bankinter.

Pillar 3 Disclosures Report

2022

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Executive summary

The Bankinter Group has completed a very satisfactory business year, delivering its profit targets for 2023 a year earlier and surpassing pre-pandemic and pre-Línea Directa spin-off levels. The bank's healthy results were driven by considerable improvement in all margins, thanks to a stronger commercial activity and an ability to bring in new business, resulting in growth across all business lines, customer segments and geographies where it operates.

The robust business came alongside good performances by the various ratios and indicators. RoE ended the year at 12%, compared to 9.6% at year-end 2021, which did not include the one-off capital gain from Línea Directa. ROTE was 12.7%. The cost-to-income ratio is 44%, and 40.05% for Spain. These numbers are among the best of any bank in Europe.

Bankinter kept non-performing loans in check despite the worsening macroeconomic landscape. The NPL ratio eased to 2.10% at year-end 2022 from 2.24% the year before, while NPL coverage increased to 66.3% from 63.6%. Pre-provision operating profit was EUR 1.166.3 billion, 16.4% higher than in the previous year.

Turning to capital adequacy, the CET1 fully-loaded capital ratio is 12.01%, well above of the ECB's 7.726% minimum requirement for Bankinter for FY 2023 of 7.726%, which is unchanged from the year before.

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 2022. 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 Bankinter 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 the risk levels at which it wishes to operate to achieve the Group's strategic objectives and to 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, and at 2022 year-end, they were all within the risk appetite limits set by the board of directors:

12.01% 2021: 12.05%

Common equity tier 1 – CET1 (%) fully loaded (see Chapter 2)

€4,344mn 2021: €4,254mn

Common equity tier 1 – CET1 fully loaded (see Chapter 2)

€560.2mn 2021: €437mn

Profit after tax (see the management report of the annual report)

12.00% 2021: 9.59%

RoE (see the management report of the annual report)

2.10% 2021: 2.24%

Non-performing loans ratio (see page 182 of the annual report)

€36,174mn 2021: €35,303mn

Risk-weighted assets (See chapter 3)

€32,627mn 2021: €31,817mn

Credit risk-weighted assets (See chapter 3)

€200mn 2021: €389mn

Markets risk-weighted assets (See chapter 3)

€3,347mn 2021: €3,097mn

Operational risk-weighted assets (See chapter 3)

194% 2021: 229%

Liquidity Coverage Ratio - LCR (See chapter 9)

4.4% 2021: 4.9%

Leverage ratio (See chapter 10)

The Prudential Relevance Report provides particulars of the regulatory risk measures reflecting the Group's risk profile and strategy. In 2022, 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 have decreased 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.

At 31 December 2022, the Bankinter Group had a CET1(%) ratio of 12.01%, compared to the minimum ratio of 7.7226% required by the European Central Bank (ECB) for 2023 after conducting its Supervisory Review and Evaluation Process (SREP). According to the result of this exercise carried out by the ECB, Bankinter's risk profile remains unchanged compared to previous years and, therefore, its minimum capital requirements have not changed. The minimum required CET1 ratio of 7.7226% comprises the Pillar 1 requirement (4.5%), the Pillar 2 requirement (0.7226%) and the capital conservation buffer (2.5%).

The total capital ratio was 15.27% at year-end, while the minimum requirement set by the supervisory authority was 11.79%.

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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.

Under part eight 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 2022.

The purpose of this report is to facilitate market agents' assessment of the Bankinter Group's capital adequacy at 31 December 2022. 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 23 March 2023, 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 June 1965 as a bank, and changed its name to the present name in July 1990. Its corporate purpose is the performance of banking business, and it is subject to the standards and regulations applicable to credit institutions 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) that, with it, constitute Bankinter Group. 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 it 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 is different from the prudential banking consolidation scope, which is the relevant scope for the purposes of this report, as it aims to integrate only the typical risks of credit, investment and financial institutions, excluding risks arising from the insurance business. This is reflected in Regulation (EU) 575/2013, modified by Regulation (EU) 2019/876, on prudential requirements for banks and investment firms, when defining the prudential consolidation method.

As explained in Note 13 to the consolidated financial statements and in this report, the companies that make up the Línea Directa Aseguradora Group will no longer be part of the Bankinter Group from April 2021, following its IPO. Therefore, Bankinter Group's prudential consolidation scope is the same as the public scope for the second successive year.

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 31 December 2022, the entity has the same accounting and regulatory scope of consolidation, therefore the information on carrying amounts is the same in both cases and is presented in the same column in the CC2 and LI1 templates combined:

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

		a) and b)	c)
		Public and reserved statement of financial position	Reference
		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	13,351,217	
2	Financial assets held for trading	4,055,770	
3	Financial assets designated at fair value through profit or loss	-	
4	Non-trading financial assets mandatorily at fair value through profit or loss	161,397	
5	Financial assets at fair value through other comprehensive income	2,810,920	
6	Financial assets at amortised cost	84,862,782	
7	Fair value changes of the hedged items in portfolio hedge of interest rate risk	(648,517)	
8	Derivatives – Hedge accounting	1,128,474	
9	Non-current assets held for sale	262,994	
10	Investments in joint ventures and associates	178,203	
11	Assets under reinsurance and insurance contracts	-	
12	Tangible assets	447,853	
13	Intangible assets	278,940	
14	Tax assets	460,241	
15	Other assets	156,759	
16	**Total assets**	**107,507,032**	
	Liabilities- Breakdown by liability class according to the balance sheet of the audited financial statements		
1	Financial liabilities held for trading	3,347,198	
2	Financial liabilities designated at fair value through profit or loss	-	
3	Financial liabilities at amortised cost	97,817,081	
4	Fair value changes of the hedged items in portfolio hedge of interest rate risk	(203,914)	
5	Derivatives – Hedge accounting	625,125	
6	Liabilities held for sale	-	
7	Liabilities under insurance contracts	-	
8	Provisions	376,159	
9	Tax liabilities	291,132	
10	Share capital repayable on demand	-	
11	Other liabilities	349,279	
12	**Total liabilities**	**102,602,060**	
	Own funds		
1	Shareholders' equity	5,034,001	
2	Accumulated other comprehensive income	(129,028)	
3	Minority interests	-	
4	**Total equity**	**4,904,973**	
	TOTAL EQUITY AND LIABILITIES	107,507,032	

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 of items				
		Carrying amounts reflected in published financial statements	Carrying amounts under the prudential consolidation group	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 statements							
1	Cash, cash balances at central banks and other demand deposits	13,351,217	13,351,217	13,351,217				
2	Financial assets held for trading	4,055,770	4,055,770		1,181,732		2,874,038	
3	Financial assets designated at fair value through profit or loss	-	-					
4	Non-trading financial assets mandatorily at fair value through profit or loss	161,397	161,397	161,397				
5	Financial assets at fair value through other comprehensive income	2,810,920	2,810,920	2,810,920				
6	Financial assets at amortised cost	84,862,782	84,862,782	82,903,097	1,227,109	732,576		
7	Fair value changes of the hedged items in portfolio hedge of interest rate risk	(648,517)	(648,517)					(648,517)
8	Derivatives – Hedge accounting	1,128,474	1,128,474		1,128,474			
9	Non-current assets held for sale	262,994	262,994	262,994				
10	Investments in joint ventures and associates	178,203	178,203	59,959				118,244
11	Assets under reinsurance and insurance contracts	-	-					
12	Tangible assets	447,853	447,853	447,853				
13	Intangible assets	278,940	278,940	74,393				204,546
14	Tax assets	460,241	460,241	217,660				242,581
15	Other assets	156,759	156,759	156,759				
16	**TOTAL ASSETS**	**107,507,032**	**107,507,032**	**100,446,249**	**3,537,315**	**732,576**	**2,874,038**	**(83,146)**

		a	b	c	d	e	f	g
			Carrying amounts of items					
		Carrying amounts as published in the financial statements	Carrying amounts under the prudential consolidation group	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 statements							
1	Financial liabilities held for trading	3,347,198	3,347,198		1,140,068		2,207,130	(0)
2	Financial liabilities designated at fair value through profit or loss	-	-					-
3	Financial liabilities at amortised cost	97,817,081	97,817,081			524,662		97,292,419

4	Fair value changes of the hedged items in portfolio hedge of interest rate risk	(203,914)	(203,914)					(203,914)
5	Derivatives – Hedge accounting	625,125	625,125		625,125			-
6	Liabilities held for sale	-	-					-
7	Liabilities under insurance contracts	-	-					-
8	Provisions	376,159	376,159					376,159
9	Tax liabilities	291,132	291,132					291,132
10	Share capital repayable on demand	-	-					-
11	Other liabilities	349,279	349,279					349,279
12	**TOTAL LIABILITIES**	**102,602,060**	**102,602,060**		**1,765,193**	**524,662**	**2,207,130**	**98,105,075**

Figures in thousands of euros

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)	107,590,178	100,446,249	732,576	3.537.315	2,874,038
2	Liabilities carrying value amount under scope of prudential consolidation (as per template LI1)	(4,496,985)	-	(524,662)	-1.765.193	(2,207,130)
3	Total net amount in the scope of consolidation prudence	103,093,193	100,446,249	207,914	1.772.123	666,908
4	*Off balance sheet amounts*	23,694,821	23,694,821			
5	*Differences in valuations*	467,232			467.232	
6	*Differences due to different netting rules, other than those included in row 2*	(666,908)	-			
7	*Differences due to consideration of provisions*	(478,432)	(478,432)			
8	*Differences due to the use of credit risk reduction techniques*	(6,662,351)	(5,413,899)		-1.248.452	
9	*Differences due to credit conversion factors*	(19,088,605)	(19,088,605)			
10	*Differences due to securitisations with risk transfer*	347,177		347,177		
11	*Other differences*	(685,675)	(685,675)			
12	**Exposure amounts considered for regulatory purposes**	**100,020,452**	**98,474,458**	**555,091**	**990.903**	**(0)**

Figures in thousands of euros

1.1.4. Main changes in the Group's scope in 2022

Note 13 of the Notes to the consolidated financial statements for the financial year 2022 describes the most significant events with an impact on the Group's scope of consolidation that have occurred during the financial year 2022, 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, Bankinter Group's fully digital bank. At 31 December 2022, the regulatory authorisations required to execute this agreement were still being processed.
- 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. (beneficiary company), in accordance with the joint demerger plan of 23 March 2022, subject to obtaining the relevant authorisations from the competent authorities. The spun off assets constitute an economic unit that has been providing in the Company, 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 legal structure of the spin-off corresponds to a simplified spin-off, since the beneficiary company is a company directly and wholly owned by Bankinter, S.A. The spin-off is therefore subject to the regime provided for in Article 49 of Law 3/2009 of 3 April on structural changes in commercial companies.

  Once the relevant authorisations had been received from the competent authorities, the Company proceeded to record the spin-off, derecognising net assets amounting to €184.7 million against an increase in the value of the holding in Bankinter Investment, S.A.U., all with accounting effects as from 1 January 2022, in accordance with current accounting regulations.
- The company **Bankinter Investment SGEIC**, alternative investment fund management company under Bankinter Investment, S.A.U., was also incorporated. This management firm plans to evolve the alternative investment options, by providing them to customers as delegated management opportunities, considering the profile of each customer and looking to suitably diversify its investments. Under the recently approved new regulatory framework (Law 18/2022, of 28 September, on the creation and growth of companies), this Alternative Investment platform, through the Management Firm, will be available for investments from 10,000 euros. The Management Firm will maintain the model followed up until now by the bank, which involves investments in real-economy sectors very carefully selected for their growth potential, searching for the best professional management firm for each investment type, monitoring all investments very closely in the interests of investors, and co-investment by Bankinter Investment, S.A.U. and its sector expert partners, as well as the other investors.
- **Bankinter International Notes S.à r.l.**, a wholly owned Bankinter Group subsidiary located in Luxembourg, began operations in 2022. It was set up for the issuance of structured bonds, which are marketed by the Bankinter, S.A. parent.
- At year-end the Bankinter Group, through its consumer finance subsidiary, Bankinter Consumer Finance, E.F.C., was in advanced talks with Sonae SGPS, S.A., for the creation of a joint venture that aims to lead the consumer finance market in Portugal. The partnership will build on the combination of the two partners' existing consumer businesses in Portugal.

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 reasons 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 a document sent 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.

The Group's risk culture, based on prudence and risk control, is fully integrated into its 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:

- General risk management principles.
- The risk appetite framework.
- Corporate governance of the risk function.
- The structure and organisation of risk management.
- The internal control model.
- The risk culture

1.4.1. Principles and culture of risk management and control

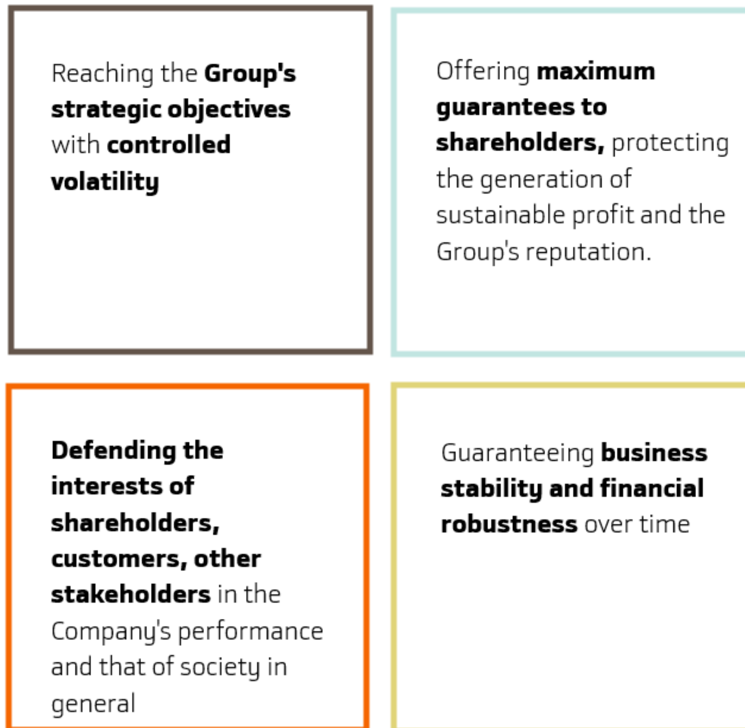
The board of directors of Bankinter, S.A. has the power, which it cannot delegate, to establish a risk management and control framework that considers all the various types of financial and non-financial risks that could arise, including credit, market, liquidity, concentration, operational, information 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; and regular monitoring of the 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; thereby guaranteeing 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 clearly define the type of activity, segment and risk 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 will also be established.
- **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 right channels to facilitate communication
- **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 is able to meet the 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 proper compliance** of the corporate governance rules established by the Company through its corporate governance system set out in the Bankinter Group's Corporate Governance Policy and the ongoing updating and improvement of that system, within the scope of the best international practices of transparency and good governance, and to monitor and measure them.
- **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 as per the Company's corporate governance system** and, particularly, the values defined in the Code of Professional Ethics of Bankinter Group
- **Responsibility to society**, which is manifested through different 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 established the **general risk management and control framework** (the "risk 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:



The board of directors approves and reviews the **risk appetite framework**(the "RAM") , which defines the risk appetite and tolerance that the Entity is willing to assume in its activities, on a regular basis.. The framework contains a set of key metrics for the levels of the various risks, and the quality and recurrence of earnings, liquidity and solvency. For each of these metrics a target, tolerance and limit are defined.

The objective in each metric is the value that complies with the established appetite level; the tolerance level sets the threshold from which reinforced management, control and tracking measures are taken to return to the target situation, and, finally, the limit is the threshold that the Institution does not want to go beyond under any circumstances. The appropriateness of the metrics and their levels is reviewed by the risk and compliance committee on a quarterly basis, on the recommendation of the chief risk officer (CRO), where it is the committee that issues the recommendation to the board of directors for its update and approval of amendments, where appropriate. 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.

Therefore, the risk appetite framework is a governance tool to ensure that the risks assumed are consistent with Bankinter Group's strategy and business plans, irrespective of any limits established for the various risks and monitored regularly though the relevant committees and organisational structures.

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, as described below.

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 model

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, and 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.

In short, Bankinter has a solid and deep-rooted risk culture that has evolved since the Bank's inception and has been nurtured and strengthened over the years. It is one of the most distinctive signs of its distinctiveness as a company and the organisation must strive to preserve it and extend it to all the Group's businesses. Fully committed to this culture, the governance bodies have opted for a prudent risk management and control 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.

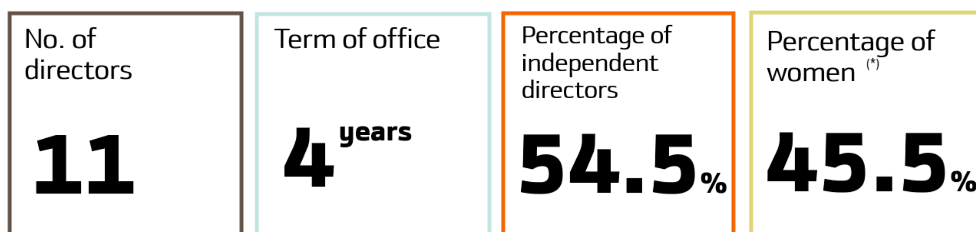
Compliance with the risk appetite framework is monitored via Level 1 and Level 2 metrics available for each type of risk to which the Institution is exposed. They are all subject to tracking by the board through periodic reporting to the risk committee.

1.4.2. Governance of the risk function

Board of Directors

The first level of responsibility is assumed by the board of directors, which defines and approves the company's risk appetite. The Institution's risk appetite and strategy are aligned through the principles defined by the board.

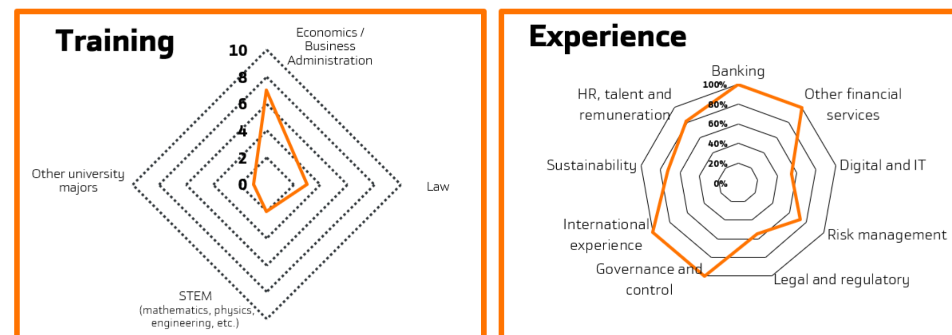
Description of the structure of the board of directors:



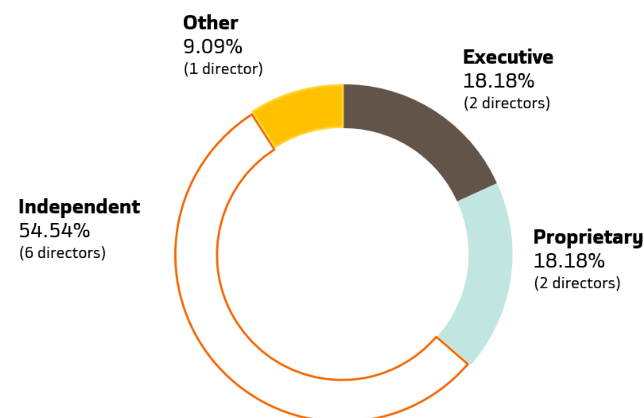
(*) One as chief executive officer and highest ranking executive of the company since 2010.

The Corporate Governance Report 2022, available on the corporate website, includes a detailed description of both the composition of the board of directors and its committees, as well as of the members of which they are composed, including their profile 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



Breakdown by category of director
Board of directors



Functions of the board of directors in the area of risk:

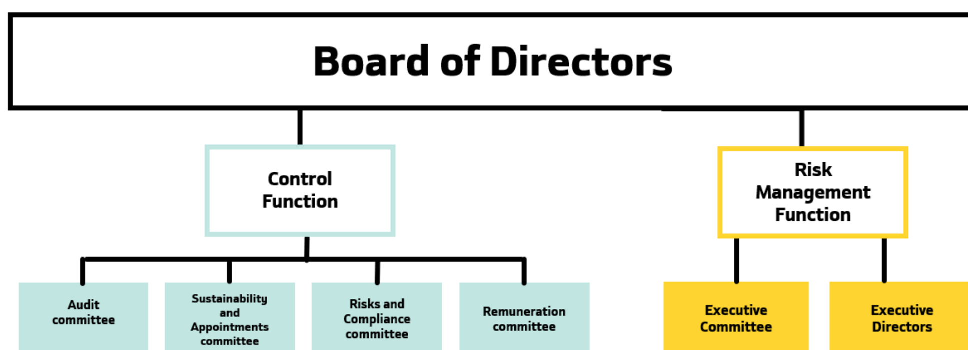
The board of directors, in accordance with the provisions of the board regulations, is the body responsible for approving the strategy, objectives and general management of the entity, as well as exercising control over the management decisions adopted.

There are two distinct Risk functions:

- Management
- Oversight or control.

At Bankinter these functions are carried out by the board of directors and its specialised committees.[1], constituted by it, as well as by delegation to the executive members of the board in the exercise of the specific powers vested in them.

The board of directors is the body responsible for establishing the risk control and management framework and for regular monitoring of the risk information and control systems. The committees involved in the risk control and management function are as follows:



[1] *Article 37 of the rules and regulations of the board of directors: "The board of directors shall organise its work by setting up committees. Board committees will be vested with decision-making powers as well as the authority to provide expertise and propose motions in relation to specific matters, while subjecting the board to additional scrutiny and control.".*

Executive committee

For the purpose of risk management and control, the executive committee makes decisions within its sphere of action, as delegated by the board of directors, and takes decisions on risks within the defined limits and not delegated to lower-ranking bodies, as stipulated in the Institution's risk control and management framework.

Further, it periodically tracks liquidity risk, credit risk, market risk and operational risk through changes in risk-weighted assets (RWAs) and the Institution's capital adequacy.

The executive committee had 11 already sessions in 2022 (see the 2022 annual corporate governance report on the Bankinter corporate website for further details).

Risk and compliance committee

The risk and compliance committee exercises oversight functions in risk matters and is the main support to the board in this area.

Its duties include: i) advising the board of directors on the entity's overall risk propensity and on its strategy in this regard, and assisting the board of directors in the effective implement of that strategy, determining, together with the board of directors, the nature, quantity, format and frequency of the information on risks to be received. And ii) agree on the appointment and removal of the chief risk officer and the head of control and compliance, based on a suitability assessment in both cases by the pertinent committee, and iii) oversight of the Group's control and compliance function, and specifically risk control, internal validation, regulatory compliance and anti-money laundering and counter-terrorist financing. The risk and compliance committee has its own regulations, approved by the board of directors, which spells out all its functions. The Corporate Governance Report 2022 describes them, as well as the time devoted by the

committee to each of them during the financial year 2022. All of this is available on Bankinter's corporate website.

In 2022, the risk and compliance committee met six times (see the 2022 annual corporate governance report on the Bankinter corporate website for further details).

Audit committee

Body delegated by the board of directors to exercise the board's powers relating to the oversight and monitoring of the company's activity; the accuracy, objectivity and transparency of its accounting practices; its economic and financial reporting; and its compliance with legislation and regulations by which the Bank is bound. As a general rule, it acts by making recommendations of good practices for the Bank's areas albeit it may also reach resolutions about issues under its supervision.

The audit committee directs the internal audit activity. Its annual plan focuses closely on work related to the measurement, monitoring and management of risks.

The audit committee has its own regulations, approved by the board of directors, which set out all its functions. The Corporate Governance Report 2022 describes them, as well as the time devoted by the committee to each of them during the financial year 2022. All of this is available on Bankinter's corporate website.

In 2022, the audit committee met 11 times, 1 of them in writing with no physical meeting held (for more details see the 2022 annual corporate governance report on the Bankinter corporate website).

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.

The remuneration committee has its own regulations, approved by the board of directors, which set out all its functions. The Corporate Governance Report 2022 describes them, as well as the time devoted by the committee to each of them during the financial year 2022. All of this is available on Bankinter's corporate website.

In 2022, the remuneration committee met seven times, two of which were extraordinary meetings (see the 2022 annual corporate governance report on the Bankinter corporate website for further details).

Sustainability and appointments committee

The committee is also involved in the area of this framework by assuming the following specific duties relating to sustainability:

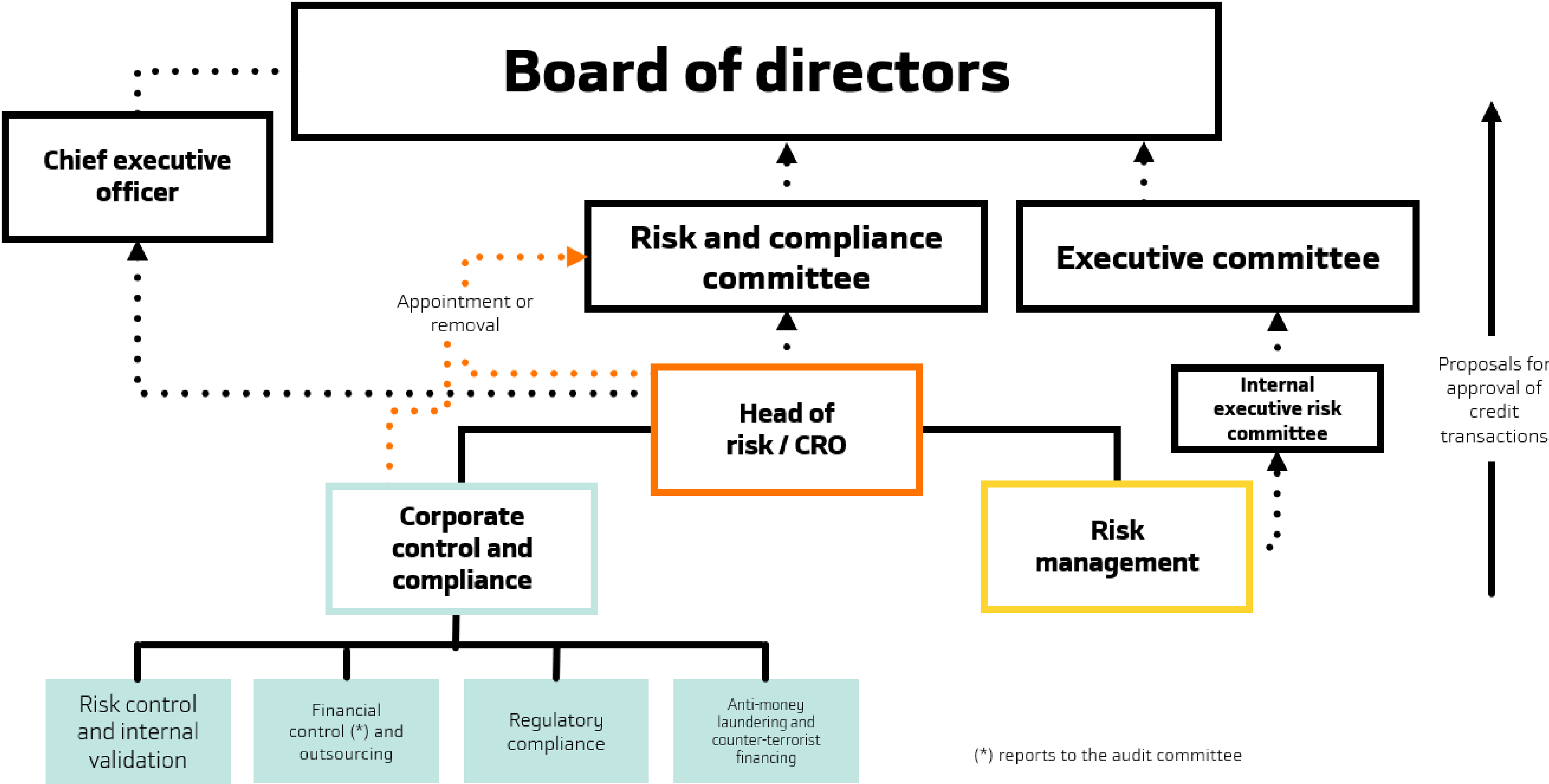
- Reviewing the Bankinter Group's Sustainability Policy and Corporate Governance Policy, ensuring that it is focused at all times on the creation of value.
- Monitoring of sustainability strategy and practices, best practices in this regard and evaluation of their degree of compliance.
- Assessing all 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.

The sustainability and appointments committee has its own regulations, approved by the board of directors, which spells out all its functions. The Corporate Governance Report 2022 describes them, as well as the time devoted by the committee to each of them during the financial year 2022. All of this is available on Bankinter's corporate website.

During the financial year 2022, the sustainability and appointments committee met on six occasions, one of them extraordinarily, and also adopted written resolutions on one occasion (for further details see the 2022 Annual Corporate Governance Report available on Bankinter's corporate website).

Executive directors

Perform management roles in the Institution and, specifically, promote risk management following the principles, policies, appetite statement and risk culture defined by the board of directors.



Board of directors
Chief executive officer
Risk and compliance committee
Executive committee
Appointment or removal
Head of risk / CRO
Internal executive risk committee
Proposals for approval of credit transactions
Corporate control and compliance
Risk management
Risk control and internal validation
Financial control (*) and outsourcing
Regulatory compliance
Anti-money laundering and counter-terrorist financing
(*) reports to the audit committee

1.4.3. Risk control and management function structure and internal organisation

The risk management and control function is distributed between Bankinter's various divisions, such as the Risk division, which also includes the Corporate Control and Compliance division, the Finance and Capital Markets division, the Digital Banking division and the Internal Audit division.

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

The Risk division is overseen by the managing director of risk, who is the chief risk officer (CRO) in accordance with prevailing regulations. The board risk and compliance committee appoints and removes the chief risk officer on the recommendation of the chairman, vice chairman (if an executive) or the chief executive officer of the Entity.

There are two differentiated and separate functions under the oversight of the Risk division/CRO:

- Risk management.
- Corporate control and compliance function.

The organisation of these functions is described below.

