2021 Pillar 3 Disclosures Report

Content

Executive summary

In 2021, the Bankinter Group generated a consolidated net profit of €1.331,1 million euros, which includes a capital gain of 895,7 million euros generated by the successful IPO of Línea Directa Aseguradora, which took place in April 2021. Excluding this capital gain, recurring profit amounted to 437,4 million euros, an increase of 38% over the previous year. Bankinter recorded an average annual growth rate of 15% in profit after tax between 2012 and 2021, without considering the extraordinary capital gain generated in 2021 and despite the low results in 2020 due to the extraordinary provisions for the COVID -19 pandemic.

In terms of management ratios, the ROE of 9.6% excluding extraordinary items and the efficiency ratio of 46% remain among the best in the industry. Operating profit increased to €1,002 million, a record 14%, underlining the good performance of customer business this year.

In terms of risk management, asset quality remained unchanged, improving provision coverage and reducing risk costs. Bankinter maintains a CET1 ratio (fully loaded) of 12.1%, well above the European Central Bank's (ECB) requirement of 7.675%.

Thanks to this financial solidity, Bankinter was ranked the most resilient bank in Spain and the third best in Europe to withstand adverse macroeconomic circumstances in the recent stress test conducted by the European Banking Authority (EBA).

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.

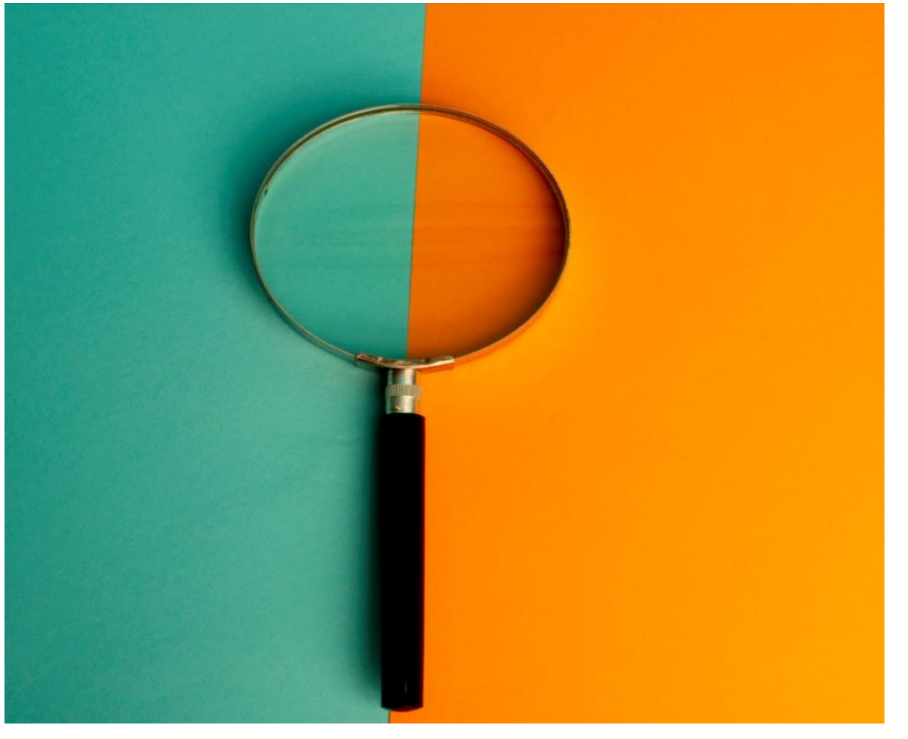
This document includes detailed information regarding Bankinter Group's capital and risk management as at 31 December 2021. The purpose of this document is to provide useful information on the institution's capital and risk profile in order to provide greater transparency to market agents and to ensure compliance with the disclosure requirements established in Regulation (EU) 575/2013 ('CRR'), which has been 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 statement of financial position 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 2021 year-end, they were all within the risk appetite limits set by the board of directors:

12,05% 2020: 12,29%

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

€4.254 bn 2020: €4.172bn

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

€437 mn 2020: €317mn

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

9,59% 2020: 7,03%

RoE (see the management report of the annual report)

2,24% 2020: 2,37%

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

€35.303 bn 2020: €33.955bn

Risk-weighted assets (See chapter 3)

€31.817 bn 2020: €30.805bn

Credit risk-weighted assets (See chapter 3)

€389 mn 2020: €190mn

Markets risk-weighted assets (See chapter 3)

€3.097 mn 2020: €2.960bn

Operational risk-weighted assets (See chapter 3)

229% 2020: 198%

Liquidity Coverage Ratio - LCR (See chapter 9)

4,9% 2020: 5,2%

Leverage ratio (See chapter 10)

The Pillar 3 disclosures report provides particulars of the regulatory risk measures reflecting the Group's risk profile and strategy. In 2021, credit risk requirements increased as a result of the growth in lending and the Bank's increased business momentum. There was also an increase in market risk requirements due to an increase in trading activity compared to the previous year, and an increase in operational risk requirements due to the increase in relevant revenues during the year, as there is a close relationship between the positive development of the income statement margins and the requirements arising from this risk when applying the standard method for estimating capital consumption for operational risk.

At 31 December 2021, the Bankinter Group had a CET1(%) ratio of 12.1%, compared to the minimum ratio of 7.675% required by the European Central Bank (ECB) under its Supervisory Review and Evaluation Process (SREP). The minimum required CET1 ratio of 7.675% comprises the Pillar 1 requirement (4.5%), the Pillar 2 requirement (0.675%) and the capital conservation buffer (2.5%).

The total capital ratio was 15.39% at year-end, while the minimum requirement set by the supervisory authority was 11.7%.

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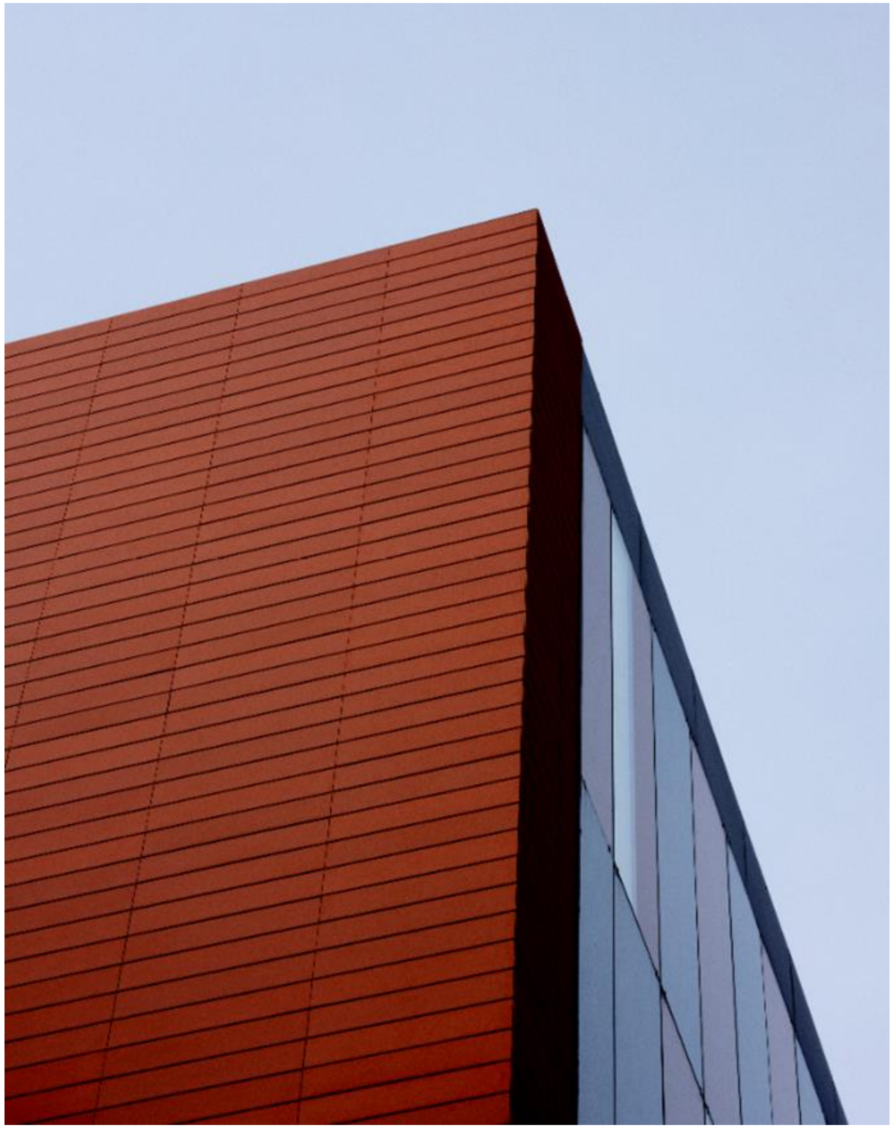
Introduction



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 2021.

The purpose of this report is to facilitate market agents' assessment of the Bankinter Group's capital adequacy at 31 December 2021. 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 2022, 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.

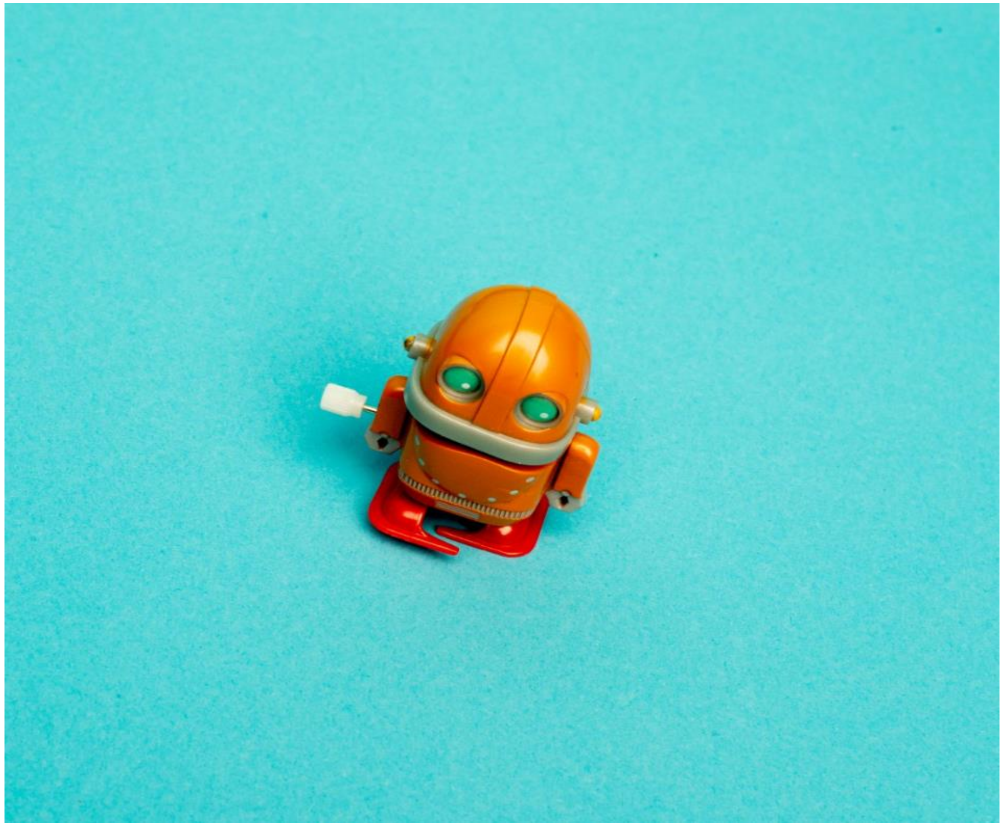
The public consolidation scope is different from the prudential banking consolidation scope, which is the relevant scope for the purposes of this report, as it aims to integrate only the typical risks of credit, investment and financial institutions, excluding risks arising from the insurance business. 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. Consequently, the regulatory scope of consolidation of the Bankinter Group is the same as the public scope of consolidation.

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.

As of 31 December 2021, 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).

