equity	66,749	–	66,749	–	66,749	100.00%
16	Other exposures (1)	764,807	–	764,807	–	1,311,031	171.42%
17	**Total**	**57,158,570**	**12,748,000**	**57,631,994**	**2,198,186**	**17,213,552**	**28.77%**

Figures in thousands of euros

(*) Includes requirements for holdings in financial institutions in which there are significant investments below the 10% threshold (574,166 million euros of RWAs) and requirements for deferred tax assets that do not rely on future profitability.

The increase in risk-weighted assets during the year is mainly due to the growth of the credit business, which increase exposure to the regulatory categories.

4.4.4. Breakdown of exposure values by risk weights

The following table presents exposure after application of conversion factors and application of credit risk mitigation techniques, broken down by risk weightings and excluding securitisation positions and exposure to counterparty credit risk.

Standardised approach: exposures by asset classes and risk weights (CR5)

This table shows a breakdown of exposure by original risk weightings, without considering the SME reduction factor.

		Risk weighting																
	Exposure category	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Other	Total	Of which unrated
		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
1	Central government and administrations	27,576,479									4						27,576,482	–
2	Regional governments or local authorities	941,181				51,749											992,930	511,605
3	Public sector entities										83,153						83,153	83,153
4	Multilateral development banks	66,351															66,351	66,351
5	International organisations																	–
6	Financial institutions					3,124,748		3,915,143			171,729						7,211,620	3,660,860
7	Companies					13,363		145,471			3,672,275						3,831,109	3,642,696
8	Retail									8,417,106							8,417,106	8,416,659
9	Secured by mortgages on real estate						7,568,081	2,450,185		374,884	47,210						10,440,360	10,440,360
10	In default										204,972	61,600					266,571	266,542
11	Items associated with particularly high risks											112,941					112,941	112,941
12	Covered bonds																–	–
13	Institutions and companies with a																–	–
14	Investments or shares in collective investment undertakings (CIUs)																–	–
15	Equity										66,749						66,749	66,749
16	Other exposures (*)					–					400,657		364,150				764,807	764,807
17	**Total**	**28,584,010**				**3,189,861**	**7,568,081**	**6,510,799**		**8,791,990**	**4,646,748**	**174,541**	**364,150**				**59,830,180**	**28,032,724**

Figures in thousands of euros

(*) Includes requirements for holdings in financial institutions in which there are significant investments and requirements for deferred tax assets that do not rely on future profitability below the threshold of 10% of CET1.

4.5. Information on the IRB approach

4.5.1. General information

As established in chapter 3 of Title II of the Regulation (EU) 575/2013 regarding the calculation of risk-weighted exposures under the internal rating based (IRB) approach, institutions use their own risk parameters.

Bankinter Group uses its own internal models to estimate the risk parameters of its credit portfolio: the probability of default of the operations it grants, the exposure in case of default and the loss that these operations would generate. These models are used for accepting and monitoring credit operations, but also for other Bank processes, such as estimating the price of operations and calculating capital requirements for credit risk.

Authorisation by the Supervisor to employ the IRB approach and for the successive implementation plan

The Group has had authorisation from the Supervisor since 2008 to use the IRB approach when calculating the capital requirements for credit risk.

Bankinter is currently authorised to employ the IRB approach in the following portfolios in Spain:

- Residential mortgages for individuals.
- Personal loans and consumer loans for individuals
- Small businesses
- Medium-sized companies
- Very large companies (foundation IRB approach).
- Public Companies – Government-owned (Foundation IRB approach).
- Specialised developer lending

and the portfolio of home mortgages for individuals in Portugal.

The Supervisor has approved the internal calculation of Probability of Default (PD), Loss Given Default (LGD) and Credit Conversion Factor (CCF) parameters[2] for these portfolios. These parameters are specific for each portfolio and are reviewed annually, in accordance with prevailing regulations.

Bankinter has put in place a roll out plan whereby the following Bankinter Group portfolios will, over the next few years, be gradually incorporated into the IRB approach, subject to specific authorisation:

- Bankinter Consumer Finance personal loans in Spain.
- Residential mortgages for individuals in the EVO Banco Group and Avantmoney subsidiaries.
- Large companies in Spain.
- Very large companies in Bankinter Portugal.
- Public companies in which the government has a stake in Bankinter Portugal.

The Supervisor has also authorised Bankinter to permanently apply the standardised approach for exposures in the following portfolios in Spain:

- Public sector central administration
- Public sector regional administration
- Financial institutions
- Equity
- Current account overdrafts - Individuals

The remaining portfolios, in addition to those mentioned above, will be maintained under a permanent standardised approach, subject to supervisory approval.

Within Bankinter Group, the Global Risk Management Area develops internal ratings models. These models are submitted for approval and subsequent modifications to the models committee together with the independent review of the 2nd line of defence (Internal Validation area). In addition, those internal models with greater materiality are required to be approved by the executive risk committee before they can be implemented.

The models are maintained and reviewed internally at least once a year, in accordance with Bankinter Group's model policy. Backtesting is also periodically carried out as part of this review.

Bankinter Group has a master ratings scale of 17 levels plus the default level. In line with the recommendations for publication set out in part 8 of Regulation (EU) 575/2013, this scale was reduced to twelve levels plus the default level. The master scale used for the purposes of this report is as follows:

[2] In the case of specialised lending, PD, LGD or CCF risk parameters are not used. The 'slotting criteria' approach is used instead and its degrees and residual value are assigned based on regulatory requirements (CRR arts. 153.5 and 258.6)

Levels of the master scale	Minimum PD (%)	Maximum PD (%)
1	0.00%	<0.1%
2	0.10%	<0.15%
3	0.15%	<0.25%
4	0.25%	<0.5%
5	0.50%	<0.75%
6	0.75%	<1.75%
7	1.75%	<2.5%
8	2.50%	<5%
9	5.00%	<10%
10	10.00%	<20%
11	20.00%	<30%
12	30.00%	<100%
Default risk (13)	100%	100.00%

Internal rating systems

Bankinter has developed internal models for both the portfolios for which the use of the IRB approach has already been authorised for calculating own funds requirements and for those that are included in the IRB roll-out plan. The rating can be made at the transaction level or customer level. The internal models that rate transactions (scoring models) are used in portfolios for individuals, while the models that rate at the customer level (rating models) are primarily applied to legal entities. The internal models have been developed using statistical methods and were completed using expert criteria.

The quantification of credit risk of a transaction is determined by both its expected loss and its unexpected loss. Expected losses are generally covered using provisions, while unexpected losses must be covered with capital. The estimated unexpected loss given by the models is therefore the basis for calculating regulatory and internal own funds requirements for exposures, and refers to a highly unlikely loss that must be covered using an entity's own funds.

Both expected and unexpected losses are estimated by calculating internal parameters:

- Probability of Default (PD)
- Loss Given Default (LGD)
- Credit conversion factor (CCF), which is an input for estimating exposure at default (EAD).

When estimating regulatory parameters, PD is calculated using historic information on a complete cycle ("through the cycle" approach), while LGD and the CCF are estimated using data relating to a recession period ("downturn" approach). From the management viewpoint, parameters are estimated using a method that takes into account the prevailing part of the economic cycle ('point in time' approach) and its outlook.

Each internal risk category groups positions that, while sufficiently similar to each other in terms of risk, nevertheless differ sufficiently from other categories to permit statistical modelling.

Models are currently implemented in the Group's operating applications and are widely integrated in management. The main uses are:

- Calculating capital requirements and expected losses.
- Transaction admission and approval.
- Setting the minimum recommended price of the transaction and its estimated profitability.
- Monitoring or reporting portfolio credit quality.

Models are also used for commercial purposes (pre-approved transaction campaigns, CRM alerts) and early-warning processes.

Collective estimation models for credit risk coverage (provisions) are also available, in accordance with the requirements of Banco de España's accounting Circular and the European regulation transposing IFRS9. Although these models differ somewhat from IRB models, the fundamental aspects of both are in alignment.

Internal ratings are key in the transaction approval process, either as part of the automatic assessment algorithms or as base information for taking decisions in manually-approved transactions. In retail segment transactions, the transaction scoring model already takes into account the guarantees that mitigate the related risk. In customer rating models, which are primarily used for assessing the transactions of legal entities, the mitigation of risk through collateral is included in the transaction's LGD.

Description of the internal rating process

When a transaction is being approved, individual exposures are rated according to the corresponding internal model (on the basis of transaction, collateral and customer type), which is part of the automatic study and approval system used to process transactions. The model uses the information input in the transaction proposal, information on customer behaviour available in the Institution's databases and other information from external sources which is available. These models are at the account level.

The rating obtained from the internal model forms part of the algorithm that automatically assesses transactions, which incorporates the Institution's risk policies. The transaction is either authorised, rejected or forwarded to a manual approval process. In this process, a PD, LGD and CCF are assigned for each transaction thus rated.

In respect of exposures to legal entities, the systems take into account the characteristics of the transaction and of the customer, and input them in the transaction rating module, which assigns a rating to each transaction based on the corresponding internal model. The rating models for companies are customer-level models. Based on these models, an identical PD is assigned to all the customer's transactions.

This rating forms part of the approval rules which determine whether a transaction is designated as authorised, denied or not able to be approved (in which case the rating is reported and a manual approval process is used for the transaction). When approval is manual, the rating is taken into account in the approval or denial decision.

4.5.2. Exposure values by category and obligor levels

The following tables reflect the exposure and risk parameters for those transactions for which the IRB approach is used to calculate own funds requirements for credit risk, distributed by exposure category at the end of December 2023. The information is broken down into categories where in-house estimates are used for all parameters (advanced IRB approach), and where the foundation IRB approach is used for assigning risk weightings (slotting approach).

Bankinter reviews the ratings assigned to customers at least once a month. In addition, the ratings are updated whenever the corresponding information is updated (for example, upon publication of new financial statements).

An LGD and CCF are assigned primarily in consideration of the main characteristics of the transaction, namely: the type of product, collateral, etc. They are assigned at account level for both individuals and legal entities.

In the case of specialised funding, the process follows the slotting criteria approach (CRR, Art 153.5 and Commission Delegated Regulation (EU) 2021/598 of 14 December 2020). In particular, Bankinter has a rigorous approval process for these types of transactions, which includes a comprehensive subjective questionnaire regarding the characteristics of the customer and the project to be financed. This serves as the basis for rating the transaction and is incorporated as relevant information for the assessment decision. Risk policies for admitting these transactions are very strict.

In all transactions falling under categories for which the internal model is applied, both for individuals and legal entities, once a transaction is assessed, the rating, the risk parameters and their updates are fully integrated in the information regarding the customer and the transaction. This information is used in the different management processes (calculation of regulatory and internal own funds requirements, risk-adjusted returns measurement systems, monitoring of portfolio credit risk, etc.).

Exposures under IRB approach

Category	Original exposure	Exposure after application of CRM within balance sheet	Exposure after application of CRM off-balance sheet	EAD	Average PD	Average LGD	RWAs	RWA density
Companies	25,592,122	13,772,699	1,989,947	15,762,646	1.92%	43.36%	10,287,399	65.26%
Of which IRF	25,026,287	13,466,286	1,935,007	15,401,294	1.89%	43.26%	10,034,954	65.16%
Retail	30,417,066	28,328,608	407,116	28,735,725	3.10%	29.48%	5,779,328	20.11%
Mortgages	27,009,523	26,758,173	93,306	26,851,478	2.23%	27.73%	5,018,472	18.69%
Total	**56,009,188**	**42,101,307**	**2,397,064**	**44,498,371**	**2.68%**	**34.40%**	**16,066,727**	**36.11%**

Figures in thousands of euros

Exposures under foundation IRB approach (slotting criteria)

Category	Original exposure	Exposure after application of CRM within balance sheet	Exposure after application of CRM off-balance sheet	EAD	RWAs	Expected losses
Specialised lending	769,525	291,289	239,118	530,407	488,222	7,050

Figures in thousands of euros

The following tables reflect the risk parameters and exposure, by PD interval, for those categories for which the advanced IRB approach is used. The intervals used correspond to those recommended in the final report on Guidelines on disclosure requirements under Part Eight of Regulation (EU) 575/2013, published by the EBA.

IRB Approach – Credit risk exposures by exposure category and PD band (CR6)

Exposure category	PD band	On-balance sheet exposures	Off-balance sheet exposures before applying conversion factors	Exposure weighted average conversion factor	Exposure after the application of conversion factors and credit risk mitigation	Exposure-weighted average PD (%)	Number of obligors (1)	Exposure-weighted average LGD (%)	Exposure-weighted average maturity (2)	Risk-weighted exposure amount after application of the supporting factors	Risk-weighted exposure amount density	Amount of expected losses	Valuation adjustments and provisions
	a	b	c	d	e	f	g	h	i	j	k	l	m
Companies-FIRB													
	0.00 to <0.15	3,681,098	3,660,406	19.5%	4,379,091	0.13%	702	43.72%	3.00	1,543,905	35.26%	2,614	**(8,714)**
	0.00 to <0.10	–	–									–	–
	0.10 to <0.15	3,681,098	3,660,406	19.5%	4,379,091	0.13%	702	43.72%	3.00	1,543,905	35.26%	2,614	(8,714)
	0.15 to <0.25	1,462	–		–		–					–	–
	0.25 to <0.50	2,373,348	2,009,225	17.7%	2,620,675	0.45%	708	44.94%	3.00	1,832,125	69.91%	5,332	(6,544)
	0.50 to <0.75	2,846,074	1,929,392	17.3%	2,962,227	0.62%	1,995	41.57%	3.00	1,956,215	66.04%	9,229	(6,837)
	0.75 to <2.5	3,592,364	2,103,160	20.3%	3,331,018	1.63%	1,937	42.82%	3.00	3,304,182	99.19%	27,116	(9,839)
	0.75 to <1.75	1,314,109	1,207,152	20.1%	1,378,648	1.22%	474	44.41%	3.00	1,418,377	102.88%	7,621	(4,339)
	1.75 to <2.5	2,278,255	896,009	20.7%	1,952,370	1.92%	1,463	41.70%	3.00	1,885,805	96.59%	19,496	(5,500)
	2.5 to <10	433,623	336,168	24.7%	330,029	5.13%	491	43.42%	3.00	473,972	143.62%	8,108	(10,373)
	2.5 to <5	260,034	271,139	25.3%	229,973	3.98%	179	43.64%	3.00	316,214	137.50%	4,254	(2,906)
	5 to <10	173,590	65,029	22.1%	100,055	7.62%	312	42.90%	3.00	157,758	157.67%	3,854	(7,467)
	10 to <100	184,524	57,740	9.5%	115,051	20.94%	424	44.11%	3.00	270,234	234.88%	13,420	(3,307)
	10 to <20	10,284	9,228	15.5%	7,999	12.41%	325	42.02%	3.00	14,323	179.07%	1,219	(778)
	20 to <30	174,240	48,512	8.3%	107,053	21.52%	99	44.27%	3.00	255,910	239.05%	12,201	(2,529)
	30 to <100												
	100 (Default)	174,517	33,653	33.3%	130,809	100.00%	241	42.43%	3.00	–	–%	55,510	(57,335)
Total		**13,287,010**	**10,129,745**	**19.05%**	**13,868,900**	**1.89%**	**6,498**	**43.26%**	**3.00**	**9,380,632**	**67.64%**	**121,330**	**(102,949)**

Figures in thousands of euros

(*) The number of obligors is in units
(**) Maturity expressed in days

PD band	On-balance sheet exposures	Off-balance sheet exposures before applying conversion factors	Exposure weighted average conversion factor	Exposure after the application of conversion factors and credit risk mitigation	Exposure-weighted average PD (%)	Number of obligors (1)	Exposure-weighted average LGD (%)	Exposure-weighted average maturity (2)	Risk-weighted exposure amount after application of the supporting factors	Risk-weighted exposure amount density	Amount of expected losses	Valuation adjustments and provisions
a	b	c	d	e	f	g	h	i	j	k	l	m
Companies-												
0.00 to <0.15												
0.00 to <0.10												
0.10 to <0.15												
0.15 to <0.25	59,105	54,637	34.4%	71,145	0.19%	211	50.7%	2.39	30,859	43.4%	70	(216)
0.25 to <0.50	78,471	77,523	40.0%	73,070	0.30%	235	45.7%	2.69	33,080	45.3%	100	(294)
0.50 to <0.75	74,411	20,427	38.3%	72,028	0.60%	150	50.6%	2.77	45,239	62.8%	220	(429)
0.75 to <2.5	58,444	9,712	45.2%	55,536	1.32%	138	46.6%	2.75	46,938	84.5%	342	(175)
0.75 to <1.75	58,444	9,712	45.2%	55,536	1.32%	138	46.6%	2.75	46,938	84.5%	342	(175)
1.75 to <2.5	—	—										
2.5 to <10	61,069	37,854	34.8%	67,227	3.19%	227	42.1%	3.00	67,843	100.9%	916	(2,112)
2.5 to <5	61,069	37,854	34.8%	67,227	3.19%	227	42.1%	3.00	67,843	100.9%	916	(2,112)
5 to <10	—	—										
10 to <100	23,287	2,269	24.7%	16,368	14.39%	99	44.0%	2.72	26,166	159.9%	1,052	(1,127)
10 to <20	15,776	2,257	24.7%	13,922	12.32%	79	42.7%	2.73	21,233	152.5%	727	(102)
20 to <30	3,336	11				9						
30 to <100	4,175	—	25.7%	1,161	32.73%	11	49.3%	3.00	2,405	207.1%	187	(864)
100 (Default)	8,400	223	26.6%	5,978	100.00%	72	86.5%	3.00	2,320	38.8%	4,992	(3,215)
Total	**363,189**	**202,646**	**37.4%**	**361,353**	**3.32%**	**1,132**	**47.71%**	**2.72**	**252,445**	**69.86%**	**7,692**	**(7,568)**

Figures in thousands of euros

	PD band	On-balance sheet exposures	Off-balance sheet exposures before applying conversion factors	Exposure weighted average conversion factor	Exposure after the application of conversion factors and credit risk mitigation	Exposure-weighted average PD (%)	Number of obligors (1)	Exposure-weighted average LGD (%)	Exposure-weighted average maturity (2)	Risk-weighted exposure amount after application of the supporting factors	Risk-weighted exposure amount density	Amount of expected losses	Valuation adjustments and provisions
	a	b	c	d	e	f	g	h	i	j	k	l	m
Mortgages													
	0.00 to <0.15	17,065,595	109,339	35.7%	17,104,621	0.1%	166,872	25.6%	—	860,082	5.0%	2,943	(6,803)
	0.00 to <0.10	12,559,767	73,127	35.5%	12,585,741	—%	123,868	24.0%	—	420,865	3.3%	1,248	(4,167)
	0.10 to <0.15	4,505,827	36,212	36.1%	4,518,880	0.1%	43,004	29.7%	—	439,217	9.7%	1,696	(2,635)
	0.15 to <0.25	1,490,747	26,800	34.3%	1,499,926	0.2%	10,486	31.6%	—	207,666	13.9%	900	(878)
	0.25 to <0.50	2,760,445	29,698	35.9%	2,771,095	0.3%	27,225	29.2%	—	529,901	19.1%	2,681	(2,579)
	0.50 to <0.75	797,697	20,011	38.9%	804,890	0.6%	6,226	34.3%	—	234,453	29.1%	1,558	(843)
	0.75 to <2.5	2,883,894	45,856	43.6%	2,903,263	1.3%	22,955	29.5%	—	1,343,761	46.3%	10,918	(3,552)
	0.75 to <1.75	2,439,858	38,225	42.4%	2,455,478	1.1%	19,997	29.0%	—	1,046,710	42.6%	8,135	(2,956)
	1.75 to <2.5	444,036	7,631	49.1%	447,785	2.0%	2,958	31.9%	—	297,051	66.3%	2,783	(597)
	2.5 to <10	1,024,293	13,115	36.5%	1,029,078	5.5%	9,846	30.0%	—	1,077,387	104.7%	16,286	(6,764)
	2.5 to <5	369,837	11,541	36.5%	374,043	3.3%	1,748	35.6%	—	306,501	81.9%	4,316	(1,064)
	5 to <10	654,457	1,574	36.8%	655,036	6.8%	8,098	26.8%	—	770,886	117.7%	11,970	(5,700)
	10 to <100	316,878	4,137	39.1%	318,496	17.6%	2,440	32.3%	—	532,394	167.2%	17,666	(9,466)
	10 to <20	248,011	3,887	38.2%	249,496	14.6%	1,905	32.6%	—	420,437	168.5%	11,887	(4,513)
	20 to <30	34,720	219	50.4%	34,831	20.4%	209	35.6%	—	59,415	170.6%	2,531	(1,669)
	30 to <100	34,147	30	75.6%	34,169	36.4%	326	26.7%	—	52,542	153.8%	3,248	(3,284)
	100 (Default)	420,297	722	40.2%	420,109	100.0%	4,451	59.8%	—	232,829	55.4%	234,702	(120,109)
Total		**26,759,846**	**249,677**	**37.4%**	**26,851,478**	**2.22%**	**250,501**	**27.74%**	**—**	**5,018,472**	**18.69%**	**287,654**	**(150,994)**

Figures in thousands of euros

(*) The number of obligors is in units.

	PD band	On-balance sheet exposures	Off-balance sheet exposures before applying conversion factors	Exposure weighted average conversion factor	Exposure after the application of conversion factors and credit risk mitigation	Exposure-weighted average PD (%)	Number of obligors (1)	Exposure-weighted average LGD (%)	Exposure-weighted average maturity (2)	Risk-weighted exposure amount after application of the supporting factors	Risk-weighted exposure amount density	Amount of expected losses	Valuation adjustments and provisions
	a	b	c	d	e	f	g	h	i	j	k	l	m
Retail													
	0.00 to <0.15	30,421	191	59%	30,533	0.1%	2,793	61.2%	–	3,831	12.6%	12	(48)
	0.00 to <0.10	23,866	89	57%	23,917	0.1%	2,150	61.1%	–	2,482	10.4%	7	(37)
	0.10 to <0.15	6,554	103	60%	6,616	0.1%	643	61.7%	–	1,349	20.4%	5	(11)
	0.15 to <0.25	162,026	179,919	39%	174,432	0.2%	7,869	46.6%	–	27,398	15.7%	158	(649)
	0.25 to <0.50	284,283	199,125	45%	277,120	0.3%	7,919	48.3%	–	62,179	22.4%	408	(1,094)
	0.50 to <0.75	395,821	151,837	47%	307,005	0.6%	6,623	49.1%	–	101,873	33.2%	909	(1,987)
	0.75 to <2.5	467,018	168,453	38%	341,132	1.4%	9,934	48.7%	–	170,658	50.0%	2,373	(2,550)
	0.75 to <1.75	422,504	159,216	37%	298,055	1.3%	7,101	48.3%	–	140,320	47.1%	1,881	(2,405)
	1.75 to <2.5	44,514	9,238	56%	43,077	2.3%	2,833	50.9%	–	30,338	70.4%	492	(146)
	2.5 to <10	520,343	154,813	42%	351,415	3.3%	10,154	48.0%	–	204,523	58.2%	5,608	(4,989)
	2.5 to <5	506,815	151,726	42%	337,162	3.2%	9,340	47.9%	–	192,898	57.2%	5,146	(4,893)
	5 to <10	13,527	3,087	56%	14,252	6.0%	814	50.8%	–	11,625	81.6%	462	(96)
	10 to <100	279,368	38,883	41%	156,435	17.2%	7,955	48.2%	–	131,417	84.0%	13,385	(21,217)
	10 to <20	208,150	31,606	41%	119,045	13.5%	6,429	48.1%	–	93,190	78.3%	8,159	(11,777)
	20 to <30	24,218	4,028	37%	11,858	20.9%	539	48.3%	–	11,049	93.2%	1,197	(2,491)
	30 to <100	47,000	3,249	51%	25,532	32.7%	987	48.2%	–	27,178	106.5%	4,030	(6,949)
	100 (Default)	365,798	9,245	40%	246,174	100.0%	8,962	93.2%	–	58,976	24.0%	224,951	(194,266)
Total		**2,505,077**	**902,466**	**42%**	**1,884,246**	**15.53%**	**62,209**	**54.34%**	**–**	**760,855**	**40.38%**	**247,805**	**(226,799)**

Figures in thousands of euros

(*) The number of obligors is in units.

Scope of use of IRB and standard models (CR6-A)

		Exposure value as defined in Article 166 of the CRR for exposures subject to the IRB approach	Total exposure value of exposures subject to the standardised approach and the IRB approach	Percentage of the total exposure value subject to the permanent partial use of the standardised approach (%)	Percentage of the total exposure value subject to the IRB approach (%)	Percentage of total exposure value subject to a deployment plan (%)
		a	b	c	d	e
1	Central governments or central banks	27,054,849	25,729,991	100%	0%	0%
1.1	*Of which: regional governments or local authorities*					
1.2	*Of which: public sector entities*		82,988	0%	0%	0%
2	Institutions	8,300,764	7,579,787	100%		
3	Companies	33,280,612	20,669,994	7%	79%	14%
3.1	Of which: Of which Companies – Specialised financing, excluding allocation method					
3.2	Of which: companies – specialised financing, under the allocation approach		296,020		100%	
4	Retail exposures	57,914,672	51,745,606	16%	53%	32%
4.1	of which: retail exposures secured by real-estate assets, SMEs	5,667,402	5,343,068	40%	29%	31%
4.2	of which: retail exposures secured by real-estate assets, non-SMEs		31,845,696	12%	79%	9%
4.3	of which: retail exposures - eligible revolving					
4.4	of which: retail exposures – other, SMEs		7,461,294	13%	31%	56%
4.5	of which: retail exposures – other, non-SMEs		7,095,548	18%	2%	80%
5	Equity exposures		66,749	100%		
6	Other non-credit obligation assets	617,135	617,135		100%	
7	**Total**	**127,234,781**	**106,409,262**	**37%**	**45%**	18%

Figures in thousands of euros

4.5.3. Risk weightings of specialised lending exposures

Regulation (EU) of the European Parliament and of the Council 2013/575, modified by Regulation (EU) of the European Parliament and of the Council 2019/876, requires exposures that possess the following characteristics to be classified as specialised lending exposures:

- The exposure is to an entity which was created specifically to finance or operate physical assets.
- The contractual arrangements give the lender a substantial degree of control over the assets and the income that they generate.
- The primary source of repayment of the obligation is the income generated by the assets being financed.

The Regulation classifies exposures into five categories, taking into account diverse factors such a financial strength, the political and legal environment, the characteristics of the transaction or asset, and the robustness of the sponsor and developer.

The following chart reflects the exposures assigned to each risk weighting for specialised lending exposures at 31 December 2023:

IRB specialised lending (CR10)

Regulatory categories	Remaining maturity	Specialised lending: project finance					
		On-balance exposure	Off-balance sheet exposure (allocation approach)	Risk weighting	Exposure value	Amount of risk-weighted exposure	Amount of expected loss
		a	b	c	d	e	f
Category 1	Less than 2.5 years			50%			
	Equal to or longer than 2.5	17,514	4,354	70%	19,691	13,783	79
Category 2	Less than 2.5 years	5,402	6,313	70%	8,558	5,991	34
	Equal to or longer than 2.5	229,816	407,158	90%	433,395	390,056	3,467
Category 3	Less than 2.5 years	–	–	115%	–	–	–
	Equal to or longer than 2.5	33,821	59,632	115%	63,637	73,182	1,782
Category 4	Less than 2.5 years	–	–	250%	–	–	–
	Equal to or longer than 2.5	1,879	410	250%	2,084	5,210	167
Category 5	Less than 2.5 years	–	–	-	–		–
	Equal to or longer than 2.5	2,857	370	–	3,043		1,521
Total	**Less than 2.5 years**	**5,402**	**6,313**		**8,558**	**5,991**	**34**
	Equal to or longer than 2.5	**285,887**	**471,924**		**521,849**	**482,231**	**7,016**

Figures in thousands of euros

4.5.4. Probability of Default (PD) per portfolio.

In the following back testing, information is shown on rates and probabilities of default for Bankinter Group portfolios authorised to use the IRB approach for calculating capital requirements.

The objective of these tests is to contrast the regulatory PDs with the observed default frequencies (ODFs) over the last period. None have had substantial changes in the past year.

IRB Approach – Retrospective PD testing by exposure category (CR9)

Companies - IRF

Exposure categories	PD band	Number of debtors at the end of the previous year	Of which: incurred non-payment during the year	Average observed default rate (%)	Exposure-weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
a	b	c	d	e	f	g	h
	0.00 to <0.15	702	–		0.13%	0.14%	
	0.00 to <0.10						
	0.10 to <0.15	702	–		0.13%	0.14%	
	0.15 to <0.25	–	–				
	0.25 to <0.50	708	2	0.28%	0.45%	0.45%	0.19%
	0.50 to <0.75	1,995	1	0.05%	0.62%	0.66%	0.13%
	0.75 to <2.50	1,937	13	0.67%	1.63%	1.83%	0.31%
	0.75 to <1.75	474	2	0.42%	1.22%	1.22%	0.28%
	1.75 to <2.5	1,463	11	0.75%	1.92%	2.02%	0.39%
	2.50 to <10.00	491	24	4.89%	5.13%	6.88%	2.29%
	2.5 to <5	179	6	3.35%	3.98%	3.85%	1.25%
	5 to <10	312	18	5.77%	7.62%	8.61%	3.67%
	10.00 to <100.00	424	14	3.30%	20.94%	14.94%	2.95%
	10 to <20	325	3	0.92%	12.41%	12.41%	2.33%
	20 to <30	99	11	11.11%	21.52%	23.24%	5.74%
	30.00 to <100.00	–	–				
	100.00 (Default)	241	178				

Companies - IRB

Exposure categories	PD band	Number of debtors at the end of the previous year	Of which: incurred non-payment during the year	Average observed default rate (%)	Exposure-weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
a	b	c	d	e	f	g	h
	0.00 to <0.15						
	0.00 to <0.10						
	0.10 to <0.15						
	0.15 to <0.25	211	—	0.00%	0.19%	0.19%	
	0.25 to <0.50	235	—	0.00%	0.30%	0.30%	0.00%
	0.50 to <0.75	150	1	0.67%	0.60%	0.60%	0.28%
	0.75 to <2.50	138	1	0.72%	1.32%	1.32%	0.36%
	0.75 to <1.75	138	1	0.72%	1.32%	1.32%	0.35%
	1.75 to <2.5	—	—		0.00%	0.00%	0.11%
	2.50 to <10.00	227	6	2.64%	3.19%	3.28%	2.32%
	2.5 to <5	227	6	2.64%	3.19%	3.28%	4.83%
	5 to <10	—	—		0.00%	0.00%	0.71%
	10.00 to <100.00	99	7	7.07%	14.39%	17.44%	3.50%
	10 to <20	79	7	8.86%	12.32%	14.91%	3.76%
	20 to <30	9	—	0.00%	0.00%	20.89%	30.00%
	30.00 to <100.00	11	—		32.73%	32.73%	0.00%
	100.00 (Default)	72	45		100.00%		

Mortgages

Exposure categories	PD band	Number of debtors at the end of the previous year	Of which: incurred non-payment during the year	Average observed default rate (%)	Exposure-weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
a	b	c	d	e	f	g	h
	0.00 to <0.15	166,872	7	—%	0.06%	0.06%	0.03%
	0.00 to <0.10	123,868	1	—%	0.04%	0.04%	0.13%
	0.10 to <0.15	43,004	6	0.01%	0.13%	0.13%	0.03%
	0.15 to <0.25	10,486	1	0.01%	0.18%	0.18%	0.07%
	0.25 to <0.50	27,225	48	0.18%	0.33%	0.34%	0.11%
	0.50 to <0.75	6,226	18	0.29%	0.56%	0.54%	0.37%
	0.75 to <2.50	22,955	81	0.35%	1.26%	1.24%	0.39%
	0.75 to <1.75	19,997	75	0.38%	1.13%	1.13%	0.37%
	1.75 to <2.5	2,958	6	0.20%	1.95%	1.96%	0.64%
	2.50 to <10.00	9,846	165	1.68%	5.52%	6.16%	1.59%
	2.5 to <5	1,748	21	1.20%	3.25%	3.30%	1.22%
	5 to <10	8,098	144	1.78%	6.82 %	6.77%	1.92%
	10.00 to <100.00	2,440	342	14.02%	17.58%	18.40%	10.16%
	10 to <20	1,905	158	8.29%	14.61%	14.91%	10.03%
	20 to <30	209	8	3.83%	20.39%	20.49%	7.37%
	30.00 to <100.00	326	176	53.99%	36.40%	37.44%	10.99%
	100.00 (Default)	4,451	3,430		100.00%		

Other retail

Exposure categories	PD band	Number of debtors at the end of the previous year	Of which: incurred non-payment during the year	Average observed default rate (%)	Exposure-weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
a	b	c	d	e	f	g	h
	0.00 to <0.15	2,793	—	—%	0.07%	0.07%	0.04%
	0.00 to <0.10	2,150	—	—%	0.05%	0.05%	0.04%
	0.10 to <0.15	643	—	—%	0.12%	0.12%	—%
	0.15 to <0.25	7,869	20	0.25%	0.19%	0.19%	0.12%
	0.25 to <0.50	7,919	39	0.49%	0.30%	0.31%	0.37%
	0.50 to <0.75	6,623	58	0.88%	0.60%	0.60%	0.68%
	0.75 to <2.50	9,934	216	2.17%	1.42%	1.58%	1.20%
	0.75 to <1.75	7,101	143	2.01%	1.30%	1.28%	1.16%
	1.75 to <2.5	2,833	73	2.58%	2.25%	2.34%	1.36%
	2.50 to <10.00	10,154	413	4.07%	3.31%	3.55%	3.81%
	2.5 to <5	9,340	371	3.97%	3.20%	3.30%	3.83%
	5 to <10	814	42	5.16%	6.03%	6.39%	4.06%
	10.00 to <100.00	7,955	855	10.75%	17.22%	18.03%	12.62%
	10 to <20	6,429	642	9.99%	13.53%	15.54%	11.22%
	20 to <30	539	29	5.38%	20.89%	20.90%	14.70%
	30.00 to <100.00	987	184	18.64%	32.73%	32.73%	28.88%
	100.00 (Default)	8,962	7,209		100.00%		

4.5.5.Credit risk mitigation techniques

The following table shows the effect of the credit risk reduction mitigation associated with each exposure category and the incidence of the credit risk mitigation techniques with and without substitution effect at 31 December 2023.

IRB Approach – Disclosure of the extent of the use of credit risk mitigation techniques (CR7-A)

	A-IRB	Total exposures	Credit risk mitigation techniques											Credit risk mitigation methods in the calculation of the amounts of risk-weighted exposures	
			Hedging of credit risk with collateral or similar instruments									Credit risk hedging with personal guarantees			
			Portion of exposures covered by financial collateral (%)	Share of exposures covered by other eligible collateral (%)	Portion of exposures secured by collateral consisting of immovable property (%)	Portion of exposures covered by receivables (%)	Portion of exposures covered by other physical collateral (%)	Portion of exposures covered by other assets and rights used as collateral	Portion of exposures covered by cash on deposit (%)	Portion of exposures covered by life insurance policies (%)	Portion of exposures covered by Instruments held by third parties (%)	Portion of the exposures covered by personal guarantees (%)	Part of exposures covered by credit derivatives (%)	Risk-weighted exposure amount without substitution effects (mitigation effects only) (1)	Risk-weighted exposure amount with substitution effects (mitigation and substitution effects)
		a	b	c	d	e	f	g	h	i	j	k	l	m	n
1	Central governments and central banks														
2	Institutions														
3	Companies	361,353	–	–	–	–	–	–	–	–	0%	–	–	252,445	252,445
3.1	Of which: companies - SMEs	239,685	–	–	–	–	–	–	–	–	0%	–	–	143,213	143,213
3.2	Of which: companies - specialised lending														
3.3	Of which: companies - others	121,668	–	–	–	–	–	–	–	–	0%	–	–	109,233	109,233
4	Retail exposures	28,735,725	–	–	–	–	–	–	–	–	0%	–	–	5,779,328	5,779,328
4.1	Of which: retail exposures – real estate, SMEs	1,608,769	–	–	–	–	–	–	–	–	0%	–	–	838,683	838,683
4.2	Of which: retail exposures – real estate, non-SMEs	25,242,710	–	–	–	–	–	–	–	–	0%	–	–	4,179,789	4,179,789
4.3	Of which: eligible revolving retail exposures														
4.4	Of which: retail exposures – other SMEs	1,739,181	–	–	–	–	–	–	–	–	0%	–	–	691,640	691,640
4.5	Of which: retail exposures – other non-SMEs	**145,065**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**69,216**	**69,216**
5	**Total**	**29,097,077**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**6,031,773**	**6,031,773**

Figures in thousands of euros

	F-IRB	Total exposures	Credit risk mitigation techniques											Credit risk mitigation methods in the calculation of risk-weighted exposures	
			Hedging of credit risk with collateral or similar instruments									Credit risk hedging with personal guarantees			
			Portion of exposures covered by financial collateral (%)	Share of exposures covered by other eligible collateral (%)	Portion of exposures secured by collateral consisting of immovable property (%)	Portion of exposures covered by receivables (%)	Portion of exposures covered by other physical collateral (%)	Portion of exposures covered by other assets and rights used as collateral	Portion of exposures covered by cash on deposit (%)	Portion of exposures covered by life insurance policies (%)	Portion of exposures covered by Instruments held by third parties (%)	Portion of the exposures covered by personal guarantees (%)	Portion of exposures covered by credit derivatives (%)	Risk-weighted exposure amount without substitution effects (mitigation effects only) (1)	Risk-weighted exposure amount with substitution effects (mitigation and substitution effects)
		a	b	c	d	e	f	g	h	i	j	k	l	m	n
1	Central governments and central banks														
2	Institutions														
3	Companies	15,931,701	—%	—	—	—	—	—	—	—	0%	—	—	10,523,175	10,523,175
3.1	Of which: companies - SMEs	4,025,022	—%	—	—	—	—	—	—	—	0%	—	—	2,340,131	2,340,131
3.2	Of which: companies - specialised lending	530,407	0%	—	—	—	—	—	—	—	—	—	—	488,222	488,222
3.3	Of which: companies - others	11,376,272	—%	—	—	—	—	—	—	—	0%	—	—	7,694,823	7,694,823
4	Retail exposures														
4.1	Of which: retail exposures – real estate, SMEs														
4.2	Of which: retail exposures – real estate, non-SMEs														
4.3	Of which: eligible revolving retail exposures														
4.4	Of which: retail exposures – other, SMEs														
4.5	Of which: retail exposures – other, non-SMEs														
5	**Total**	**15,931,701**	**—%**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**10,523,175**	**10,523,175**

Figures in thousands of euros

4.5.6. Changes in the period in terms of risk-weighted assets in advanced IRB models

The main changes during the final quarter in risk-weighted assets under the advanced IRB approach are as follows.

Statement of flows of risk-weighted amounts of exposures to credit risk subject to the IRB approach (CR8)

		Amount of risk-weighted exposure
		a
1	**Risk-weighted exposure amount at the end of the previous reporting period**	**16,374,127**
2	Size of assets	534,762
3	Asset quality	(353,941)
4	Model updates	
5	Methods and policies	
6	Acquisitions and assignments	
7	Exchange rate fluctuations	
8	Other	
9	**Risk-weighted exposure amount at the end of the reporting period**	**16,554,948**

Figures in thousands of euros

The changes in risk-weighted assets are mainly due to the inclusion of the new definition of default, which leads to changes in the parameters when applying the new EBA parameter guide, and an increase in credit risk exposures included under this heading.

4.5.7. Comparative analysis of estimates made.

The charts in this section compare the regulatory expected loss (EL) calculated using internal models approved by the Supervisor with the effective loss observed from 2006 to 2022. The charts show the following information:

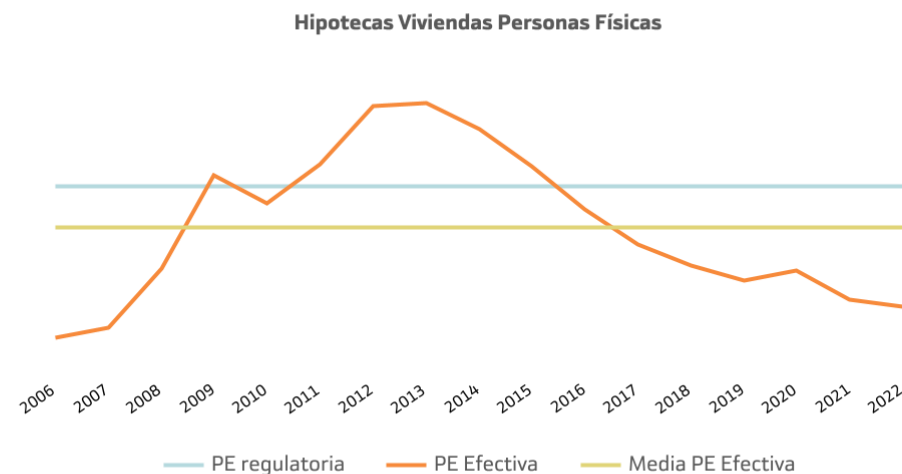
- **Regulatory expected loss.** Calculated by multiplying the cycle-adjusted PD by the LGD during the worst cycle moment or downturn (LGD DT).
- **Regulatory expected loss with add-on**. Calculated applying a margin of conservatism required by the Supervisor to the regulatory expected loss of certain portfolios.
- **Effective expected loss**: calculated as the annual observed frequency of default, multiplied by the estimated point-in-time LGD (LGD PiT) for the period 2006-2021. In open recovery processes, an estimated of final LGD is included.
- **Average effective expected loss:** Calculated as the average of effective losses of each year from 2006 to 2021.

The charts reflect how the economic crisis spurred an increase in effective loss between 2008 and 2013. Effective loss was also considerably lower than regulatory loss during the first years of the period (2006-2007), generally exceeding it during the worst part of the 2008 crisis, which is in line with the regulatory target. In the last years of the observed period (2018-2022), there is a trend towards a return to pre-crisis levels.

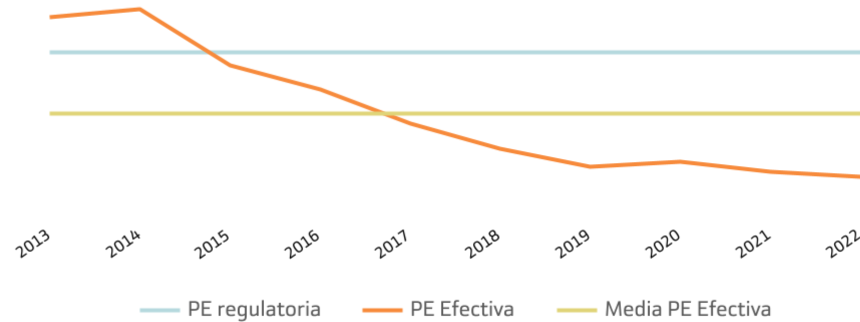
This comparison was made for the portfolios of mortgages for individuals in both Spain and Portugal, and the portfolios of loans and consumer credit with personal guarantees for individuals, small, medium and very large companies, and companies owned by the public administration in Spain.

Residential mortgages for individuals

The chart shows that the effective expected loss on residential mortgages in retail portfolios in Spain peaks in 2013. From this point on, the trend is downwards. The effective expected loss is lower than the regulatory loss except in the worst years of the 2008-2015 crisis. Nevertheless, the regulatory expected loss seems sufficiently conservative compared to the average effective expected loss.

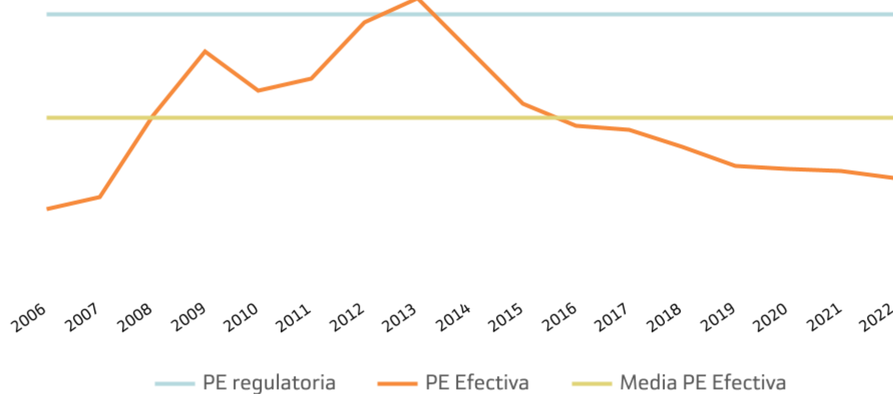


With regard to the mortgage portfolio for individuals in Portugal, the following chart shows that effective expected loss peaked in 2013 and has been on a downwards trend ever since. It can be seen that the effective expected loss is lower than the regulatory loss from 2015. As in Spain, the average regulatory expected loss seems sufficiently conservative compared to the average of the effective expected loss.



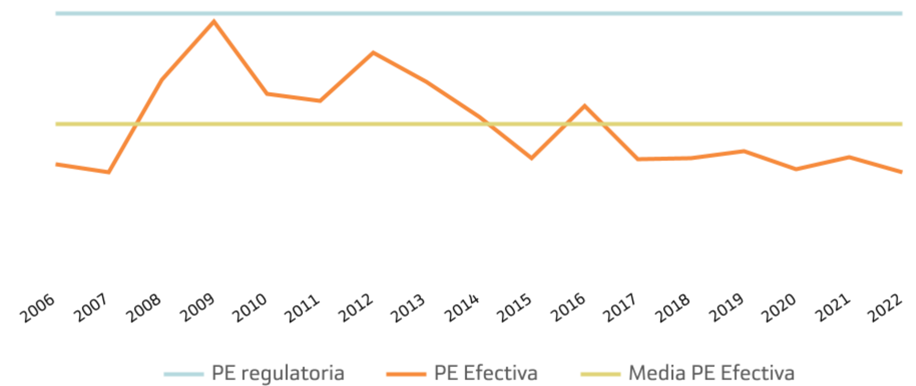
Consumer loans and credit with personal guarantees

The chart shows the growth of the effective expected loss in consumer loans and credits with personal guarantee of individuals during the economic crisis of the years 2008 to 2013. In addition, the beginning of a decrease in the effective expected loss is observed since the year 2014. It can be verified that the effective expected loss is lower than the regulatory one, except in 2013. However, the regulatory expected loss seems sufficiently conservative compared to the average of the effective expected loss.



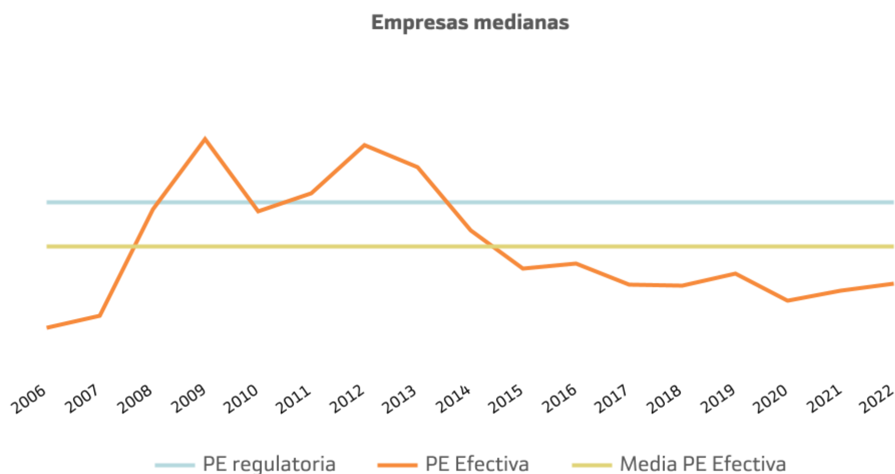
Small businesses

The graph shows that the maximum effective expected loss for small businesses was reached in 2009. From this year onwards, there has been a decline with small upturns, the highest in 2012 and 2016. In the last years of the observed period, values similar to those before the crisis have been reached. It can be seen that the effective expected loss is lower than the regulatory one and seems sufficiently conservative compared to the average effective expected loss.



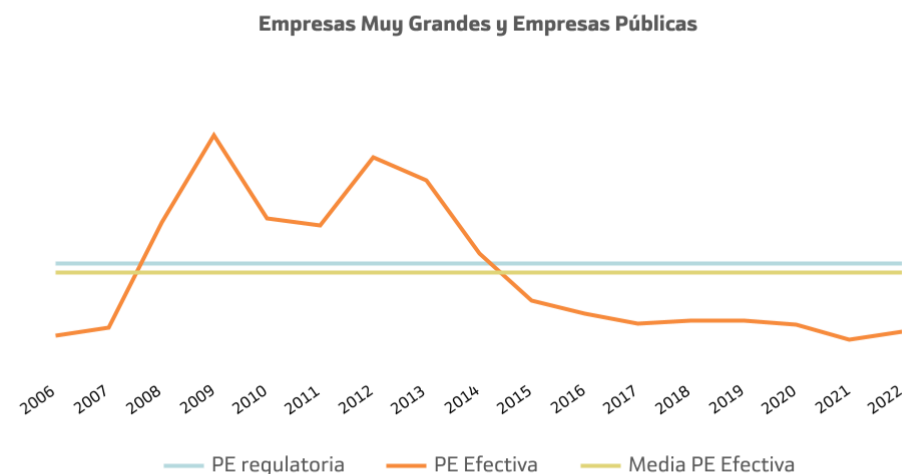
Medium-sized companies

The graph shows that the maximum effective loss in medium-sized companies was also reached in 2009 and then started a downwards trend, although there was an upturn in 2012 and further decreases thereafter. Currently, there is a rather notable downwards trend, although pre-crisis levels have not yet been reached. It can be observed that the effective expected loss is lower than the regulatory loss, except in 2009, 2011, 2012 and 2013. Nevertheless, the regulatory expected loss seems to be sufficiently conservative compared to the average effective expected loss.