- ***Risk management***

The risk management function covers the main risks (credit and counterparty, market, liquidity, structural, operational and model), with global and corporate-wide responsibilities and provides 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** mainly defining and supporting risk reporting, and designing, implementing, maintaining and evolving credit risk approval and monitoring systems.
- **Global Risk:** coordinates the different Risk areas in activities and projects related to methodologies, policies, procedures and regulations, seeking to adopt industry best practices in the measurement and management of risks and, in particular, management of the Group's global risk profile.
- **The Risk Assessment unit acts on cross-cutting factors, coordinating and promoting:** a sectoral approach to credit portfolio management, analysing sectors and promoting the most appropriate information and management processes at all times. As managing climate- and environment-related factors and their translation into different risks.
- **Market Risk and Institutional Control:** Reporting to the managing director of risk/chief risk officer, its function is to control and monitor structural risks (liquidity, interest rate and foreign currency) and market risks arising from the Entity's institutional and trading operations.
- As discussed 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. First-line management of operational risk is delegated to the Group's various subsidiaries, support areas and business units. Operational risk is occasionally managed by specialised or centralised departments when necessary given the circumstances (complexity, size, cross-sector corporate processes, etc.).
- **Non-performing Loans and Impact:** 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 publicising and managing assets in accordance with principles of transparency, sufficient publicity, competition and effectiveness in order to obtain the highest price possible. It prioritises quick selling.
- **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.

- ***Corporate control and compliance function***

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:

(i) An comprehensive view of the set of risks to which the Group is exposed;

(ii) A full scope, so that the second line of defence effectively impacts all Group entities and the activities they carry out;

(iii) A common methodology, tools and resources;

(iv) A level, recognition and independence of its function; and

(v) 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.

As a result, at the end of 2020, the board of directors decided to set up the Corporate Control and Compliance division, whose functions and competencies extend to all Bankinter Group entities, subsidiaries and branches, so it could perform oversight, with independence and objectivity, under a single department reporting directly to the board of directors through the risk and compliance committee, and integrated into the Bank's organisational structure through the Risk division, of: (i) effective risk control within the general risk appetite framework; (ii) compliance with and implementation of Group policies; and (iii) compliance with operating procedures and regulations in the following areas of action (extending its functions and scope to all Bankinter Group entities, subsidiaries and branches):

(i) 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.

(ii) Anti-money laundering and terrorist financing: this relates to risks arising from compliance with related regulations. It reports to the risk and compliance 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, training).

(iii) 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.

(iv) 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.

(v) Any other responsibilities expressly entrusted to be 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 determine 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:

(i) Charter of the anti-money laundering and terrorist financing function;

(ii) Charter of the regulatory compliance function;

(iii) Charter of the risk control and internal validation function; and

(iv) Charter of the financial control and outsourcing function.

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 rates 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. This aim is focus dialogue with customers, especially those exposed to higher levels of risk. By doing this, we incorporate climate and environmental factors into our risk decision-making and attempt to identify opportunities to assist these customers financially in their transition.

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

- Sustainability policy. Bankinter has been managing sustainability for over a decade now through successive policies and strategic plans. It is also a signatory of the leading international sustainability and climate change initiatives and commitments; e.g. the United Nations Global Compact, the Equator Principles, UNEPFI (the United Nations Environment Programme Financial Initiative), the Responsible Banking Principles and the Net Zero Banking Alliance.
- Scenario analysis. Using the baseline scenario; i.e. Net Zero 2050, and assessing the entity's strength according to its strategy and assuming that a set of other plausible scenarios may occur.
- Decarbonisation strategy. 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 established 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: training and awareness-raising on information security; coordination of technology environment improvement plans; management of system vulnerabilities; coordination of certified risk management systems; cryptographic key custody; identification and definition of the security requirements for new projects and developments; definition, approval and maintenance of business continuity plans, technological contingency and incident response plans; implementation of security measures on operating systems, databases and middleware; and identification and management of any vulnerabilities detected.

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.

Other control units

Privacy and data protection

The board of directors of Bankinter, S.A., as Bankinter Group parent, must ensure that the Bank and Group have appropriate policies in place to guarantee respect for the right to privacy and personal data protection of customers, employees, shareholders and suppliers (the "data subjects"). To this end and to ensure that a real compliance culture in this respect exists in the company, the board of directors approved the Bankinter Group Privacy Policy, which sets out the following organisational structure:

- **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 has its own internal rules and regulations and reports 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.**
- Bankinter Group entities that process personal data have appointed a **data protection and private 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).

The functions of these and of the delegates are described in the Bankinter 2022 Corporate Governance Report, published on Bankinter's corporate website.

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 have been updated for the criminal compliance systems in Bankinter Consumer Finance, Bankinter Luxembourg and Evo Banco, 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 chairman of the crime prevention and professional ethics committee reports annually and directly to the audit committee, informing the board of directors.

The report on the general criminal compliance model was completed, with procedural effects and certification by an external expert implemented in Bankinter. Further information is included in the Bankinter 2022 Corporate Governance Report, published on Bankinter's corporate website.

In addition, the audit committee and the board of directors approved Bankinter Group's Anti-Corruption Policy at their meetings on 20 and 22 April 2020, respectively.

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

- Code of Professional Ethics for Bankinter Group employees, available to all employees through the intranet.
- Code of Professional Ethics for Agents, available to agents through the agents' extranet.
- Code of Professional Ethics for suppliers, available to suppliers through the suppliers' portal.

The Bankinter whistleblowing channel is available to employees through the intranet, to agents through the agents' extranet and to suppliers through the suppliers' portal.

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

Prudence is the hallmark of Bankinter Group's lending policy: credit granting criteria is 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.

Indeed, in many cases, the 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 capital consists of common equity tier 1 (CET1) and additional tier 1 capital (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 bank 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 capital (T2) absorbs losses after instruments CET1 and T1, and it remains subordinated to the rest of bank 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.
- 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) 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 securities forming part of Additional Tier 1 capital (AT1) at 31 December 2022 are detailed in the CCA template in Annex 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) 575/2013. These instruments are ranked behind common creditors in case of insolvency.
- Share premiums associated with these instruments, if available.

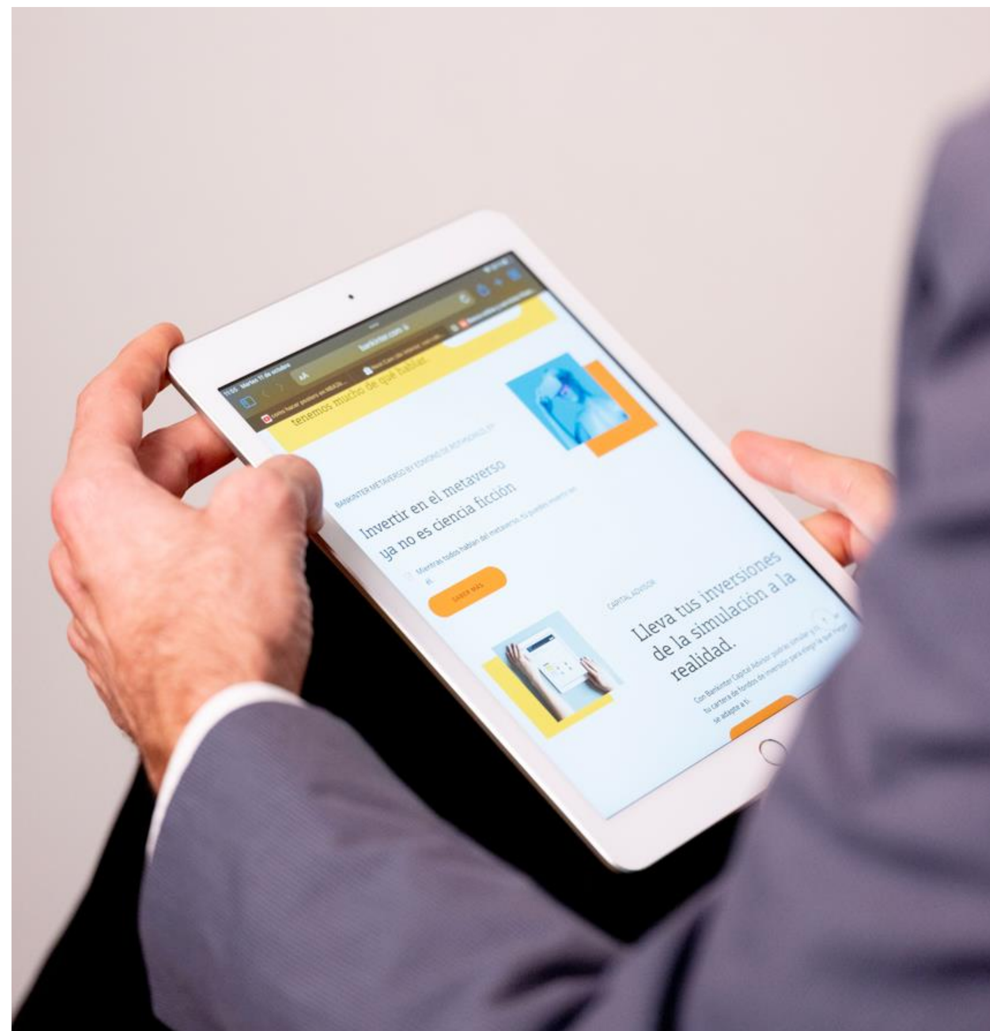
It should be borne in mind that, according to the Regulation, issues of eligible tier 2 instruments with less than five years left until their maturity, start to lose their eligibility as tier 2 capital at an annual rate of 20%.

The characteristics of issues of subordinated debentures forming part of additional tier 2 capital at 31 December 2022 are detailed in the CCA template in Annex I.

The computable live balance of issues eligible as Tier 2 at 31 December 2021 amounted to 830,371 thousand euros, and this balance was unchanged at 2022 year-end.

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	2022	2021
Common equity tier 1: instruments and reserves	4,821,667	4,800,995
Capital instruments and share premiums	269,660	269,660
Retained earnings	4,405,368	3,300,924
Other accumulated income	(133,463)	115,991
Interim profit net of foreseeable dividends	280,101	1,114,420
Common equity tier 1: regulatory adjustments	(477,783)	(546,793)
Other regulatory valuation adjustments	(5,923)	(4,489)
Intangible assets	(204,545)	(186,232)
Shortfall of prudential provisions and of IRB portfolios	(249,614)	(335,576)
Direct and indirect holdings of own instruments	(14,241)	(17,036)
Deferred tax assets	(3,460)	(3,460)
Investments in financial institutions	-	-
Common equity tier 1 (CET1)	**4,343,884**	**4,254,202**
Additional tier 1 capital: instruments	350,000	350,000
Eligible AT1 instruments	350,000	350,000
Additional tier 1 capital: regulatory adjustments	-	-
Temporary adjustments to additional tier 1 capital	-	-
Additional tier 1 capital (AT1)	350,000	350,000
Tier 1 capital (CET1 + AT1)	**4,693,884**	**4,604,202**
Tier 2 capital: instruments	830,371	830,371
Eligible tier 2 instruments	830,371	830,371
Tier 2 capital: regulatory adjustments	-	-
Temporary adjustments to additional tier 1 capital	-	-
Tier 2 capital	**830,371**	**830,371**
Total capital (tier 1 capital + tier 2 capital)	**5,524,256**	**5,434,574**
Risk-weighted assets	**36,174,282**	**35,303,115**
CET 1 fully loaded (%)	**12.01%**	**12.05%**
Tier 1 fully loaded (%)	**12.98%**	**13.04%**
Total capital fully loaded (%)	**15.27%**	**15.39%**

Figures in thousands of euros

The increase in Common Equity Tier 1 (CET1) in 2022 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.

As at 31 December 2022, Additional Tier 1 capital (AT1) amounts to €350,000 thousand, remaining at the same level as at 31 December 2021.

Risk-weighted assets increased in 2022 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	2022	2021
Paid up capital	269,660	269,660
Share premium	-	-
Reserves	4,393,463	3,294,761
Other equity	11,905	6,163
Own shares	(1,393)	(1,025)
Attributed earnings	560,203	1,333,108
Interim dividends	(199,837)	(166,046)
Total own funds (public balance sheet)	5,034,001	4,736,621
Accumulated other comprehensive income	(129,028)	115,539
Total equity (public balance sheet)	4,904,973	4,852,160
Eligible preferred stock	350,000	350,000
Other valuation adjustments	(5,923)	(4,037)
Intangible assets	(204,545)	(186,232)
Shortfall of prudential provisions and of IRB portfolios	(249,614)	(335,576)
Deferred tax assets	(3,460)	(3,460)
Investments in financial institutions	-	-
Other adjustments	(97,546)	(68,652)
Tier 1	**4,693,884**	**4,604,203**

Figures in thousands of euros

The Bankinter Group has elected not to apply the transitional provisions provided for in Article 473a of Regulation (EU) 575/2013, so Bankinter will not apply the transitional provisions of IFRS 9 or similar ECL as at 31 December 2022.

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 June 26 on the regulation, supervision and capital adequacy of banks, and it 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 up above minimum requirements. To attain this objective, the capital buffer must be made up of common equity tier 1 (CET).
- Countercyclical capital buffer: It is not a permanent buffer, but instead it shall be required only in moments in which the 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 both the system and the real economy.
- Global systemically important institutions buffer (G-SII): It is established for institutions that constitute a systemic risk due to their size, degree of interconnection with the rest of 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 (O-SII): 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 the year-end date of 2022, the required level of this capital buffer has remained at 2.5%.

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

For 2022, the Bank of Spain, after analysing the macroeconomic environment and the evolution of 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 2023, it has decided to maintain the level of the countercyclical buffer at 0%, as made public on 14 December 2022.

In any case, given the current situation of uncertainty stemming from the war in Ukraine, the inflationary situation and the tightening of monetary policy, the Banco de España will continue to closely monitor the variables that may have an impact on its assessment of the need to activate the countercyclical capital buffer.

On 20 December 2022, Banco de Portugal also ratified the maintenance of the countercyclical buffer applicable to credit risk exposures located in Portugal at 0% for the first quarter of 2023.

The Bank of Ireland removed from the beginning of April 2020 the 1% countercyclical buffer for lending exposures located in Ireland, as a measure to support the real economy during the COVID19 crisis. Due to the rapid recovery of the Irish economy following the COVID-19 crisis, the invasion of Ukraine and inflationary pressures, the Central Bank of Ireland has decided to gradually rebuild macroprudential capital buffers through a countercyclical capital buffer of 0.5% to be introduced from 15 June 2023. If macroeconomic conditions develop as the Central Bank of Ireland expects, a countercyclical capital buffer of 1.5% will be announced as soon as economic conditions permit.

The institution 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.

Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer (CCyB1)

	a	b	c	d	e	f	g	h	i	j	k	l	m
	General credit exposures		Trading book exposures				Own funds requirements				Risk-weighted exposures	Weightings of own funds requirements	Countercyclical capital buffer percentage
Breakdown by country	Value of exposure according to standard approach	Value of exposure according to IRB method	Sum of long and short positions in the trading book	Value of trading book exposure for internal models	Securitisation exposures	Total value of exposures	Relevant credit exposures - Credit risk	Relevant credit exposures - Market risk	Relevant credit exposures - Securitisation positions in the banking book	Total			
España	15,878,529	37,136,724	3,844,292	-	557	57,416,278	1,975,260	16	12	2,003,138	25,039,229	85%	0%
Portugal	2,694,987	5,032,831	0	-	0	7,727,818	269	0	0	269	3,358,063	11%	0%
Irlanda	2,273,642	0	0	-	0	2,273,642	88	0	0	88	1,097,905	4%	0%
Total	20,847,159	42,169,555	3,844,292	-	557	67,417,738	2,331,737	16	12	2,359,616	29,495,197	100%	0%

Figures in thousands of euros

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.

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.

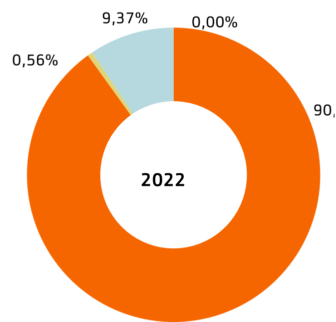
3.1. Breakdown of risk-weighted exposure

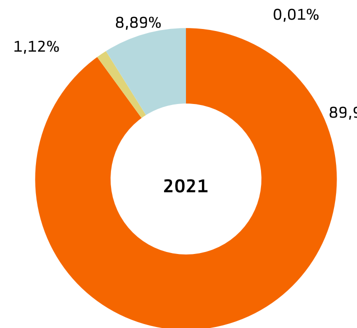
The total risk-weighted exposure, broken down by credit risk, market risk and operational risk at 31 December 2022 and 2021, is presented below.

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
		Q4 2022	Q3 2022	Q4 2021	2022
1	Credit risk (excluding counterparty credit risk)	32,169,997	32,227,540	31,329,366	2,573,600
2	Of which, standardised approach (SA)	15,324,318	14,963,621	14,700,857	1,225,945
3	Of which, foundation internal ratings based (FIRB) approach	10,472,372	10,676,017	10,164,913	837,790
4	Of which, slotting approach (SLO)	451,437	451,075	510,948	36,115
5	Of which, internal ratings based (IRB) approach	5,921,870	6,136,828	5,952,647	473,750
6	Counterparty credit risk (CCR)	309,001	333,073	317,333	24,720
7	Of which: with standardised approach	247,734	265,884	270,642	19,819
8	Of which: with the internal model method (IMM)				
EU 8a	Of which: exposures to a central counterpart	19,371	26,602	15,335	1,550
EU 8b	Of which: credit valuation adjustment (CVA)	41,188	39,106	28,345	3,295
9	Of which: other counterparty risk	707	1,482	3,011	57
15	Settlement risk	-		-	-
16	Securitisation exposures in loans and receivables (after application of the cap)	148,463	158,123	170,425	11,877
17	Of which: the SEC-IRBA method	148,463	158,123	170,425	11,877
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% / Deduction				
20	Position, exchange rate and commodity risks (market risk)	200,019	317,793	389,100	16,001
21	Of which: with standardised approach (SA)	200,019	317,793	389,100	16,001
22	Of which: with the internal model method (IMM)				
EU 22a	Large exposures				
23	Operational risk	3,346,804	3,096,891	3,096,891	267,744
EU 23a	Of which: with the basic indicator approach				
EU 23b	Of which: with standardised approach	3,346,804	3,096,891	3,096,891	267,744
EU 23c	Of which: with the advanced measurement approach				
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (*)	999,134	915,721	1,221,045	79,931
29	Total	36,174,282	36,133,420	35,303,115	2,893,943

Figures in thousands of euros

(*) information amount included in row 2 total

Key metrics template (KM1)

		a	b	c	d	e
		Q4 22	Q3 22	Q2 22	Q1 22	Q4 21
	Available shareholders' equity					
1	Common equity tier 1	4,343,884	4,298,133	4,292,749	4,261,282	4,254,202
2	Tier 1 capital	4,693,884	4,648,133	4,642,749	4,611,282	4,604,202
3	Total capital	5,524,256	5,478,504	5,473,121	5,441,654	5,434,574
	Amount of risk-weighted exposure					
4	Total amount of risk-weighted exposure	36,174,282	36,133,420	36,225,074	35,798,689	35,303,115
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common equity tier 1 ratios (%)	12.01%	11.90%	11.85%	11.90%	12.05%
6	Equity tier 1 ratio (%)	12.98%	12.86%	12.82%	12.88%	13.04%
7	Total capital ratio (%)	15.27%	15.16%	15.11%	15.20%	15.39%
	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 CET1 SREP requirements (%)	0.73%	0.73%	0.73%	0.73%	0.68%
EU 7b	Additional AT1 SREP requirements (%)	0.24%	0.24%	0.24%	0.24%	0.23%
EU 7c	Additional T2 SREP requirements (%)	0.32%	0.32%	0.32%	0.32%	0.30%
EU 7d	Total own funds requirements SREP (%)	9.29%	9.29%	9.29%	9.29%	9.20%
	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 (%)	0.00%	0.00%	0.00%	0.00%	0.00%
9	Institution-specific countercyclical capital buffer (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 9a	Systemic risk buffer (%)	0.00%	0.00%	0.00%	0.00%	0.00%
10	Global systemically important entities buffer (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 10a	Other systemically important entities buffer (%)	0.00%	0.00%	0.00%	0.00%	0.00%
11	Combined buffer requirement (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 11a	Overall capital requirement (%)	11.79%	11.79%	11.79%	11.79%	11.70%
12	Common Equity Tier 1 capital available after meeting the total of the SREP's own funds requirements (%)	5.72%	5.87%	5.82%	5.91%	6.14%
	Leverage ratio					
13	Total exposure measurement	106,583,642	109,737,993	112,201,293	93,540,130	94,214,872
14	Leverage ratio (%)	4.40%	4.17%	4.14%	4.93%	4.89%
	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 (%)	0%	0%	0%	0%	0%
EU 14b	Additional leverage ratio requirements for AT1 (%)	0%	0%	0%	0%	0%
EU 14c	Additional leverage ratio requirements for T2 (%)	0%	0%	0%	0%	0%
EU 14d	Total SREP leverage ratio requirements (%)	0%	0%	0%	0%	0%
EU 14e	Required leverage ratio buffer requirement (%)	0%	0%	0%	0%	0%
EU 14f	Overall leverage ratio requirement (%)	0%	0%	0%	0%	0%
	Liquidity coverage ratio (1)					
15	Total high quality liquid assets (HQLA) (value-weighted, average)	22,065,845	23,296,584	24,060,606	24,078,796	23,186,017
EU 16a	Cash outflows — Total weighted value	15,279,982	15,128,776	14,565,990	14,218,090	13,725,939
EU 16b	Cash inflows — Total weighted value	4,698,919	4,393,347	4,106,640	3,897,588	3,626,201
16	Total net cash outflows (adjusted value)	10,581,063	10,735,429	10,459,350	10,320,502	10,099,738
17	Liquidity coverage ratio (%)	208.41%	217.63%	230.41%	233.68%	229.94%
	Net stable funding ratio					
18	Total stable funding available	71,590,503	74,482,967	76,628,055	79,440,459	78,920,335
19	Total stable funding total required	51,238,554	53,586,616	52,700,315	53,585,504	52,265,666
20	Net stable funding ratio (%)	139.72%	139.00%	145.40%	148.25%	150.99%

Figures in thousands of euros

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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):

- Group risk profile: 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 the 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.
- Own funds target: established in terms of common equity tier 1 and total capital, and compared to the existing capital levels. 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 to assess the resilience of the entity's capital level 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: 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 continuously throughout the year and it 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. Accounting definitions

4.1.1. Impairment of financial assets

Note 5 of the notes to the Group's 2022 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. Also, in estimating the future cash flows of instruments that have collateral guarantees, the flows that would be obtained from realising them are taken into account, less the costs necessary to obtain and subsequently sell them, regardless of the probability of the guarantee being executed.

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 exposures. Expected credit losses are weighted by the probability of occurrence of each scenario or idiosyncratic event.

Credit 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 from initial recognition, but no default event or impairment. The loss allowance will be measured at an amount equal to the financial asset's lifetime expected credit losses. Interest income will be calculated by applying the effective interest rate to the financial asset's gross carrying amount.

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

4) 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 obligors, which enables a collective estimate of expected losses to be made available on a daily

basis. However, in Stages 2 and 3, an individualized evaluation of the instruments considered significant is carried out on a systematic basis. Conversely, in the case of Stage 1 and also for non-significant exposures in Stages 2 and 3, the use of expert analysis may exceptionally be triggered when certain results provided by the models are deemed inadequate in the monitoring of the collective estimation.

Note 44 of 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 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 Bank of Spain accounting circular 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 the Bankinter Group is set at the debtor level for legal entities and, as permitted by the CRR (art. 178.1), at 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 operating level, 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 with different ratings (e.g. sustainable and unsustainable tranches in a restructuring agreement). On the other hand, for legal entities, the concept of default is applied at customer level and, once they are considered to be in default, a carry-over of all of their exposures takes place. However, it should be noted that, where carry-over criteria are observed in relation to assets classified as non-performing/doubtful and, in general, for assets seen as 'subjective doubtful', then this carry-over effect is also applied at individual level.
- The 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 exposure level, without considering automatic carry-over criteria like those anticipated in the case of non-performing/doubtful exposures.

4.1.2. 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 is continued to be measured with the same criteria used before the transfer. However, the related financial liability is recognised for an amount equal to the consideration received, which is subsequently measured at amortised cost. The income from the financial asset transferred but not derecognised and the expenses incurred on the new financial liability are recognised directly in profit or loss.
- If the entity neither transfers nor retains substantially all the risks and rewards of ownership of the transferred financial instrument, such as in the case of sales of financial assets with a purchased call option or written put option that is not deeply in or out of the money, securitisations in which the transferor assumes a subordinated debt or another type of credit enhancement for a portion of transferred asset, etc., a distinction is made between:
    - If the 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 retains control of the transferred financial instrument, it continues to recognise it for an amount equal to its exposure to changes in value and recognises a financial liability related to the transferred financial asset.

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

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

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.

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. This includes:

- 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.
  - Non-performing exposures by geographical area.
  - By industry.
  - Loans and advances to non-financial corporations by sector of activity.
  - Collateral obtained by taking possession and execution processes.
- Exposures subject to measures adopted in response to the COVID-19 crisis.

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 maturity**	**Total**
1	Loans and advances	41	2,592	24,420	43,439	5,019	75,511
2	Debt securities		2,091	2,491	7,389	-	11,971
3	Total	41	4,683	26,911	50,828	5,019	87,482

Figures in millions of euros

4.2.2. 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						Accumulated partial write-offs	Collateral and financial guarantees received	
		Exposures without defaults			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 and provisions				Performing exposures	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			
005	Cash balances at central banks and other demand deposits	13,169,716	13,169,716	-	-	-	-	-	-	-	-	-	-		-	-
010	Loans and advances	74,655,133	72,109,862	2,536,225	1,936,929	157,246	1,671,135	(238,425)	(151,992)	(89,923)	(843,008)	(9,999)	(833,419)	-	51,113,012	897,864
020	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
030	Public administrations	1,039,022	1,039,022	-	2,514	-	277	-	-	-	-	-	-	-	490,091	-
040	Credit institutions	3,792,613	3,792,611	1	164	-	98	(0)	(0)	-	-	-	-	-	40,143	0

050	Other financial corporations	2,439,952	2,392,866	47,087	8,866	1,269	7,380	(2,222)	(2,222)	-	(5,008)	-	(5,033)	-	708,420	2,986
060	Non-financial corporations	29,664,235	28,246,080	1,417,688	1,190,602	96,381	1,013,488	(138,940)	(87,753)	(51,984)	(545,178)	(5,379)	(540,545)	-	17,382,042	550,453
070	Of which: SMEs	17,653,178	16,613,204	1,039,508	1,046,969	94,404	908,048	(113,670)	(70,107)	(44,360)	(493,844)	(5,301)	(488,959)	-	12,916,814	511,444
080	Households	37,719,311	36,639,283	1,071,449	734,783	59,596	649,892	(97,263)	(62,017)	(37,939)	(292,823)	(4,620)	(287,841)	-	32,492,316	344,424
090	**Debt securities**	**11,971,110**	**11,970,226**	**-**	**756**	**-**	**756**	**(2,833)**	**(2,833)**	**-**	**(227)**	**-**	**(227)**	**-**	**-**	**-**
100	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
110	Public administrations	9,353,990	9,353,990	-	-	-	-	(266)	(266)	-	-	-	-	-	-	-
120	Credit institutions	1,835,125	1,835,125	-	-	-	-	(111)	(111)	-	-	-	-	-	-	-
130	Other financial corporations	53,240	53,236	-	-	-	-	(282)	(282)	-	-	-	-	-	-	-
140	Non-financial corporations	728,755	727,875	-	756	-	756	(2,174)	(2,174)	-	(227)	-	(227)	-	-	-
150	**Off balance sheet exposures**	**28,013,735**	**27,469,910**	**543,825**	**16,139**	**118**	**14,381**	**(36,313)**	**(31,376)**	**(4,937)**	**(2,830)**	**(14)**	**(1,891)**	**-**	**3,208,752**	**5,860**
160	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
170	Public administrations	646,397	646,397	-	-	-	-	-	-	-	-	-	-	-	6,377	-
180	Credit institutions	750,239	750,239	-	-	-	-	(119)	(119)	-	-	-	-	-	5,781	-
190	Other financial corporations	1,105,809	1,058,982	46,827	2,625	-	2,625	(9)	(9)	-	-	-	-	-	82,364	-
200	Non-financial corporations	19,012,779	18,582,776	430,003	13,153	-	11,630	(21,114)	(16,756)	(4,357)	(2,805)	-	(1,881)	-	2,666,143	5,776
210	Households	6,498,511	6,431,516	66,995	361	118	126	(15,072)	(14,492)	(579)	(25)	-	(10)	-	448,087	84
220	**Total**	**114,639,978**	**111,549,998**	**3,080,050**	**1,953,824**	**157,364**	**1,686,272**	**(277,570)**	**(186,201)**	**(94,860)**	**(846,066)**	**(10,013)**	**(835,537)**	**-**	**54,321,764**	**903,724**

Figures in thousands of euros

Details are provided below of the credit quality of forborne exposures at 31 December 2022.

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	Non-performing forborne			On forborne performing exposures	On forborne non-performing exposures		Of which: collateral and financial guarantees received on forborne non-performing exposures
				Of which: with default	Of which: with impairment				
005	Cash balances at central banks and other demand deposits	-						-	
010	**Loans and advances**	471,121	487,266	481,228	389,759	(11,131)	(168,626)	694,943	282,311
020	Central banks	-	-	-	-	-	-	-	-
030	General governments	-	23	23	23	-	-	-	-
040	Credit institutions	-	-	-	-	-	-	-	-
050	Other financial corporations	253	4,078	4,078	2,996	-	(1,404)	2,341	2,091
060	Non-financial corporations	266,849	340,772	338,315	275,729	(6,661)	(131,078)	410,245	183,316
070	Households	204,019	142,393	138,811	111,011	(4,471)	(36,144)	282,357	96,904
080	**Debt securities**	-	-	-	-	-	-	-	-
090	**Loan commitments given**	16,451	2	1	1	0	0	-	-
100	**Total**	487,572	487,268	481,228	389,760	(11,131)	(168,626)	694,943	282,311

Figures in thousands of euros

The following chart provides information on the credit quality of performing and non-performing exposures by maturity days, at 31 December 2022.