	Public and reserved statement of financial position	Reference
Cash, cash balances at central banks and other demand deposits	22.373.090	
Financial assets held for trading	4.038.256	
Financial assets designated at fair value through profit or loss	-	
Non-trading financial assets mandatorily at fair value through profit or loss	131.316	
Financial assets at fair value through other comprehensive income	2.751.517	
Financial assets at amortised cost	76.285.363	
Fair value changes of the hedged items in portfolio hedge of interest rate risk	46.124	
Derivatives – Hedge accounting	170.077	
Non-current assets held for sale	106.184	
Investments in joint ventures and associates	169.971	
Assets under reinsurance and insurance contracts	-	
Tangible assets	450.436	
Intangible assets	269.685	
Tax assets	638.444	
Other assets	153.646	
TOTAL ASSETS	107.584.108	
Financial liabilities held for trading	3.696.496	
Financial liabilities designated at fair value through profit or loss	-	
Financial liabilities at amortised cost	97.809.974	
Fair value changes of the hedged items in portfolio hedge of interest rate risk	1.957	
Derivatives – Hedge accounting	275.264	
Liabilities held for sale	-	
Liabilities under insurance contracts	-	
Provisions	419.911	
Tax liabilities	254.542	
Share capital repayable on demand	-	
Other liabilities	273.803	
TOTAL LIABILITIES	102.731.948	
Shareholders' equity	4.736.621	Note 21 Legal report
Accumulated other comprehensive income	115.539	Note 22 Legal report
Minority interests	-	
TOTAL EQUITY	4.852.160	
TOTAL LIABILITIES AND EQUITY	107.584.108	

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)

	Book values in public balance sheet and prudential balance sheet	Book values of items				
		Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to market risk framework	Not subject to own funds requirements or subject to deduction from own funds
Cash, cash balances at central banks and other demand deposits	22.373.090	22.373.090	-	-	-	-
Financial assets held for trading	4.038.256	-	342.070	-	3.696.186	-
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-
Non-trading financial assets mandatorily at fair value through profit or loss	131.316	131.316	-	-	-	-
Financial assets at fair value through other comprehensive income	2.751.517	2.751.517	-	-	-	-
Financial assets at amortised cost	76.285.363	74.664.675	743.736	876.952	-	-
Fair value changes of the hedged items in portfolio hedge of interest rate risk	46.124	-	-	-	-	46.124
Derivatives – Hedge accounting	170.077	-	170.077	-	-	-
Non-current assets held for sale	106.184	106.184	-	-	-	-
Investments in joint ventures and associates	169.971	90.260	-	-	-	79.711
Assets under reinsurance and insurance contracts	-	-	-	-	-	-
Tangible assets	450.436	450.436	-	-	-	-
Intangible assets	269.685	84.131	-	-	-	185.553
Tax assets	638.444	178.976	-	-	-	459.467
Other assets	153.646	153.646	-	-	-	-
TOTAL ASSETS	**107.584.108**	**100.984.232**	**1.255.883**	**876.952**	**3.696.186**	**770.855**
Financial liabilities held for trading	3.696.496	-	438.795	-	3.257.702	0
Financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-
Financial liabilities at amortised cost	97.809.974	-	-	600.554	-	97.209.420
Fair value changes of the hedged items in portfolio hedge of interest rate risk	1.957	-	-	-	-	1.957
Derivatives – Hedge accounting	275.264	-	275.264	-	-	-
Liabilities held for sale	-	-	-	-	-	-
Liabilities under insurance contracts	-	-	-	-	-	-
Provisions	419.911	-	-	-	-	419.911
Tax liabilities	254.542	-	-	-	-	254.543
Share capital repayable on demand	-	-	-	-	-	-
Other liabilities	273.803	-	-	-	-	273.803
TOTAL LIABILITIES	**102.731.948**	**-**	**714.059**	**600.554**	**3.257.702**	**98.159.634**

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)

	Total	Items subject to:			
		Credit risk framework	Counterparty credit risk framework	Securitisation framework	Market risk framework
Asset carrying value amount under scope of prudential consolidation (as per template LI1)	106.813.252	100.984.232	1.255.883	876.952	3.696.186
Liabilities carrying value amount under scope of prudential consolidation (as per template LI1)	(4.572.314)	-	(714.059)	(600.554)	(3.257.702)
Total net amount in the scope of consolidation prudence	102.240.938	100.984.232	541.825	276.398	438.484
Off balance sheet amounts	23.535.719	23.535.719			
Differences in valuations	375.008	-	375.008		
Differences due to different netting rules, other than those included in row 2	(438.484)	-			(438.484)
Differences due to consideration of provisions	(417.801)	(417.801)		-	-
Differences due to the use of credit risk reduction techniques	(2.776.364)	(2.615.070)	(161.294)		
Differences due to credit conversion factors	(17.894.720)	(17.894.720)			
Differences due to securitisations with risk transfer	353.828	-		353.828	-
Other differences	(302.604)	(302.604)			
Exposure amounts considered for regulatory purposes	**104.675.520**	**103.289.756**	**755.539**	**630.226**	**(0)**

Figures in thousands of euros

1.1.4. Main changes in the Group's scope in 2021

Note 13 of the notes to the 2021 consolidated financial statements describes the main changes in the public scope of consolidation during the financial year. This note describes the following significant event affecting the companies comprising the Línea Directa Aseguradora Group.

At the annual general meeting of Bankinter, S.A., held on 19 March 2020, approval was given for the distribution in kind of the full share premium, by the delivery to its shareholders of shares representing approximately 82.6% of the share capital of its subsidiary Línea Directa Aseguradora, S.A., Compañía de Seguros y Reaseguros ("Línea Directa Aseguradora").

The resolution passed at the annual general meeting of Bankinter, S.A. on 19 March 2020 for the distribution in kind of its entire share premium (1.184 billion euros) was executed in April 2021. This involved the delivery to shareholders of securities representing 82.6% of the share capital of subsidiary Línea Directa Aseguradora, S.A., Compañía de Seguros y Reaseguros.

Prior to this, Línea Directa Aseguradora, S.A. distributed a dividend of 120 million euros, as planned, leaving its capital adequacy ratio at a normal level for this type of insurance company. This dividend was eliminated on consolidation and therefore had no impact on consolidated profit or loss.

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

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

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

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 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. General principles for risk management

Bankinter Group is exposed to various risks inherent to the activities it carries out. Therefore, one of the top priorities of the Group's board of directors is to ensure that the relevant risks of all its businesses are adequately identified, measured, managed and controlled. The board of directors establishes the basic mechanisms and principles for their proper management in order to achieve the Group's strategic objectives, protect its results and reputation, defend the interests of shareholders, customers, other stakeholders and society in general, and ensure the stability and financial soundness of the Company in the long term.

In this regard, the basic risk management principles implemented are summarised below:

- 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.
- Risk alignment across the Group's businesses and subsidiaries

- Alignment with all procedures, manuals and specific internal circulars, which it is necessary to create in relation to the risks in the Group's various businesses and subsidiaries.
- Assurance of proper compliance with the corporate governance rules defined by the Company through its corporate governance system, updating and constant improvement of this system as per the best international practices in transparency and good governance, and creation of instruments for monitoring and measurement
- 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.

These general risk management and control principles of Bankinter Group form the basis of, and are complemented by, the principles set out in the risk appetite framework approved by the board of directors.

1.4.2. Risk appetite framework

The risk appetite framework is a comprehensive and forward-looking tool that the board of directors uses to determine risk classifications and thresholds that it is prepared to accept to achieve the Group's strategic objectives and target profitability.

To do so, it defines the level of risk appetite and tolerance that the Group is willing to assume in its business based on the following principles:

- Prudent strategies, policies, organisation and management systems adapted adjusted to the size, environment and complexity of the Group's activities, based on quality banking practices.
- The entity's respect for and conformance to established regulatory requirements, limits and restrictions, ensuring proper compliance with prevailing legislation at all times and maintaining the principle of anticipating new regulatory developments, to reduce their potential impact.
- Maintenance a low or moderate credit-risk exposure, in line with the values shown by the lowest NPL ratio in Spain's financial system and the lowest expected losses under stress scenarios.
- Work with first-class financial institutions in every country, of recognised solvency and sufficient rating to limit counterparty risks.
- Appropriate hedging of problematic assets.
- Adequate return on capital invested, ensuring a minimum return over the risk-free rate throughout the cycle and complying at all times with target capital levels and operating profitably.
- Maintenance of a low level of market risk in the trading portfolio, so that the losses generated in stress scenarios have an extremely limited impact on the bank's income statement.
- An ALCO portfolio comprising low-risk securities and a return commensurate with the entity's RoE requirements, designed to reduce the volatility of net interest income and adjust the impact of any changes in interest rates.
- Intense growth in the priority strategic medium-sized and large enterprise segments, characterised by higher-quality risk and its notable contribution to earnings through the generation of income, fees and commissions, and other recurring income.
- Balance of the loan book to boost profitability.
- Reducing dependence on wholesale markets for funding the business by seeking balanced growth in retail funds.
- Diversification of wholesale funding sources, from the viewpoint of both instruments and markets, maintaining a balanced maturity profile.
- Optimisation of retail financing costs, maintaining a balance between returns on loans and market interest rates, ensuring it stability and avoiding excessive concentration of maturities.
- Use of a risk diversification policy to avoid excessive concentration levels that might translate into difficulties for the Institution.

- Contribution to the sustainable development of society, including the preservation of environmental resources.
- Limitation of business in sensitive sectors that could entail a risk for the Entity's sustainability or have a negative impact on its reputation and/or honourability
- Moderate appetite for interest rate risk.
- Maintenance of a very low structural foreign currency position (excluding trading activity, which is measured and limited by other means), trending continuously towards zero.
- Reinforced control of the bank's reputational positioning (e.g. good corporate governance, systemic risks).
- Minimisation of exposure to pension obligation risk through the most appropriate mitigating measures (e.g. outsourcing, hedging instruments, diversification).
- Desire to round out the level of services that Bankinter offers its customers, both in private banking and merchant banking, offering limited-risk investment banking services.
- Optimisation of the cost-to-income ratio, considering aggregate costs and revenue.
- Maximisation of shareholder value creation throughout cycles, all underpinned by a strong capital and liquidity base.
- Diversification lines of business by leveraging opportunities in companies in the financial sector that are related or complementary to the core business model.
- Maintaining Common Equity Tier 1 capital (CET1) within the fluctuation band set by the entity, above the regulatory minimum, with a medium-term target commensurate with the risk profile.

To maintain this risk profile, a series of key metrics are defined for the levels of various risks, result quality and recurrence, liquidity and capital adequacy. Objectives and risk tolerance levels the Group is willing to assume are defined for each metric. Long-term objectives are also established for the most relevant metrics. These targets and levels are updated and approved, at least annually, by the risk committee at the proposal of the chief risk officer (CRO).

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.

The compliance of the Risk Appetite Framework is monitored via Level 1 and Level 2 metrics available for each type of risk to which the company is exposed. They are all subject to tracking by the board through periodic reporting to the risk committee. Level 1 metrics are the most relevant and subject to a more detailed monitoring by the board. Level 2 metrics complement the other metrics.

All metrics have a defined objective, tolerance level and limit. 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.

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.

1.4.3. Corporate governance of the risk function

Bankinter Group has a corporate governance system that is in line with the industry best practices and adapted to regulatory requirements. Detailed information on corporate governance procedures can be found in the 2021 annual corporate governance report, on the Group's corporate website.

The board of directors, in accordance with rules and regulations of the board of directors, is responsible for approving the risk control and management policy and regularly monitoring the internal information and risk control systems.

To perform these functions, the board of directors is supported by two of its delegated committees: the executive committee and the risk committee.

Executive committee

All the functions of the board have been delegated to the executive committee, except for those which cannot be delegated under the law, the by-laws or the rules and regulations of the board of directors. It takes decisions for managing and monitoring all types risks and, in turn, delegates to the following committees:

Credit risk, in the executive risk committee, which in turn sets the limits on the delegation of powers to the lower-ranking internal bodies, within the limits set by the board of directors. The executive risk committee is the top risk committee, except for risks that fall under the management committee's and the assets and liabilities committee's remit.

Business risk, to the management committee.

Structural risk (liquidity, interest rate, foreign currency) and market risk, to the assets and liabilities committee (ALCO).

The executive committee had 11 already sessions in 2021 (see the 2021 annual corporate governance report on the 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. As well as ii) approving the appointment and replacement of the chief risk officer and the control and compliance officer, after the competent committee has assessed their suitability in both cases, and iii) overseeing the Group's control and compliance function, in particular risk control, internal validation, compliance and the prevention of money laundering and terrorist financing.

In the area of risk, this committee shall in particular perform the following tasks:

- Assessing whether the prices for the assets and liabilities offered to customers fully take into account the Bank's business model and risk strategy.
- Determining, together with the board of directors, the nature, quantity, format and frequency of the information on risk to be received by the committee itself and by the board.
- Jointly establishing rational remuneration policies and practices. To this end, and without prejudice to the duties of the remuneration committee, the risk committee shall examine whether the incentives envisaged in the remuneration system take into account risk, capital, liquidity, and probability and opportunity for profit.
- Approving the appointment or replacement of the chief risk officer (CRO) at the proposal of the chairman of the board, its executive vice chairman or the chief executive officer.
- Reviewing the general risks map for both the Bank and the Group, and submitting the corresponding proposals to the board.
- Approving, at the proposal of the chairman of the board, the vice chairman, if the latter is an executive, or the CEO, the appointment or the replacement of the head of the Risk Control unit.
- Approving or amending the charter of the risk control function, which shall set out its duties or remit.
- Overseeing the activities of the Risk Control unit, which will report regularly to the committee.
- To recommend the approval of the risk and compliance committee's annual report to the board of directors.