Very large companies and companies owned by the public administration

Finally, the chart shows that the maximum effective loss in very large companies and companies belonging to the public administration was also reached in 2009 and then started a downwards trend, although, again, a spike was observed in 2012. It can be seen that the effective expected loss is lower than the regulatory loss except in the period 2008-2014. Currently, a striking downwards trend is observed, almost reaching pre-crisis values. The regulatory expected loss is slightly higher than the average effective expected loss.



4.6. Securitisations

4.6.1. General characteristics

Pursuant to Regulation (EU) 575/2013, amended by Regulation (EU) 2019/876, 'securitisation' is defined as a transaction or scheme whereby the credit risk associated with an exposure or pool of exposures is divided into two or more independently-transferrable tranches, which have both of the following characteristics:

- Payments in the transaction or scheme are dependent upon the performance of the exposure or pool of exposures.
- The subordination of the tranches determines the distribution of losses during the ongoing life of the transaction or scheme

The assessment of these characteristics to determine whether there is a securitisation transaction will be carried out according to law and on the economic substance of the transaction.

A synthetic securitisation is a transaction in which the credit risk is divided into tranches and transferred through the purchase of credit protection on the securitised exposures, either through the use of credit derivatives or guarantees.

A **traditional securitisation** differs in that it entails the economic transfer of the securitised exposures to a securitisation special purpose entity (SSPE) that issues securities. The securities issued by this entity represent no payment obligations for the originator institution.

According to this definition, the Group had three outstanding traditional securitisation transactions at 31 December 2023.

Group securitisation activity objectives

During certain years, traditional securitisations played a significant role in funding liquidity growth and management in the medium/long term. This programme was complemented by the remaining financing and capital instruments, thereby diversifying reliance on wholesale markets.

The primary objective of securitisation has been to serve as an instrument for effectively managing the balance sheet, as a source of liquidity at a competitive cost and as a regulatory capital management tool, through the transfer of risk.

Functions performed by the Group in securitisation processes and degree of involvement

Bankinter Group participates in securitisation transactions as an originator institution, participating in the initial agreement to create the obligation or potential obligations of the debtor or the potential debtor, giving rise to securitisation of the exposure.

It also participates as a counterparty in payment agent contracts and administrator of the loans, and counterparty in an interest rate swap contract for certain securitisation funds, by virtue of which the fund will make payments to Bankinter calculated on the reference interest rate for participated mortgage loans, and, as counterparty, Bankinter will make payments to the fund calculated on the reference interest rate set for bonds.

Since the start of its securitisation activity, Bankinter has maintained adequate risk management standards in respect of the securitised transactions, applying the same grant, monitoring and recovery criteria for securitised transactions as for non-securitised transactions.

Bankinter did not make any new issues in 2022, nor has it added or substituted underlying positions in its existing issues. Since the start of its securitisation activity, Bankinter has maintained the same risk management standards for its securitised and non-securitised transactions.

Nature of the risks inherent to securitised assets

The securitisation activity carries with it a series of associated risks that have repercussions for originator and investor institutions. The main risks are:

- Credit risk: This is the main risk that is transferred from the issuer to the investors that have acquired securitised assets. This risk occurs when, on the payment date, the borrower does not meet their contractual obligations of making the payment in due time and form. This non-compliance results in the impairment of the underlying asset of the securitisation positions originated.
- Prepayment risk: This risk is associated with an early redemption of the underlying assets, either partial or total. With this repayment, the real maturity of the securitisation positions is reduced, while the contractual maturity of the underlying assets is maintained.
- Basis risk: Basis risk exists where the settlements of interest rates of securitised assets do not match the interest rates of the securitisation positions. To cover this risk, it is common to undertake interest rate swaps, the so-called 'securitisation swap'. To mitigate this risk, all Bankinter's securitisation funds have an associated basis swap.
- Liquidity risk: From the viewpoint of the originator, this risk reduces with the securitisation process, which consists of converting illiquid assets into liquid bonds to be traded on secondary debt markets, which are organised financial markets. Bankinter is hardly affected by this risk, as it does not have securitisations of promissory notes or additional lines of liquidity

Liquidity risk also exists from the viewpoint of the investor, something that does not affect Bankinter, since, as already explained in this chapter, the Group does not carry out any investment activity.

Accounting policy in securitisation activity

The criteria followed by the Bankinter Group in transfers and derecognition of financial instruments, including asset securitisations, are detailed in Note 5k) of the notes to the annual consolidated financial statements and in section 4.1.2. of this report. Accounting information in this respect can also be found in Note 25 of the notes to the consolidated annual financial statements on transfers of financial assets.

Methods used for calculating credit risk-weighted exposures in securitisation activities

In case of a significant transfer of risk during the securitisation process, as foreseen in articles 2019 and 876 of Regulation (EU) 2013/575, modified by Regulation (EU) 2019/876, the securitisation exposures maintained by the Institution could be treated under the securitisation framework established in capital adequacy regulations. Otherwise, securitisation exposures will be treated as if they had not be securitised.

Regulation (EU) 2017/2401, amending the capital requirements for positions in a securitisation, came into force on 1 January 2020. This new regulation establishes a series of methods for calculating the amounts of risk-weighted exposures in securitisation positions, and establishes a hierarchy to determine the method to be used, according to which:

- **SEC- IRBA approach:** Where the conditions set out in Article 258 are met, an institution will use the SEC-IRBA approach.
- **SEC-SA approach:** Where the SEC-IRBA method cannot be used, entities will use the SEC-SA method, in accordance with Articles 261 and 262.
- **SEC-ERBA approach:** Where the SEC-SA approach cannot be used, an institution shall use the SEC-ERBA approach in accordance with Articles 263 and 264 for rated positions or positions in respect of which an inferred rating may be used.

Bankinter uses the SEC-IRBA approach to calculate risk-weighted exposures in securitisations.

Originator institutions may limit the risk-weighted exposure amounts calculated in respect of its positions in a securitisation to that which would produce the underlying exposure amounts which would be produced if the securitised assets had not been securitised.

The Institution closely monitors the credit risk trends of underlying assets in the positions it originates, given that their behaviour can directly influence the risk-weighted assets needed to cover the securitisation positions held on its balance sheet.

4.6.2. Securitisations originated

Rating agencies used

The rating agencies that have been involved in the issues originated by Bankinter are S&P, Moody's and Fitch.

In all securitisation funds, the agencies have evaluated the risk of the entire issue structure:

- Issuing ratings for all bond tranches
- Establishing the volume of credit enhancements
- Establishing the necessary triggers

In all issues, in addition to the initial rating, the agencies regularly monitor the behaviour of the underlying assets and of the fund structure, in order to update the bond ratings to take into account any improvement or deterioration in the level of credit risk.

Securitisation activity in the Group

At 31 December 2023, the Group has three outstanding traditional securitisation transactions on its balance sheet. Note 25 of the Group's annual financial statements details the transfers of financial assets through securitisations. The Group does not act as sponsor for any securitisation issue.

The following table shows the outstanding balances of assets underlying the securitisation issues originated by the Institution, by asset class.

Securitisation exposures in the banking book (SEC1)

		a	b	c	d	e	f	g
		The entity acts as originator						
		Traditional				Synthetic		Subtotal
		STS		Non STS				
			Of which: significant transfer of risk		Of which: significant transfer of risk		Of which: significant transfer of risk	
2	**Retailers (total)**	–	–	**394,039**	**394,039**	–	–	**394,039**
3	Mortgage on residential real estate	–	–	394,039	394,039	–	–	394,039
4	Credit card	–	–	–	–	–	–	–
5	Other retail exposure	–	–	–	–	–	–	–
6	Resecuritisation	–	–	–		–	–	–
7	**Wholesale (total) - of which**	–	–	–		–	–	–
8	Corporate loans	–	–	–		–	–	–
9	Mortgage on residential real estate	–	–	–		–	–	–
10	Leases and receivables	–	–	–		–	–	–
11	Other wholesale exposures	–	–	–		–	–	–
12	Resecuritisation	–	–	–		–	–	–

Figures in thousands of euros

During 2023, Bankinter originated no securitisation transactions and therefore no profit or loss has been recognised for this activity. The Institution has no assets pending securitisation.

At year-end 2023, the securitisation bonds issued by securitisation funds acquired or retained by the Group are included on the liabilities side of the balance sheet, reducing the amount of the corresponding issues, under "Debt securities issued", as detailed in note 25 to the Group's financial statements. There were, therefore, no securitisation positions in the "Financial assets held for trading" portfolio at the end of the reporting period.

The tables below provides details of the securitisation positions held on the statement of financial position in which the Institution acts as originator and for which the significant and effective transfer of risk requirement is met, distributed by the weighting assigned based on the credit quality of each position:

Securitisation exposures in the banking book and related regulatory capital requirements when the institution acts as originator or sponsor (SEC3).

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	EU-p	EU-q
		Exposure values (by ranges of risk weights/deductions)					Exposure values (by regulatory approach)				RWA (by regulatory approach)				Capital requirement after the maximum limit			
		Weight <=20%	Weight >20% e <= 50%	Weight >50% e <= 100%	Weight >100% e <= 1250%	Weight 1250% / deductions	SEC - IRBA	SEC - ERBA	SEC - SA	1250% / Capital deduction	SEC- IRBA	SEC- ERBA (including internal assessment approach)	SEC - SA	Weight 1250% / deductions	SEC- IRBA	SEC- ERBA (including internal assessment approach)	SEC - SA	Weight 1250% / deductions
1	**Total exposures**			**394,039**			**394,039**				**245,015**				**8,036**			
2	**Traditional operations**			**394,039**			**394,039**				**245,015**				**8,036**			
3	Securitisation																	
4	Retail			394,039			394,039				245,015				8,036			
5	Of which STS																	
6	Wholesale																	
7	Of which STS																	
8	Resecuritisation																	
9	**Synthetic operations**																	
10	Securitisation																	
11	Retail underlying																	
12	Wholesale																	
13	Resecuritisation																	

Figures in thousands of

Risk-weighted assets amounted to 100,450 thousand euros at year-end 2023, compared to 150,638 thousand euros in the previous year. The change is primarily due to trends in the balance of securitised bonds that will be redeemed and to changes in the mortgage IRB model applied to both calculate the minimum own funds requirements for securitised positions and to act as a cap.

Below is a table showing a breakdown by type of exposure of the securitised outstanding balance, the volume of transactions impaired and in default, and the losses recognised in the year.

Exposures securitised by the entity- Exposures with default and adjustments for specific credit risk (SEC5)

		a	b	c
		Exposures securitised by the entity- the entity acts as originator or sponsor		
		Total nominal outstanding balance		Total amount of specific credit risk adjustments made during the period
			Of which: exposures with default	
1	**Total exposures**	496,795	10,199	1,504
2	Retailers (total)	496,795	10,199	1,504
3	Mortgage on residential real estate	496,795	10,199	1,504
4	Credit cards			
5	Other retail exposure			
6	Resecuritisation			
7	Wholesalers (total)			
8	Corporate loans			
9	Mortgage on residential real estate			
10	Leases and receivables			
11	Other wholesale exposures			
12	Resecuritisation			

Figures in thousands of euros

4.6.3. Investment securitisations

At 31 December 2023 Bankinter does not act as investor in any securitisation.

4.7. Information on credit risk mitigation techniques

4.7.1. Main characteristics of credit risk mitigation policies

Title II, Chapter 4 of Regulation (EU) 575/2013, modified by Regulation (EU) 2019/876, establishes the admissible credit risk mitigation techniques in reducing the credit risk capital charge and calculating the mitigating effect these techniques have on credit risk exposures.

Prudent criteria are the hallmark of Bankinter Group's lending policy: credit granting criteria are based on the customer's verified solvency and capacity to make repayments, in line with a realistic payment plan and taking only ordinary customer income into consideration. Transaction guarantees are only considered a secondary method of recovery.

With respect to the implementation and management of guarantees covering and mitigating credit risk exposure, Bankinter Group's solid processes ensure that such coverage is effective.

4.7.2. On-balance sheet and off-balance sheet netting

Regarding operations in capital markets, guarantees for instruments in the trading book are included in the clauses of the corresponding financial instruments. In contrast, derivative transactions that Bankinter performs with its counterparties are governed by international framework agreements (ISDA or CMOF), which incorporate netting of off-balance sheet transactions. In addition, Bankinter has entered into credit support annexes (CSA) with the majority of the counterparties with which it operates bilaterally. These agreements entail either the reception of collateral to secure the net balance owed by the counterparty or the contribution of collateral to the counterparty to secure the net balance owed by Bankinter, depending on how the transaction is settled.

These mitigation techniques (netting and CSAs) decrease the total counterparty risk exposure.

4.7.3. Funded credit protection

Collateral is considered to be assets that secure an obligation. These assets can be pledged by the customer or by a third party.

In accordance with the Regulation, the following may be considered credit risk mitigation techniques, amongst others:

- Cash on deposit with, or instruments similar to cash held by, the lending institution
- Debt securities issued by central governments or central banks, where the securities have a credit assessment by an ECAI or recognised export credit agency
- Debt securities issued by institutions, where the securities have a credit assessment by an ECAI determined to be associated with credit quality step 3 or above
- Equities or convertible bonds that are included in a main index
- Gold.

Pledged financial assets are associated through an IT system with the risk positions, thus guaranteeing their availability is blocked. The IT system also automatically updates the assessment of these positions at market prices.

Among the types of collateral accepted by Bankinter, mortgages on primary residences are particularly important.

The mortgage process is robust and is based on independent expert appraisals. Third-party appraisal companies are selected periodically from amongst those certified by Banco de España. The appraisal process is completely independent of the Commercial network. Under this centralised process, the appraisal companies assigned for each appraisal are selected at random. Accordingly, the transactions of any given branch are guaranteed to have been assessed by different appraisal companies.

In accordance with the risk policy, mortgaged assets must be located in established urban areas where the property market has significant supply and demand so as to allow sales to be processed quickly where necessary. This criterion applies to both homes and to commercial premises and offices used to secure credit risk. Once a transaction is formalised, the mortgage process in place at Bankinter ensures that the collateral is correctly recorded in a public deed and that the deed is entered in the corresponding registry. In addition, processes are in place to periodically update the appraisal values throughout the life cycle of the product, covering the risk of volatility in the real-estate market and allowing for adequate coverage of transactions from formalisation of the loan until maturity.

In order to reduce credit risk on its transactions, Bankinter Group also uses monetary deposits, fixed income securities and equities traded on official markets and investment funds, with priority given to liquidity of the collateral provided.

Overview of credit risk mitigation techniques: disclosure of information on the use of credit risk reduction techniques (CR3)

		Unguaranteed carrying amount	Guaranteed carrying amount			
				Of which: secured by collateral	Of which: secured by financial guarantees	
						Of which: secured by credit derivatives
		a	b	c	a	b
1	Loans and advances	**41,429,072**	**52,524,294**	**41,639,999**	**10,884,295**	
2	Debt securities	11,679,673	–	–	–	
3	Total	53,108,745	52,524,294	41,639,999	10,884,295	
4	Of which: non-performing exposures	**171,397**	**928,852**	**477,731**	**451,122**	
EU-5	Of which: with default					

Figures in thousands of euros

Credit derivative-based protection, primarily carried out through Credit Default Swaps (CDS), are not customary in the Bank's operations, and there were no such swaps at 31 December 2023.

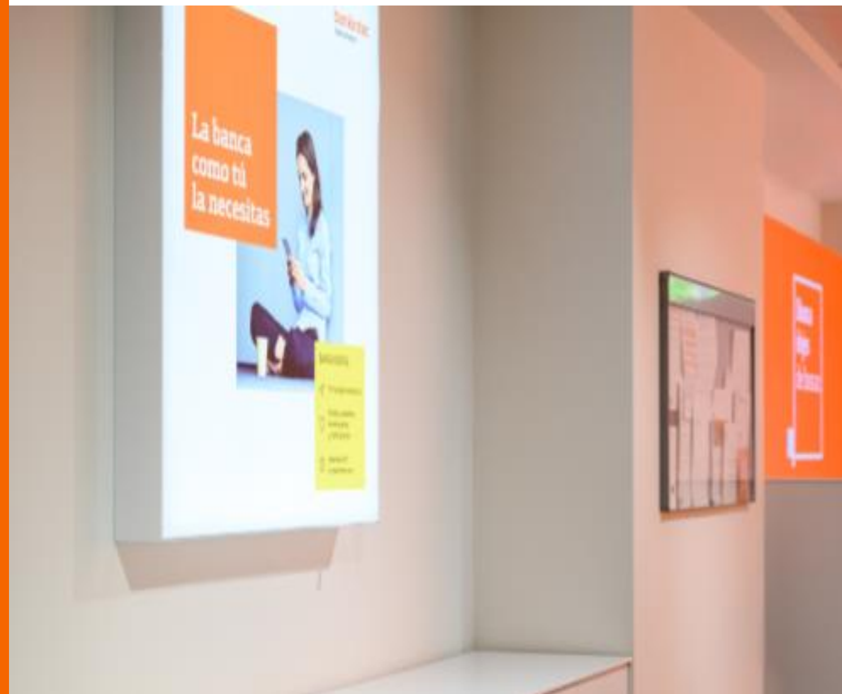
4.7.4. Risk concentration

For management purposes, Bankinter has established risk concentration limits that are considerably more rigorous than regulatory limits.

In light of the Bank's risk management policies and the netting agreements and credit support annexes entered into with virtually all counterparties, there is no relevant concentration of risk.

05

Market risk in the trading book



5. Market risk in the Assets held for trading portfolio

Market risk relates to the possibility of suffering losses due to changes in the value of positions held in the trading book. This risk arises from changes in the following risk factors: interest rate, exchange rate, equities and commodities.

Title IV of Regulation (EU) 575/2013 details the calculation of own funds requirements for market risk in the trading book.

5.1. Differences in Assets held for trading for the purposes of Regulation (EU) 575/2013 on prudential requirements for credit institutions and investment firms

In accordance with title I, chapter 3 of Regulation (EU) 575/2013 of the European Parliament and of the Council, the trading book means all positions in financial instruments and commodities held by an institution either with trading intent, or in order to hedge positions held with trading intent.

To that end, the regulatory trading book defined by Bankinter Group contains the positions managed from the Group's trading room, by the Trading Area, to sell them in the short term for a profit.

For accounting purposes, the portfolio of 'Financial assets held for trading' is not limited to the activity of a specific business area, but rather is based on the accounting criteria set forth in current accounting regulations, namely Circular 4/2017, which came into effect on 1 January 2018, and subsequent modifications.

Note 5 g) of the notes to the consolidated financial statements describes which financial assets should be classified in the portfolio of 'Financial assets at fair value through profit or loss held for trading'. As indicated, assets are included when the business model chosen for their management is to make capital gains from their sale or trading.

Within the portfolio of financial assets at fair value through profit or loss held for trading, the trading portfolio must necessarily include all assets that meet the following conditions:

Financial assets

- They are originated or acquired for the purpose of realising them in the short term
- They are part of a portfolio of identified financial instruments that are managed together for which there is evidence of a recent pattern of short-term profit taking.
- They are derivative instruments that do not meet the definition of financial guarantee contracts and have not been designated as hedging instruments.

The 'Financial liabilities held for trading' portfolio must include all financial liabilities that have any of the following characteristics:

Financial liabilities

- They are issued with an intention to repurchase them in the near term.
- They are short securities positions.
- They are part of a jointly identified and managed portfolio of financial instruments for which there is evidence of a recent pattern of short-term profit taking.
- They are derivative instruments that do not meet the definition of financial guarantee contracts and have not been designated as hedging instruments.

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

5.2. Characteristics of the risk management system and models used

Bankinter Group's board of directors entrusts the Treasury and Capital Markets division with taking action on behalf of the Bank in financial markets, through the Trading Area. The purpose of the trading business is to optimise the business opportunities that arise, using the most appropriate financial instruments at any given time, including interest rate, exchange rate and equity derivatives.

The financial instruments traded should generally be sufficiently liquid and adequately hedged by financial derivatives. The risk that may arise from managing the institution's own accounts is associated with potential changes in the market value of positions as a result of movements in interest rates, stock market prices, exchange rates, volatility and credit spreads.

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

The Group takes positions in derivatives in order to formalise hedges, actively manage other financial assets and liabilities or benefit from changes in their prices. Financial derivatives which cannot be classified as hedges are classified as trading derivatives. Further information on hedging derivatives and the effectiveness tests of these instruments can be found in note 5 j) of the Group's consolidated financial statements.

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

Annually, Bankinter Group's board of directors approves the internal risk measurement procedures and limits for each product and market in which the Trading Area operates.

The Market Risks Area, which reports to the Risk Division, independently measures, monitors and controls the Institution's market risks and the limits established by the board. To that end, value at risk (VaR) is calculated using a historical simulation, with a 95% confidence level and a time horizon of one day. This calculation provides an estimate of the possible losses arising from changes in the value of the Entity's trading positions in financial assets that could arise as a result of variations in factors such as interest risk, foreign exchange risk, credit spreads or stock market prices, in the event the same movements that took place in the past 12 months are repeated.

This method re-evaluates all trading positions in the different market conditions occurring every day during twelve months before the calculation date. After obtaining the results in economic terms, the scenario corresponding to a 95% confidence interval is taken to establish all the limits.

The VaR limits are approved annually by the board of directors. The use of risk limits during the year remained within and did not exceed the maximum VaR approved. The board of directors and the assets and liabilities committee are periodically informed about the levels of use of these limits, through specific reports.

The following chart details the VaR, by risk factor, of the trading positions at the close of the 2023 financial year, in millions of euros:

VaR by risk factor	
Interest rate VaR	0.49
Equity VaR	0.81
Exchange rate VaR	0.04
Volatility VaR	0.72
Total VaR	**0.89**

Confidence level 95% and time horizon of one day

When calculating VaR at one day with a confidence level of 95%, the losses incurred in the trading business are expected to remain below VaR in 95% of the days. In order to estimate the losses that could be incurred on the days in which VaR is exceeded, the expected shortfall or conditional VaR is calculated on a daily basis. This VaR provides the estimated average loss in the event any of the scenarios corresponding to the remaining 5% of days were to occur.

The risk measurement models are regularly tested to verify their validity, through backtesting to ensure that they are correctly calibrated. The results of these tests were satisfactory.

5.3. Own funds requirements for market risk

Bankinter uses the standardised approach for calculating own funds requirements for market risk, as established by Regulation (EU) 575/2013 (CRR), modified by Regulation (EU) 2019/876. In accordance with this Regulation, own funds requirements for market risk are the combination of own funds requirements for position risk, for foreign exchange risk and for commodities risk.

In 2023, Bankinter had no exposure to commodities risk and its exposure to foreign exchange risk was also very low. Accordingly, under Title IV, Chapter 3 of the Regulation, no requirements need be considered for these types of risk.

As established in Title IV of the Regulation, own funds requirements for position risk are the sum of the own funds requirements for the general and specific risk of its positions in debt and equity instruments in 'Assets held for trading'. General risk is that which derives from a change in value of the portfolio due to general market movements, while specific risk is that which arises from a change in the value of portfolio instruments due to causes relating to the issuer of the securities or to the issuer of the underlying asset.

Exposure to this type of risk continues to represent a very small percentage of the company's risk taken as a whole. At 31 December 2023, the amounts of risk-weighted assets and the own funds requirements for each type of instrument are as follows:

Market risk under the standardised approach (MR1)

		a
		Amount of risk-weighted exposure
	Outright products	
1	Interest rate risk (general and specific)	254,901
2	Equity risk (general and specific)	6,742
3	Exchange rate risk	–
4	Commodity risk	–
	Options	
5	Simplified approach	–
6	Delta-plus method	2,371
7	Scenario approach	–
8	Securitisation	–
9	**Total**	**264,014**

Figures in thousands of euros

Capital requirements for market risk have decreased compared to the close of the previous financial year, as a result of the reduction in the volume of exposures and in line with the performance of the markets and of the trading portfolio itself. There were no changes made to the calculation methodology used during the year.

In accordance with article 351 of Regulation (EU) 575/2013, own funds requirements for foreign exchange risk can be disregarded if the sum of overall net foreign-exchange positions and the net gold position does not exceed 2% of total eligible own funds. As the Group does not hold any gold positions and the foreign exchange position is very low (below the 2% threshold established in the Regulation), there are no own funds requirements to be considered in relation to this risk.

06

Operational risk

6. Operational risk

Operational risk is defined as the possibility of incurring financial losses due to failures or unsuitability of processes, people or internal systems, or due to external events.

6.1. Management of operational risk

6.1.1. Risk management strategies and processes

Bankinter's operational risk management model brings together the best sector practices, as shared in the Spanish Operational Risk Consortium (Consorcio Español de Riesgo Operacional, CERO), an experience-exchange group comprising the main banks operating in Spain.

With a view to achieving an efficient system for managing operational risk, Bankinter has established the following basic principles of action:

- Management focussing on preventive mitigation of major operational risks.
- Decentralised management model so that the responsibility for managing risks falls upon a first level at the respective business and support units.
- Regular review of the situations and levels of operational risk management at each unit through analysis.

These principles are set out in Bankinter Group's 'Risk management and control framework', previously approved by the board of directors.

6.1.2. Governance structure

Bankinter's operational risk governance structure is based on the following main elements:

Support areas and business units

The area and business unit managers are responsible for managing operational risk in their respective centres. Their duties include the following:

- Managing the unit's operational risks and, specifically, identifying, assessing, controlling and mitigating the risks on which they have the capacity to act
- Recording and managing operational risk events, as well as reporting operational losses
- Studying, defining, prioritising and financing mitigation plans for operational risks
- Maintain and test the business continuity plans for which they are responsible.

Operational Risk Unit (ORU)

The functions of this unit, which is part of the Risk Division, are as follows:

- Promoting the management of operational risks in the areas and units, encouraging risk identification, allocation of responsibility, establishment of controls, generation of indicators, drawing up of mitigation plans and the action to be taken in case of new significant losses or risks
- Facilitating the methodologies, tools and procedures necessary for managing operational risk.
- Ensuring that operational losses are correctly and accurately recorded
- Providing the organisation with a uniform vision of operational risk exposure
- Proposing changes in the operational risk management framework.

Product and operational risk committee

Operational risks are regularly reported and monitored in the product and operational risk committee, where the following functions are carried out:

- Presenting and analysing the information and trend in operational losses.
- Analysing the self-assessment exercises that have been carried out.
- Monitoring operational risk appetite metrics.
- Monitoring own funds requirements for operational risk.

Control and Compliance division

As a second line of defence, the main objective of the Control and Compliance division is to guarantee the effective control of all types of risks at the company, including operational risk. To that end, the unit ensures that the corresponding management frameworks, policies, procedures and internal and external regulations are followed correctly.

Internal Audit

On an annual basis, Internal Audit reviews and assesses the operational risk management framework, its adaptation to current legislation and the effectiveness and impact of its implementation.

Risk and compliance committee

This committee is a delegate committee of the board of directors. It is entrusted with approving the operational risk management policies and framework, as well as with establishing, limiting and monitoring Bankinter Group's operational risk appetite at any time.

The risk and compliance committee is responsible for creating the organisational culture and structure needed to promote efficient management of operational risk at Bankinter.

6.1.3. Measurement, control and information systems

Among other elements, operational risk management is based on the following:

- Risks are identified and assessed through the development of risk maps, in which the significance of all risks is estimated, and also an appropriate assessment of their control environments.
- Record of loss events occurring in the Group. The loss database contains quantitative information on economic losses generated as a result of operational risk events occurring in recent years. It classifies and keeps a record of operational losses, generating the historic information necessary to examine trends, evaluate potential correlations with indicators, and validate the effectiveness of the mitigation plans implemented. This database contains all loss events without minimum thresholds.
- Execution of corrective actions, requesting incident analyses and corrective measures from responsible units for all loss events exceeding 6,000 euros.
- Risk tracking through key indicators. These indicators are a series of data on the situation or performance of aspects related to the structure, procedures and activities of the Group from which to draw conclusions with a view to predicting or correcting future situations.
- Generation and dissemination of management information suited to the needs of each governing body that has responsibility for operational risk management.

6.1.4. Policies for covering and reducing operational risk

Bankinter has a corporate insurance programme to deal with its risks, including operational risk. The programme covers various risks, the most notable of which are the following.

- Property damage insurance.
- General liability insurance.
- Third-party liability insurance for directors and executives.
- Cyber risk insurance and data protection liability insurance.
- Comprehensive bank insurance (theft, employee breach of trust, etc.).
- Professional indemnity insurance for various sensitive areas of practice.

This programme is reviewed annually, always taking into account the identification and assessment of operational risks. The decision to hedge depends on a number of factors such as the level of exposure, tolerance and risk appetite at the time.

6.2. Methods for calculating and assessing operational risk

Bankinter Group calculates exposures weighted by operational risk using the standardised approach, in accordance with Chapter 1, Title III of Regulation (EU) 575/2013, as amended by Regulation (EU) 876/2019.

The Group meets all the requirements for applying this approach, as established in the applicable regulations: its operational risk management and evaluation system is integrated in the management of Group activity, and senior management is regularly apprised of operational risk in the Company. Operational risk management is described in the following section.

To estimate own funds requirements for operational risk, the Group distributes its income based on the business lines foreseen in the Regulation, applying the corresponding weighting. Total requirements are calculated as the average of own funds requirements for operational risks in the past three years.

6.3. Risk-weighted exposure and operational risk capital charge

The capital requirements for operational risk and risk exposure at year-end 2023 and the levels of the corresponding indicator for the last three previous years are shown below:

Own funds requirements for operational risk and risk-weighted exposure amounts (OR1)

	Banking activities	a	b	c	d	e
		Relevant indicator			Own funds requirements	Amount of risk-weighted
		2021	2022	2023		
1	Banking activities subject to the basic indicator method					
2	Banking activities subject to the standardised approach or alternative approach	263,088	297,401	389,932	317,322	3,966,522
3	Subject to the standardised approach:	263,088	297,401	389,932		
4	Subject to the alternative approach:					
5	Banking activities subject to advanced calculation methods					

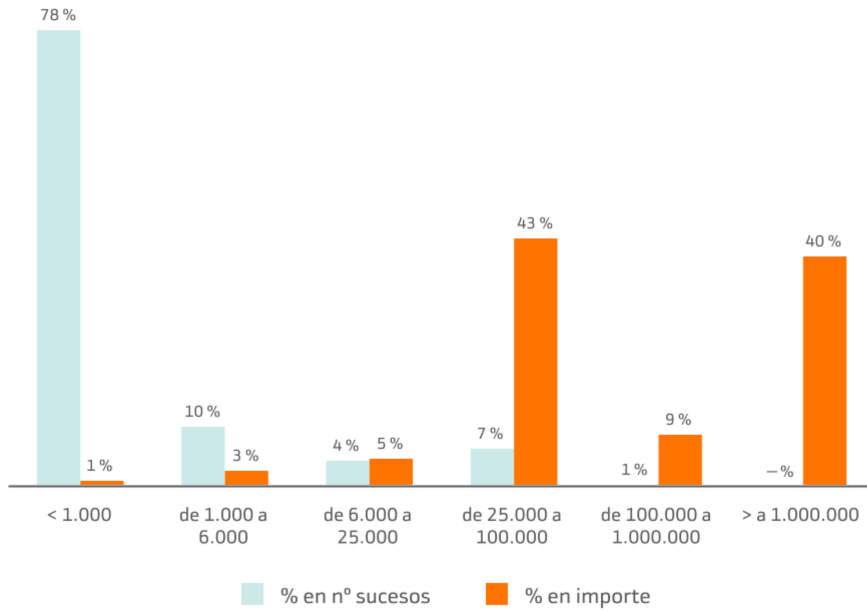
Figures in thousands of euros

The calculation of own funds requirements is not based on business estimates, but on the bank's own analytical and accounting information.

6.4. Group operational risk profile

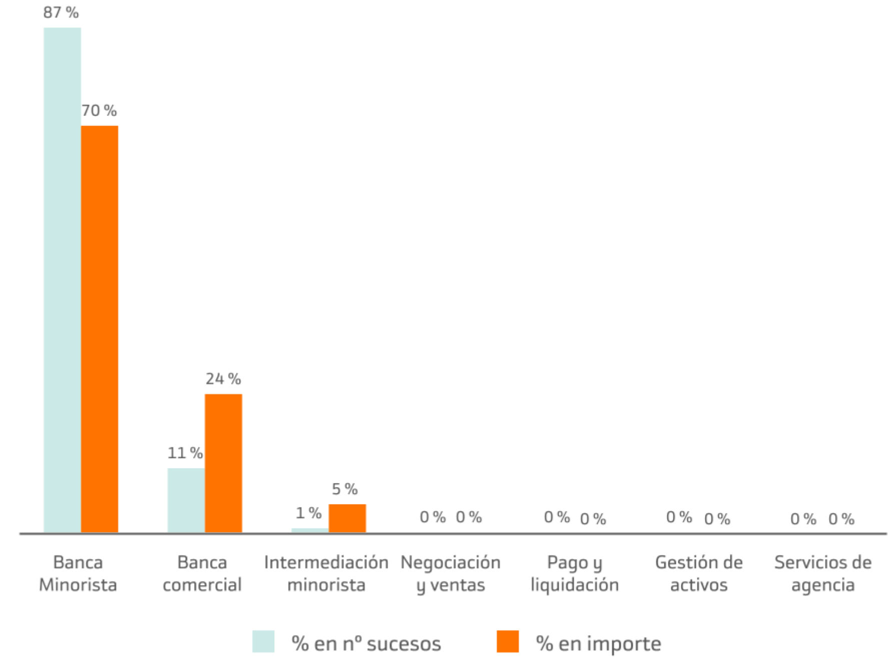
The following charts reflect Bankinter's operational risk profile, shown through the breakdown of historic operational losses analysed under several view points:

Percentage breakdown by type of risk



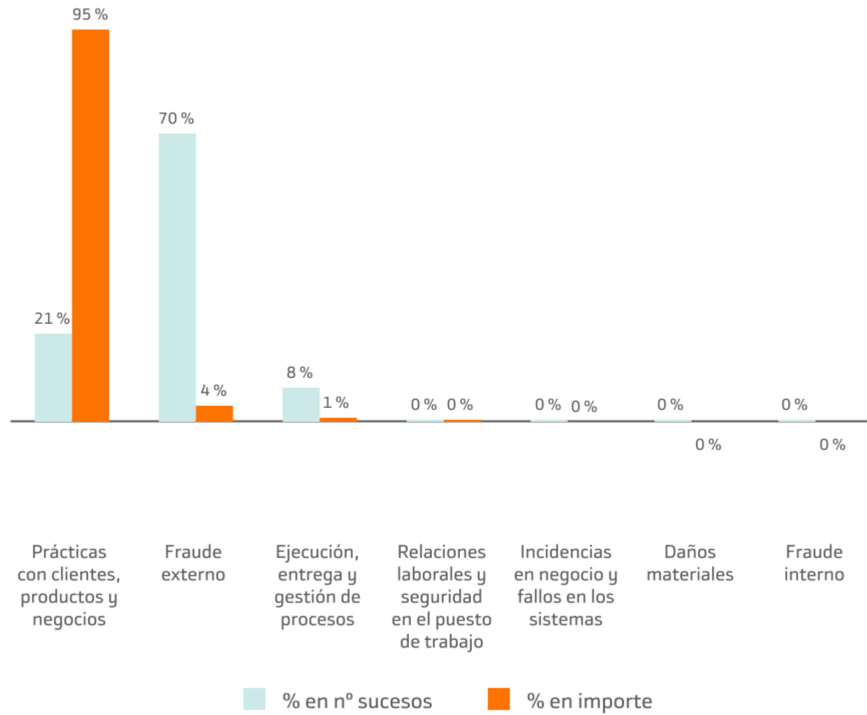
The chart reflects a concentration of losses due to a number of events in 'Commercial practices', 'External fraud' and 'Performance, delivery and management of process'. 'Commercial practices' is also the type of risk where the highest amounts are concentrated.

Percentage breakdown by business line



As a result of the Group's business model, the higher number of loss events are concentrated in 'Retail commercial banking'.

Percentage breakdown by amount intervals



This chart shows that operational risk events involving a small amount (less than 6,000 euros) account for 78% of the total number of events, despite accounting for less than 1% of losses. Most of the losses (92%) occur in the interval between 25,000 euros and 100,000 euros, which accounts for 8% of the total number of events.

07

Equity investments and capital instruments not included under 'Assets held for trading'

7. Equity investments and capital instruments not included under 'Assets held for trading'

7.1. Distinction between portfolios held for sale and for strategic purposes

Equity exposures not recognised in the 'Financial assets held for trading' portfolio are recognised in 'Non-trading financial assets mandatorily at fair value through profit or loss' and the 'Investments' portfolio: The accounting treatment for these portfolios is disclosed in Note 5 g) of the notes to the annual consolidated financial statements.

7.1.1. Portfolios at fair value through profit or loss

This portfolio corresponds in an accounting sense to the category 'Non-trading financial assets mandatorily at fair value through profit or loss', for which the business model is not trading.

In this case, it includes financial assets not held for trading but that must be valued at fair value through profit or loss as they do not meet the cash flow criterion. This portfolio includes the equity instruments of entities not classified as subsidiaries or associates and not classified as 'Financial assets held for trading'.

7.1.2. Portfolios held for strategic purposes

This portfolio is included, for accounting purposes, within the investments portfolio.

A capital instrument is considered a strategic investment when it has been made with the purpose of maintaining an operating or commercial relationship through any of the following situations, but not to exercise significant influence over the investee:

- Representation on the board of directors or equivalent body of the investee
- Participation in policy setting processes
- Exchange of senior management
- Existence of significant transactions between investor and investee
- Provision of essential technical information

7.2. Accounting principles and measurement of instruments

Capital instruments assigned to the investment portfolio are accounted for on the balance sheet using the equity method. Capital instruments included in the portfolio of 'Non-trading financial assets mandatorily at fair value through profit or loss', must be recognised as such both at initial and subsequent measurement.

The best evidence of fair value on initial recognition is the price quoted in an active market. When these prices are not available, the measurement techniques described in current accounting regulations - Banco de España Circular 4/2017, which came into effect on 1 January 2018, and subsequent modifications thereto - are used.

For subsequent measurement, the following methods will be used based on the fair value hierarchy:

- “Level 1” includes information on financial instruments, the fair values of which are obtained from prices quoted on active markets for the same instrument, i.e., without modification or reorganisation.
- 'Level 2' includes data on financial instruments whose fair value is obtained from prices quoted in active markets for similar instruments or other valuation techniques wherein all significant inputs are based on observable market data.
- 'Level 3': includes information on financial instruments the fair values of which are obtained from valuation techniques which have some significant input that is not based on observable market data.

Note 43 to the consolidated financial statements discloses the fair value of these equity instruments and the valuation method based on their fair value hierarchy.

For equities traded on official markets, there is no difference between the carrying amount, the fair value and the quoted price.

Carrying amount of equity investments and capital instruments

The carrying amounts of the main equity investments and capital instruments not included in the portfolio of financial assets held for trading, according to the group's reserved consolidated financial statements for prudential purposes, are shown below:

Equity investments and capital instruments in associates and Group companies

	Non-trading financial assets mandatorily at fair value through profit or loss	Investments			Total
		Associates	Jointly controlled entities	Subsidiaries	
2022	160,046	59,960	118,242	0	**338,249**
2023	176,943	68,360	125,442	0	**370,745**

Figures in thousands of euros

The following chart shows the accounting balances of equity investments and capital instruments not included in the trading book, by type of instrument:

Listed and unlisted equity instruments

	Carrying amount	
	2023	**2022**
Listed instruments	33,420	39,252
Unlisted instruments	337,324	298,997
	370,745	**338,249**

Figures in thousands of euros

The Group had no "Gains or losses on financial assets and liabilities measured at fair value through profit or loss" at either 31 December 2023 or 31 December 2022.

The Group did not obtain any gains or losses on derecognition of financial asset and liability accounts not valued at fair value through profit or loss for equity instruments in the 'Financial assets at fair value through other comprehensive income' portfolio at 31 December 2023.

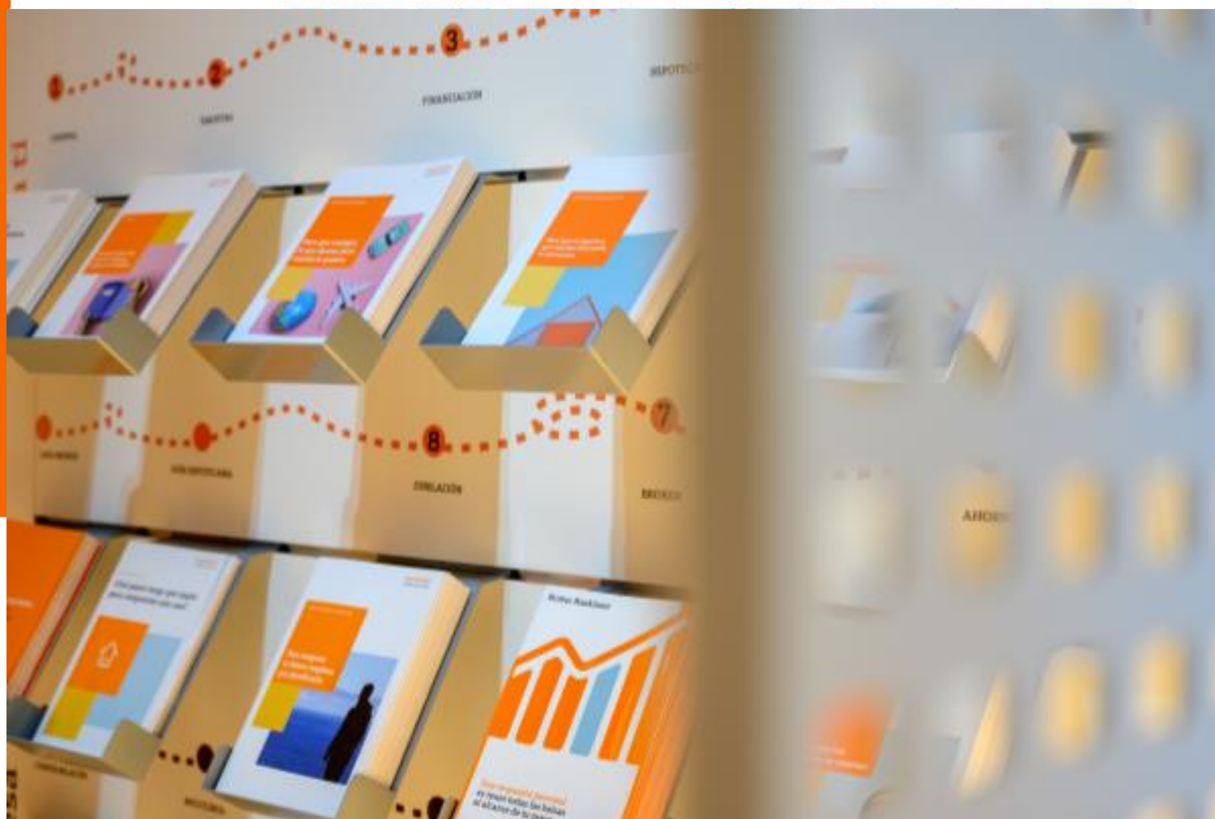
The gains or losses on non-trading financial assets mandatorily at fair value through profit or loss in the 'Non-trading financial assets mandatorily at fair value through profit or loss' portfolio at 31 December 2023 amounted to 5,467 thousand euros, as indicated in Note 30 of the notes to the financial statements.

The Supervisor has authorised Bankinter to permanently apply the standardised approach to equity-related exposures, except for financial-sector investments in which the company holds a significant interest (as is the case of the company's insurance holdings). Deductions must be made in excess of the 10% CET1 threshold. There were no deductions for this item at 31 December 2023.

Risk-weighted capital instruments and equity investments, including the amount of investments in financial institutions below 10% of CET1, stood at 800,246 thousand euros at 31 December 2023, compared to 842,052 thousand euros at year end 2022.

08

Structural interest rate and foreign exchange risk



8. Structural interest rate and foreign exchange risk

8.1. Interest rate risk of positions not included in the trading portfolio

8.1.1. Scope and governance of structural interest rate risk

Details of the governance and policies for managing this risk are provided in Note 44 to the Group's consolidated annual financial statements.

Structural interest rate risk (IRRBB) reflects the current or potential risk to an institution's profit or economic value arising from adverse interest rate movements affecting interest rate sensitive instruments.

In accordance with current EBA regulations and, in particular, with the "Guidelines on the management of interest rate risk arising from non-trading book activities" (GL-EBA: 2022-14 of 20 October 2022), structural interest rate risk is the current and future risk of a negative impact on the economic value of the entity's economic value or net interest income, considering any variations in market value arising from adverse movements in interest rates that affect interest rate sensitive instruments. This encompasses mismatch risk, basis risk and optionality risk. Thus, structural interest rate risk is confined exclusively to non-trading book activities, excluding the risk arising from positions of a speculative nature in the trading book, provided that this risk is measured and managed by other risk measures.

Bankinter Group's management of this (structural) interest rate risk - which is inherent to the fluctuations of interest rates in the financial markets and is caused by the asymmetry of maturities and the time lag in the repricing of the asset and liability transactions corresponding to the banking book of financial institutions - is the ultimate responsibility of the **board of directors**, which delegates its ordinary management to the **assets and liabilities committee (ALCO)** and its management team. In any event, in accordance with its Regulations, the board of directors retains the general supervision of this risk, accepting and exercising directly and without delegation the responsibilities that this function entails. The board of directors annually reviews, approves and delegates to the assets and liabilities committee the limits applicable to the management of this risk, together with those of the rest of the structural risks.

The principles, strategies and practices for managing this risk are set out in the **Risk Control and Management Framework**, the **Risk Appetite Framework**, the **Corporate Risk Map** and the **Structural Interest Rate Risk Management Framework**, approved by the board of directors, and the documents that develop them.

The entity's main objective in the management of interest rate risk is to harmonise its overarching objective of maximising profitability - through the generation of income mostly from commercial retail banking - with the control of this exposure to market interest rates.

This exposure to interest rate risk is reduced by developing a dynamic and efficient risk mitigation and diversification policy.

The management and control of structural interest rate risk is organised through a clear separation of roles and responsibilities, the ultimate objective of which is to ensure the recurring generation of net interest income and to maximise the economic value of equity. The main areas involved in managing this risk are Balance Sheet Management, Market Risk, Risk Control, Internal Validation and Auditing.

8.1.2. General structural strategies for managing and controlling structural interest rate risk

The existence of adequate internal risk control policies is essential for the optimal management of interest rate risk. They ensure that the company does not take undesirable risks beyond the risk appetite set by the board of directors and reflected in the **Group's current Risk Appetite Framework**.

The key policies developed at Bankinter in relation to the risks described above are as follows:

- **Robust organisational and functional structure.** The Bank has an appropriate organisational structure to ensure the soundness of the control and management of structural interest rate risk. This structure is consistent with its size, complexity, risk appetite and business model. Additionally, the responsibilities and duties assigned to each participant in the management of this risk are clearly established and identified.

  In line with best practises in risk management, Bankinter Group guarantees the independence and separation of responsibilities by incorporating the 3 lines of defence model in the management of this risk. Thus, the Group's structural interest rate risk management model (IRRBB) is divided into three lines of defence:

  1. First line: Management is developed in the areas of business and risk support. This line includes the **Balance Sheet Management**, **Balance Sheet Analysis** and **Market Risk** units.
  2. Second line: Consists of the Risk Control and Internal Validation Unit
  3. Third line: Performed by Internal Audit:

- **Appropriate measurement of interest rate risk.** The Group develops various measurement methodologies and applies them to different scenarios of interest rate curve behaviour. Section 8.1.3 of this report provides details on the methods used and the key behavioural assumptions. The various measurement methods and assumptions used are documented, together with details of the key operational and control processes required to develop them.

  In addition, section 8.1.4 of this report identifies the **regulatory interest rate shock scenarios** used.

- **Optimal control of the risk accepted.** The company has a specialised ALM tool for measuring and controlling interest rate risk.

This policy extends to the articulation of appropriate **technical architecture** and **data management** that makes it possible to include the institution's entire balance sheet, specifically those positions that are sensitive to interest rate risk, including interest rate derivatives, both implicit and explicit. According to the EBA Guidelines, institutions with a non-performing exposures (NPE) ratio of 2% or higher must also include them, net of provisions, as general instruments sensitive to interest rates.