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
005	Cash balances at central banks and other demand deposits	13,169,716	13,169,716	-	-	-	-	-	-	-	-	-	-
010	Loans and advances	74,655,133	74,500,871	154,262	1,936,929	541,575	141,566	200,766	240,064	389,710	123,622	299,625	1,877,102
020	Central banks	-	-	-	-	-	-	-	-	-	-	-	-
030	General governments	1,039,022	1,039,022	-	2,514	2,261	-	-	-	151	-	103	2,514
040	Credit institutions	3,792,613	3,792,611	1	164	164	-	-	-	0	-	0	164
050	Other financial corporations	2,439,952	2,439,935	18	8,866	2,146	270	64	3,113	644	1,624	1,006	8,803
060	Non-financial corporations	29,664,235	29,608,036	56,199	1,190,602	397,663	64,480	107,023	138,827	236,955	84,034	161,619	1,168,321
070	Of which: SMEs	17,653,178	17,598,690	54,488	1,046,969	320,021	57,686	96,095	119,641	222,442	76,733	154,351	1,028,788
080	Households	37,719,311	37,621,267	98,044	734,783	139,342	76,816	93,679	98,125	151,961	37,964	136,897	697,299
090	Debt securities	11,971,110	11,971,110	0	756	0	0	0	0	0	756	0	756
100	Central banks	0	0	0	0	0	0	0	0	0	0	0	0
110	General governments	9,353,990	9,353,990	0	0	0	0	0	0	0	0	0	0
120	Credit institutions	1,835,125	1,835,125	0	0	0	0	0	0	0	0	0	0
130	Other financial corporations	53,240	53,240	0	0	0	0	0	0	0	0	0	0
140	Non-financial corporations	728,755	728,755	0	756	0	0	0	0	0	756	0	756
150	Off balance sheet exposures	28,013,735			16,139								14,616
160	Central banks	0			0								0
170	General governments	646,397			0								0
180	Credit institutions	750,239			0								0
190	Other financial corporations	1,105,809			2,625								2,625
200	Non-financial corporations	19,012,779			13,153								11,630
210	Households	6,498,511			361								361
220	Total	114,639,978	86,471,981	154,262	1,953,824	541,575	141,566	200,766	240,064	389,710	124,378	299,625	1,892,473

Figures in thousands of euros

The following chart provides information on the credit quality of non-performing exposures by country, at 31 December 2022.

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

	a	b	c	d	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				
010 **On-balance sheet exposures**	**88,563,928**	**1,937,685**	**1,877,857**	**88,562,578**	**-1,084,492**		
020 Spain	65,962,620	1,798,089	1,754,506	65,961,274	-1,003,415		
030 Portugal	9,089,787	97,927	91,086	9,089,787	-36,392		
070 Other countries	13,511,522	41,668	32,265	13,511,518	-44,685		
080 **Off balance sheet exposures**	**28,029,872**	**16,139**	**14,616**			**39,143**	
090 Spain	24,032,420	12,082	10,559			35,424	
0100 Portugal	1,694,807	4,057	4,057			2,000	
0140 Other countries	2,302,645					1,719	
0150 **Total**	**116,593,800**	**1,953,824**	**1,892,473**	**88,562,578**	**-1,084,492**	**39,143**	

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 2022:

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

		a	b	c	d	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			
010	Agriculture, livestock raising, forestry and fishing	678,822	35,493	35,450	678,822	-17,281	
020	Mining and quarrying	97,334	2,268	1,727	97,334	-962	
030	Manufacturing	5,823,135	246,153	237,685	5,823,135	-116,966	
040	Supply of electricity, gas, steam and air conditioning	1,391,476	5,363	5,358	1,391,476	-5,522	
050	Water supply	218,402	3,239	3,239	218,402	-2,210	
060	Construction	2,751,621	153,289	151,375	2,751,621	-76,257	
070	Wholesale and retail trade	5,374,394	343,358	337,131	5,374,394	-176,409	
080	Transport and storage	1,737,073	56,826	56,585	1,737,073	-31,325	
090	Accommodation and food service activities	1,830,662	71,313	70,332	1,830,662	-25,212	
100	Information and communication	692,735	34,005	33,505	692,735	-18,856	
110	Financial and insurance activities	0	0	0	0	0	
120	Real estate activities	4,397,222	76,707	74,899	4,396,756	-30,600	
130	Professional, scientific and technical activities	3,403,841	81,633	81,125	3,403,841	-41,281	
140	Administrative activities and ancillary services	996,462	42,643	42,456	996,462	-28,987	
150	Public administration and defence; compulsory social security	28,090	5	5	28,090	-4	
160	Education	138,768	10,714	10,351	138,768	-4,932	
170	Health and social service activities	394,885	9,297	9,052	394,885	-4,203	
180	Artistic, recreational and leisure activities	238,868	9,603	9,503	238,868	-3,761	
190	Other services	661,045	8,692	8,544	661,045	-99,350	
200	Total	30,854,836	1,190,602	1,168,321	30,854,370	-684,117	

Figures in thousands of euros

Finally, this section gives details of the collateral obtained by taking possession and execution processes, at 31 December 2022

Collateral obtained by taking possession and execution processes (CQ7)

		a	b
		Collateral obtained by taking possession	
		Value at initial recognition	**Accumulated negative changes**
010	Property, plant and equipment		
020	Other differences of items classified as property, plant and equipment	82,983	(29,714)
030	Residential immovable property	40,397	(8,033)
040	Commercial immovable property	38,764	(18,172)
050	Moveable property (vehicles, ships, etc.)	392	(80)
060	Debt and equity instruments	3,429	(3,429)
070	Other		
080	Total	82,983	(29,714)

Figures in thousands of euros

The difference between the value of assets at initial recognition and the accumulated negative changes is 105,839 thousand euros, excluding debt and equity instruments.

4.2.3. Exposures subject to measures adopted in response to the COVID-19 crisis:

In response to the Covid-19 health crisis, a number of legislative initiatives were implemented by 2020[2] and 2021[3] which promoted the implementation of what are referred to as support instruments in the form of legislative and non-legislative standstills and publicly guaranteed liquidity facilities through the Instituto de Crédito Oficial. On September 14, 2022, the Director General of the World Health Organization (WHO) assured that the end of the pandemic is in sight, after registering the lowest number of deaths since the beginning of the pandemic.

Below are the tables in Annex 3 of EBA Guidelines 2020/07 setting out the information requirements for exposures subject to the measures taken in response to the COVID-19 crisis.

[2] Royal Decree-Laws 6/2020, 8/2020, 11/2020, 15/2020, 18/2020, 19/2020, 25/2020 and 26/2020

[3] Royal Decree-Laws 3/2021, 5/2021 and implementation of the Code of Good Practices, approved on 11 May 2021 in a resolution by the Council of Ministers and set out in RDL 5/2021.

Information on loans and advances subject to legislative and non-legislative moratoriums

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount							Accumulated impairment, accumulated negative changes in fair value due to credit risk							Gross carrying amount
		Performing				Non-performing				Performing			Non-performing			
				Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: unlikely to pay that are not past-due or past-due <= 90 days			Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days	Entries to non-performing exposures
1	Loans and advances subject to moratorium	6,996	6,996	-	161	-	-	-	(44)	(44)	-	(44)	-	-	-	-
2	of which: Households	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	of which: Collateralised by residential immovable property	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	of which: Non-financial corporations	6,996	6,996	-	161	-	-	-	(44)	(44)	-	(44)	-	-	-	-
5	of which: SMEs	6,996	6,996	-	161	-	-	-	(44)	(44)	-	(44)	-	-	-	-
6	of which: Collateralised by commercial immovable property	5,161	5,161	-	-	-	-	-	7	7	-	-	-	-	-	-

Figures in thousands of euros

Breakdown of loans and advances subject to legislative and non-legislative moratoriums by residual maturity of moratoriums

		a	b	c	d	e	f	g	h	i
		Gross carrying amount								
						Residual maturity of moratoria				
		Number of obligors*		Of which: legislative moratoriums	Of which: expired	<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
1	Loans and advances for which moratorium was offered	23,677	2,356,624							
2	Loans and advances subject to moratorium (granted)	19,178	1,702,518	1,001,966	1,695,521	2	35	63	451	6,446
3	of which: Households		1,373,589	673,409	1,373,589	-	-	-	-	-
4	of which: Collateralised by residential immovable property		1,278,848	646,429	1,278,848	-	-	-	-	-
5	of which: Non-financial corporations		320,027	319,656	313,030	2	35	63	451	6,446
6	of which: SMEs		271,367	270,997	264,371	2	35	63	451	6,446
7	of which: Collateralised by commercial immovable property		140,699	140,616	135,538	-	-	8	-	5,153

Figures in thousands of euros

* The number of obligors is in units

As can be seen, at the close of the 2022 financial year, the Group had a gross carrying amount in moratoriums of €1,703 million, of which only €7 million of which has expired. In terms of phase distribution, the percentage of the phase 2 portfolio increases by one percentage point purely due to the denominator effect as it is a portfolio being extinguished (the exposure in this phase is decreasing).

Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis

		a	b	c	d
		Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
			of which: forborne	Public guarantees received	Entries to non-performing exposures
1	**Newly originated loans and advances subject to public guarantee schemes**	5,742,545	75,776	4,875,563	75,561
2	of which: Households	56,337			618
3	of which: Collateralised by residential immovable property	0			0
4	of which: Non-financial corporations	5,657,234	75,536	4,802,226	74,892
5	of which: SMEs	4,298,633			67,700
6	of which: Collateralised by commercial immovable property	46,771			2,521

Figures in thousands of euros

As shown, at year-end the Group had a gross carrying amount of €5,743 million, Taken together, the sum of moratoriums and facilities backed by government guarantee schemes represents 9% of eligible exposures. Analysing the distribution of aid by branches of activity, the wholesale and retail trade sectors stand out considerably, Next is manufacturing, given the relatively large scale of this sector aggregate, followed by accommodation and food service.

The set of measures implemented to date has clearly had a positive effect on containing the economic damage caused by the pandemic, which was exacerbated by the war in Ukraine. This is evidenced by the favourable development of the cost of risk in both 2021 and 2022, as can be seen in the figures detailed in this respect in note 44 of the Notes to the Financial Statements.

4.3. Information on counterparty credit risk

Chapter 6 of the UE (Regulation (EU) No 575/2013) of the European Parliament and the Council, 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 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 carried out by Corporate Banking, 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 marking-to-market 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 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 the Group, depending on how the transaction is settled.

Bankinter has a tool available 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 is 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. 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 investment grade would involve providing an additional 2.6 million euros for the active CSA contracts at 31 December 2022.

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. It does, however, carry out activities that require the deposit of mutual collateral with counterparties, calculated on the basis of net risks.

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

In addition, guarantees for 529 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, Title II, of Regulation 575/2013, as updated by CRR2, for the use of the different methods for calculating the exposure value and capital requirements for counterparty risk, the method used in Bankinter from June 2021 is the standardised method, as further explained in Section 3 of the same Chapter 6.

Under this method, the 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.

The 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 or Commodity Risk. For SFTs, the financial collateral comprehensive approach is used, using volatility adjustments in accordance with the supervisory approach set out in the CRR.

The total net exposure for counterparty risk amounted to € 990,903 thousand at December 2022, including exposure from repurchase agreements.

The breakdown of exposure and of the counterparty credit risk-weighted assets of OTC derivatives and repo operations for 2022 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**	**Alfa used to calculate the regulatory exposure value**	**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-1	EU – Original risk method (for derivatives)				1.4				
EU-2	EU – Simplified standardised approach for counterparty risk (for derivatives)				1.4				
1	Standardised approach for counterparty risk (for derivatives)	164,408	467,232		1.4	926,651	926,651	926,651	267,106
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)					80,964	80,964	80,964	707%
5	VaR for securities financing transactions								
6	Total					1,007,615	1,007,615	1,007,615	267,813

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	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Other	Total exposure value
1	Governments and central banks	100,775											100,775
2	Regional governments or local authorities												
3	Public sector entities												
4	Multilateral development banks												
5	International organisations												
6	Institutions	0	438,615	4,418	0	46,051	303,450	0	0	0	0		792,534
7	Corporates									97,594			97,594
8	Retail exposures								0				0
9	Entities and companies with short-term credit rating												
10	Other items												
11	Total exposure value	100,775	438,615	4,418	0	46,051	303,450	0	0	97,594	0	0	990,903

Figures in thousands of euros

The breakdown below includes collateral employed in transactions with derivatives at the close of 2022. 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	839,664		82,197		29,710		157,878	
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	839,664		82,197		29,710		157,878	

Figures in thousands of euros

In transactions settled through clearing houses, risk-weighted assets would amount to €19,371 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
			19,371
1	**Exposures to qualifying CCPs (QCCP) (total)**	474,346	19,037
2	Transaction exposures to QCCP (excluding initial margin and default fund contributions); of which:	438,615	8,772
3	(i) OTC derivatives	20,176	10,265
4	(ii) Derivatives traded on organised markets	15,555	
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	16,713	334
9	Pre-funded contributions to the default fund		
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

The credit valuation adjustments (CVA) are 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.

The amounts relating to credit risk adjustments for OTC derivative instruments subject to the standardised approach as at 31 December 2022 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 standard method	97,480	41,188
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	97,480	41,188

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 institutions', 'Financial institutions', 'Corporates' and 'Covered bonds'. The following table presents the correspondence between risk ratings from the different credit assessment institutions and the risk weightings applied by exposure class:

Credit quality level	External long-term ratings				Risk weighting					
	S&P	Moody's	Fitch	DBRS	Central governments and central banks	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 Institutions 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	Governments and central banks	24,805,833	1,074,084	27,277,941	858,808	1	0
2	Regional governments or local authorities	777,811	9,859	765,852	3,676	449	0.06%
3	Public sector entities	52,782	30,232	52,705	10,813	63,518	100.00%
4	Multilateral development banks	69,330	3,080	104,320	1,540	-	0.00%
5	International organisations						
6	Financial institutions	6,423,915	903,518	6,251,146	228,537	2,464,222	38.03%
7	Corporates	4,083,179	1,997,672	2,934,152	575,501	2,812,126	80.13%
8	Retail	8,043,827	8,205,021	6,693,395	575,439	4,839,074	66.57%
9	Secured by mortgages on immovable property	8,934,097	168,218	8,601,695	78,392	3,163,242	36.44%
10	Exposures in default	325,329	41,722	310,042	10,727	358,987	111.91%
11	Exposures associated with especially high risks	105,110	7,956	104,028	1,967	158,993	150.00%
12	Covered bonds						
13	Entities and companies with short-term credit rating						
14	Collective investment undertakings						
15	Equity exposures	72,442		72,442		72,442	100.00%
16	Other exposures (*)	791,785		791,785		1,391,265	175.71%
17	**Total**	**54,485,440**	**12,441,360**	**53,959,503**	**2,345,401**	**15,324,318**	**27.22%**

Figures in thousands of euros

(*) Includes requirements for holdings in financial institutions in which there are significant investments below the 10% threshold (638,515 million euros of APRs) 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 the amounts for exposure amounts after the 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.

	Exposure category	Risk weighting															Total	of which unrated
		0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Other		
		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
1	Central governments or central banks	28,136,748									1						28,136,750	-
2	Regional governments or local authorities	767,284				2,244											769,528	452,321
3	Public sector entities										63,518						63,518	63,518
4	Multilateral development banks	105,860															105,860	105,860
5	International organisations																	-
6	Financial institutions					2,664,046		3,768,450			47,187						6,479,683	3,214,078
7	Corporates					34,302		196,013			3,279,339						3,509,654	3,434,285
8	Retail									7,268,834							7,268,834	7,268,530
9	Secured by mortgages on immovable property						6,101,235	2,230,617		227,128	121,107						8,680,087	8,680,087
10	In default										244,331	76,438					320,769	320,740
11	Items associated with particularly high risks											105,995					105,995	105,995
12	Covered bonds																-	-
13	Institutions and corporates with a short-term credit assessment																-	-
14	Investments or shares in collective investment undertakings (CIUs)																-	-
15	Equity										72,442						72,442	72,442
16	Other exposures (*)					-					392,131		399,654				791,785	791,785
17	Total	29,009,892				2,700,592	6,101,235	6,195,080		7,495,962	4,220,056	182,433	399,654				56,304,903	24,509,640

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 loan book: 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 or calculating credit risk capital requirements.

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 in the portfolio of home mortgages for individuals in Portugal.

The Supervisor has approved the internal calculation of probability [4]of default (PD), loss given default (LGD) and credit conversion factor (CCF) parameters for these portfolios. These parameters are specific for each portfolio and are reviewed annually, in accordance with prevailing regulations.

Bankinter and the Supervisor have also agreed a roll out plan whereby the following Bankinter Group portfolios will, over the next few years, be gradually incorporated under the IRB approach, subject to specific authorisation:

- Bankinter Consumer Finance personal loans in Spain.
- Large companies in Spain.
- Very large companies in Bankinter Portugal.
- Public companies in which the government has a stake in Bankinter Portugal.
- Residential mortgages treated under the standardised approach at Bankinter Portugal.[5]

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 the 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:

[4] 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)

[5] Residual mortgage portfolio of Barclays' private banking division (Wealth) before Bankinter's acquisition of Barclays Portugal.

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%

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 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 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 projection.

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. Its 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 the Bank of Spain’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 legal entity transactions, 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 which is 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.

For exposures with legal entities, the systems gather information on the characteristics of the transaction and the customer, and input them into 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.

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).

4.5.2. 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.

LGD and a 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.).

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

Corporates - 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	597			0.13%	0.14%	
	0.00 to <0.10						
	0.10 to <0.15	597			0.13%	0.14%	
	0.15 to <0.25	-					
	0.25 to <0.50	636	6	0.94%	0.45%	0.45%	0.22%
	0.50 to <0.75	1,715	1	0.06%	0.62%	0.63%	0.20%
	0.75 to <2.50	1,811	1	0.06%	1.66%	1.77%	0.27%
	0.75 to <1.75	402	-	0.00%	1.22%	1.22%	0.46%
	1.75 to <2.5	1,409	1	0.07%	1.92%	1.93%	0.57%
	2.50 to <10.00	672	17	2.53%	5.38%	6.68%	2.63%
	2.5 to <5	250	6	2.40%	3.83%	3.83%	1.29%
	5 to <10	422	11	2.61%	7.99%	8.36%	4.69%
	10.00 to <100.00	423	28	6.62%	20.38%	14.54%	3.81%
	10 to <20	342	21	6.14%	12.41%	12.41%	3.58%
	20 to <30	81	7	8.64%	21.58%	23.53%	5.04%
	30.00 to <100.00	-	-				
	100.00 (Default)	240	170				

Corporates - 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	209	-	0.00%	0.20%	0.20%	
	0.25 to <0.50	214	-	0.00%	0.30%	0.30%	0.27%
	0.50 to <0.75	149	1	0.67%	0.62%	0.62%	0.44%
	0.75 to <2.50	145	-	0.00%	1.36%	1.36%	0.34%
	0.75 to <1.75	145	-	0.00%	1.36%	1.36%	0.34%
	1.75 to <2.5	-	-		0.00%	0.00%	0.42%
	2.50 to <10.00	215	-	0.00%	3.39%	3.39%	1.82%
	2.5 to <5	215	-	0.00%	3.39%	3.39%	3.93%
	5 to <10	-	-		0.00%	0.00%	3.57%
	10.00 to <100.00	88	4	4.55%	16.07%	16.58%	4.90%
	10 to <20	80	4	5.00%	14.45%	15.28%	6.46%
	20 to <30	1	-	0.00%	0.00%	21.15%	34.24%
	30.00 to <100.00	7	-		30.79%	30.79%	6.57%
	100.00 (Default)	50	37		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	139,026	44	0.03%	0.05%	0.05%	0.06%
	0.00 to <0.10	115,126	23	0.02%	0.04%	0.04%	0.16%
	0.10 to <0.15	23,900	21	0.09%	0.11%	0.11%	0.06%
	0.15 to <0.25	11,572	10	0.09%	0.18%	0.18%	0.10%
	0.25 to <0.50	20,135	41	0.20%	0.31%	0.31%	0.20%
	0.50 to <0.75	23,875	11	0.05%	0.54%	0.54%	0.49%
	0.75 to <2.50	36,072	151	0.42%	1.23%	1.19%	0.54%
	0.75 to <1.75	34,033	123	0.36%	1.16%	1.14%	0.56%
	1.75 to <2.5	2,039	28	1.37%	2.07%	2.07%	0.67%
	2.50 to <10.00	15,922	259	1.63%	5.32%	5.60%	2.22%
	2.5 to <5	4,017	44	1.10%	3.31%	3.29%	2.00%
	5 to <10	11,905	215	1.81%	6.18%	6.38%	2.09%
	10.00 to <100.00	3,306	225	6.81%	21.74%	26.72%	9.94%
	10 to <20	2,258	105	4.65%	14.65%	14.89%	10.28%
	20 to <30	236	28	11.86%	23.19%	23.88%	8.96%
	30.00 to <100.00	812	92	11.33%	54.89%	60.45%	9.85%
	100.00 (Default)	4,763	3,958		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	2,805	2	0.07%	0.07%	0.07%	0.15%
	0.00 to <0.10	2,162	2	0.09%	0.05%	0.05%	0.14%
	0.10 to <0.15	643	-	0.00%	0.12%	0.12%	0.13%
	0.15 to <0.25	7,783	6	0.08%	0.20%	0.20%	0.08%
	0.25 to <0.50	8,277	28	0.34%	0.31%	0.31%	0.32%
	0.50 to <0.75	7,200	59	0.82%	0.62%	0.62%	0.55%
	0.75 to <2.50	10,585	121	1.14%	1.44%	1.62%	0.99%
	0.75 to <1.75	7,484	98	1.31%	1.34%	1.31%	0.95%
	1.75 to <2.5	3,101	23	0.74%	2.24%	2.35%	1.14%
	2.50 to <10.00	10,306	324	3.14%	3.49%	3.72%	3.49%
	2.5 to <5	9,405	284	3.02%	3.40%	3.44%	3.40%
	5 to <10	901	40	4.44%	5.84%	6.63%	3.94%
	10.00 to <100.00	7,144	749	10.48%	15.86%	17.56%	10.46%
	10 to <20	6,373	424	6.65%	14.25%	16.23%	8.91%
	20 to <30	196	176	89.80%	21.49%	21.92%	14.23%
	30.00 to <100.00	575	149	25.91%	30.79%	30.79%	24.49%
	100.00 (Default)	10,219	8,805		100.00%		

4.5.3. 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 2021. 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).

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
Corporates	24,487,750	12,624,400	9,764,319	14,394,777	2.01%	48.77%	10,160,541	70.58%
Of which IRF	23,919,742	12,316,013	9,595,015	14,028,838	1.98%	42.78%	9,879,687	70.42%
Mortgages	27,215,643	26,959,332	255,093	25,388,203	2.73%	24.81%	4,899,027	19.30%
Retail	3,610,581	1,708,138	726,991	1,906,108	15.83%	53.85%	741,989	38.93%
Total	55,313,974	41,291,870	10,746,403	41,689,088	3.08%	32.40%	15,801,557	37.90%

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	669,239	291,696	377,542	480,468	451,437	8,808

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 the 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 range (CR6)

	PD range	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	Exposure-weighted average LGD (%)	Exposure-weighted average maturity (years)	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
Corporates-FIRB													
	0.00 to <0.15	2,741,854	3,588,875	24.2%	3,486,521	0.13%	597	43.48%	2.50	1,208,692	34.7%	1,993	(9,311)
	0.00 to <0.10	-	-		-		-						-
	0.10 to <0.15	2,741,854	3,588,875	24.2%	3,486,521	0.13%	597	43.48%	2.50	1,208,692	34.7%	1,993	(9,311)
	0.15 to <0.25	1,445	-		-		-						-
	0.25 to <0.50	2,349,558	2,116,717	20.6%	2,591,560	0.45%	636	44.68%	2.50	1,808,890	69.8%	5,223	(9,294)
	0.50 to <0.75	3,258,272	2,039,386	18.7%	3,238,841	0.62%	1,715	41.71%	2.50	2,104,804	65.0%	8,375	(10,722)
	0.75 to <2.5	4,401,123	2,028,679	25.0%	3,946,206	1.66%	1,811	42.03%	2.50	3,798,440	96.3%	27,280	(15,387)
	0.75 to <1.75	1,534,106	965,489	25.3%	1,468,162	1.22%	402	44.71%	2.50	1,525,934	103.9%	8,021	(6,487)
	1.75 to <2.5	2,867,017	1,063,190	24.6%	2,478,044	1.92%	1,409	40.44%	2.50	2,272,506	91.7%	19,259	(8,900)
	2.5 to <10	778,745	197,143	26.2%	496,647	5.38%	672	40.89%	2.50	646,763	130.2%	11,103	(7,316)
	2.5 to <5	476,908	98,473	23.6%	311,116	3.83%	250	39.71%	2.50	351,902	113.1%	4,748	(4,617)
	5 to <10	301,837	98,670	30.6%	185,531	7.99%	422	42.87%	2.50	294,861	158.9%	6,355	(2,698)
	10 to <100	190,740	50,773	30.5%	150,580	20.38%	423	41.20%	2.50	312,098	207.3%	12,633	(8,246)
	10 to <20	26,961	13,203	24.0%	19,650	12.41%	342	42.80%	2.50	34,529	175.7%	1,044	(1,012)
	20 to <30	163,779	37,570	32.8%	130,931	21.58%	81	40.96%	2.50	277,569	212.0%	11,590	(7,235)
	30 to <100												-
	100 (Default)	139,131	37,301	24.4%	118,483	100.00%	240	45.00%	2.50	-	0.0%	53,317	(59,377)
Total		13,860,867	10,058,874	22.58%	14,028,838	1.98%	6,094	42.78%	2.50	9,879,687	70.42%	119,925	(119,653)

Figures in thousands of euros

(*) The number of obligors is in units

(**) Maturity expressed in days

	PD range	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	Exposure-weighted average LGD (%)	Exposure-weighted average maturity (years)	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
Corporates-IRB													
	0.00 to <0.15												
	0.00 to <0.10												
	0.10 to <0.15												
	0.15 to <0.25	94,315	36,450	40.3%	92,366	0.20%	209	51.2%	2.33	37,150	40.2%	95	(159)
	0.25 to <0.50	81,469	26,968	43.0%	72,012	0.30%	214	51.8%	2.49	41,208	57.2%	113	(319)
	0.50 to <0.75	46,214	14,942	53.5%	36,224	0.62%	149	47.7%	2.50	21,737	60.0%	107	(147)
	0.75 to <2.5	67,271	31,577	45.4%	64,194	1.36%	145	46.5%	2.50	51,243	79.8%	407	(199)
	0.75 to <1.75	67,271	31,577	45.4%	64,194	1.36%	145	46.5%	2.50	51,243	79.8%	407	(199)
	1.75 to <2.5	-	-										-
	2.5 to <10	73,272	69,680	36.0%	82,267	3.39%	215	46.4%	3.00	104,351	126.8%	1,292	(944)
	2.5 to <5	73,272	69,680	36.0%	82,267	3.39%	215	46.4%	3.00	104,351	126.8%	1,292	(944)
	5 to <10	-	-										-
	10 to <100	18,984	1,190	46.4%	13,812	16.07%	88	44.0%	2.47	23,973	173.6%	898	(714)
	10 to <20	17,486	1,189	46.4%	12,437	14.45%	80	48.1%	2.47	23,534	189.2%	868	(644)
	20 to <30	2	-				1						-
	30 to <100	1,497	1	100.0%	1,373	30.79%	7	6.9%	2.49	435	31.7%	29	(66)
	100 (Default)	5,558	118	28.6%	5,064	100.00%	50	96.7%	2.48	1,192	23.5%	4,808	(3,487)
Total		387,083	180,926	41.0%	365,939	3.16%	1,070	49.42%	2.57	280,854	76.75%	7,720	(5,968)

Figures in thousands of euros

	PD range	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	Exposure-weighted average LGD (%)	Exposure-weighted average maturity (years)	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	14,548,197	95,020	34.0%	13,247,979	0.1%	139,026	24.7%		590,198	4.5%	1,876	(4,749)
	0.00 to <0.10	11,735,384	65,948	34.0%	10,578,097	0.0%	115,126	23.3%		333,400	3.2%	956	(3,466)
	0.10 to <0.15	2,812,812	29,072	34.0%	2,669,881	0.1%	23,900	30.0%		256,798	9.6%	921	(1,283)
	0.15 to <0.25	1,563,775	30,255	34.6%	1,464,405	0.2%	11,572	30.9%		198,274	13.5%	851	(713)
	0.25 to <0.50	2,328,539	39,096	34.3%	2,237,686	0.3%	20,135	29.3%		420,438	18.8%	2,040	(1,553)
	0.50 to <0.75	3,015,943	32,877	15.0%	2,994,583	0.5%	23,875	18.8%		517,538	17.3%	3,100	(1,868)
	0.75 to <2.5	2,888,786	25,227	18.9%	2,849,586	1.2%	36,072	21.0%		958,260	33.6%	7,370	(4,257)
	0.75 to <1.75	2,685,987	24,281	18.7%	2,649,325	1.2%	34,033	21.1%		865,011	32.7%	6,542	(3,473)
	1.75 to <2.5	202,799	945	22.6%	200,262	2.1%	2,039	20.0%		93,248	46.6%	828	(785)
	2.5 to <10	1,791,100	27,853	18.8%	1,774,712	5.3%	15,922	21.8%		1,394,238	78.6%	19,833	(6,509)
	2.5 to <5	542,511	13,254	37.8%	534,917	3.3%	4,017	28.1%		366,419	68.5%	5,023	(1,968)
	5 to <10	1,248,588	14,598	1.6%	1,239,794	6.2%	11,905	19.1%		1,027,819	82.9%	14,811	(4,541)
	10 to <100	372,987	3,572	36.5%	368,513	21.7%	3,306	28.2%		532,871	144.6%	19,318	(8,900)
	10 to <20	293,535	3,414	37.0%	289,335	14.6%	2,258	30.7%		453,656	156.8%	13,097	(6,734)
	20 to <30	18,287	5	45.1%	18,080	23.2%	236	19.8%		19,984	110.5%	804	(361)
	30 to <100	61,165	153	26.6%	61,097	54.9%	812	18.9%		59,231	96.9%	5,417	(1,805)
	100 (Default)	451,224	1,194	39.2%	450,740	100.0%	4,763	59.7%		287,211	63.7%	251,714	(85,243)
Total		26,960,550	255,093	24.6%	25,388,203	2.73%	254,671	24.81%		4,899,027	19.30%	306,102	(113,792)

Figures in thousands of euros

(*) The number of obligors is in units.