In 2021, the risk and compliance committee had five ordinary sessions and three extraordinary sessions, two of which were using written voting without a physical meeting (see the 2021 annual corporate governance report on the 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.

In 2021, the audit and regulatory compliance committee met 11 times, 3 of them in writing with no physical meeting held (for more details see the 2021 annual corporate governance report on the corporate website).

Reports are drawn up regularly for the performance of these functions by the board of directors and various committees to which these powers are delegated. Some of these reports are:

- Capital report
- Credit risk report
- ICAAP
- ILAAP
- Liquidity report
- Concentration report
- ALCO report
- Operational risk report

In addition, Bankinter Group's intranet contains a management information system providing management bodies and all employees with access to an extensive catalogue of reports for understanding and evaluating the variations and management of risks through diverse dimensions and levels of aggregation for the different business units.

1.4.4. Risk control and management function structure and organisation

Three lines of defence model

Bankinter Group'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, in accordance with the 'three lines of defence' model.

The first line of defence, the centralised Risk Management function, hedges credit, counterparty, market, liquidity and funding, structural interest rate and exchange rate, and operational risks. The first line's corporate responsibilities extend to all areas and provide support to the Group's governance bodies. It is responsible for putting in place methodologies, developing appropriate procedures and performing the first line controls for these risks. Furthermore, it is focused on carrying out the risks function and integrating it into management within the Group's various businesses.

The following management and control functions are performed within the first line of defence reporting to the Risk Division, but not reporting hierarchically to the Chief Risk Officer (CRO):

- Structural and market risks, which are managed by the Treasury and Capital Markets Division.
- Operational risks, which have specific management.
- Reputational risk, which is measured and controlled by the Corporate Reputation Unit in the first line;
- Strategic or business risk, which is managed by the business units and controlled by the Finance Division in the first line.

The credit risk management function is completed by a decentralised structure that reports functionally to the CRO. This function has specific teams for sanctions, incidents and recovery in regional organisations, to ensure proximity to, and knowledge of, the customer, which are essential in the financial business. Powers are delegated as necessary for this. These regional teams are also responsible for risk control activities in the first line of defence.

The second line consists of specialist control and oversight units, located in the Control and Compliance Division, which comprises the Risk Control and Validation Unit, the Regulatory Compliance Unit, the Anti-Money Laundering Unit and the Financial Control Unit. The Risk Control and Validation Unit has global and corporate support responsibilities for the Group's governing bodies, including providing a second line of control for all material risks, apart from legal risk, and the risk of compliance, conduct and money laundering, which are the responsibility of the Regulatory Compliance Unit.

The Regulatory Compliance unit also controls conduct risk in the second line, which is controlled in the first line by the products committee, ensuring that the entity has effective procedures for approval or modification of products or services aimed at its customers. Likewise, the Regulatory Compliance unit controls proper compliance with the commercial communication policy, which is managed and controlled first by the Marketing and External Communication areas.

The Legal Counsel division, through the data protection officer, will be responsible for data protection risk control. The privacy committee approves initiatives that are strategically important for the organisation or that pose significant legal or technology risks in relation to the right to privacy and personal data protection. It also oversees initiatives and procedures adopted by data protection officers.

The Customer Service area analyses complaint and claims management data continuously to identify and address recurring or systemic issues, and potential legal, operational, conduct and other risks, reporting the findings to the board of directors.

This management model is completed by a third line of defence performed by the Internal Audit unit, which is responsible for independent review of the risk management and control model.

The organisational structure of the risk function in Bankinter

The parties responsible for performing the risk management and control function, and their main duties, are set out below.

The board of directors is ultimately responsible for the management and control of Bankinter's risks.

The managing director of risk is the CRO ('Chief Risk Officer') in accordance with current regulations. The board risk committee appoints and removes the chief risk officer on a proposal by the chairman, vice-chairman (if an executive) or the chief executive officer of the Entity.

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

- Risk management.
- Control and Compliance function.

The organisation of these functions is described below.

Risk Management function

Risk management groups major risks (credit and counterparty, market, liquidity, structural, operational and model risks). It has corporate responsibilities extending to all areas and provides support to the 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 integration 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

Credit risk aims to define the risk policies associated with each of the segments. It is delegated powers that allow it to authorise customer transactions. It is responsible for the entire risk process, from approving risks (which requires IT support capable of achieving the highest level of efficiency); to monitoring and recovering risk positions.

Risk analysis and processes

The main functions of risk analysis and processes is the definition and implementation of the various processes depending on the type of business; the definition and support for management reports; and the maintenance and development of the current risk approval and management systems.

Global risk management

responsible for developing, improving, controlling, implementing and regularly monitoring statistical and risk parameter models for the various credit portfolios, and enhancing the integration of these models into management. The internal models perform a key role in the approval process, in the calculation of regulatory and internal capital, in the collective estimation of provisions, in recovery processes and in the establishment of risk-adjusted return measures (RARORAC). It also oversees, together with the global risk division, the development of the specific policies and procedures that must be included in the framework for the risk management model. Its responsibilities also include supervisor relations, official announcements and regulatory reporting in regard to models, and monitoring the sequentially implementation plan for IRB models in the Bank.

Global risk

Coordinates the different areas of Risks in activities and projects related to methodologies, policies, procedures and regulations, seeking to adopt industry best practices in the measurement and management of risks and, in particular, management of the Group's global risk profile.

Risk Analysis

It 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 in due course, the Balance Sheet Management area and the Trading Department, which report to the general Capital Markets Division, are responsible, respectively, for managing liquidity, interest and foreign currency risks (structural risks) and market risk. Market risk has the independent duty of measuring, monitoring and controlling changes in interest rate, liquidity, foreign currency, market and counterparty risks in 'institutional' positions; i.e., those taken by the assets and liabilities committee (ALCO) and by the Treasury area for trading purposes.

Operational risk

Responsible for promoting and coordinating the procedures and tools for the identification, measurement, first-line 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 incidence

Responsible for running and managing the process for recovering outstanding loans in early stages of default, by implementing and promoting internal and external tools and actions for this purpose with a view to minimising new non-performing loans. It is also responsible for running and managing the control, monitoring and non-amicable recovery of loans in accordance with prevailing legislation by creating and promoting automatic systems that make management more efficient and by implementing more efficient and effective mechanisms and processes to improve the recovery of overdue sums. It is also responsible for all matters related to the policy, analysis, approval and monitoring of forbearance arrangements.

Property assets

This area sets and updates the price of foreclosed assets and allocates them for a specific purpose. Its duties include the adapting the assets technically and legally and monitoring them to prevent impairment. Its purpose and main responsibility is to proactively seek out buyers by advertising and managing assets according to principles of transparency, appropriate advertising, competition and effectiveness to obtain the highest price possible, while prioritising rapid selling.

Control and Compliance function

The Corporate Control and Compliance division, as the second line of defence, reports to the risk and compliance committee and is integrated into the Bank's organisation through the Risk division (CRO). The corporate responsibilities in its remit extend to all areas and include providing support to the Group's governance bodies. It is organised into the following units with the following responsibilities:

Risk Control and Internal Validation Unit

Functionally organised as follows:

Risk control: The purpose of this area is to oversee the quality of Bankinter Group's risk management. More specifically, it seeks to guarantee that the systems for managing and controlling the various risks involved in its activity meet the most demanding criteria and the best practices in the banking sector and/or required by regulators, overseeing that the actual risk profile assumed is in line with that established by senior management.

Organisations and Subsidiaries Control Unit: This unit oversees credit risk management at regional organisations and the second line of defence for the various risks of Group subsidiaries.

Technical Division: This area is in charge of procedural aspects of the risk appetite framework and the corporate risk map, and oversight of the second line of defence of certain specific risks (e.g. reputational risk).

Internal validation: It is in charge of validating the advanced risk models and their results. To do so, it analyses them and issues reports with opinions on their validity for risk management and on their use in managing risks, and issues the related recommendations.

Regulatory compliance unit

The board of directors is responsible for overseeing compliance with the Group's general code of conduct, the general anti-money laundering and terrorist financing policy and the products and services marketing policy.

The risk and compliance committee is charged with functions that include overseeing compliance with legal requirements, supervising the effectiveness of internal control and risk management systems, supervising compliance with the Group's code of conduct in securities markets, anti-money laundering manuals and procedures and, in general, the Bank's governance and compliance rules, and making any necessary proposals for their improvement, as well as reviewing fulfilment of any actions and measures arising from reports or actions by government supervisory and control authorities.

The duties of the Regulatory Compliance unit, which is integrated in the Corporate Control and Compliance division and reports to the risk and compliance committee, include the following: advising Group senior management, employees, and business and operating areas; supervising and monitoring compliance with rules of conduct; detecting and managing non-compliance risks; and liaising with regulatory and supervisory bodies and authorities on any matters within its remit.

Financial control and analysis unit

The Financial Control and Analysis, integrated in the Corporate Control and Compliance division, reports directly and regularly to the audit committee.

Its mission is to assess the effectiveness of the general internal financial control framework, to ensure the reliability of the Group's financial information. Its scope includes the functions and competencies of all Bankinter Group entities, subsidiaries and branches. It can also consider activities performed as outsourced services.

Applying a systematic and methodological approach to overseeing the existence of an effective control framework (ICFR), performing internal control over financial reporting. This helps to improve the effectiveness of management processes for financial risks and their internal control framework.

This function also includes control over outsourced services, in accordance with the guidance in the EBA guidelines on outsourcing arrangements.

Anti-money laundering unit.

This is the technical unit under the Control and Compliance division that reports to the internal control body. It is staffed by specialist, full-time personnel with suitable training in analysis, as established in prevailing legislation.

It reports to the board risk and compliance committee on progress in measures and action plans concerning anti-money laundering and counter-terrorist financing (AML/CFT).

Its aim is to guarantee adequate coverage of the risks arising from money laundering and terrorist financing, complying with all related legislation.

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

Structural risks

The board of directors sets the strategy and policy for structural risks (interest rate, liquidity and foreign currency risks) and market risks and designates various bodies to manage, monitor and control them. It also sets the risks profile to be assumed by 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, approves and delegates to the ALCO, on an annual basis, the applicable limits for the management of the aforementioned risks.

ALCO is the body directly responsible for these risks and for determining the Group's funding policy. However, the Treasury and Capital Markets Division may take action within the scope of its powers or in accordance with the guidelines of the chairman, the CEO or the Treasury and Capital Markets Division to protect the Bank from its risks or to take advantage of trading opportunities as they arise.

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

The Balance Sheet Management area, which is part of the Treasury and Capital Markets Division, implement the decisions taken by ALCO in relation to the functions in the previous section. It has powers to act immediately if market circumstances require, with subsequent reporting to ALCO.

Technological risks

These risks are supervised by the technological risk and IT security area. It is integrated under Bankinter Global Services and reports directly to its managing director. Functionally, it reports to Bankinter's managing director of risk/CRO, to whom it issues reports on a regular basis. Its main responsibilities regarding management of these risks include: training and awareness-raising on information security; coordination of technology environment improvement plans; management of system vulnerabilities; coordination of certified risk management systems; cryptographic key custody; identification and definition of the security requirements for new projects and developments; definition, approval and maintenance of business continuity plans, technological contingency and incident response plans; implementation of security measures on operating systems, databases and middleware; identification and management of detected vulnerabilities.

Reputational risk

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

Other units in the second line of defence

Data protection officer (DPO).

The corporate privacy and data protection officer reports to the Legal Counsel and has the following functions: coordinate the privacy and data protection officers of the different entities of the Group to ensure that the same criteria are followed in privacy and personal data protection matters, approve new initiatives that have an impact on the right to privacy and data protection, which are not similar to initiatives already approved in the organisation and whose competence goes beyond the competence of the privacy and data protection officers of all entities of the Group, to advise the responsible person on the obligations to be fulfilled in matters of privacy and data protection, to monitor compliance with the provisions of the privacy and data protection regulations.

Bankinter Group entities that process personal data appoint a privacy and data protection officer. The privacy and data protection officer has the support of an office and/or a unit to carry out their role.

Privacy committee

The privacy committee is responsible for approving initiatives that are strategically important for the organisation or that pose significant legal or technology risks in relation to the right to privacy and personal data protection. It also oversees initiatives and procedures adopted by data protection officers.