It also extends to the establishment of an appropriate interest rate risk control structure that allows the establishment of **interest rate risk mitigation techniques,** such as the arrangement of (accounting and/or economic) hedges through swaps and other interest rate derivatives (e.g. futures).

- **Ongoing analysis of current and future interest rate risk.** The Group analyses its current and future exposure to the various interest rate curves and the composition of the balance sheet, and identifies the Group's strengths and weaknesses by analysing the financial information and other qualitative aspects thereof, etc.

  This information is analysed in detail by the assets and liabilities committee (ALCO), which is responsible for setting guidelines for interest rate risk.

- **The competent bodies of the Group are informed of the level of risk incurred.** The level of interest rate risk is regularly reported to the risk committee, the assets and liabilities committee (ALCO), senior management and other areas of the organisation.

This principle also extends to the information needs of other agents: Regulators (ECB and/or Bank of Spain), internal or external auditors and rating agencies, if applicable.

8.1.3. Methods of measurement. Assumptions

The Bankinter Group regularly monitors its interest rate risk and seeks to anticipate problematic situations or identify potential deviations that could result in losses to the Group's estimated net interest income and/or net asset value.

The Group has an integrated process for communicating this risk internally, which allows for regular monitoring of the risk in different governing bodies:

- Reports to the **ALCO**, on a monthly basis.
- Reports to the **risk committee**, according to its calendar of sessions, where the IRRBB metrics incorporated into the current Risk Appetite Framework (RAF) are reported.
- Reports to the **board of directors**. Matters brought to the attention of the risk committee are reported and, if necessary, approval is sought.

Exposure to structural interest rate risk is measured on two levels:

- **Net interest income (NII) sensitivity.**

  Over a given time horizon, which is usually short-term and no longer than 12 months, the Group analyses the expected change in the net interest income in the [3]baseline scenario in relation to scenarios reflecting shocks in interest rate curves. This movement in interest rates affects net interest income, both through the repricing of future cash flows and through the different profitability resulting from the reinvestment of past due positions.

  The reduction in the estimated margin or the increase in financing costs may threaten the short-term financial stability of the Group or weaken the confidence of other agents (investors, customers, etc.) in the Group, which is why this is an approach to control short-term interest rate risk.

- **Sensitivity of the economic value of equity (EVE).**

  This ratio is related to the changes in the discounted equity (economic value) of the individual interest-sensitive items in the balance sheet in the event of changes in interest rates.

  This sensitivity is mainly influenced by the new discount factors that apply in each adverse scenario, but also by the determination of the new future cash flows for assets with variable yields. This metric for measuring interest rate risk provides information on the long-term interest rate risk.

In both cases, the calculation of these metrics requires a specific ALM tool that includes all positions on the company's interest rate sensitive balance sheet and allows the projection of their future flows depending on the type of instrument, its contractual characteristics and the different interest rate scenarios. The purpose of these projections is to simulate net interest income (NII) and the economic value of the entity's equity (EVE).

The projection of future flows requires the modelling of certain **behavioural assumptions** for specific balance sheet items, such as the maturity date of demand deposits, the rate of early repayment of mortgage loans and the early repayment of term deposits.

The Group has internal models for demand deposits and mortgage loan prepayment risk based on its historical behaviour. In both of these models, the Group has internal documents containing the modelling assumptions that apply to the measurement of IRRBB in terms of economic value (EVE) and earnings (NII), including the changes in assumptions[4] to be considered under the various interest rate shock scenarios.

These models have been approved by its Internal Validation area and follow the Basel recommendations. In particular, the internal model for demand accounts sets the maximum limits on the proportion (%) and average maturity (years) of core deposits:

[3] Net interest income (NII): Interest income received - interest expense paid.

[4] Assumptions on the pace of early repayments of mortgage loans and/or the behaviour of demand deposits are subject to interest rate shock scenarios.

Maximum limits on core deposits and average maturity by category:

Deposit category	Maximum limit on core deposit ratio	Maximum limit on average maturity of core deposits (years)
Retail / transactional	90%	5
Retail / non-transactional	70%	4.5
Wholesale	50%	4

8.1.4. Regulatory scenarios for interest rate shocks

In its RTS SOT 2022-10 guide, the EBA defines six interest rate shock scenarios for each currency considered significant for interest rate risk purposes and the overall parameters of each supervisory scenario:

- Parallel-Up movement;
- Parallel-Down movement;
- Positivisation or lowering of short-term rates and raising of long-term rates [*Steepener*];
- Flattening or rising short-term rates and falling long-term rates [*Flattener*];
- Short-term rate hike [*Short Rates Up*]; and
- Lowering of short-term rates [*Short Rates Down*].

This guide states that institutions shall, at least quarterly, calculate the impact of regulatory interest rate shocks on the **Economic Value of Equity (EVE)**.

The regulations establish a quantitative regulatory threshold for this metric of a 15% limit on the sensitivity of economic value with respect to the entity's tier 1 capital in any of the six scenarios. In this case, the competent authority may, if it deems it appropriate, exercise the supervisory measures in article 104 (1) of Directive 2013/36/EU.

In the case of 12-month net interest income (NII), the prudential requirement only covers the two parallel scenarios (up and down). The new IRRBB regulations include a quantitative threshold of a 5% limit on the sensitivity of net interest income with respect to the entity's tier 1 capital.

The regulations include a new limit (minimum interest rate) for interest rate shocks in lower interest rate scenarios based on the term for each currency. In the case of the euro, the lower limit is -150 basis points, increasing by 3 basis points per year to 0% for maturities of 50 years or longer.

8.1.5. Current exposure to structural interest rate risk: Supervisory approach

The sensitivity of Bankinter Group's economic value of equity (EVE) and net interest income (NII) at year-end 2023 to the regulatory scenarios set out in section 8.1.4 is shown in the table below:

Interest rate risk of positions not held in the trading book (IRRBB1).

		Changes in the economic value of equity (1)		Changes in net interest income (2)	
	Regulatory shock scenarios	Q4 2023	Q4 2022	Q4 2023	Q4 2022
1	Parallel-up movement	-6.4%	-9.5%	-0.5%	-5.0%
2	Parallel-down movement	1.6%	-5.6%	-0.4%	-6.2%
3	Positivisation	3.9%	3.6%		
4	Flattening	-4.2%	-11.7%		
5	Short rates up	-5.6 %	-12.6%		
6	Short rates down	5.2 %	2.4%		

Notes:

(1) Changes in the economic value of equity = Δ EVE/TIER1 (%)

(2) Changes in net interest income = Δ NII 12M/ TIER1 (%)

The interest rate risk figures as at end-December 2023 reflect:

- Bankinter's exposure to structural interest rate risk is within the regulatory and internal (risk appetite framework) limits.
- The most unfavourable scenario for the NII metric is the regulatory scenario of a parallel increase in interest rates. Both adverse scenarios have negative sensitivity, although this is very low. This is due to the asymmetry in the application of assumptions about the behaviour of the balance sheet in response to the changes described in the regulatory scenarios.
- The net sensitivity of NII in the scenario of higher rates is due to regulatory assumptions relating to the stability of external funds, reflecting the higher financial cost of the transfer (real or behavioural) of non-interest-bearing balances to term deposits and others deposits offering managed returns. This higher 12-month funding cost is mostly offset by the higher projected net interest income from asset positions with variable returns.
- The increase in market interest rates in 2023 caused a significant increase in the Group's generation of financial income in the baseline scenario. The performance of the regulatory sensitivity of net interest income (NII) in Bankinter Group in 2023 was in line with expectations, at very low levels.
- In the case of the economic value metric, the scenario of a parallel rate increase is now the most adverse scenario, mainly due to the organic growth in the Group's fixed rate

lending (mortgage portfolio and ALCO portfolio). In these cases, economic value is reduced by discounting future cash flows at higher discount rates.

- The performance of the regulatory sensitivity of economic value (EVE) in the adverse scenario in 2023 shows stable behaviour due to active risk management of these new exposures, despite being impacted by the shorter maturity of the Group's financial liabilities, due to both its new composition and to the application of regulatory restrictions on the maturity of current accounts.

8.1.6. Internal scenarios for interest rate shocks

Based on the EBA guidelines, various management scenarios have been defined to capture all interest rate risks in Bankinter: repricing, basis and optionality risk. These scenarios were presented and approved by ALCO.

- Parallel-down movement in rates of 25 bp
- Parallel-up movement in rates of 25 bp
- Parallel-down movement in rates of 100 bp
- Parallel-up movement in rates of 100 bp
- Gradual up movement in rates of 100 bp
- Gradual down movement in rates of 100 bp
- Flattening of the slope of 50 bp
- Positivisation of the slope of 50 bp.

Interest rate scenarios presented periodically in ALCO corresponding to parallel and instantaneous changes of 25 basis points up and down have been included. These are more realistic management scenarios as they correspond to interest rate movements with a higher probability of occurrence.

More stressed scenarios have also been analysed, with parallel and instantaneous 100 basis point movements.

Two scenarios with progressive interest rate changes have been added, which focus on the measurement of repricing risk on net interest income, and two further scenarios with a change in the slope of the yield curve, which mainly affect the sensitivity of economic value.

8.1.7. Current exposure to structural interest rate risk: Internal management approach

At year-end 2023, the results of the sensitivity of the financial margin and economic value to the different scenarios would be as follows:

Sensitivity of net interest income		VEC sensitivity	
-25 bp parallel	-1.0%	-25 bp parallel	+0.1%
+25 bp parallel	+1.0%	+25 bp parallel	-0.1%
-100 bp parallel	-4.3 %	-100 bp parallel	-1.7%
+100 bp parallel	+3.6%	+100 bp parallel	+1.4%
Gradual fall	-1.6%	Gradual rise 100 bp	+1.5%
Gradual rise	+1.3%	Gradual fall 100 bp	-1.6%
Flattening	-0.3%	Positivisation 50 bp	+0.9%
Positivisation	+0.3%	Flattening 50 bp	-1.1%

8.2. Exchange rate risk

8.2.1. Management of structural foreign currency risk

The structural exchange rate risk on the balance sheet derives from investment positions and funds that are denominated in foreign currency. The aim of managing this risk is to limit the possible negative impact of exchange rate fluctuations on the Bank's margins and equity.

The Balance Sheet Management area, part of the Treasury and Capital Markets area, establishes the management and hedging policies for exchange rate risk. The Bank's policy is to hedge all balance sheet positions, so that the number of open positions in each of them is kept to a minimum.

The risk of operating with assets and liabilities in other currencies before hedging would be defined by:

- The percentage depreciation of a currency if a long position (more assets than liabilities in that currency) is taken.
- The percentage appreciation of a currency if a short position (more liabilities than assets) is taken.

The Liquidity desk, within the Balance Sheet Management area, is responsible for exchange rate hedging. It receives information on a daily basis about the position in each of the currencies and the expected movements. The positions are then hedged in light of the resulting balances, either by placing surpluses on the market or taking negative positions. These hedges are carried out either through spot transactions or FX swaps.

As a result, the structural exchange rate risk is managed on a daily basis, minimising the impact on the Bank of any possible adverse movement in exchange rates. Additionally, a second level control is carried out by the Financial Control department on the positions in each of the currencies.

The currency positions generated by trading activities are also managed by the Currency Desk, but their measurement is included in the monitoring of the rest of the market risks.

09

Liquidity and funding risk

9. Liquidity and funding risk

9.1. Governance and monitoring of funding and liquidity risk

Information on the governance and management of this risk is provided in Note 44 to the Group's consolidated annual financial statements.

Structural liquidity risk is associated with the financial institution's capacity to handle the payment obligations it takes on and to fund its investment business. Bankinter Group actively monitors liquidity and its forecasts as well the measures to take either under normal market conditions or in exceptional situations resulting from external causes or market behaviour.

The management of this risk is the responsibility of the ALCO by delegation of the board of directors.

The principles, strategies and practices for liquidity management are set out in the 'Liquidity planning framework' that is approved by the board of directors.

The primary goal of managing liquidity risk is that Bankinter Group maintains enough funds to cover all its commitments over a long period of time in any market conditions.

Fulfilment of this objective is subject to the following restrictions:

- Maintaining a reduced reliance on wholesale markets to fund operations through balanced growth in loans and retail funds.
- Diversifying wholesale funding sources, both from the point of view of instruments and markets
- Maintaining a customer funding gap with a loan-to-deposit (LtD) ratio below 120%.
- Maintain a presence in wholesale markets, issuing on a regular basis in accordance with market opportunities and needs
- Offering maximum transparency to investors, by regularly providing information about the Bank
- Having an appropriate wholesale maturity profile, avoiding concentrations
- Maintaining a sufficient buffer of liquid assets to cope with potential closure of wholesale markets and other stress test scenarios

The metrics defined to assess liquidity risk are described and structured in the Risk Appetite Framework at two levels, depending on whether they are metrics related to the main risks of the business or those that directly impact profitability, capital and liquidity. In this case, they would fall into Level 1, while Level 2 applies to those that extend Level 1 information or do not directly impact the company's risks:

Level 1

a) Liquidity coverage ratio (LCR)

Stock of high-quality liquid assets that covers net cash outflows over a 30-day period

b) Loan-to-deposit ratio

Ratio of net lending to stable customer deposits, ensuring that there are suitable levels of self-funding of loans in the balance sheet at all times

c) Total liquidity buffer [(first + second lines of liquidity) + covered bonds issuing capacity]

Amount of assets that can be easily liquidated in order to cover any liquidity needs, including the issuing capacity of covered bonds.

Level 2

a) ECB financing

The total amount of financing through the European Central Bank (ECB) net of balances deposited in accounts at the ECB.

b) Limit of maturity concentrations of issues

The amount of wholesale issues with a maturity of less than six months that exceeds the outstanding issues sold in the market

c) Short-term wholesale funding ratio

Short-term wholesale funding as a percentage of total wholesale funding

d) Wholesale funding with maturity of less than 12 months as a percentage of liquid assets

Wholesale funding with maturity of 12 months as a percentage of the Institution's liquid assets

e) 90-day LCR

Stock of high-quality liquid assets that covers net cash outflows over a 90-day period

f) NSFR

Ratio of available stable funding over required stable funding

g) Deposit concentration

Coefficient between the top 10 depositors and total customer resources. This measures the liquidity risk derived from concentrating liability balances.

h) Funding costs

It is measured as the weekly change in the secondary market spread of the Institution's issues compared to the rest of the sector. If it is trading with a large spread compared to the sector as a whole, the Bank could face problems in obtaining funding from the wholesale markets or may have to pay a higher rate of interest to do so.

Bankinter Group has several tools for analysing and monitoring the short- and long-term liquidity situation. These include both static and dynamic tools. In addition, backtesting is also conducted on the projections made.

In addition to the above, the Market Risks area controls liquidity risk by verifying compliance with the limits set by the board of directors and delegated to the persons responsible for their management and the ALCO.

An Internal Liquidity Adequacy Assessment Process (ILAAP) is conducted annually to review liquidity measurement and management strategies and procedures. The document provides an overview of the Group's liquidity and funding situation and uses metrics and parameters to describe the management of this risk. In this way, management and the board of directors assess Bankinter's liquidity risk.

The latest ILAAP study (for 2022) found that: liquidity risk management is adequate; Bankinter's liquidity risk profile is low; and all levels of the Bank adhere to strict monitoring and control of this risk. The Liquidity Adequacy Statement analyses:

- Strategy and management of liquidity risk
- The performance of the main liquidity indicators
- Compliance with regulatory and internal limits
- The existence of a robust liquidity contingency plan that includes the areas and committees responsible for overseeing the contingency plan, early warning mechanisms to detect significant changes in the bank's liquidity, and a wide range of liquidity-generating measures, the quantification of which is regularly reviewed.
- Approving the use of assumptions to highlight the Bank's liquidity position, which are presented monthly in ALCO and reflect a very strong liquidity position.

9.2. Liquidity and funding prospects

A comfortable liquidity position was maintained in 2023 with a general improvement across all liquidity indicators. Commercial activity generated 2,700 million euros due to the increase in customer funds exceeding the increase in lending. Customer deposits amounted to 5,700 million euros in the period, equal to 106% of lending, compared to 102.8% in the previous year.

In terms of wholesale funding, there were no maturities of issuances during the year, but repayment of the TLTRO III programme had to be met in the amount of 10,388 million euros. Several long-term wholesale issues were made to cover this. These issues were well received by investors. The total issued amounted to 1,300 million euros, with an additional 4,200 million euros being raised in short-term wholesale operations.

Wholesale funding maturities are distributed over time so as to minimise refinancing difficulties.

The improved liquidity position means less dependence on wholesale markets and led to significant growth in the liquidity buffer, leaving the LCR well above both internal and regulatory limits. The LCR stood at 226.95% at year-end 2023, up from 193.54% at the close of 2022.

As a result of the balanced and stable funding by Bankinter Group to cover its needs, the net stable funding ratio (NSFR) stood at 141.03% at 31 December 2023, compared to 139.72% at the end of the previous reporting period.

For 2024, Bankinter expects to continue its balanced growth in lending and in deposits, thus reducing dependence on wholesale markets.

Both long-term and short-term issues in the wholesale markets will be used to meet the maturities of wholesale funding. However, no further fund raising through asset securitisation is expected.

9.3. Liquidity coverage ratio (LCR)

Table LIQ1 below presents the components of the LCR ratio in monthly average data at the end of each quarter of 2023. The values and figures have been calculated as simple averages of month-end observations during the twelve months preceding the end of each quarter, according to the instructions in Regulation (EU) 2021/637.

Liquidity coverage ratio, LCR (LIQ1)

		a	b	c	d	e	f	g	h
	Consolidated scope	Total unweighted value (average)				Total weighted value (average)			
EU 1a	Quarter ending	31/12/2023	30/9/2023	30/6/2023	31/3/2023	31/12/2023	30/9/2023	30/6/2023	31/3/2023
EU 1b	Number of figures used in calculating the average	12	12	12	12	12	12	12	12
	HIGH QUALITY LIQUID ASSETS								
1	Total high-quality liquid assets (HQLA)					19,624	19,263	19,441	20,062
	CASH OUTFLOWS								
2	Retail deposits and deposits from small business customers, of which:	47,339	47,353	47,677	47,915	2,710	2,868	3,017	3,111
3	Stable deposits	27,346	28,685	29,585	30,126	1,367	1,434	1,479	1,506
4	Less stable deposits	12,848	13,863	14,982	15,685	1,343	1,434	1,538	1,604
5	Unsecured wholesale funding	24,430	24,429	25,074	26,091	9,505	9,224	9,084	9,132
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	11,020	12,086	14,291	16,256	2,589	2,850	3,393	3,881
7	Non-operational deposits (all counterparties)	13,360	12,301	10,729	9,782	6,867	6,333	5,638	5,198
8	Unsecured debt	49	42	54	52	49	42	54	52
9	Secured wholesale funding					268	173	132	93
10	Additional requirements	13,903	14,017	13,896	13,656	1,262	1,239	1,289	1,240
11	Outflows related to derivative exposures and other collateral requirements	243	230	220	185	243	230	220	185
12	Outflows related to loss of funding on debt products	14	17	102	98	14	17	102	98
13	Credit and liquidity facilities	13,645	13,770	13,573	13,374	1,005	992	966	957
14	Other contractual funding obligations	459	636	803	824	389	567	734	754
15	Other contingent funding obligations	4,828	4,864	5,113	5,284	813	804	783	759
16	**TOTAL CASH OUTFLOWS**					14,946	14,875	15,040	15,088
	CASH INFLOWS								
17	Secured lending (e.g. reverse repos)	4,001	3,640	3,165	2,842	48	48	32	25
18	Inflows from fully performing exposures	6,171	6,194	6,270	6,171	4,760	4,821	4,884	4,803
19	Other cash inflows	356	261	251	61	553	383	358	161
EU 19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					–	–	–	–
EU 19b	(Excess inflows from a related specialised credit institution)					–	–	–	–
20	**TOTAL CASH INFLOWS**	10,528	10,095	9,685	9,073	5,361	5,252	5,274	4,989
EU 20a	Fully exempt inflows	–	–	–	–	–	–	–	–
EU 20b	Inflows subject to 90% cap	–	–	–	–	–	–	–	–
EU 20c	Inflows subject to 75% cap	10,528	10,095	9,685	9,073	5,361	5,252	5,274	4,989
EU 21	**LIQUIDITY BUFFER**					19,624	19,263	19,441	20,062
22	**TOTAL NET CASH OUTFLOWS**					9,585	9,624	9,766	10,099
23	**LIQUIDITY COVERAGE RATIO (%) (1)**					206.28 %	201.64%	200.86%	198.40%

Figures in millions of euros

(*) Average of the consolidated LCR ratios

Qualitative information on the liquidity coverage ratio (LIQB)

Main drivers of LCR performance and change over time of the contribution to the liquidity coverage ratio calculation.

The metrics that influence the LCR are liquid assets (HQLA) and net liquidity outflows after 30 days, in accordance with the regulations for this ratio.

Change in liquidity coverage ratio over time

At year-end 2023, as it had throughout the period, the liquidity coverage ratio remained comfortably above regulatory limits and the Group's internal control limits, standing at 206.28% on annual average during 2023.

Concentration of liquidity sources and funding

Of particular importance within the various sources of funding is that originating from retail deposits, which is characterised by its stability. Wholesale funding is in second place.

Composition of the liquidity buffer of the entity

The liquidity buffer consists largely of Level 1 assets, mainly reserves at central banks that can be withdrawn. Second, there are the assets of public administrations. Third, we have mortgage bonds with a very high degree of liquidity. In addition to regulatory liquid assets, Bankinter has a significant amount of unencumbered liquid funds available for immediate use as collateral to obtain additional financing.

There are no other relevant LCR calculation elements that are not included in the LCR disclosure template.

Derivative exposures and possible collateral calls

Derivative transactions are carried out under credit support annexes (CSAs) that Bankinter has entered into with the various counterparties it operates with, illustrating that hedging derivatives exposure is normal practice for the Bank.

Currency mismatches in the LCR

Bankinter only produces a liquidity coverage ratio (LCR) in euros at consolidated level, as this is its only significant currency.

Other elements involved in calculating the liquidity ratio

No other significant elements are involved in calculating the liquidity ratio other than those in the previous points of this template.

9.4. Net stable funding ratio (NSFR)

Net stable funding ratio, NSFR (LIQ2)

		Value not weighted by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1 year	One year or more	
	Available stable funding items (ASF)					
1	**Capital items and instruments**	**5,449**	**0**	**0**	**830**	**6,279**
2	Shareholders' equity	5,449	0	0	830	6,279
3	Other equity instruments					
4	**Retail deposits**		**43,806**	**5,169**	**226**	**45,783**
5	Stable deposits		27,401	2,209	117	28,247
6	Less stable deposits		16,405	2,959	108	17,536
7	**Wholesale funding:**		**40,770**	**3,858**	**6,361**	**21,480**
8	Operating deposits		13,359	0	0	6,680
9	Other wholesale funding		27,410	3,858	6,361	14,801
10	**Interdependent liabilities**		**0**	**0**	**0**	**0**
11	**Other liabilities:**	**0**	**2,939**	**44**	**1,549**	**1,571**
12	Liabilities arising from the net stable funding ratio	0				
13	All other liabilities and capital instruments not included in the previous categories		2,939	44	1,549	1,571
14	**Total stable funding available**					**75,114**
	Required stable funding (RSF) items					
15	**Total high-quality liquid assets (HQLA)**					**331**
EU 15a	**Encumbered assets with a residual maturity of one year or more in a coverage pool**		**0**	**0**	**3,731**	**3,171**
16	**Deposits held in other financial entities for operating purposes**		**0**	**0**	**0**	**0**
17	**Performing loans and securities:**		**26,102**	**5,939**	**48,696**	**46,248**
18	Non-performing securities financing transactions with financial customers collateralised by Tier 1 HQLA are subject to a valuation haircut of 0%		5,623	0	0	1,036
19	Non-performing securities financing transactions with financial customers collateralised by other assets and loans and advances to financial institutions		3,571	942	547	1,375
20	Performing loans to non-financial corporate customers, loans to retail and small business customers, and loans to sovereign issuers and public sector entities, of which:		11,674	4,518	14,148	40,720
21	With a risk weight of 35% or less under the BCBS II standardised approach for credit risk		366	281	5,473	21,459
22	Mortgages on residential real estate, of which:		411	204	31,417	0
23	With a risk weight of 35% or less under the BCBS II standardised approach for credit risk		380	193	26,602	0
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equity and on-balance sheet trade finance products		4,823	275	2,584	3,117
25	**Interdependent assets**		**0**	**0**	**0**	**0**
26	**Other assets**		**3,076**	**305**	**2,189**	**2,817**
27	Physically traded commodities					
28	Assets posted as initial margin for derivatives contracts and contributions to CCP default funds		251	0	0	214
29	Assets arising from the net stable funding ratio		16			16
30	Liabilities resulting from the net stable funding ratio before deduction of the contributed variation margin		1,448			72
31	All other assets not included in the above categories		1,361	305	2,189	2,515
32	**Off-balance sheet items**		**751**	**65**	**12,741**	**693**
33	**Total stable funding required**					**53,259**
34	**Net stable funding ratio (%)**					**141.03 %**

Figures in millions of euros

10

Leverage

10. Leverage

10.1. Definition and composition of the leverage ratio

The leverage ratio is a supplementary measure to the remaining capital indicators, intended to encourage institutions to maintain prudent financing structures, restricting excessive leverage and avoiding destabilisation of the economy and of the banking system.

As defined in Regulation (EU) 575/2013, this ratio is tier 1 capital as a percentage of total exposure. The elements used to build the ratio are as follows:

- **Tier 1 capital:** calculated according to the capital adequacy regulations. It includes capital, reserves, retained earnings and capital gains on other available-for-sale assets, as well as additional tier 1 capital instruments adjusted for tier 1 deductions.
- **Exposure:** as defined in article 429 of the Regulation, this is the sum of balance sheet assets, off-balance sheet items, derivative and securities financing exposures, and Tier I deductions.

  a) Balance sheet assets: includes the carrying amount of financial assets, but does not include derivatives or securities financing transactions (which are considered in the following sections).

  b) Exposures in derivatives: includes the replacement cost following application of netting agreements and collateral received and the potential future risk (add-on) taking into account contractual netting agreements.

  c) Exposures in securities financing transactions: includes the exposure measure plus an add-on for counterparty credit risk.

  d) Off-balance sheet items: relates to contingent risks and commitments, applying a floor of 10% to the conversion factors, in line with article 429 septies of the Regulation.

  e) Conventional purchases or sales outstanding, calculated as referred to in Article 429g of the Regulation.

Exposures excluded from the total exposure measure:

- Tier 1 deductions: amounts deducted from the tier 1 capital measure to ensure consistency between the capital measure and exposure, therefore reducing leverage ratio exposure. These deductions are shown in Point 2 of this report.
- The other exposures that are described in article 429 bis of the CRR2.

At the close of 2023, Bankinter Group's leverage ratio stood at 4.86%, compared to 4.40% in the previous financial year. The 2023 and 2022 ratios are well above the regulatory minimum requirement of 3%.

Bankinter Group's leverage ratio at 31 December 2022 and 2023:

	2023	2022
Tier 1	5,449,116	4,692,023
Exposure	112,070,874	106,581,781
Leverage ratio	**4.86%**	**4.40%**

Figures in thousands of euros

A reconciliation between the Group's financial statements and the exposure measure used in calculating the 2023 leverage ratio is as follows:

Summary of the reconciliation of accounting assets and exposures corresponding to the leverage ratio (LR1).

		a
		4Q23
1	Total assets according to published financial statements	113,008,305
2	Adjustment for entities consolidated for accounting purposes, but which fall outside the scope of regulatory consolidation	–
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transfer)	(496,795)
4	(Adjustment for temporary exemption of exposures to central banks (if applicable))	–
5	(Adjustment for fiduciary assets recognised on the balance sheet under the applicable accounting framework but excluded from the total exposure measure under CRR Article 429a(1)(i))	–
6	Adjustment for regular way purchases and sales of financial assets subject to accounting on the trade date	–
7	Adjustment for eligible cash pooling transactions	–
8	Adjustment for derivative financial instruments	(1,244,256)
9	Adjustment for securities financing transactions	(2,942,417)
10	Adjustment for off-balance-sheet items (i.e., conversions of off-balance-sheet exposures to credit equivalents	5,714,163
11	(Prudent valuation adjustments and specific and general provisions that have reduced Tier 1 capital)	–
EU 11a	(Adjustment for exposures excluded from the total exposure measure in accordance with Article 429a(1)(c) CRR)	–
EU 11b	(Adjustment for exposures excluded from the total exposure measure in accordance with Article 429a(1)(j) of the CRR)	–
12	Other adjustments	(1,968,128)
13	**Total leverage ratio exposure measure**	**112,070,874**

Figures in thousands of euros

The following table provides a breakdown of the items used to calculate the leverage ratio at 31 December 2023:

Leverage ratio common disclosure table (LR2)

		CRR leverage ratio exposures	
		a	b
	On balance sheet exposures (excluding derivatives and SFTs)	**4Q23**	**2Q23**
1	On balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including security interests	104,712,732	99,998,649
2	Gross-up for derivative collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	–	–
3	Deductions of receivables assets for cash variation margin provided in derivatives transactions)	(960,833)	(770,501)
4	(Adjustment for securities received in securities financing transactions recognised as assets)	–	–
5	(Adjustments for general credit risk of on-balance sheet items)	–	–
6	(Amounts of assets deducted to determine tier 1 capital)	(440,914)	(418,638)
7	Total on balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)	**103,310,985**	**98,809,510**
	Exposures in derivatives		
8	Replacement cost associated with all derivative transactions under the standardised approach to counterparty risk (i.e. net of eligible cash variation margin)	75,875	69,071
EU-8a	Exception applicable to derivatives: contribution to replacement costs under the simplified standardised approach	–	–
9	Amounts of additions for potential future exposure associated with derivative transactions under the standardised approach for counterparty credit risk	289,288	221,178
EU-9a	Exception for derivatives: Potential contribution to future exposure under the simplified standardised approach	–	–
EU-9b	Exposure determined under original exposure approach	–	–
10	(CCP component excluding client-cleared trading exposures) (standardised approach for counterparty credit risk)		
EU-10a	(CCP-exempt portion of trade exposures netted by the client) (simplified standardised approach)		
EU-10b	(CCP-exempt portion of trade exposures netted by the client) (original exposure method)		
11	Adjusted effective notional amount of written credit derivatives		
12	(Adjusted effective notional offsets and additional deductions for credit derivatives entered into)		
13	Total derivatives exposures	**365,163**	**290,250**
	SFT exposures		
14	Gross assets of securities financing transactions (without recognition of netting), after adjustments for sale accounting transactions	5,622,979	6,974,986
15	(Net amounts of cash payable and cash receivable in gross assets of securities financing transactions)	(2,960,317)	(5,107,529)
16	Counterparty credit risk exposure on securities financing transaction assets	17,901	7,022
EU-16a	Exemption for securities financing transactions: Counterparty risk exposure under Article 429e(5) and Article 222 of the CRR	–	–
17	Agent transaction exposures	–	–
EU-17a	(CCP component excluding exposures from securities financing transactions netted by the client)	–	–
18	Total SFT exposures	**2,680,562**	**1,874,479**
	Off balance-sheet exposures		
19	Off-balance sheet exposures at gross notional amount	24,335,565	24,707,643

20	(Adjustments for conversion to credit equivalent amounts)	(18,621,401)	(18,950,281)
21	(General provisions deducted for the determination of Tier 1 capital and specific provisions associated with off-balance sheet exposures)	—	—
22	Off balance sheet exposures	**5,714,163**	**5,757,362**
	Exposures exempted		
EU-22a	(Exposures excluded from the total leverage ratio exposure measure in accordance with Article 429a(1) of the CRR)	—	—
EU-22b	(Exposures exempted under Article 429a(1)(j) CRR (on- and off-balance sheet))	—	—
EU-22c	(-) Exposures excluding public development banks - Public Sector Investments	—	—
EU-22d	(Excluded promotional loans from public development banks: - Promotional loans granted by a public development credit institution - Promotional loans granted by an entity set up directly by the central government, regional governments or local authorities of a Member State - Promotional loans granted by an institution set up by the central government, regional governments or local authorities of a Member State through an intermediate credit institution)	—	—
EU-22e	(Excluding exposures of promotional loans transferred by non-public development banks or units) - Promotional loans granted by a public development credit institution - Promotional loans granted by an entity established directly by the central government, regional governments or local authorities of a Member State - Promotional loans granted by an entity established by the central government, regional governments or local authorities of a Member State through an intermediary credit institution)	—	—
EU-22f	(Excluding the secured portions of export credit risks)	—	—
EU-22g	(Excluding excess collateral lodged with tripartite agents)	—	—
EU-22h	(Excluding CSD-related services of institutions in accordance with point (o) of Article 429a(1) of CRR)	—	—
EU-22i	(CSD-related services excluded from entities designated in accordance with Article 429a(1) of the CRR)	—	—
EU-22j	(Reduction in the exposure value of pre-financing or mezzanine loans)	—	—
EU-22k	(Total exposures excluded)	—	—
	Capital and total exposure measurement		
23	Tier 1 capital	5,449,116	5,197,983
24	Measurement of total exposure for leverage ratio	112,070,874	106,731,601
	Leverage ratio		
25	Leverage ratio (%)	4.86%	4.87%
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	4.86 %	4.87%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption from central bank reserves) (%)	4.86 %	4.87%
26	Regulatory minimum leverage ratio requirement (%)	3%	3%
EU-26a	Additional own funds requirements to address the excessive leverage ratio (%)	0 %	0%
EU-26b	of which: consisting of Common equity tier 1	0 %	0%
27	Required leverage ratio buffer requirement (%)	0%	0%
EU-27a	Overall leverage ratio requirement (%)	3%	3%
	Choice on transitional arrangements and relevant exposures		
EU-27b	Choice of transitional arrangements for the definition of the capital measure		
	Disclosure of mean values		
28	Average value of SFT gross assets, after adjusting for sales accounting transactions and deducting the amounts of cash liabilities and related cash receivables.	16,277,015	12,108,072

29	Quarter-end value of SFT gross assets, after adjusting for sales accounting transactions and net of related cash liabilities and receivables	2,662,661	1,867,457
30	Measurement of total exposure (including the effect of any temporary relief from central bank reserves) incorporating the averages of line 28 of gross assets of securities financing transactions (after adjustment for accounting sales transactions and net of amounts of related payment and cash receipt assets).	125,685,228	116,972,215
30a	Measure of total exposure (excluding the effect of any applicable temporary central bank reserve exemption) comprising the averages of line 28 of gross SFT assets (after adjustment for accounting sales transactions and net of related cash liabilities and assets).	125,685,228	116,972,215
31	Leverage ratio ((including the effect of any applicable temporary central bank reserve exemption) comprising the averages of line 28 of gross SFT assets (after adjustment for accounting sales transactions and net of related cash payables and receivables).	4.34 %	4.44%
31a	Leverage ratio (excluding the effect of any applicable temporary central bank reserve exemption) comprising the averages of line 28 of gross SFT assets (after adjustment for accounting sales transactions and net of related cash payables and receivables).	4.34 %	4.44%

Figures in thousands of euros

Below is a breakdown of the on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures):

On-balance sheet exposures (excluding derivatives, SFTs and exempted exposures (LR3)

		a
		CRR leverage ratio exposures
EU-1	**Total on-balance sheet exposures (excluding derivatives, securities financing transactions and excluded exposures), of which:**	**99,228,148**
EU-2	**Trading book exposures**	**378,380**
EU-3	**Loan book exposures, of which:**	**98,849,768**
EU-4	Covered bonds	–
EU-5	Exposures treated as sovereigns	22,774,401
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	613,713
EU-7	Institutions	6,408,634
EU-8	Secured by mortgages of immovable properties	35,872,739
EU-9	Retail exposures	10,637,413
EU-10	Companies	18,826,419
EU-11	Defaulted exposures	816,035
EU-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	2,900,415

Figures in thousands of euros

10.2. Trends in the leverage ratio

The leverage ratio increased by 46 basis points during 2023, from 4.40% at the end of 2022 to 4.86% at 31 December 2023.

The value of the numerator of the ratio, Tier 1 Capital, increased by 757 million euros during the year, which mitigated some of the increase in total exposure that forms the denominator of the ratio.

The total exposure of the ratio, in the denominator, increased by 5,489 million euros during the year, mainly due to the increase in the total assets on the Group's balance sheet.

10.3. Managing the risk of excessive leverage

Bankinter Group calculates the leverage ratio quarterly, analysing the changes in all the items that comprise both its numerator and denominator, and carrying out close monitoring to ensure that the ratio remains comfortably above the minimum required level and that there is no risk of excessive leverage at any time. This analysis is reported quarterly to senior management.

In addition to this quarterly monitoring, Bankinter's leverage ratio is also one of the tier 1 ratios tracked by the board of directors in the risk appetite framework. The Institution has established operational measures and limits by actively integrating the leverage ratio into risk management and ensuring that it remains at levels that are in line with sustainable balance sheet growth and with a prudent risk policy.

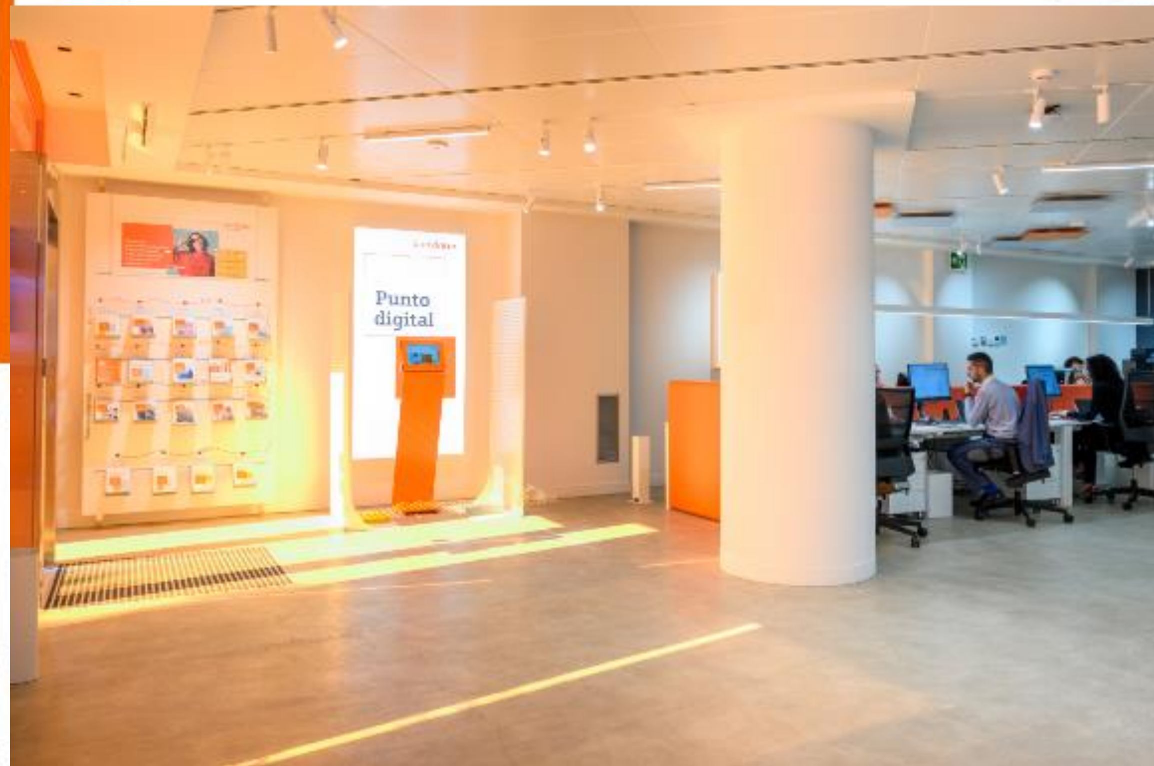
Forecasts for this ratio are also made in the three-year balance sheet, earnings and capital projections, in both central and stress scenarios, to guarantee compliance in adverse situations.

The ratio has been monitored as part of the Group's regulatory reporting since 2014, in compliance with disclosure requirements regulations, confirming that the ratio comfortably exceeds the minimum required levels.

As an additional transparency measure, the LR1, LR2 and LR3 tables are published every six months on Bankinter Group's corporate website.

11

Information on asset encumbrance



11. Information on asset encumbrance

Asset encumbrance refers to the part of the Institution's assets that have been committed as a result of use in guaranteed funding operations.

Below, Bankinter Group reports the information required under Commission Delegated Regulation (EU) 2017/2295.

The scope of regulatory consolidation used in this report is the same as that defined for the application of liquidity requirements on a consolidated basis, as set out in Part Two, Chapter 2 of Regulation (EU) 575/2013, modified by Regulation (EU) 876/2019. Therefore, there is no difference between them.

Neither are there any difference between the assets pledged and transferred in accordance with the applicable accounting frameworks used by the Bank and the encumbered assets. There is no difference between the treatment of these transactions.

The amount of the exposure shown in the following tables corresponds to the carrying amount and the fair value. The information relating to the amount of the published values is calculated as the average of the quarterly values, as this measure of centralisation reflects the inequality of the frequency distribution of the values, dividing the distribution of them into two equal parts (second quartile).

The main sources of asset encumbrance in Bankinter can be classified according to the type of asset associated with a specific obligation, as set out below.

Loans and advances to customers

Securitisation

Since 2004, transactions transferred to securitisation funds appear on the consolidated balance sheet. However, credit rights are assigned to funds that in turn issue debt acquired by investors. This includes the limitation involved in transferring the credit risk on the securitised transactions to securitisation funds, up to the amount of the securitisation bonds held by third parties or used to secure financing transactions. It is also worth pointing out that there is no significant excess guarantee.

Covered bonds

In accordance with the Spanish Mortgage Market Law, covered bonds can be issued on mortgages with a LTV of less than 80% and on commercial mortgages with an LTV under 60%. The legal over-collateralisation of issued covered bonds is set at 25%. As a result, in covered bonds sold to investors, 125% of the issued amount is recognised as loans associated with these bonds. With regard to on-balance sheet covered bonds, loans have been included for 125% of the amount required to obtain Eurosystem funds.

Transferable securities

Repurchase agreements

A significant part of fixed income securities are transferred as a guarantee so they can be funded in the repo market. All securities placed as collateral are considered unavailable for the purpose of asset encumbrance disclosure. All of the Bank's accounting portfolios are included: the 'Financial assets held for trading', 'Financial assets not held for trading and required at fair value through profit or loss', 'Financial assets at fair value through other comprehensive income' and 'Financial assets at amortised cost' portfolios.

Collateral agreements signed to trade through CCPs and with other counterparties are also included. The mark-to-market valuation of derivatives and repo transactions are the main generators of collateral taken or given.

Impact of the business model on the level of encumbrance. Importance of encumbrance in the financing model

It should be pointed out that in relation to the structure of the encumbrances among Group entities, they always come from the parent and there are no major intra-group encumbrances.

In addition to this, there are no material encumbrances either off-balance sheet or in currencies other than the reference currencies.

Other forms of encumbrance are also carried out. These are shown in the summary table below, 'Encumbered and unencumbered assets (AE1)', with figures for the December 2023 close:

Encumbered and unencumbered assets (AE1)

		Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
			of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
		10	30	40	50	60	80	90	100
10	**Assets of the reporting institution**	**21,194,961**	**6,146,816**			**88,563,880**	**13,913,650**		
30	Equity instruments	8,556	4,939			554,175	29,152		
40	Debt securities	6,172,282	6,141,269	5,897,260	5,682,219	6,378,654	2,978,004	6,109,182	3,756,262
50	of which: covered bonds	301	301	298	298	14,947	14,731	14,769	14,769
60	of which: securitisations	0	0	0	0	0	0	0	0
70	of which: issued by public administrations	5,874,312	5,871,652	5,613,115	5,610,701	3,805,026	2,771,663	3,576,802	3,568,375
80	of which: issued by financial corporations	128,089	1,679	122,240	1,675	1,855,469	18,657	1,791,244	19,288
90	of which: issued by non-financial corporations	46,094	40,288	43,311	38,067	864,102	187,683	888,457	199,302
120	Other assets	14,843,629	0			81,609,439	10,906,494		

Figures in thousands of euros

The columns of “Unencumbered assets” reflect the assets that are available for sale or to be used as collateral when in need of liquidity. Most of this balance comprises loan and advances with customers, debt securities and equity instruments, all of which can used for this purpose. Nevertheless, a small part of the amount reflected in these columns relates to items that cannot be sold or pledged and that correspond to intangible assets, goodwill, tax assets, etc.

The columns of 'Encumbered assets' mostly relate to loans and credits linked to the issue of covered bonds and securitisation bonds.

The amount for 'Other assets' mainly relates to the Bank's loan book.

Collateral received (AE2)

The following chart reflects collateral received (primarily debt securities) as well as collateral that could be committed.

		Fair value of encumbered collateral received or own debt securities issued		Unencumbered	
				Fair value of collateral received or own debt securities issued available for encumbrance	
			of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA
130	**Collateral received by the reporting institution**	1,937,447	1,911,599	7,576,578	5,077,206
140	Loans on demand	–	–	–	–
150	Equity instruments	–	–	–	–
160	Debt securities	1,937,447	1,911,599	6,774,992	5,077,206
170	Of which: covered bonds	589,204	589,204	1,709,937	1,709,937
180	Of which: securitisations	41,046	–	1,544,651	94,428
190	Of which: issued by public administrations	1,194,868	1,194,868	2,828,890	2,828,890
200	Of which: issued by financial corporations	624,455	589,204	3,456,494	1,757,151
210	Of which: issued by non-financial corporations	–	–	–	–
220	Loans and advances other than loans on demand	–	–	–	–
230	of which:	–	–	741,602	–
240	Own debt securities issued other than own covered bonds or asset-backed securities	–	–	–	–
241	Own issued and not yet pledged securitisations and covered bonds			5,866,051	–
250	**TOTAL COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED**	**23,327,243**	**8,235,603**		

Figures in thousands of euros

Lastly, a breakdown of the amounts of encumbered own debt securities issued (covered bonds and securitisation bonds) and the assets which cover them is shown in table AE3 below.

Therefore, financial liabilities issued and linked to certain assets and guarantees received at 31 December 2023 are as follows:

The 'Liabilities' column includes matching liabilities, contingent liabilities and securities lent.

The 'Assets' column includes assets, collateral received and own debt securities issued other than covered bonds and encumbered ABSs.

Sources of encumbrance (AE3)

		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and encumbered ABSs
		10	30
10	**Carrying amount of selected financial liabilities**	16,344,996	17,905,752

Figures in thousands of euros

12

Remuneration

12. Remuneration

12.1. Information on the decision-making process for establishing the remuneration policy

Pursuant to Bankinter's by-laws and the rules and regulations of its board of directors, Bankinter's board of directors is responsible for setting up a control and supervision system for the remuneration policy. It has a remuneration committee to which it may delegate monitoring and oversight in the implementation of the policy.

The functions of the remuneration committee are regulated by article 41 of the rules and regulations of the board of directors. The committee also counts with its own regulation. The purpose of this regulation, created on 22 July 2020 and added to Bankinter Group's internal corporate governance rules, is to promote the remuneration committee's independence and determine the guiding principles and basic rules of its composition, operation and powers, in observance of corporate governance best practices.

In accordance with the foregoing, the remuneration committee shall perform, inter alia, the following functions:

- Proposing to the board the remuneration policy for directors and their individual remuneration, along with the annual directors' remuneration report, which the board puts to an advisory vote at the Annual General Meeting
- Submitting a proposal to the board of directors on the individual remuneration of executive directors and, as the case may be, external directors, for the performance of duties other than those of a director and other terms and conditions of their contracts.
- Proposing the remuneration policy for senior managers, including managing directors or those who perform senior management duties and report directly to the board, to executive committees or to chief executive officers, as well as their individual remuneration and other basic terms and conditions of their contracts.
- Setting the remuneration of members who are not considered senior managers but who receive significant remuneration (especially variable remuneration), and whose activities may have a significant impact on the Group's risk profile.
- Verifying the extent of compliance with the remuneration policy in general during the financial year and enforcing compliance.
- Conducting regular reviews of remuneration programmes; assessing their implementation and effectiveness; and ensuring that directors' remuneration conforms to standards of moderation and the Bank's results.
- Ensuring transparent remuneration and its inclusion in the annual report and in any other annual reports containing information on directors' remuneration; and, to this end, submitting relevant information to the board.
- Reporting on incentive plans for senior managers or employees that are pegged to the performance of the Bank's listed share price or other variable indices, as well as on remuneration systems for the Bank's management team based on collective insurance systems or deferred remuneration systems, if applicable.
- Performing such other duties as may be delegated to the committee under these rules and regulations or by the board of directors.

At the date of this report, the remuneration committee is composed of four directors appointed by the board of directors, all external and non-executive, in accordance with the provisions of the Spanish Companies Act, the majority of whom are independent directors (75%), including the director who chairs the committee.