	PD range	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	Exposure-weighted average LGD (%)	Exposure-weighted average maturity (years)	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	31,364	291	69.9%	31,544	0.1%	2,805	59.5%		3,871	12.3%	13	(59)
	0.00 to <0.10	24,207	252	65.4%	24,347	0.1%	2,162	59.7%		2,484	10.2%	7	(41)
	0.10 to <0.15	7,158	39	98.9%	7,197	0.1%	643	58.8%		1,387	19.3%	5	(18)
	0.15 to <0.25	182,431	192,470	40.2%	175,462	0.2%	7,783	44.9%		27,166	15.5%	158	(688)
	0.25 to <0.50	320,424	198,659	47.1%	268,119	0.3%	8,277	48.0%		60,186	22.4%	396	(1,249)
	0.50 to <0.75	488,873	184,010	49.9%	338,503	0.6%	7,200	49.7%		115,208	34.0%	1,040	(2,425)
	0.75 to <2.5	560,188	137,259	47.7%	356,306	1.4%	10,585	48.5%		176,961	49.7%	2,504	(3,161)
	0.75 to <1.75	511,680	127,587	47.1%	316,572	1.3%	7,484	48.4%		150,225	47.5%	2,062	(2,932)
	1.75 to <2.5	48,508	9,672	56.4%	39,734	2.2%	3,101	49.6%		26,737	67.3%	442	(229)
	2.5 to <10	553,369	156,330	41.7%	356,598	3.5%	10,306	48.0%		208,627	58.5%	6,021	(5,804)
	2.5 to <5	540,243	153,544	41.5%	343,797	3.4%	9,405	47.9%		198,551	57.8%	5,602	(5,628)
	5 to <10	13,125	2,786	56.4%	12,801	5.8%	901	49.9%		10,077	78.7%	419	(176)
	10 to <100	222,102	26,301	0.2%	117,395	15.9%	7,144	47.8%		97,015	82.6%	9,415	(16,889)
	10 to <20	195,378	24,734	39.5%	104,290	14.3%	6,373	48.0%		83,951	80.5%	7,656	(13,734)
	20 to <30	5,386	913	58.6%	2,998	21.5%	196	45.6%		2,698	90.0%	294	(597)
	30 to <100	21,338	654	39.7%	10,107	30.8%	575	47.1%		10,366	102.6%	1,464	(2,558)
	100 (Default)	346,291	10,219	39.4%	262,180	100.0%	10,219	88.5%		52,953	20.2%	227,943	(204,905)
Total		2,705,041	905,539	43.9%	1,906,108	15.83%	64,319	53.85%		741,989	38.93%	247,491	(235,180)

Figures in thousands of euros

(*) The number of obligors is in units

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 a third party (%)	Portion of the exposures covered by personal guarantees (%)	Portion of the 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	Governments and central banks														
2	Institutions														
3	Corporates	365,939	3%	-	-	-	-	-	-	-	0%	-	-	289,804	280,854
3.1	Of which: companies - SMEs	239,305	4%	-	-	-	-	-	-	-	0%	-	-	154,784	148,733
3.2	Of which: companies - specialised lending														
3.3	Of which: companies - others	126,634	2%	-	-	-	-	-	-	-	0%	-	-	134,130	132,121
4	Retail exposures	27,294,311	7%	-	-	-	-	-	-	-	0%	-	-	6,010,564	5,641,016
4.1	Of which: retail exposures – real estate, SMEs	1,515,410	6%	-	-	-	-	-	-	-	0%	-	-	891,436	838,778
4.2	Of which: retail exposures – real estate, non-SMEs	23,872,793	6%	-	-	-	-	-	-	-	0%	-	-	4,323,697	4,060,249
4.3	Of which: eligible revolving retail exposures														
4.4	Of which: retail exposures – other, SMEs	1,745,527	8%	-	-	-	-	-	-	-	0%	-	-	730,290	678,141
4.5	Of which: retail exposures – other, non-SMEs	160,582	6%	-	-	-	-	-	-	-	-	-	-	67,718	63,848
5	Total	27,660,250	7%	-	-	-	-	-	-	-	-	-	-	6,300,369	5,921,870

Figures in thousands of euros

	F-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 a third party (%)	Portion of the exposures covered by personal guarantees (%)	Portion of the 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	Governments and central banks		-	-	-	-	-	-	-	-	-	-	-		
2	Institutions		-	-	-	-	-	-	-	-	-	-	-		
3	Corporates	14,509,306	3%	-	-	-	-	-	-	-	0%	-	-	10,676,663	10,331,124
3.1	Of which: companies - SMEs	3,983,210	6%	-	-	-	-	-	-	-	0%	-	-	2,782,147	2,630,596
3.2	Of which: companies - specialised lending	480,468	0%	-	-	-	-	-	-	-	-	-	-	451,437	451,437
3.3	Of which: companies - others	10,045,628	2%	-	-	-	-	-	-	-	0%	-	-	7,422,090	7,249,091
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**	**14,509,306**	**3%**	-	-	-	-	-	-	-	-	-	-	10,676,663	10,331,124

Figures in thousands of euros

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 standard 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	cease	and
1	Governments and central banks	26,758,370	25,558,365	100%	0%	0%
1.1	*Of which regional governments or local authorities*		-	0%	0%	0%
1.2	*Of which Public sector entities*		67,029	0%	0%	0%
2	Institutions	7,409,009	6,921,322	100%	0%	0%
3	Corporates	31,768,256	19,653,698	7%	13%	79%
3.1	Of which Companies – Specialised financing, excluding allocation method		-	0%	0%	0%
3.2	Of which Companies – Specialised financing, with the allocation approach		287,945	0%	0%	0%
4	Retail	56,802,483	50,493,732	13%	33%	54%
4.1	of which Retail – SME mortgages		5,358,377	37%	34%	29%
4.2	of which Retail – Individual mortgages		30,551,731	9%	8%	83%
4.3	of which Retail – Renewable demandable					
4.4	of which Retail – Other SMEs		8,059,420	10%	55%	34%
4.5	of which Retail – Other individuals		6,524,204	15%	83%	2%
5	Equity positions		72,442	100%		
6	Other non-credit obligation assets	615,831	615,831			100%
7	Total	123,426,392	103,315,391	37%	19%	45%

Figures in thousands of euros

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

The main changes occurred during the year 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	16,616,415
2	Size of assets	(411,196)
3	Asset quality	47,773
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	16,252,993

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.

4.5.5. 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 2021. The charts show the following information:

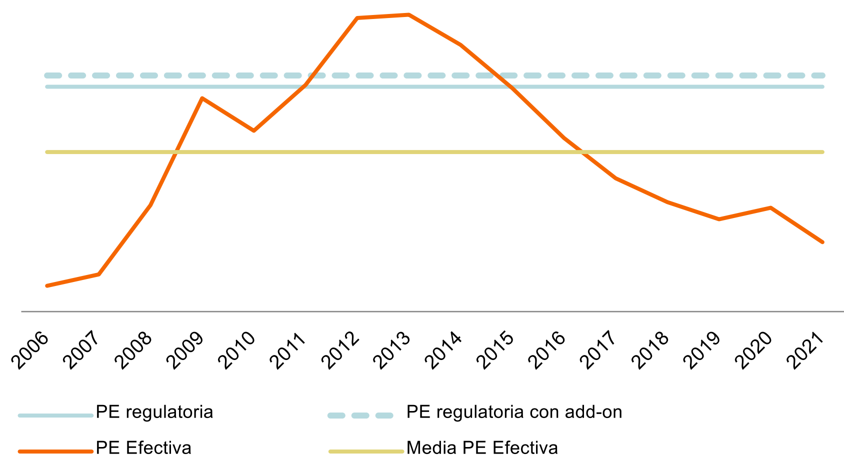
- Regulatory expected loss. Calculated by multiplying the cycle-adjusted PD by the LGD during the worst cycle moment or downturn (LGD DT).
- Regulatory expected loss with add-on. Calculated applying a margin of conservatism required by the Supervisor to the regulatory expected loss of certain portfolios.
- Effective expected loss. Calculated as the annual observed frequency of default, multiplied by the estimated point-in-time LGD (PiT LGD) 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 has 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), exceeding it during the worst part of the crisis, which is in line with the regulatory target. In the last years of the observed period (2018-2021), there is a trend towards a return to pre-crisis levels.

The comparison was made for portfolios of residential mortgages for individuals, consumer loans and credit with personal guarantees small, medium-sized, very large companies and state companies.

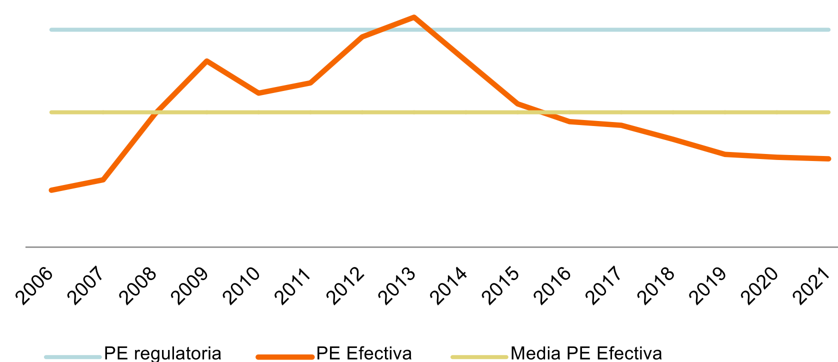
Residential mortgages for individuals

The chart shows that the effective expected loss on residential mortgages in retail portfolios peaks in 2013. From this point on, the trend is downward. It can be seen that the effective expected loss is lower than the regulatory one, except in the years 2012, 2013 and 2014. However, the regulatory expected loss seems sufficiently conservative compared to the average of the effective expected loss.



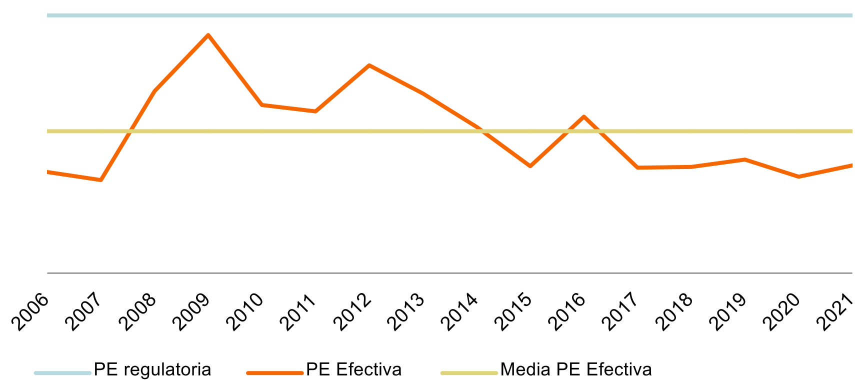
Consumer loans and credit with personal guarantees

The graph 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

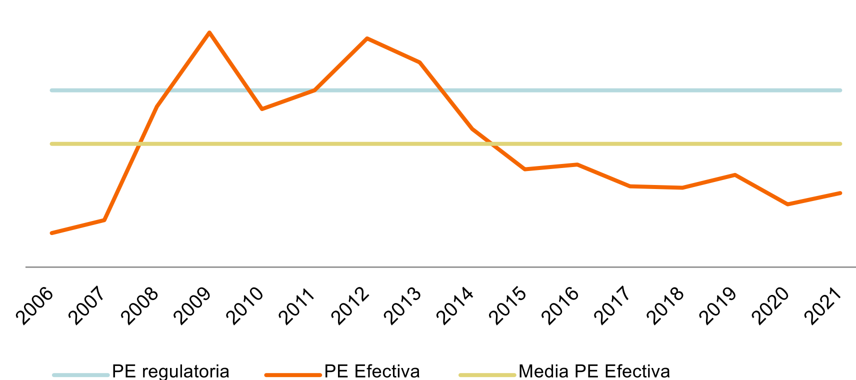
The graph shows that the maximum effective expected loss for small businesses was reached in 2009. From this year onwards, there has been a decline with small upturns, the highest in 2012 and 2016. In the last years of the observed period, values similar to those before the crisis have been reached. 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 downward trend, although there was an upturn in 2012 and further decreases thereafter.

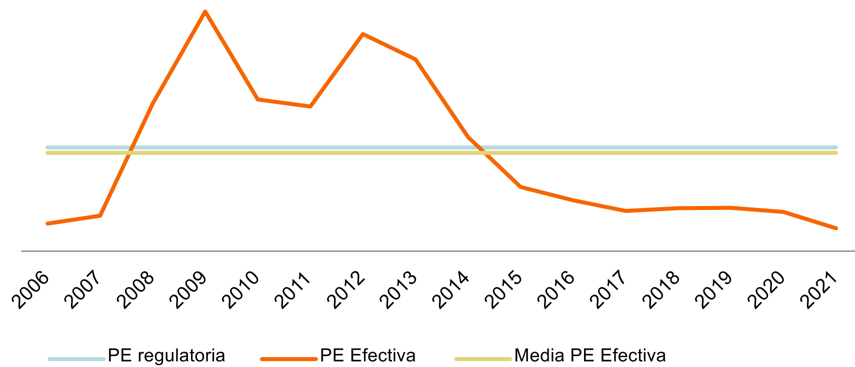
Currently, a clear downward trend can be observed, even if the pre-crisis values are not reached for the time being. It can be observed that the effective expected loss is lower than the regulatory loss, except in 2009, 2011, 2012 and 2013. Nevertheless, the regulatory expected loss seems to be sufficiently conservative compared to the average effective loss.



Very large companies and state companies

Finally, the graph shows that the maximum effective loss in very large companies and public investees was also reached in 2009 and then started a downward 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 downward trend is observed, almost reaching pre-crisis values. The regulatory expected loss is slightly higher than the average effective expected loss.



4.5.6. 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, political and legal environment, transaction and/or asset characteristics and strength of the sponsor and developer.

The following chart reflects the exposures assigned to each risk weighting for specialised lending exposures at 31 December 2022:

IRB specialised lending (CR10)

Specialised lending: project finance							
Regulatory categories	Remaining maturity	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 years	1,529	3,122	70%	3,090	2,163	12
Category 2	Less than 2.5 years	3,751	1,670	70%	4,586	3,210	18
	equal to or longer than 2.5 years	242,284	328,807	90%	406,687	366,018	3,253
Category 3	Less than 2.5 years	2,386	614	115%	2,693	3,097	75
	equal to or longer than 2.5 years	29,032	37,559	115%	47,812	54,983	1,339
Category 4	Less than 2.5 years	2		250%	2	6	0
	equal to or longer than 2.5 years	6,840	3,887	250%	8,784	21,959	703
Category 5	Less than 2.5 years			-			
	equal to or longer than 2.5 years	5,873	1,883	-	6,814		3,407
Total	Less than 2.5 years	6,139	2,284	-	7,281	6,313	94
	equal to or longer than 2.5 years	285,557	375,258	-	473,186	445,124	8,714

Figures in thousands of euros

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, at 31 December 2022, the Group has four outstanding traditional securitisation transactions.

Group securitisation activity objectives

During certain years, traditional securitisations played a relevant 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 the 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 the securitisation of the exposure.

It also participates as 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: It 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 of the risk, it reduces with the securitisation process, which consists of converting illiquid assets into liquid bonds to be traded on secondary debt markets. It is worth highlighting that Bankinter is barely affected by this risk, as it does not have securitisations of promissory notes nor 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 5 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 annual consolidated 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 to calculate the amounts of risk-weighted exposures amounts 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 may not be used, entities will use the SEC-SA method, in accordance with Articles 261 and 262.
- **SEC-ERBA approach:** Where the SEC-SA approach may not 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, 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 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 2022, the Group has four outstanding traditional securitisation transactions. 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 Retail (total) - of which			555,091	555,091			555,091
3 Mortgage on residential real estate			555,091	555,091			555,091
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 2022, Bankinter generated no securitisation transactions and therefore no profit or loss has been recognised for this activity. The Institution has no assets pending securitisation.

At the 2022 year end, all the company's securitisation positions were recognised in the investment portfolio. There are no securitisation positions in the trading book.

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			555.091			555.091				555.091				11.877			
2	Traditional operations			555.091			555.091				555.091				11.877			
3	Securitisation																	
4	Retail			555.091			555.091				555.091				11.877			
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 thousand of euros

Risk-weighted assets amounted to 148,4637 thousand euros at the close of the 2022 financial year compared to 170,425 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, of 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	732,576	16,266	1,641
2	Retailers (total)	732,576	16,266	1,641
3	Mortgage on residential real estate	732,576	16,266	1,641
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 2022, Bankinter does not act as investor in any securitisation.

4.7.1. Information on credit risk mitigation techniques

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.

Prudence is the hallmark of Bankinter Group's lending policy: credit granting criteria is 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.Funded credit protection

Collateral is considered to be those 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 cash assimilated instruments 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, primary residence mortgages 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 is 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 consolidated urban areas where the property market has significant supply and demand so as to allow sales to be processed quickly where necessary. This criteria 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 as 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	36,669,468	52,010,876	40,555,194	11,455,682	-
2	Debt securities	11,968,807	-	-	-	
3	Total	48,638,275	52,010,876	40,555,194	11,455,682	-
4	Of which: non-performing exposures	196,585	897,864	551,854	346,010	-
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 2022.

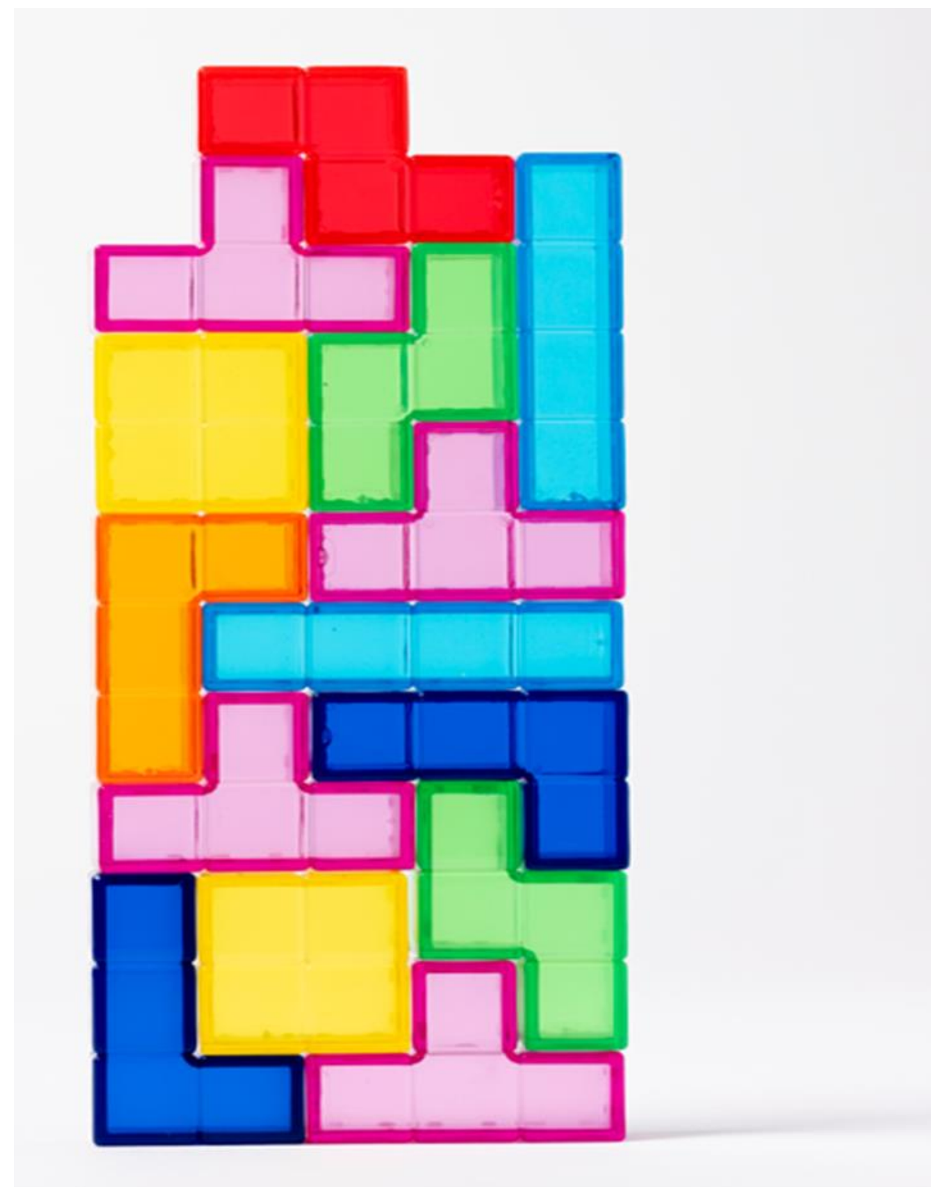
4.7.3. Risk concentration

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.

Note 5 of the notes to the 2020 consolidated financial statements describes which financial assets should be classified in the portfolio of 'Financial assets at fair value through profit or loss'. As it indicates, assets will be included provided that, due to the business model chosen for managing the asset and the contractual cash flow characteristics, they cannot be measured at amortised cost or at fair value through other comprehensive income. This means that transactions may be included in the 'Held-for-trading' portfolio although they do not pose a market risk for Bankinter.

All assets within 'Financial assets at fair value through profit or loss' which satisfy any of the following characteristics, must be included in the trading portfolio:

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 portfolio of financial instruments, 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 customer wholesale or retail 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 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 Institution'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 2022 financial year, in millions of euros:

VaR by risk factor	
Interest rate VaR	0.44
Equity VaR	1.13
Exchange rate VaR	0.33
Volatility VaR	1.26
Total VaR	**2.55**

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 2022, Bankinter had no exposure to commodities risk and its exposure to foreign exchange risk was also reduced. 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 securities issuer or to the issuer of the underlying asset.

Exposure to this type of risk continues to represent a very small percentage of the Institution's risk taken as a whole. At 31 December 2022, 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
	Direct products	
1	Interest rate risk (general and specific)	185,697
2	Equity risk (general and specific)	12,565
3	Exchange rate risk	-
4	Commodity risk	-
	Options	
5	Simplified approach	-
6	Delta-plus method	1,757
7	Scenario method	-
8	Securitisation (specific risk)	-
9	Total	200,019

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 position and the net gold position do not exceed 2% of total eligible own funds. As the Group does not hold any gold positions and the foreign exchange position is very reduced (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 properly followed.

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 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 implemented mitigation plans. 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 program to deal with the different 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

The Bankinter Group calculates operational risk exposure weighted amounts 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 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 relevant 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 2022 and the level 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 exposure
		2020	2021	2022		
1	Banking activities subject to the basic indicator method					
2	Banking activities subject to the standard approach or alternative approach	242,744	263,088		267,744	3,346,804
3	Subject to the standard approach:	242,744	263,088	297,401		
4	Subject to the alternative approach:					
5	Banking activities subject to advanced calculation methods					

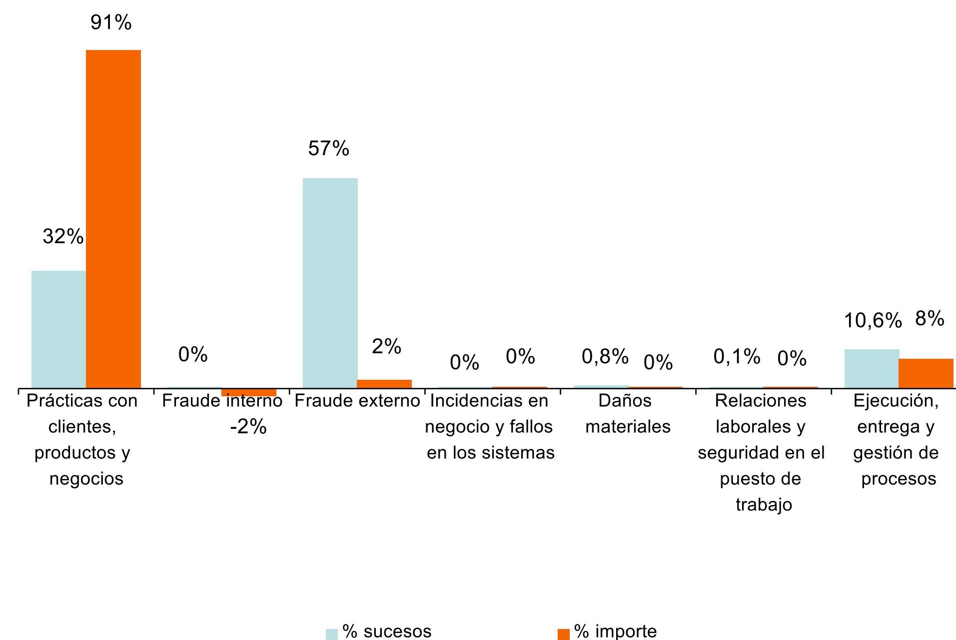
Figures in thousands of euros

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

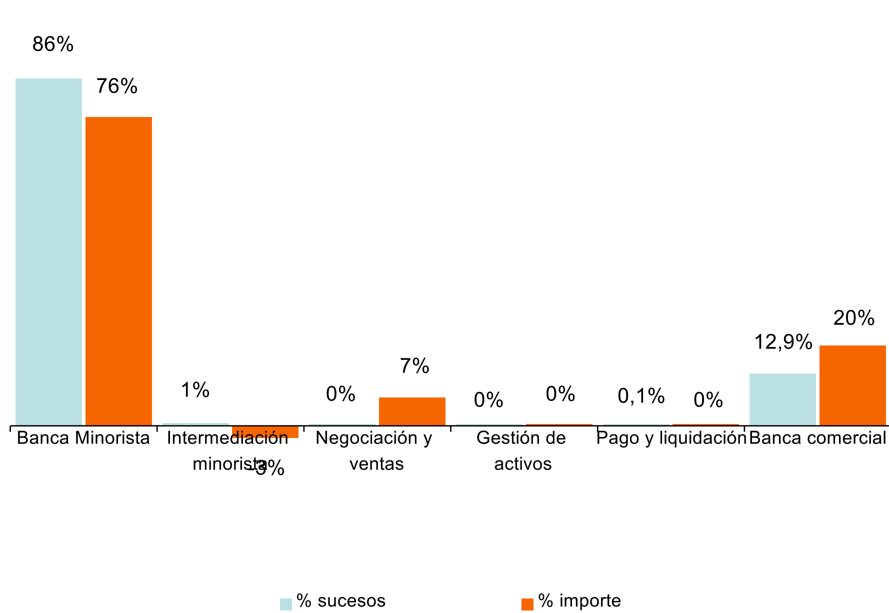
The following charts reflect Bankinter's operational risk profile, shown through the breakdown of historic operational losses analysed under several view points:

Percentage breakdown by type of risk



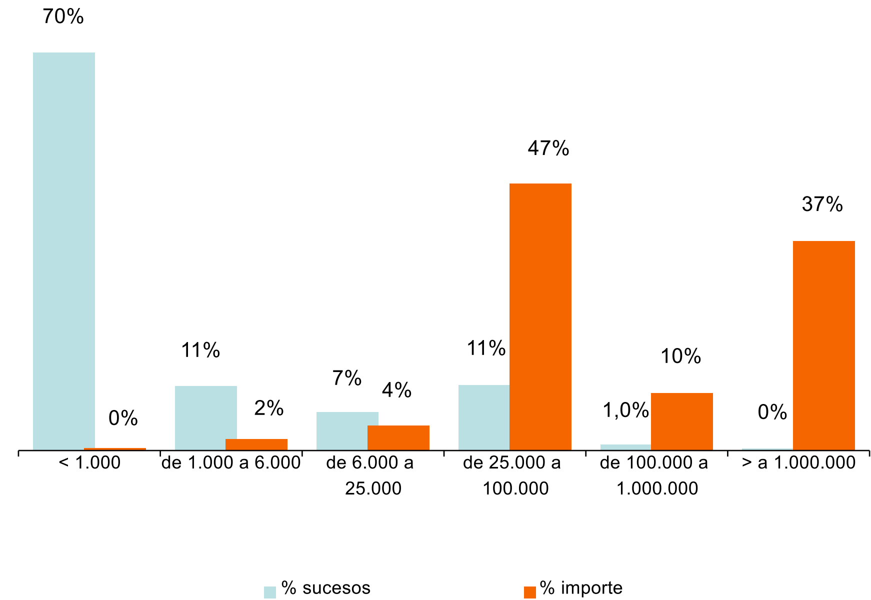
The chart reflects a concentration of losses due to a number of events in 'Commercial practices', 'External fraud' and 'Performance, delivery and management of process'. 'Commercial practices' is also the type of risk where the highest amounts are concentrated.