Customer service area

The Customer Service area analyses complaint and claims management data continuously to identify and address recurring or systemic issues, and potential legal, operational, conduct and other risks, reporting the findings to the board of directors. Given the importance of the information it handles, these findings constitute an early warning mechanism for issues arising from the marketing of products or services and/or the Entity's relationship with its customers, which is considered the Bank when selecting and adopting the appropriate measures to address or prevent the issues.

1.4.5. Risk culture

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.

The risk culture has two dimensions, one formal and one informal. The first is rooted in the regulatory framework and the organisational structure of the bank. The second has to do with the dissemination of values and knowledge and is in fact as important as the first.

In order to maintain and improve the risk culture, it must be underpinned by adherence to the following principles, which complement those mentioned in section 1.4.1 of this report:

- Prudence: In line with its risk appetite statement, Bankinter aims to maintain a prudent profile in all its risks. This prudence is achieved by setting strict and controlled risk limits.

- Honesty and exemplary behaviour:
    - Both individually and collectively, each employee, committee and unit as a whole must act in accordance with the Bank's principles and values, always putting the common good above the individual, abiding by the rules and ensuring that others do the same.
    - The Bank's senior management must be the first to demonstrate this honesty in their conduct and set an example for the rest of the organisation by sharing the Bank's principles and values.

- The structure of responsibilities and limits for the various risks, designed in such a way that a large number of transactions must be subject to the decision of the Entity's central risk bodies.

- Consistency. The risk culture must be uniform throughout the group. The same principles and values must apply to all entities and bodies of the group. To this end, not only should coherent risk management frameworks and strategies be in place, but interrelationships between entities and divisions should also be encouraged. The parent company, through its supervisory bodies, should monitor and control the consistent development within the Group.

- Globality. The risk culture extends to the management of all material risks faced by both the Group as a whole and each of its individual entities.

- Capacity and competence. The risk function must be adequately resourced both quantitatively and in terms of competence. It is therefore important to maintain a high level of experience in the teams and ensure an adequate level of training for the development of their functions. Staff should proactively share their knowledge and experience.

- Transmission. Both formal and informal channels must be used for the transmission of culture:

- Formal. This is done through:
  - Policies that must set the criteria and boundaries for each area that are consistent with the bank's risk appetite.
  - Training that is adapted to the needs and aligned with the culture.
  - Committees that are seen not only as a forum for decision-making but also for discussion, and from which the correct interpretation of the guidelines arises.
  - Communications: Intranet, publications, promotion of the dissemination of the various aspects related to risk management.
  - Information dissemination tools (BI). Management information on all risks must be available to the entire network, with easy and organised access.

- Informal. A high level of interaction between all staff at all levels should be encouraged so that information, knowledge and experience can be shared.
  - A high level of horizontal and vertical intercommunication that promotes fluid and flexible dialogue in which all staff can participate.
  - Encourage teamwork, both within a specific area and as a multidisciplinary approach.
  - When decisions are made about risks, all stakeholders must be consulted and the decisions must be communicated and explained to them.

- Collaboration. Collaboration between different areas and specialists in managing different risks should be encouraged in order to obtain a broader and more diverse view of risks and thus make more informed decisions.

- Standardisation. Continued attention is given to the development and improvement of data management, reporting and analysis systems in order to maintain an effective and efficient systematic approach to risk assessment and management processes.

- Oversight and control.
  - All risks should be subject to oversight by the management body, supported by the three lines of defence structure. Each line of defence should have its own controls and communicate the results and action plans to its superiors and control bodies.
  - The business units (first line) are responsible for day-to-day risk management in accordance with the company's policies, procedures and controls, taking into account the company's risk appetite.
  - The control units (second line) must monitor the proper risk management of the business units and report to the management body on the results of their controls and action plans. They shall also report the results of their assessment of the implementation, knowledge and compliance with the risk culture in the unit.

- Constructive critical spirit. Risk management must be conducted in a critical spirit that evaluates not only the current and obvious situation, but also other possible scenarios that could increase risks. This critical view should be used to make a more comprehensive assessment of the risks, allowing for more informed decision-making.

- Incentives and sanctioning regimes. The incentive policy for employees should promote appropriate risk management so that risks are kept within the defined risk appetite and undesirable risk taking and concentrations are avoided. The incentive policy should reward good short and long-term risk management. It should also provide mechanisms to claw back incentives paid if poor risk management practises are demonstrated. Incentives should be complemented by a sanctions system that responds appropriately to breaches of internal and external regulations.

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

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) 2013/575 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 2021 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 2021 are detailed in the CCA template in Annex I.

The computable live balance of issues eligible as Tier 2 at 31 December 2020 amounted to €579,899 thousand and €830,371 thousand at 31 December 2021.

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	**2021**	**2020**
Common equity tier 1: instruments and reserves	4.800.995	4.918.608
Capital instruments and share premiums	269.660	1.453.925
Retained earnings	3.300.924	3.043.943
Other accumulated income	115.991	148.340
Interim profit net of foreseeable dividends	1.114.420	272.400
Common equity tier 1: regulatory adjustments	(546.793)	(747.032)
Other regulatory valuation adjustments	(4.489)	(4.170)
Intangible assets	(186.232)	(350.591)
Shortfall of prudential provisions and of IRB portfolios	(335.576)	(253.536)
Direct and indirect holdings of own instruments	(17.036)	(14.867)
Deferred tax assets	(3.460)	(3.460)
Investments in financial institutions	-	(120.408)
Common equity tier 1 (CET1)	**4.254.202**	**4.171.576**
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)	**4.604.202**	**4.521.576**
Tier 2 capital: instruments	830.371	579.899
Eligible tier 2 instruments	830.371	579.899
Tier 2 capital: regulatory adjustments	-	-
Temporary adjustments to additional tier 1 capital	-	-
Tier 2 capital	**830.371**	**579.899**
Total capital (tier 1 capital + tier 2 capital)	**5.434.574**	**5.101.475**
Risk-weighted assets	**35.303.115**	**33.954.487**
CET 1 fully loaded (%)	**12,05%**	**12,29%**
Tier 1 fully loaded (%)	**13,04%**	**13,32%**
Total capital fully loaded (%)	**15,39%**	**15,02%**

Figures in thousands of euros

The increase in Common Equity Tier 1 (CET1) in 2021 is mainly due to the retention of part of the ordinary profit for the year after the application of the estimated distribution of 50% and the retention of the extraordinary profit from the spin-off of Línea Directa Aseguradora (LDA). Deductions were also reduced during the year, mainly due to the demerger of LDA and the evolution of the deficit in regulatory provisions and IRB portfolios.

As of 31 December 2021, Additional Tier 1 capital (AT1) amounts to €350,000 thousand, remaining at the same level as at 31 December 2020.

Risk-weighted assets increased in 2021 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).

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

Eligible amounts	**2021**	**2020**
Paid-up capital	269.660	269.660
Share premium	0	1.184.265
Reserves	3.294.761	3.041.165
Other equity	6.163	7.482
Own shares	(1.025)	(3.641)
Attributed earnings	1.333.108	317.123
Interim dividends	(166.046)	0
Total own funds (public balance sheet)	4.736.621	4.816.055
Accumulated other comprehensive income	115.539	148.103
Total equity (public balance sheet)	4.852.160	4.964.157
Eligible preferred stock	350.000	350.000
Other valuation adjustments	(4.037)	(4.170)
Intangible assets	(186.232)	(350.591)
Shortfall of prudential provisions and of IRB portfolios	(335.576)	(253.536)
Deferred tax assets	(3.460)	(3.460)
Investments in financial institutions	-	(120.408)
Other adjustments	(68.652)	(60.416)
Tier 1	**4.604.202**	**4.521.576**

Figures in thousands of euros

(*) For differences between the interim dividend recognised and that forecast.

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 2021.

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%. Both in 2020 and 2021, the required level of this capital buffer 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 2021, Banco de España has set a countercyclical capital buffer of 0%, as it does not foresee a risk of excessive credit growth, and it has not yet established any additional requirements to cover systemic risks.

On 27 December 2021, the Bank of Spain maintained the countercyclical buffer applicable to credit exposures located in Spain at 0% for the first quarter of 2022. The Bank of Spain considers that the upward trend in the current credit gap relative to GDP (the reference indicator in the methodology for calculating the buffer) does not reflect the growth in cyclical systemic vulnerabilities that may require activation of the buffer. In the current context of the pandemic, the increase in credit is the result of a wide range of support measures implemented with the aim of cushioning the impact of the pandemic and facilitating economic recovery. The Agency notes that the economic recovery that started in 2021 has led to a partial correction of the main indicator (credit-to-GDP gap) that guides the activation of this instrument.

On 30 September 2021, the Bank of Portugal also ratified the maintenance of the countercyclical buffer for credit exposures located in Portugal at 0% for the fourth quarter of 2021.

As a measure to support the real economy during the COVID-19 crisis, the Bank of Ireland eliminated the 1% countercyclical buffer for Irish domiciled credit exposures in early April 2020 and confirmed in November 2021 that maintaining the countercyclical buffer at 0% was considered appropriate in the circumstances. Should the projected economic recovery path that began in 2021 continue, Bank of Ireland expects a gradual replenishment of this buffer during 2022.

Nevertheless, Bankinter maintains active management of capital that ensures compliance with 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)

Country	General credit exposures		Trading book exposures		Securitisation exposures	Total value of exposures	Own funds requirements				Risk-weighted exposures	Weightings of own funds requirements	Countercyclical capital buffer percentage
	Value of exposure according to standard method	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			Relevant credit exposures – Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the banking book	Total			
Spain	15.949.897	37.897.521	4.823.743		632.058	59.303.220	2.019.186	31.128	13.634	2.063.948	25.799.353	88%	0%
Portugal	2.523.933	4.462.928	-		-	6.986.861	237.359	-	-	237.359	2.966.982	10%	0%
Ireland	982.279	-	-		-	982.279	45.980	-	-	45.980	574.753	2%	0%
Total	**19.456.109**	**42.360.449**	**4.823.743**	**-**	**632.058**	**67.272.360**	**2.302.525**	**31.128**	**13.634**	**2.347.287**	**29.341.088**	**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 shall be taken into account. Therefore, exposures to central and regional governments, public sector entities, multilateral development banks, international organisations and institutions are not taken into account.

03

Information on key indicators and own funds requirements

3. Information on key indicators and own funds requirements

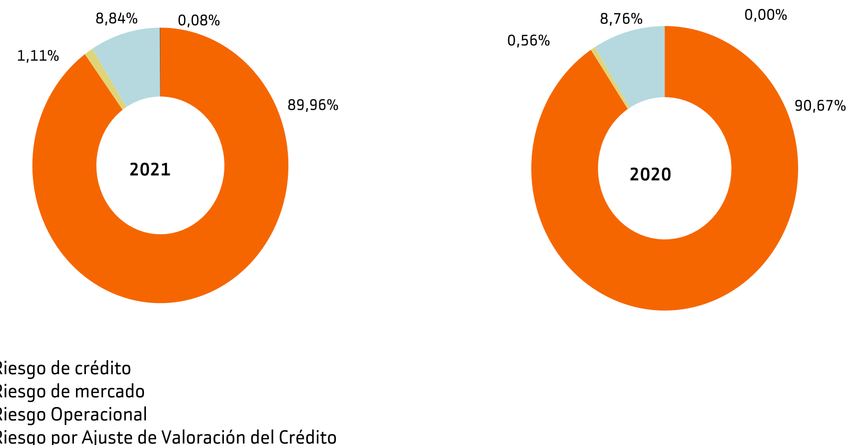
Title II of Part Two of Regulation (EU) 575/2013 of the European Parliament and of the Council, modified by Regulation (EU) 876/2019, defines the credit risk capital requirements; Title III refers to the requirements of own funds for operational risk; and Title IV refers to the requirements of own funds 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 2021 and 2020, 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.

Capital requirements by type of risk



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

Presentation of RWA (OV1)

Presentation of RWA	RWAs		Capital
	2021	2020	2021
Credit risk (excluding counterparty credit risk)	30.372.232	29.306.575	2.429.779
Of which, standardised approach (SA)	13.743.724	13.592.427	1.099.498
Of which, foundation internal ratings based (FIRB) approach	10.000.663	9.496.976	800.053
Of which, internal ratings based (IRB) approach	6.627.846	6.217.171	530.228
Of which, equities under the IRB approach with the simple risk-weight approach or the IMA approach			
Counterparty credit risk	317.333	167.087	25.387
Of which, mark to market approach		165.510	
Of which, under original exposure approach			
Of which, standardised approach	288.709		23.097
Of which, under the internal model method (IMM)			-
Of which amount of risk exposure from contribution to CCP default guarantee fund	278	195	22
Of which: CVA	28.345	1.381	2.268
Settlement risk	-	-	-
Securitisation exposure in the loan book	170.425	258.047	13.634
Of which, IRB approach	170.425	258.047	13.634
Of which, IRB approach based on the supervisory formula approach (SFA)			
Of which, internal assessment approach (IAA)			
Of which, standardised approach (SA)	-	-	-
Market risk	389.100	189.972	31.128
Of which, standardised approach (SA)	389.100	189.972	31.128
Of which, internal models approach (IMA)			
Large exposures	-	-	-
Operational risk	3.096.891	2.959.810	247.751
Of which, basic indicator approach (BIA)			
Of which, standardised approach	3.096.891	2.959.810	247.751
Of which, advanced measurement approach (AMA)			
Amounts below the thresholds for deduction (subject to 250% risk weight)	957.134	1.072.996	76.571
Floor adjustment	-	-	-
Total	35.303.115	33.954.487	2.824.249

Figures in thousands of euros

In June 2021, following the entry into force of the new methods for calculating counterparty risk established by CRR2, Bankinter started to use the standardised approach. Until that date Bankinter had used the market price valuation method.