In order to perform its duties, Bankinter's remuneration committee met six times in 2023, with five ordinary meetings and one extraordinary meeting, to deal with all matters within its remit.

All of the committee's activities are included in the annual activity report for 2023, which is published on Bankinter's corporate website for the purposes of the annual general meeting. The activities specified in this report include, but are not restricted to: the determination and proposal to the board of individual remuneration of the non-executive chairman, executive directors and senior management, tracking of multi-year variable remuneration, proposal of the annual report on directors' remuneration; verification of the information on the remuneration of directors and senior officers found in corporate documents; and monitoring of compliance with and regular revision of the Bankinter remuneration policy; determination of identified staff[5]; the exercise of its functions in relation to the Group's subsidiaries, and updating of remuneration-related policies and procedures.

Article 41 of the Rules and Regulations of the board of directors and the committee Regulation provide that the remuneration committee must have access to all information and documentation needed for it to carry out its duties, and may receive assistance from advisors, consultants, experts and other independent professionals.

The remuneration committee and the board were able to use comparative studies conducted by the consulting firm Korn Ferry in their decision-making processes for remuneration matters. These studies compare the Bank's relevant remuneration information with that of peer institutions and comparable markets, considering the dimension, characteristics and activities of the Bank.

[5] The categories of staff whose professional activities have a material impact on the institution's risk profile.

In addition to the duties attributed to the remuneration committee, the risk and compliance committee has, in relation to the remuneration policy, the duty of collaborating in setting rational remuneration policies and practices (article 42 of Royal Decree 84/2015, implementing Law 10/2014 and the rules and regulations of the board of directors).

At its meeting on 19 February 2024, the risk and compliance committee verified, without prejudice to the functions of the remuneration committee, that the incentives envisaged for the identified staff - which includes executive directors - in the remuneration system take into consideration risk, capital, liquidity and the probability and timing of profits.

At the meeting of the risk and compliance committee held on the same date, the Risk Control area presented a report on the suitability of the parameters and values proposed as variable incentive targets for 2024 for identified staff. It concluded that they comply with Bankinter's risk appetite and strike an appropriate balance between the various objectives so as not to encourage actions that might generate excessive risks.

On 22 February 2023, the board of directors of Bankinter approved the annual directors' remuneration report. This was approved, on a consultative basis, by the annual general meeting on 23 March 2023 (with approval of 88.773%), in compliance with the provisions of Article 541 of Royal Legislative Decree 1/2010, of 2 July, approving the revised text of the Spanish Companies Act (the "Spanish Companies Act"). This report is available on the corporate website (www.bankinter.com/webcorporativa) from the date on which the annual general meeting is convened.

On 21 April 2021, Bankinter's annual general meeting approved (with approval of 86.475%), in accordance with the provisions of article 529 novodecies of the Spanish Companies Act, the remuneration policy for the directors of Bankinter, S.A., for a maximum period of 3 years (for the financial years 2022, 2023 and 2024). The text of this policy is available on the Company's corporate website.

Bankinter Group's general remuneration policy, currently in force and described in this report, was approved by the board of directors on the recommendation of the remuneration committee at its meeting held on 19 January 2022.

The primary purpose of Bankinter Group's remuneration policy is to establish a remuneration scheme that is consistent with Bankinter's business strategy, objectives, values and long-term interests, both in absolute terms and in comparison with sector peers. The policy aims to clearly and concisely define and control the Bank's remuneration practices, so that these practices in no way jeopardise the soundness of the company by providing incentives for employees to assume excessive risk.

12.2. Principles of Bankinter's remuneration policy

The general principles governing Bankinter's remuneration policies are as follows:

General principles of Bankinter's remuneration policy	
Prudent and effective risk management	The policy should be compatible **with adequate and effective risk management** and not offer incentives towards assuming risks that exceed the **tolerance level** set by the Bank in accordance with the risk elements in Bankinter's **Risk Appetite Framework** including, where appropriate, **sustainability** risks.
Pay equality	The policy will ensure **non-discrimination** and promote salary management by ensuring at all times that remuneration policies and practices are non-discriminatory in terms of gender, age, culture, religion and race.
Alignment with long-term interests	The policy should be compatible with the Bank's **business strategy,objectives, values and long-term interests**, and should include measures to avoid conflicts of interest.
Appropriate balance between fixed and variable components	As a general rule, variable remuneration should not be a significant proportion of fixed remuneration, to avoid excessive risk-taking. The **fixed component should therefore represent a sufficiently high proportion of total remuneration** to allow a fully flexible policy on variable remuneration, including, in appropriate cases, not paying the variable component of remuneration.
Multiple elements	Remuneration packages must comprise a set of instruments that allows remuneration to be adjusted to both the needs of the company and of its personnel in terms of content (**remuneration in cash and in kind**), time horizon (**short, medium and long term**), security (**fixed and variable**) and purpose.
Internal fairness and external competitiveness	The policy will provide compensation based on the level of responsibility and career path of Bankinter's directors in order to guarantee fairness internally and competitiveness
Supervision and effectiveness	As part of its supervisory duties, the Bank's administrative body will adopt and review the general principles of the directors' remuneration policy on a regular basis, as well as be responsible for monitoring and guaranteeing its effective and appropriate application.
Flexibility and transparency	The rules on directors' remuneration will include mechanisms for handling exceptional situations in view of any needs that may arise. These guidelines should be explicit and understood by Bankinter's directors and prioritise transparency in compensation.
Simplicity and personalisation	These remuneration management rules will be written clearly and concisely, with the utmost simplicity in their descriptions and in the calculation methods and conditions for achieving them.

12.3. Description of the types of employees and executives considered identified staff

In order to determine the Company's identified staff, the board of directors, at its meeting of 21 January 2015, on the recommendation of the remuneration committee, approved a policy for determining the identified staff. This was amended by the board of directors on the recommendation of the remuneration committee at its meeting of 20 October 2021.

This policy sets out the criteria for determining the members of staff or categories of staff whose professional activities have an impact on the risk profile of the Entity, taking into account the criteria set out in Delegated Regulation (EU) 2021/923 of 25 March 2021 supplementing Directive 2013/36/EU of the European Parliament and of the Council (the "implementing regulation").

In general, on the basis of the quantitative and qualitative criteria provided for in the applicable regulations and applied to their internal rules, the following persons are among the identified staff of Bankinter Group on a consolidated basis:

- According to qualitative criteria, based on the authority and responsibility delegated to the entity's staff, the following form part of the identified staff:
  - Members of the board of directors and senior management of the Entity.
  - Members of staff with management responsibility for the entity's control functions and significant business units.
  - Those responsible for legal matters, the soundness of accounting policies and procedures, finance including taxation and budgeting, conducting economic analysis, prevention of money laundering and terrorist financing, human resources, development and implementation of remuneration policies, information technology, information security and management of outsourcing arrangements for critical or important functions.
  - Those responsible for managing the risks referred to in Articles 79 to 87 of Directive 2013/36 and the voting members of the internal committees responsible for managing those risks.
  - Those responsible for making, approving or vetoing decisions on credit risks that exceed the limits set out in Regulation 923/2021.
  - Dealers who may take significant market risk positions.
  - Voting members of the product committee.
- According to **quantitative criteria**:
  - Employees who have received significant remuneration in the previous year, which was demonstrably above €500,000 and which was equal to or above the average remuneration of directors and senior management, and who perform their duties in a significant business unit and that this activity has an impact on the risk profile of the institution.
  - Employees who received remuneration of 750,000 euros or more in the previous year.
  - Those whose remuneration is among the 0.3% of employees who received the highest total remuneration in the previous year or for the previous year in companies with more than 1,000 employees.
- According to **internal criteria**:
  - Managers with a certain degree of responsibility for credit or market risk in specific units.
  - Senior managers of a business unit with a regulatory licence (bank or securities market).
  - Senior managers identified by one of the qualitative criteria.

The criteria for proportionality were also established in accordance with current regulations, best practises and market trends, both in terms of the relative importance of the entities and the different degrees of responsibility of the positions occupied by the persons analysed.

The composition of this identified staff is revised annually by Bankinter's remuneration committee, which in turn submits the revised list to the board of directors for approval.

The companies forming Bankinter Group participate actively in the identification process, providing all of the necessary information to adequately identify all staff who have a material impact on the Group's risk profile.

As a result of the identification process explained, a total of 95 professionals were classified as identified staff at the close of the 2023 financial year, which represents approximately 1.45% of the workforce.

Nevertheless, Bankinter understands that, in accordance with its current risk management and control structure, no person may make decisions with regard to risks that could compromise the organisation as a whole, its earnings or its capital base, as the decisions must be made by the competent committees (jointly) in accordance with an established delegation scheme.

12.4. Characteristics of the remuneration scheme applied to identified staff

Bankinter Group has specific guidelines for identified staff as part of its remuneration policy.

These guidelines consist of:

- The policy and procedure for determining the identified staff, described above, which includes the principles and criteria to identify the individuals who have a material impact on Bankinter Group's risk profile, based on Commission Delegated Regulation (EU) 2021/923 of 25 March 2021, as described above.
- The specificities described below are set out in the general remuneration policy for application to this group as well as in the applicable rules and the guidelines of the European Banking Authority (EBA).
- The application of the remuneration policy to the subsidiaries of Bankinter Group, with the adjustments necessary to comply with local regulatory requirements or to follow the recommendations of their supervisory bodies.

As indicated above, every year Bankinter's board of directors, on the recommendation of the remuneration committee, analyses and approves, where applicable, any changes in Bankinter Group's remuneration policy, and the remuneration policy for directors, to keep them aligned with the long-term interests of shareholders, the Group's strategic objectives and regulatory requirements. The subsidiaries formally adhere to the Group's corporate remuneration policy, which implies the alignment of their practices with the principles contained therein.

i. Fixed remuneration of all directors for carrying out supervisory and collective decision-making duties:

The current composition of the board of directors and of its committees can be found on the corporate website.

The remuneration accrued by the members of the board of directors for their collective decision-making and supervisory duties comprise an annual fixed amount that does not include any variable components, insofar as the earning of such remuneration is not subject to the achievement of objectives or linked to profits, thus complying with corporate governance recommendations. This practice therefore avoids any potential conflicts of interest when assessing accounting practices or any other decisions that could alter the immediate earnings of the Company.

Total remuneration received individually may be paid through one or more of the following three remuneration items, all of which are provided for in the Entity's by-laws: i) annual fixed amount for membership on the board of directors and chairing any committees thereof; ii) allowances for attending meetings of the board and the committees thereof; and iii) delivery of shares, share options or remuneration indexed to the value of shares.

For the financial year 2023, as in recent years, the remuneration includes only the first two items.

At the annual general meeting, the shareholders approved, in accordance with articles 217 and 529 septdecies of the Spanish Companies Act, and as part of the current director remuneration policy, the establishment of the maximum amount of annual director remuneration for membership on the board at €2,200,000. This amount is currently applicable, and will remain in force for as long as the policy is in force, provided no modification is approved at the annual general meeting.

The specific amounts for each director for the items mentioned above are set annually by the board of directors considering the positions held by each director on the board, their membership of the board and board committees, and their attendance at board and committee meetings.

The annual report on directors' remuneration, which is available on the corporate website (www.bankinter.com/webcorporativa), includes the individual amount paid to the members of the board for the performance of their duties in 2023, along with a description of the amounts to be accrued for each item in 2024.

ii. Remuneration of the chairman of the board of directors:

Since 2013, the non-executive chairman of the board has performed non-executive institutional functions (detailed in the Corporate Governance Report published on the Entity's corporate website) in addition to those performed in his capacity as chairman of the collegiate body, the latter of which are remunerated according to the scheme in the previous point. The non-executive chairman shall only receive fixed remuneration and no variable remuneration for these duties, for the same reasons as noted in the previous point in the case of non-executive directors.

The directors' remuneration policy for 2022, 2023 and 2024, which was approved by the annual general meeting in April 2021, also shows the maximum overall limit for fixed remuneration to be received by the chairman for the duties indicated above, during the term of this policy.

The report on the remuneration of directors, available on the company's corporate website (www.bankinter.com/webcorporativa) includes the individual amount paid to the chairman for the performance of these duties in 2023.

iii. Remuneration of executive directors for carrying out executive duties and remuneration of the rest of identified staff:

Bankinter's remuneration policy for directors makes a clear distinction between criteria for setting:

1. basic fixed remuneration, which primarily reflects the professional experience and organisational responsibility; and
2. Variable remuneration, which reflects sustainable and risk-adjusted performance, and rewards the creation of value through the achievement of the objectives in the Group's strategic plans.

Fixed remuneration

Fixed remuneration constitutes the basic element of the remuneration policy. This concept is in essence linked to the content of the positions and is established on the basis of the degree of responsibility of the position held, as well as the experience, performance and education of the person holding the position.

In addition to the remuneration accrued for membership of the board of directors, executive directors receive annual remuneration, including a fixed component, for their executive duties within the framework of the management agreements that bind them to the Institution.

The directors' remuneration policy for 2022, 2023 and 2024, which is available on the corporate website, shows the maximum overall limit for fixed remuneration for the executive duties of all executive directors during the term of the policy.

Fixed remuneration for all other employees is established taking into account the following aspects:

- **Collective bargaining agreement:** The Bank's collective bargaining agreement foresees a minimum annual salary based on, among other aspects, the employee's job category and length of service.

  This remuneration takes precedence over the remuneration scheme prevailing at any time. Therefore, if, by virtue of the collective bargaining agreement, an employee is entitled to remuneration above that set out in the Entity's remuneration framework, the remuneration established in the bargaining agreement will take priority.

- **Job evaluation:** Bankinter's organisational structure and internal job evaluation system comprise a significant pillar in the establishment of internal salary benchmarks.

  Job evaluation is a basic component in achieving equity and balance in terms of salary. This process is carried out following an exhaustive analysis of the job position, to place each position in a comprehensive ranking using a common naming system.

  Significant differences between the different positions are the comparative base used for achieving a fair distribution of salaries, thus reducing any arbitrariness.

  Where an employee is located within the evaluation is mainly due to the responsibility attached to the position, which is established on the basis of the professional qualification, the resources managed, the level of risks managed and the job position's relative contribution to the company's business objectives.

- **Performance assessment:** This is a systematic process of determining how employees perform their tasks and assume the responsibilities attached to their positions.

  The main aims of performance assessment are to: i) improve the management of people, insofar as it helps detect skills, potential and training needs; and ii) to motivate employees, insofar as it recognises and rewards performance.

  Performance assessment is a key aspect in defining, within the remuneration based on job evaluation, the trajectory that an employee can follow when it comes to changing position or salary band.

  All Bankinter employees are assessed annually by their immediate manager, with the Human Resources Division leading the process.

Pension scheme:

Bankinter currently has in place a complementary social benefit scheme for executive directors, senior managers and some executives. For executive directors, only the chief executive officer takes part in this system at present.

Bankinter's pension scheme is a defined contribution plan. To implement it, the Bank has taken out a unit-linked group insurance policy and a guaranteed return group insurance policy covering retirement, death and disability. The rights deriving from these commitments do not vest at the time of termination of the contractual relationship with the Company, but only when one of the aforementioned contingencies is met, in accordance with the policy and regulations of Bankinter's senior management pension plan. Payment is not associated with termination for any reason.

The scheme entails an initial contribution, which is a fixed contribution of the same amount for all beneficiaries, and an annual contribution (five years after the initial contribution), which varies in accordance with each employee's responsibilities and functional scope. A description of this system can be found in the directors' remuneration report available on the corporate website.

Variable remuneration

Objectives and principles

The main objective of variable remuneration is to incentivise performance in line with the Company's objectives and to foster solid and effective risk management whereby this variable remuneration does not encourage individual employees to take on excessive risks.

The variable components of Bankinter employees' remuneration takes into account the following principles:

- When remuneration is linked to results, its total amount will be based on an assessment that combines the results of the individual, estimated using both financial and non-financial criteria, the results of the business unit, and the overall results of the Entity.
- Total variable remuneration will not limit the Entity's capacity to reinforce its capital base.
- Given that guaranteed variable remuneration is not compatible with healthy risk management or with the principle of rewarding performance, it does not form part of any of the Bank's remuneration plans.

- Guaranteed variable remuneration is exceptional and can only occur when hiring new staff and where the Entity has a sound and strong capital base, and is limited to the first year of employment.
- Fixed and variable components shall be appropriately balanced in total remuneration. The fixed component shall represent a sufficiently high portion of total remuneration to allow a fully flexible policy on variable remuneration components, up to the point where it is possible not to pay them.
- The allocation of variable remuneration components at the Entity shall take into account all current and future risk types.
- The assessment of performance shall be placed in a multi-year context to guarantee that the assessment process covers long-term performance and that the effective payment of performance-based remuneration components is spread over a period of time that considers the Entity's underlying economic cycle and business risks.
- When assessing the performance used to calculate variable remuneration components, an adjustment will be made for all types of current and future risks, taking into account the cost of the capital and liquidity required.
- Variable remuneration shall not be paid through vehicles or methods that facilitate non-compliance with regulations on organisation and discipline.
- Retention awards will only be granted in exceptional and justified cases, provided that the relevant retention conditions have been met and there have been no major breaches of regulations or misconduct.

Bankinter has established a series of appropriate ratios between the fixed and variable components of total remuneration, considering the different groups within the Institution.

Nevertheless, the following principles apply to members of identified staff (which includes directors):

- The variable component shall not exceed 100% of the fixed component of each individual's total remuneration.
- However, Bankinter's annual general meeting can approve a higher variable component than this, provided that it does not exceed 200% of the fixed component.

Type of variable remuneration

<table>
<tr><th colspan="3">Variable remuneration
Rewarding value creation by achieving the targets in Bankinter Group's strategic plans</th></tr>
<tr><td rowspan="4">Annual variable remuneration</td><td>Executive directors, as well as those groups of employees within the identified staff who do not participate in the specific incentives</td><td>Bankinter defines the same variable remuneration scheme for executive directors and for the rest of the identified staff. The purpose of this variable remuneration is to incentivise achieving the targets set by the Bank, in order to ensure a proper correlation between the resulting remuneration levels and trends in the Company's earnings, as they are directly linked to overall banking activity targets, while at the same time promoting sound and effective risk management practices that prevent such remuneration from creating incentives for excessive risks. The distribution system operates at an individual level, based on assigned duties and responsibilities.</td></tr>
<tr><td>Specific to the commercial network</td><td>The purpose of the specific incentive is to incentivise the commercial activity of individuals in the core area where the business was generated, aligning their activity with the business strategy and objectives established by Bankinter.
This is conceived for employees who perform commercial tasks and who lead commercial teams, as they are responsible for the commercial activities of the teams and for applying the commercial strategy.
Overall, the amount of the incentive can be broken down into two sections:
▪ The first is linked to commercial objectives based on the position.
▪ The second is linked to the banking business results of the Group and the profits at the centre where the employee works, based on indicators for each financial year.</td></tr>
<tr><td>Specific to concrete areas</td><td>It applies to the following areas: Treasury and Capital Markets, Risks, Investment Banking, Financial and Market Analysis, Bankinter Asset Management and Bankinter Consumer Finance.
The objectives pursued by this structure of incentives, depending on the corresponding area of activity, are as follows:
▪ Ensure the independence of the division vis-à-vis the areas it serves.
▪ Maintaining a senior-level experienced team, considering the importance of intellectual capital, preventing the temptation to achieve short-term results at the expense of properly managing incurred risks.
▪ Correlating the incentive system with the area's specific activity and its contribution to the business.
▪ Assigning the incentive to the contribution of each employee and achievement of the established objectives.</td></tr>
<tr><td>Control areas</td><td>The indicators established for the accrual of variable remuneration in these areas are directly related to their control activities and are independent of the references used for the areas they control.</td></tr>
<tr><td>Multi-year variable remuneration
("LTI 2022-2023")</td><td colspan="2">The executive directors, other managers and key personnel of Bankinter Group participate in a long-term variable remuneration system, whose objective is to achieve maximum motivation, loyalty and alignment with the Bank's strategic plan for the period 2022-2023, thus conveying to them a long-term vision of the Bank in line with the culture of sustainability that characterises Bankinter.
The current plan does not have the usual three-year scope. This is because the Entity's strategic objective for 2023 is achieving the profit after tax (PAT) obtained in 2019, before the spin-off of its subsidiary Línea Directa Aseguradora (LDA) (i.e. a PAT of 550 million euros), demonstrating the resilience and sustainability of Bankinter's business model following the spin-off.

<u>Other requirements for payment of the LTI 2022-2023:</u>

▪ To encourage a spirit of collaboration, loyalty and service towards Bankinter Group, an essential condition for accessing payment of incentives accrued is to be registered with the Social Security in Bankinter Group on the date of award (i.e. at the time the amount of incentive accrued is determined).
Should any participants end their employment or business relationship with Bankinter Group before the first date on which the incentive is awarded, no matter the reason (such as dismissal, voluntary severance, termination, death, permanent disability, retirement or early retirement), the right to receive this incentive will automatically lapse without the need for any notice.
▪ The participant must retain the same level of duties or responsibilities as of the date that the plan was approved.
▪ The participant must not have had any issues due to audit qualifications, according to the criteria established in the regulations for the 2022-2023 multi-year plan approved by the board of directors, at the proposals of the remuneration committee, or sanctions from the crime prevention and professional ethics committee.

<u>Given its purpose, this plan is additional to the other variable remuneration plans in existence at this time.</u></td></tr>
</table>

Adjustment of variable remuneration to sustainability indicators:

It should be noted that variable remuneration for the identified staff is determined by applying very demanding indicators. These are fully aligned with the Bank's risk profile and are essential for the sustainability of the entity in the long term.

To this end, variable remuneration is calculated in three stages:

- **Stage one:** fulfilment of the annual and multi-year targets is assessed based on the indicators established for each case.
- **Stage two:** the variable remuneration calculated based on the above indicators is adjusted by the risk appetite framework (hereinafter, RAF) indicators aligned with metrics that adequately reflect the most significant risks, under robustness and validation criteria, including ESG risks.

These indicators may reduce the accrued variable remuneration to zero, but never increase it.

Bankinter used six RAF indicators to adjust the variable remuneration accrued in 2023, one more than in 2022, with two indicators related to environmental and social objectives: **emissions financed** (which measures the impact on decarbonising the economy of the funding granted to its customers by the Bank) **and the customer NPS**. These indicators for 2023 are described in the Director Remuneration Report, which is available on the corporate website. .

Each indicator has a defined target, tolerance and limit approved by the board of directors, on the recommendation of the risk and compliance committee. Each indicator is measured quarterly (meaning that each indicator is measured four times a year). Failure to comply with the tolerance and limit levels will result in a penalty being applied to the accrued variable remuneration, and may even adjust it to zero.

The RAF indicators associated with adjusting the variable remuneration accrued in 2023 are outlined below:

RAF metric levels	Indicator	Associated risk	Calculation of the adjustments to be made to the variable remuneration accrued during stage one for failing to comply with the risk tolerance or limit levels set by the board within the RAF indicators
Tier I Contains the principal risk metrics for the Entity, as well as any risks that directly affect profits, capital and liquidity.	**CET1 ratio** This is the core-capital-to-risk-weighted-assets (RWAs) ratio.	**Solvency**	
	Liquidity buffer + issue capacity This is made up of two lines of liquidity: – The liquidity buffer, which measures the cash balance, the central bank account, the interbank and discountable assets; and	**Liquidity**	
	Sensitivity of net interest income This measures the exposure of net interest income to an adverse movement on the interest rate curve.	**Interest rate**	
	Problem assets (%) This measures the weighting of impaired credit-risk exposures.	**Credit**	
Tier II These are metrics that expand or break down the information defined in Tier I, as well as metrics that do not directly affect these dimensions.	**NPS (Net Promoter Score) of all of the Bank's customers** ***according to quality surveys*** This measures customers' inclination to recommend the Bank.	**Reputational**	
	Emissions financed ***(equivalent tonnes per million financed)*** This measures the equivalent tonnes of direct CO2 emissions per million euros financed.	**Environmental**	

Ejemplos para la interpretación de la tabla:

Si se **incumple un límite y ninguna tolerancia**, la Retribución Variable resultante de la primera fase **se ajusta al 85%.**

Si se **incumplen dos tolerancias** de dichos indicadores, la Retribución Variable resultante de la primera fase **se ajusta al 90%.**

Si se **incumplen dos tolerancias y un límites**, la Remuneración Variable resultante de la primera fase **se ajusta al 0%.**

Si se **incumple dos o más límites**, la Retribución Variable **se ajusta al 0%,** no devengándose cantidad alguna aunque los indicadores de la primera fase se hubieran cumplido.

Incumplimiento Tolerancia	Incumplimiento Límites 0	1
0	100	85
1	95	70
2	90	0
3	80	0
4	70	0
5	0	0

% aplicado para ajustar la Retribución variable devengada en la primera fase

- **Stage three: the variable remuneration is adjusted by the TTC RoE**. This indicator may reduce the accrued variable remuneration to zero, but never increase it.

These three stages apply to both annual variable remuneration and multi-year variable remuneration. The second and third phases involve ex ante adjustments.

As a result, the design of the variable remuneration system

fully reflects Bankinter's demonstrated commitment to long-term sustainability in all areas. This commitment includes the use of robust, long-term indicators, which are checked and verified by the control areas of the entity and the external auditors. As part of this design, and in relation to specific social and environmental objectives, the RAF incompanies the NPS of customers and financed issues, which are then applied to variable remuneration.

Characteristics of variable remuneration for 2023

The specific characteristics and targets of the variable	Variable remuneration frequency	Indicator	What it measures	Weighting	Achievement rate (%)	Incentive accrual (%)		Impact on the total variable remuneration
Stage one	Annual	**Profit before tax** (PBT) from banking business in Spain, Portugal and Ireland (including EVO in the case of executive directors)	Appropriate risk management and its link to medium and long-term management	40%*	90% ≤ x ≤100% 100%< x ≤120%	80% ≤ x ≤ 100% 100%< x ≤120% linear		0 to 120%
		Indicator linked to the centre's/area's attainment of annual targets. For example, **pre-provision operating profit** of banking business in Spain, Portugal and Ireland (including EVO in the case of executive directors)	Sustainability of the business in the medium and long term and alignment with the Bank's risk policy	60%*	90% ≤ x ≤100% 100%< x ≤120%	80% ≤ x ≤ 100% 100%< x ≤120% linear		
	Multi-year	**Group RoE** Measured on two dates: 31 December 2022 31 December 2023	Ability to generate value for its shareholders	100% (50% each year)	**% Group RoE**	**% of the incentive accrued as at 31**	**% of the incentive accrued as at 31**	0 to 120%
					X > midpoint of the peer group	100% of 1/2 of the Target Incentive	100% of 1/2 of the Target Incentive	
					X < midpoint of the peer group	0%	0%	
		Profit after tax (PAT) at 31 December 2023			**PAT Bankinter Group**	**Incentive achieved (%)**		
					PAT < 440.0	**0%**		
					440.0 ≤ PAT < 550.0	**80% ≤ X <100%**		
					550.0 ≤ PAT < 575.0	**100% ≤ X <120%**		
					PAT ≥ 575.0	**X=120%**		

Stage two These are adjustments linked to the RAF (risk appetite framework) indicators, tier 1 and tier 2 (NPS), which suitably reflect the biggest risks **(ex ante adjustment)**	**Annual and multi-year**	**Tier 1**	**CET1 ratio**	**Solvency ratio**	100%	See detailed description about the variable-remuneration adjustment to these RAF indicators in the previous section.		**0 to 100%**
			Liquidity buffer + issue capacity	**Liquidity**	100%			
			Sensitivity of net interest income	**Interest rate**	100%			
			Problem assets (%)	**Lending**	100%			
		Tier 2	**NPS - total bank customers *according to quality surveys***	**Reputational**	100%			
			Emissions financed	**Environment**	100%			
Stage three **(ex ante adjustment)**	**Annual and multi-year**	**RoE TTC** (through the cycle), return on equity (RoE)		Takes the long-term structural outlook and targets into account	100%	RoE TTC < 6%	0%	**0 to 100%**
						6% ≤ RoE TTC ≤ 7%	50%	
						RoE TTC > 7%	100%	

(*) weight applicable to executive directors among other members of the identified staff.

Annual variable remuneration for 2023

The degree of fulfilment of the objectives to which the annual variable remuneration accrued in 2023 (general and applicable to executive directors, among others) and the 2022-23 LTI were linked is shown below:

	Indicator	Weighting in this stage	Achievement rate (%)	Incentive accrual (%)	% degree of achievement per phase of total variable remuneration	Percentage of final accrual of annual variable remuneration
Stage one	**Profit before tax** (PBT) from banking business in Spain, Portugal and Ireland (including EVO in the case of executive directors)	40%(*)	115.65%(1)	**46.26**	112.71%	The same accrual rate as obtained in the first stage, **112.71**
	Indicator linked to the centre's/area's attainment of annual targets. For example, specifically for executive directors and the part of the rest of the identified staff that does not participate in specific incentives, data is provided for the operating profit before provisions indicator for the banking business in Spain, Portugal and Ireland (including EVO in the case of executive directors).	60%(*)	110.75%(2)	**66.45**		
Stage two	**CET1 Ratio**	100%	There were no breaches of tolerances or limits in the 24 measurements (equivalent to 4 quarters) of these six RAF indicators.		100%	
	Liquidity buffer + issue capacity					
	Sensitivity of net interest income					
	NPS – Total bank customers according to quality surveys					
	Problem assets (%)					
Stage three	**RoE TTC** (through the cycle), return on equity.	100%	At 31 December 2023, the RoE TTC was above 7% (tolerance), meeting the target by 100%.		100%	

(*) weight applicable to executive directors among other members of the identified staff.
(1) PBT objective for 100% accrual of variable remuneration: 1124.2 million euros. Figures at 31 December 2023: 1.306,4 million euros.
(2) Target operating profit before provisions for 100% accrual of variable remuneration: 1575.7 million euros. Figures at 31 December 2023: 1.744,6 million euros.

Multi-year variable remuneration (LTI 2022-2023)

	Indicator	Weighting in this stage	Achievement rate (%)	Incentive accrual (%)	% degree of achievement per phase of total variable remuneration	Percentage of final accrual of multi-year variable remuneration
Stage one	Group RoE Measured on two dates: 31 December 2022 31 December 2023	100% (50% each year)	100%[1]	100%	120%	120%
	Profit after tax (PAT) at 31 December 2023	100%	154%[2]	120%		
Stage two	CET1 Ratio	100%	There were no breaches of tolerances or limits in the 24 measurements (equivalent to 4 quarters) of these six RAF indicators.		100%	
	Liquidity buffer + issue capacity					
	Sensitivity of net interest income					
	Problem assets (%)					
	NPS – Total Bank customers according to quality surveys					
	Emissions financed					
Stage three	RoE TTC (through the cycle), return on equity	100%	At 31 December 2023 the RoE TTC is above 7% (tolerance), meeting the target by 100%		100%	

(1) Bankinter Group's RoE was above the mid-point for the peer group of entities ("Peer Group") at 31 December of each year (2022 and 2023). The Peer Group comprises: Banco Santander, BBVA, CaixaBank, the results of the Liberbank Group-Unicaja Banco merger (only Unicaja for 2022), Sabadell and Bankinter. The Bankinter Group RoE was 11.98% in 2022 and 17.10% in 2023, being in second place in 2022 and first place in 2023 in relation to the peer group, meaning it was above the midpoint in both years.

(2) PAT objective for 100% accrual of multi-year variable remuneration: 550 million euros. Figures at 31 December 2023: 845 million euros.

- **The following are the clauses to which the variable remuneration of executive directors is currently subject:**

Accrued variable remuneration is subject to the following clauses:

<table>
<tr><th colspan="3">Clauses to which
the final variable remuneration accrued is subject.</th></tr>
<tr><td rowspan="2">Deferral
A substantial part will be deferred
for a period of 5 years.</td><td colspan="2">Payment in shares
A substantial part will be paid in Bankinter shares.
(at least 50% of the deferred portion and 50% of the non-deferred portion)</td></tr>
<tr><td>Prohibition of hedging transactions
This applies to both shares pending delivery and shares delivered but subject to a withholding period</td><td>Share retention period
1 year from each delivery</td></tr>
<tr><td colspan="3">Ex-post adjustments
Reduction (malus) and return (clawback) clauses are applicable to 100% of the amount granted</td></tr>
</table>

In accordance with Law 10/2014 of 26 June 2014 on the regulation, supervision and solvency of credit institutions, the variable remuneration of the members of the Identified Staff, which includes executive directors, including the deferred portion, shall only be paid or vested if it is sustainable in accordance with the financial situation of the institution as a whole, and if it is justified on the basis of the results of the institution, the business unit and the individual concerned.

The malus or clawback clauses are explicit ex post risk adjustment mechanisms by means of which Bankinter adjusts the remuneration of the members of the Identified Staff.

The Entity has a remuneration repayment policy and a procedure for the application of reduction clauses applicable to the identified staff, which defines the cases in which these clauses may be applied, including: i) evidence of misconduct or serious error by the Identified Staff member; ii) if Bankinter's and/or the business unit's financial results subsequently suffer a significant decline; iii) if Bankinter and/or the business unit in which the Identified Staff member works commits a material risk management failure; iv) significant increases in the regulatory or economic capital base of the business unit or Bankinter; v) regulatory sanctions, to which the conduct of the Identified Staff member has contributed.

As in the previous year, it is reported that in the case of executive directors, the information on the maximum total number of shares to be delivered reported in the annual report on remuneration of Bankinter's directors, which was approved in an advisory vote at the annual general meeting held on 23 March 2022 and 23 March 2023, includes the adjustment of the number of shares pending delivery in respect of deferred variable remuneration, to neutralise the effect of the spin-off of LDA, which affects the variable remuneration subject to deferral. This adjustment was set by the board, by delegation of the general meeting, at its meeting of 22 December 2021, at 1.28 shares for each Bankinter share.

Termination benefits:

The compensation, if any, payable to members of the identified staff will be based on results achieved over time and shall not reward poor performance or inappropriate behaviour and shall be subject to the provisions of Bankinter Group's general remuneration policy in force from time to time.

In general, severance payments, including post-contractual non-competition agreements, shall be considered variable remuneration for all purposes and shall be subject to the remuneration policy applicable to the members of the Identified Staff and, in particular, to the calculation of the ratio of the application of the deferral, malus and clawback provisions in accordance with the rules in force at a given time. Notwithstanding the foregoing, the amounts of severance payments shall not be taken into account for the calculation of the ratio, the application of the deferral provisions and the payment in instruments that comply with the provisions of Bankinter's remuneration policy.

In any case, there is no right to receive severance payments relating to changes of ownership of the Entity.

In the case of the chairman and the other non-executive directors, no severance has been set for the event of termination for any reason.

The severance payments for executive directors established in the contract signed with the Company are based on the relationship with the Entity prior to being appointed chief executive officer apply. They only apply in cases similar to those defined in the Workers' Statute (Estatuto de los Trabajadores) for ordinary employment relations. There is also a severance limit that may not, under any circumstances, exceed the limit provided for in employment regulations for all Bankinter staff.

12.5. Quantitative information on the remuneration policy

The tables below, REM1, REM2, REM3, REM4 and REM5, contain information on the remuneration policy at year-end 2023 in accordance with Article 450 of Regulation (EU) 575/2013 and Regulation (EU) 631/2021:

Special payments to staff whose professional activities have a material impact on the risk profile of the institution (identified staff) (REM2)

		a	b	c	d
		Oversight function of the management body	Management function of the management body	Other senior management	Other identified staff
	Guaranteed variable remuneration granted				
1	Guaranteed variable remuneration granted - Number of identified staff members				
2	Guaranteed variable remuneration granted - Total amount				
3	Of which: guaranteed variable remuneration paid during the financial year, which is not taken into account when capping bonuses				
	Severance payments granted in previous periods and paid during the year				
4	Severance payments granted in previous periods and paid during the year - Number of members of identified staff				1
5	Severance payments granted in prior periods and paid during the year - total amount				12
	Severance payments granted during the year				
6	Severance payments granted during the year- Number of members of identified staff				
7	Severance payments granted during the year- total amount				
8	Of which: paid during the year				
9	Of which: deferred				
10	Of which: severance payments paid during the year that are not taken into account in the capping of premiums				
11	Of which: highest compensation awarded to a single person				

Figures in thousands of euros

Remuneration granted for the year (REM1)

			a	b	c	d
			Oversight function of the management body	Management function of the management body	Other senior management	Other identified staff
1	Fixed remuneration	Number of members of identified staff	9	2	7	77
2		Total fixed remuneration	2,245	2,945	3,555	17,555
3		Of which: in cash	2,241	2,920	3,436	16,753
EU-4a		Of which: shares or equivalent ownership interests				
5		Of which: equity-linked instruments or equivalent non-cash instruments				
EU-5x		Of which: other instruments				
7		Of which: other modalities	4	25	119	802
9	Variable remuneration	Number of members of identified staff				
10		Total variable remuneration		4,163	5,351	22,901
11		Of which: in cash	–	1,792	2,610	11,476
12		Of which: deferred	–	977	1,044	4,584
EU-13a		Of which: shares or equivalent ownership interests	–	2,280	2,610	11,405
EU-14a		Of which: deferred	–	1,466	1,044	4,749
EU-13b		Of which: equity-linked instruments or equivalent non-cash instruments	–	–	–	–
EU-14b		Of which: deferred	–	–	–	–
EU-14x		Of which: other instruments	–	–	–	–
EU-14y		Of which: deferred	–	–	–	–
15		Of which: other modalities	–	91	131	20
16		Of which: deferred	–	91	131	20
17	Total remuneration (2+10)		2,245	7,108	8,906	40,456

Figures in thousands of euros

Remuneration of 1 million euros or more per year (REM4)

		a
	Euro	**Identified staff with high remuneration within the meaning of Article 450(i) of the CRR**
1	From 1 mn to less than 1.5 mn	10
2	From 1.5 mn to less than 2 mn	3
3	From 2 mn to less than 2.5 mn	–
4	From 2.5 mn to less than 3 mn	–
5	From 3 mn to less than 3.5 mn	1
6	From 3.5 mn to less than 4 mn	1

Note: The increase in the number of people with a remuneration equal to or greater than 1 million euros compared to 2022 is due to the accrual in 2023 of the multi-annual variable remuneration (ILP 2022- 2023).

Information on the remuneration of staff whose professional activities have a material impact on the institution's risk profile (REM5).

	a	b	c	d	e	f	g	h	i	j
	Remuneration of the management body			**Business areas**						
	Oversight function of the management body	**Management function of the management body**	**Total management body**	**Investment banking**	**Retail commercial banking**	**Asset management**	**Corporate functions**	**Independent internal control functions**	**All others**	**Total**
1 Total members of identified staff										**95**
2 Of which: members of the management body	9	2	11							
3 Of which: other senior officers				–	–	–	–	–	7	
4 Of which: other identified staff				5	30	6	23	13		
5 Total remuneration of identified staff	2,245	7,108	9,354	2,668	21,327	2,920	10,927	2,615	8,906	
6 Of which: variable remuneration	–	4,163	4,163	1,529	12,162	1,871	6,335	985	5,351	
7 Of which: fixed remuneration	2,245	2,945	5,190	1,139	9,164	1,049	4,592	1,630	3,555	

Figures in thousands of euros

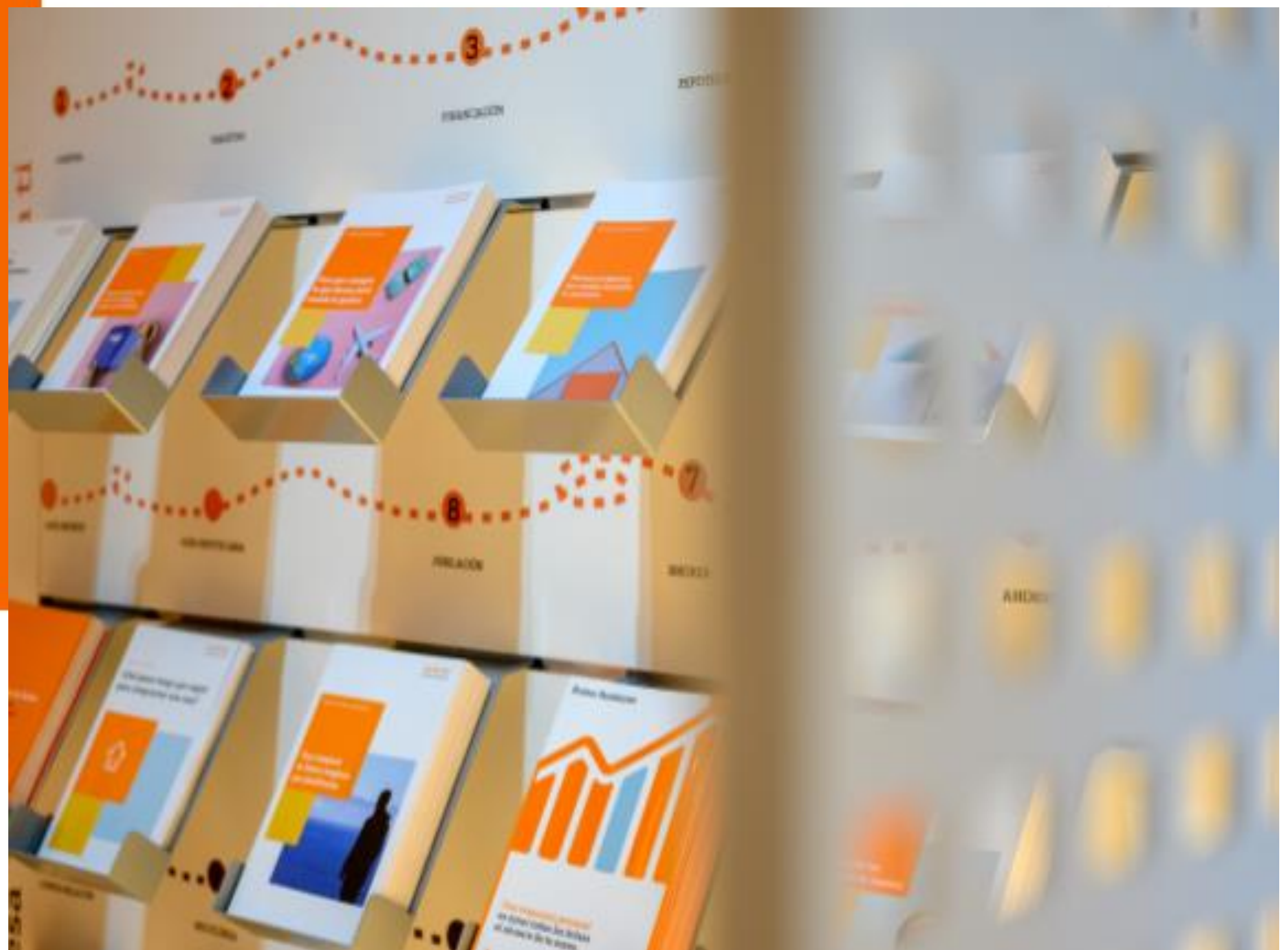
Deferred remuneration (REM3)

		a	b	c	d	e	f	EU-g	EU-h
	Deferred and retained remuneration	Total amount of deferred remuneration granted in respect of previous performance periods	Of which: to be vested during the year	Of which: which will be vested in subsequent years	Amount of the performance adjustment applied in the year to deferred remuneration to be vested in the year	Amount of the performance adjustment applied in the year to deferred remuneration to be vested in future years	Total amount of adjustment during the year due to implicit ex post adjustments (changes in the value of deferred remuneration due to changes in instrument prices)	Total amount of deferred remuneration granted prior to the year and actually paid in the year	Total amount of deferred remuneration granted in respect of prior performance periods that has vested but is subject to withholding periods
1	Oversight function of the management body	–	–	–	–	–	–	–	–
2	In cash	–	–	–	–	–	–	–	–
3	Shares or equivalent ownership interests	–	–	–	–	–	–	–	–
4	Equity-linked instruments or equivalent non-cash instruments	–	–	–	–	–	–	–	–
5	Other instruments	–	–	–	–	–	–	–	–
6	Other modalities	–	–	–	–	–	–	–	–
7	Management function of the management body	1,670	363	1,306	–	–	46	410	172
8	In cash	513	145	368	–	–	–	145	–
9	Shares or equivalent ownership interests	742	218	524	–	–	46	264	172
10	Equity-linked instruments or equivalent non-cash instruments	–	–	–	–	–	–	–	–
11	Other instruments	–	–	–	–	–	–	–	–
12	Other modalities	414	–	414	–	–	–	–	–
13	Other senior officers	2,963	702	2,261	–	–	87	788	258
14	In cash	1,170	338	832	–	–	–	338	–
15	Shares or equivalent ownership interests	1,294	363	931	–	–	87	450	258
16	Equity-linked instruments or equivalent non-cash instruments	–	–	–	–	–	–	–	–
17	Other instruments	–	–	–	–	–	–	–	–
18	Other modalities	499	–	499	–	–	–	–	–
19	Other identified staff	4,783	1,403	3,380	–	–	242	1,644	629
20	In cash	2,347	701	1,646	–	–	–	701	–
21	Shares or equivalent ownership interests	2,347	701	1,646	–	–	242	943	629
22	Equity-linked instruments or equivalent non-cash instruments	–	–	–	–	–	–	–	–
23	Other instruments	–	–	–	–	–	–	–	–
24	Other modalities	88	–	88	–	–	–	–	–
25	Total amount	9,415	2,468	6,948	–	–	375	2,842	1,058

Figures in thousands of euros

13

Environmental, Social and Governance (ESG) Risks



13. Environmental, Social and Governance (ESG) Risks

13.1. Information on the main ESG risks

According to Article 449a of Delegated Regulation (EU) 575/2013, institutions shall disclose information on environmental, social and governance risks (ESG risks), including physical and transitional risks, The details of the information to be published are set out in Implementing Regulation (EU) 2022/2453 of 30 November 2022,

13.2. Sustainability strategy

In December 2023, the implementation of the sustainability strategy outlined in the 3D Sustainability Plan for the period 2021-2023 was completed, Concurrently, the bank has designed a larger and more ambitious plan than its predecessor, covering the next three years, 2024-2026,

The 3D Sustainability Plan was created for responsible management of the three business dimensions (governance/economy, society and the environment) to generate threefold value in the countries where the group operates, aligning Bankinter with the Sustainable Development Goals of the United Nations 2030 Agenda, The Plan has been fully implemented, with more than 99% of the objectives set having been achieved, distributed in the aforementioned three dimensions, through twenty strategic lines,

The multiannual sustainability plans are the instruments used by the bank to implement its Sustainability Policy, Their purpose is to contribute to sustainable, inclusive and healthy development, based on the bank's three strategic pillars (quality, innovation and technology) and its corporate values: Agility, Enthusiasm, Integrity and Originality,

The strategy is centred around Bankinter Group's Sustainability Policy, which is complemented by the bank's other internal policies, The sustainability and appointments committee updated the Sustainability Policy in December 2023, as the body that responsible for reviewing the policy,

The definition of the sustainability strategy is based on references including:

- The challenges of the United Nations Sustainable Development Goals (SDGs),
- Regulations such as the Law on non-financial information and diversity and the CNMV's Good Governance Code of Listed Companies
- Analysis of the results of assessments by leading ESG analysts and rating agencies
- International standards and frameworks related to sustainability management (GRI, IIRC, ISO 26000, SGE 21, etc,)
- Consideration of the best practices of global sector leaders,
- Analysis of the results of satisfaction surveys by stakeholder groups, such as customers and employees,
- Analysis of reputation measurement models, such as RepTrak,
- Consideration of the best practices of global sector leaders,

The 2021-2023 3D Plan includes 20 strategic economic, governance, social and environmental lines, The Bank has identified the Sustainable Development Goals to which the strategic lines in the Plan contribute,

Bankinter Group's environmental, social and governance performance has been recognised by it retaining its inclusion in the most prestigious sustainability indexes in 2023, such as the Dow Jones Sustainability Index World, which recognises it as one of the twenty-seven most sustainable banks in the world, and the Dow Jones Sustainability Index Europe, which recognises it as one of the eight best European banks,

Bankinter also features in other leading sustainability indexes and rankings (FTSE4Good, STOXX Global ESG Leaders, MSCI and CDP), and has been included in the Bloomberg Gender-Equality Index, which measures commitment, practices and policies related to gender equality in companies, S&P Global has included Bankinter in its 2024 Sustainability Yearbook, as one of the leading companies in sustainability at the global level

The 2021-2023 3D Sustainability Plan was implemented under the supervision and monitoring of the following bodies:

- The Board of Directors is the body responsible for establishing and overseeing compliance with the Sustainability Policy and its implementing instruments, such as strategic sustainability plans,
- The sustainability and appointments committee is responsible for reviewing the sustainability policy, monitoring the sustainability strategy and overseeing the Group's ESG (environmental, social and governance) indicators, It monitors stakeholder engagement and ESG risk assessments, and ensures public disclosure of non-financial and diversity information,
- The sustainability committee is responsible for issues relating to sustainability and for preparing the proposal for multi-year strategic sustainability plans and promoting compliance with the principles contained in this Policy, as well as with the objectives of the current strategic sustainability plan, within the Bankinter Group, The committee is made up of the heads of the key areas for the integration of ESG criteria in decision-making throughout the Group's value chain,