Percentage breakdown by business line



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

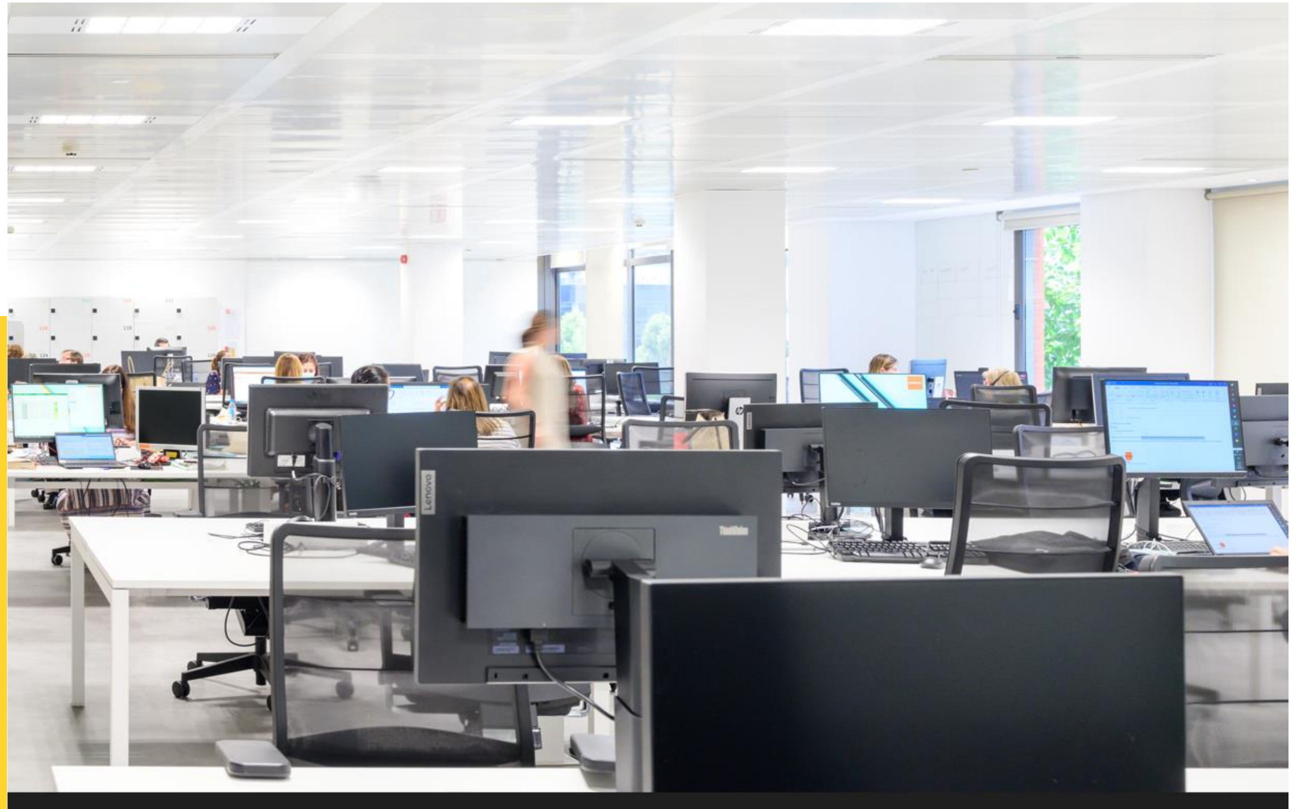
Percentage breakdown by amount intervals



This chart shows that operational risk events involving a small amount (less than 6,000 euros) account for 70% of the total number of events and only 1% of losses. Most of the losses (93%) occur in the interval between 25,000 euros and 100,000 euros, which accounts for 13% 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 the '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 held for sale

The 'Financial assets held for trading' portfolio corresponds in an accounting sense to the category 'Non-trading financial assets mandatorily at fair value through profit or loss'. The primary objective of this portfolio is to generate gains.

This portfolio includes the capital instruments of entities that are not strategic, that are not classified as subsidiaries or associates, and that are 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 quoted price on 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 - 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' hierarchy includes data on financial instruments whose fair value is obtained from listed prices 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 value.

7.3. Carrying amount of equity investments and capital instruments

The carrying amount of equity investments and capital instruments not included in the portfolio of financial assets held for trading is 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	
2021	130,328	78,642	91,328	1	300,298
2022	160,046	59,960	118,242	0	338,249

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

	2022	2021
	Carrying amount	Carrying amount
Listed instruments	39,252	38,197
Unlisted instruments	298,997	262,102
Total	**338,249**	**300,299**

Figures in thousands of euros

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 2022 and 2021.

Likewise, 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 2022 was 14,079 thousand euros, as indicated in Note 30 of the notes to the financial statements.

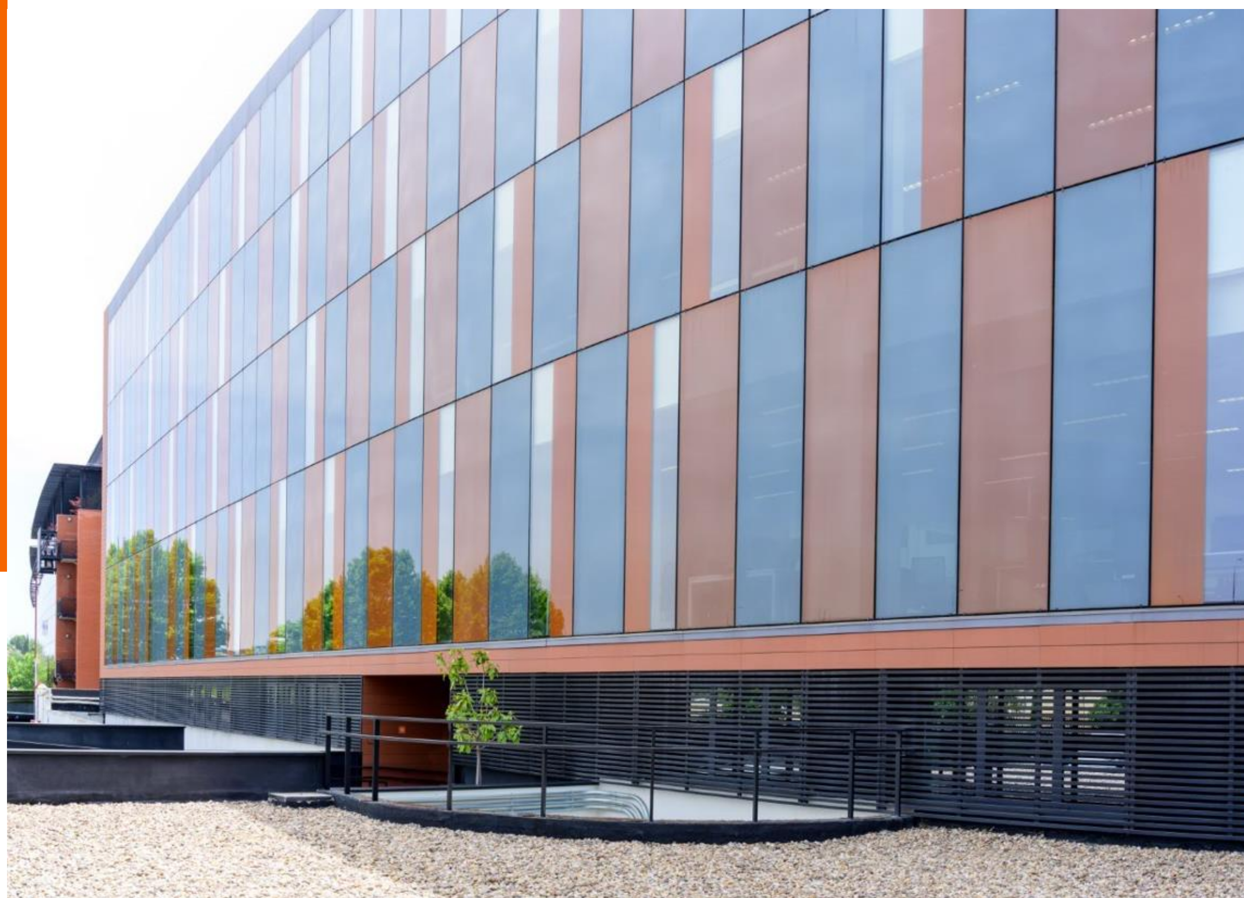
At 31 December 2022, there were no amounts for unrealised gains or losses, corresponding to equity investments and capital instruments not included in the portfolio of 'Financial assets held for trading', included in CET1.

The Supervisor has authorised Bankinter to permanently apply the standardised approach to equities-related exposures, except for financial-sector investments in which the Institution holds a significant interest (as is the case of the Institution's insurance holdings). Deductions must be made in excess of the 10% CET1 threshold and will not give rise to deductions for this item at 31 December 2022.

Risk-weighted capital instruments and equity investments, including the amount of investments in financial institutions below 10% of CET1, stood at €842,052 thousand at 31 December 2022, compared to €1,177,574 thousand at the 2021 year end.

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

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

In accordance with current EBA regulations, and in particular "*Guidelines on the management of interest rate risk arising from non-trading book activities*", hereinafter "EBA GL 2018-02" of 19 July 2018, the structural interest rate risk is confined exclusively to the risk arising from **non-trading book activities**, thus 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.

The Bankinter Group's management of this (structural) interest rate risk, inherent in the fluctuations of interest rates on 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 Bankinter Group's business, as defined in its Strategic Plan, envisages a continuous pursuit of shareholder value creation, which entails the assumption of increasing but controlled interest rate risk. The Bank's fundamental objective in managing interest rate risk is to balance the overall objective of maximising profitability with controlling exposure to market interest rates.

This exposure to interest rate risk is mitigated 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.

  In line with risk management best practises, independence and segregation of duties are ensured 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. It includes the **balance sheet management**, **Balance Sheet Analysis** and **Market Risk** departments.
  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 an appropriate **architecture técnica** and **data management** which makes it possible to incorporate 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 Guidelines, institutions with a non-performing exposures (NPE) ratio of 2% or higher must also include them, net of provisions, as general interest rate sensitive instruments.

It also extends to the establishment of an appropriate interest rate risk control structure that allows for 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, and 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 margin sensitivity (NII).

  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 margin of the [6]baseline scenario in relation to scenarios reflecting shocks in the 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 the net interest margin (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 (e.g. the maturity date of demand deposits, the rate of early repayment of mortgage loans, the early repayment of term deposits, etc.).

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

The Group has internal models for demand deposits and mortgage loan prepayment risk based on its historical behaviour. Both models are documented and reflect the modelling assumptions that apply to the measurement of IRRBB in terms of economic value (EVE) and earnings (NII), including the changes in assumptions[7] to be considered under the different 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:

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	70.0%	4.5
Wholesale	50.0%	4

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

8.1.4. Regulatory scenarios for interest rate shocks

The EBA, in its Annex III / EBA GL 2018-02, defines six interest rate shock scenarios for each currency considered significant for interest rate risk purposes and the overall parameterisation 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*]; y
- Lowering of short-term rates [*Short Rates Down*].

Pursuant to 114 of the "EBA GL 2018-02" guidelines, institutions shall, at least quarterly, calculate the impact of regulatory interest rate shocks on the **Economic Value of Equity** (**EVE**). The EBA Guidance states that, where the decrease in EVE is greater than **15 % of Tier 1 capital** of the entity in any of the six scenarios, the entity shall report to the competent authority. In addition, when the decrease of the EVE in the parallel scenarios is greater than **20% of the economic value of quity**, the entity must immediately inform the competent authority. Both thresholds are given as quantitative thresholds for the sensitivity of economic value.

In the case of the 12-month **net interest margin (NII)** (NII), the prudential requirement only covers the two parallel scenarios (up and down). The current guidelines[8] do not set a quantitative threshold but a qualitative one by stating that the competent authority must be informed immediately in case of a **significant decrease** in net interest margin in these scenarios.

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

The sensitivity of the Bankinter Group's economic value of equity (EVE) and net interest income (NII) at year-end 2022 to the regulatory scenarios set out in section 8.1.4 is shown in the table below:

[8] The EBA has currently issued a consultation paper in relation to the NII Supervisory Outlier Test (SOT), which will include a quantitative limit.

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

Regulatory shock scenarios	Changes in the economic value of equity*		Changes in net interest income**	
	Q4 2022	Q4 2021	Q4 2022	Q4 2021
1 Parallel-up movement	-8.1%	3.2%	-14.4%	14.8%
2 Parallel-down movement	-4.7%	-6.7%	-17.9%	-4.2%
3 Positivisation	3.0%	5.0%		
4 Flattening	-10.0%	-5.9%		
5 Short rates up	-10.7%	-2.5%		
6 Short rates down	2.1%	0.1%		

* Changes in the economic value of equity = Δ EVE/ Own Funds(%)

** Changes in net interest income = Δ NII 12M/ NII 12M Base (%)

Interest rate risk data as at end-December 2022 reflect:

- ✓ Bankinter's exposure to structural interest rate risk is **low** for both the **economic value of equity (EVE))** and **net interest income (NII) ratios**.
- ✓ The most unfavourable scenario for the **NII metric** is the **regulatory scenario of a parallel decline in interest rates**. The rise in market interest rates during 2022 leads to a significant increase in the Group's financial income generation in the base scenario and, therefore, in NII's sensitivity to a new downward rate scenario.
- ✓ In the current environment of rate standardisation, the **sensitivity of net interest income (NII**) in the **regulatory rate increase scenario** has changed significantly compared to the end of the previous year due to the application of positive and increasingly higher rates on demand balances which are not currently remunerated and which could migrate to remunerated products (time deposits) in this scenario of rising rates.
- ✓ The **pattern in 2022 of the regulatory sensitivity of the net interest margin (NII)** in the adverse scenario relative to the baseline margin is significant despite the significant increase in the 12-month projection of the baseline margin. This sensitivity reflects the loss of projected 12-month net interest income that would generally be incurred on floating-rate asset positions in a scenario of falling interest rates.
- ✓ In the case of the **economic value metric**, the **short-term rate hike scenario** is maintained[9] as the most adverse scenario mainly due to the growing exposure of the Group's balance sheet to fixed rate loans (mortgage portfolio and ALCO portfolio). Note that, in these cases, their economic value is reduced by discounting their future cash flows at higher discount rates.
- ✓ The **trend in 2022 of the regulatory sensitivity of economic value (EVE)** in the adverse scenario shows an increasing behaviour in line with the higher exposure to the adverse scenario (due to the significant organic generation of the fixed rate mortgage portfolio and the current volume of the ALCO portfolio). The regulatory metric is impacted by the shorter duration of the Group's financial liabilities due to the application of regulatory restrictions on the maturity of demand deposits and assumptions of migration to interest bearing products in rising interest rate scenarios.

[9] In the information reported with data as of 22 June, the regulatory scenario of rising short-term interest rates was already the most unfavourable for the economic value metric.

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.

In addition, stressed scenarios with parallel and immediate movements of 100 basis points are analysed, where more negative interest rates than the current ones are considered in the downside scenarios, without considering a floor, but only the implied interest rates in the individual contracts, not those of the yield curve. Given the negative sensitivity of the balance

sheet to interest rate cuts and the current negative yield curve in recent periods, this scenario is considered sufficiently stressed as no floors are considered for the interest rate movement.

Two scenarios with progressive interest rate development have been added, which focus on the measurement of the interest rate adjustment 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 2022, 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	-1.6%	-25 bp parallel	0.1%
+25 bp parallel	1.5%	+25 bp parallel	-0.1%
-100 bp parallel	-6.2%	-100 bp parallel	-2.1%
+100 bp parallel	6.1%	+100 bp parallel	0.9%
Gradual fall	-2.1%	Gradual rise 100 bp	-1.7%
Gradual rise	2.1%	Gradual fall 100 bp	0.7%
Flattening	-0.4%	Positivisation 50 bp	1.0%
Positivisation	0.4%	Flattening 50 bp	-0.7%

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

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. The 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 the 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 a balanced growth in loans and retail funds.
- Diversify wholesale funding sources, both from the point of view of instruments and markets
- Maintain a presence in wholesale markets, issuing on a regular basis in accordance with market opportunities and needs
- Offer maximum transparency to investors, by regularly providing information about the Bank
- Have an appropriate wholesale maturity profile, avoiding concentrations
- Maintain a sufficient buffer of liquid assets to cope with a potential wholesale market downturn 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

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 lower 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 deposits. 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 2021) found that liquidity risk management is adequate, that Bankinter's liquidity risk profile is low and that 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 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

During 2022, customer funds increased by more than €2,000 million, an increase to which each of the Group's business areas contributed. As a result, the average of retail customer funds continues to be considerably higher than customer lending, with the ratio of customer funds to lending standing at 102.8% at year-end.

Regarding wholesale funding, a €1,000 million covered bond issue matured in August 2022 and was partially replaced by a €750 million covered bond issue in November, which was very well received by wholesale investors. In December 2022, €2.55 billion of the TLTRO liquidity tender matured.

As a result of these liquidity variations, the liquidity buffer is at lower levels than in the previous year, even so, it should be noted that the liquidity position at year-end 2022 allows maintaining LCR levels comfortably above both internal and regulatory limits, reaching 193.5% at year-end.

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

The balanced and stable composition of the funding obtained by Bankinter Group to cover its needs, led to the net stable funding ratio (NSFR) standing above 100% during the whole of 2022. At 31 December 2022, this ratio was at 139.7%.

In 2023, further balanced growth is expected in investment and resources. In order to meet the maturities of the ECB's long-term refinancing (TLTRO), both long-term and short-term issues in the wholesale markets will be used.

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 2022. 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 set out 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	31-12-22	30-09-22	30-06-22	31-03-22	31-12-22	30-09-22	30-06-22	31-03-22
EU 1b	Number of data used in calculating the average	12	12	12	12	12	12	12	12
	HIGH QUALITY LIQUID ASSETS								
1	Total high-quality liquid assets (HQLA)					22,066	23,297	24,061	24,079
	CASH OUTFLOWS								
2	Retail deposits and deposits from small business customers, of which:	47,695	46,617	45,340	44,036	3,110	3,030	2,927	2,820
3	Stable deposits	30,062	29,486	28,824	28,032	1,503	1,474	1,441	1,402
4	Less stable deposits	15,702	15,196	14,508	13,860	1,607	1,556	1,486	1,419
5	Unsecured wholesale funding	27,172	27,224	26,262	25,251	9,430	9,413	9,087	8,889
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	17,407	17,663	17,076	16,483	4,175	4,245	4,100	3,933
7	Non-operational deposits (all counterparties)	9,654	9,456	9,076	8,629	5,144	5,063	4,876	4,817
8	Unsecured debt	111	105	111	139	111	105	111	139
9	Secured wholesale funding					37	31	23	3
10	Additional requirements	13,373	13,248	13,129	13,086	1,230	1,247	1,195	1,226
11	Outflows related to derivative exposures and other collateral requirements	167	161	157	182	167	161	157	182
12	Outflows related to loss of funding on debt products	92	90	9	9	92	90	9	9
13	Credit and liquidity facilities	13,115	12,998	12,964	12,895	971	997	1,030	1,035
14	Other contractual funding obligations	803	770	732	703	733	699	663	637
15	Other contingent funding obligations	5,282	5,182	4,826	4,574	741	708	670	643
16	TOTAL CASH OUTFLOWS					15,280	15,129	14,566	14,218
	CASH INFLOWS								
17	Secured lending (e.g. reverse repos)	2,662	2,407	2,413	2,278	4	4	4	4
18	Inflows from fully performing exposures	5,917	5,540	5,223	4,963	4,579	4,263	4,002	3,811
19	Other cash inflows	112	122	104	92	116	126	100	82
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	8,691	8,069	7,740	7,334	4,699	4,393	4,107	3,898
EU 20a	Fully exempt inflows	-	-	-	-	-	-	-	-
EU 20b	Inflows subject to 90% cap	-	-	-	-	-	-	-	-

EU 20c	Inflows subject to 75% cap	8,691	8,069	7,740	7,334	4,699	4,393	4,107	3,898
EU 21	LIQUIDITY BUFFER					22,066	23,297	24,061	24,079
22	TOTAL NET CASH OUTFLOWS					10,581	10,735	10,459	10,321
23	LIQUIDITY COVERAGE RATIO (%)					208%	218%	230%	234%

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

Throughout 2022, the liquidity coverage ratio remained comfortably above regulatory limits and the Group's internal control limits, standing at 208.41% on annual average during 2022.

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 occupies second place, with operational deposits exceeding non-operational.

Composition of the liquidity buffer of the entity

The liquidity buffer consists largely of Level 1 assets, mainly reserves at central banks that may be withdrawn. Secondly, there are assets of central, regional or local governments that play an important role in the ratio. 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

Most of the derivative operations 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.

9.4. Net stable funding ratio (NSFR)

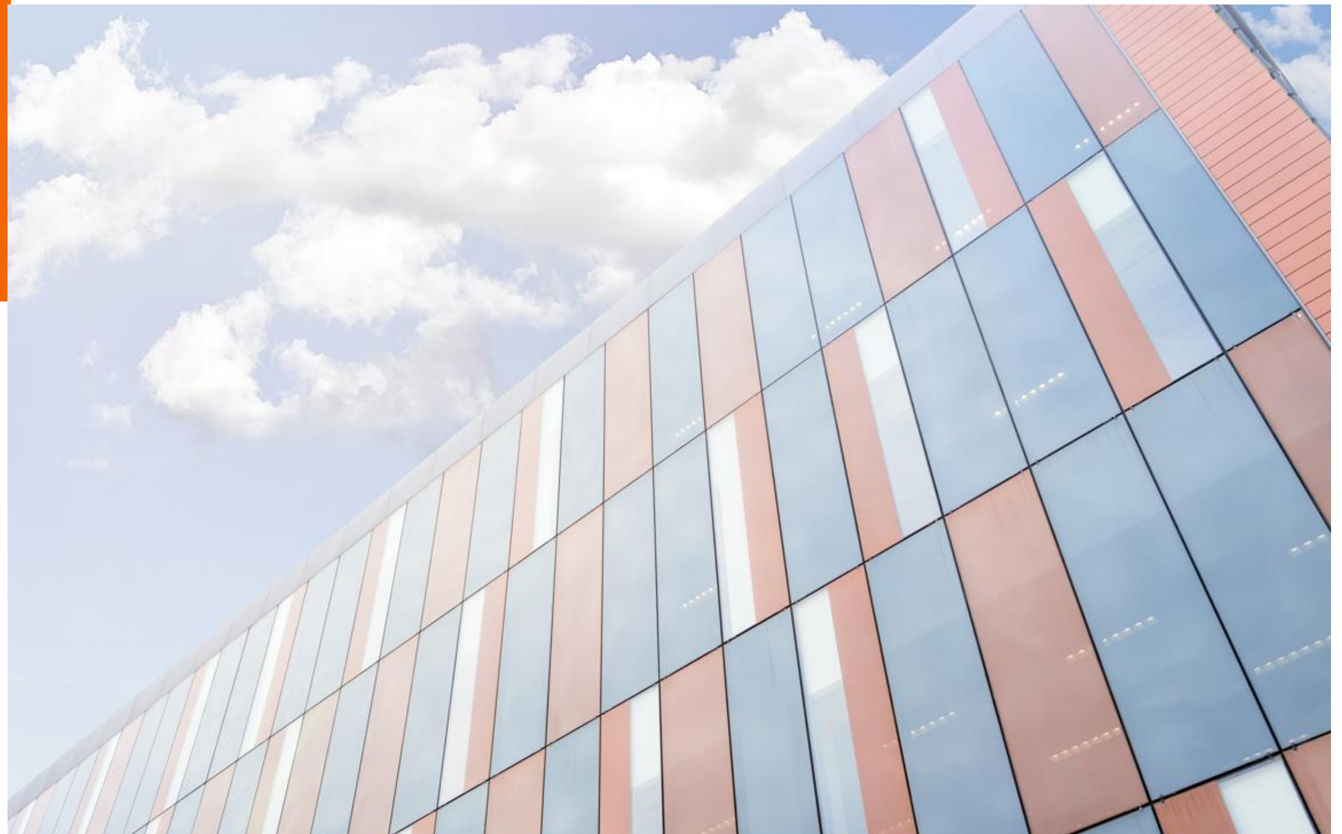
Net stable funding ratio, NSFR (LIQ2)

		Value not weighted by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1 year	One year or more	
	Available stable financing items (ASF)					
1	**Capital items and instruments**	4,694			830	5,524
2	Shareholders' equity	4,694			830	5,524
3	Other equity instruments					
4	**Retail deposits**		47,848	647	66	45,283
5	Stable deposits		31,208	231	31	29,898
6	Less stable deposits		16,640	416	35	15,385
7	**Wholesale funding:**		37,535	3,340	5,721	19,425
8	Operating deposits		15,165	0	0	7,582
9	Other wholesale funding		22,370	3,340	5,721	11,843
10	**Interdependent liabilities**		0	0	0	0
11	**Other liabilities:**	0	2,824	80	1,318	1,358
12	Liabilities arising from the net stable funding ratio	0				
13	All other liabilities and capital instruments not included in the previous categories		2,824	80	1,318	1,358
14	**Total stable funding available**					71,591
	Required stable funding (RSF) items					
15	**Total high-quality liquid assets (HQLA)**					243
EU 15a	**Encumbered assets with a residual maturity of one year or more in a coverage pool**				2,976	2,530
16	**Deposits held in other financial entities for operating purposes**					
17	**Performing loans and securities:**		22,989	5,789	47,198	45,031
18	Non-performing securities financing transactions with financial customers collateralised by Tier 1 HQLA are subject to a valuation haircut of 0%		2,969	0	0	886
19	Non-performing securities financing transactions with financial customers collateralised by other assets and loans and advances to financial institutions		3,703	581	499	1,160
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:		11,171	4,839	12,554	39,934
21	With a risk weight of 35% or less under the BCBS II standardised approach for credit risk		686	535	4,933	22,332
22	Mortgages on residential real estate, of which:		323	223	31,491	0
23	With a risk weight of 35% or less under the BCBS II standardised approach for credit risk		286	211	27,135	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	145	2,653	3,050
25	**Interdependent assets**		0	0	0	0
26	**Other assets**		3,262	177	2,212	2,729
27	Physically traded commodities					
28	Assets posted as initial margin for derivatives contracts and contributions to CCP default funds		238			203
29	Assets arising from the net stable funding ratio		51			51
30	Liabilities resulting from the net stable funding ratio before deduction of the contributed variation margin		1,768			88
31	All other assets not included in the above categories		1,205	177	2,212	2,387
32	**Off-balance sheet items**		321	94	13,349	706
33	**Total stable funding required**					51,239
34	**Net stable funding ratio (%)**					139.72%

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 a 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, it 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 end of 2022, the Bankinter Group's leverage ratio stood at 4.40%, compared with 4.89% the previous year, when the exclusion of exposures to Eurosystem central banks was still applicable, as established temporarily by Regulation 2020/873, known as CRR-2 Quick Fix, and which ended in the first quarter of 2022. Excluding these exposures to central banks, the ratio at the end of December 2022 would have been 5%. The 2022 and 2021 ratios are well above the regulatory minimum requirement of 3%.

Bankinter Group's leverage ratio at 31 December 2019 and 2020:

	2022	2021
Tier 1	4,693,884	4,604,202
Exposure	106,583,642	94,214,872
Leverage ratio	4.40%	4.89%

Figures in thousands of euros

A reconciliation between the Group's financial statements and the exposure measure used in calculating the 2022 leverage ratio is as follows:

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

		a
		Pertinent amount
1	Total assets according to published financial statements	107,507,032
2	Adjustment for entities consolidated for accounting purposes, but which fall outside the scope of regulatory consolidation	0
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transfer)	(732,577,644)
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	(1,897,484)
9	Adjustment for securities financing transactions	(2,206,761)
10	Adjustment for off-balance-sheet items (i.e., conversions of off-balance-sheet exposures to credit equivalents	5,863,070
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	729,895,429
13	Total leverage ratio exposure measure	106,583,642

Figures in thousands of euros

The following table provides a breakdown of the items used to calculate the leverage ratio at 31 December 2022:

Leverage ratio common disclosure table (LR2)

		CRR leverage ratio exposures	
		a	b
	On balance sheet exposures (excluding derivatives and SFTs)	**Q4 22**	**Q2 22**
1	On balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including security interests	100,891,596	105,080,742
2	Gross-up for derivative collaterals provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	0
3	Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-868,593	-738,913
4	(Adjustment for securities received in securities financing transactions recognised as assets)	-	0
5	(Adjustments for general credit risk of on-balance sheet items)	-	0
6	(Amounts of assets deducted to determine tier 1 capital)	-477,783	-491,388
7	Total on balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)	99,545,221	103,850,441
	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)	63,346	31,523
EU- 8a	Exception applicable to derivatives: contribution to replacement costs under the simplified standard approach	-	0
9	Amounts of additions for potential future exposure associated with derivative transactions under the standardised approach for counterparty credit risk	349,377	297,926
EU- 9a	Exception for derivatives: Potential contribution to future exposure under the simplified standardised approach	-	0
EU- 9b	Exposure determined under original exposure approach	-	0
10	(CCP component excluding client-cleared trading exposures) (standardised approach for counterparty credit risk)	-	0
EU- 10a	(CCP-exempt portion of trade exposures netted by the client) (simplified standardised approach)	-	0
EU- 10b	(CCP-exempt portion of trade exposures netted by the client) (original exposure method)	-	0
11	Adjusted effective notional amount of written credit derivatives	-	0
12	(Adjusted effective notional offsets and additional deductions for credit derivatives entered into)	-	0
13	Total derivatives exposures	412,723	329,449
	SFT exposures		
14	Gross assets of securities financing transactions (without recognition of netting), after adjustments for sale accounting transactions	2,969,390	3,051,680
15	(Net amounts of cash payable and cash receivable in gross assets of securities financing transactions)	-2,206,770	-982,633
16	Counterparty credit risk exposure on securities financing transaction assets	8	2,188
EU- 16a	Exemption for securities financing transactions: Counterparty risk exposure under Article 429e(5) and Article 222 of the CRR	-	0
17	Agent transaction exposures	-	0
EU- 17a	(CCP component excluding exposures from securities financing transactions netted by the client)	-	0
18	Total SFT exposures	762,629	2,071,235
	Off balance-sheet exposures		
19	Off-balance sheet exposures at gross notional amount	23,698,841	10,846,232
20	(Adjustments for conversion to credit equivalent amounts)	-17,835,771	-4,896,065
21	(General provisions deducted for the determination of Tier 1 capital and specific provisions associated with off-balance sheet exposures)	-	0
22	Off balance sheet exposures	5,863,070	5,950,167
	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	(Promotional loans excluded 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 promotional loans transferred by non-public promotional banks (or entities): - Promotional loans granted by a public promotional 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	4,693,884	4,642,749
24	Measurement of total exposure for leverage ratio	106,583,642	112,201,293
	Leverage ratio		
25	Leverage ratio (%)	4.40%	4.14%
EU- 25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	4.40%	4.14%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption from central bank reserves) (%)	4.40%	4.14%
26	Regulatory minimum leverage ratio requirement (%)	3%	3.00%
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%	3.00%
	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.	3,970,928	3,348,128
29	Quarter-end value of SFT gross assets, after adjusting for sales accounting transactions and net of related cash liabilities and receivables	762,621	2,069,047
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).	109,791,950	113,480,373
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).	109,791,950	113,480,373
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).	4.28%	4.09%
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).	4.28%	4.09%

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:**	100,023,003
EU- 2	Trading book exposures	270,847
EU- 3	Banking book exposures, of which:	99,752,156
EU- 4	Covered bonds	-
EU- 5	Exposures treated as sovereigns	25,047,111
EU- 6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	55,382
EU- 7	Institutions	6,423,915
EU- 8	Secured by mortgages of immovable properties	35,415,729
EU- 9	Retail exposures	10,465,071
EU- 10	Corporates	18,437,475
EU- 11	Exposures in default	814,253
EU- 12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	3,093,220

Figures in thousands of euros

10.2. Trends in the leverage ratio

During 2022, the leverage ratio decreased by 49 basis points from 4.89 % at the end of 2021 to 4.40 % at 31 December 2022. As mentioned in the previous section, taking into account at year-end the exemption of exposures to central banks, the real movement of this ratio would have been an increase of 11 basis points, as this ratio would have been 5%.