Key metrics template (KM1)

		4T21	3Q21	2T21	1Q21	4Q20
	Available shareholders' equity					
1	Common equity tier 1	4.254.202	4.222.388	4.207.029	4.169.491	4.171.576
2	Tier 1 capital	4.604.202	4.572.388	4.557.029	4.519.491	4.521.576
3	Total capital	5.434.574	5.402.759	5.389.648	5.099.390	5.101.475
	Amount of risk-weighted exposure					
4	Total amount of risk-weighted exposure	**35.303.115**	**34.455.860**	**34.496.397**	**33.947.339**	**33.954.487**
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common equity tier 1 ratios (%)	12,05%	12,25%	12,20%	12,28%	12,29%
6	Equity tier 1 ratio (%)	13,04%	13,27%	13,21%	13,31%	13,32%
7	Total capital ratio (%)	15,39%	15,68%	15,62%	15,02%	15,02%
	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 (%)	0,68%	0,68%	0,68%	0,68%	0,68%
EU 7b	Additional AT1 SREP requirements (%)	0,23%	0,23%	0,23%	0,23%	0,23%
EU 7c	Additional T2 SREP requirements (%)	0,30%	0,30%	0,30%	0,30%	0,30%
EU 7d	Total own funds requirements SREP (%)	9,20%	9,20%	9,20%	9,20%	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 11a	Overall capital requirement (%)	11,70%	11,70%	11,70%	11,70%	11,70%
12	Common Equity Tier 1 capital available after meeting the total of the SREP's own funds requirements (%)	6,14%	6,37%	6,31%	5,82%	5,82%
	Leverage ratio					
13	Total exposure measurement	94.214.872	88.155.822	89.149.116	90.224.976	87.004.215
14	Leverage ratio (%)	4,89%	5,13%	5,11%	4,93%	5,20%
	Liquidity coverage ratio (1)					
15	Total high quality liquid assets (HQLA) (value-weighted, average)	23.186.018	22.422.660	20.979.911	18.650.666	16.631.302
EU 16a	Cash outflows – Total weighted value	13.725.940	13.352.008	12.962.341	12.304.344	11.889.262
EU 16b	Cash inflows – Total weighted value	3.626.201	3.263.226	2.935.053	2.686.139	2.573.882
16	Total net cash outflows (adjusted value)	10.099.738	10.088.782	10.027.288	9.618.205	9.315.380
17	Liquidity coverage ratio (%)	229,94%	222,58%	209,28%	192,82%	177,42%
	Net stable funding ratio					
18	Total stable funding available	78.920.336	78.580.429	78.384.833	76.479.098	74.357.786
19	Total stable funding total required	52.265.667	52.501.192	53.603.893	57.695.584	55.791.208
20	Net stable funding ratio (%)	151,00%	149,67%	146,23%	132,56%	133,28%

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 2021 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 46 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: Criteria for default of credit obligations according to Banco de España accounting circular used for the classification of exposures in 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 the transaction 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.

This includes situations where an obligation is in default or an arbitration award or a delay in payment has occurred.

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". This is the case if the conditions that led to the classification of the exposure as subjective non-performing have ceased to exist.

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 non-performing', 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 statement of financial position 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.

4.1.3. Criteria for the recognition of earnings when removing assets from the statement of financial position

When the transferred financial asset is completely removed from the statement of financial position, 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.

4.1.2. 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 46 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:

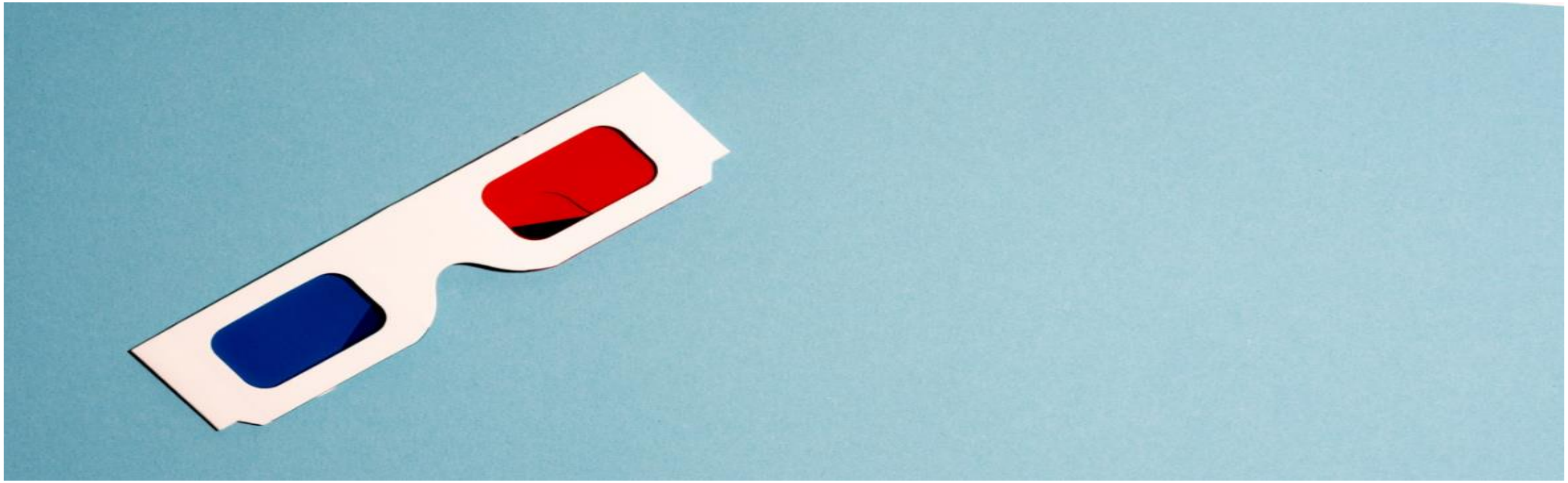
Maturity of exposures (CR1-A)

2021	Value of net exposure					
	On demand	≤ 1 year	> 1 year < = 5 years	> 5 years	No maturity	Total
Loans and advances	30	366	23.773	41.103	3.417	68.690
Debt securities		470	2.939	6.636	-	10.045
Total	30	836	26.712	47.739	3.417	78.735

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)

2021	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	
	Performing exposures			Non-performing exposures			Performing exposures - Accumulated impairment and provisions			Non-performing exposures - Accumulated impairment and provisions and negative fair value adjustments due to credit risk				On performing exposures	On non-performing exposures
		Of which: Stage 1	Of which: Stage 2		Of which: Stage 2	Of which: Stage 3		Of which: Stage 1	Of which: Stage 2		Of which: Stage 2	Of which: Stage 3			
Cash balances at central banks and other demand deposits	22.179.669	22.179.669	-	-	-	-	-	-	-	-	-	-		-	-
Loans and advances	67.875.424	65.966.451	1.899.307	1.800.972	111.386	1.605.366	(254.491)	(173.538)	(84.852)	(732.280)	(10.798)	(719.165)	-	48.528.711	879.784
Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public administrations	836.651	836.651	-	200	-	200	-	-	-	-	-	-	-	364.909	-
Credit institutions	2.435.613	2.435.480	134	76	-	76	(0)	(0)	-	-	-	-	-	39.079	0
Other financial corporations	1.956.115	1.934.091	22.024	9.812	161	9.414	(1.431)	(1.401)	(31)	(3.125)	-	(3.150)	-	591.572	4.637
Non-financial corporations	28.424.523	27.342.829	1.081.307	1.050.668	50.404	946.289	(152.431)	(102.820)	(50.613)	(498.285)	(5.256)	(489.529)	-	17.366.336	468.645
Of which, SMEs	17.362.148	16.663.104	698.656	911.238	46.474	819.406	(92.042)	(55.585)	(37.460)	(441.619)	(4.866)	(435.177)	-	12.817.799	399.517
Households	34.222.522	33.417.401	795.842	740.216	60.820	649.387	(100.629)	(69.317)	(34.208)	(230.870)	(5.542)	(226.486)	-	30.166.816	406.502
Debt securities	10.045.093	10.044.355	-	756	-	756	(2.273)	(2.273)	-	(227)	-	(227)	-	-	-
Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public administrations	7.692.660	7.692.660	-	-	-	-	(216)	(216)	-	-	-	-	-	-	-
Credit institutions	1.720.146	1.720.146	-	-	-	-	(50)	(50)	-	-	-	-	-	-	-
Other financial corporations	80.854	80.849	-	-	-	-	(392)	(392)	-	-	-	-	-	-	-
Non-financial corporations	551.434	550.700	-	756	-	756	(1.614)	(1.614)	-	(227)	-	(227)	-	-	-
Off balance sheet exposures	26.032.089	25.862.829	169.257	13.300	7	11.422	34.727	31.544	3.183	3.490	-	2.496	-	1.812.897	9.728
Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public administrations	502.486	502.486	-	-	-	-	-	-	-	-	-	-	-	14.655	-
Credit institutions	1.357.861	1.357.861	-	-	-	-	290	290	-	-	-	-	-	5.820	-
Other financial corporations	1.158.058	1.151.597	6.461	22	-	22	-	-	-	-	-	-	-	39.186	11
Non-financial corporations	16.868.242	16.709.154	159.088	13.106	-	11.295	18.953	16.094	2.859	3.477	-	2.485	-	1.687.227	9.629
Households	6.145.442	6.141.731	3.708	172	7	105	15.483	15.160	323	13	-	11	-	66.009	88
Total	**103.952.607**	**101.873.635**	**2.068.564**	**1.815.028**	**111.392**	**1.617.544**	**(222.037)**	**(144.266)**	**(81.669)**	**(729.017)**	**(10.798)**	**(716.895)**	**-**	**50.341.609**	**889.512**

Figures in thousands of euros

Details are provided below of the credit quality of forborne exposures at 31 December 2021.

Credit quality of forborne exposures (CQ1)

	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	
	Performing forborne	Non-performing forborne	of which: with default	of which: with impairment	On forborne performing exposures	On forborne non-performing exposures		of which: Collateral and financial guarantees received on forborne exposures
Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-
Loans and advances	492.483	476.158	468.829	414.219	(18.620)	(167.237)	702.621	271.922
Central banks	-	-	-	-	-	-	-	-
Public administrations	-	48	48	48	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-
Other financial corporations	298	4.276	4.276	4.214	-	26	3.051	2.782
Non-financial corporations	254.048	319.377	317.179	285.708	(12.122)	(134.429)	300.459	159.387
Households	238.138	152.457	147.326	124.251	(6.497)	(32.834)	321.753	109.753
Debt securities	-	-	-	-	-	-	-	-
Loan commitments given	13.294	1	-	-	0	0	0	-
Total	**505.778**	**476.159**	**468.829**	**414.219**	**(18.619)**	**(167.237)**	**702.621**	**271.922**

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 2021.