- The Sustainability division is responsible for ensuring the effective performance of the actions defined in the lines and programmes of the multi-year strategic plans, It also acts as an observatory of trends and risks based on ongoing dialogue with stakeholders, and promotes coordinated action by the areas to develop initiatives aimed at meeting their expectations, It is responsible for monitoring and verifying the alignment of the bank's divisions, subsidiaries and branches, as well as monitoring and verifying the degree of compliance with the objectives of the strategic plan, reporting periodically to the sustainability and appointments committee and to the sustainability committee, It is also responsible for preparing the sustainability accountability reports for the various regulators and competent bodies and other stakeholders, as well as the information required by investors and sustainability analysts,
- Internal Audit supervises the non-financial information reported at least annually by the sustainability committee to the board through the sustainability and appointments committee,

Bankinter has implemented a management system that facilitates the monitoring of the indicators and objectives for each of the strategic lines in the Sustainability Plan, the 50 programmes that complete them, and the more than 190 actions identified to develop them, This helps it monitor the performance of the lines of the Sustainability Plan and the degree to which its objectives are being achieved,

The Group establishes an annual training plan for sustainability metrics, which is implemented through the delivery of a range of programmes for the various segments of the bank, In 2023, in addition to specific training, a training course on sustainable finance was designed and launched that was mandatory for the entire workforce,

13.2.1. New 2024-2026 DNA Sustainability Plan

In December 2023, the sustainability and appointments committee reviewed the Sustainability Policy, as the body responsible for reviewing the Policy, monitoring the sustainability strategy and overseeing the Group's ESG indicators, It also monitors stakeholder engagement and ESG risk assessments, and ensures public disclosure of non-financial and diversity information,

In defining this Policy, the expectations of the double materiality analysis have been included, helping identify the sustainability priorities of key importance for Bankinter and its stakeholders, The bank implements its Sustainability Policy through the Sustainability Plan,

The Group's core sustainability principles, as well as the instruments and governance structure for their implementation, have been developed with a view to addressing these priorities, The definition of the sustainability strategy for the 2024-2026 period is based on references including:

- The Spanish Companies Act and Law 11/2018, of 28 December, on non-financial information and diversity,
- Directive (EU) 2022/2464 of the European Parliament and of the Council as regards corporate sustainability reporting (the Corporate Sustainability Reporting Directive or CSRD),
- Delegated Regulation (EU) 2023/2772, supplementing Directive 2013/34/EU of the European Parliament and of the Council as regards sustainability reporting standards,
- The recommendations in the Good Governance Code of Listed Companies approved by the CNMV,
- The commitments that Bankinter has undertaken within the framework of various international initiatives, including the United Nations Global Compact Guiding Principles, the Equator Principles, the Principles for Responsible Banking, the United Nations Environment Programme Finance Initiative and the Net-Zero Banking Alliance,
- Analysis of the results of assessments by leading ESG analysts and rating agencies
- International standards and frameworks related to sustainability management (GRI, IIRC, ISO 26000, SGE 21, etc,),
- Analysis of the results of satisfaction surveys by stakeholder groups, such as customers and employees,
- The challenges of the United Nations Sustainable Development Goals (SDGs),
- Consideration of the best practices of global sector leaders,

After analysing the results of the materiality analysis and in order to integrate the expectations of all stakeholders, the bank has designed a plan that is structured around the three pillars of its DNA, delivered through twelve strategic lines,

The **"A" for responsible action**, Bankinter is positioned as an entity with its own distinctive values through its range of innovative solutions using the best available technologies (such as artificial intelligence), its renowned quality of service and advanced people management,

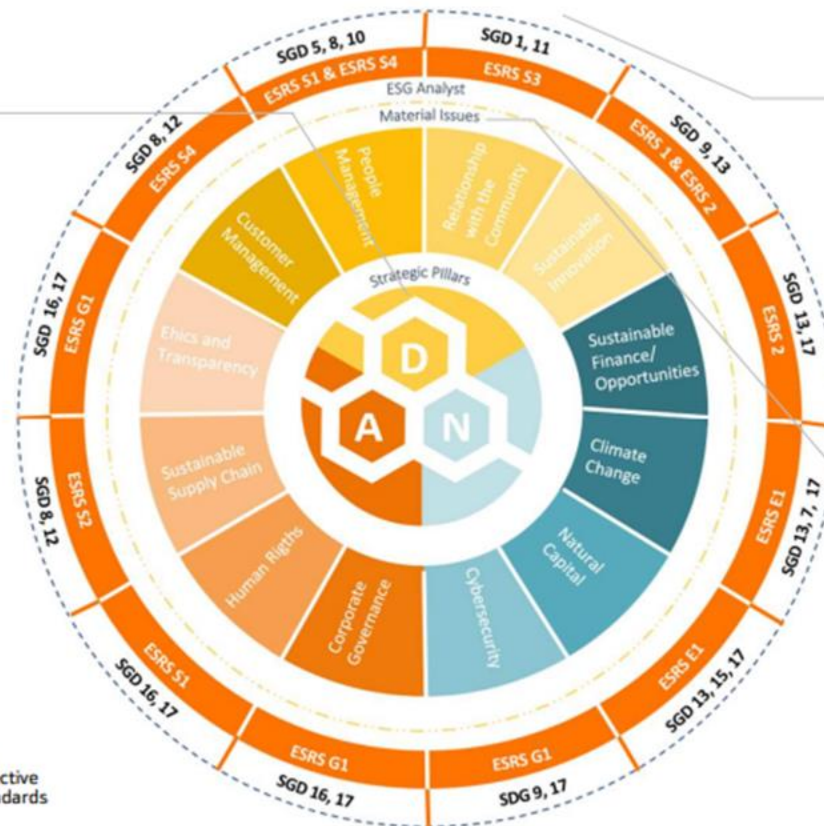
The **"D" for differentiation**, Bankinter has always sought to provide differential value to its customers and other stakeholders, offering the most innovative solutions, using the best available technologies (AI, for example), providing a service of recognised quality, and developing advanced people management, thus positioning Bankinter as an institution with its own differential values,

The strategic pillar "N", which corresponds to "Sustainable Business" (negocio sostenible in Spanish), includes aspects related to Bankinter's businesses from a sustainable perspective, also addressing ESG risks,

2024-2026 Sustainability PLAN 2024-2026

ESG[1] Pillars

From these pillars arise the different strategic lines



ALIGNMENT WITH CSRD[2] (ESRS)[3], ESG ANALYSTS, AND SDGs[4]

MATERIAL ISSUES

1. ESG: environmental, Social y de Gobernanza
2. CSRD: Corporate Sustainability Reporting Directive
3. ESRS: European Sustainability Reporting Standards
4. SDGs: Sustainable Development Goals

13.3 Environmental risk

13.3.1. Business strategies and processes

Bankinter maintains a firm commitment to address its environmental management by assuming the challenge and responsibility to operate in the most environmentally-friendly way, taking the necessary measures to mitigate its direct and indirect environmental impact, taking a precautionary approach, It analyses the main environmental risks throughout its value chain, both its own direct risks (the bank premises where its employees work) and the indirect risks deriving from its financial activity, It manages all of these risks in accordance with the principles of prevention and involving all stakeholders,

Bankinter Group updated its Environmental and Climate Change Policy in 2022, This Policy is aimed at enhancing the positive impacts and minimising the negative effects of its activity on the environment, The policy was adapted to comply with new regulations such as the Climate Change Law and the Sustainable Finance Taxonomy Regulations, and its coverage was extended to include management of aspects derived from financial activity, References were included to the international frameworks developed in recent years that the bank considers in the management of its environmental dimension (such as the Sustainable Development Goals and Paris Agreement on Climate Change),

The environmental dimension of the 3D Sustainability Plan includes six strategic lines, These include the Climate Change Strategy, which is divided into four main lines, with short-, medium- and long-term objectives for risks and opportunities, Management of the bank's environmental footprint, through the environmental management system and calculation of the carbon footprint (through which the direct and indirect environmental impacts of the bank activities are identified, measured and managed), A new development in this Strategic Plan is the biodiversity line, which aims to put the bank in the vanguard of methodologies for measuring and managing the impact of the financial sector on biodiversity,

The bank has also drawn up sector financing guidelines, based on social and environmental criteria, for certain sectors that are considered the most important, due to their social or environmental impact, including energy, agriculture, mining and defence, These sector guides (extractive and energy sectors) were updated in 2023,

The policy for integrating sustainability risks into investment and advisory decisions was defined in 2021, together with the declaration of the main adverse impacts on sustainability, to meet the requirements of the Disclosure Regulation for information on sustainability in the financial services sector, which took the form of the Major Adverse Event Report published in mid-2023,

A Bankinter Asset Management Exclusions Policy has been defined and approved, aiming to set limits for, and prevent investment in, companies involved in controversial activities, The restrictions will apply to the universe of issuers currently in the portfolio, within the scope of investment fund management and discretionary portfolio management,

The Group is working with leading bodies that assess and rate environmental performance, such as the CDP (Carbon Disclosure Project), which Bankinter has been a signatory of since its launch and to which it reports annual information on its carbon footprint and its management of climate change risks and opportunities,

Bankinter also adheres to the main international initiatives in this area, such as the Equator Principles, the Global Compact, the sectoral initiative of the United Nations Environment Programme (UNEPFI) and the Principles for Responsible Banking, The latter is a framework for sustainable banking business in line with the SDGs (Sustainable Development Goals) and the 2030 Agenda, In 2021, the bank joined the Net Zero Banking Alliance, the main objective of which is to achieve emissions neutrality by 2050, with intermediate decarbonisation objectives to 2030, Bankinter has defined a decarbonisation roadmap for its corporate business, with reduction objectives to 2030,

Climate change strategy

In the challenge posed by climate change, each actor must identify their role, And while the financial sector is not a carbon-intensive industry, financial institutions have a major role to play in the transition to a low-emission economy,

Therefore, the Group's responsibility to the environment does not rest so much on managing the direct impact of its activity on its surroundings (something which it has been managing for over a decade), but rather on identifying and managing its indirect impact; i,e, that resulting from its financing and lending policies,

In 2019, Bankinter drew up a strategy that incorporates the recommendations of the main international initiatives in this area, based on important preliminary work, and established a roadmap and short-, medium- and long-term objectives to improve its environmental performance with the areas of the bank that are most directly involved (e,g, Risks, Investment Banking, Asset Management and Products),

The definition of this strategy involved analysing the recommendations of the Financial Stability Board and the Task Force on Climate-related Financial Disclosures (TCFD), which indicate that financial institutions need to manage climate change risks and opportunities over the short, medium and long term,

Bankinter has undertaken to including the TCFD recommendations in its business model and has drawn up a roadmap for this, A sustainable finances work group was also created to address future EU regulatory requirements,

bankinter.

If we say we'll do it, we'll do it.

Bankinter combats the climate crisis

We may be one of the world's most sustainable banks.

But we want more.
Continue progressing.
Even faster.

That's the only way to make real change wherever it is needed

If we say it, we do it

What have we decided to do?

01. Lead and share

We want to lead the transition towards a sustainable economy and share the achievements with our stakeholders

02. Integrate

We want to integrate climate crisis risk management in our business model

03. Market

We want to market positive-impact financial products and services geared towards a low-carbon economic model

04. Involve

We want to involve our stakeholders in every measure of our collective action plan

Bankinter is in the final phase of developing a business strategy consistent with these commitments, This is based on four pillars:

1. Sustainability / climate change strategy
2. Scenario analysis – prospective vision
3. Decarbonisation strategy
4. Sustainable financing

Progress in each of these four pillars is reported in the Risk Management section,

13,3,2, Governance

In March 2021, the board of directors approved an update to the sustainability policy, which sets out corporate-wide guidelines for Bankinter Group to integrate responsible management values and principles into its activity, so it can contribute to the prosperity of society and sustainable development, As mentioned above, following the approval of this policy, a strategic Sustainability Plan was defined for the period 2021-23, known as "3D", as it addresses the three dimensions of sustainability management reflected in the acronym ESG (Environmental, Social and Governance),

The sustainability committee is the executive body responsible for ensuring effective implementation of the Sustainability Plan, With the Group's chairman at its helm, the committee is made up of the managers of the areas that are key to the integration of ESG criteria into decision-making throughout the value chain, The board's sustainability and appointments committee is responsible for overseeing the performance of the Group's ESG indicators,

Bankinter also has an Environment and Climate Change Policy, This was updated in 2022 to include new regulatory requirements (such as the Climate Change Law and the European Taxonomy), and to extend its coverage to the management of indirect environmental aspects deriving from its financial activity, As part of this policy, Bankinter has certified environmental management systems to measure and mitigate the direct environmental risks of its facilities,

There are also other corporate policies that integrate environmental risk management into the entity's decision-making, such as: ESG policies for sectors with particular environmental and social impacts, the policy on integration of sustainability risks in investment and advisory decisions and the statement of due diligence policies in relation to adverse events,

The bodies involved in specific governance of climate change risks are:

- The **board of directors**, which is the body ultimately responsible for approval of the Group's Sustainability Policy, In 2023, the board reviewed and authorised the "ESG Business" proposal, which incorporated the business plan of products that include ESG criteria in order to help our customers in their decarbonisation paths and other sustainability objectives, It is supported by the following committees that are part of the administrative body:
  - The sustainability and appointments committee, which holds specific competencies in sustainability matters, including:
    - Reviewing the company's Sustainability Policy and ensuring it is always focused on creating value,
    - Monitoring of the sustainability strategy and practices, best practices in this area, and evaluation of their degree of compliance,
    - Assessing all of the bank's social, environmental, political and reputational risks, irrespective of the powers granted to the risk and compliance committee or other board committees, Specifically, this body approves the decarbonisation roadmap of the bank's portfolios in accordance with the commitments assumed in its Sustainability Policy,
  - The risk and compliance committee exercises oversight functions in risk matters and is the main support to the board in this area, It is responsible for reviewing adequate compliance with the risk appetite statement, which includes all material risks, In November 2022, the risk and compliance committee submitted a proposal to the bank's board of directors advising it to incorporate the "Emissions Financed" indicator, which measures the impact on decarbonising the economy through financing granted by the bank to its customers, into Bankinter Group's risk appetite framework (hereinafter, RAF), A recurring report on the management and control of all material risks is submitted to the risk and compliance committee, including a monthly global report on all material risks and, in particular, those related to climate and the environment, in addition to monitoring compliance with the risk appetite statement,
  - The remuneration committee, Within Bankinter Group, the variable remuneration of the categories of staff whose activities have a material impact on the risk profile of Bankinter (the identified staff), which includes board members, is adjusted based on the specific RAF indicators, as determined by the board of directors, on the recommendation of this committee, in line with metrics that reflect the most significant risks, including environmental, social and governance risks, The remuneration committee has proposed the inclusion of this new RAF indicator (Emissions Financed) to the board of directors, to adjust the variable remuneration accrued for identified staff (including executive directors) in 2023, As with the other RAF indicators that can adjust the variable remuneration of identified staff, non-compliance with the risk tolerance and limits will result in adjustment of the accrued variable remuneration, and may even reduce it to zero,

Bankinter's board of directors agreed to approve both proposals from its oversight committees on 22 February 2023 (for more information, consult the Annual Report on Director's Remuneration, which is available on Bankinter's corporate website),

Since 2022, the risk and compliance committee and the sustainability and appointments committee have held joint sessions when this is deemed necessary,

The following bodies should also be highlighted:

- **Sustainability committee:** ensures compliance with the Sustainability Policy and the development of successive Sustainability Plans, ensuring their dissemination and seeking the involvement of all Bankinter stakeholders (especially strategic stakeholders such as employees, shareholders and customers),
- **Risk committee,** analyses and approves risk transactions proposed by the branch network that should consider climate change as a risk factor in each transaction,

13.3.3. Risk management

In line with supervisory expectations, Bankinter is actively working to measure, manage and reduce the impact of climate change and the environmental impact on its loan book,

Materiality

Bankinter develops its sustainability strategy to minimise any negative impacts its activity may have on its social and environmental surroundings and to enhance the positive ones, This strategy is universal and involves all areas of the bank and, therefore, all of its businesses, Bankinter identifies the aspects of its activity that have the greatest impact on the environment through a management system for the needs and expectations of its main stakeholders,

In defining this new Policy and new Sustainability Plan for 2024-2026, a double materiality analysis has been carried out, helping identify the sustainability priorities of key importance for Bankinter and its stakeholders, This analysis covers the entire bank, including the various geographies and business units,

A study of Bankinter's impacts, risks and opportunities was carried out for this analysis, For impacts, the impact perspective is applied, which measures the effects that the bank's processes, products, services and relationships have on people and the environment over time, The financial perspective is taken into account for risks and opportunities, which is only considered in double materiality analyses, Risks are defined as uncertain events or conditions that, if they occur, could have a negative effect on the business model, the strategy or the bank's ability to achieve its goals and to create value, In contrast, opportunities are events or conditions that could have a positive effect,

Following this analysis, a list of 12 material issues and 27 subtopics was obtained, The two issues identified as material in the environmental section are the risks derived from natural capital (more information in the Environmental Issues section) and those derived from climate change, on which this chapter focuses,

Bankinter performs exercises to quantify the effects that climate change might have on its credit, operational, market, structural and liquidity risks and, therefore, on the losses that might arise in its business, to assess the materiality of climate change risks, In conclusion, Bankinter considers these risks to be material, in accordance with the evaluation of their impacts as described below,

Climate and environmental risks are considered 'risk factors' under applicable regulations, This means that they do not have an impact in themselves, but they do materialise through the risks traditionally managed by financial institutions, such as credit, market, operational, reputational and liquidity risks, They may also impact the business model over the medium and long term, depending on the extent to which the bank's business involves sectors and markets vulnerable to these risks,

Climate and environmental risks are therefore considered universal sources of risk, affecting each of the risk categories described below,

Risk category	Impact of the risks of climate change and deterioration of the environment
Credit	Possible negative impacts due to increases in non performing loans or decreases in the value of collateral, due to: a) Physical damage to assets or ending of operations involving customers who operate in sectors or locations exposed to physical environmental risks b) Transition risks, due to the possibility of higher costs and lower profitability from the customers affected,
Market	Losses, sudden price fluctuations or greater market volatility caused by severe physical events or transition risks that affect market expectations or asset values,
Operational	This includes potential losses due to: a) Damage to assets and/or interruption to operations caused by physical risks, b) Litigation resulting, for example, from the financing of environmentally controversial activities,
Reputational	Effects on the bank's reputation of environmentally controversial activities being associated with it by stakeholders
Liquidity	This includes two potential effects: a) Mass withdrawal of balances by customers to finance damage caused by physical events, b) Sudden price fluctuations in high-quality liquid assets in the liquidity buffer due to transition risks,
Business	Negative effects on the entity's results due to the ending of activities exposed to the materialisation of such risks,

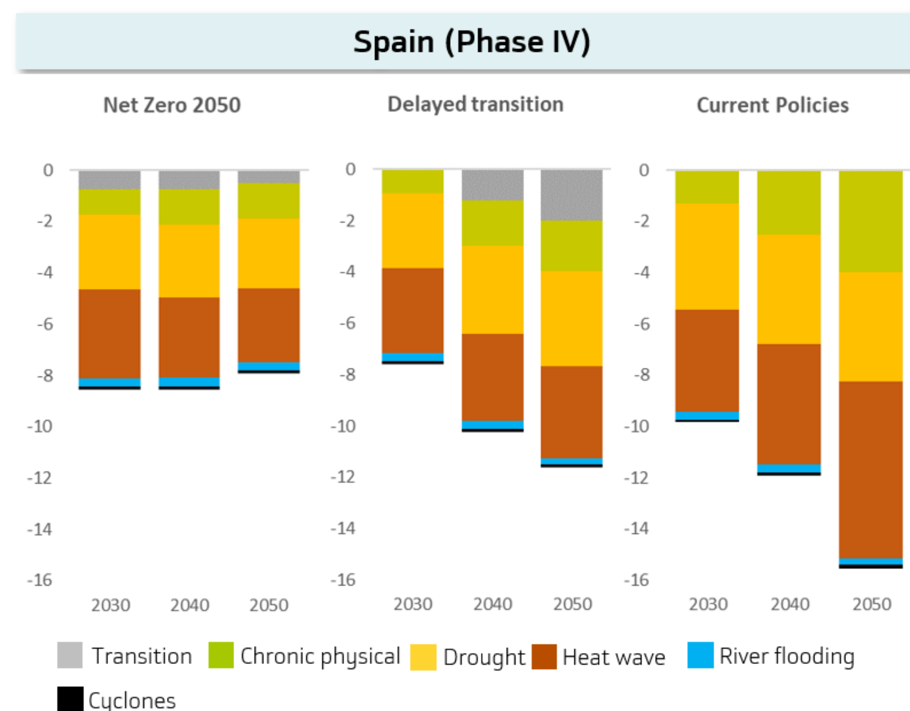
Impacts

The assessment of the potential impacts of these risks is carried out from a double perspective:

- Top-down approach

One of the most important references in relation to the potential economic damage that climate and environmental risks can cause is the set of content published by the Network for Greening the Financial System (hereinafter, NGFS), This association of central banks and supervisors is making a major effort to establish a common framework of scenarios and associated impacts, which provides us with a very solid basis on which to build our impact analyses and, consequently, to determine the materiality of climate factors, especially with regard to credit risk, In November 2023, this organisation published the so-called Phase IV of its scenarios, the most relevant novelty being the incorporation of impacts on activity at country level associated with specific acute physical risks, which gain enormous prominence,

The following graph shows the impacts on GDP for Spain, in terms of cumulative growth differential, of the physical and transition risks in three scenarios that we take as a reference for the years 2030, 2040 and 2050 with respect to a theoretical scenario in which climate effects are ignored:



These impacts correspond to the NGFS NiGEM v1,23,2 model (with REMIND-MAgPIE 3,2-4,6) for both transition risks and chronic physical risks, to which are added those associated with acute physical risks, given by the NGFS NiGEM v1,23,2 model [Climate Analytics][6],

It should be noted that in the case of transitional and chronic risks, the values corresponding to the median of the temperature increase distribution are used for the Delayed Transition and Net Zero 2050 scenarios and the 95% percentile for the Current Policies scenario, Additionally, acute physical risks are considered in all scenarios at the 95%[7] percentile,

The narrative describing these three scenarios is summarised in the following points:

- **Net-Zero 2050**: this is the desired scenario and represents an orderly transformation through effective policies and innovation to reach the goal of net zero CO2 emissions by 2050, keeping the temperature increase to 1,5°C, As this is an orderly scenario, not only are physical risks mitigated as much as possible, but those associated with the energy transition remain at moderate levels,
- **Delayed transition**: in this scenario, effective actions to reduce emissions are delayed until 2030 and, therefore, the introduction of urgent measures that cause a temporary energy shock is necessary, To some extent, although on a different scale, this is what is currently happening as a consequence of the conflict in Ukraine and its effects on energy prices, Therefore, by acting late and in a disorderly manner, both the impact of transition risks and physical risks is greater, limiting the temperature increase to 2°C,
- **Current policies**: this scenario assumes the continuation of current policies, which means that emissions continue to grow and thus lead to the highest exposure to physical risks, However, transition risks are not considered in this context,[8]

As can be seen, even in the best scenario, physical risks have a material impact on the economy as a whole, Furthermore, unlike chronic physical risks, acute physical risks can concentrate their impacts in short periods of time, in specific geographic areas, as well as in specific activities,

Bankinter uses these scenarios in order to assess the possible future impacts both in terms of losses associated with stressed situations, such as that posed by the Delayed Transition scenario, and in terms of capital requirements,

- Bottom-up approach

The bottom-up approach consists of assessing how both the bank itself and its customers are specifically exposed to climate risks, The two perspectives are closely related, they must be consistent in the sense that the potential events must be the same and they must complement each other,

However, this approach cannot lead to the assumption that the effects can be isolated in certain sectors of activity or in regions more exposed to certain physical risks:

- A modern economy implies an enormous interrelation between different productive activities, Thus, cost increases that may arise from the materialisation of certain risks may end up propagating through the value chains, This fact has been observed quite clearly as a consequence of the war in Ukraine and, specifically, how the supply shock in both fossil energy and commodities caused inflationary tensions that were transferred to all sectors of activity,
- There are sectors that are considered strategic and have historically received support in order to avoid the negative externalities caused by excessive external dependence, One of them is the primary sector and we could also highlight the energy sector, It is unacceptable that these sectors are subject to their own fate and that, therefore, efforts to preserve them in a context of increased vulnerability are not maintained,

An approach aimed at concentrating the physical risk on the property or activity directly affected, which could compromise the solvency of the owner or operator, does not entirely correspond to reality, which is somewhat more complex, Firstly, it should be noted that risks associated with natural disasters tend to be mutualised both because of their high uncertainty and the high severity of their effects, It cannot be ignored that, for example, in Spain, there are powerful mitigation instruments such as the Insurance Compensation Consortium, Agrinsurance and the declaration of catastrophe zones, The effect of mutualisation of damage must therefore be considered with regard to acute physical risks, This also leads to the mutualisation of climate change adaptation investments for mitigation, But what is clear is that, at the global level, acute physical risks represent uncertainty and destruction, and this has a potential effect on the economy as a whole, which is what is evident from a top-down approach,

Thus, from this bottom-up approach, climate factors are considered to have moderate impacts on business for the following reasons:

- The bank has little exposure to the most greenhouse gas emitting sectors (as will be explained in the section on measuring emissions financed), A warning system (climate rating) has been implemented for the individual impacts of these risks on each customer and operation, and a dialogue has been established with the most emitting customers in order to, where appropriate, consider them in the proposal and sanction process (see section on Climate rating for legal entities), Furthermore, this exposure will be reduced in line with the bank's commitments, such as its membership of the Net Zero Banking Alliance initiative, the decarbonisation targets for its portfolio, and the strategic decision to help customers in the transition of their businesses to a low-emission economy,

[6] For more details, see the document NGFS Climate Scenarios Technical Documentation V4.1 (November 2023).
[7] Except for the risk of river flooding, for which only a single estimate is offered per country.

[8] In this scenario, a financial risk of NON-transition could be considered. That is, a risk derived from excessive exposure to projects that, without a real transition, will not achieve the expected return values in their business plans.

- Exposure to potentially destructive physical risks such as flooding is greatly reduced, In addition, properties used as collateral must be insured, Chronic risks such as droughts and heat waves have a more general effect that can compromise the normal development of certain activities and economic growth as a whole, but their impact is much more widely distributed among debtors,

However, it should be stressed that low exposure to certain particularly sensitive activities does not insulate the bank from the general damage that can be caused by climate factors, especially in scenarios where action to reverse global warming is insufficient or even non-existent,

Strategy

Among the principles declared for the proper management and control of risks is Bankinter's responsibility to society, which is manifested through various lines of action, Prominent among them is the stimulation of sustainable development which enables the objectives agreed by the United Nations to be met and which, specifically, promotes the preservation of the environment and compliance with the commitments to mitigate the effects of climate change,

Thus, In October 2021, the bank's board of directors approved the basic approach of the bank's strategy for ESG risks, in accordance with EBA criteria: integration into the sustainability policy, scenario analysis, setting and monitoring of long-term objectives (portfolio decarbonisation path) and sustainable financing products, The bank has established four lines of work: Identification and measurement, Assessment, Action, and Monitoring,

Each of these will be reviewed in the following sections,

13,3,4, Identification and measurement

The starting point is to identify and measure the climate risks,

At present, information is scarce and there are few measurements, with only incremental improvements, A lot of the data we have to work with are estimates and speculation, The bank is continuously supplementing this information with more rigorous and detailed information as the state of the art develops, However, this is highly dependent on the introduction of regulatory initiatives to significantly improve disclosure by financial and non-financial companies of information related to sustainability (specifically, the NFRD and CSRD directives),

The bank works through three approaches:

Measurement of the emissions financed

Bankinter uses the PCAF (Partnership for Carbon Accounting Financials) methodology to calculate the emissions it is financing, This methodology is commonly used by other financial institutions,

At year-end 2023, Bankinter estimated the emissions it financed for:

- The corporate portfolio of Bankinter Spain and Bankinter Portugal,
- The mortgage portfolio of Bankinter Spain, Bankinter Portugal, EVO and Avant Money,

The estimation procedure for the companies portfolio is summarised in the following points:

- When information is available on emissions declared by the customer (generated at the individual level), generally through their Non-Financial Statement, the emissions are allocated to Bankinter based on the weight of the funding provided in relation to the customer's total liabilities,
- When the emissions declared relate to the consolidated group and there is no individual information, the emissions are allocated to the entire group of companies within the consolidation scope (assuming all the companies in the group share the average intensity of the group), so that the counterparty is attributed the emissions corresponding to its relative weight in the group and the financing granted to it by Bankinter,
- However, the emissions of some specific activities, such as financing renewable energy projects, are adjusted based on the specific destination of the funds,
- Given the limited current scope of non-financial information reporting obligations, we need a complementary estimation procedure for when we do not have individual emissions for debtors in portfolios of companies in which SMEs have significant weight, This also serves as a quality control tool for the emissions information disclosed, The following information is used for this:
  - The emissions of each sector and annual data from the Spanish and Portuguese National Statistics Institutes,
  - The revenue of each customer and percentage share of the total sector, based on turnover and output data by areas of activity published by the National Statistics Institutes,
  - The ratio of bank debt to total balance-sheet liabilities for each customer,
  - The percentage indebtedness of each customer with Bankinter compared to the total, using CIRBE data,

  The emissions for each customer are estimated as follows:

  - A total volume is allocated according to the emissions of the sector in which they operate and the proportion that their turnover represents of the total turnover of that sector,
  - This total volume attributed to the customer is weighted by the percentage that bank financing represents of its liabilities, This is then multiplied by the share of that debt corresponding to Bankinter,

Adding the attributed or estimated emissions financed for each customer gives us the emissions for each sector of activity and for the entire corporate portfolio,

This gives us an estimate of direct - scope 1 - emissions, Estimates of scope 2 and 3 emissions are based on the propagation of direct emissions,

Scope 2 emissions are estimated by propagating the emissions of the electricity sector throughout the value chains using the input-output tables for the Spanish or Portuguese economies, This estimate would, therefore, be closer to the concept of scope 2 emissions under the location-based criterion,

Scope 3 emissions are estimated in a similar way but propagating all of the emissions originating in the various sectors, The input-output tables published by national statistical institutes provide an ordered structure of activities and products, The latter are classified according to the branch of activity that generates them, This means that there is an identity between activities and products, so that we not only know the production from a specific economic sector, we also know also the distribution of that production throughout the value chain, i,e, the economic sectors for which the production is destined,

A significant part of total production in the sectors is for meeting the demand of other productive activities through what are called intermediate products, The emissions needed to produce intermediate products form part of their sector carbon footprint, which spreads through the value chains until it becomes a final product, The carbon footprint of this final product comprises the emissions needed for its production, both directly and from the inputs required,

Therefore, based on the direct emissions of each sector and the sector relationships we have described, emissions are propagated throughout the value chains, so that the direct emissions corresponding to both to scope 2 and scope 3 accumulate, The methodology described enables the estimation of the scope 3 emissions incorporated into the final product through the value chain (upstream) or transferred to other sectors (downstream), While a sector may generate a product without emissions, its indirect emissions must be considered if it can be integrated into the production processes of another sector that does generate a carbon footprint,

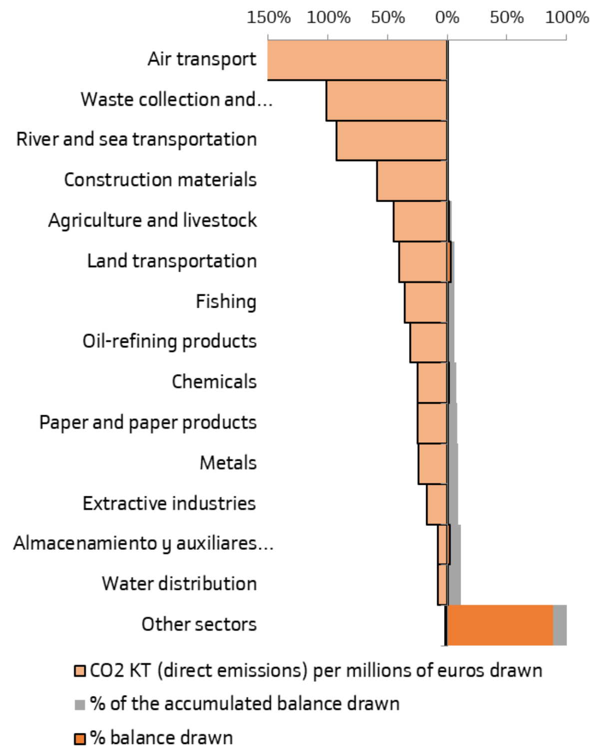
This enables us to calculate the carbon footprint associated with each customer's activity, including the accumulated emissions in the products to meet final demand, The great advantage of this approach is that it avoids the overlap among the three scopes, which cannot be directly aggregated,

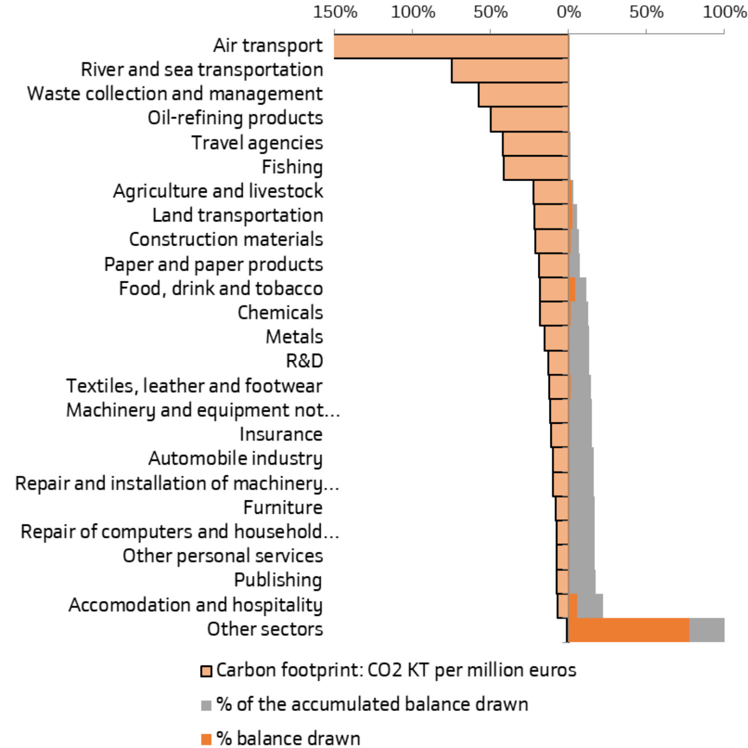
The emissions of Bankinter Spain's mortgage portfolio are estimated using the information in Energy Efficiency Certificates, Although these certificates are currently required in all property sales (except for those that are exempt from certification due to their type), we need to estimate the emissions rating of many properties (either through estimation models or by using the certificates for the rest of the building) to extend this calculation to the entire portfolio, The bank has contracted a service that enables searches of the certificates in all the public registries of the Autonomous Communities, Estimates are, therefore, only used when the property's actual certificate cannot be traced,

If there is a certificate, the property's emissions are taken, If we have to estimate the energy rating, we regard the representative emissions for the rating as being the emissions, considering the location, climatic zone and type,

In 2023, Bankinter has included information on the Energy Efficiency Certificates of its Portuguese mortgage portfolio and AvantMoney into its measurements, As a result, Bankinter now has metrics related to climate risk for all its significant investment portfolios, in relation to both natural and legal persons,

The charts below, updated on a monthly basis and included in the Global Risk Report, represent the intensity of direct emissions and the carbon footprint by activity sectors, in descending order, adding the distribution of balance drawn,





According to the description of the methodology and considering the audited nature of the Non-Financial Statements, the quality of the information on emissions financed can be rated as 3,6 on a scale from 1 (best) to 5 (worst) using the classification criteria in the standard established by PCAF (PCAF score), In this regard, it should be noted that level 1 is only achieved when emissions correspond to values declared by the companies and verified, This score refers to the entire corporate portfolio,

In the case of mortgages for individual customers in Spain, a portfolio of 21,574 million euros (with certification of actual or estimated energy efficiency) finances 367 thousand tonnes of CO_2 equivalent (373,000 tonnes of CO_2 equivalent in 2022), representing an average intensity of 17 tonnes per year for every million euros of balance drawn, In this calculation, 55,6% of the total amount available for all buildings considered has observed emissions reported in the energy efficiency certificates,

In the case of Bankinter Portugal's mortgages for individual customers, a total portfolio of 5,590 million euros (with certification of actual or estimated energy efficiency) finances 78 thousand tonnes of CO2 equivalent, representing an intensity of 14 tonnes per year for every million euros of balance drawn, 47,2% of the buildings considered in the total balance drawn have emissions reported through Energy Efficiency Certificates,

In the case of Avant Money's mortgages for individual customers, a total portfolio of 1,805 million euros (with certification of actual or estimated energy efficiency) finances 20 thousand tonnes of CO2 equivalent, representing an intensity of 11 tonnes per year for every million euros of balance drawn, 23,4% of the buildings considered in the total balance drawn have emissions reported through Energy Efficiency Certificates,

Considering this distribution, and taking into account that the estimated emissions are obtained by considering the surface areas of the buildings, the PCAF score in relation to the quality of the reported information is 3,4 on a scale from 1 (best) to 5 (worst), However, it should be noted that when energy certification is available, the emissions reflected in the certificate itself are adopted, so an estimation from the label is not used, as could be interpreted from the PCAF assessment methodology for score 3, which is the one applied to buildings with actual certification,

Calculating the emissions financed is essential for implementation of the Group's decarbonisation strategy, Bankinter has established specific targets for reducing average emission intensities, which it has incorporated into its risk appetite framework, This is detailed later in this report, with monthly monitoring,

The comparison below shows the distribution of loans to companies by Bankinter Spain and the sector (figures to September 2023), direct emissions and the carbon footprint, This shows that the most polluting sectors have lower weight in Bankinter's portfolio,

	Loan distribution		Direct emissions[1]	Carbon footprint[2]
Sector	Bankinter	System		
Agriculture	2,1%	4,4%	148%	109%
Mining and quarrying	0,3%	0,3%	73%	63%
Transportation materials and equipment manufacture	1,2%	1,2%	5%	20%
Chemicals	1,6%	1,2%	93%	57%
Foodstuffs	4,3%	5,1%	22%	48%
Oil	0,4%	0,6%	584%	211%
Metals and machinery	4,4%	4,2%	29%	32%
Other industrial manufact,	3,2%	3,2%	21%	26%
Construction materials	1,0%	0,8%	407%	203%
Energy and water	4,7%	5,5%	146%	106%
Arts, entertainment activities	20,0%	14,7%	1%	4%
Ad hoc buildings and works	2,7%	2,2%	2%	18%
Building installation and finishing	1,7%	1,5%	2%	18%
Public works	0,9%	1,3%	2%	18%
Preparation for works	0,2%	0,3%	2%	18%
Transportation and storage	5,2%	7,4%	77%	72%
Sales and spare parts	16,9%	17,7%	2%	9%
Accommodation and food service activities	5,9%	6,1%	3%	13%
Other services	23,4%	22,1%	1%	7%
Bankinter			**26,0%**	**25,1%**
System			**32,7%**	**30,1%**

1 Relative to the gross added value of the sector (kt/€mn)
2 Relative to net final demand for attributed imports (kt/€mn)
*** Source: Report on energy certification of buildings, Ministry of Transport, Mobility and the Public Urban Agenda, December 2021,**

As we can see, Bankinter's exposure to the most polluting activities and those with the highest density of emissions in their final products is very low, even excluding financing activities,

This better starting point for Bankinter's loan book in the face of climate change risks is explained by a number of factors:

- Lower weight of more polluting sectors, such as agriculture and refining,
- Investment in energy production sectors has already been decarbonised, due to the significant weight of renewable energies,
- The mortgage portfolio is mainly located in urban areas, with lower probability of events resulting from climate change,

The bank's board of directors keeps a careful eye on these metrics,

Climate rating, legal entities portfolio

In October 2021, Bankinter implemented a rating tool for climate change risk for all companies as part of the process for processing credit applications, This climate rating measures the customer's propensity to be affected by physical and transition risks, This considers variables related to the company's activity, the geographical location of its facilities and factories, and its turnover and credit quality, measured through internal ratings,

This system enables ranking of the portfolio from lowest to highest sensitivity to risks related to the climate and the environment, Specific policies can then be developed for the most vulnerable segments, The rating provides complementary information on the potential physical risks to which the activity could be exposed, as well as the eligible branches under the European Taxonomy,

The distribution of the loan book for financial and non-financial companies resident in Spain and Portugal at 31 December 2023 is shown below, with a scale of five levels based on sensitivity to climate factors:

Risk group	Amount committed (millions of euros)				Physical risks*				Transition risks	
	BK Spain		BK Portugal		Tempera ture	Wind	Water	Land	Carbon leakage	Potentially sustainable*
Very low	23,305	54%	1,938	50%	2%	2%	3%	2	1%	38%
Low	13,170	30%	1,072	28%	36%	24%	36%	3	3%	66%
Medium	3,355	8%	329	8%	18%	14%	19%	1	10%	53%
Advanced	2,709	6%	384	10%	37%	26%	38%	2	20%	47%
Very high	983	2%	147	4%	27%	14%	27%	2	78%	52%
Total	**43,523**	**100%**	**3,875**	**100%**	**16%**	**12%**	**17%**	**16%**	**5%**	**48%**

*Under EU Taxonomy, in accordance with the most recent update adopted at June 2021

As we can see, 83% of the exposure (risk drawn down plus committed) is concentrated in the two best rating levels, Only 2% is in the highest-risk rating level, which contains the most polluting activities,

As with the emissions financed, this information is reported to the bank's directors as part of the risk information every month,

Measurement of climate change risk in the loan book for individuals

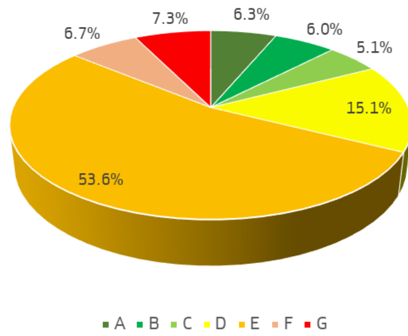
Most of the loan book for individuals relates to mortgages, Bankinter is, therefore, developing the measurement of how climate change can affectmortgaged properties,

It joined a project with other banks in 2021 to capture information to measure these risks, through an appraisal company, Measurement of the emissions financed by Bankinter Spain for this portfolio has, therefore, already begun, including those corresponding to EVO Banco,

During 2023, progress has been made with the inclusion of Energy Efficiency Certificates in the mortgage portfolio in Portugal and at Avant Money, thus rounding off this measurement of all the bank's mortgage portfolios,

The distribution by energy efficiency ratings in terms of emissions is as follows, with "A" considered the best rating and "G" considered the worst,

CEE emissions of Bankinter Spain and Evo Banco mortage portofolio

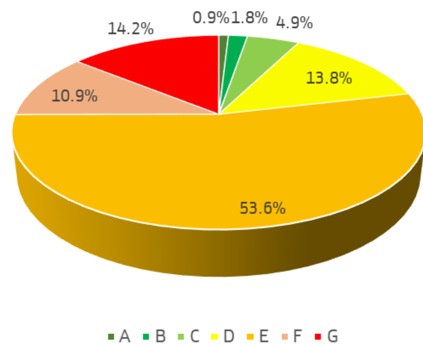


As can be seen, there is a huge concentration in level E, corresponding to the general efficiency situation in Spain, as shown in the following chart:

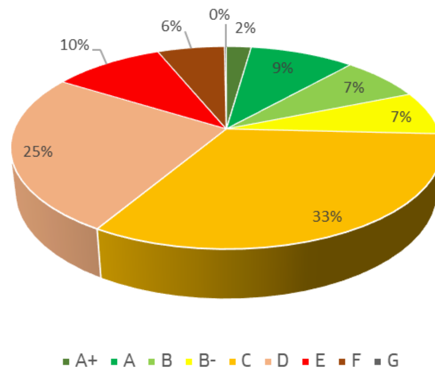
*Source: Report on energy certification of buildings, Ministry of Transport, Mobility and the Public Urban Agenda, December 2021,

Below is the distribution of Energy Efficiency Certificates in the Portuguese mortgage portfolio:

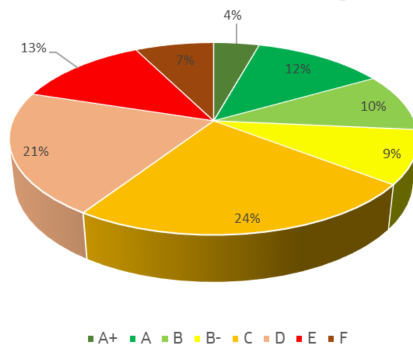
CEE emissions in Spain*



CEE emissions mortgage portfolio Bankinter Portugal

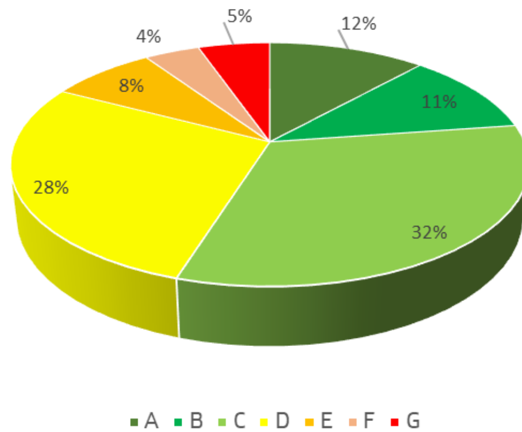


CEE emissions in Portugal*



*Source: Statistics from the Sistema de Certificação Energética dos Edifícios, ADENE – Agência para a Energia, Data in Q4 2023,

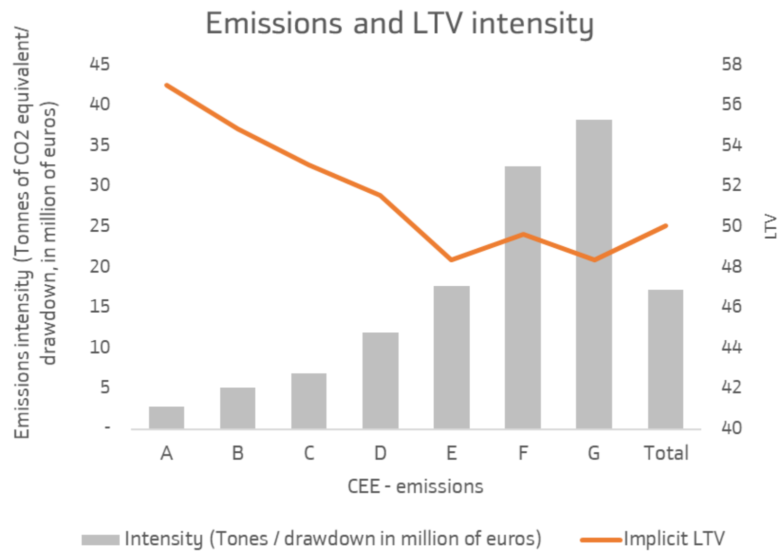
Finally, the distribution of Energy Efficiency Certificates for the Avant Money portfolio in Ireland is as follows,



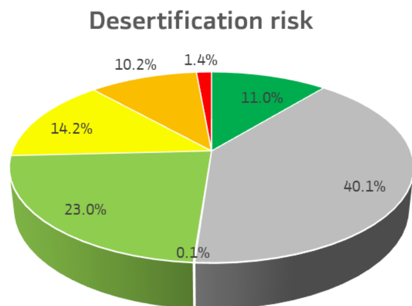
There is considerable room for improvement in the efficiency of buildings, Bankinter's business objectives, therefore, include promoting building refurbishment projects, making financing available to property owners' associations, which is the approach needed for such projects to be performed, This is explained in more detail later, Comparing the two distributions, Bankinter's portfolio has greater weight in the best ratings compared to the worst two levels, F and G,

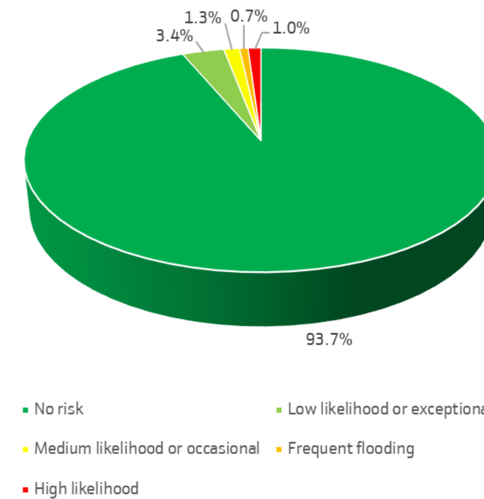
The emissions financed by Bankinter in Spain, Portugal and Ireland are determined based on the ratings, considering the emissions of the property included in the certificate or, in the case of estimates, the representative emissions for the letter assigned, the type of property, its location and the climate zone, The following chart shows the intensities of emissions financed (in terms of tonnes of CO_2 equivalent per year per million euros financed) and the implicit LTVs, which are determined as a ratio of the emissions attributed to Bankinter through its financing and the totals generated by the property:

This shows that average LTVs start to be higher from rating D to rating A, reflecting the fact that new mortgage production is more energy efficient, This also contributes to better coverage of transition risks,



The information from the Energy Efficiency Certificates (CEE) for the mortgaged properties is supplemented by various physical risk indicators depending on the geographic location of the collateral, such as the risks of flooding by rivers or seawater, and desertification, The risks of flooding are very low as a result of the geographic areas where Bankinter's activity is concentrated, as can be seen in the following charts, where exposure is distributed by risk levels:





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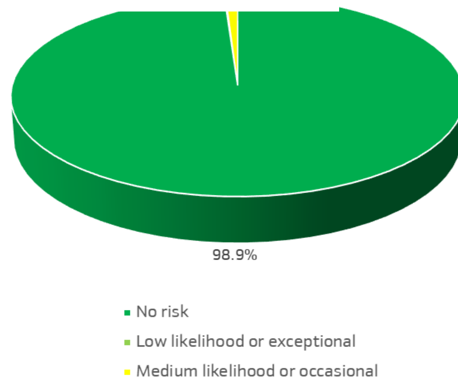
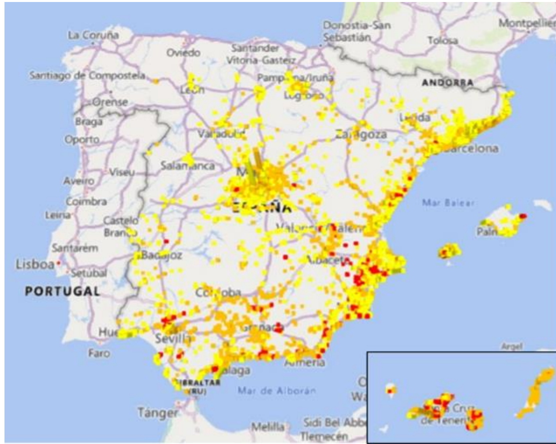


The risk of desertification is higher due to the geographical location of Spain, as reported in the original source (Cartography of soils and desertification published by the Ministry for the Ecological Transition and the Demographic Challenge),

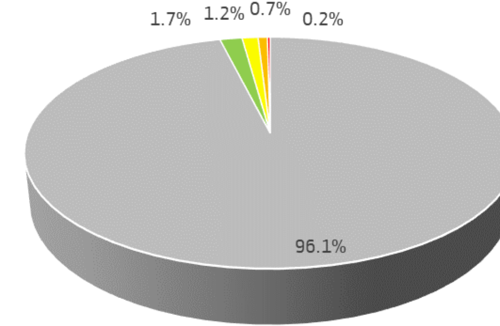
If we aggregate the very high, high and medium risks, they represent 22,1% of the reported portfolio, Note, however, that urban centres are outside this classification, The following map represents the geographical distribution of balance drawn in these medium (yellow), high (orange) and very high (red) risks:



It can be seen how these risks are mainly concentrated around urban centres, especially in Madrid and Barcelona, Actually, the differentiation between urban and suburban centre and the possible specific impact of this risk in suburban areas is very debatable,

In general, the environmental degradation of the area in which a building is located will have a significant impact on its value, unless there are other factors such as its proximity to a consolidated urban centre with a high concentration of employment, services, etc, For this reason, we apply a filtering criterion that also considers metropolitan areas or environments close to municipalities with a minimum population to be urban, Under these conditions, the risk distribution is represented in the following graph:

Desertification risk (adjusted for proximity to urban centers)



▪ No risk / Urban ▪ Low ▪ Medium ▪ High ▪ Very high

Even these filtered desertification risks are concentrated in coastal tourist areas, where it is not obvious what impact this risk may have specifically on the value of the building,

Prospective approach of physical risks

Bankinter is working on a project to make progress with and improve the measurements of the main physical risks that may affect its risk portfolios, For example, in relation to natural persons, because they may pose a risk to mortgaged properties, while concerning the risk portfolio of legal persons, because they may affect properties owned by different companies, These improvements will include the incorporation of scenarios, the extension of measured portfolios to all companies in the Bankinter Group and an improvement in the source of information, using homogeneous and generally recognized databases, These risks are mainly river and sea flooding, drought and heat waves,

As regards the portfolio of natural persons, risk will be estimated considering the company's main activity, distinguishing between the effect of each of the risks based on the CNAE code of each customer,

This work is in its final phase of development and will be implemented over the course of 2024 for Bankinter's portfolios of both companies and mortgages, with data for Spain, Portugal and Ireland,

13,3,5, Assessment

Assessing climate and environmental risks poses a real challenge for financial institutions, for several reasons,

Firstly, this is because of the characteristics of the potential impact of physical factors, especially those of a chronic nature the effects of which manifest themselves gradually over the very long term, This is not just a question of evaluating the bank's capacity to withstand a transitory shock, but of being able to adapt to a new reality if international commitments to reduce emissions are not fulfilled,

Secondly, any analysis must be supported by verified information, Today, available and reliable data are still scarce and, as a consequence, it is necessary to work with estimates that may have a very high degree of uncertainty,

Climate risk assessments are new exercises, This means that certain capacities need to be developed internally, and that commonly accepted methodological approaches must be agreed so that they can provide a reference,

Despite these difficulties, we need to make progress in assessing risks related to the climate and the environment, The Group has decided to adopt an eclectic approach, developing the three lines of work set out by the EBA in the "EBA Report on management and supervision of ESG risks for credit institutions and investment firms" in parallel:

- Portfolio alignment: performance compared to objectives
- Sensitivity analysis: impact of potential events and materialisation of adverse scenarios
- Exposure method: assessment of individual exposures to climate risks

We explain each of these three lines of work in more detail below,

Portfolio alignment

As mentioned in the previous section, Bankinter estimates the emissions it finances for a large percentage of its exposure, including the entire corporate portfolio of Bankinter Spain and Bankinter Portugal, and Bankinter Spain and EVO Banco's portfolio of mortgages with individuals, This is important for setting and monitoring decarbonisation objectives, as explained in the next section, and also enables identification of concentrations of direct and indirect emissions by branches of activity, which is essential for sensitivity analysis, Although this involves identifying emissions at the counterparty level for the various scopes (direct, through energy consumption and indirect) the problem is how these overlap, This means we also need to apply the "carbon footprint" concept, This is the concentration of emissions in the final products of an industry, including all of the emissions involved in their production, and the intermediate products and services that contribute to their added value,

There is a shortage of individualised information on direct emissions, This is even more pronounced in the case of indirect emissions, This is an important issue to which we need to adapt,

Bankinter has a diversified portfolio with exposure to large numbers of small- and medium-sized enterprises that are not currently required to disclose such information, The adaptation required, therefore, consists of having the capacity to obtain individualised estimates from official statistics for atmospheric emissions by sectors of activity, This estimation exercise also serves as a check when companies do provide such information,

Financial institutions, as facilitators of credit, can make a contribution to the transformation to a sustainable economy, but they do not have the capacity to lead that change, This means that the Group's decarbonisation objectives cannot be divorced from fulfilment of the general objectives at both the national and European levels, The monitoring of the Group's portfolio must, therefore, be framed within the general path of emission reductions,

Sensitivity analysis

This analysis is essential for incorporating climate risks into the regular self-assessments of capital adequacy and, therefore, the entity's solvency, It also includes stress testing,

The European Central Bank is committed to promoting this type of analysis, Therefore, it organised a climate stress test exercise for the first half of 2022, the results of which were published in July, This is an initial exercise performed on a limited information base with a methodological approach that has not yet been established, However, this has promoted the development of internal approaches to the assessment of climate risks,

Credit risk

For many participating entities, this exercise only involved providing information by branch of activity on margins, the emissions of the largest customers and energy efficiency certificates for the properties held as collateral, In addition to this exercise, Bankinter is developing its own sensitivity analyses based on the following criteria:

- Alignment with the scenarios and projections offered by the Network for Greening the Financial System (NGFS), This is a collaborative group of central banks, supervisors and other observers that is creating a framework for analysing climate risks by defining a small number of significant scenarios, each of which is characterised by long-term projections of multiple variables, drilling down to the country level, This provides the entities with a common language and methodological framework, offering consistency in their assessments, The progress made in recent publications is also noteworthy, particularly the so-called phase IV of November 2023, In this last phase, as already explained in the section on materiality analysis, the impacts on the growth of activity of certain acute physical risks are reduced at the country level, and these gain enormous prominence, Indeed, last year it was already commented that the overall effect on growth could not be ignored, also considering their mutualisation,

- Asymmetry of effects in different sectors, The transmission of shocks (such as the one associated with the "Delayed transition" scenario in the NGFS projections) to exposures must consider the asymmetry of effects on different branches of activity considering the carbon footprints of the final products, which involves an upwards spread of emissions through value chains, This is particularly true for transition risks However, downwards propagation of the effects must also be considered, so that the difficulties of a sector are also transferred to their suppliers even if they do not add emissions to the final product, In other words, we cannot assume that the effects of such shocks will not spread, to a greater or lesser extent, to all productive sectors, in an economy where activities are so interrelated, This is something we can currently see as a consequence of the war in Ukraine and its effects on energy and raw material prices, A short-sighted view of the problem can lead us to underestimate the effects,
- Managing very long-term effects today, The scenarios involving a lack of action to reduce emissions are characterised by incremental and irreversible impacts on economic growth derived from the effects of rising temperatures, These will become significant over the very long term, Financial institutions have been adapting their exposures to this changing reality, We only need to think of the transformations that have taken place in relation to technology, delocalisation and distribution models over recent decades, for example, Entities are adapting to the developing nature of demand for viable credit, resulting in loan books rotating to assimilate these changes, This makes it difficult to determine, for example, what additional capital requirements will result from potential impacts that might arise over the next 50 years,

  But not taking action against the chronic and irreversible effects of rising temperatures will probably lead to lower growth and greater volatility, as a result of greater exposure to acute physical risks,

  Under these conditions, there could be greater exposure to financial risks that would lead to increased capital requirements if such scenarios were to materialise,

Operational risk

The process for identifying climate factors (physical and transition) associated with operational risks was reinforced in 2022, requesting their assessment by the areas that manage them, considering losses in both probable and adverse scenarios, This process has been documented and linked to the annual self-assessment exercise, The results obtained are subject to a review, which is generally conservative, which introduces a prospective approach to assessments with a longer-term scope, This uses the scenario explorer published by NGFS, observing the projections of economic impact for particular physical risks under different scenarios,

Market risk

This analysis focuses on the equity portfolio, using the ASG ratings for issuers provided by an external provider, Using the standard stress test - which assumes a price shock - as the base, an adjustment has been introduced to the rating, assuming that the issuers with the worst ASG ratings are more vulnerable,

Interest rate risk

This considers a scenario similar to the one defined by the NGFS as "Delayed Transition", transferring to the present the 2030 shock characterised by this scenario as a consequence of the late introduction of aggressive policies on the cost of greenhouse gas emissions greenhouse to mitigate global warming, This scenario has some parallels with the current situation (obviously not with respect to its origin) in terms of the effects of an increase in the prices of fossil fuels (and their emissions) and the knock-on effects of these to the rest of the economy,

Reputational risk

Reputational risk is the risk arising when the expectations of stakeholders (e,g, customers, shareholders, employees, investors) are not met and their reaction can adversely affect existing or new business relationships with them, They are unique because they depend on external assessments and can originate from a wide variety of sources, including other risks and social, economic or sector conditions,

The reputational risk map includes one event related to climate risk: "Inadequate management of risks deriving from climate change in the strategy and/or in the supply of products and services",

Others events also have collateral aspects of climate risk, such as 'Expulsion from or falls in major indexes', 'Business relationships that can damage the bank's reputation (controversial sectors, not taking ASG aspects into account, relationships with suppliers or partners with poor reputations, contagion of third-party reputational events, etc,)', 'Sanctions from official bodies and/or adverse publications by third-party', 'Inappropriate comments/conduct by managers or spokespeople' and 'Lack of commercial or corporate transparency', the latter of which would include greenwashing,

These climate change-related risk events are assessed according to a number of parameters: bank performance metrics (e,g, analyst ratings), customer and non-customer reputation surveys, media and social media coverage, bank monitoring mechanisms and a self-assessment process,

These factors are used to assess the severity of the risk, which can be classified as high, medium or low depending on the thresholds set, This assessment of reputational risk relating to climate change events found the severity level to be low in 2023,

Exposure method

The exposure method entails understanding the risks to which customers are exposed and how they are mitigating, or plan to mitigate, them, This approach is essential for developing an inclusive decarbonisation strategy, as will be explained in the next point,

This climate rating system has been implemented in Corporate Banking in Spain and Portugal, This rating acts as a classification tool with the main objective of preventing potential climate risks for particular customers, focusing the dialogue with them by:

- Helping us understand their actual exposure in their activities,
- Encouraging transformation projects, through provision of the necessary financial support,

In other words, this method is essential for improving our understanding of climate risks and incorporating them into decision-making, and as an instrument for developing sustainable financing,

13,3,6 Share price

Inclusion of climate change risk in the credit risk approval process,

The climate rating has been incorporated into the admission process to focus the dialogue with customers, especially with regard to the highest risks, This incorporates factors related to the climate and the environment into decision-making, It was decided to start this process with customers whose transition risk indicator is high or very high,

This group represents approximately 8% of the portfolio, In such cases, the relationship manager starts a conversation with the customer with two objectives:

- To find out how they think climate change may be affecting their activities,
- To understand their plans to reduce such effects, the investments planned for this, and the possibility of Bankinter helping by providing financing for these investments, as appropriate,

In 2023, Bankinter has made efforts to improve the information related to the risk of climate change in its risk proposals, This has been achieved by including the companies' emissions data, whether estimated or real depending on their availability and expanding the list of questions that customers are asked about these risks, as well as about possible decisions and investments by companies to mitigate them and adapt to their effects,

The information from this dialogue is included in the proposal for the risk being studied and is discussed in the corresponding risk committee,

To help in this process, the climate rating is automatically included in the minutes of committee meetings, Fields have also been included in proposals for the customer's rating with space to include the information obtained from this customer dialogue,

Additionally, information on the Energy Efficiency Certificate of the properties that act as collateral for loans is included in the proposal and sanction process, which is recorded in the risk proposal and in the bank's information systems, Furthermore, as mentioned, work is being done to incorporate prospective information into the same process that allows for the evaluation of physical risks both due to the location of the guarantees and the performance of productive activities, In this regard, it is essential to combine present information on exposure to certain physical risks that is sufficiently granular with the projections available from climate models that, in general, offer much less detail,

Business strategy

Bankinter is in the final phase of developing a business strategy consistent with these commitments, This is based on four pillars:

1. Sustainability policy
2. Scenario analysis – prospective approach
3. Decarbonisation strategy
4. Sustainable financing

In this section we look at the progress with these pillars of our strategy,

Sustainability policy

See information in chapter 13,3,1 Business strategy and processes and 13,3,2 Governance,

Scenario analysis

The incorporation of climate factors into the business strategy requires development of capacities to assess their effects in the long and very long term,

This involves great uncertainty that cannot be determined, due to the lack of empirical evidence and because action against climate change requires global agreements that are difficult to reach, The best tool in this situation is scenario analysis, as recommended by the European Banking Authority in its "EBA Report on management and supervision of ESG risk for credit institutions and investment firms", The business strategy must be developed using a baseline scenario - currently Net Zero 2050 as per the NGFS definition and projections - as a benchmark, This also involves evaluating the strength of the entity and its strategy under the hypothesis that plausible alternative scenarios become reality, especially those where action in response to climate challenge is delayed ("disordely" in the NGFS terminology),

As mentioned previously, Bankinter works with the following scenarios: SSP1-1,9 and SSP4-6,0 in estimating physical risks that may affect its corporate or mortgage risk portfolio,

Decarbonisation strategy

Bankinter is well aware that the financial sector must assume its role as an enabler of the transformation towards a sustainable economic model that can mitigate or adapt to the impact of climate change and protect the environment, It is fully committed to this, as illustrated by its membership of the Global Compact Network Spain, UNEP FI and the Net Zero Banking Alliance, By belonging to this alliance, Bankinter undertakes to make its financial and investment activity emissions neutral by 2050, in line with the objectives of the Paris Agreement on Climate Change,

To deliver on this commitment, in February 2022 the Group drew up its own decarbonisation strategy, approved by the Group's administrative body through the sustainability and appointments committee, This involved establishing specific quantitative targets for the intensity of emissions financed to 2030, in line with the emission reduction plans laid down in Spain's Integrated National Energy and Climate Plan (PNIEC) and Portugal's counterpart,

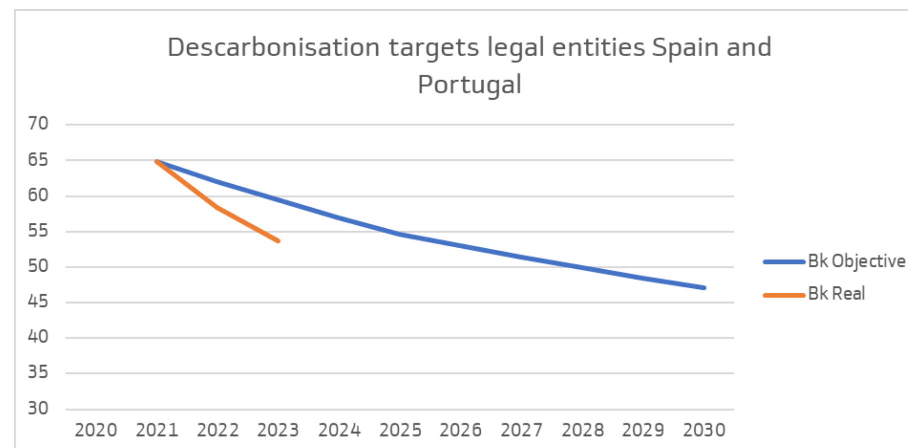
Despite Bankinter having a better starting point than the system as a whole, as it has less investment in the sectors with the highest emissions, the target path is demanding and similar to the path in the PNIEC,

The objective for 2025 is to achieve a 9% reduction in emissions density, with an additional 14% cut between 2025 and 2030, The lower initial rate is justified by the efforts in the first years of the National Plan focusing on the electricity generation sector, which in the case of the bank is practically carbon-free, This represents a total decrease of more than 20% overall,

Decarbonisation targets for legal entities (Tn CO_{2eq}/million euros)

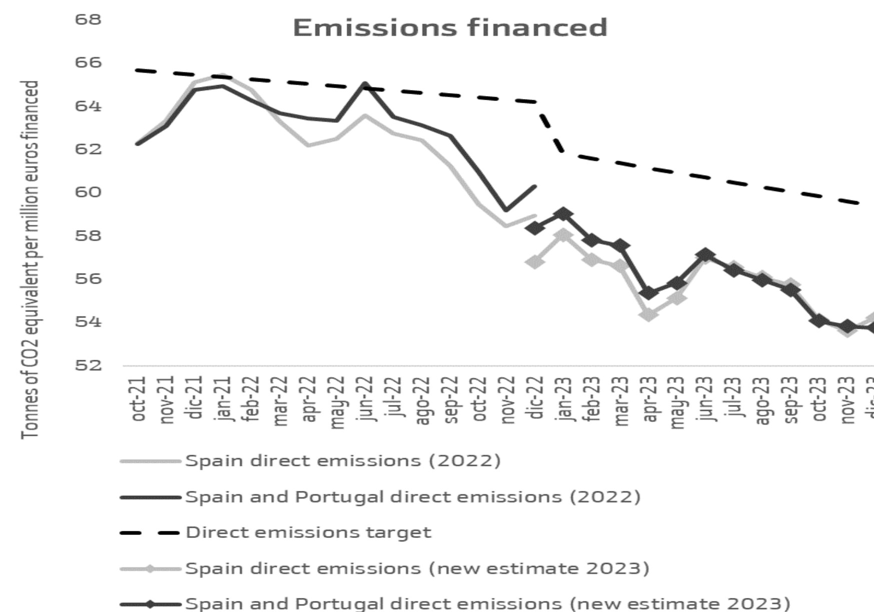
For a growing entity such as Bankinter, these objective have been defined in relative terms, This is why the bank's Decarbonisation Plan refers to intensities, These targets, as well as a tolerance threshold, are already incorporated in the Risk Appetite Framework and as one of the references influencing the remuneration of the identified group,

This path is updated as data is obtained from official sources (National Plans, INE data on sectoral emissions) and internal data from Bankinter's corporate portfolio, Considering the latest update with data published by the INE on greenhouse gas emissions of the Spanish economy in 2022, the bank's decarbonisation path is as follows:



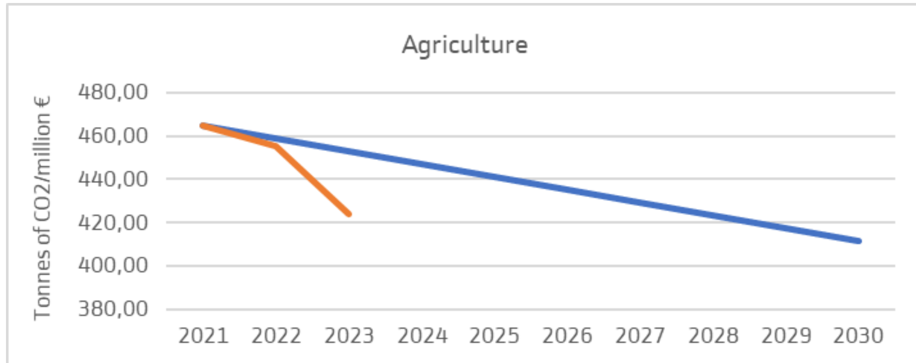
This decarbonisation path of the Spain and Portugal corporate portfolios is monitored and included in the Global Risk Report on a monthly basis, comparing the target path with the actual updated data, and the results are made available to the members of the administrative body,

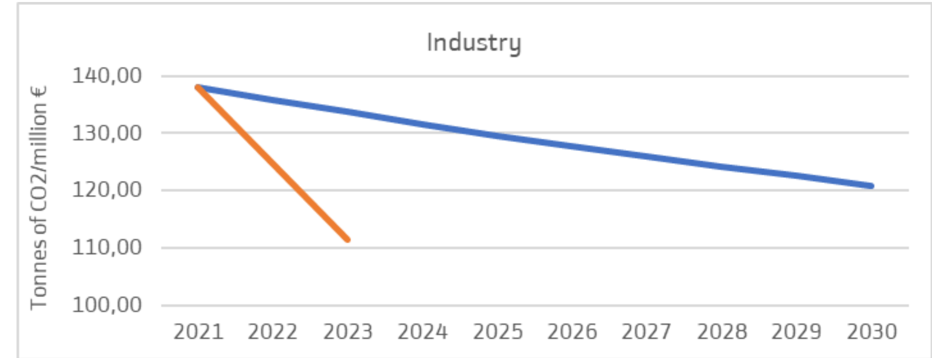
The monthly monitoring of this decarbonisation path for the corporate portfolios of Spain and Portugal is shown below:

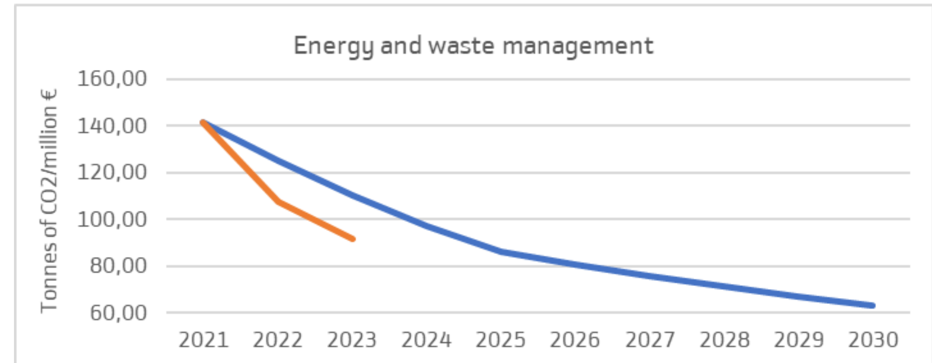


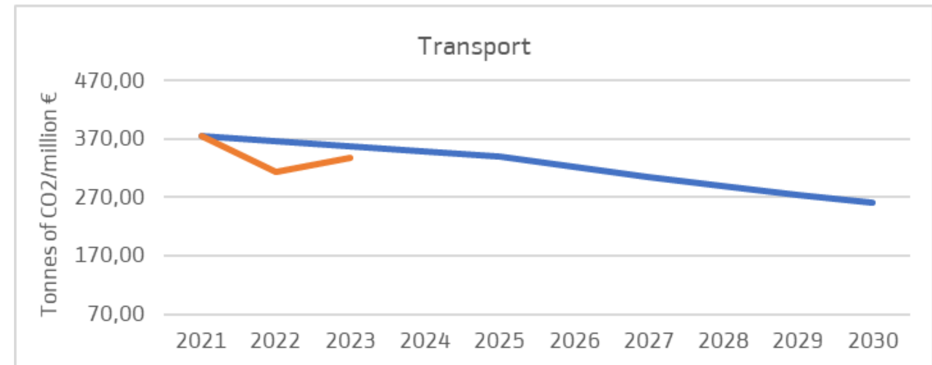
The main objective of this decarbonisation path is to reduce the emissions financed by each million euros of lendings in the entire Bankinter portfolio, However, although this global objective is the metric usually reported both internally and externally, a series of sectoral sub-objectives are monitored, using information on estimated or actual issues by sector of activity for the bank's entire Corporate Banking portfolio and, via the national statistics institutes, for all economic activities in both Spain and Portugal,

Specifically, these sectoral groups are the following: agriculture, industry, transportation, energy and others, which would allow us to analyse causes of deviation from the main objective, The paths for the 4 mentioned sectoral groups are shown below:





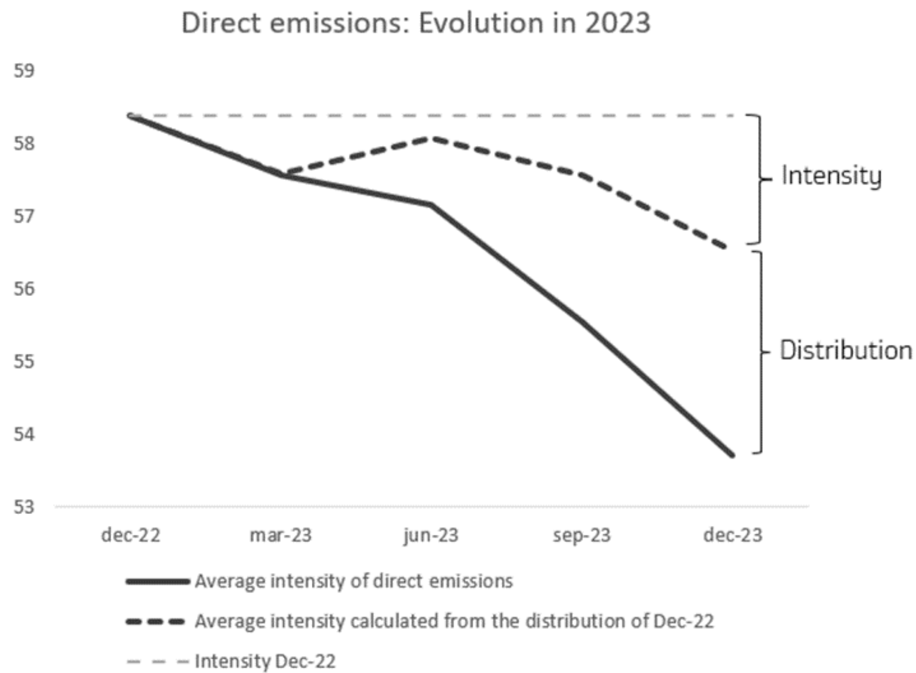


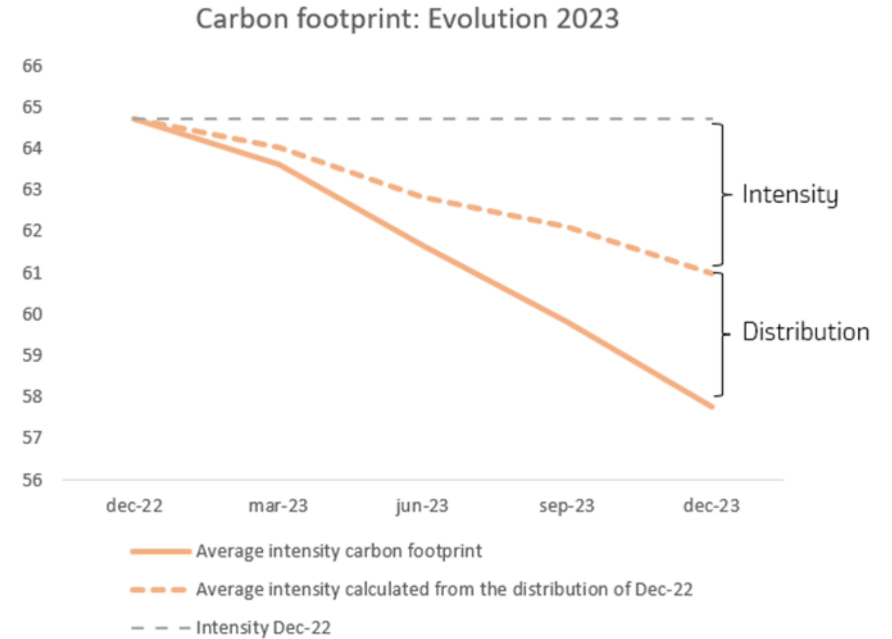


It should be noted that as this is a global objective that refers to the entire corporate portfolio, it can be achieved through two complementary channels:

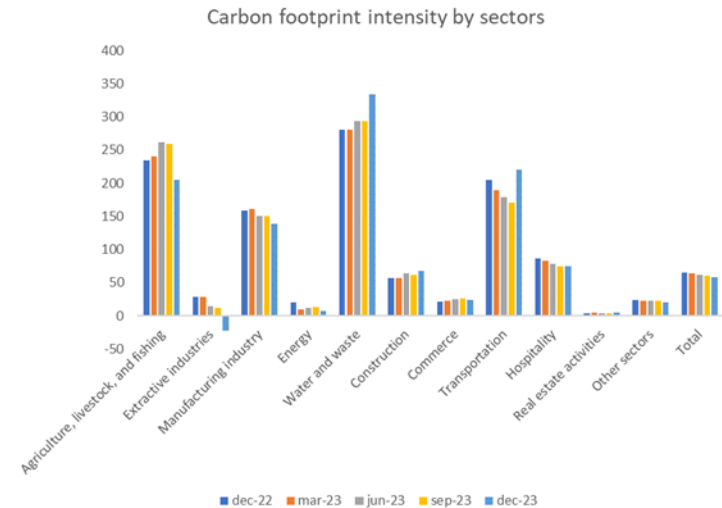
- By the reduction in emissions intensity itself, which may occur as a result of customers' decarbonisation efforts or by a reorientation of lending towards less emissions-intensive borrowers,
- By a change in the composition of the portfolio towards activities that generate fewer emissions,

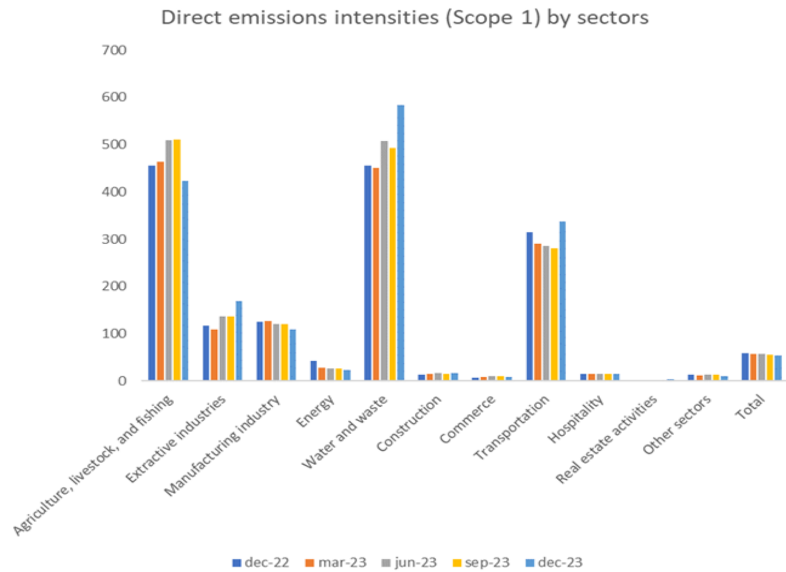
The following graphs show the change in the direct emissions intensity of the credit portfolio, as well as the carbon footprint, distinguishing between the intensity and the distribution of emissions:

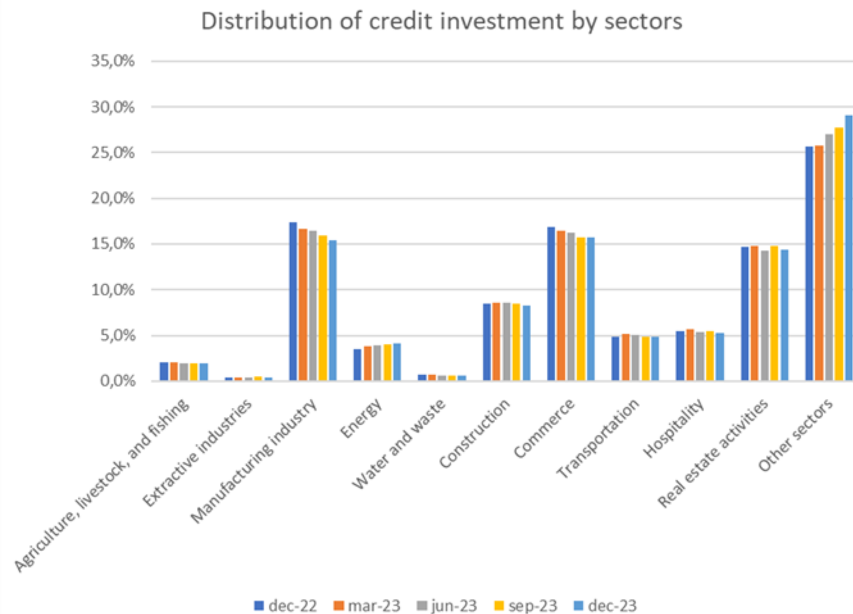




As can be seen, the reduction in overall intensity in 2023 is due both to changes in sector-specific intensities and to movements in the distribution of the portfolio, The following graphs show both the change in sectoral intensities and their weight in the portfolio:







There are movements in the Q4 in the agriculture or transport sectors that respond to changes in the estimation criteria, affected by the update of the air emissions statistics,

However, in order to meet the decarbonisation targets, Bankinter is clearly committed to an inclusive strategy, promoting the reduction of intensities in the face of changes in distribution, providing the necessary support so that customers can transform and adapt to a less emissive and environmentally friendly economy,

However, we must remember that the combustion of fossil fuels is the main source of greenhouse gases, so efforts over the coming years must focus on reducing our reliance on fossil fuels considerably, Against this backdrop, Bankinter is becoming progressively more demanding in terms of compliance with decarbonisation objectives, limiting funding of activities that are incompatible with emissions reduction or customers who are not willing to change, In this regard, new modifications have been introduced in the sectoral funding guides which tighten the eligibility criteria in the extractive and energy sectors, Specifically, Bankinter will not finance:

- to customers in which more than 25% of their activity consists of the extraction of thermal coal and who do not have a diversification or decarbonisation strategy, Bankinter is commits to having no exposure to thermal coal mining from 2030 onwards,
- for customers who have a significant installed capacity of coal-fired power generation (over 25%) and do not have a diversification/decarbonisation strategy, In line with the decarbonisation objectives of the bank's financing portfolios, Bankinter undertakes the commitment to, from now until 2030, progressively reduce the provision of any type of financing to clients for whom energy generation from coal directly represents more than 10% of its income in consolidated terms,
- for customers that have significant activity in the field of unconventional oil and gas extraction (tar sands, hydraulic fracturing and/or exploration and production in the Arctic and/or ultra-deep water [UDW]) that represents more than 10% of their turnover and that do not have a diversification or decarbonisation strategy,

Banks have a responsibility to help finance the transition to a sustainable economy, as facilitators of credit, However, this transformation also requires another class of incentives and certainties in relation to technology choices that do not depend on the financial sector, Therefore, decarbonisation in the Group will depend significantly on the national objectives being met, as the strategy recognises,

Sustainable businesses

One of the four pillars on which the business strategy against climate change must be based is development of sustainable financing products that help customers adapt to a lower emission economy, Bankinter's idea is to do this in an inclusive way, with the main objective being to help our customers, both corporate customers and individuals, in their decarbonisation processes, offering them financing with products that help them reduce their greenhouse gas emissions,

To this end, in the first quarter of 2023, Bankinter launched a new strategic project called 'ESG Business,' To achieve this, a working group was established that, under the supervision of the general director of corporate banking, worked throughout the year to present their conclusions to the bank's management committee and the board of directors, This taskforce is made up of people from different areas at the bank, including Corporate Banking, Business Banking, Commercial Retail Banking, Legal Advisory, Products, Sustainability and Risks, As a result of these initial months of work, the taskforce has made a series of proposals related to defining the target sectors, commercial strategy, product development, training and communication, These will all be rolled out in the coming months,

Below is a summary of some of the most significant aspects included in these proposals, regarding products, type of customers or target sectors, and more:

- The main Bankinter products that incorporate distinctive sustainability attributes are described in the "Commitments to sustainable development" chapter, These include the financing of renewable energies, issuance of green bonds, sustainable investment funds, financing linked to sustainability criteria, financing of property refurbishment that improves energy efficiency, and green mortgages, In addition to financing lines already standard at Bankinter, other more innovative products specifically related to climate change, included in this business plan, involve providing customers with features such as sustainability certificates, advice or specific working capital lines for customers or sustainable suppliers,
- Through interviews with customers and sector leaders in terms of sustainability, the bank has defined those sectors of activity that will have the greatest needs for loans and that, therefore, are considered key to complying with this inclusive strategy, For each of them, the working group has proposed investment objectives in a three-year plan: The sectors targeted in these plans are: financing for renewable energy, energy efficiency and the circular economy, carbon-intensive sectors (such as transport, manufacturing, etc,) that have ambitious emissions reduction targets, companies related to the water cycle, home renovations for energy improvement, etc,
- In addition to defining products, target customers and establishing objectives, this business group has included some other significant aspects in its proposal, namely:
    - Commercial strategy and organisation of sales force dedicated to these products,
    - Training for the bank's staff on sustainability, climate risk, decarbonisation plans, risks and related business opportunities,
    - Collaboration with different suppliers who can help with bank customer interaction and decarbonisation plans,

Monitoring

Another line of work involves definition of indicators to monitor the management and development of climate risk in the loan book, These KPIs are as follows for the portfolios of individuals and legal entities:

- Climate rating for legal entities, available to all bank staff in risk proposals,
- Emissions financed for legal entities and the mortgage portfolio, The estimate of emissions financed in our portfolio is updated every month using the PCAF methodology, This is enriched with real figures as companies disclose them, A monthly Global Risk Report is produced, and reports are being developed to make this information available to the entire workforce, Monthly monitoring of compliance with the decarbonisation strategy through the indicator tonnes of emissions financed per million euros of investment, This is included in the Global Risk Report and is reported to the board of directors' risk committee on a regular basis,
- Energy Efficiency Certificates for the mortgage portfolio, The certificates for Bankinter, S,A, and EVO Banco are currently available, Work is underway to incorporate those of Bankinter Portugal and Avant Money, Development has started on incorporating these certificates into the analysis process for mortgage risk,
- Estimates of physical risks for the mortgage portfolio, An initial estimate has been made for the mortgage portfolios of Bankinter Spain and EVO Banco, with work underway to incorporate the rest of the Group,
- Indicators related to European Taxonomy, that are published in this report,

Information for senior management and the entity's board is gradually being enriched to ensure monitoring and a sharp focus on these climate risks,

European Taxonomy requirements

This document incorporates the mandatory exercise according to Article 8 of the Taxonomy Regulation (EU) 2020/852 (hereinafter the Taxonomy Regulation), Delegated Regulation (EU) 2021/2178 on disclosure, and Delegated Acts,

The main new feature was the publication, in the Official Journal of the European Union, of the development of the environmental objectives set out in the taxonomy and the incorporation of new activities into the climate objectives for the year 2023, Additionally, there is a series of criteria to be fulfilled by an economic activity in order to be considered aligned with the taxonomy,

Bankinter is thus obliged to disclose eligible and non-eligible activities in relation to the environmental objectives of climate change mitigation and adaptation, Specifically, for 2024, the following must be disclosed:

- The GAR (Green Asset Ratio) alignment for climate change mitigation and adaptation targets, In accordance with the provisions of these regulations, specifically delegated regulation 2021/2178, exposures to central governments and supranational issuers, in addition to exposures to central banks and the trading portfolio, have been excluded from the GAR ratio,
- The eligibility of the new mitigation and adaptation activities and the four other targets, which are: water and marine resources, circular economy, pollution prevention and biodiversity and ecosystems,
- Additional information on the financing of nuclear energy and natural gas,

Data considerations

As this is the first year in which publishing the GAR (Green Asset Ratio) is mandatory, many difficulties have been encountered in reflecting the true position and support of Bankinter's investment in the decarbonisation of the economy, To correctly understand the results published, some key aspects must be taken into account, To include Bankinter in the investment ratio, it has been necessary to gather a great deal of information from customers and operations, In this sense, in order to have the information available and gather it, an external provider has been used,

2. Difficulty in understanding the legislation and published standards, too close to the time limit to carry out this analysis and standards are very complex and demanding,
3. The requirements for operations to form part of the numerator of the eligibility and alignment ratios, even those of a smaller size, mean that in Bankinter's case it has not been possible to include in these ratios most of the portfolio which, in the bank's opinion, should be considered to be aligned with the Taxonomy, Particularly significant is the exclusion from the alignment ratio of most of the renewable financing transactions, as they were not granted to companies obliged to report NFRD due to their size, when financing wind farms or renewables should be one of the main objectives and lines of collaboration of the financial sector with a process of decarbonisation of the economy; and when Bankinter has a significant portfolio in this activity,

Main results

The following template shows the most significant ratios obtained:

4. The fact that the numerator and denominator of the GAR ratio are calculated on non-aligned concepts (the first on companies obliged to report NFRD; the second on the total included in the GAR, whether they are obliged or not) makes the ratio very conditioned by the proportion of loans by each bank to large companies (obligated to report), Consequently, the results are not comparable between banks, and the ratios depend, to a large extent, on the business model of each bank,

In conclusion to these considerations on Taxonomy information, the bank has made its best efforts this year to comply with the regulations and continue to grow and progress along with the upcoming regulatory requirements, contracting external services to collect data and reviewing and justifying transactions, The work carried out has forced us to continue making progress in gathering up-to-date information (especially regarding companies required to report and energy efficiency certificates in the mortgage portfolio), updating reports (such as the Group's mortgage portfolio with the updated energy efficiency certificates) and advance in measurements and learning (for example, completing templates and analyzing investments), with the confidence that there will be improvement this year, and that it will better reflect the investment effort of banks,

In addition to publishing a GAR ratio aligned with the standard, which, as explained previously, does not show Bankinter's effort in investing in decarbonisation, the bank has worked to publish a voluntary ratio that includes those positions for which, due to the requirement of the taxonomy, there is not enough justification to include them in the regulatory ratio but they can also be considered aligned activities,

		Total sustainable environmental assets	KPI (****)	KPI (*****)	% coverage (over total assets) (***)	% of excluded assets of the numerator of the GAR (Article 7, paragraphs 2 and 3, and Annexe V, section 1,1,2)	% of excluded assets of the denominator of the GAR (Article 7, paragraph 1, and Annexe V, section 1,2,4)
Key indicator	Green asset ratio (GAR) in stock terms	1,535,1	1,54%	1,71%	87,15%	42,26%	12,85%

		Total sustainable environmental activities	Indicator	Indicator	% coverage (over total assets)	% of excluded assets of the numerator of the GAR (Article 7, paragraphs 2 and 3, and Annexe V, section 1,1,2)	% of excluded assets of the denominator of the GAR (Article 7, paragraph 1, and Annexe V, section 1,2,4)
Other key indicators	GAR (flow)						
	Trading portfolio (*)	*(information to be collected starting in 2026)*					
	Financial guarantees	*43,0*	*1,71%*	*3,33%*			
	Assets under management	*121,5*	*0,17%*	*0,31%*			
	Income from fees and commissions (**)	*(information to be collected starting in 2026)*					

"On December 21, 2023, the European Commission published an FAQs (Frequently asked questions), where it was clarified that the publication of the GAR in terms of flow was expected, However, this clarification went against what is generally understood, and given the limitation of time, information and data quality, the Entity does not publish in this report the information in terms of GAR flow since it could not be guaranteed that "it was correct, truthful and in accordance with the criteria and breakdowns of the standard,"

The assets that Bankinter also considers to be included in this ratio in the voluntary exercise are:

- Mortgage portfolio with estimated certificates that meet the taxonomy criteria: 1,092 billion euros,
- Loan Portfolio intended to finance investments in renewable energy projects where the holder is not required to report NFRD: 1,398 billion euros,
- Portfolio of loans to homeowners' communities aimed at financing energy efficiency improvements in buildings, in a line included in the aid from NextGen funds: 119 million euros,

Thus, the voluntary GAR ratio obtained would be 4,16%,

The main items included in the numerator of the GAR ratio are the following:

- Mortgage portfolio, loans to individuals guaranteed with residential properties, granted for the purchase of said residential properties, The criteria set have been followed regarding the date of construction of the property, its energy efficiency certificates, their estimated energy consumption, and possible influences of physical risks as a result of climate change,
- Legal entity portfolio, including only exposure to those companies that reported eligibility and alignment in their 2022 report, according to two criteria:
    - General financing operations, the exposure being attributed to the percentage of eligibility or alignment reported by the Group,
    - Closing operations,
- Corporate debt and variable income portfolio, which at Bankinter is considerably smaller in size than those previously mentioned,

Below is a table with the amounts of each balance sheet item included as aligned in the GAR ratio,

Description	Alignment (millions of EUR)
Households	817
Non-financial corporations	718
Total	1,535

Key indicators of stock exposures

Section 13,8, KPIs, shows the GAR ratio indicator in terms of Bankinter's investment stock for the two objectives of climate change adaptation and mitigation, with the result of the GAR ratio being 1,54% and 34,2% of eligible assets according to taxonomy,

It is especially significant that Bankinter has a high exposure to small and medium-sized companies in its corporates portfolio, an exposure that cannot be included in this indicator because they are not companies required to report NFRD,

KPIs for off-balance sheet exposure results

The main exposures measured off-balance sheet are:

- Assets managed by Bankinter Group, especially by its asset management company: alignment ratio of 0,17%
- Guarantees (only financial guarantees having been included this year): alignment ratio of 1,71%,

Eligibility

The eligibility ratio of the portfolio with the climate change mitigation and adaptation objectives has been calculated, To this end, the mortgage portfolio has been incorporated into the numerator (maintaining the criteria from previous years, 100% of the mortgage portfolio of individuals/households), the energy efficiency improvement portfolios of buildings, automotive and the letter from companies reporting NFRD, due to the percentages published by the companies; and in the denominator, the same amount as in the GAR, The result obtained is: 34,2% eligibility,

The alignment study has also been carried out for alignment with objectives III, IV, V and VI and with the new additions to objectives I and II, To this end, the CNAEs included in these objectives have been compared with Bankinter's exposure to companies required to report, From the result, companies that have already reported eligibility have been excluded, prioritising such reporting over estimation through CNAEs, the result being null, so that eligibility cannot therefore be published in these targets,

Nuclear power and fossil gas

Finally, the companies that have included activities related to nuclear energy and fossil gas in their 2022 reports have been verified, with all the corresponding templates shown in Annexe I to Bankinter Group's 2023 Non Financial Statement,

Justification for non-publication of GAR information in terms of flow

Annexes V and VI of delegated regulation 2021/2178 establish the criteria and templates under which credit institutions must disclose their KPIs of eligibility and alignment results in accordance with Art, 8 of the Taxonomy Regulation,

Specifically, Annexe VI establishes the following 8 templates:

TEMPLATE FOR KPIs OF CREDIT INSTITUTIONS

Template number	Name
0	Summary of KPIs
1	Assets for calculating the green asset ratio (GAR)
2	GAR: Information by sector
3	Key performance indicator of the GAR in terms of stock
4	Key performance indicator of the GAR in terms of flow
5	Key performance indicator for off-balance sheet exposures
6	Key performance indicator of income from fees and commissions derived from services other than granting loans and asset management
7	Trading portfolio KPI

In accordance with article 10 of delegated regulation 2021/2178, these templates are published for the first time in 2024 with data from December 31, 2023, with the exception of templates 6 and 7, which will be applicable from 2026,