The value of the numerator of the ratio, Tier 1 Capital, increased by €89 million during the year, which mitigated some of the increase in total exposure that forms the denominator of the ratio.

The total exposure ratio in the denominator increased by €12,369 million during the year. The main reason for this increase has been, as noted earlier in this chapter, the end of the leverage ratio relief measures that were put in place at the beginning of the pandemic by Regulation (EU) 2020/873 and which established a permission to temporarily exclude certain exposures to central banks, including reserves, coins and banknotes, from the calculation of the total exposure measure.

10.3. Managing the risk of excessive leverage

The 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 quarterly 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 is taken into account, 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 guarantee envelope.

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 a 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 2021 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
	010	030	040	050	060	080	090	100
010 **Assets of the reporting institution**	**27,510**	**7,394**			**82,047**	**19,759**		
030 Equity instruments	7	4			508	25		
040 Debt securities	7,505	7,390	7,175	6,831	4,409	2,441	4,330	2,403
050 of which: covered bonds	0	0	0	0	0	0	0	0
060 of which: securitisations	0	0	0	0	0	0	0	0
070 of which: issued by public administrations	6,982	7,091	6,689	6,683	2,392	2,345	2,326	2,308
080 of which: issued by financial corporations	321	0	300	0	1,509	6	1,418	6
090 of which: issued by non-financial corporations	174	153	165	146	541	100	601	98
120 Other assets	19,817	0			77,188	17,014		

Figures in millions 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	1,018	973	1,786	928
140	Loans on demand	-	-	-	-
150	Equity instruments	-	-	-	-
160	Debt securities	1,018	973	1,310	928
170	Of which: covered bonds	-	-	1,505	1,505
180	Of which: securitisations	-	-	493	-
190	Of which: issued by public administrations	973	973	920	937
200	Of which: issued by financial corporations	151	-	493	780
210	Of which: issued by non-financial corporations	-	-	48	-
220	Loans and advances other than loans on demand	-	-	-	-
230	of which:	-	-	697	-
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			893	-
250	TOTAL COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED	28,678	8,021		

Figures in millions 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 2021, is as follows:

The 'Liabilities' column includes matching liabilities, contingent liabilities or securities lent

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

Sources of encumbrance (AE3)

		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
		010	030
010	Carrying amount of selected financial liabilities	19,433	24,391

Figures in millions 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.

Composition and functions of Bankinter's remuneration committee

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 on a total of seven occasions in 2022, five ordinary and two extraordinary, to deal with all matters within its remit.

All of the committee's activities are included in the annual activity report for 2022, published on Bankinter's corporate website for the called annual general meeting. The activities specified in this report include yet 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[10]; 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

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

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.

On 21 February 2022, the board of directors of Bankinter approved the annual directors' remuneration report, which was approved, on a consultative basis, by the annual general meeting on 23 March 2022 (with a percentage of approval of 89.508%), 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"), and 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 a percentage of 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 which is available on the Company's corporate website.

The Bankinter Group's general remuneration policy, currently in force and described in this report, was approved by the board of directors at the proposal 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 laid out in Bankinter's Risk Appetite Framework including, where appropriate, risk elements in matters of sustainability.
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 interest of the Bank, and should include measures to avoid conflicts of interest.
Appropriate balance between fixed and variable components	As a general rule, variable remuneration should not acquire too a significant proportion in relation to 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 externally.
Supervision and effectiveness	As part of its supervisory duties, the Bank's administrative body will adopt and periodically review the general principles of the directors' remuneration policy and will be responsible for monitoring and guaranteeing its effective and appropriate application.
Flexibility and transparency	Guidelines to managing 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 customisation	These remuneration management rules will be written clearly and concisely, with the utmost simplicity in their descriptions and in the calculation methods and relevant 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, at the proposal of the remuneration committee, approved a policy for determining the identified staff, which was amended by the board of directors at the proposal 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 the Bankinter Group on a consolidated basis:

- According to **qualitative criteria**, based on the authority and responsibility delegated to the entity's staff member, 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 or significant business units.
  - Those responsible for legal matters, 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 relevant market risk positions.
  - Voting member 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 function 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 or more in the previous year.
  - They belong to the group whose remuneration is between 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 the 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 94 professionals were classified as identified staff at the close of the 2022 financial year, which represents approximately 1.46% 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

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

These guidelines consist of:

- The policy and procedure for determining the identified collective, described above, which includes the principles and criteria to identify the individuals who have a material impact on the 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 the 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 obtainment of such remuneration are 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 a combination of the following three remuneration items, all of which are foreseen in the Entity'sb y-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 2022, 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, available on the corporate website (corporate websitewww.bankinter.com/webcorporativa) includes the individual amount paid to the members of the board for the performance of their duties in 2022, along with a description of the amounts to be accrued for each item in 2023.

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 of 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 2022.

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 contemplated 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, 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 the rest of 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 precedent 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 Institution'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 and naming system.

  Significant differences between the different positions are the comparative base used for achieving a fair distribution of salaries, thus reducing any arbitrariness.

  Whether an employee is situated in one place or another 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 Bank'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 superior, 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 the Bankinter 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 (after five years have passed from the time of 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 rirectors' 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 in question and the global results of the Bank.
- Total variable remuneration does not limit Bankinter's capacity to reinforce the soundness of 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 scaled 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 and takes into account the cost of the capital and the 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.

Notwithstanding the above, 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.
- Nevertheless, 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 outlined 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 aim is to incentivise and channel efforts towards the targets set by the Bank. And, in order to ensure alignment between remuneration levels and the results obtained by the Bank, remuneration is tied to global objectives while also encouraging sound and effective risk management and avoiding the creation of incentives towards excessive risk-taking by individuals. 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 was conceived for employees carrying out commercial tasks and lead commercial teams as responsible for the commercial activities of such teams, and for applying the established commercial strategy. Overall, the amount of the incentive can be broken down into two sections according with the following:
▪ The first one is linked to different position-based commercial objectives.
▪ The second section is linked to the banking business results of the Group and the profits at the centre where the employee works, based on indicators established 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 to 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 to the references used for the areas they control.</td></tr>
<tr><td>Multi-year variable remuneration

("LTI 2022-2023")</td><td colspan="2">A long-term variable remuneration system applies to executive directors, other directors and key personnel of Bankinter Group:
The aim is to achieve their 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, but a two-year scope. This is because the Bank's strategic objective for 2023 is achieving the profit after tax obtained in 2019, before the spin-off of its subsidiary, Línea Directa Aseguradora (LDA): The PAT for 2019 was 550 million euros and the target aims to underline the resilience and sustainability of Bankinter's business model after the spin-off.

<u>Other requirements for receiving the LTI 2022-2023:</u></td></tr>
</table>

	• 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 granted, no matter the reason (such as dismissal, voluntary severance, termination, death, permanent disability, retirement and 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. Given its purpose, this plan is additional to the other existing variable remuneration plans at this time.

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, which are fully aligned with the Bank's risk profile, and which are essential for sustainability of the entity in the long term.

To this end, the variable remuneration is calculated in three stages:

- **Stage one:** Fulfilment of the annual and multi-year targets is assessed based on the established indicators for each case.

- **Stage two:** 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.

  In adjusting the variable remuneration accrued in 2022, Bankinter has used five MAR indicators. For 2023 it will use one more than in 2022, switching to two indicators related to environmental and social objectives: **financed emissions and the NPS of customers**. The new indicator for 2023, described in the directors' remuneration report available on the corporate website, is emissions financed, which measures the impact on the decarbonisation of the economy through the financing granted by the Bank to its customers.

  Each indicator has a defined target, tolerance and limit approved by the board of directors, at the suggestion 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 2022 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 tolerance or limit levels set by the board within the RAF indicators
Tier I Contains the principal risk metrics for the Bank, 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: - Liquidity Buffer which measures the Cash Balance, the Central Bank Account, the interbank and discountable assets; and - The covered-bond issuing capacity. -	**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 credit-risk exposures with loss of value.	**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 total Bank customers *according to quality surveys* This measures customers' inclination to recommend the Bank.	**Reputational**	

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**.

The three stages apply to both annual variable remuneration and multi-year variable remuneration. The second and third phases involve ex ante adjustments.

The design of the variable remuneration system fully responds to Bankinter's accredited commitment to long-term sustainability in all areas, a commitment that translates into the use of robust, long-lasting indicators, controlled and verified by the control areas of the entity, as well as by the supervisor and external auditors. And, as part of this design, and in relation to specific social and environmental objectives, the RAF incorporates the NPS of customers and, from 2023, the NPS of financed issues, which are then translated into variable remuneration.

Characteristics of variable remuneration for 2022

The specific characteristics and targets of the variable remuneration awarded to executive directors, both annual and multi-year, are described below, as well as the characteristics of the ex ante adjustment of the variable remuneration accrued, in accordance with the RAF indicators:

	Variable remuneration frequency	Indicator	What does it measure?	Weighting	Achievement rate (%)	Incentive accrual (%)	Impact on the total variable remuneration accrued
Stage one	**Annual**	**Profit before tax** (PBT) from banking activity 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 margin** 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 X > midpoint of the Peer Group X < midpoint of the Peer Group	% of Incentive accrued at 31 December 2022 / % of Incentive accrued at 31 December 2023 100% of 1/2 of the Target Incentive / 100% of 1/2 of the Target Incentive 0% / 0%	**0 to 120%**
		Profit after tax (PAT) at 31 December 2023	Appropriate risk management and its link to medium and long-term management	100%	PAT Bankinter Group (million euros) PAT < 440.0 440.0 ≤ PAT < 550.0 550.0 ≤ PAT < 575.0 PAT ≥ 575.0	Incentive achieved (%) 0% 80% ≤ X <100% 100% ≤ X <120% 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%**
		Tier 1 — **Liquidity buffer + issue capacity**	Liquidity	100%			
		Tier 1 — **Sensitivity of net interest income**	Interest rate	100%			
		Tier 1 — **Problem assets (%)**	Credit	100%			
		Tier 2 — **NPS - Total bank customers *according to quality surveys***	Reputational	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

The degree of compliance with the objectives to which the annual variable remuneration accrued in 2022 (general and applicable to executive directors, among others) was 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%(*)	118.94%(**)	118.94%(**)	113.97%	Same accrual rate obtained in the first stage
	Indicator linked to the centre's/area's attainment of annual targets. For example, specifically for executive directors and part of the rest of the identified staff that does not participate in specific incentives, data is provided for the Operating Margin before provisions indicator of the banking business in Spain, Portugal and Ireland (including EVO in the case of executive directors).	60%(*)	110.65%(**)	110.65%(**)		
Stage two	CET1 Ratio	100%	In the 20 measurements (equivalent to 4 quarters) of the five previous RAF indicators, there have been neither breaches of tolerances nor breaches of limits.		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 2022 the ROE TTC is above 7% (tolerance), meeting the set target by 100%		100%	

(*) weight applicable to executive directors among other members of the identified staff.

(**) including EVO Banco

- **The following are the clauses to which variable remuneration of executive directors is currently subject to:**

Accrued variable remuneration is subject to the following clauses:

Clauses to which variable remuneration is subject to.		
Deferral	**Payment in shares**	
A substantial part will be deferred for a period of 5 years.	A substantial part will be paid in Bankinter shares. (at least 50% of the deferred portion and 50% of the non-deferred portion)	
	Prohibition of hedging transactions	**Share retention period**
	Neither on shares pending delivery nor shares already delivered	1 year from each delivery
Ex-post adjustments		
Reduction (malus) and return (clawback) clauses are applicable to 100% of the granted amount		

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 reimbursement 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, approved by advisory vote at the annual general meeting held on 23 March 2022, 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 both the variable remuneration subject to deferral, an adjustment 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 the 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, for 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.

No severance payments of any kind have been established for the chairman, executive vice-chairman and other board members in the event of their removal for any reason.

The severance payments for the chief executive officer set out in the contract signed with the Company are based on her relationship with the Entity as an employee before she was appointed chief executive officer apply solely to cases similar to those defined in the Workers' Statute (Estatuto de los Trabajadores) for ordinary employment relations. Furthermore, they have a severance limit that may not, under any circumstances, exceed the limit provided in labour 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 2022 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 officers	Other identified staff
	Guaranteed variable remuneration granted				
1	Guaranteed variable remuneration granted- Number of staff members identified				
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 the identified staff				1
5	Severance payments granted in prior periods and paid during the year - total amount				69
	Severance payments granted during the year				-
6	Severance payments granted during the year- Number of members of the identified staff				6
7	Severance payments granted during the year- total amount				3,455
8	Of which: paid during the year				3,455
9	Of which: deferred				-
10	Of which: severance payments paid during the year that are not taken into account in the capping of premiums				3,455
11	Of which: highest compensation awarded to a single person				932

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 officers	Other identified staff
1	Fixed remuneration	Number of members of identified staff	9	2	7	76
2		Total fixed remuneration	2,212	2,756	3,287	15,549
3		Of which: in cash	2,210	2,238	2,525	12,288
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	2	519	762	3,261
9	Variable remuneration	Number of members of identified staff	-	2	7	76
10		Total variable remuneration	-	811	1,080	7,580
11		Of which: in cash	-	339	485	5,978
12		Of which: deferred	-	160	194	633
EU-13a		Of which: shares or equivalent ownership interests	-	472	594	1,602
EU-14a		Of which: deferred	-	294	303	652
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	-	-	-	-
16		Of which: deferred	-	-	-	-
17	Total remuneration (2+10)		2,212	3,567	4,367	23,130

Figures in thousands of euros

Remuneration of 1 million euros or more per year (REM4)

		a
	Euro	**Staff identified as highly paid within the meaning of Article 450(i) of the CRR**
1	From 1 Mn to less than 1.5 Mn	1
2	From 1.5 Mn to less than 2 Mn	-
3	From 2 Mn to less than 2.5 Mn	1
4	From 2.5 Mn to less than 3 Mn	-
5	From 3 Mn to less than 3.5 Mn	-
6	From 3.5 Mn to less than 4 Mn	-

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 number members of identified staff										94
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	12		
5	Total remuneration of identified staff	2,212	3,567	5,779	1,531	13,425	2,113	4,433	1,627	4,367	
6	Of which: variable remuneration	-	811	811	441	5,098	1,120	735	186	1,080	
7	Of which: fixed remuneration	2,212	2,756	4,968	1,090	8,327	992	3,698	1,442	3,287	

Figures in thousands of euros

Deferred remuneration (REM3)

	Deferred and retained remuneration	a Total amount of deferred remuneration granted in respect of previous performance periods	b Of which: to be vested during the year	c Of which: which will be vested in subsequent years	d Amount of the performance adjustment applied in the year to deferred remuneration to be vested in the year	e Amount of the performance adjustment applied in the year to deferred remuneration to be vested in future years	f Total amount of adjustment during the year due to ex post implicit adjustments (changes in the value of deferred remuneration due to changes in instrument prices)	EU- g Total amount of deferred remuneration granted prior to the year and actually paid in the year	EU- h 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	1,820	478	1,342	-	-	(13)	464	193
8	In cash	787	207	580	-	-	-	207	-
9	Shares or equivalent ownership interests	1,033	271	762	-	-	(13)	258	193
10	Equity-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
11	Other instruments	-	-	-	-	-	-	-	-
12	Other modalities	-	-	-	-	-	-	-	-
13	Other senior officers	2,167	595	1,572	-	-	(13)	582	151
14	In cash	1,072	297	774	-	-	-	297	-
15	Shares or equivalent ownership interests	1,095	297	798	-	-	(13)	284	151
16	Equity-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
17	Other instruments	-	-	-	-	-	-	-	-
18	Other modalities	-	-	-	-	-	-	-	-
19	Other identified staff	7,071	3,537	3,535	-	-	(38)	3,498	980
20	In cash	3,396	1,768	1,627	-	-	-	1,768	-
21	Shares or equivalent ownership interests	3,562	1,768	1,794	-	-	(38)	1,730	980
22	Equity-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
23	Other instruments	-	-	-	-	-	-	-	-
24	Other modalities	-	-	-	-	-	-	-	-
25	Total amount	11,058	4,609	6,449	-	-	(64)	4,544	1,324

Figures in thousands of euros

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

Bankinter Group's sustainability strategy is set out in the multi-year 3D Sustainability Plan for responsible management of the three business dimensions (economy, society and the environment) to generate a threefold impact in the countries where the Group operates. The Group passed the halfway stage in the Plan during the year, pursuing 20 strategic lines and meeting the objectives for the three dimensions.

Through this Plan Bankinter launched its Sustainability Policy, the last revision of which was approved by the board of directors in March 2021. The plan aims to contribute to sustainable, inclusive and healthy development, based on the bank's three strategic pillars (quality, innovation and technology). The Sustainability Policy is supplemented by the bank's other internal policies.

The appointments and sustainability 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 dialogue with stakeholders and ESG risk assessments, and ensures public disclosure of non-financial and diversity information.

The sustainability committee is the executive body responsible for ensuring the correct implementation of the plan. With Bankinter 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 Group's value chain.

The definition of the sustainability strategy is based on references including:

- The United Nations Sustainable Development Goals (SDGs) challenges
- 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 filled in by stakeholder groups such as customers and employees.
- Analysis of reputation measurement models, such as RepTrak.

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 2022, such as the Dow Jones Sustainability Index World, which recognises it as one of the twenty-five 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 2023 Sustainability Yearbook, as one of the leading companies in sustainability at the global level

In addition to exercising direct control over the organisation's social action and environmental management, the Sustainability Division also acts as an observatory of trends and risks based on ongoing engagement with stakeholders. This facilitates first-hand understanding of their expectations and allows the bank to identify requirements in an ever-changing environment, with a view to including these in its sustainability strategy.

It also fosters coordinated action among areas to develop initiatives based on responding to these needs. Similarly, it proposes and monitors the programmes in the Strategic Plan, verifying the degree of compliance with the objectives and identifying areas for improvement, according to recognised ethics and sustainability standards and indexes.

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 addition to specific training, a training course on sustainability management was designed and launched in 2022 for all employees, involving the chairman and members of the management and sustainability committee.

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 risk (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.

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 Group is working with leading bodies that assess and rate environmental performance, such as the CDP (Carbon Disclosure Proyect), 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

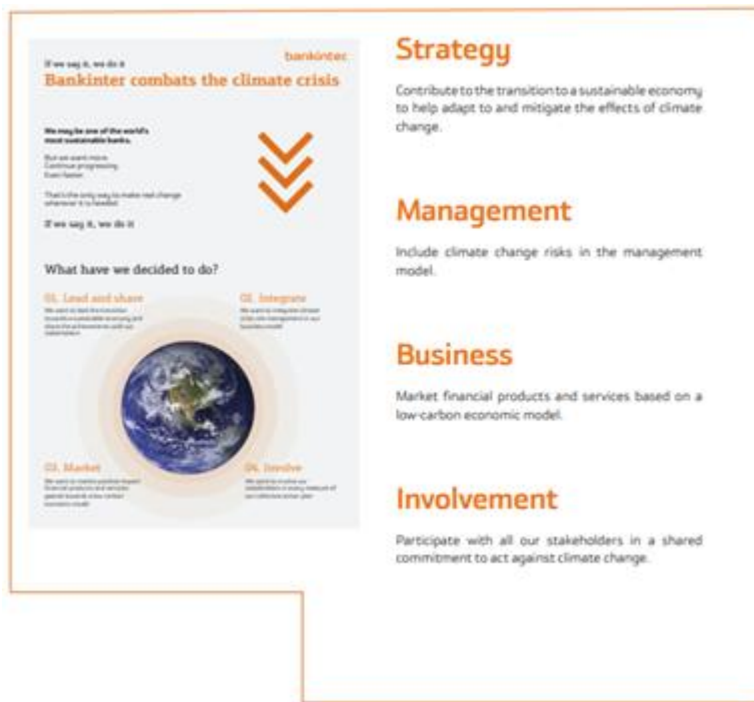
In the challenge posed by climate change, each actor must identify their role. And while the financial sector is not a carbon-intensive industry, financial institutions have a major role to play in the transition to a low-emission economy.

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. those generated by applying 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 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 throughout 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, which are 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 the following: ESG policies for sectors with particular environmental and social impacts, Policy on Integration of sustainability risks in investment and advisory decisions or the Statement of due diligence policies in relation to adverse events.

The bodies involved in governance of climate change risks are:

- The **board of directors,** through:
    - The sustainability and appointments committee. This body approved the decarbonisation roadmap for the bank's portfolios.
    - The risk and compliance committee.
        - This body has authorised the inclusion of the portfolio decarbonisation metric (emissions financed per million euros of business) in the Risk Appetite Framework, and regularly monitors compliance with the objectives set.
        - Approval of the definition and integration of climate risk in the corporate risk map.

- Recurrent monitoring of climate risks as part of its supervision of the Bank's risk management.

Since 2022, the risk and compliance committee and the sustainability and appointments committee have held joint sessions when this is deemed necessary.

- **sustainability committee**: monitors the climate change strategy and related objectives and indicators regularly.
- **risk committee**. analyses and approves risk transactions proposed by the branch network that should consider climate change as a risk factor in each transaction.

Alignment of remuneration policy with environmental risk objectives

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 (RAF).

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 the specific RAF (Risk Appetite Framework) indicators, as determined by the board of directors, as suggested by the remuneration committee, in line with metrics that suitably 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.

(Refer to the Annual Report on Directors' Remuneration, available on the Bankinter website, for more information)

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 has performed an exercise 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. Bankinter has concluded that these risks are material.

Impacts

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 also impact the business model over the medium and long term, depending on the extent to which the entity's business involves sectors and markets vulnerable to these risks.

Environmental risk is therefore considered as a cross-cutting source of risk, included in each of the risk categories, which are described in the section on Sensitivity Analysis.

The bank considers that there will be moderate impacts for the business, as:

- These impacts of these risks are highly conditioned by the fact they will not materialise immediately
- The Group has little exposure to the sectors that are the largest emitters of greenhouse gases (as will be explained in the section on measurement of financed emissions). An alert system (climate rating) has been put in place for the individual impacts of these risks on each customer and transaction, and dialogue has been established with the customers with the highest emissions, which is considered in proposal and approval processes (refer to the Climate rating for legal entities section)
- We consider that these impacts will progressively shrink as a result of the Group'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.

Bankinter demonstrates its commitment to minimising these risks through:

- Measures to reduce its impact in the coming years, such as establishing a decarbonisation roadmap for its portfolios, inclusion of these risks in the proposal and approval process, and dialogue with customers to seek opportunities to help finance their decarbonisation plans through the bank's sustainable products.

- Inclusion of these risks in the climate and environmental risks in the corporate risk map.

- 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.

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. Bankinter 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 2022, Bankinter estimated the emissions it financed for:

- The corporate portfolio of Bankinter Spain and Bankinter Portugal.

- The mortgage portfolio of Bankinter Spain.

The estimation procedure for the corporate portfolio is summarised in the following points:

- When information is available on emissions declared by the customer (generally through their Statement of Non-Financial Information), 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.

- However, the emissions of some specific activities, such as financing renewable energy projects, are adjusted based on the specific destination of the funds.

Finally, an estimation procedure is applied when the debtor's individual emissions are not available. This also provides a quality control tool for the information on emissions 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 on that debt corresponding to Bankinter.

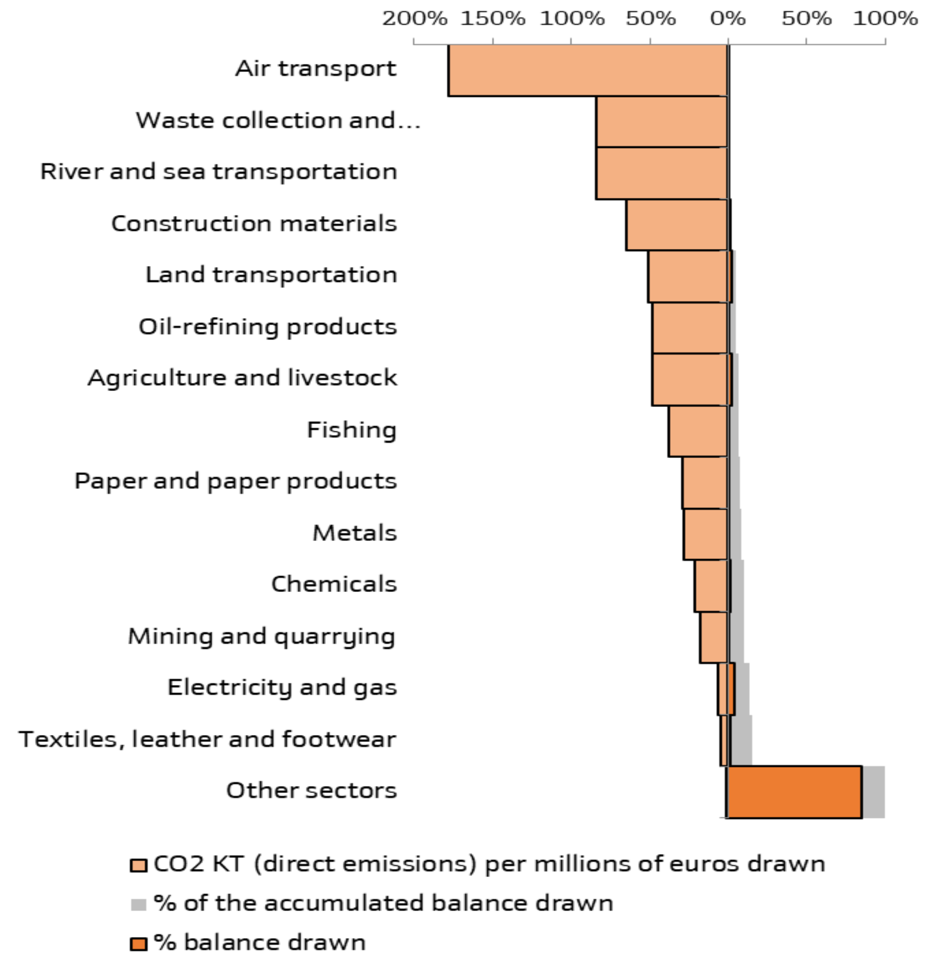
Adding the attributed or estimated emissions financed for each customer gives us the emissions for each sector of activity and for the entire corporate portfolio.

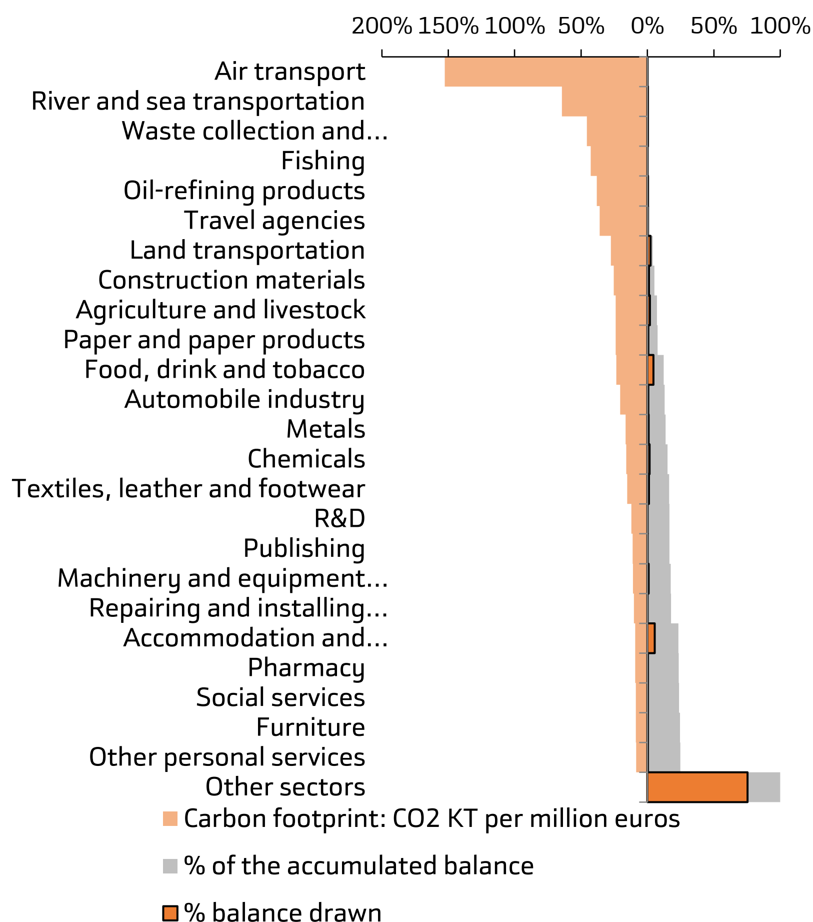
This procedure applies to scope 1, 2 and 3 emissions. Scope 2 emissions are estimated by propagating the emissions of the electricity sector throughout the value chains using the input-output tables for the Spanish or Portuguese economies. Scope 3 emissions are estimated in a similar way but propagating all of the emissions originating in the various sectors. 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 are not directly aggregatable.