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

	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: in default
Cash balances at central banks and other demand deposits	22.179.669	22.179.669	0	0	0	0	0	0	0	0	0	0
Loans and advances	**67.875.424**	**67.764.921**	**110.503**	**1.800.972**	**474.542**	**111.253**	**232.049**	**206.242**	**359.235**	**127.865**	**289.787**	**1.737.889**
Central banks	0	0	0	0	0	0	0	0	0	0	0	0
Public administrations	836.651	836.651	0	200	48	0	0	0	49	0	103	200
Credit institutions	2.435.613	2.435.482	131	76	0	0	0	0	0	0	76	0
Other financial corporations	1.956.115	1.955.936	179	9.812	1.606	3.321	43	244	2.589	751	1.258	9.778
Non-financial corporations	28.424.523	28.389.382	35.141	1.050.668	326.142	46.147	129.749	87.821	234.220	70.921	155.669	1.024.587
Of which: SMEs	17.362.148	17.331.230	30.917	911.238	274.176	45.075	71.252	84.672	219.257	67.089	149.717	889.107
Households	34.222.522	34.147.469	75.053	740.216	146.747	61.784	102.258	118.177	122.376	56.194	132.681	703.325
Debt securities	**10.045.093**	**10.045.093**	**0**	**756**	**0**	**0**	**0**	**0**	**0**	**756**	**0**	**756**
Central banks	0	0	0	0	0	0	0	0	0	0	0	0
Public administrations	7.692.660	7.692.660	0	0	0	0	0	0	0	0	0	0
Credit institutions	1.720.146	1.720.146	0	0	0	0	0	0	0	0	0	0
Other financial corporations	80.854	80.854	0	0	0	0	0	0	0	0	0	0
Non-financial corporations	551.434	551.434	0	756	0	0	0	0	0	756	0	756
Off balance sheet exposures	**26.032.089**			**13.300**								**11.487**
Central banks	0			0								0
Public administrations	502.486			0								0
Credit institutions	1.357.861			0								0
Other financial corporations	1.158.058			22								22
Non-financial corporations	16.868.242			13.106								11.295
Households	6.145.442			172								170
Total	**103.952.607**	**77.810.015**	**110.503**	**1.815.028**	**474.542**	**111.253**	**232.049**	**206.242**	**359.235**	**128.621**	**289.787**	**1.750.132**

Figures in thousands of euros

The following chart provides information on the credit quality of non-performing exposures by country, at 31 December 2021.

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

	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				
On-balance sheet exposures	**79.722.242**	**1.801.728**	**1.738.645**	**79.721.253**	**-989.270**	**0**	**0**
Spain	61.613.062	1.659.730	1.608.684	61.612.076	-916.331	0	0
Portugal	8.282.339	101.043	97.128	8.282.339	-30.201	0	0
Other countries	9.826.841	40.955	32.833	9.826.838	-42.738	0	0
Off balance sheet exposures	**26.045.389**	**13.300**	**11.487**	**0**	**0**	**38.216**	**0**
Spain	21.299.594	8.833	7.020	0	0	32.018	0
Portugal	1.575.512	4.467	4.467	0	0	2.919	0
Other countries	3.170.283	0	0	0	0	3.280	0
Total	**105.767.631**	**1.815.028**	**1.750.132**	**79.721.253**	**-989.270**	**38.216**	**0**

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 2021:

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

	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			
Agriculture, livestock raising, forestry and fishing	641.549	29.774	28.341	641.549	-16.701	0
Mining and quarrying	88.006	1.080	1.079	88.006	-936	0
Manufacturing	5.300.121	184.793	180.668	5.300.121	-126.384	0
Supply of electricity, gas, steam and air conditioning	1.268.348	3.038	3.035	1.268.348	-6.874	0
Water supply	171.238	5.868	5.763	171.238	-4.860	0
Construction	2.662.750	131.402	129.645	2.662.750	-81.134	0
Wholesale and retail trade	5.027.220	291.736	283.018	5.027.220	-190.374	0
Transport and storage	2.051.896	45.210	44.053	2.051.896	-34.202	0
Accommodation and food service activities	1.950.727	90.798	87.734	1.950.727	-31.565	0
Information and communication	590.187	28.408	26.626	590.187	-19.771	0
Financial and insurance activities	0	0	0	0	0	0
Real estate activities	4.209.118	93.599	92.090	4.208.868	-46.154	0
Professional, scientific and technical activities	3.125.759	67.406	66.079	3.125.759	-45.886	0
Administrative activities and ancillary services	961.815	38.031	37.341	961.815	-27.000	0
Public administration and defence; compulsory social security	26.749	9	9	26.749	-12	0
Education	142.910	10.298	10.134	142.910	-4.363	0
Health and social service activities	379.167	7.984	7.905	379.167	-4.172	0
Artistic, recreational and leisure activities	252.710	9.711	9.574	252.710	-4.965	0
Other services	624.920	11.524	11.493	624.920	-5.364	0
Total	29.475.191	1.050.668	1.024.587	29.474.941	-650.716	0

Figures in thousands of euros

Finally, this section gives details of the collateral obtained by taking possession and execution processes, at 31 December 2021

Collateral obtained by taking possession and execution processes (CQ7)

	Collateral obtained by taking possession	
	Value at initial recognition	Accumulated negative changes
Property, plant and equipment	-	-
Other differences of items classified as property, plant and equipment	119.180	(38.292)
Residential immovable property	54.138	(10.645)
Commercial immovable property	61.250	(24.138)
Moveable property (vehicles, ships, etc.)	364	(80)
Debt and equity instruments	3.429	(3.429)
Other		
Total	119.180	(38.292)

Figures in thousands of euros

The difference between the value of assets at initial recognition and the accumulated negative changes is 116,905 thousand euros, excluding debt and equity instruments.

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

The financial sector has played a key role by providing the necessary liquidity to companies and alleviating the financial burden on households affected by the decline in activity caused by the pandemic. A key feature of the crisis is the sectoral asymmetry of its impacts. In some sectors of the economy, the normal development of economic activity has been severely impaired, resulting in a significant loss of income and a high level of indebtedness. This situation has been passed on to the families whose income comes directly or indirectly from the activities most affected by the pandemic.

For this reason, in 2021 it was necessary to maintain the necessary support for viable businesses, which led the Spanish government to supplement the legislative initiatives from 2020[1] with Royal Decrees 3/2021 and 5/2021. The first of these was published on 2 February 2021 and extends the period for requesting new moratoriums and extensions to the term of existing moratoriums until 31 March, in line with the European Banking Authority's latest review of its guidelines on moratoriums issued on 2 December 2020[2]. The maximum term of the new aid that can be requested or for extensions was limited to nine months.

Royal Decree 5/2021 of 12 March introduced extraordinary measures to support the solvency of companies. 11 billion euros were mobilised to provide direct aid (7 billion euros), support for corporate debt restructuring (3 billion euros) and the creation of a recapitalisation fund (1 billion euros) to complement the fund already managed by SEPI. This Royal Decree also announced the adoption of a Code of Conduct to set out the specific criteria for the implementation of these measures and the appropriate coordination between creditors. The Code of Conduct was approved by the Council of

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

2 Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis

Ministers on 11 May and published on 13 May 2021. Its core objective is to bolster the solvency of viable companies through debt guaranteed by the government, so that the survival of productive activity can be guaranteed.

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.

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

	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
Loans and advances subject to moratorium	**34.153**	**33.961**	**1.295**	**4.397**	**193**	**178**	**178**	**(354)**	**(310)**	**(135)**	**(191)**	**(44)**	**(34)**	**(34)**	**-**
of which: Households	11.148	11.057	1.295	3.570	91	76	76	(191)	(177)	(135)	(162)	(13)	(3)	(3)	-
of which: Collateralised by residential immovable property	10.159	10.083	1.241	3.505	76	76	76	(164)	(161)	(135)	(157)	(3)	(3)	(3)	-
of which: Non-financial corporations	23.006	22.904	-	827	102	102	102	(163)	(132)	-	(29)	(31)	(31)	(31)	-
of which: SMEs	12.577	12.475	-	827	102	102	102	(141)	(111)	-	(29)	(31)	(31)	(31)	-
of which: Collateralised by commercial immovable property	18.886	18.886	-	332	-	-	-	(70)	(70)	-	(8)	-	-	-	-

Figures in thousands of euros

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

	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
Loans and advances for which moratorium was offered	24.859	2.361.939							
Loans and advances subject to moratorium (granted)	22.257	2.068.190	1.243.342	2.034.037	24.464	249	104	616	8.721
of which: Households		1.589.890	765.606	1.578.743	11.148	-	-	-	-
of which: Collateralised by residential immovable property		1.460.992	730.043	1.450.833	10.159	-	-	-	-
of which: Non-financial corporations		461.763	461.199	438.757	13.316	249	104	616	8.721
of which: SMEs		356.587	356.023	344.011	2.887	249	104	616	8.721
of which: Collateralised by commercial immovable property		202.971	202.874	184.085	12.777	-	-	332	5.777

Figures in thousands of euros

As can be seen, at the close of the 2021 financial year, the Group had a gross carrying amount in moratoriums of €2,068 million, of which only €34 million of which has expired. A prospective assessment of the risk of this portfolio was carried out in the year, causing the Group to recognise significant increases in credit risk (stage 2), which accounts for 14.3% of the total moratoriums and marks a 7.5pp increase from year-end 2020.

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

	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
Newly originated loans and advances subject to public guarantee schemes	6.523.733	2303	5.404.221	49.787
of which: Households	67.792	0	0	497
of which: Collateralised by residential immovable property	225	0	0	0
of which: Non-financial corporations	6.424.919	2.254	5.318.628	49.237
of which: SMEs	4.739.958	0	0	40.073
of which: Collateralised by commercial immovable property	41.133	0	0	50

Figures in thousands of euros

As shown, at year-end the Group had a gross carrying amount of €6,524 million, Analysing the distribution of aid by segments of activity, the wholesale and retail trade sectors are the two biggest recipients, followed by manufacturing due to the large size of this industry, although, in relative terms, the hotel and hospitality industry also received a considerable volume of aid.

These measures have had a clearly positive impact on containing the economic effects of the pandemic. This is demonstrated by the volume of exposure, with unpaid balances at their lowest level in recent years. At 31 December 2020, they were 38.4% lower than at year-end 2019, then fell another 7.5% by 31 December 2021 from the year before. At the moment, defaults are not materialising on a scale that would lead us to expect a substantial increase in non-performing loans in the coming months. This is particularly the case considering virtually all the moratoriums that have expired and, therefore, returned to their normal repayment schedule.

In September 2020 the Group recognised extraordinary provisions of €242.5 million.

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 the investment grade would involve providing an additional 3.5 million euros for the active CSA contracts at 31 December 2021.

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 201 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.

The total net exposure for counterparty risk amounted to € 741,621 thousand at December 2021, including exposure from repurchase agreements. Until CRR2 came into force in June 2021, Bankinter used the mark-to-market method. The change in method due to the entry into force of CRR2 has led to an increase in counterparty risk requirements.

The breakdown of exposure and of the counterparty credit risk-weighted assets of OTC derivatives and repo operations for 2021 is as follows:

Analysis of CCR exposure by approach (CCR1)

Exposure by approach	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 – Original risk method (for derivatives)				1.4				
EU – Simplified standardised approach for counterparty risk (for derivatives)				1.4				
Standardised approach for counterparty risk (for derivatives)	75.092	204.933		1.4	392.035	392.035	392.035	270.642
MMI (for derivatives and securities financing transactions)								
Of which: netting sets of securities financing transactions								
Of which: sets of derivatives transactions and netting transactions with deferred settlement								
Of which: from netting sets of netting transactions with contractual netting across products								
Simple method for collateral of a financial nature (for securities financing transactions)								
Comprehensive method for financial collateral (for securities financing transactions)					96.585	96.585	96.585	3.011
VaR for securities financing transactions								
Total					488.620	488.620	488.620	273.653

Figures in thousands of euros

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

	Risk weighting											
Exposure categories *	**0%**	**2%**	**4%**	**10%**	**20%**	**50%**	**70%**	**75%**	**100%**	**150%**	**Other**	**Total exposure value**
Central governments or central banks	88.019											88.019
Institutions		178.961	58.412		84.410	131.814						453.598
Corporates	-								200.005			200.005
Retail exposures	-											-
Total exposure value	88.019	178.961	58.412		84.410	131.814			200.005			741.621

Figures in thousands of euros

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

The breakdown below includes collateral employed in transactions with derivatives at the close of 2021. 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)

	Collateral pledged in derivatives transactions				Collateral pledged in securities financing transactions			
	Fair value of collateral received		Fair value of collateral pledged		Fair value of collateral received		Fair value of collateral pledged	
Composition of collateral	**Segregated**	**Not segregated**	**Segregated**	**Not segregated**	**Segregated**	**Not segregated**	**Segregated**	**Not segregated**
Cash - domestic currency	37.248		81.872		11.627		25.458	
Cash - other currencies	-		-				-	-
Domestic sovereign debt	-		-				-	-
Other sovereign debt	-		-				-	-
Debt of public bodies	-		-				-	-
Corporate bonds	-		-				-	-
Equity instruments	-		-				-	-
Other collateral	-		-				-	-
Total	37.248		81.872		11.627		25.458	-

Figures in thousands of euros

In transactions settled through clearing houses, risk-weighted assets would amount to €15,335 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)

	Exposure value	Amount of risk-weighted exposure
Exposures to qualifying CCPs (QCCP) (total)		**15.335**
Transaction exposures to QCCP (excluding initial margin and default fund contributions); of which:	253.001	15.057
(i) OTC derivatives	178.961	3.579
(ii) Derivatives traded on organised markets	68.285	11.478
(iii) Securities financing transactions	5.755	-
(iv) Nettable transaction sets for which cross-product netting has been approved	-	-
Segregated initial margin	-	-
Non-segregated initial margin	-	-
Pre-funded contributions to the default fund	13.917	278
Non-funded contributions to the default fund	-	-
Exposures to unqualifying CCPs (total)	**-**	**-**
Transaction exposures to unqualifying CCP (excluding initial margin and default fund contributions); of which:	-	-
(i) OTC derivatives	-	-
(ii) Derivatives traded on organised markets	-	-
(iii) Securities financing transactions	-	-
(iv) Nettable transaction sets for which cross-product netting has been approved	-	-
Segregated initial margin	-	-
Non-segregated initial margin	-	-
Pre-funded contributions to the default fund	-	-
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 2021 are shown below.