Template 4 (included in section 13,9, Mitigation measures: assets - GAR) provides information in terms of flow for the green asset ratio (GAR), In general terms and, taking into account the applicable legislation, it has been understood in the banking sector that this template should be calculated as the difference of the GAR in terms of stock between the reference period T and the reference period T-1,

As a result of this, and taking into account that 2024 is the first year in which financial institutions are publishing their alignment information with the Taxonomy, in the reference period 2023 (T), it is understood that, since there is no alignment information for the period of previous reference 2022 (T-1), the information for the T-1 period could not be disclosed in the templates of Annexe VI, nor could the information in terms of flow from template 4 be disclosed,

In this context, on 21 December 2023, the European Commission published its "DRAFT COMMISSION NOTICE on the interpretation and implementation of certain legal provisions of the Disclosures Delegated Act under Article 8 of the EU Taxonomy Regulation on the reporting of Taxonomy-eligible and Taxonomy-aligned economic activities and assets (third Commission Notice)", hereinafter, FAQs, which seek to clarify the interpretation of certain criteria and requirements of the standard related to financial entities,

These FAQs confirm that it is not necessary to disclose information about the reference period T-1 in the Annexe VI templates, shedding light on how to disclose information in terms of flow, establishing that:

"When calculating the KPI on flow performance in Template 4 of Annexe VI of Delegated Regulation 2021/2178, credit institutions must only consider the gross carrying amount of newly incurred exposures (i,e, new loans and advances, debt securities, equity instruments), i,e, only new exposures that have been incurred during the year prior to the disclosure reference date, without deducting the amounts of loan repayments or disposals of debt securities/equity instruments that have occurred during the year prior to the disclosure reference date, Therefore, credit institutions should not calculate the numerator and

denominator of the flow ICR as exposures at the disclosure reference date (T) minus exposures at the disclosure reference date (T-1),"

Under this interpretation, it can be deduced that the FAQs invite credit institutions to disclose the information in template 4 in terms of flow in this first year of disclosure of alignment with the reference period 31 December 2023,

However, it is important to highlight that these FAQs have been published in a draft version and, although they are a clarification of the interpretation of the standard, they are not regulations as such,

Added to this fact is the timing of their publication (the FAQs were published at the end of December 2023, and Bankinter publishes its alignment information with Taxonomy in February 2024), which means that there is not enough time available for the bank to adapt its processing and information preparation processes, guaranteeing the necessary minimum quality standards on the information to be disclosed to the market, which would be required to respond to the new interpretations,

Finally, and from the perspective of promoting market discipline, the more solid the information to be published about the financial situation of the bank and its progress, the more it will help market agents refine their evaluation,

Based on the above, Bankinter does not disclose the alignment information in terms of flow with data at the end of December 2023, as it does not have enough time to carry out all the appropriate developments to publish this information correctly, truthfully and according to the criteria and breakdowns of the standard, For future publications, the bank will take into consideration the details and recommendations included in the FAQs,

Finally, this same approach also applies to template 8 of Execution Regulation 2022/2453 on the disclosure of ESG risks in Pillar III, which, likewise, requires information in terms of flows relating to the GAR,

Section 13,8 and subsequent sections include the templates related to Execution Regulation 2022/2453 on the disclosure of ESG risks in Pillar III,

All the taxonomy information is included, in the format required by the regulations, in Annexe I of the 2023 Non Financial Statement: "Tables relating to Art, 8 of the European Taxonomy",

13.4. Social risk

13.4.1. Business strategy and processes

As indicated above, Bankinter's sustainability strategy is based on the 2021-2023 3D Sustainability Plan for responsible management of the three business dimensions (economy, society and the environment) to generate threefold impact in the countries where the Group operates,

This Plan was designed as a result of a materiality analysis with the Bank's stakeholders, which concluded by identifying the most relevant issues that Bankinter should integrate into its strategy and respond to the expectations of its stakeholders,

In the social field, the main issues highlighted were: people management (internal social sphere) and customer relations (external social sphere), Two other relevant issues related to this area were also highlighted in this analysis, namely community relations and supply chain management,

These relevant issues, together with financial inclusion (a strategic project of the entity) and human rights management (which has been gaining importance in recent years) were integrated into both the governance and social dimensions of the Sustainability Plan, and therefore, lines of action, projects, objectives and those responsible for their implementation and compliance were established,

In the governance dimension, the strategic line of customer relations was incorporated, with the aim of providing customers with the highest quality and accessible service in the physical, digital and cognitive spheres,

In terms of the social dimension, the bank's main commitment is to maintaining employment, which is reflected in the fact that it organically increased its workforce in Spain by 1,000 people between 2012 and 2022, This commitment is to quality employment and is manifested through the development of advanced people management programmes, such as those related to attracting and retaining talent, work-life balance, human capital development, and health and safety, In external social management, in addition to customer relationship management, Bankinter incorporates ESG criteria in its supplier contracting and approval processes and develops a strategy of social action with the third sector,

As a member of the United Nations Global Compact Network Spain, Bankinter has identified the Sustainable Development Goals to which it can make the greatest contribution, and has incorporated goals into its strategy that are related to certain primary SDGs, as set out in its 3D Sustainability Plan, specifically: Good health and well-being (SDG 3), Quality education (SDG 4), Gender equality (SDG 5), Affordable and clean energy (SDG 7), Decent work and economic growth (SDG 8), Industry, innovation and infrastructure (SDG 9), Reduced inequalities (SDG 10), Sustainable cities and communities (SDG 11), Responsible consumption and production (SDG 12), Climate action (SDG 13), Peace, justice and strong institutions (SDG 16) and Partnerships for the goals (SDG 17),

The bank has less capacity to contribute to the other SDGs due to its activity and the geographies where it operates,

In 2021, Bankinter obtained assurance from the certification, inspection and verification body EQA of the report on the alignment of the bank's sustainability strategy with the United Nations Sustainable Development Goals,

EQA concluded that the 52 programmes in the 3D Sustainability Plan, which are grouped into various lines of action, are aligned with and contribute to the achievement of 12 of the Sustainable Development Goals,

The material issues related to the strategic lines and programmes in the Sustainability Plan, and to the SDGs and the specific goals to which they contribute, are described below:

Material issues	Strategic lines in the 3D Plan,	Sustainable Development Goals
Related to ethics	Responsible business practices Risk management with ESG criteria Tax strategy Human rights	SDG 10, Reduced inequalities SDG 16, Peace, justice and strong institutions SDG 17, Partnerships for the goals
Related to people management	Advanced employee management	SDG 3, Health and well-being SDG 4, Quality education SDG 5, Gender equality SDG 8, Decent work and economic growth
Related to customer relationship management	Customer-centric services Information security/cybersecurity Financial inclusion: a bank for all	SDG 10, Reduced inequalities SDG 12, Responsible production and consumption SDG 16, Peace, justice and strong institutions
Related to the business strategy	Risk management with ESG criteria Sustainable finance Information security/cybersecurity Financial inclusion: a bank for all	SDG 7, Affordable and clean energy SDG 8, Decent work and economic growth SDG 9, Industry, Innovation and Infrastructure SDG 10, Reduced inequalities SDG 11, Sustainable cities and communities
Related to climate change and natural capital strategy	Climate change strategy Environmental footprint Biodiversity	SDG 9, Industry, Innovation and Infrastructure SDG 12, Responsible production and consumption SDG 13, Climate action
Related to the community	Innovation Foundation programmes Mueve,te volunteering Citizenship	SDG 4, Quality education SDG 8, Decent work and economic growth SDG 10, Reduced inequalities
Related to corporate governance	Corporate governance Risk management with ESG criteria Stakeholder engagement	SDG 16, Peace, justice and strong institutions
Related to the supply chain	Responsible business practices Risk management with ESG criteria Human rights	SDG 10, Reduced inequalities SDG 12, Responsible production and consumption SDG 16, Peace, justice and strong institutions SDG 17, Partnerships for the goals

For each strategic line and project, monitoring indicators and compliance targets are established, However, a scorecard of key ESG indicators is available and published annually in the Statement of Non-Financial Information:

Dimension	Material aspect	Indicator	Objectives 2023	2023	2022	Change	Objectives 2024	Scope
Economic	Customer relationship management	NPS customer recommendation index (%)	>42,5	46,3	43,6	6,2%	>44	Bankinter
	Corporate governance/People management	% women on the board of directors	45,5	45,5	45,5	-	54,5	Bankinter Group
	Ethics	% workforce trained in code of ethics	100	100	100	-	100	Bankinter Group
	Supply chain management	% critical suppliers evaluated under ESG criteria as a % of the total approved	>80	93,8	72,9	28,7%	>90	Bankinter
	Relations with the community	Corporate reputation index - RepTrak	>60	60,3	60,3	-	>60	Bankinter
	Sustainable business strategy	GAR (Green Asset Ratio) over business volume (%)	0	1,54	0	-	1,54	Bankinter Group
Social	People management	% women in executive posts	>33	32,4	33,1	-2,1%	>33	Bankinter Group
		Employee satisfaction index (1)	>80	84	81	-	>80	Bankinter
		NSS internal quality index (%)	>50	58,8	54,14	8,6%	>53	Bankinter
		No, training hours/employee	54	57	53	7,5%	>55	Bankinter Group
		% workforce covered by collective bargaining agreements (2)	100	100	100	-	100	Bankinter Group
	People/customer management	% m2 certified as Universal Accessibility	12,9	13,1	12,8	2,3%	13,2	Bankinter
	Relations with the community	Social contribution according to LBG methodology (€mn)	>2,8	3,6	2,8	28,6%	>3	Bankinter Group
		Number of beneficiaries of financial education programmes (3)	35,000	44,905	33,303	34,8%	50,000	Bankinter Group
Environmental	Climate change and natural capital strategy	% m2 certified in Environmental Management	38,1	38,2	38	0,5%	>38,3	Bankinter
		Tn CO2/employee (Scope I and II)	0,26	0,27	0,27	-3,5%	0,26	Bankinter Group
		Carbon neutrality in operating activity (4)	YES	YES	YES	-	YES	Bankinter Group
		Energy consumption (Gj/employee)	16,1	15,1	16,21	-7,0%	15	Bankinter Group
		Green electricity consumption (% of total) (5)	100%	99,2%	100	-0,8%	100%	Bankinter Group
		Paper consumption (Tn/employee)	<0,04	0,04	0,04	-	<0,04	Bankinter Group

(1) The Opina survey has been carried out for two consecutive years, which is why comparable data is reported for Bankinter Spain 2023-2022, Starting next year, the Group-wide total will be reported, since all Group companies have coordinated their staff surveys, using the same methodology,

(2) Avant Money in Ireland recognises the right of employees to join a union, although there is no compulsory recognition of unions in Ireland and therefore it does not need to recognise or negotiate with a union,

(3) The data has been updated, incorporating the cumulative total of beneficiaries for the years covered by the 3D Plan, (2021-2023)

(4) Scope 1 and 2 emissions have been offset through the La Venta II wind power plant project in Mexico (Global Factor),

(5) The electricity consumed at Bankinter Group facilities is green energy with guarantees of renewable origin, except for 31,6% of the electricity consumed at the Ireland facilities in 2023,

New double materiality analysis

The bank performs regular materiality studies that enable it to improve the effectiveness of its engagement channels for social agents, classifying priority matters using two parameters: the maturity of aspects related to financial activity according to sustainability analysts, and the importance assigned to these aspects by the bank's main stakeholders, such as customers, employees, suppliers, social and sector opinion leaders, the media and society in general,

The new Sustainability Plan 2024-2026 has been defined based on the results of a Double Materiality Analysis to identify the main sustainability challenges in the coming years, To this end, the context has been analysed to define which aspects of greatest importance should guide this new plan, identifying the main challenges in ESG (Environmental, Social and Governance) matters at the regulatory and market level, This analysis seeks to identify the impacts that the bank can cause on the environment in sustainability issues, but also the financial impact that these issues can generate in the bank,

This approach, introduced by the Corporate Sustainability Reporting Directive (CSRD) and other bodies such as the Global Reporting Initiative (GRI) and the International Sustainability Standards Board (ISSB), is integrated into voluntary reporting frameworks such as the Task-force for Climate-related Financial Disclosures (TCFD) and the Principles of Responsible Banking (PRB), Bankinter follows the European standards (ESRS), GRI, and the recommendations of the Spanish National Securities Market Commission (CNMV) to determine material issues,

Firstly, a context analysis was carried out, considering internal sources such as the materiality analysis and the 2022 Consolidated Statement of Non-Financial Information, and external sources such as the Global Reporting Initiative (GRI), TCFD, and EFRAG, along with the expectations of ESG analysts and regulations such as Law 11/2018 and the European Taxonomy Regulation,

In order to group the identified IROs (Impacts, Risks and Opportunities) and evaluate them, 12 topics and 27 subtopics were identified and grouped into Environment (2), Social (6) and Governance (4), based on the new European Sustainability Reporting Standards that will mark the future of company reporting in accordance with the new CSRD directive, This approach facilitates the understanding and evaluation of the most relevant topics for the company,

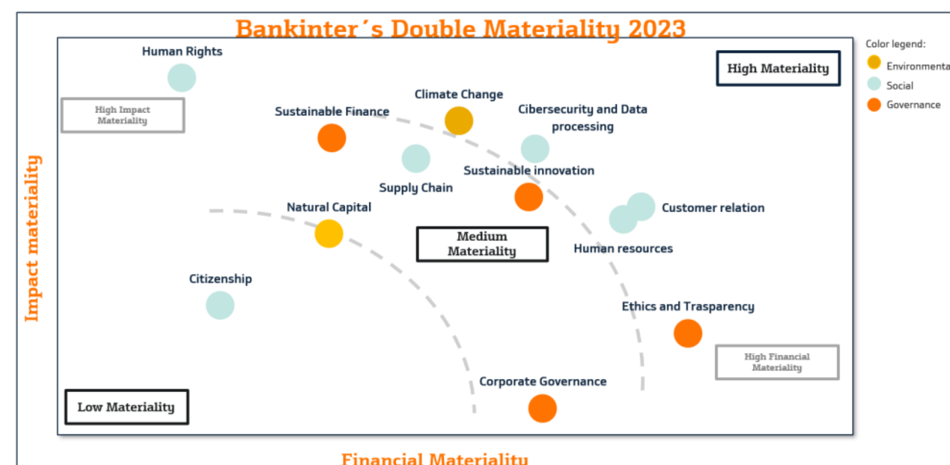
Surveys were conducted with six of Bankinter's key stakeholder groups, including customers, employees, academic experts, media, NGOs and suppliers, with 2,732 survey responses, The information gathered was compiled in terms of relevant topics and subtopics,

Simultaneously, the preliminary identification of the company's Impacts, Risks and Opportunities (IROs) was carried out, using sources from the context analysis, This process included validation with teams from different departments at Bankinter to ensure alignment with each affected area, The focus was on ensuring consistency and determining measures to manage these issues in the new sustainability strategy for the 2024-2026 period,

Recognising the importance of managing IROs in key areas such as Business and Risk, plans have been initiated to expand strategies that minimise risks and negative impacts, while enhancing positive impacts and capturing new business opportunities,

Validated and grouped into corresponding themes and subthemes, each IRO was then evaluated once the final list was obtained,

The result of this exercise was the obtaining of a double materiality matrix, which has served as a starting point for the design of Bankinter Group's new Sustainability Plan for the 2024-2026 period,



Policies and procedures

Bankinter is committed to integrating ethical, social and environmental criteria in the development of its activity and throughout its value chain, To this end, in addition to adhering to the main international initiatives and commitments, Bankinter has various policies, procedures, codes and internal regulations that integrate ESG criteria,

These are some of the most relevant policies related to social aspects:

Sustainability policy: this represents the framework for action in which Bankinter Group integrates the values of agility, enthusiasm, integrity and originality, as well as the principles of responsible management, into its operations in order to create economic, social and environmental value, taking into account the needs and expectations of its stakeholders on the basis of an ongoing dialogue, and aims to define the essential principles of conduct of the company and its Group in matters of sustainability, the tools for their implementation and their governance structure, This policy was updated in late 2023 and is the starting point for the Group's new Sustainability Plan,

Principles of sustainability in the Risk Framework Agreement: As part of its risk management and control framework, Bankinter has defined a set of "Sustainable investing principles" for the financing of particularly controversial or high risk sectors with potentially high social and environmental impact, It has drawn up "Financing sector guidelines" that enable it to establish the measures and benchmarks that it will apply in its decisions, considering international standards and best practices, These guides are updated regularly to incorporate new criteria and modify existing ones,

Bankinter Asset Management ESG Exclusions Policy: sets limits and prevents loans to companies associated with "controversial activities", The restrictions apply to the universe of issuers currently in the portfolio, within the scope of investment fund management and discretionary portfolio management,

Human Rights Policy This covers the Bank's commitment to respecting, supporting and protecting human rights in the performance of its activities and its relationship with its stakeholders in the environment in which it operates,

13.4.2. Governance

The Group's board of directors is responsible for approving the Company's general policies and strategies, It is also responsible, directly or through its committees, for monitoring their implementation, including the sustainability strategy and policy and the other policies developed under its sphere of action,

In December 2023, the board of directors approved an update to the sustainability policy, which sets out corporate-wide guidelines for Bankinter Group to integrate responsible management values and principles into its activity, so it can contribute to the prosperity of society and sustainable development,

The Sustainability committee is the body responsible for ensuring effective implementation of the Sustainability Plan and the Sustainability Policy and related commitments and policies, With the bank's chairman at its helm, the committee is made up of the managers of the areas that are key to the integration of ESG criteria into decision-making throughout the value chain, This committee meets every quarter,

In addition, as mentioned above, there is a board committee - the sustainability and appointments committee - which supervises the performance of the group's ESG indicators and periodically asks those responsible for monitoring and implementing the strategic lines of the sustainability plan to present the objectives and degree of achievement thereof,

Further details are provided below for certain activities and scopes that may have implications for social risks,

Inclusion and Diversity Policy: In carrying out its activities, Bankinter recognises the value of individual differences and actively promotes diversity in its talent management procedures,

Accessibility Policy: The purpose of this is to establish the Group's framework for action in regard to accessibility in all channels of relations with its stakeholders, This Policy serves as a reference for setting targets for continuous improvement to eliminate physical, technological or knowledge barriers,

Safety, Health and Well-being in the Workplace Policies: Bankinter is aware that people are the main asset of the company and considers the health, safety and well-being of its employees one of its main priorities,

Codes of Ethics/Conduct: Codes applicable to employees, agents and suppliers,

Social Action Strategy: This establishes the action framework for Bankinter Group entities (hereinafter, 'the Group' or 'Bankinter') regarding the process of requesting, evaluating, determining, controlling, monitoring and measuring Bankinter's socially beneficial contributions,

Community relations activities:

In 2022, the sustainability committee approved the Group's Social Action Strategy, which establishes the framework for action by the entities of Bankinter Group in the process of requesting, assessing, deciding, controlling, monitoring and measuring the contributions that Bankinter makes for social purposes, This is fully compatible with the Sustainability Policy approved by the board of directors, In particular, it also complies with principle eight, which governs contributions to boost social development in the communities where an entity operates, both through its own business operations and through initiatives focussed around social investment, through Bankinter Innovation Foundation, partnerships with the non-profit sector and the corporate volunteering programme,

Bankinter Group's Social Action strategy aims to maximise the contribution of Bankinter Group's Social Action to the Sustainable Development Goals (SDGs), by helping to improve the society where the Group operates, increase employee and stakeholder satisfaction, increase recognition and boost Bankinter's reputation and brand,

Employee relations and employment standards:

As mentioned earlier, Bankinter's main commitment in this area is to maintain employment not only quantitatively but also qualitatively,

The bank's Sustainability Plan includes the strategic line of advanced people management, which through its four programmes (attraction and retention of talent, development of human capital, work-life balance and health and safety) establishes the lines of work, objectives and indicators for establishing quality employment, complying with the standards and initiatives in this area,

These programmes are monitored by the sustainability committee and the sustainability and appointments committee, as part of the monitoring of the development of the Sustainability Plan,

Customer protection and product responsibility:

In this case, in the Governance dimension of the Sustainability Plan includes strategic lines such as Responsible Business Practices, Customer-oriented Services and Information Security, which are very much in line with customer protection and the bank's responsibility, As in the previous cases, as they are included in the Sustainability Plan, the responsibility for their implementation and monitoring lies with the sustainability committee and the sustainability and appointments committee,

Bankinter has implemented strict systems and policies to guarantee regulatory compliance and prevent corruption and money laundering in relation to its main stakeholders, It has identified the possible short-, medium- and long-term risks and established policies and procedures to mitigate them, such as the codes of ethics (for employees, suppliers and agents) and anti-corruption and anti-money laundering policies,

Bankinter also has the following bodies:

- The regulatory compliance committee, This is the senior management body that monitors the bank's compliance policies according to the charter of the Regulatory Compliance function, The committee executes the policies in relation to the regulatory and regulatory compliance matters established by the board of directors' risk and compliance committee,
- The products and operational risk committee, This committee approves the launch, modification, monitoring and cancellation of products and services offered to customers, It is the body to which information on the entity's operating and operational risk is reported,
- The Internal Control body, This body is responsible for establishing and ensuring compliance with policies and procedures for preventing money laundering and the financing of terrorism, in accordance with Law 10/2010 and other applicable regulations, which constitute Bankinter Group's prevention framework,

Other specialist committees have been set up involving senior management to support the board's supervisory function, such as the crime prevention and professional ethics committee, The Corporate Compliance and Internal Control division (CCD) is involved in these to ensure effective and consistent risk management, It is also involved in the corporate risk map monitoring committee, the credit risk models committee, the data management operations committee, the coordination of technological risks committee, the information security and business continuity committee, and the outsourcing committee,

Human rights

The bank's activity is governed by a human rights policy that includes its commitment to respecting, supporting and protecting human rights in its activities and in relation to its stakeholders in the environments where it operates (employees, customers, suppliers and other commercial partners), under the UN motto: "protect, respect and remedy", This policy is complemented by other policies, such as those in relation to diversity and accessibility, and the Equality Plan,

The sustainability committee is responsible for approving the policy and monitoring the degree of compliance with its principles, The committee's members have received training in the application of human rights in business activities,

The Group has accepted the obligations defined in internationally recognised protocols and standards, including the Universal Declaration of Human Rights, the Guiding Principles on Business and Human Rights, the Ten Principles of the United Nations Global Compact, and the Equator Principles,

Bankinter complies fully with the provisions of the fundamental conventions of the International Labour Organization (ILO) with regard to respecting freedom of association and the right to collective bargaining, as well as with the Spanish Constitution, the Organic Law on the Freedom to Form a Trade Union, the Workers' Statute and applicable collective bargaining agreements in all the countries where it operates,

Bankinter involves its partners and third parties in the principles of this policy, and in similar frameworks and principles,

This policy applies to all the Group's activities, Bankinter Group requires its partners and third parties to accept the content of this policy or to abide by comparable rules of conduct and values,

Alignment of remuneration policy with environmental and social risk objectives

Bankinter Group's policies are formulated to foster equal opportunities and eliminate unfairness due to gender diversity, The bank's remuneration strategy aims to ensure internal fairness and external competitiveness, considering salary parity between men and women, as measured by the salary gap, The salary gap is analysed regularly to monitor its development and define action plans, as necessary,

With regard to the inclusion of environmental and social objectives in remuneration, it should be noted that the risk and compliance committee proposed to the Bank's board of directors in November 2022 to include in Bankinter Group Risk Appetite Framework (hereinafter "RAF") a "Financed Emissions" indicator, measuring the impact on the decarbonisation of the economy of the financing provided by the Bank to its clients (already discussed in the section on environmental risks),

Within Bankinter Group, the variable remuneration of the categories of staff whose activities have a material impact on the risk profile of Bankinter ("identified staff"), which includes board members, is adjusted based on specific RAF indicators, as determined by the board of directors, on the recommendation of the remuneration committee, in line with metrics that suitably reflect the most significant risks, including environmental, social and governance risks,

In response to investor and stakeholder expectations for the 2023 financial year, the remuneration committee submitted a proposal to the board of directors advising adding this new RAF indicator (Financed Emissions), in order to adjust the variable remuneration accrued in 2023 for the identified staff (including the variable remuneration accrued by the executive directors),

In order to adjust the variable remuneration accrued in 2023, Bankinter is using six RAF indicators, one more than in the previous year, and will now have two indicators related to environmental and social objectives: emissions financed and the NPS (Net Promoter Score) of the Bank's customers, based on quality surveys for customers,

Each indicator has a defined target, tolerance and limit approved by the board of directors, on the recommendation of the risk and compliance committee, Each indicator is measured quarterly (meaning that each indicator is measured four times a year),

Failure to comply with the tolerance and limit levels will result in a penalty being applied to the accrued variable remuneration, and may even adjust it to zero,

On 22 February 2023, Bankinter's board of directors agreed to approve both proposals from its oversight committees,

All of the information about these ex-ante adjustments will be detailed in the annual director remuneration report, which will be put to an advisory vote by the Annual General Meeting and which was made available on Bankinter's corporate website, This Report will be submitted to a consultative vote at the Annual General Meeting,

13,4,3, Risk management

Bankinter has established its social risk management policies and tools in accordance with the main international initiatives and commitments to which it is a party,

These frameworks, the relationship with the policies established and the actions carried out by Bankinter to integrate these social factors into risk management, are detailed below,

- The **Sustainability Policy**, which integrates principles associated with social risks, such as the consideration of social impacts in product design, financial inclusion and advanced people management, is aimed at contributing to the Sustainable Development Goals within the bank's strategy, It is also based on international standards such as the ISO 26000 Guidelines, the Spanish SGE21 standard and the UNEPFI Principles for Responsible Banking, As a result of the latest update of the sustainability policy, the Group's DNA Sustainability Plan for 2024-2026 was designed with 12 strategic lines for its main pillars: responsible action, differentiation and sustainable business,
- The **principles of sustainable finance** integrated in the Risk Framework Agreement and the sectoral guides derived from them relate to financing in sectors that are particularly controversial or risky, and whose social and environmental impact may be significant, The main recommendations that the Bank has followed in establishing these principles can be found in the Equator Principles, the United Nations Global Compact, the Universal Declaration of Human Rights, the ILO Core Conventions, etc, The analysis of operations in these sectors under these principles is the responsibility of the Risk and Sustainability departments, which require a positive report according to the criteria of these principles in order to proceed with the operation,
- The **Bankinter Asset Management Exclusion Policy** reflects the criteria incorporated in the Risk Framework Agreement for lending activities,
- The **Human Rights Policy** is based on internationally recognised protocols and standards, including the Universal Declaration of Human Rights, the Guiding Principles on Business and Human Rights, the Ten Principles of the United Nations Global Compact, and the Equator Principles, Bankinter complies fully with the provisions of the fundamental conventions of the International Labour Organization (ILO) with regard to respecting freedom of association and the right to collective bargaining, as well as with the Spanish Constitution, the Organic Law on the Freedom to Form a Trade Union, the Workers' Statute and applicable collective bargaining agreements in all the countries where it operates, The bank has launched a due diligence process to develop this policy, This requires identification of possible breaches, and mitigation, remedy and disclosure mechanisms, A risk map has been defined, enabling the entity to identify the significant aspects involved in the potential risk of breaches of human rights, This map shows that operating in Spain, Portugal, Ireland and Luxembourg reduces the risks of direct impacts from the bank's activity in this area, However, due to the bank's activity, risks associated with its investment and financing operations have been identified as significant, The bank establishes and applies specific controls to minimise residual risk in such operations,
- The **Inclusion and Diversity Policy** reflects the pledges adopted in internationally recognised protocols and standards such as the Universal Declaration of Human Rights, the Guiding Principles on Business and Human Rights, the Ten Principles of the United Nations Global Compact and the Declaration of the International Labour Organisation,

  This policy is based on the Group's Equality Plan, Sustainability Policy, Human Rights Policy and Code of Ethics, all of which highlight the importance the Bank attaches to diversity in its activities and in the social environments in which it operates, The principles of this policy are based on the criteria of ability and merit in the selection, recruitment, remuneration and career development of employees, the accessibility of the physical and working environment, work-life balance and the provision of a working environment that preserves the physical and professional integrity of all employees,

  The Group's Code of Professional Ethics (CPE), which was updated in 2023, applies to all Group employees, It sets out principles for avoiding the violation of human rights and establishes the control mechanisms and bodies, The competent bodies and individuals for ensuring compliance with the Code of Professional Ethics are the crime prevention and professional ethics committee, Internal Audit and Human Resources, The Group also has an internal whistleblowing channel to enable employees and all stakeholders to report any suspected irregularities or infringements, including those related to the principles of this policy,

- The **Accessibility Policy** adopts the commitments set out in internationally recognised protocols and standards, including the Universal Declaration of Human Rights, the United Nations Convention on the Rights of Persons with Disabilities and its Optional Protocol, the Sustainable Development Goals, the Guiding Principles on Business and Human Rights, the Ten Principles of the United Nations Global Compact and the Declaration of the International Labour Organisation, Bankinter has management systems for universal accessibility (certified under UNE 170001) and digital accessibility (based on the European UNE-EN 301549:2022 standard on "Accessibility requirements for ICT products and services"), analysing the risks of the physical and digital environments in this area, proposing improvement targets, monitoring the indicators of each project and reporting to the sustainability committee for monitoring and continuous improvement,
- The **Occupational Health and Safety and Welfare at Work Policies** of Bankinter Group are based on standards such as ISO 45001 and the UN Sustainable Development Goals, Bankinter has occupational risk prevention systems in all its companies aimed at identifying, mitigating and continuously improving these risks, It also has programmes and activities aimed at informing, training and promoting healthy lifestyle habits among its employees,
- Bankinter has a **Codes of Ethics** for its employees and agents, as well as a code of conduct for its suppliers, These internal regulatory documents pursue compliance with the highest standards of ethics and professional responsibility by all involved, as this is one of the Bankinter Group's essential corporate values,

The bank's board of directors approved the group's new Code of Professional Ethics in 2023, The main modifications compared to the previous one are:

- The reinforcement of some of the articles to provide greater consistency in terms of avoiding irregular behaviour,
- Modifications derived from some legislative developments, such as the incorporation of harassment as a crime with the legal person being held criminally responsible,
- Adaptation of the Confidential Whistleblowing Channel to Directive 2019/1937 and Law 2/2023 transposing it into Spanish law,

As regards this confidential whistleblowing channel, Bankinter Group has been equipped with a new tool for channelling these complaints, This channel is accessible to employees through the Intranet, to agents through the Agent Extranet, to suppliers through the Supplier Portal and for all other stakeholders through Bankinter's corporate website,

This is a mechanism established to report inappropriate behaviour, possible irregularities and breaches of existing policies and procedures and applicable legislation, including those relating to the prevention of money laundering and terrorist financing regulations and financial, accounting or control issues, This channel can also be used to report behaviour by superiors or colleagues that could be classified as moral or psychological harassment (bullying) or sexual harassment, as well as any other behaviour that violates a person's fundamental rights,

The only recipient of any communication directed to this Confidential Whistleblowing Channel is head of Internal Audit, and it is guaranteed, by the Code of Professional Ethics itself, that any person who reports infractions committed within the bank will be protected against retaliation, discrimination and any other type of unfair treatment,

The main novelties that this new procedure introduces are:

- It allows for anonymous complaints and a secure communication channel to avoid the identification of the complainant (using a code and password selected by the complainant), This completely guarantees that the complainant cannot be identified,
- The form on the website is in the language corresponding to the Group company in question,
- It facilitates complete traceability between the report and the investigation carried out,

- The Bank's **Social Action strategy** aims to maximise the contribution of Bankinter Group's Social Action to the Sustainable Development Goals ("SDGs"), by helping to improve the society where the Group operates, increase employee and stakeholder satisfaction, increase recognition and boost Bankinter's reputation and brand, This strategy is implemented by ensuring that it is always fully in line and consistent with the Group's Sustainability Policy and with the demands of a changing environment, through the following instruments: the Group's internal policies and Codes, the Strategic Sustainability Plan Programmes, recognised external methodologies for the management, measurement and communication of social action (e,g, LBG), the Group's Social Action Management Procedure and agreements with third sector organisations, Bankinter is also a member of the Lealtad Foundation, a not-for-profit body whose aim is to accredit third sector organisations for compliance with nine principles of transparency and good practice, which the Bank uses to minimise potential risks when establishing partnerships with third sector organisations,

- The Bank's **Quality area** works ceaselessly to reinforce a culture where quality is one of the keys to building trust and generating value, providing the foundations for continued growth, The Bank focuses on continuous improvement of its processes, and on operational excellence in the services provided to customers, promoting high quality standards in both the physical and digital worlds, Measurement enables us to understand the perceptions of all the groups we work with, The results of this measurement activity are reported to the Bank's areas to drive improvement initiatives and so we can adapt our products and services to customer expectations, One of the area's strategic objectives is to continue developing the ability to understand what customers are communicating without asking them, and to observe their behaviour in order to predict potential changes and act accordingly,

- **Reputational risk** is the risk arising when the expectations of stakeholders (e,g, customers, shareholders, employees and investors) are not met and their reactions can adversely affect existing or new business relationships with them, They are unique because they depend on external assessments and can originate from a wide variety of sources, including other risks and social, economic and sector conditions,

  The reputational risk management model involves preventing such risks, identifying and controlling them proactively to reduce their probability of occurrence and mitigate their impact, The bank has various tools at its disposal for this:

  - Regular measurement of the perception and expectations of the main stakeholders (internal climate, reputation and customer satisfaction surveys, analyst ratings, etc,),
  - Monitoring and analysis of mentions of the bank in conventional and social media, in addition to active listening to gauge trends in the market and environment,
  - Assessment of reputational risk before marketing a product, outsourcing a service or partnering with a third party,
  - The reputational risk map, which includes a catalogue of 33 possible events related to products and services, conduct, finances, leadership, innovation, employment aspects, sustainability and image, All of these are associated with performance and impact indicators, and control mechanisms,
  - Crisis management protocol to preserve reputation and business continuity,
  - Employee training and awareness-raising within the bank to reinforce a preventive culture,
  - Reporting to the governing bodies,

In 2024, the objective is to revise the reputational risk map to include new performance metrics for this event, such as sustainable turnover, the workforce covered by the environmental management certificate and climate ratings,

13,5, Governance risk

13,5,1, Governance and risk management

Bankinter has a strong commitment to sustainability; i,e, responsible performance in all its areas of operations, This implies a robust Corporate Governance model underpinned by: a board with the right size and composition to ensure diversity and effectiveness; sound internal decision-making processes; and a clear corporate structure, with well-defined lines of responsibility to guarantee that risks are properly identified, assessed and managed,

Under the board's leadership and oversight, this model helps achieve the core objective of long-term value creation for all stakeholders: shareholders, customers, employees and society in general, In addition, all recommendations of the Code of Good Governance applicable to the bank are complied with,

The board of directors has a size favouring effectiveness, where all directors may participate and decision-making is agile, and a structure that reflects the existing proportion between the company's capital, represented by the proprietary directors, and the rest of the capital, Bankinter has 54,5% independent directors, which enables it to comply with national and international recommendations and best practices,

In terms of diversity and equality, the percentage of women on the board stands at 45,5%, ahead of the target set internally and above the targets set for future years by national and international recommendations and best practices, Four of the female directors are independent non-executive directors and one is an executive director and chief executive of the company,

The members of Bankinter's board of directors have, as a whole, sufficient and appropriate knowledge and experience to cover all the areas necessary for the performance of the Bank's activities,

Further information regarding the Group’s governance model can be found in the 2023 Annual Corporate Governance Report, which is available on the corporate website,

Customer governance is taken into account in the following processes:

- In the risk analysis of the operations of legal persons, customer qualification processes are carried out on quantitative information (balance sheets, P&L, statistical models, etc,) and qualitative information, In this case, the analysis of qualitative information is collected in the subjectivity questionnaire, including issues related to the governance of the company such as, among others: the assessment of the company’s shareholders, the management team, the size of the workforce and information provided by third parties from auditors, information services, customers, suppliers, competitors, the media and social networks, which help to form an assessment of the company’s situation,

This qualitative rating plays an important role in obtaining the customer's Unified Risk System or Basel rating through its non-linear combination with the objective or quantitative rating,

This information is monitored by the customer account manager, risk analysts and regular checks by the organisation's risk managers, as well as by the credit risk managers, corporate sanctioning and the organisational director, The Risk Control unit establishes checks in its annual planning, which are authorised by the risk committee of the board of directors,

- In the processes of analysing customers and transactions, Bankinter's Money Laundering Prevention area, which is part of the Control and Compliance unit, is responsible for ensuring compliance with the bank's policies and procedures for preventing money laundering and terrorist financing, Its aim is to guarantee adequate detection, management, control and monitoring of the risks arising from money laundering and terrorist financing, and compliance with all related legislation, Preventing these practices is a strategic objective for Bankinter Group and an ethical commitment to society at large, in compliance with international standards and best practices in this area,

  The Regulatory Compliance and Anti-Money Laundering and Counter Terrorist Financing functions are integrated into Bankinter's internal institutional framework, Both of these functions are part of the Corporate Control and Compliance division, which has global corporate and support responsibilities for the Group's governing bodies, The head of the Corporate Control and Compliance division reports to the chief risk officer, and reports hierarchically to the board of directors' risk and compliance committee, The Corporate Control and Compliance unit ensures effective control of all risks in relation to the bank's risk culture and policies, and compliance with its operating procedures and regulations, It also guarantees that risks are managed as per the defined risk appetite,

- The Group Risk Framework Agreement establishes sustainability principles to avoid financing activities that may be contrary to the Group's Sustainability Strategy, Bankinter has developed an exclusion policy in those business units that have significant environmental, social or economic impact due to the resources they consume, the human capital they apply or the controversy they generate,

  This policy is complemented by sectoral policies/guidelines for specific sectors (defence, energy, agriculture and extractive sectors), In addition to the exclusion policy and sector guidelines, and considering their high impact, as a general rule, the social and environmental impact of the projects to be financed is analysed prior to making any decision with regard to investing in sectors such as defence, medical research, the primary sector, energy, transport infrastructure, tourism, desalination and waste water treatment plants,

  On the basis of the principles with which it aims to lead a transition towards sustainable development (with the help of its customers), the Bank is committed, in general, to not financing or investing in the following, except when there are duly justified circumstances:

  - Companies known not to respect or support fundamental human rights, as per the United Nations Universal Declaration of Human Rights
  - Companies that do not respect or support labour rights in general and, in particular, child labour rights and rights relating to discrimination and forced labour, in accordance with the International Labour Organisation's fundamental conventions
  - Organisations and companies with court sentences deriving from corruption cases
  - Organisations and companies that have directly and significantly contributed to dictatorships and have benefited from such situations
  - Organisations and companies that are recurring and serious offenders in terms of prevailing legislation, applicable codes or agreements, especially criminal, labour and environmental regulations
  - Organisations and companies related in any way to child pornography and/or related in any way to sexual exploitation
  - Activities or projects that represent a risk or generate an impact on areas included on the UNESCO's list of World Heritage sites and the United Nations list of protected areas

  Specific exclusion criteria are also established for the defence, extractive, energy and agricultural sectors,

  These operations are monitored by the Group's Risk and Sustainability areas, and relations are established with customers to analyse their policies and procedures for mitigating this type of risk,

  Since the publication of the Bankinter Asset Management Exclusion Policy in 2023, the exclusion criteria identified for financing operations are also considered in lending,

- In the climate rating process, customers are classified in relation to their predisposition to be affected by physical and transition risks into five groups, from very high to very low,

The climate rating has been incorporated into the admission process to focus the dialogue with customers, especially with regard to the highest risks, This incorporates factors related to the climate and the environment into decision-making, It was decided to start this process with customers whose transition risk indicator is high or very high, For this group, the customer relationship manager should initiate a conversation with the customer with two objectives:

- To find out how they think climate change may be affecting their activities,
- To understand their plans to reduce such effects, the investments planned for this, and the possibility of Bankinter helping by providing financing for these investments, as appropriate,

The information from this dialogue is included in the proposal for the risk studied and discussed in the corresponding risk committee, To help in this process, the climate rating is automatically included in the minutes of committee meetings, Fields have also been included in proposals for the customer's rating with space to include the information from this customer dialogue,

- In the bank's relationships with its suppliers:

The procurement process at Bankinter has been transformed in recent years as a result of the guidelines and requirements of European regulation and supervision organisations, in particular, the European Central Bank, the European Banking Authority (EBA) and the Single Resolution Board, This process is in continuous development, always adapting to new requirements and new directives that will be implemented in the coming years, such as DORA or ESG regulations,

Additionally, with the aim of improving the efficiency, usability, traceability and control of the process, Bankinter has implemented a new procedure in 2023 based on a market tool that will strengthen its ability to adapt to the needs that arise from a regulatory standpoint,

One of the advantages of the new procedure is that the end-to-end process is centralised in a single tool, managing everything from supplier approval (there is a specific sustainability module) to control of the necessary budget, to the procurement process and risk analysis, as well as the closing and repository of the contract, Additionally, the process is reinforced with a module dedicated to monitoring the service of suppliers considered critical,

Having the process centralised has also allowed us to have much more powerful management information and greater control over the different parts of the process,

One of the most significant points in the process is due diligence with our suppliers, in order to ensure we work with suppliers who apply the criteria and have the solvency we require at Bankinter, as well as those required by the European Banking Authority (EBA), For this purpose, different variables are evaluated, including sustainability criteria, using a specific assessment, which on the basis of a scorecard derived from the supplier's answers, allows suppliers to be categorised as recommendable or non-recommendable according to ESG criteria,

As indicated by the Group's policy, the tool has a control system that will not allow the contracting of any supplier unless it has been approved and is recommended from a sustainability perspective, In 2023, our policy was adapted to reflect the new procedure,

In 2018, Bankinter's board of directors approved a Suppliers Code of Conduct, which entails a set of basic principles of practice and rules of professional conduct to govern the actions of all suppliers and establishes the ethical values that have traditionally existed in relations with them,

The purpose of this code is to ensure that all suppliers and subcontracted companies comply with the stipulations of the United Nations Global Compact, encourage sustainable development, ensure human rights, observe employment regulations and promote environmental protection, In short, it aims to make sure that suppliers share and respect the ethical values that guide the conduct of the group and its employees,

The principles described in this code of conduct are a key element in supplier selection and assessment, and breaches can lead to the termination of their contracts, Consequently, non-financial criteria – environmental, social and governance – were included in the supplier assessment and certification procedure,

Bankinter has also included a clause in its contracts with suppliers relating to ethical and social management, whereby they undertake to prevent corruption, ensure data protection, avoid child labour and guarantee stability of employment, among other requirements,

Bankinter has incorporated social, environmental and human rights criteria into its supplier approval processes since 2018, In 2023, 94% of the new critical suppliers approved were assessed using ESG criteria (73% in 2022),

With the entry into force of the Corporate Sustainability Reporting Directive (CSRD), additional aspects on the assessment of governance risk in our customers will be incorporated,

13.6. Indicators of potential transition risk linked to climate change

13.6.1. Credit quality of exposures by sector, issues and residual maturity

In accordance with Implementing Regulation (EU) 2022/2453 and for the purposes of Article 449a of Regulation (EU) 575/2013, the following table includes information on exposure to non-financial institutions in the banking book that are active in carbon-related sectors and on the quality of these exposures, whether they are considered doubtful or stage 2, as well as the related provisions and maturity ranges,

The amount disclosed in the column a corresponds to the gross carrying amount of loans and advances and debt securities to non-financial corporations other than those held for trading by sector of economic activity, The same CNAE classification has been used to classify them as for the financial information, Column b includes exposures to counterparties excluded from EU benchmarks reflecting the Paris Agreement according to Articles 12,1(d)-(g) and 12,2 of Regulation (EU) 2020/1818, Column c includes environmentally sustainable exposures as they are financing activities that contribute to mitigating climate change, pursuant to Regulation (EU) 2020/852, The figures are for 31 December 2023,

Template 1 (ESG), Bank portfolio, Indicators of potential transition risk linked to climate change: credit quality of exposures by sector, issues and residual maturity

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Gross carrying amount (million euros)					Accumulated impairment and provisions and negative fair value adjustments due to credit risk (million euros)			GHG emissions financed (counterpart's scope 1, 2 and 3 emissions) (in tonnes CO2							
	Sector or subsector		Of which: exposures to undertakings excluded from the EU benchmarks harmonised with the Paris Agreement in accordance with Article 12(1)(d) to (g) and (2) of Regulation (EU) 2020/1818	Of which: environmentally sustainable (CCM)	Of which: stage 2 exposures	Of which: non-performing exposures		Of which: stage 2 exposures	Of which: non-performing exposures		Of which: scope 3 financed emissions	GHG emissions (column i): percentage of gross carrying amount of the portfolio derived from company-specific information	≤ 5 years	> 5 years ≤ 10 years	> 10 years ≤ 20 years	> 20 years	Weighted average maturity
1	Exposures to sectors that are major contributors to climate change (1)	24,114	336	623	1,191	1,025	(510)	(39)	(415)	3,989,237	2,146,821	10,6%	16,554	3,074	4,120	366	4,94
2	A - Agriculture, livestock raising, forestry and fishing	668			39	40	(21)	(2)	(18)	313,165	47,945	2,8%	494	99	74	1	3,98
3	B - Mining and quarrying	81	–		7	2	(1)	–	(1)	39,668	14,567	4,1%	75	3	3	–	2,31
4	B,05 - Extraction of anthracite, coal and lignite	–	–		–	–	–	–	–	–	–	–%	–	–	–	–	–
5	B,06 - Extraction of crude oil and natural gas	–	–		–	–	–	–	–	–	–	–%	–	–	–	–	–
6	B,07 – Mining of metal ores	30			–	–	–	–	–	16,579	5,085	1,7%	30	–	–	–	1,97
7	B,08 – Other mining and quarrying	50			7	2	(1)	–	(1)	18,551	5,418	7,2%	44	3	3	–	2,57
8	B,09 – Support activities to extractive industries	1			–	–	–	–	–	4,538	4,064	60,4%	1	–	–	–	-0,10
9	C - Manufacturing	5,319	86	72	293	254	(124)	(10)	(99)	1,926,227	1,274,267	15,9%	4,788	385	145	1	2,26
10	C,10 – Food industry	1,142			58	60	(20)	(2)	(16)	409,983	338,561	18,8%	1,063	65	13	–	1,75
11	C,11 – Manufacture of beverages	190			15	6	(2)	–	(2)	29,547	24,986	5,9%	160	27	3	–	2,58
12	C,12 – Manufacture of tobacco products	117			–	–	–	–	–	239	203	–%	117	–	–	–	1,94

13	C,13 - Textile industry	140			21	6	(3)	—	(2)	46,451	14,190	12,8%	131	7	1	—	2,00
14	C,14 – Manufacture of garments	96			7	8	(5)	—	(3)	19,947	9,026	9,1%	83	11	2	—	2,28
15	C,15 – Leather and footwear industry	67			4	8	(5)	—	(4)	10,204	7,492	1,8%	62	3	1	—	2,36
16	C,16 – Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	161			6	6	(5)	—	(4)	26,598	15,855	2,5%	142	15	3	—	2,83
17	C,17 – Paper industry	148		9	9	9	(5)	—	(4)	75,184	33,651	20,6%	141	7	—	—	1,96
18	C,18 – Printing and reproduction of recorded media	98			8	11	(5)	—	(5)	20,531	9,422	4,0%	79	13	7	—	3,64
19	C,19 – Manufacture of coke and refined petroleum	86	86		—	—	—	—	—	280,042	257,462	99,5%	70	—	16	—	4,12
20	C,20 – Chemical industry	425			29	7	(5)	(1)	(3)	288,735	184,308	22,8%	376	41	8	—	2,13
21	C,21 – Manufacture of pharmaceutical products	105			7	3	—	—	—	4,752	3,055	43,2%	97	5	2	—	2,46
22	C,22 – Manufacture of rubber products	249			14	13	(6)	(1)	(5)	34,018	25,516	3,0%	214	33	2	1	2,53
23	C,23 – Manufacture of other non-metallic mineral products	310			15	13	(6)	—	(5)	269,613	73,697	25,2%	283	24	3	—	2,25
24	C,24 – Manufacture of base metals	285		44	6	5	(3)	—	(2)	158,361	78,502	38,9%	263	21	1	—	1,82
25	C,25 – Manufacture of fabricated metal products, except machinery and equipment	551			35	42	(20)	(2)	(16)	114,623	84,623	5,6%	486	52	13	—	2,44
26	C,26 – Manufacture of computer, electronic and optical goods	78			2	5	(2)	—	(2)	3,617	2,803	6,3%	74	4	—	—	1,68
27	C,27 – Manufacture of electrical equipment and	126			7	6	(3)	—	(2)	21,604	19,894	2,5%	123	3	—	—	1,51
28	C,28 – Manufacture of machinery and equipment	276			16	22	(13)	(1)	(11)	43,374	31,090	5,2%	238	25	13	—	2,67
29	C,29 – Manufacture of vehicles, trailers and semi-trailers	290			12	6	(5)	—	(4)	30,451	26,717	4,8%	281	9	—	—	1,56
30	C,30 – Manufacture of other transport equipment	150		19	4	2	(1)	—	(1)	4,700	4,043	38,0%	106	2	42	—	4,06
31	C,31 – Manufacture of furniture	90			4	7	(3)	—	(2)	11,070	9,525	6,5%	76	8	7	—	3,22
32	C,32 – Other manufacturing	66			7	4	(2)	—	(2)	6,934	6,166	2,4%	60	3	2	—	2,78
33	C,33 – Repair and installation of machinery and equipment	75			5	5	(3)	—	(2)	15,648	13,478	1,5%	62	8	4	—	3,36
34	D – Supply of electricity, gas, steam and air conditioning	1,684	75	509	17	6	(6)	—	(3)	105,347	45,609	11,2%	656	209	816	3	8,58
35	D35,1 – Production, transmission and distribution of electrical	1,636	44	509	17	5	(6)	—	(3)	103,117	45,354	11,4%	621	195	816	3	8,74
36	D35,11 – Production of electrical energy	1,508		412	12	3	(4)	—	(1)	63,388	35,822	10 %	500	190	815	3	9,27