The emissions of Bankinter Spain's mortgage portfolio are estimated using Energy Efficiency Certificates. While these certificates are currently required in all property sales (except where exempt due to their type), we need to resort to estimates of emissions for many properties 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.

The following charts show the intensity of direct emissions and the carbon footprint by sector of activity, in descending order, including the distribution of the balance drawn:





This analysis shows that Bankinter finances 0.64% of the direct emissions in Spain and Portugal (productive activities) and 0.7% of the carbon footprint, with a volume of 58 tonnes, and 65 tonnes of CO_2 equivalent in terms of direct emissions and carbon footprint, respectively, for each million euros drawn. In total, the emissions financed by Bankinter in the company portfolio in Spain and Portugal using this PCAF methodology amount to 1.8 million tonnes of CO_2 from investment of 30,789 million euros. In this calculation, of the total amount the bank has exposure to, 10.6% of companies have observed issues reported by them.

In the case of mortgages, 371,000 tonnes of CO_2 are financed in a 21,099 million euro portfolio. This means an average intensity of 17.6 tonnes per year for every million euros drawn. In this calculation, 39.1% of the total amount available for all buildings has observed emissions reported in the energy efficiency certificates.

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. The directors are provided with monthly updates on the emissions financed as part of the bank's risk monitoring.

The comparison below shows the distribution of loans to companies by Bankinter Spain and the sector (figures to September 2022), direct emissions and the carbon footprint. This shows that the most polluting sectors have lower weight in Bankinter's portfolio.

	Loan distribution			
Sector	Bankinter	System	Direct emissions[1]	Carbon footprint[2]
Agriculture	2,2%	4,5%	184%	130%
Mining and quarrying	0,4%	0,4%	88%	70%
Transportation materials and equipment manufacture	1,9%	1,1%	7%	24%
Chemicals	1,9%	1,3%	109%	64%
Foodstuffs	4,1%	4,9%	25%	57%
Oil	0,3%	0,6%	750%	224%
Metals and machinery	4,7%	4,5%	30%	32%
Other manufacturing industries	3,3%	3,5%	24%	28%
Construction materials	1,3%	0,9%	498%	240%
Energy and water	3,8%	5,9%	130%	95%
Real-estate business activities	19,6%	15,1%	1%	3%
Ad hoc buildings and works	2,5%	2,2%	5%	22%
Building installation and finishing	1,6%	1,6%	5%	22%
Public works	0,9%	1,3%	5%	22%
Preparation for works	0,2%	0,3%	5%	22%
Transportation and storage	7,6%	7,5%	71%	68%
Sales and spare parts	16,7%	17,3%	2%	9%
Hospitality	5,9%	6,2%	3%	14%
Other services	21,3%	20,9%	2%	6%
Bankinter			29,8%	27,5%
System			37,0%	32,2%

[1] Relative to the gross added value of the sector (KT per millions of euros)

[2] Relative to net final demand for attributed imports (KT per millions of euros)

As we can see, Bankinter's exposure to the most polluting activities and those with the highest density of emissions in the 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 with financial and non-financial companies resident in Spain and Portugal at 31 December 2022 is shown below, with a scale of five levels based on sensitivity to climate factors:

Risk group	Amount committed (€mn)		Physical risks				Release of carbon	Transition (potentially sustainable)
			Temp.	Wind	Water	Land		
Very low	22,767	53%	2%	3%	3%	2%	1%	39%
Low	12,907	30%	32%	21%	32%	32%	4%	64%
Medium	3,369	8%	16%	13%	17%	17%	9%	52%
High	3,091	7%	32%	22%	32%	23%	23%	51%
Very high	941	2%	17%	9%	17%	13%	79%	59%
Total	**43,075**	**100%**	**15%**	**10%**	**15%**	**14%**	**6%**	**49%**

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.

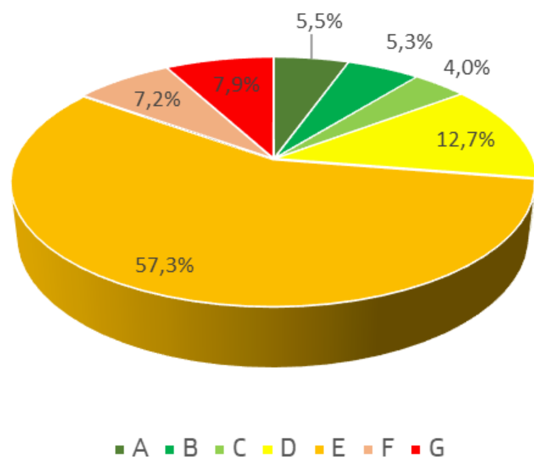
As with the emissions financed, this information is reported to the bank's directors as part of the risk information every month.

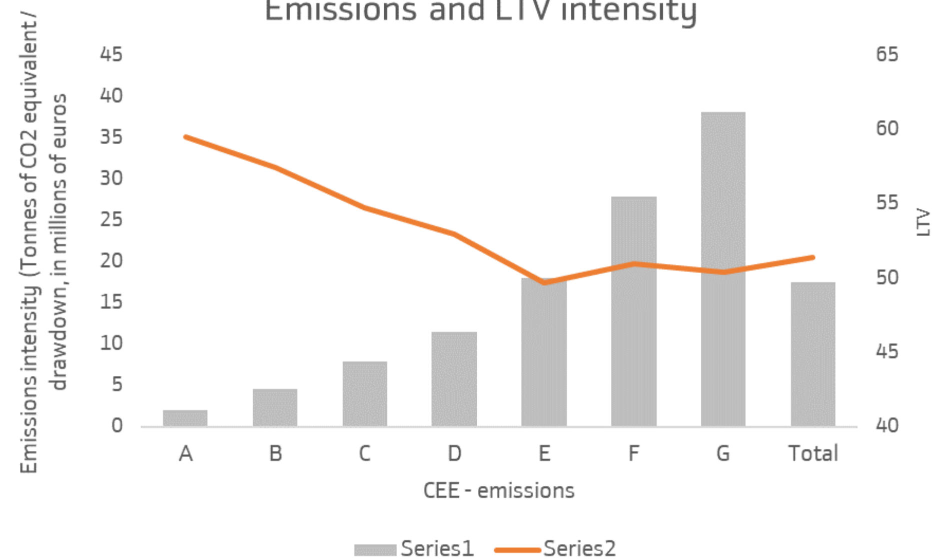
Measurement of climate change risk in the loan book for individuals

Most of the loan book for individuals relates to mortgages. Bankinter is, therefore, developing the measurement of how climate change can affect mortgaged properties.

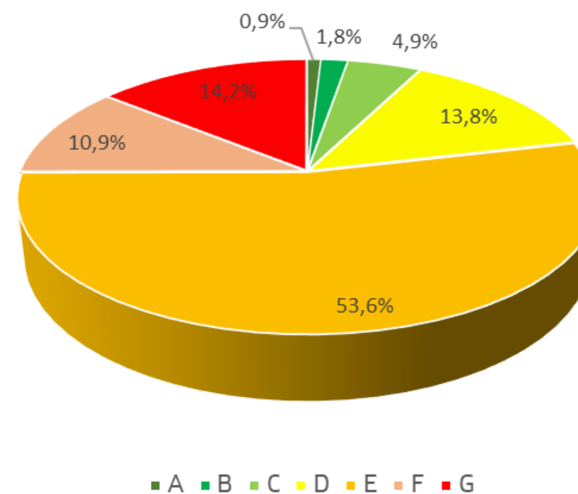
It joined a project with other banks in 2021 to capture information to measure these risks, through an appraisal company. Measurement of the emissions financed by Bankinter Spain for this portfolio has, therefore, already begun, including those corresponding to EVO Banco.

Excluding properties that are exempt from certification (garages, storage rooms, land and industrial buildings), Bankinter Spain and Evo Banco had a portfolio with mortgage guarantees with individuals amounting to 24,400 million euros in December 2022. We can determine the energy efficiency of properties representing 86.7% of this exposure, either through a certificate filed in the official records or through an estimate. The distribution by energy efficiency ratings in terms of emissions is shown below:





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:



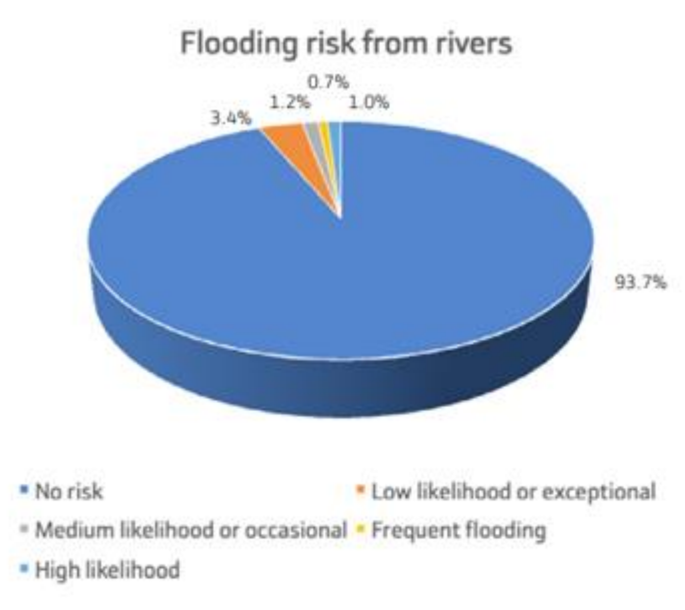
*Source: Report on energy certification of buildings. Ministry of Transport, Mobility and the Public Urban Agenda. December 2021.

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 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 CO2 equivalent per year per million euros financed) and the implicit LTVs (loan to value), which are determined as a ratio of the emissions attributed to Bankinter through its financing and the totals generated by the property:

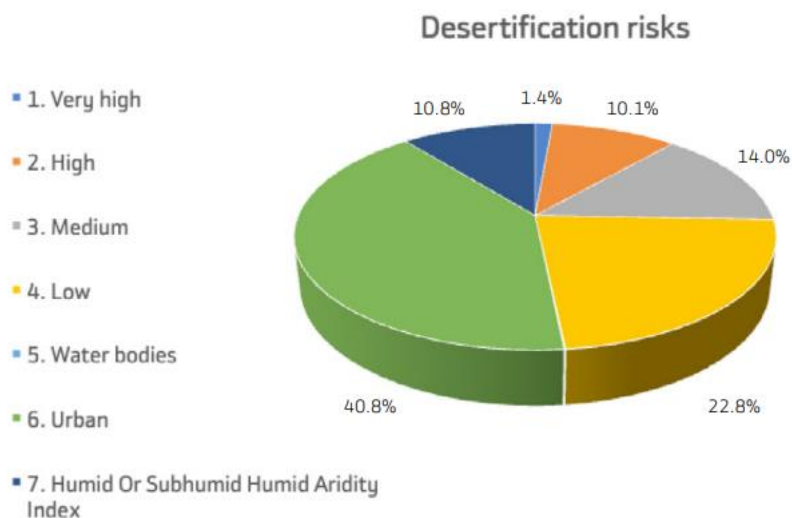
This shows that average LTVs start to be higher from rating D to rating A, reflecting the fact that new mortgage production is more energy efficient. This also contributes to better coverage of transition risks.

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:



However, most of the portfolio classified as very high, high or medium risk is actually in and around areas considered strictly urban. Consequently, the effect of desertification on property values is not particularly evident.

The risk of desertification is higher due to Spain's geographic situation:



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'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 / stress tests 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. Significant progress was made in the second and third phases, which were published in 2021 and 2022. For example, impacts on GDP growth associated with acute physical risks started to be incorporated in the third phase. This is still a new development, with these impacts only being provided at a global level, without yet drilling down to the country level. However, it is a very promising approach, as we cannot ignore the general effects that acute events might have on growth in the future, 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 ESG 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 ESG 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 entity's reputation (controversial sectors, not taking ESG 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" and "Inappropriate comments/conduct by managers or spokespeople".

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. Action

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 9% 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.

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 from this customer dialogue.

Work is underway to incorporate information from Energy Efficiency Certificate for properties used as loan collateral into the risk proposal and approval process, for the mortgage portfolio for individuals.

Business strategy

Bankinter is in the final phase of developing a business strategy consistent with these commitments. This is based on four pillars: Sustainability policy, scenario analysis – foreward-looking vision, decarbonisation strategy and sustainable financing.

In this section we look at the progress with these pillars of our strategy.

Sustainability policy

See information in chapter 2.1 Business strategy and processes and 2.2 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).

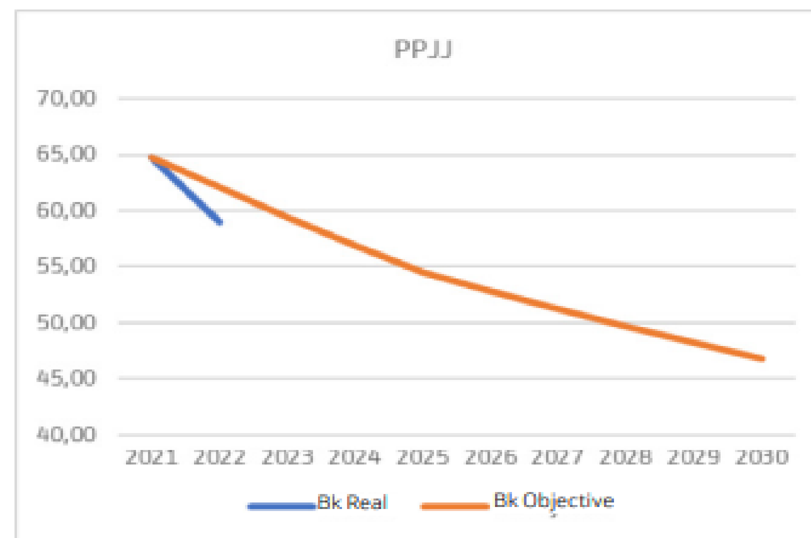
Decarbonisation strategy

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.

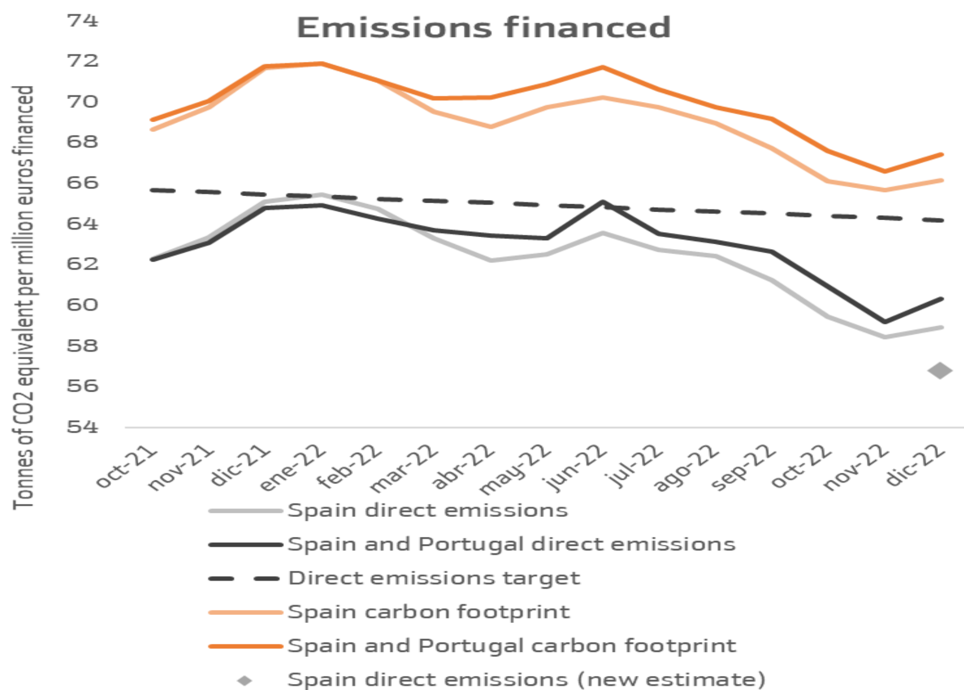
To deliver on this commitment, in February 2022 the Group drew up its own decarbonisation strategy, approved by the Group's administrative body through the sustainability and appointments committee. This involved establishing specific quantitative targets for the intensity of emissions financed to 2030, in line with the emission reduction plans laid down in Spain's Integrated National Energy and Climate Plan (PNIEC). 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 CO2/mn euros)

Decarbonisation targets for legal entities (Tn CO_2/mn euros)



The monthly monitoring of this decarbonisation path for the corporate portfolios of Spain and Portugal is shown below:



As a growing entity, this objective has been defined in relative terms. This is why the bank's Decarbonisation Plan refers to densities. These objectives have been incorporated into the risk appetite framework, together with a tolerance threshold.

The development of the emissions financed and how this compares to the target path is reviewed every month, with the results being made available to the members of the administrative body.

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. Modifications have been made to the sector guides for financing that toughen up the admission criteria in the mining and energy sectors, limiting the financing offered to customers: where more than 25% of their activity involves the mining of thermal coal; that have significant coal-fired electricity generation (more than 25%); or that have significant activity in unconventional oil and gas extraction (tar sands, hydraulic fracking or exploration and production in the Arctic) representing 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 aims to do this in an inclusive way.

The main Bankinter products that incorporate distinctive sustainability attributes are described in the Sustainable products section of the Commitments to sustainable development chapter in the Statement of Non-Financial Information. 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.

European Taxonomy requirements

The regulatory context of the Taxonomy requirements:

Regulation (EU) 2020/852, commonly referred to as the Taxonomy Regulation, was published in June 2020, aiming to establish a framework to facilitate sustainable investment and channel economic flows to objectives and activities with climate and environmental purposes.

This Regulation was complemented by the following Delegated Regulations published in 2021 and 2022:

- Delegated Regulation (EU) 2021/2139, establishing the technical criteria under which an economic activity is considered to contribute to one of the EU's two environmental and sustainability objectives: mitigation and adaptation to climate change.

- Delegated Regulation (EU) 2021/2178, setting out specific environmental disclosure requirements for companies required to publish non-financial information under Directive 2013/34/EU (NFRD).

- Delegated Regulation (EU) 2022/1214, of 9 March 2022, including certain activities related to fossil gas and nuclear energy in the list of economic activities that contribute to the mitigation of, and adaptation to, climate change.

These regulations, which apply to the 2022 Statement of Non-Financial Information to be issued and published in 2023, provide a methodology and templates through which financial institutions can report the extent to which their activity is aligned with the European Commission's sustainability objectives and criteria.

One of the main indicators among these planned disclosures is the Green Asset Ratio (GAR), which establishes the extent to which entities' assets are aligned with the Taxonomy and its technical criteria, and, therefore, contribute to the two objectives covered: mitigation and adaptation to climate change. The preparation and reporting of this ratio has been delayed until 2024 (based on information for 2023). Therefore, in accordance with the Regulation, entities are required to disclose the following preliminary ratios this year:

- The proportion of total asset exposure associated with eligible and non-eligible economic activities under the Taxonomy.
- The proportion of exposure to central government, central banks and supranational issuers in total assets.
- The proportion of exposure to derivatives in total assets.
- Exposure to companies not required to publish non-financial information under article 19 bis or 29 bis of Directive 2013/34/EU as a proportion of total assets.
- The proportion of the trading book and interbank call loans in total assets.

General considerations in relation to the proportion of eligible activities

Although the Green Asset Ratio is due to be published in 2024, and the Regulation includes specific preparatory templates for it, there is no detailed methodology for preparing the ratio for eligible economic exposures to total assets. This, coupled with the inherent complexity of determining when an asset is considered "eligible", has been a challenge for entities in preparing the disclosures for their 2022 Statement of Non-Financial Information.

The industry has, therefore, considered it appropriate to try to respond to what is required using a best possible effort approach, trying to adapt the ratio of eligible activities to the structure of the GAR indicator based on each entity's best understanding.

The main points and assumptions to be considered in relation to the published ratio are summarised below:

- In accordance with the provisions of the regulation, the concept of "eligibility" is interpreted as a step prior to the "alignment" planned for 2024, which already considers compliance with the technical criteria for considering that an economic activity contributes to the EU's two sustainability goals. Therefore, "eligible" activities are considered to be any activities that, if they meet the technical criteria, would be considered "aligned", but without assessing such compliance.
- In addition to the technical criteria for assessing alignment with the Taxonomy, the regulations include the list of NACE (EU Statistical Classification of Economic Activities) codes for each economic activity covered by it. The NACE codes correlate almost exactly with Spain's CNAE national economic activity codes.
- The European Commission published a number of non-binding question and answer (FAQ) documents in December 2021 and February and December 2022, recommending the following to entities, among other aspects:

  - A two-pronged disclosure approach: a mandatory one based on the eligibility information disclosed by the counterparties themselves; and a voluntary one through the application of proxies and internal bank criteria, including the use of NACE codes (CNAE in Spain) to assess the eligibility of counterparties. It is recommended to follow as far as possible the template with the asset and exposure structure foreseen for the GAR indicator, but to limit it to the assessment of the "eligibility" of counterparties and exposures.

- For preparation of the 2024 GAR, the Delegated Regulation establishes specific treatment for the calculation of the indicator for various balance sheet items, particularly:

  - Exposures to central governments, central banks and supranational issuers should be excluded from the calculation of the numerator and denominator.
  - Derivatives and exposures to companies not required to publish non-financial information under article 19 bis or 29 bis of Directive 2013/34/EU are only excluded

from the numerator for the indicator. This means that the GAR indicator will never achieve 100% alignment in practice.

Composition of the ratio of Bankinter's eligible activities

Bankinter has developed and published the ratios required under the regulations for the year covered, applying a best possible effort approach. These amounts and percentages have been included in the 2022 Statement of Non-Financial Information as required, in accordance with our best understanding of the regulations:

Ratio	%	Eur (mn)
Ratio of eligible assets	52.79%	46,603
Ratio of ineligible assets	47.20%	41,672
Exposure to central governments and supranational issuers	11.78%	10,395
Exposure to derivatives	1.28%	1,128
Exposure to companies not required to file non-financial information under Directive 2013/34/EU	21.18%	18,700
Interbank loans	1.23%	1,082
Held-for-trading portfolio ratio	0.06%	56

In determining the percentages for the exposed items, an adjusted asset balance has been estimated as required by the Regulation, based on the amounts reported in the balance sheet taken from the FINREP statements. Thus, the figure for total assets covered is the sum of the following:

- Financial assets at amortised cost: 84,863 mn.
- Financial assets at fair value through other comprehensive income: 2,810 mn.
- Joint ventures and associates: 178 mn
- Financial assets designated at fair value through profit or loss and non-trading financial assets mandatorily at fair value through profit or loss: €161 mn
- Real estate guarantees obtained by credit institutions by taking possession in exchange for debt cancellation: 263 mn.
- The exposed items total 88,275 million, which is taken as the assets covered by the new disclosures. This figure is used as the denominator in calculating the ratios.

All of the numerators for the published ratios have been published (with the exception of the main ratio for eligible assets) by taking figures directly from the FINREP FI_18 statement at 31 December 2022.

Numerator of the eligible assets ratio	
Loans and receivables with companies with CNAEs defined as eligible:	15,194 mn
The bank's mortgage portfolio	31,409 mn
Total	46,603 mn

The composition of each of these three headings and the rationale behind their eligibility classification is described below:

- Loans and receivables with companies with CNAEs defined as eligible: This heading includes the entire loan portfolio with companies whose reported CNAE code corresponds to one of those considered "eligible" according to the internal analysis carried out. Given the inconsistency that would be presented by the exclusion of certain counterparties only from the numerator of the ratio, and given the difficulty of determining which companies are subject to the obligation to publish non-financial information according to articles 19a and 29a of Directive 2013/34/EU (which is also pending imminent changes), no distinction has been made in the disclosures of the SNFI 2022 in the portfolio of companies beyond that mentioned according to CNAE code. This rationale will be subject to future development to reflect the development of the regulations and the degree of maturity of the information in the market.
- Mortgage portfolio: in accordance with the provisions for the GAR indicator to be published in 2024, and given that the technical provisions of the regulations consider that real estate and building activity can be considered aligned with the Taxonomy, Bankinter has decided to consider 100% of the mortgage portfolio to be eligible. This is taken directly from the figures reported in the FINREP statements.

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 the European Taxonomy. Public information on the alignment of companies with the European taxonomy will be compiled starting in the first quarter of 2023, so that the alignment of Bankinter's loan book can be published in 2024.

13.4. Social risk

13.4.1. Business strategy and processes

As indicated above, Bankinter's sustainability strategy is based on the multi-year 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 2012-2022. 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 in which 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. Good health and wellbeing SDG 4. Quality education SDG5. 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 consumption and production SDG 16. Peace, justice and strong institutions
Related to 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 consumption and production SDG 13. Climate action
Related to the community	Innovation Foundation programmes Volunteering. Mueve.te Citizenship	SDG 4. Quality education SDG 8. Decent work and economic growth SDG 10. Reduced inequality
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 consumption and production 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:

Significant sustainability indicators

Dimension	Material aspect	Indicator	Objectives 2022	2022	2021	Change	Objectives 2023	Scope
Economic	Customer relationship management	NPS customer recommendation index (%)	>42.5	43.6	42.5	2.6%	>42.5	Bankinter
	Corporate governance/ People management	% women on the board of directors	45.5	45.5	45.5	0.0%	45.5	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 in the year	95	72.9	90.4	-19.4%	>80	Bankinter
	Relations with the community	Corporate reputation index - RepTrak	62.6	60.3	62.6	-3.7%	>60	Bankinter
	Sustainable business strategy	% eligible activities in the portfolio according to the Taxonomy	-	52.8	55.3	-4.5%	Alignment with the Taxonomy	Bankinter Group
Social	People management	% women in executive posts	30.5	33.1	30.5	8.7%	>33	Bankinter Group
		Employee satisfaction index [1]	>80	81	-	-	>80	Bankinter
		NSS internal quality index	>40	54.1	49.0	10.5%	>50	Bankinter
		No. training hours/employee	55	53	53	0.0%	54	Bankinter Group
		% workforce covered by collective bargaining agreements [2]	100	100	100	-	100	Bankinter Group
	People/customer management	% m^2 certified as universal accessibility	7	7.2	6.90	4.3%	7.3	Bankinter
	Relations with the community	Social contribution according to LBG methodology (€mn)	3.2	2.8	3.1	-9.1%	>2.8	Bankinter Group
		Number of beneficiaries of financial education programmes	11,500	17,191	11,018	56.0%	17,500	Bankinter Group
Environmental	Climate change and natural capital strategy	% m^2 certified in Environmental Management	34.5	34.9	34.0	2.6%	35.0	Bankinter
		Tn CO_2/employee (Scope I and II) [3]	0.24	0.27	0.24	12.5%	0.27	Bankinter Group
		Carbon neutrality in operating activity [4]	YES	YES	YES	-	YES	Bankinter Group
		Energy consumption (Gj/employee)	<17	16.2	16.9	-4.1%	16.1	Bankinter Group
		Green electricity consumption (% of total)	100%	100	99.7	0.3%	100%	Bankinter Group
		Paper consumption (Tn/employee) [5]	<0.05	0.04	0.05	-20.0%	<0.04	Bankinter Group

(1) The Opina survey is performed every two years. The Sensor survey is performed in alternate years for a sample of the workforce, although the data is not comparable. However, a new OPINA survey will be performed in 2023, meaning comparable data will be available

(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) Scope 1 emissions have increased compared to 2021 due to the maintenance plan for air conditioning equipment in the branch network

(4) Scope 1 and 2 emissions have been offset through the Zero CO_2 initiative of Fundación Ecologia y Desarrollo (Ecology and Development Foundation) in the Amazon Conservation project at Madre de Dios in Peru and the La Venta II wind project in Mexico (Global Factor)

(5) The measures implemented in all Group companies for digitisation of products and contracts have led to significant reductions in paper consumption

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: represents the framework for action in which the 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 the governance structure of the same

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 risk sectors with a 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.

Human Rights Policy: 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.

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: Its purpose 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: Application codes for employees, agents and suppliers.

Social Action Strategy: Establish 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.

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 implementation, including the sustainability strategy and policy and the other policies developed under its sphere of action.

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.

The Sustainability committee is the executive body responsible for ensuring the correct evolution of the Sustainability Plan and the implementation of the Sustainability Policy and other 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 commiteee 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 urges those responsible for monitoring and implementing the strategic lines of the sustainability plan to present the objectives and degree of achievement thereof.

Further detail is provided below for certain activities and scopes that may have implications for social risks:

Aspects of community relations:

In 2022 the sustainability committee approved the Group's Social Action Strategy, which establishes the framework for action by the entities of the 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 the Bankinter Innovation Foundation, partnerships with the non-profit sector and the corporate volunteering programme.

Therefore, Bankinter Group's Social Action strategy aims to maximise the contribution of Bankinter Group's Social Action towards the Sustainable Development Goals (hereinafter "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 labour standards:

As mentioned earlier, the maximum commitment of Bankinter 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, strategic lines such as Responsible Business Practices, Customer-oriented Services or Information Security have been integrated, 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.

Furthermore, 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 the Bankinter Group Risk Appetite Framework (hereinafter "RAF") an indicator called "Financed Emissions", which measures 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 the specific RAF indicators, as determined by the board of directors, as suggested by 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 will use six RAF indicators, one more than in the previous year, and will now have two indicators related to environmental and social objectives: issues financed and the NPS (Net Promoter Score) of the Bank's customers, based on quality surveys by 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.

Bankinter's board of directors agreed to approve both proposals from its oversight committees on 22 February 2023.