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

	Exposure value	Amount of risk-weighted exposure
Total transactions subject to the advanced method	-	-
(i) VaR component (including the 3x multiplier)	-	-
(ii) SVaR component (including the 3x multiplier)	-	-
Transactions subject to the standard method	56.869	28.345
Transactions subject to the alternative approach (based on the original risk approach)		
Total transactions subject to own funds requirements for CVA risk	56.869	28.345

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 S&P	Moody's	Fitch	DBRS	Risk weighting 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		APR and APR density	
	On-balance sheet exposures	Off balance sheet exposures	On-balance sheet exposures	Off balance sheet exposures	RWA	APR density (%)
Central governments or central banks	32.391.020	1.195.214	35.060.758	908.804	1	0
Regional governments or local authorities	454.598	1.258	454.922		596	0,13%
Public sector entities	35.754		35.893		9.556	26,62%
Multilateral development banks	24.973	2.740	25.066	548	-	0,00%
International Organisations	-	-	-	-		
Financial institutions	4.627.079	1.494.490	4.641.985	545.225	2.062.456	39,76%
Corporates	4.544.434	2.081.518	3.573.993	756.161	3.433.657	79,30%
Retail	6.788.499	7.861.108	6.048.062	628.203	4.365.841	65,39%
Secured by mortgages on immovable property	6.759.193	142.024	6.723.833	68.276	2.531.762	37,28%
Defaulted exposures	368.321	42.777	364.779	11.669	419.825	111,52%
Exposures associated with especially high risks	102.479	55.385	100.142	13.104	169.870	150,00%
Covered bonds	-	-	-	-		
Entities and companies with short-term credit rating	-	-	-	-		
Collective investment undertakings	-	-	-	-		
Equity exposures	220.440		220.440		220.440	100,00%
Other exposures (*)	747.441		747.441		1.486.853	198,93%
Total	**57.064.230**	**12.876.515**	**57.997.315**	**2.931.991**	**14.700.858**	**24,13%**

Figures in thousands of euros

(*) Includes requirements for holdings in financial institutions in which there are significant investments below the 10% threshold (957,134 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)

2021	Risk weighting									
Exposure category	0%	20%	35%	50%	75%	100%	150%	250%	Total	of which unrated
Central governments or central banks	35.969.561					1			35.969.562	-
Regional governments or local authorities	451.940	2.982							454.922	265.937
Public sector entities	26.336					9.556			35.893	35.893
Multilateral development banks	25.615								25.615	25.615
International Organisations										-
Financial institutions		1.922.401		3.173.666		91.143			5.187.210	2.753.357
Corporates		58.283		243.174		4.028.697			4.330.154	4.197.783
Retail exposures					6.676.265				6.676.265	6.676.191
Exposures secured with mortgages on properties			4.147.902	2.192.744	296.550	154.913			6.792.109	6.792.109
Defaulted exposures						289.691	86.756		376.447	376.344
Exposures associated with especially high risks							113.247		113.247	113.247
Covered bonds									-	-
Institutions and corporates with a short-term credit assessment									-	-
Investments or shares in collective investment undertakings (CIUs)									-	-
Equity exposures						220.440			220.440	220.440
Other exposures (*)						254.500		492.941	747.441	747.441
Total	36.473.452	1.983.667	4.147.902	5.609.584	6.972.815	5.048.942	200.003	492.941	60.929.306	22.204.358

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.

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

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 3of 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 Spain portfolios will, over the next few years, be gradually incorporated under the IRB approach, subject to specific authorisation:

- Bankinter Consumer Finance personal loans
- Other operations involving individuals
- Large companies

And of Bankinter Portugal:

- Very large companies
- Public Companies – Government-owned.
- Residential mortgages using the standardised approach4

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

Other card portfolios in Spain and other corporate and non-mortgage portfolios with individuals in Portugal, as well as the portfolio exposures acquired in May 2019 with the purchase of EVO Banco and its Irish subsidiary Avantmoney and the portfolios analogous to the portfolios under the permanent standardised approach in Portugal, Evo Banco and Avantmoney (Public Sector, Financial Institutions and Current Account Overdrafts) will be temporarily held under the standardised approach or under the permanent standardised approach.

Likewise, the exposures with large insurance companies and other non-material exposures.

The Global Risk Management Area develops internal ratings models. These models are then submitted to the models committee for its approval and modification. 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 and subject to independent review 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

3 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)

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

reduced to twelve levels plus the default level. The master scale used for the purposes of this report is as follows:

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), early-warning processes and recovery/write-off of defaulted transactions.

Models have also been developed for collective estimation of credit risk provisions, in accordance with the requirements of Banco de España Circular 4/2017 (replacing the previous models developed under the requirements of the preceding Circular 4/2016, since 1 January 2018). 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. 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.

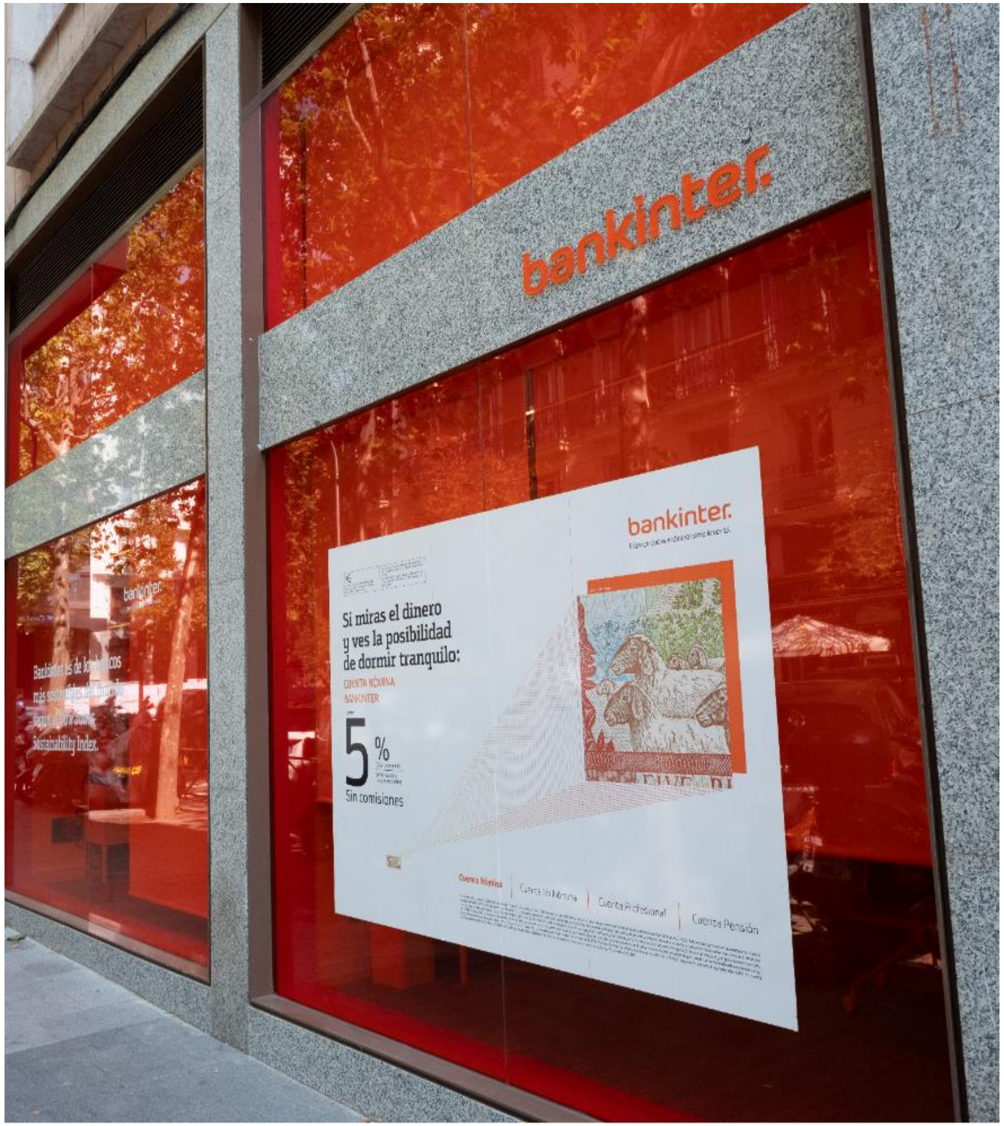
This rating forms part of the approval rules which determine whether a transaction is designated as authorised, denied or not able to be approved (in which case the rating is reported and a manual approval process is used for the transaction). When approval is manual, the rating is taken into account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

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.

The specialised lending process uses the slotting criteria approach (CRR, Art 153.5). In particular, Bankinter has a rigorous approval process for theste 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.).



4.5.2. Probability of Default (PD) per portfolio.

The following table contains information on rates and probabilities of default for Bankinter Group portfolios authorised to use the IRB approach for calculating capital requirements. None have had substantial changes in the past year.

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

For corporate portfolios, the historical annual default rate is obtained from the default rates from 2006 to 2021 for the population of internal portfolios, to ensure that the calculations are robust and consistent.

Corporates - IRF

PD band	Number of obligors 2020	Of which: incurred non-payment during the year	Average observed default rate (%)	Exposure-weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
0.00 to <0.15	30	-	0,00%	0,12%	0,14%	
0.00 to <0.10	16	-	0,00%	0,05%	0,05%	
0.10 to <0.15	14	-	0,00%	0,14%	0,14%	
0.15 to <0.25	194	-	0,00%	0,16%	0,16%	
0.25 to <0.50	802	2	0,25%	0,44%	0,46%	0,19%
0.50 to <0.75	1.604	3	0,19%	0,72%	0,72%	0,07%
0.75 to <2.50	1.643	8	0,49%	1,68%	1,62%	0,36%
0.75 to <1.75	1.148	7	0,61%	1,54%	1,54%	0,46%
1.75 to <2.5	495	1	0,20%	2,27%	2,27%	0,16%
2.50 to <10.00	289	9	3,11%	3,84%	4,63%	3,03%
2.5 to <5	143	3	2,10%	3,05%	3,09%	1,49%
5 to <10	146	6	4,11%	7,50%	7,71%	3,45%
10.00 to <100.00	596	25	4,19%	15,24%	13,95%	2,81%
10 to <20	563	24	4,26%	11,95%	12,58%	2,80%
20 to <30	33	1	3,03%	21,26%	21,66%	3,65%
30.00 to <100.00	-	-				
100.00 (Default)	221	152		100,00%	100,00%	

Corporates - IRB

PD band	Number of obligors 2020	Of which: incurred non-payment during the year	Average observed default rate (%)	Exposure-weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
0.00 to <0.15	35	-	0,00%			
0.00 to <0.10	28	-	0,00%			
0.10 to <0.15	7	-	0,00%			
0.15 to <0.25	146	-	0,00%	0,21%	0,21%	
0.25 to <0.50	862	-	0,00%	0,30%	0,30%	0,04%
0.50 to <0.75	-	-		0,66%	0,66%	0,02%
0.75 to <2.50	1.090	2	0,18%	1,43%	1,43%	0,25%
0.75 to <1.75	900	1	0,11%	1,43%	1,43%	0,19%
1.75 to <2.5	190	1	0,53%	0,00%	0,00%	0,12%
2.50 to <10.00	122	3	2,46%	3,56%	3,64%	1,56%
2.5 to <5	38	3	7,89%	3,56%	3,64%	3,37%
5 to <10	84	-	0,00%	0,00%	0,00%	0,51%
10.00 to <100.00	172	6	3,49%	18,78%	16,79%	3,47%
10 to <20	158	3	1,90%	13,21%	12,76%	3,45%
20 to <30	6	3	50,00%	20,06%	20,22%	24,46%
30.00 to <100.00	8	-		32%	32%	1,88%
100.00 (Default)	74	39		100,00%	100,00%	

For mortgages, the historical annual default rate is obtained from the default rates from 2008 to 2021 for the population of internal portfolios, to ensure that the calculations are robust and consistent.