37	D35,2 – Production of gas; distribution by pipeline of gaseous fuels	31	31		–	–	–	–	–	1,858	211	–%	18	13	–	–	4,91
38	D35,3 – Steam and air-conditioning supply	18		–	–	1	–	–	–	372	43	–%	17	–	–	–	1,00
39	E - Supply of water, sanitation, waste management and decontamination	197		13	4	4	(3)	–	(2)	163,127	52,509	21,2%	175	20	1	–	2,97
40	F – Construction	2,796		5	125	161	(79)	(5)	(67)	262,080	207,874	9,1%	1,813	260	475	248	6,69
41	F,41 – Construction of buildings	1,563		5	71	83	(41)	(3)	(34)	137,469	98,241	6,4%	769	166	384	244	9,66
42	F,42 – Civil engineering	428		–	8	10	(6)	–	(5)	35,727	31,615	26,5%	341	60	25	2	3,19
43	F,43 – Specialised construction activities	805		–	46	68	(32)	(1)	(29)	88,885	78,017	6,5%	702	33	67	2	2,77
44	G - Wholesale and retail commerce; motor vehicle and motorcycle repair	5,495	174		309	361	(189)	(12)	(164)	279,863	207,364	7,4%	4,892	338	260	5	2,49
45	H - Transport and storage	1,662		22	81	54	(28)	(3)	(22)	703,229	171,985	8,4%	1,193	236	232	1	4,58
46	H,49 – Inland and pipeline transport	745		22	28	39	(19)	(1)	(16)	427,056	89,055	4,2%	513	74	157	1	5,76
47	H,50 – Inland waterway transport	247			9	–	–	–	–	57,824	5,081	0,4%	189	57	–	–	2,75
48	H,51 - Air transport	59			35	–	(1)	(1)	–	102,930	15,631	41,1%	53	6	–	–	4,21
49	H,52 – Warehousing and support activities for	576		–	8	11	(7)	–	(5)	105,696	54,662	10,2%	405	97	73	–	4,06
50	H,53 – Postal and courier activities	35			1	1	–	–	–	9,723	7,556	30,4%	33	1	1	–	1,60
51	I - Accommodation and food	1,800			138	73	(27)	(3)	(21)	155,463	104,051	33,8%	1,084	413	296	8	5,75
52	L - Real estate activities	4,414			179	68	(29)	(4)	(18)	41,069	20,651	1,5%	1,384	1,113	1,818	99	8,80
53	Exposures to sectors other than those that are major contributors to climate change*,	7,270		26	224	221	(192)	(7)	(83)				5,865	662	694	49	3,83
54	K - Financial and insurance activities																
55	Exposures to other sectors (NACE codes J, M – U)	7,270		26	224	221	(192)	(7)	(83)				5,865	662	694	49	3,83
56	**TOTAL**	**31,384**	**336**	649	**1,415**	**1,246**	**(701)**	**(46)**	**(498)**	3,989,237	2,146,821	**11,0%**	**22,419**	**3,737**	**4,813**	**415**	**4,69**

Figures in millions of euros

* In accordance with Commission Delegated Regulation (EU) 2020/1818 supplementing Regulation (EU) 2016/1011 as regards minimum standards for EU climate transition benchmarks and EU benchmarks harmonised with the Paris Agreement (Regulation on Climate Transition Reference Standards), Recital 6: Sectors listed in Sections A to H and Section L of Annexe I to Regulation (EC) No 1893/2006,

As can be seen, exposures outside the Paris agreement constitute a very small amount of the total portfolio,

With regard to the GHG emissions financed (counterpart Scope 1, 2 and 3 emissions), measured in tonnes of CO2 equivalent, it has to be considered, first of all, that the current situation is characterised by a low volume of observed information, This depends to a large extent on the deployment of regulatory initiatives aimed at significantly improving the disclosure of sustainability-related information by both financial and non-financial companies (in particular the NFRD and CSRD directives), This means that a significant percentage of the emissions declared and attributed to lending by Bankinter are estimates, applying the criteria described in section 13,3,4,

Finally, it should be noted that the estimate of financed issues of non-financial corporations is made for Spain and Portugal, given the availability of information,

13,6,2 Loans secured by collateral consisting of immovable property – Energy efficiency of security interests

The following template shows the exposures of the banking book by energy efficiency segment, This has been done by taking the gross carrying amount of residential and commercial real estate secured loans and repossessed real estate collateral, including information on the energy efficiency level of the collateral, Directive 2010/31/EU of the European Parliament and of the Council ((16)*) and Directive 2012/27/EU of the European Parliament and of the Council ((17)*) promote policies aimed at achieving a highly energy-efficient and decarbonised building stock by 2050, Directive 2010/31/EU introduced energy performance certificates as instruments to improve the energy performance of buildings, These certificates are recognised by a Member State or by a legal entity designated by a Member State, which indicate the energy performance of a building or a building unit, calculated in accordance with this Directive,

Energy efficiency information at the building level is obtained through Energy Performance Certificates, Although it is currently compulsory in all property purchase and sale transactions (except for those that are exempt from certification due to their type), the fact is that, in order to extend this calculation to the entire portfolio, it has been necessary to estimate the emissions rating of quite a few properties, The bank has contracted a service that enables searches of the certificates in all the public registries of the Autonomous Communities, Estimates are, therefore, only used when the property's actual certificate cannot be traced,

In case the certificate exists, both the energy consumption and the emissions of the building are taken into account, If, on the other hand, it is necessary to resort to the estimation of the energy rating, the consumption is taken as representative of the energy rating, considering its location, climate zone and typology, The preferred estimation criterion is through actual evidence in the same building, Where this does not exist, a model is used to determine the energy efficiency label, both in terms of emissions and consumption, considering the specific characteristics of the building, based on the similarity of the property with other similar properties in the same building or using an estimate based on the characteristics of the building itself, If there is a certificate, the property's emissions are taken, If we have to estimate the energy rating, we regard the representative emissions for the rating as being the emissions, considering the location, climatic zone and type, In the case of Portugal, work is underway to incorporate the necessary information on energy efficiency certificates,

In the case of Portugal, information on energy certificates was incorporated in 2023, This included both actual information and estimates, in cases where it was impossible to obtain observed information, As not all residential or commercial properties currently have energy efficiency certificates, it is sometimes necessary to estimate this information, This information is inferred using a model based on available data for properties for which the energy certificates are known, In addition to these energy certificates, the information provider engaged by the Bank uses other variables to infer the energy certification of the property as accurately as possible, These include the energy certificates for the building as a whole, registry data, information on properties in the same building, geolocation, the year of construction, and the climate zone, The model uses this information to infer the data for the properties for which it does not have actual certificate information, assigning a reliability to these estimates depending on the quantity of data, its source and quality, its consistency and supporting evidence, The reliability reported can be: Very high, when there is energy certificate data for the building and similar properties and this information is consistent (similar certifications, renovations, etc,) with the construction data for the building and reference statistics or data obtained from evaluations of other elements of the building or of the property, High, when there is building certification data but it is less consistent, or the data is skimpier or lower quality, or when data is available on other buildings from the year of construction, the climate zone, with similar cladding, etc, with a strong correlation and in sufficient quantity, Medium, when there is no certificate data for the building and the information must be inferred from similar data, Low, when the building cannot be located exactly and data collected at different levels of detail must be used depending on the capacity to locate the building, such as the census, postcode or municipality,

In Ireland, work was done in 2023 to obtain information on Energy Efficiency Certificates through property inspections, Estimates were used in other cases, A median BER (Building Energy Rating) was provided by Sustainable Energy Ireland (SEI) for small areas, and this was provided at the building level for residential units where this data is available, The certificate information was estimated in all other cases using the most frequent BER in small areas for the specific type of building, as SEI also provides information on the structure of buildings, fuels used for water and space heating, and type of roof,

In the case of foreclosed properties, the energy efficiency certificate is available for those that are not exempt and are in a marketable situation, A large part of the portfolio is not in this state, which is why coverage is limited,

It should also be noted that among the properties under guarantee without an energy label, there is a relevant volume of categories, such as industrial buildings and parking spaces, that are not subject to rating,

Template 2 (ESG), Bank portfolio, Indicators of potential transition risk linked to climate change: loans secured by collateral consisting of immovable property – Energy efficiency of security interests

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
	Counterparty sector	Total gross carrying amount (in millions of euros)															
			Energy efficiency level (energy performance score in kWh/m² of actual guarantee)						Energy efficiency level (EPC label of the collateral)							Collateral without EPC label	
			0; ≤ 100	> 100 ≤ 200	> 200 ≤ 300	> 300 ≤ 400	> 400 ≤ 500	> 500	A	B	C	D	E	F	G		Of which: estimated energy efficiency level (energy performance score in kWh/m² of the actual guarantee)
1	**Total within the EU**	**40,032**	**8,864**	**11,631**	**9,561**	**1,746**	**576**	**314**	**1,042**	**1,364**	**1,970**	**2,813**	**7,554**	**1,318**	**1,548**	**22,421**	**67%**
2	Of which: loans secured by commercial real estate	5,284	450	885	406	120	58	74	131	323	387	327	269	80	68	3,699	11,00%
3	Of which: loans secured by residential real estate	34,662	8,414	10,744	9,152	1,626	519	240	911	1,041	1,583	2,484	7,282	1,237	1,480	18,644	78,71%
4	Of which: collateral obtained by taking possession: residential and commercial real estate	85	1	3	3	–	–	–	–	–	–	2	3	1	–	78	0,00%
5	Of which: estimated energy efficiency level (energy performance score in kWh/m² of actual guarantee)	15,082	4,298	5,388	4,367	590	307	133									
6	**Total outside the EU**																
7	Of which: loans secured by commercial real estate																
8	Of which: loans secured by residential real estate																
9	Of which: collateral obtained by taking possession: residential and commercial real estate																
10	Of which: estimated energy efficiency level (energy performance score in kWh/m² of actual guarantee)																

Figures in millions of euros

13.6.3. Exposures of the twenty companies with the largest carbon footprints

Aggregated information on exposures to the world's most carbon intensive counterparties is included in the table below, The Carbon Major Report database has been used as a source of identification,

The gross carrying amount reported corresponds to the total of the banking book exposures to counterparties listed above, According to Regulation 2022/2453 column c will start to be reported from 31 December 2023,

Template 4 (ESG), Bank portfolio, Indicators of potential transition risk linked to climate change: exposures of the twenty companies with the largest carbon footprints

	a	b	c	d	e
	Gross carrying amount (aggregated)	Gross carrying amount vis-à-vis counterparties compared to the total gross carrying amount (aggregate) (1)	Of which: Environmentally sustainable (CCM)	Weighted average maturity	Number of the 20 most polluting companies included
1	24	0,03%	N/A	20 days	1

(*) For counterparties among the world's top 20 carbon emitting companies,

Figures in millions of euros

13.7. Indicators of potential physical risk linked to climate change

13.7.1. Exposures subject to physical risk

The following template includes banking book exposures, including loans and advances and debt securities neither held for trading nor held for sale, exposed to chronic and acute weather-related hazards by sector of activity and by geographical area of counterparty or collateral,

Bankinter uses a structural approach to evaluate sensitivity to physical risks, as described in the European Central Bank's "Towards climate-related statistical indicators" document, This approach involves breaking the problem down into three levels:

- Identification of climate risk factors;
- The exposure of customers to these factors;
- And the vulnerability of customers to each of the risk factors materialising,

These levels are not independent of each other, as it is expected that a more exposed society will seek to invest more in adaptation, We therefore need to included aspects related to the energy transition and adaptation to physical risks in our dialogue with our customers,

The Bank has various sources of information for identifying climate risk factors, First, the Bank has engaged a service that allows it to identify a series of physical risk indicators for each property, according to its geolocation, including, for example, the risks of river and sea flooding and desertification, These risks are assessed on a qualitative scale according to their intensity, This information is used with indicators from the Copernicus databases to enable us to characterise physical risks at the postcode level, This is particularly important in determining exposure to the various risks of productive activities,

In November 2023, the Network for Greening the Financial System (NGFS) published Phase IV of its scenarios, with the main development being the inclusion of impacts associated with the impact of particular acute physical risks on activity at the country level, These are becoming very prominent, with very significant impacts being associated with drought and heat waves, While drought and heat waves might not have the destructive power of events such as floods and fires, they are characterised by the greater extent of their impact when they do occur,

The factors considered in the sensitivity analysis are, therefore:

- Desertification, drought and heat waves, which are closely related, These are classified as acute and chronic risks,
- River flooding, which is classified as an acute risk,
- Sea flooding, which is classified as an acute and chronic risk,
- Forest fires, which are classified as an acute risk,

Once the intensity of the exposure has been determined, we select the high and very high risk levels, As a result, financial instruments with collateral exposed to these levels of risk in relation to flooding and very high risks of desertification are considered sensitive,

We need to perform vulnerability analysis for productive activities as there are many transmission channels for acute physical risks and they are not limited to the impact on physical assets, We do this based on the following cross-referenced table, which establishes the ways activity may be affected by each of the physical risks considered:

Physical risks	Impacts					
	Impact on physical assets (due to direct damage or loss of value)	Limitations on access for workers	Lower productivity	Supply problems	Higher costs	Lower sales
Flooding	Infrastructure Real Estate Crops Machinery Inventories	Yes		Damage to the electricity distribution grid Impact on transport	More expensive insurance	Customer limitations Impact on transport Reduced tourism
Heat waves	Crops Livestock Forests	No	Activities that take place outdoors or without sufficient cooling capacity Lower fishing catches Crops Livestock Forests Limitation of activities due to fire risk	Overloading of the electricity supply grid	Higher cooling/dehumidification costs for plant and transport More expensive insurance	Reduced tourism Customer limitations
Drought	Crops Livestock Forests	No	Crops Livestock Forests	Sectors with intensive water consumption Limitations on hydroelectric production	More expensive insurance	Reduced tourism
Forest fires	Infrastructure Real Estate Crops Livestock Forests Machinery Inventories	Crop, livestock and forestry areas	No	Damage to the electricity distribution grid Impact on transport	More expensive insurance	Reduced tourism Impact on transport

The significance that all these impacts might have is assessed for each productive activity based on objective factors, such as statistics on electricity and water consumption, dependence on transport, etc, This exercise enables us to assess vulnerability by level of activity and risk type, As a result, the exposure presented as sensitive in the sectors of activity corresponds to customers who are highly exposed and vulnerable to the various physical risks,Assessment of these risks requires consideration of the company's productive activity and the characteristics of other real estate collateral belonging to the company, In the case of business exposures secured by real estate, analysis of the productive activity is combined with analysis of the characteristics of the property, For example, a company with business activity in a territory exposed to physical risks may use real estate collateral for its operations located in other areas that are not subject to the physical risks, In these cases, the company's exposure to physical risks considers not only the counterparty's geographical area but also the location of the real estate used as collateral in the company's mortgage transactions,

There have been substantial changes compared to the information published in December 2022 and June 2023 as a result of the application of this new approach, This approach has increased the size of the portfolio considered sensitive by reviewing transmission channels more exhaustively, The vulnerability of customers as a consequence of their activity also impacts the portfolio of guaranteed exposures, even if the properties used as collateral are not directly exposed,

Template 5 (ESG), Bank portfolio, Indicators of potential physical risk linked to climate change: exposures subject to physical risk

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount (million euros)													
			Of which: exposures sensitive to the impact of physical phenomena linked to climate change												
	Variable: geographical area subject to physical risk linked to climate change: acute and chronic phenomena		Breakdown by maturity interval					Of which: exposures sensitive to the impact of chronic climate change-related events	Of which: exposures sensitive to the impact of acute climate change-related events	Of which: sensitive exposures to the impact of both chronic and acute events linked to climate change	Of which: stage 2 exposures	Of which: non-performing exposures	Accumulated impairment and provisions and negative fair value adjustments due to credit risk		
			≤ 5 years	> 5 years ≤ 10 years	> 10 years ≤ 20 years	> 20 years	weighted average maturity							Of which: stage 2 exposures	Of which: non-performing
1	A - Agriculture, livestock raising, forestry and fishing	668	185	40	16	1	1	–	12	229	11	19	(10)	(1)	(9)
2	B - Mining and quarrying	81	23	2	3	–	1	–	2	26	4	1	(1)	–	(1)
3	C - Manufacturing	5,319	795	85	11	1	–	–	109	782	56	35	(18)	(2)	(15)
4	D – Supply of electricity, gas, steam and air conditioning	1,684	64	27	104	–	1	–	19	176	9	2	(1)	–	(1)
5	E - Supply of water, sanitation, waste management and decontamination	197	33	3	–	–	1	–	–	36	–	1	(1)	–	(1)
6	F – Construction	2,796	314	44	58	33	1	–	26	422	29	42	(19)	(2)	(17)
7	G - Wholesale and retail commerce; motor vehicle and motorcycle repair	5,495	73	9	3	2	–	–	83	4	9	7	(4)	–	(3)
8	H - Transport and storage	1,662	4	–	–	–	–	–	2	2	–	–	–	–	–
9	L - Real estate activities	4,414	14	28	56	2	–	–	44	56	10	5	(1)	–	–
10	Loans secured by residential real estate	34,662	34	100	362	526	20	–	419	602	35	27	(5)	(1)	(4)
11	Loans secured by commercial real estate	5,284	39	174	120	7	9	–	75	264	27	12	(4)	(1)	(3)
12	Recovered collateral	85						–	8	–			(5)		
13	Other relevant sectors (breakdown below, if applicable)														

Figures in millions of euros

13.8. KPIs, GAR summary

A summary of the key performance indicators (KPIs), including the green asset ratio (GAR) included in Commission Delegated Regulation (EU) 2021/2178 is provided below,

Template 6 (ESG), Summary of KPIs for exposures that conform to the taxonomy

	KPI			% coverage (over total assets)*
	Climate change mitigation	Adaptation to climate change	Total (climate change mitigation + climate change adaptation)	
Stock of GAR	1,47%	0,07%	1,54%	87,15%
GAR flow				

* % of assets covered by the KPI compared to the total assets of banks

"On December 21, 2023, the European Commission published an FAQs (Frequently asked questions), where it was clarified that the publication of the GAR in terms of flow was expected, However, this clarification went against what is generally understood, and given the limitation of time, information and data quality, the Entity does not publish in this report the information in terms of GAR flow since it could not be guaranteed that "it was correct, truthful and in accordance with the criteria and breakdowns of the standard,"

13.9. Mitigation measures: assets -GAR

The following template includes the information needed to calculate the green asset ratio (GAR) under Delegated Regulation (EU) 2021/2178, in millions of euros,

Template 7 (ESG), Mitigation measures: assets for calculating the GAR

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Reference date of disclosure T															
			Climate change mitigation (CCM)					Climate change adaptation (CCA)					TOTAL (CCM + CCA)				
		Total gross carrying amount	Of which: sectors relevant to the taxonomy (eligible according to the taxonomy)	Of which: environmentally sustainable (that conform to the taxonomy)	Of which: specialised lending	Of which: transition	Of which: facilitators	Of which: sectors relevant to the taxonomy (eligible according to the taxonomy)	Of which: environmentally sustainable (that conform to the taxonomy)	Of which: specialised lending	Of which: adaptation	Of which: facilitators	Of which: sectors relevant to the taxonomy (eligible according to the taxonomy)	Of which: environmentally sustainable (that conform to the taxonomy)	Of which: specialised lending	Of which: transition and adaptation	Of which: facilitators
	GAR - assets included in both the numerator and denominator																
1	Loans and advances, securities representing debt and capital instruments not held for trading eligible for calculating the GAR	51,224	33,889	1,467	48	889	186	146	68	–	67	1	34,035	1,535	48	957	187
2	Financial corporations	9,714	400	–	–	–	–	–	–	–	–	–	400	–	–	–	–
3	Credit institutions	6,152	373	–	–	–	–	–	–	–	–	–	373	–	–	–	–
4	Loans and advances	4,684	119	–	–	–	–	–	–	–	–	–	119	–	–	–	–
5	Debt securities, including statement on the use of funds	1,467	255	–	–	–	–	–	–	–	–	–	255	–	–	–	–
6	Equity instruments	–	–	–		–	–	–	–		–	–	–	–		–	–
7	Other financial corporations	3,562	27	–	–	–	–	–	–	–	–	–	27	–	–	–	–
8	Of which: investment services companies	1	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
9	Loans and advances	1	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
10	Debt securities, including statement on the use of funds	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
11	Equity instruments	–	–	–		–	–	–	–		–	–	–	–		–	–
12	Of which: asset management companies	1	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
13	Loans and advances	1	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–

14	Debt securities, including statement on the use of funds	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
15	Equity instruments	–	–	–		–	–	–	–		–	–	–	–		–	–
16	Of which: insurance companies	175	27	–	–	–	–	–	–	–	–	–	27	–	–	–	–
17	Loans and advances	9	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
18	Debt securities, including statement on the use of funds	5	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
19	Equity instruments	161	27	-		-	-	-	-		-	-	27	-		-	-
20	Non-financial companies (subject to disclosure obligations under the DINF)	2,725	1,053	650	48	73	186	146	68	–	67	1	1,199	718	48	140	187
21	Loans and advances	2,696	1,040	649	48	73	184	146	68	–	67	1	1,186	717	48	140	186
22	Debt securities, including statement on the use of funds	29	12	1	–	–	1	–	–	–	–	–	12	1	–	–	1
23	Equity instruments	1	–	–		–	–	–	–		–	–	–	–		–	–
24	Households	38,785	32,435	817	–	817	–						32,435	817	–	817	–
25	Of which: loans secured by residential real estate	31,486	31,486	817	–	817	–						31,486	817	–	817	–
26	Of which: building renovation loans	806	806	–	–	–	–						806	–	–	–	–
27	Of which: car loans	143	143	–	–	–	–						143	–	–	–	–
28	Financing of local administrations	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
29	Housing financing	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
30	Other financing of local administrations	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
31	Collateral obtained by taking possession: residential and commercial real estate	30	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
32	TOTAL GAR ASSETS	51,254	33,889	1,467	48	889	186	146	68		67	1	34,035	1,535	48	957	187
	Assets excluded from the numerator for GAR calculation (included in the denominator)																

33	EU non-financial companies (not subject to disclosure obligations under the DINF)	27,093
34	Loans and advances	26,218
35	Debt securities	849
36	Equity instruments	25
37	Non-financial companies outside the EU (not subject to disclosure obligations under the DINF)	4,953
38	Loans and advances	4,470
39	Debt securities	476
40	Equity instruments	6
41	Derivatives	853
42	Interbank call loans	1,010
43	Cash and assets linked to cash	12,854
44	Other assets (goodwill, commodities, etc.)	1,497
45	TOTAL ASSETS IN THE DENOMINATOR (GAR)	99,514
	Other assets excluded from the numerator and denominator for calculating the GAR	
46	Government issuers	10,169
47	Exposures to central banks	-
48	Trading portfolio	4,505
49	TOTAL ASSETS EXCLUDED FROM THE NUMERATOR AND	14,674
50	TOTAL ASSETS	114,188

Figures in millions of euros

13.10. Mitigation measures - % GAR

The following template shows the activities of the entity that are considered environmentally sustainable with data for 31 December 2023,

Template 8 (ESG), GAR (%)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p (1)
		Reference date of disclosure T: key performance indicators for the stock															
		Climate change mitigation (CCM)					Climate change adaptation (CCA)					TOTAL (CCM + CCA)					
	% (compared to total assets included in denominator)	Proportion of eligible assets that finance relevant sectors for the taxonomy	Of which: environmentally sustainable	Of which: specialised lending	Of which: transition	Of which: facilitators	Proportion of eligible assets that finance relevant sectors for the taxonomy	Of which: environmentally sustainable	Of which: specialised lending	Of which: adaptation	Of which: facilitators	Proportion of eligible assets that finance relevant sectors for the taxonomy	Of which: environmentally sustainable	Of which: specialised lending	Of which: transition and adaptation	Of which: facilitators	Proportion of total assets covered
1	GAR	34,05%	1,47%	0,05%	0,89%	0,19%	0,15%	0,07%	— %	0,07%	— %	34,20%	1,54%	0,05%	0,96%	0,19%	44,89%
2	Loans and advances, securities representing debt and capital instruments not held for trading eligible for calculating the GAR	66,16 %	2,86%	0,09%	1,74%	0,36%	0,29%	0,13%	— %	0,13%	— %	66,44%	3,00%	0,09%	1,87%	0,36%	44,90%
3	Financial corporations	4,12%	— %	— %	— %	— %	— %	— %	— %	— %	— %	4,12%	— %	— %	— %	— %	8,50%
4	Credit institutions	6,07%	— %	— %	— %	— %	— %	— %	— %	— %	— %	6,07%	— %	— %	— %	— %	5,40%
5	Other financial corporations	0,76%	— %	— %	— %	— %	— %	— %	— %	— %	— %	0,76%	— %	— %	— %	— %	— %
6	Of which: investment services companies	— %	— %	— %	— %	— %	— %	— %	— %	— %	— %	— %	— %	— %	— %	— %	— %
7	Of which: asset management companies	— %	— %	— %	— %	— %	— %	— %	— %	— %	— %	— %	— %	— %	— %	— %	— %
8	Of which: insurance companies	15,46 %	— %	— %	— %	— %	— %	— %	— %	— %	— %	15,46%	— %	— %	— %	— %	0,20%
9	Non-financial companies (subject to disclosure obligations under the DINF)	38,65 %	23,85%	1,75%	2,66%	6,81%	5,36%	2,50%	— %	2,46%	0,04%	44,01%	26,35%	1,75%	5,12%	6,85%	2,40%
10	Households	83,63%	2,11%	— %	2,11%	— %						83,63%	2,11%	— %	2,11%	— %	34,00%
11	Of which: loans secured by residential real estate	100,00 %	2,59%	— %	2,59%	— %						100,00%	2,59%	— %	2,59%	— %	27,60%
12	Of which: building renovation loans	100,00 %	— %	— %	— %	— %						100,00%	— %	— %	— %	— %	0,70%
13	Of which: car loans	100,00 %	— %	— %	— %	— %						100,00%	— %	— %	— %	— %	0,10%
14	Financing of local administrations	— %	— %	— %	— %	— %						— %	— %	— %	— %	— %	— %
15	Housing financing	— %	— %	— %	— %	— %						— %	— %	— %	— %	— %	— %
16	Other financing of local administrations	— %	— %	— %	— %	— %						— %	— %	— %	— %	— %	— %
17	Collateral obtained by taking possession: residential and commercial real estate	— %	— %	— %	— %	— %						— %	— %	— %	— %	— %	0,03%

"On December 21, 2023, the European Commission published an FAQs (Frequently asked questions), where it was clarified that the publication of the GAR in terms of flow was expected, However, this clarification went against what is generally understood, and given the limitation of time, information and data quality, the Entity does not publish in this report the information in terms of GAR flow since it could not be guaranteed that "it was correct, truthful and in accordance with the criteria and breakdowns of the standard,"

(1) The data in column p relating to the proportion of total assets covered by earnings over stock will not match the data in Template 3 of the Non-Financial Statement (NFS), The data in this column has been calculated following the instructions using the gross carrying amount of total balance sheet assets (row 50 of template 7 ESG) as the denominator, However, the percentage given in the "Key performance indicator of the GAR in terms of stock - business volume" table has been calculated using the gross carrying amount of the total assets included in the denominator of the GAR (row 45 of Template 7, ESG),

13.11. Other climate change mitigation measures

The following template covers other climate change mitigation measures, The aforementioned ESG Risk Disclosure Regulation in Pillar III specifies that exposures of entities that do not conform to the taxonomy within the meaning of Regulation (EU) 2020/852 but support counterparties in the process of transitioning and adapting to climate change mitigation objectives are included in this template, In particular, bonds and loans issued under non-EU standards should be included,

Bankinter has in its portfolio exposures that help to mitigate climate change, although at the moment they are not perfectly identified as being fully included in the taxonomy in their entirety, It has therefore been decided to include in this template the mitigation measures and activities that follow the objectives set by the Group in terms of climate change objectives, This therefore includes green bonds and loans such as:

- Green bonds and sustainability-linked bonds,
    - Green loans and sustainability-linked loans (with ESG clauses included in the financing contracts),
- Financing of the renewable energy sector,
- Energy efficiency loans to homeowners' associations for the renovation of buildings,
- Avantmoney's Green Residential Energy Retrofit Loans in Ireland, which aims to include energy efficiency measures in the renovation of buildings,

More details on these mitigation activities are included in the table:

Template 10 (ESG), Other climate change mitigation measures

	a	b	c	d	e	f
	Type of financial instrument	Counterparty type	Gross carrying amount	Type of risk mitigated (transition risk linked to climate change)	Type of risk mitigated (physical risk linked to climate change)	Qualitative information on the nature of the mitigation measures
1	Bonds (e,g, green, sustainable, sustainability-linked under non-EU standards)	Financial corporations	252			Sustainability-linked bonds
2		Non-financial corporations	59	YES	YES	Sustainability-linked bonds
3		Of which: loans secured by commercial real estate	–	NO	NO	N/A
4		Other counterparties	30	YES	YES	Sustainability-linked bonds
5	Lending (e,g, green, sustainable, sustainability-linked according to standards other than EU standards)	Financial corporations	–	NO	NO	N/A
6		Non-financial corporations	3,480	YES	YES	ESG clauses included in financing contracts in two formats: ESG rating of the company to be financed / specific indicators with targets to be achieved, which always include the carbon footprint, The interest rate is subsidised or penalised depending on whether or not the ESG (sustainability linked loans) objectives are met, Bankinter's financing of projects in the renewable energy sector amounted to 1,319 million euros at the end of June 2023, 87,8% of the risk portfolio for the electricity and gas sector,
7		Of which: loans secured by commercial real estate	–	NO	NO	N/A
8		Households	316	YES	YES	
9		Of which: loans secured by residential real estate	210	YES	YES	Specific mortgage loan for purchases of new or second-hand homes with high energy certification (A and B),
10		Of which: building renovation loans	106	YES	YES	The activities funded are: refurbishment of facades, repair of roofing, improvement of building insulation and replacement of windows, replacement of boilers, LED lighting and installation of energy cost allocators, installation of distributed generation and solar thermal equipment, installation of electric vehicle charging points in communal garages, and work to improve accessibility for buildings, These loans are for energy refurbishment of residential homes across Ireland, to install energy efficiency measures and small-scale renewable energy installations, generating positive environmental impacts and extending the life of the buildings,
11		Other counterparties	–	NO	NO	N/A

Figures in millions of euros

Annexes

Annexes:

Appendix I: CCA- Main features of regulatory own funds instruments and eligible liability instruments

1	Issuer	Bankinter, S,A,	Bankinter, S,A,	Bankinter, S,A,	Bankinter, S,A,	Bankinter, S,A,	Bankinter, S,A,	Bankinter, S,A,	Bankinter, S,A,	Bankinter, S,A,	Bankinter, S,A,
2	Unique identifier	XS2199369070	XS2585553097	ES0213679030	ES02136790F4	ES0213679JR9	ES0213679HN2	ES02136790P3	ES02136790O6	ES0213679JS7	ES0213679LU9
2a	Public or private placement	Private	Private	Private	Private	Private	Private	Private	Private	Public	Public
3	Legislation applicable to the instrument	Spanish law	Spanish law	Spanish law	Spanish law	Spanish law	Spanish law	Spanish law	Spanish law	Spanish law	Spanish law
3a	Contractual recognition of the depreciation and conversion powers of resolution authorities,	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Regulatory treatment											
4	Current treatment taking into account CRR transitional rules where appropriate,	Additional tier 1 capital	Additional tier 1 capital	Tier 2 capital	Tier 2 capital (eligible liabilities represent a fraction)	–	–	–	–	–	–
5	CRR post-transition rules	Additional tier 1 capital	Additional tier 1 capital	Tier 2 capital	Tier 2 capital	Eligible liabilities	Eligible liabilities	Eligible liabilities	Eligible liabilities	Eligible liabilities	Eligible liabilities
6	Permitted on an individual/ (sub)consolidated/ individual and (sub)consolidated basis	Consolidated	Consolidated	Consolidated	Consolidated	Consolidated	Consolidated	Consolidated	Consolidated	Consolidated	Consolidated
7	Type of instrument	Potentially convertible perpetual	Potentially convertible perpetual	Subordinated bonds	Subordinated bonds	Simple non-preferred bonds	Simple non-preferred bonds	Simple non-preferred bonds	Ordinary unsecured bonds	Structured bonds	Structured bonds
8	Amount recognised in regulatory capital or eligible liabilities	350,000	300,000	81,400,3 as own funds and 81,894 as eligible liabilities	748,477,5 as own funds and 750,000 as eligible liabilities	750,000	750,000	500,000	500,000	22,980	20,360
9	Nominal amount of the instrument	350,000	300,000	81,894	750,000	750,000	750,000	500,000	500,000	23,840	20,960
EU 9a	Issue price	100,00%	100,00%	100,00%	99,80%	99,63%	99,89%	99,74%	99,93%	100,00%	100,00%
EU 9b	Redemption price	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%
10	Accounting classification	Liabilities - amortised cost	Liabilities - amortised cost	Liabilities - amortised cost	Liabilities - amortised cost	Liabilities -amortised cost	Liabilities - amortised cost	Liabilities - amortised cost	Liabilities - amortised cost	Liabilities - amortised cost	Liabilities - amortised cost
11	Original issue date	17/7/2020	6/2/2023	14/5/1998	23/6/2021	6/2/2020	8/7/2019	13/9/2023	3/3/2023	27/3/2020	9/10/2020
12	Perpetual or with maturity date	Perpetual	Perpetual	Maturity established	Maturity established	Maturity established	Maturity established	Maturity established	Maturity established	Maturity established	Maturity established

13	Initial maturity date	No maturity	No maturity	18/12/2028	23/12/2032	6/10/2027	8/7/2026	13/9/2031	3/3/2030	3/4/2025	16/10/2025
14	Issuer´s call option subject to prior approval by the supervision authorities	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	No	No
15	Optional call date, contingent call dates and redemption amount	17/1/2026	15/08/2028	-	23/12/2027: 100% of the nominal investment amount, in case of Regulatory Event or Tax Event	In case of Eligibility Event or Tax Event: 100% of the nominal amount of investment,	In case of Eligibility Event or Tax Event: 100% of the nominal amount of investment,	In case of Eligibility Event or Tax Event: 100% of the nominal amount of investment,	In case of Eligibility Event: 100% of the nominal amount of investment,	–	–
16	Dates in subsequent periods, if applicable	–	–	–	–	–	–	–	–	–	–
Coupons/dividends											
17	Fixed or floating dividend or coupon	Fixed	Fixed and variable	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Variable	Variable
18	Coupon interest rate and any related index	6,25% (quarterly coupon)	7,375%	6,000%	1,250%	0,625%	0,875%	4,875%	4,375%	–	–
19	Existence of a dividend stopper	No	No	No	No	No	No	No	No	No	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in calendar terms)	Fully discretionary	Fully discretionary	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Fully discretionary	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of a coupon step up or other incentives to redeem	No	No	No	No	No	No	No	No	No	No
22	Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative
23	Convertible or non-convertible	Convertible	Convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	5,125% CET1	5,125% CET1	–	–	–	–	–	–	–	–
25	If convertible, totally or partially	Totally	Totally	–	–	–	–	–	–	–	–

26	If convertible, applicable conversion rate	€200,000 / Max(market price of an ordinary share; floor price - €4,1686; €0,20)	€200,000 / Max(market price of an ordinary share; floor price - €4,23036;	–	–	–	–	-	–	-	–
27	If convertible, mandatory or optional conversion	Mandatory	Mandatory	–	–	–	–	–	–	–	–
28	If convertible, specify instrument type convertible into	Common shares	Common shares	–	–	–	–	-	–	-	–
29	If convertible, specify issuer of instrument they convert into	Bankinter, S,A,	Bankinter, S,A,	–	–	–	–	–	–	–	–
30	Write-down features	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
31	If write-down, write-down trigger(s)	Bail-in powers of the competent resolution authority	Bail-in powers of the competent resolution authority	Bail-in powers of the competent resolution authority	Bail-in powers of the competent resolution authority	Bail-in powers of the competent resolution authority	Bail-in powers of the competent resolution authority	Bail-in powers of the competent resolution authority	Bail-in powers of the competent resolution authority	Bail-in powers of the competent resolution authority	Bail-in powers of the competent resolution authority
32	If write-down, total or partial	In whole or in part, at the discretion of the competent resolution authority	In whole or in part, at the discretion of the competent resolution authority	In whole or in part, at the discretion of the competent resolution authority	In whole or in part, at the discretion of the competent resolution authority	In whole or in part, at the discretion of the competent resolution authority	In whole or in part, at the discretion of the competent resolution authority	In whole or in part, at the discretion of the competent resolution authority	In whole or in part, at the discretion of the competent resolution authority	In whole or in part, at the discretion of the competent resolution authority	In whole or in part, at the discretion of the competent resolution authority
33	If write-down, permanent or temporary	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent
34	If temporary write-down, description of write-up mechanism	–	–	–	–	–	–	–	–	–	–
EU 34a	Type of subordination (only for eligible liabilities)	–	–	–	–	Contractual	Contractual	Contractual	Contractual	Contractual	Contractual
EU 34b	Order of precedence of the instrument in ordinary insolvency proceedings	2	2	3	3	6	6	6	7	7	7
35	Position in the subordination hierarchy in liquidation (indicate the next highest instrument type)	Tier 2 capital instruments	Tier 2 capital instruments	Ordinary non-preferred credits	Ordinary non-preferred credits	Ordinary credits	Ordinary credits	Ordinary credits	After ordinary credits	After ordinary credits	After ordinary credits
36	Non-compliant features following transition	No	No	No	No	No	No	No	No	No	No

37	If so, specify non-compliant features	–	–	–	–	–	–	–	–	–	–
EU 37a	Link to the full mandate and conditions of the instrument (marking)	Prospectus			Prospectus	Prospectus	Prospectus	Prospectus	Prospectus	Prospectus	Prospectus

Figures in thousands of euros

Appendix II: CC1 - Composition of regulatory own funds,

		a)	b)
		Amounts	Source based on statement of financial position reference numbers or letters in the regulatory scope of consolidation
	Common equity tier 1: Instruments and reserves		
1	Capital instruments and the related share premium accounts	269,660	Note 21 a) of the Group's consolidated financial statements
2	Retained earnings	—	
3	Accumulated other comprehensive income (and other reserves)	4,535,428	Note 21 c) of the Group's consolidated financial statements
EU -3a	Funds for general banking risks		
4	Amount of the qualifying items referred to in Article 484, Section 3, and the corresponding share premium accounts subject to phase-out from CET1		
5	Minority interest (amount accepted in consolidated CET1)		
EU-5a	**Independently reviewed interim profits net of any foreseeable charge or dividend**	422,394	Amount of eligible items referred to in Article 484(3) of the CRR
6	**Common equity Tier 1 before the regulatory adjustments**	5,227,481	
	Common equity tier 1: regulatory adjustments		
7	Additional value adjustments (negative amount)	(3,656)	Deduction from Ordinary Tier 1 Capital of additional value adjustments of assets valued on the balance sheet at fair value, as determined in Art, 34 of the CRR and deductions not reflected in the accounts,
8	Intangible assets (net of related tax liability) (negative amount)	(252,664)	Intangible assets (net of related tax liabilities) according to Articles 36(1)(b) and 37 CRR (negative amount)
10	Deferred tax assets that depend on future profitability excluding those deriving from temporary differences (net of the corresponding tax liabilities when the conditions established in Article 38, Section 3 CRR are met) (negative amount)	(3,460)	
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	12,548	
12	Negative amounts resulting from the calculation of expected loss amounts	(174,626)	
13	Any increase in equity that results from securitised assets (negative amount)	—	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	—	
15	Defined-benefit pension fund assets (negative amount)	—	
16	Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount)	(5,519)	
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		
EU - 20a	Exposure amount of the following items which qualify for a RW of 1 250%, where the institution opts for the deduction alternative		
EU-20b	Of which: qualifying holdings outside the financial sector (negative amounts)		
EU-20c	Of which: securitisation positions (negative amounts)		
EU-20d	of which: free deliveries (negative amount)		
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)		
22	Amount exceeding the 17,65% threshold (negative amount)		

23	Of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities		
25	Of which: deferred tax assets arising from temporary difference		
EU -	Losses for the current financial year (negative amount)		
EU-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses, (negative amount)		
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)		
27a	Other regulatory adjustments	(988)	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	(428,365)	
29	**Common equity tier 1**	4,799,116	
	Additional tier 1 capital instruments		
30	Capital instruments and the related share premium accounts	650,000	Additional Tier 1 capital instruments, considered as on-balance sheet subordinated liabilities that meet the eligibility conditions set out in the CRR,
31	Of which: classified as capital under applicable accounting standards		
32	Of which: classified as liabilities under applicable accounting standards		
33	Amount of items referred to in Article 484 (4) CRR and the related share premium accounts subject to phasing out from additional tier 1 capital		
EU -	Amount of qualifying items referred to in Article 494a(1) CRR subject to phase out from AT1		
EU-33b	Amount of items referred to in Article 494 (1) CRR and the related share premium accounts subject to phasing out from additional tier 1 capital		
34	Qualifying tier 1 capital included in consolidated AT1 capital (including minority interest not included in row 5) issued by subsidiaries and held by third parties		
35	**Of which: instruments issued by subsidiaries subject to phase-out**		
36	**Additional tier 1 capital before regulatory adjustments**	650,000	
	Additional Tier 1 capital: regulatory adjustments		
37	Direct, indirect and synthetic holdings by an institution of own AT1 instruments (negative amount)		
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		
39	Direct, indirect, and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		
40	Direct, indirect, and synthetic holdings of the additional CET 1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		
42	Qualifying tier 2 capital deductions that exceed the tier 2 instruments of the institution (negative amount)		
42a	**Other regulatory adjustments to AT1 capital**		
43	**Total regulatory adjustments to AT1 capital**		
44	**Additional Tier 1 Capital**	650,000	
45	**Tier 1 capital (tier 1 capital = common equity tier 1 + additional tier 1 capital)**	5,449,116	
	Tier 2 capital: instruments		
46	Capital instruments and the related share premium accounts	829,878	Tier 2 capital instruments, included under the statement of financial position heading of subordinated liabilities (2) that meet the conditions for eligibility set out in the CRR,
47	Amount of qualifying items referred to in Article 484(5) CRR and the related share premium accounts subject to phase out from T2 as described in Article 486(4) CRR		
EU -	Amount of qualifying items referred to in Article 494a(2) CRR subject to phase out from T2		
EU-47b	Amount of items referred to in Article 494b(2) CRR subject to phasing out from Tier 2 capital		

48	Qualifying own funds instruments included in consolidated T2 capital (including minority interest and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	
49	of which: instruments issued by subsidiaries subject to phase-out	
50	**Credit risk adjustments**	
51	**Tier 2 capital before the regulatory adjustments**	829,878
	Tier 2 capital: regulatory adjustments	
52	Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans (negative amount)	
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	
55	Direct, indirect and synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	
EU - 56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	
56b	**Other regulatory adjustments to tier 2 capital**	
57	**Total tier 2 capital regulatory adjustments**	
58	**Tier 2 capital**	829,878
59	**Total capital (total capital= tier 1 capital + tier 2 capital)**	6,278,994
60	**Total amount of risk-weighted exposure**	39,017,626
	Capital ratios and requirements including buffers	
61	Common equity tier 1	12,30%
62	Tier 1 capital	13,97%
63	Total capital	16,09%
64	Institution CET1 overall capital requirements	7,77%
65	of which: capital conservation buffer requirement	2,50%
66	of which: countercyclical capital buffer requirement	0,05%
67	of which: systemic risk buffer requirement	0,00%
EU - 67a	of which: buffer requirement for Global Systemically Important Institutions (G-SIIs) or Other Systemically Important Institutions (O-SIIs)	0,00%
EU-67b	**of which: additional own funds requirements to address risks other than the risk of excessive leverage (%)**	6,80%
68	**Common Equity Tier 1 capital (as a percentage of the risk exposure amount) available after meeting minimum capital requirements**	
	Amounts below the threshold for deduction (before risk-weighting)	
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not hold a significant investment in such entities (amount below the 10% threshold and net of eligible short positions)	
73	Direct and indirect holding of common equity tier 1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17,65% threshold and net of eligible short positions)	22966600 %
75	**Deferred tax assets arising from temporary differences (amount below the 10% threshold, net of related tax liabilities, provided that the conditions set out in Article 38(3) CRR are fulfilled)**	13448300 %
	Applicable caps on the inclusion of provisions in tier 2	
76	Credit risk adjustments included in the tier 2 capital with respect to exposures subject to the standardised approach (before the application of the cap)	
77	Cap on inclusion of credit risk adjustments in T2 under the standardised approach	186,169

78	Credit risk adjustments included in T2 in respect of exposure subject to internal rating-based approach (before application of the cap)
79	**Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach**
	Capital instruments subject to phase-out provisions (only applicable between 1 January 2014 and 1 January 2022)
80	Current cap on CET1 instruments subject to phase-out arrangements
81	Excluded from CET1 due to cap (excess over cap after redemptions and maturities)
82	Current cap on AT1 instruments subject to phase-out arrangements
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)
84	Current cap on T2 instruments subject to phaseout arrangements
85	Excluded from tier 2 due to cap (excess over cap after redemptions and maturities)

Appendix III, LI3: Outline of differences in consolidation groups (entity by entity)

a	b	c	d	e	f	g	h
Bankinter Group 2023	Accounting consolidation method	Prudential consolidation method					
		Full consolidation	Proportionate consolidation	Equity method	Not consolidated, not deducted	Deducted	Description of the entity
Bankinter Gestión de Activos, S,A, SGIIC	Full consolidation	X					Asset management
Hispamarket, S,A,	Full consolidation	X					Holding and purchasing securities
Intermobiliaria, S,A,	Full consolidation	X					Real estate management
BK Consultoria, Asesoramiento y Atención Telefonica, S,A,	Full consolidation	X					Telephone assistance
BK Sociedad de Financiación, S,A,U,	Full consolidation	X					Issuance of debt securities
Bankinter Consumer Finance, EFC, S.A.	Full consolidation	X					Financial credit institution
Arroyo Business Consulting Development, S.L	Full consolidation	X					No activity
Bankinter Global Services, S.A.	Full consolidation	X					Consulting
Bankinter Luxembourg, S.A	Full consolidation	X					Private banking
Evo Banco, S,A,	Full consolidation	X					Credit institution
Avantcard, D,A,C,	Full consolidation	X					Cards and consumer finance
Bankinter Hogar y Auto, Sociedad Anónima de Seguros y Reaseguros	Full consolidation	X					Limited-liability company
Bankinter International Notes SARL	Full consolidation	X					Issue of structured securities
Bankinter Investment,	Full consolidation	X					Investment banking
Bankinter Investment SGEIC, S,A,	Full consolidation	X					Management entity for alternative investment vehicles
Bankinter Seguros Generales, S,A, de Seguros y Reaseguros	Equity method			X			Insurance company
Bankinter Seguros de Vida, S,A, de Seguros y Reaseguros	Equity method			X			Insurance company
Olimpo Real Estate Socimi, S.A.	Equity method			X			Real estate investment trust

Atom Hoteles, Socimi, S.A.	Equity method			X	Real estate investment trust
Olimpo Real Estate Portugal, SIGI, S.A.	Equity method			X	Real estate investment trust
Bankinter Logística, S,A,	Equity method			X	Acquisition of logistics assets
Victoria Hotels & Resorts, S.L.	Equity method			X	Acquisition of hotel assets
Atrium Bire SIGI, S,A,	Equity method			X	Real estate investment trust
Palatino Residencial, S.A.	Equity method			X	Real estate investment trust
Universo, IME, S,A,	Equity method		X		Electronic money entity
Naviera Sorolla, S,L,	Full consolidation	X			Special purpose vehicle
Naviera Goya, S,L,	Full consolidation	X			Special purpose vehicle
Bankinter 10 Fondo de Titulización de Activos	Full consolidation	X			Special purpose vehicle
Bankinter 11 Fondo de Titulización Hipotecaria	Full consolidation	X			Special purpose vehicle
Bankinter 13 Fondo de Titulización de Activos	Full consolidation	X			Special purpose vehicle