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 published 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 or 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 and the Spanish SGE21 Standard or the UNEPFI Principles for Responsible Banking. As a result of the sustainability policy, the Group's Sustainability Plan was designed with 20 strategic lines for the 3 dimensions, with more than 50 action programmes.

- The investment **sustainability principles** 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 **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 of 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, these are identified as significant risks associated with its investment and/or financing operations. 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 both 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 applies to all Group employees, 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 managers and human resources managers. The Group also has an internal whistleblowing channel to enable employees 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 UNE 170001) and digital accessibility (based on the European standard UNE-EN 301549:2022 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 **Safety, Health and Welfare at Work Policies** of the Bankinter Group are based on standards such as ISO 45001 or 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 adopted **Codes of Ethics** for its employees and agents, as well as a code of conduct for its suppliers. These internal regulatory documents establish compliance by all regulated entities with the highest standards of ethics and professional responsibility, as this is one of the Bankinter Group's essential corporate values.

  The Bankinter Group also has a tool for channelling Confidential Complaints. Employees, agents and suppliers can access this Confidential Whistleblowing Channel, which allows compliance with the values set out in the Bankinter Group's Code of Professional Ethics, as well as with the obligations established by the regulations in force.

  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 Bank's **Social Action strategy** aims to maximise the contribution of Bankinter Group's Social Action towards the Sustainable Development Goals (hereinafter "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 the nine principles of transparency and good practise, and 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, and a foundation 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 or 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 entity in conventional and social media, in addition to active listening to gauge trends in the market and environment.
  - Assessment of reputational risk before marketing a product, outsourcing a service or partnering with a third party.
  - 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.

  Various actions were performed in 2022 aimed at the continuous improvement of management and control processes. These included the preparation of a risk management manual documenting risk identification, measurement, surveillance and control measures. The ranking criteria for the risk map were also reviewed.

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 2022 Annual Corporate Governance Report, 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 controls by the organisation's risk managers, as well as by the credit risk managers, corporate sanctioning and the organisational director. Finally, the Risk Control unit establishes controls in its annual planning. These are authorised by the risk committee of the board of directors.

- In the processes of analysing customers and transactions, Bankinter has the 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.

- In the Group Risk Framework Agreement Bankinter has established Sustainable Principles in order to avoid financing activities that may be contrary to the Group's Sustainability Strategy, and 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 sectorial 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 certain sectors: Defence sector, Medical research, Primary sector, Energy sector, Transport infrastructure, Tourism sector, 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 has committed to generally not financing or investing in the following, except for duly justified circumstances:

  - Companies are known not to respect or support the fundamental human rights, as per the United Nations Universal Human Rights Declaration

- Companies that do not respect or support labour rights in general and, in particular, child labour rights, rights about discrimination and forced labour, following 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 a situation

- 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.

- In the climate rating process, customers are classified in relation to their predisposition to be affected by physical and transition risks into 5 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 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 from this customer dialogue.

In the bank's relationship with its suppliers, the following procedure is incorporated into the supplier approval process:

- Before filing the request with the Procurement department and launching the request for proposal (RFP), applicants must follow the procedures recommended by Internal Audit, Technological Risks and the Data Protection Office, and those included in the bank's procurement and outsourcing policy. They must also obtain validation from Technical Risks and the head of Data Protection, in addition to express authorisation from the Outsourced Services Management area for new services.

- For example, implementation of the Jaggaer tool began at the end of 2022 and will be extended to the subsidiaries in 2023. This tool will bolster the end-to-end efficiency, traceability and control of the contracting processes, from approval to completion of the contracting of the service. This new tool reinforces sustainability analysis in the approval process, with a specific assessment using a scorecard based on the supplier's responses that classifies them as recommended or not recommended based on sustainability criteria. The tool features a control system that will not permit awards to any provider that has not been approved and is not recommended from the sustainability perspective.

  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, safeguard 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. 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 the stability of employment, among other requirements.

With the entry into force of the Corporate Sustainability Reporting Directive (CSRD), additional aspects on the assessment of governance risk in our clients 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

According to Implementing Regulation (EU) 2022/2453 and for the purposes of Article 449a of Regulation (EU) 575/2013, the following table includes information on exposures to non-financial institutions in the banking book that are active in carbon-related sectors and on the quality of those exposures, whether they are considered doubtful or stage 2, as well as the related provisions and maturity ranges.

The amount disclosed in 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. For the sectorisation, the same CNAE classification has been used 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. As for column c, as indicated in the Regulation, it will start to be disclosed with data as of 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
	Sector or subsector	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 CO_2 equivalent)		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
			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						
1	Exposures to sectors that are major contributors to climate change*	24,466	367		1,235	994	(483)	32	422	1,910,556		9.1%	16,291	3,914	3,835	427	4.85
2	A - Agriculture, livestock raising, forestry and fishing	682	-		25	35	(17)	1	15	293,762		1.4%	514	108	59	-	3.84
3	B - Mining and quarrying	110	-		6	2	(1)	0	1	14,042		2.2%	106	4	0	-	1.82
4	B.05 - Extraction of anthracite, coal and lignite	-	-		-	-	-	-	-	0		0.0%	-	-	-	-	0.00
5	B.06 - Extraction of crude oil and natural gas	-	-		-	-	-	-	-	0		0.0%	-	-	-	-	0.00
6	B.07 – Mining of metal ores	56	-		-	0	(0)	-	0	6,631		0.0%	55	0	-	-	1.73
7	B.08 – Other mining and quarrying	53	-		6	2	(1)	0	1	7,328		4.5%	49	4	0	-	1.95

8	B.09 – Support activities to extractive industries	1	-	-	0	(0)	-	0	83	3.5%	1	-	-	-	0.60
9	C - Manufacturing	5,897	165	242	246	(117)	8	102	763,553	11.0%	4,940	672	284	2	2.49
10	C.10 – Food industry	1,194	-	37	42	(18)	1	15	80,760	10.8%	1,081	99	14	0	1.76
11	C.11 – Manufacture of beverages	194	-	13	6	(2)	0	1	5,013	4.6%	149	40	4	-	2.93
12	C.12 – Manufacture of tobacco products	16	-	-	-	(0)	-	-	43	0.0%	16	-	-	-	0.09
13	C.13 - Textile industry	165	-	16	10	(4)	0	3	11,161	2.7%	148	16	1	-	2.00
14	C.14 – Manufacture of garments	89	-	8	9	(5)	0	4	4,637	7.7%	79	8	1	-	2.20
15	C.15 – Leather and footwear industry	84	-	4	11	(4)	0	4	3,590	0.3%	74	10	1	0	2.32
16	C.16 – Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	170	-	5	9	(5)	0	5	7,681	1.0%	116	51	3	-	3.18
17	C.17 – Paper industry	191	-	9	8	(4)	0	4	56,548	15.7%	178	13	-	-	1.86
18	C.18 – Printing and reproduction of recorded media	104	-	8	11	(5)	0	4	6,565	3.9%	73	22	9	0	3.82
19	C.19 – Manufacture of coke and refined petroleum products	165	165	-	0	(0)	-	0	59,071	63.8%	115	33	16	-	4.40
20	C.20 – Chemical industry	508	-	27	7	(4)	1	3	98,102	1.7%	454	53	1	0	1.58
21	C.21 – Manufacture of pharmaceutical products	101	-	2	3	(1)	0	1	3,578	38.4%	72	27	2	-	2.62
22	C.22 – Manufacture of rubber products	267	-	15	9	(4)	0	3	9,334	1.6%	221	42	3	1	2.37
23	C.23 – Manufacture of other non-metallic mineral products	378	-	11	13	(6)	0	5	290,601	16.6%	335	39	4	-	2.16
24	C.24 – Manufacture of base metals	288	-	6	5	(3)	0	2	81,888	35.0%	270	17	1	-	1.52
25	C.25 – Manufacture of fabricated metal products, except machinery and equipment	604	-	32	42	(20)	1	18	16,266	11.0%	502	87	14	0	2.46
26	C.26 – Manufacture of computer, electronic and optical goods	83	-	4	3	(2)	0	1	956	1.8%	72	11	0	-	2.09
27	C.27 – Manufacture of electrical equipment and apparatus	140	-	10	8	(3)	0	2	2,349	3.4%	130	9	0	-	1.56
28	C.28 – Manufacture of machinery and equipment not included elsewhere	288	-	11	22	(12)	0	11	14,529	1.4%	229	45	14	-	2.90
29	C.29 – Manufacture of vehicles, trailers and semi-trailers	291	-	10	6	(3)	1	2	5,366	2.8%	276	15	1	-	1.73
30	C.30 – Manufacture of other transport equipment	341	-	3	5	(3)	0	3	611	16.8%	154	4	183	-	6.80
31	C.31 – Manufacture of furniture	89	-	4	9	(4)	0	4	1,588	0.0%	70	12	6	-	3.29
32	C.32 – Other manufacturing	69	-	4	4	(2)	0	2	831	0.3%	62	7	1	-	2.62
33	C.33 – Repair and installation of machinery and equipment	81	-	3	6	(3)	0	3	2,485	1.2%	64	12	4	0	3.47
34	D – Supply of electricity, gas, steam and air conditioning	1,391	53	9	5	(6)	0	3	79,047	1.8%	549	182	616	45	8.40

35	D35.1 – Production, transmission and distribution of electrical energy	1,371	-	9	5	(5)	0	3	39,789	0.7%	532	179	616	45	8.50
36	D35.11 – Production of electrical energy	1,243	50	2	3	(3)	0	1	33,174	1.2%	418	166	615	45	9.16
37	D35.2 – Production of gas; distribution by pipeline of gaseous fuels	2	2	0	-	(0)	0	-	5,161	0.7%	1	1	-	-	3.32
38	D35.3 – Steam and air-conditioning supply	18	-	0	1	(0)	0	0	923	0.0%	15	2	0	-	1.36
39	E - Supply of water, sanitation, waste management and decontamination	218	-	3	3	(2)	0	2	95,787	20.1%	193	24	1	-	3.28
40	F – Construction	2,764	-	135	153	(76)	5	68	40,032	21.0%	1,724	355	428	258	6.80
41	F.41 – Construction of buildings	1,577	-	81	88	(39)	2	34	14,506	5.1%	742	216	362	257	9.78
42	F.42 – Civil engineering	414	-	13	13	(8)	0	7	10,858	23.9%	324	64	26	0	3.64
43	F.43 – Specialised construction activities	772	-	42	53	(31)	3	27	14,668	11.7%	657	75	39	1	2.45
44	G - Wholesale and retail commerce; motor vehicle and motorcycle repair	5,418	150	277	344	(177)	8	161	60,946	5.7%	4,629	578	206	5	2.49
45	H - Transport and storage	1,742	-	83	57	(31)	3	27	492,567	7.9%	1,264	324	153	0	3.56
46	H.49 – Inland and pipeline transport	623	-	36	38	(19)	1	17	326,159	8.0%	490	113	21	-	3.49
47	H.50 – Inland waterway transport	427	-	0	0	(0)	0	0	69,513	5.5%	342	42	43	-	2.42
48	H.51 - Air transport	89	-	41	0	(1)	1	0	84,311	44.2%	34	55	-	-	4.45
49	H.52 – Warehousing and support activities for transport	569	-	5	18	(11)	0	10	10,780	4.3%	369	112	88	0	4.46
50	H.53 – Postal and courier activities	34	-	1	1	(0)	0	0	1,804	0.0%	30	3	1	-	1.97
51	I - Accommodation and food service activities	1,831	-	240	71	(25)	3	20	56,208	23.4%	973	541	308	8	6.12
52	L - Real estate activities	4,413	-	213	77	(31)	4	23	14,611	1.0%	1,397	1,125	1,781	109	8.90
53	Exposures to sectors other than those that are major contributors to climate change*.	6,952	-	257	197	(203)	7	90			5,332	815	754	51	3.96
54	K - Financial and insurance activities	1,729	-	35	18	(7)	1	4			1,501	116	102	10	3.25
55	Exposures to other sectors (NACE codes J, M – U)	5,222	-	222	179	(196)	7	86			3,831	699	652	40	4.21
56	**TOTAL**	**31,418**	**367**	**1,492**	**1,192**	**(687)**	**40**	**513**	0	9.9%	**21,623**	**4,729**	**4,589**	**478**	**4.66**

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 Annex 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).

Therefore, and in relation to the funded issues of non-financial corporations, two perspectives are pursued:

- When information is available on issues declared by the customer as an individual company (not a consolidated group), generally through the Non-Financial Reporting Statements, these are attributed to Bankinter in accordance with the weight of the financing granted in relation to the customer's total liabilities. However, if the issues disclosed in the Non-Financial Reporting Statements relate to the consolidated group, in the absence of individual disclosures, they extend to the entire group of companies within the scope of consolidation.

  Finally, for those specific activities such as the financing of renewable energy projects, emissions are adjusted according to the specific destination of the financing.

- On the other hand, and for all cases where reported emissions information is not available, there is an estimation procedure that uses the following information:

  - 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.

  Based on this data, the estimated financed emissions for each customer are calculated 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 on that debt corresponding to Bankinter.

  This procedure applies to scope 1, 2 and 3 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. Scope 3 emissions are estimated in a similar way but propagating all of the emissions originating in the various sectors. 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 are not directly aggregatable.

The problem we currently encounter in the estimation of Scope 3 emissions is the lack of sufficient, verified and real information under homogeneous and sufficiently consolidated criteria. Consequently, given the impossibility of sufficiently cross-checking our estimates, we prefer to omit them in this first report.

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 known as certificates 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 witnesses in the same building. Where these do 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 building with other similar buildings in the same building or on 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 the properties awarded, 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 typologies such as industrial buildings or 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

	Counterparty sector	on (date)	b	c	cease	and	f	g	h	i	j	k	l	m	n	o	p
		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)							No collateral 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	38,909	4,709	8,659	8,677	1,216	469	226	467	760	751	1,832	5,657	887	1,178	27,383	60.3%
2	Of which: loans secured by commercial real estate	5,237	411	591	332	79	36	45	73	204	242	257	254	71	57	4,078	14.39%
3	Of which: loans secured by residential real estate	33,556	4,297	8,063	8,339	1,137	434	180	393	556	508	1,571	5,390	814	1,120	23,203	77.41%
4	Of which: collateral obtained by taking possession: residential and commercial real estate	115	1	5	7	1	-	0	-	0	1	4	7	1	1	101	0.00%
5	Of which: estimated energy efficiency level (energy performance score in kWh/m² of actual guarantee)	12,431	2,006	4,382	5,196	453	297	97									
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 highest carbon footprint

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 highest carbon footprint

	a	b	c	cease	and
	Gross carrying amount (aggregated)	Gross carrying amount vis-à-vis counterparties compared to the total gross carrying amount (aggregate) (*)	Of which: Environmentally sustainable (CCM)	Weighted average maturity	Number of the 20 most polluting companies included
1	25	0.0295%	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.

For the assessment of the sensitivity to different physical hazards, various factors are taken into consideration. While in the case of real estate that serves as collateral for exposures, their geographical location is crucial, especially with regard to acute and some chronic physical risks, more factors are involved in determining the sensitivity of production activities, in particular the business activity itself.

The Bank has contracted a service that allows it to identify, for each property, a series of physical risk indicators according to its geolocation, including, for example, the risks of river and sea flooding and desertification. This makes it possible to assess as more sensitive those exposures that have a high level of these risks

Moreover, the physical risk exposure of non-financial corporations depends additionally on the activity they are engaged in. The technical annex of the "Taxonomy Report" prepared by the European Union's Sustainable Finance Technical Expert Group allows, through its "Sectoral climate sensitivity matrices" analysis, to approximate the sensitivity of the various economic sectors to the physical risks (acute and chronic) of temperature, wind, water and soil.

Furthermore, the classification of sensitive exposure in the case of non-financial companies has been established on the basis of the climate rating that Bankinter has had in place since October 2021, considering as sensitive those exposures that achieve a rating of 4 or 5 on a scale of 5 levels depending on the sensitivity to climate factors. 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 headquarters and factories; and its turnover and credit quality

measured through internal ratings. This system allows the portfolio to be ranked from least to most sensitive to climate and environment-related risks. 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.

Another element considered in the assessment of chronic physical risks are the assumptions underlying the different scenarios introduced by the Network for Greening the Financial System. In particular, higher temperatures may have a greater effect on productivity in sectors such as agriculture and construction.

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
	Variable: geographical area subject to physical risk linked to climate change: acute and chronic phenomena	Gross carrying amount (million euros)													
			Of which: exposures sensitive to the impact of physical phenomena linked to climate change												
			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 exposures
1	A - Agriculture, livestock raising, forestry and fishing	682	514	108	59	-	4	1	-	287	25	35	-17	1	15
2	B - Mining and quarrying	110	106	4	0	-	2	71	-	0	6	2	-1	0	1
3	C - Manufacturing	5,897	4,940	672	284	2	2	4	-	6	242	246	-117	8	102
4	D – Supply of electricity, gas, steam and air conditioning	1,391	549	182	616	45	8	0	-	59	9	5	-6	0	3
5	E - Supply of water, sanitation, waste management and decontamination	218	193	24	1	-	3	0	-	78	3	3	-2	0	2
6	F – Construction	2,764	1,724	355	428	258	7	1,066	-	28	135	153	-76	5	68
7	G - Wholesale and retail commerce; motor vehicle and motorcycle repair	5,418	4,629	578	206	5	2	22	-	33	277	344	-177	8	161
8	H - Transport and storage	1,742	1,264	324	153	0	4	4	-	4	83	57	-31	3	27
9	L - Real estate activities	4,413	1,397	1,125	1,781	109	9	28	-	84	240	71	-25	3	20
10	Loans secured by residential real estate	33,556	746	2,429	11,146	19,235	20.56	2	-	5	908	481	-101	13	74
11	Loans secured by commercial real estate	5,237	778	1,672	2,505	282	10.93	224	-	438	350	201	-64	7	52
12	Recovered collateral	115	-	-	-	-	-	1	-	11	-	-	-	-	
13	Other relevant sectors (breakdown below, if applicable)	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Figures in millions of euros

13.8. Other climate change mitigation measures

The following template covers other climate change mitigation measures and the aforementioned E.S.G. 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-Union 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, so it has been considered to include in this template those mitigation measures and activities that follow the objectives set by the Group in terms of climate change objectives. Green bonds and loans are therefore included such as:

- Green bonds and sustainability-linked bonds.
- Green loans and sustainability-linked loans (with ESG clauses included in 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 detail on these mitigation activities is included within the table itself:

Template 10 (ESG). Other climate change mitigation measures

	a	b	c	d	e	f
	Type of financial instrument	Counterparty type	Gross carrying amount (million euros)	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	330			Sustainability-linked bonds
2		Non-financial corporations	86	YES	YES	Sustainability-linked bonds
3		Of which: loans secured by commercial real estate	-	No	No	N/A
4		Other counterparties	125	YES	YES	Sustainability-linked bonds
5		Financial corporations	-	No	No	N/A

6	Lending (e.g. green, sustainable, sustainability-linked according to standards other than EU standards)	Non-financial corporations	2,790	YES	YES	Sustainability-linked loans are included: 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 carbon footprint. The interest rate is subsidised or penalised depending on whether or not the ESG (sustainability linked loans) objectives are met. In addition, Bankinter's total financing to the renewable energy sector at the end of 2022 amounted to €1,179 million, which represents 85.4% of the electricity and gas sector risk portfolio.
7		Of which: loans secured by commercial real estate	-	No	No	N/A
8		Households	212	YES	YES	
9		Of which: loans secured by residential real estate	147	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	65	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. In addition, loans have been launched for the energy refurbishment of residential dwellings throughout Ireland, through the subsidiary AvantMoney, to include energy efficiency measures and small-scale renewable energy installations, which generate positive environmental impacts and extend the useful life of buildings.
11		Other counterparties	-	No	No	N/A

Figures in millions of euros

Annexes

Appendices:

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.	Bankinter, S.A.	Bankinter, S.A.
2	Single identifier	XS2199369070	ES0213679030	ES0213679OF4	ES0213679JR9	ES0213679HN2	ES0313679K13	ES0213679FW7	ES0213679GD5	ES0213679IR1	ES0213679JS7	ES0213679LU9	ES0313679R24
2a	Public or private placement	Private	Private	Private	Private	Private	Private	Public	Public	Public	Public	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	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	Yes	Yes	Yes
Regulatory treatment													
4	Current treatment taking into account CRR transitional rules where appropriate.	Additional tier 1	Tier 2 capital	Tier 2 capital	-	-	-	-	-	-	-	-	-
5	CRR post-transition rules	Additional tier 1	Tier 2 capital	Tier 2 capital	-	-	-	-	-	-	-	-	-
6	Permitted on an individual/ (sub)consolidated/ individual and (sub)consolidated basis	Consolidated	Consolidated	Consolidated	-	-	-	-	-	-	-	-	-
7	Type of instrument	Preferred Securities	Subordinated debentures	Subordinated debentures	Simple non-preferred bonds	Simple non-preferred bonds	Ordinary unsecured bonds	Structured bonds	Structured bonds	Structured bonds	Structured bonds	Structured bonds	Structured bonds
8	Amount recognised in regulatory capital or eligible liabilities (currency in millions, as at the latest reporting date).	350,000	81,894	748,478	750,000	750,000	500,000	49,680	49,870	11,240	23,760	20,800	50,000
9	Nominal amount of the instrument	350,000	81,894	750,000	750,000	750,000	500,000	50,000	50,290	11,260	23,840	20,960	50,000
EU 9a	Issue price	100.00%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
EU 9b	Redemption price	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
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	Liabilities-amortised cost	Liabilities-amortised cost
11	Original issue date	17.07.2020	14.05.1998	23 June 2021	6.2.2020	08.07.2019	5.03.2019	15/03/2019	5/04/2019	29/11/2019	27/03/2020	9/10/2020	7/08/2020
12	Perpetual or date	Perpetual	With maturity	With maturity	With maturity	With maturity	With maturity	With maturity	With maturity	With maturity	With maturity	With maturity	With maturity
13	Initial maturity date	No maturity	18.12.2028	23 December 2032	6/10/2027	8/07/2026	5/03/2024	22/03/2024	12/04/2024	6/12/2024	3/04/2025	16/10/2025	4/09/2024
14	Issuer´s call option subject to prior approval by the supervision authorities	Yes	No	Yes	Yes	Yes	Yes	No	No	No	No	No	No

15	Optional call date, contingent call dates and redemption amount	17/01/2026	-	23/12/2027: 100% of the nominal investment amount, in the event of a 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: 100% of the nominal amount of investment.	-	-	-	-	-	-
16	Subsequent call dates, if applicable	-	-	-	-	-	-	-	-	-	-	-	-
Coupons/dividends													
17	Fixed or floating dividend or coupon	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Floating	Floating	Floating	Floating	Floating	Floating
18	Coupon interest rate and any related index	6.25% (quarterly coupon)	6.000%	1.250%	0.625%	0.875%	0.875%	-	-	-	-	-	-
19	Existence of a dividend stopper	No	No	No	No	No	No	No	No	No	No	No	No
EU 20a	Fully discretionary, partially discretionary or compulsory (in calendar terms)	Fully discretionary	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
EU 20b	Fully discretionary, partially discretionary or compulsory (in terms of amount)	Fully discretionary	Mandatory	Mandatory	Mandatory	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	No	No
22	Noncumulative or cumulative	Noncumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative
23	Convertible or non-convertible	Convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	5%	-	-	-	-	-	-	-	-	-	-	-
25	If convertible, totally or partially	Totally	-	-	-	-	-	-	-	-	-	-	-
26	If convertible, applicable conversion rate	€ 200,000 / Max(market price of an ordinary share; floor price - €4,1686 ; € 0,30)	-	-	-	-	-	-	-	-	-	-	-
27	If convertible, mandatory or optional conversion	Mandatory	-	-	-	-	-	-	-	-	-	-	-
28	If convertible, specify instrument type convertible into	Common shares	-	-	-	-	-	-	-	-	-	-	-
29	If convertible, specify issuer of instrument they convert into	Bankinter, S.A.	-	-	-	-	-	-	-	-	-	-	-
30	Write-down features	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
31	If write-down, write-down trigger(s)	Power of bail-in by the competent resolution authority	Power of bail-in by the competent resolution authority	Power of bail-in by the competent resolution authority	Power of bail-in by the competent resolution authority	Power of bail-in by the competent resolution authority	Power of bail-in by the competent resolution authority	Power of bail-in by the competent resolution authority	Power of bail-in by the competent resolution authority	Power of bail-in by the competent resolution authority	Power of bail-in by the competent resolution authority	Power of bail-in by the competent resolution authority	Power of bail-in by 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	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	Permanent	Permanent
34	If temporary write-down, description of write-up mechanism	-	-	-	-	-	-	-	-	-	-	-	-
EU 34a	Type of subordination (only for eligible liabilities)	-	-	-	Ordinary non-preferred credits	Ordinary non-preferred credits	Ordinary credits	Ordinary credits	Ordinary credits	Ordinary credits	Ordinary credits	Ordinary credits	Ordinary credits
EU 34b	Order of precedence of the instrument in ordinary insolvency proceedings	2	3	3	6	6	7	7	7	7	7	7	7
35	Position in the subordination hierarchy in liquidation (indicate the next highest instrument type)	Tier 2 capital instruments	Ordinary non-preferred credits	Ordinary non-preferred credits	Ordinary credits	Ordinary credits	After ordinary credits	After ordinary credits	After ordinary credits	After ordinary credits	After ordinary credits	After ordinary credits	After ordinary credits
36	Non-compliant transitioned features	No	No	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	Prospectus	Prospectus	Prospectus

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, item (a) to the Group's notes to the financial statements
2	Retained earnings		
3	Accumulated other comprehensive income (and other reserves)	4.276.340	Note 21 (c) to the notes to the financial statements and Note 22
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	280.101	Amount of eligible items referred to in Article 484(3) of the CRR
6	Common equity Tier 1 before the regulatory adjustments	4.826.101	
	Common equity tier 1: regulatory adjustments		
7	Additional value adjustments (negative amount)	-5.923	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	8 Intangible assets (net of related tax liability) (negative amount)	-204.545	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 establish 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	-4.434	Note 22 to the Group's notes to the financial statements
12	Negative amounts resulting from the calculation of expected loss amounts	-211.614	
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)	-14.241	
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 of common equity Tier 1 capital instruments of financial sector entities where the institution does not hold a significant investment in these entities (amount above the 10% threshold and net of eligible short positions) (negative amount)		
19	Direct, indirect, and synthetic holdings of the 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)		
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: incomplete operations (negative amounts)		

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-25a	Losses for the current financial year (negative amount)		
EU-25b	Foreseeable tax charges relating to Common Equity Tier 1 items, unless the entity adjusts the amount of Common Equity Tier 1 items accordingly, to the extent that those tax charges reduce the amount by which those items can be used to cover risks or losses. (negative amount)		
27	Qualifying AT1 deductions that exceeds the AT1 capital of the institution (negative amount)		
27a	Other regulatory adjustments	-38.000	
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	-482.217	
29	**Common equity tier 1**	4.343.884	
	Additional tier 1 capital instruments		
30	Capital instruments and the related share premium accounts	350.000	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-33a	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**	350.000	
	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**	350.000	
45	**Tier 1 capital (tier 1 capital = common equity tier 1 + additional tier 1 capital)**	4.693.884	
	Tier 2 capital: instruments		
46	Capital instruments and the related share premium accounts	830.371	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 items referred to in Article 484(5) CRR and the corresponding share premium accounts subject to phasing out from Tier 2 capital as described in Article 486(4) CRR.		
EU-47a	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**	830.371	
	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 Tier 2 capital instruments and subordinated loan capital of financial sector entities where these entities have a reciprocal holding with the institution designed to artificially increase the institution's own funds (negative amount)		
54	Direct, indirect and synthetic holdings of Tier 2 capital instruments and subordinated loans of financial sector entities where the institution does not hold a significant investment in these entities (amount above the 10% threshold and net of eligible short positions) (negative amount)		
55	Direct, indirect and synthetic holdings of Tier 2 capital instruments and subordinated loans of financial sector entities where the institution holds a significant investment in such entities (amount above the 10% threshold and net of eligible short positions) (negative amount)		
EU-56a	Eligible deductions from liabilities in excess of the entity's liability items (negative amount)		
56b	Other regulatory adjustments to tier 2 capital		

57	Total tier 2 capital regulatory adjustments	
58	Tier 2 capital	830.371
59	Total capital (total capital= tier 1 capital + tier 2 capital)	5.524.256
60	Total Risk exposure amount	36.174.282
	Capital ratios and requirements including buffers	
61	Common equity tier 1	12,01%
62	Tier 1 capital	12,98%
63	Total capital	15,27%
64	Institution CET1 overall capital requirements	7,73%
65	of which: capital conservation buffer requirement	2,50%
66	of which: countercyclical capital buffer requirement	0,00%
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 (%)	5,98%
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)	255.406
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)	0,00%
	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	162.983
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)

Figures in thousands of euros

Appendix III. LI3: Outline of differences in consolidation groups (entity by entity)

a	b	c	d	e	f	g	h
		Prudential consolidation method					
Grupo Bankinter 2022	**Accounting consolidation method**	**Full consolidation**	**Proportionate consolidation**	**Equity method**	**Not consolidated, not deducted**	**Deducted**	**Description of 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 Financer, 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
Relanza Gestión, S.A.	Full consolidation	X					Collections services
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				X	Insurance company
Bankinter International Notes SARL	Full consolidation	X					Issuance of structured securities
Bankinter Investment SA	Full consolidation	X					Investment Banking
Bankinter Investment SGEIC SA	Full consolidation	X					Alternative Investment Vehicle Management Company
Bankinter Seguros Generales, S.A. de Seguros y Reaseguros	Equity method			X		X	Insurance company
Bankinter Seguros de Vida, S.A. de Seguros y Reaseguros	Equity method			X		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 SA	Equity method		X	Real estate investment trust
Naviera Sorolla, S. L	Full consolidation	X		Special purpose vehicle
Naviera Goya, S. L	Full consolidation	X		Special purpose vehicle
Bankinter 9 Fondo de Titulización de Activos	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