Mortgages

PD band	Number of obligors 2020	Of which: incurred non-payment during the year	Average observed default rate (%)	Exposure-weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
0.00 to <0.15	31.238	8	0,03%	0,05%	0,05%	0,06%
0.00 to <0.10	1.963	2	0,10%	0,04%	0,04%	0,19%
0.10 to <0.15	29.275	6	0,02%	0,12%	0,11%	0,05%
0.15 to <0.25	10.533	12	0,11%	0,18%	0,18%	0,11%
0.25 to <0.50	89.117	64	0,07%	0,39%	0,39%	0,22%
0.50 to <0.75	21.937	72	0,33%	0,64%	0,64%	0,54%
0.75 to <2.50	63.806	331	0,52%	1,22%	1,18%	0,56%
0.75 to <1.75	52.697	250	0,47%	1,16%	1,13%	0,58%
1.75 to <2.5	11.109	81	0,73%	2,07%	2,07%	0,56%
2.50 to <10.00	15.061	273	1,81%	5,18%	5,46%	2,29%
2.5 to <5	10.465	147	1,40%	3,44%	3,39%	2,15%
5 to <10	4.596	126	2,74%	6,28%	6,43%	2,08%
10.00 to <100.00	2.566	357	13,91%	20,50%	23,94%	10,49%
10 to <20	1.798	296	16,46%	14,21%	13,82%	11,13%
20 to <30	253	24	9,49%	21,20%	21,98%	9,33%
30.00 to <100.00	515	37	7,18%	51,39%	56,12%	9,59%
100.00 (Default)	5.135	3.837		100,00%	100,00%	

For the retail tranche, the historical annual default rate is obtained from the default rates from 2004 to 2021 for the population of internal portfolios, to ensure that the calculations are robust and consistent.

Other retail

PD band	Number of obligors 2020	Of which: incurred non-payment during the year	Average observed default rate (%)	Exposure-weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
0.00 to <0.15	894	-	0,00%	0,05%	0,05%	0,05%
0.00 to <0.10	894	-	0,00%	0,05%	0,05%	0,07%
0.10 to <0.15						0,13%
0.15 to <0.25	8.393	8	0,10%	0,21%	0,21%	0,07%
0.25 to <0.50	17.853	68	0,38%	0,30%	0,30%	0,32%
0.50 to <0.75	1.498	10	0,67%	0,66%	0,65%	0,53%
0.75 to <2.50	29.415	249	0,85%	1,44%	1,49%	0,94%
0.75 to <1.75	26.181	215	0,82%	1,41%	1,38%	0,90%
1.75 to <2.5	3.234	34	1,05%	2,12%	2,12%	1,06%
2.50 to <10.00	13.737	643	4,68%	3,63%	3,79%	3,62%
2.5 to <5	12.240	578	4,72%	3,52%	3,61%	3,54%
5 to <10	1.497	65	4,34%	6,37%	6,35%	3,82%
10.00 to <100.00	3.569	803	22,50%	16,76%	16,46%	10,51%
10 to <20	2.626	569	21,67%	12,77%	12,39%	8,87%
20 to <30	689	125	18,14%	20,23%	20,34%	15,14%
30.00 to <100.00	254	109	42,91%	32,73%	33,10%	24,28%
100.00 (Default)	9.403	7.273		100,00%	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	RWA	RWA density
Corporates	21.797.249	11.139.341	2.143.770	13.283.111	2,41%	48,72%	9.725.846	73,22%
Of which IRF	19.400.763	10.824.386	2.106.605	12.930.991	2,35%	42,71%	9.489.714	73,39%
Mortgages	26.830.033	26.582.880	54.804	26.637.685	2,78%	24,88%	4.947.156	18,57%
Retail	3.611.571	1.586.053	322.105	1.908.158	15,07%	53,20%	769.359	40,32%
Total (*)	52.238.853	39.308.275	2.520.678	41.828.953	3,23%	31,88%	15.442.361	36,92%

Figures in thousands of euros

Exposures under foundation IRB approach (slotting criteria)

2021 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	719.827	346.165	373.662	531.496	510.948	9.714

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 band (CR6)

Corporates-IRB

PD band	On-balance sheet exposures	Off balance sheet exposures pre-CCF	Average CCF	EAD post-CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWAs	RWA density	EL	Provisions
0.00 to <0.15												
0.00 to <0.10												
0.10 to <0.15												
0.15 to <0.25	170.413	61.068	22,9%	103.377	0,21%	175	52,08%	730	36.501	35,3%	114	(222)
0.25 to <0.50	418.927	147.301	43,4%	55.075	0,30%	202	47,75%	870	29.324	53,2%	79	(210)
0.50 to <0.75	245.936	107.074	37,5%	39.471	0,66%	133	47,07%	793	24.748	62,7%	123	(147)
0.75 to <2.5	430.844	197.104	36,5%	61.279	1,43%	112	45,71%	730	51.543	84,1%	401	(290)
0.75 to <1.75	430.844	197.104	36,5%	61.279	1,43%	112	45,71%	730	51.543	84,1%	401	(290)
1.75 to <2.5	-	-	0,0%	-	0,00%	-	0,00%		-	0,0%	-	-
2.5 to <10	447.334	85.706	45,9%	69.332	3,56%	221	43,32%	730	68.551	98,9%	1.062	(1.798)
2.5 to <5	447.334	85.706	45,9%	69.332	3,56%	221	43,32%	730	68.551	98,9%	1.062	(1.798)
5 to <10	-	-	0,0%	-	0,00%	-	0,00%		-	0,0%	-	-
10 to <100	51.194	5.618	62,6%	14.217	18,78%	78	42,98%	730	23.724	166,9%	1.093	(1.129)
10 to <20	25.686	2.487	32,4%	6.600	13,21%	49	43,77%	730	11.200	169,7%	383	(636)
20 to <30	24.041	1.892	36,5%	5.448	20,06%	21	49,64%	730	10.508	192,9%	543	(184)
30 to <100	1.468	1.239	99,1%	2.168	32,48%	8	23,87%	730	2.016	93,0%	168	(309)
100 (Default)	26.517	1.450	11,6%	9.369	100,00%	52	96,02%	730	1.741	18,6%	8.864	(7.750)
Total	1.791.164	605.322	38,48%	352.120	4,55%	973	48,81%	759	236.132	67,06%	11.736	(11.545)

Figures in thousands of euros

(*) The number of obligors is in units

(**) Maturity expressed in days

Corporates-IRF

PD band	On-balance sheet exposures	Off balance sheet exposures pre-CCF	Average CCF	EAD post-CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWAs	RWA density	EL	Provisions
0.00 to <0.15	1.180.388	936.703	22,8%	1.393.988	0,12%	385	43,3%	730	474.576	34,0%	752	(4.849)
0.00 to <0.10	236.468	167.499	22,5%	274.206	0,05%	8	45,0%	730	58.021	21,2%	59	(1.276)
0.10 to <0.15	943.920	769.204	22,9%	1.119.782	0,14%	377	42,9%	730	416.555	37,2%	693	(3.573)
0.15 to <0.25	1.152.240	1.861.751	25,6%	1.629.179	0,16%	197	45,0%	730	689.951	42,3%	1.202	(5.743)
0.25 to <0.50	4.243.178	3.633.110	22,6%	5.063.843	0,44%	2.136	42,8%	730	3.253.395	64,2%	9.605	(21.738)
0.50 to <0.75	862.356	736.375	24,9%	1.045.798	0,72%	283	44,5%	730	930.824	89,0%	3.370	(5.034)
0.75 to <2.5	1.895.196	916.592	28,0%	2.151.489	1,68%	979	41,3%	730	2.139.992	99,5%	14.941	(11.103)
0.75 to <1.75	1.580.317	725.115	26,6%	1.773.459	1,54%	873	40,7%	730	1.651.869	93,1%	11.136	(8.559)
1.75 to <2.5	314.879	191.477	33,0%	378.031	2,27%	106	44,3%	730	488.123	129,1%	3.806	(2.544)
2.5 to <10	1.100.663	422.265	31,6%	1.233.944	3,84%	932	39,3%	730	1.431.977	116,0%	18.768	(5.916)
2.5 to <5	920.620	310.142	30,5%	1.015.142	3,05%	622	38,9%	730	1.098.932	108,3%	12.117	(4.096)
5 to <10	180.043	112.123	34,6%	218.802	7,50%	310	40,7%	730	333.046	152,2%	6.651	(1.821)
10 to <100	252.878	45.701	33,2%	268.056	15,24%	483	43,3%	730	568.999	212,3%	17.525	(9.861)
10 to <20	162.451	31.259	34,2%	173.142	11,95%	410	44,6%	730	361.715	208,9%	9.219	(2.964)
20 to <30	90.428	14.442	31,1%	94.914	21,26%	73	41,1%	730	207.284	218,4%	8.306	(6.896)
30 to <100		-		-		-			-		-	-
100 (Default)	137.488	23.879	30,2%	144.694	100,00%	211	45,0%	730	-	0,0%	65.112	(49.735)
Total	10.824.386	8.576.376	24,6%	12.930.991	2,35%	5.606	42,71%	730	9.489.714	73,39%	131.275	(113.978)

Figures in thousands of euros

Mortgages

PD band	On-balance sheet exposures	Off balance sheet exposures pre-CCF	Average CCF	EAD post-CRM and post-CCF	Average PD	Number of obligors	Average LGD	Maturity	RWAs	RWA density	EL	Provisions
0.00 to <0.15	14.803.893	95.642	25,6%	14.828.346	0,1%	141.633	24,3%		658.785	4,4%	2.077	(5.091)
0.00 to <0.10	11.947.446	65.166	25,7%	11.964.181	0,0%	117.115	22,8%		376.653	3,1%	1.068	(3.951)
0.10 to <0.15	2.856.447	30.476	25,3%	2.864.165	0,1%	24.518	30,3%		282.132	9,9%	1.009	(1.141)
0.15 to <0.25	1.622.191	30.396	24,8%	1.629.722	0,2%	12.454	31,6%		235.988	14,5%	994	(905)
0.25 to <0.50	4.035.695	34.498	18,9%	4.042.206	0,4%	35.642	22,9%		667.710	16,5%	3.364	(3.033)
0.50 to <0.75	894.575	18.848	23,6%	899.017	0,6%	6.522	26,8%		233.079	25,9%	1.524	(792)
0.75 to <2.5	2.745.274	22.234	18,6%	2.749.205	1,2%	35.244	20,9%		931.756	33,9%	7.155	(5.037)
0.75 to <1.75	2.552.588	22.029	18,5%	2.556.455	1,2%	33.233	21,1%		842.264	32,9%	6.382	(4.236)
1.75 to <2.5	192.686	205	31,2%	192.750	2,1%	2.011	19,4%		89.492	46,4%	773	(801)
2.5 to <10	1.544.655	35.925	14,8%	1.549.220	5,2%	14.570	23,5%		1.272.159	82,1%	18.227	(4.111)
2.5 to <5	599.157	15.386	33,4%	603.519	3,4%	4.629	28,6%		427.490	70,8%	6.029	(2.260)
5 to <10	945.498	20.539	1,0%	945.701	6,3%	9.941	20,2%		844.669	89,3%	12.198	(1.851)
10 to <100	433.350	5.124	34,7%	433.272	20,5%	3.660	27,4%		608.906	140,5%	21.728	(9.579)
10 to <20	317.941	4.732	31,2%	318.077	14,2%	2.430	28,4%		460.938	144,9%	12.911	(6.630)
20 to <30	52.034	199	60,4%	51.641	21,2%	439	30,7%		78.558	152,1%	3.313	(1.038)
30 to <100	63.375	193	93,3%	63.555	51,4%	791	20,0%		69.410	109,2%	5.504	(1.912)
100 (Default)	506.075	1.659	37,5%	506.696	100,0%	5.216	56,5%		338.773	66,9%	265.590	(58.044)
Total	26.585.707	244.326	22,4%	26.637.685	2,78%	254.941	24,88%		4.947.156	18,57%	320.660	(86.592)

Figures in thousands of euros

(*) The number of obligors is in units.

Retail

PD band	On-balance sheet exposures	Off balance sheet exposures pre-CCF	Average CCF	EAD post-CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWAs	RWA density	EL	Provisions
0.00 to <0.15	32.331	124	64,7%	32.412	0,1%	3.096	57,2%		3.305	10,2%	10	(216)
0.00 to <0.10	32.331	124	64,7%	32.412	0,1%	3.096	57,2%		3.305	10,2%	10	(216)
0.10 to <0.15	-	-										
0.15 to <0.25	193.180	180.932	41,2%	179.209	0,2%	7.453	46,9%		30.221	16,9%	177	(475)
0.25 to <0.50	313.184	216.465	44,7%	271.399	0,3%	7.501	46,9%		57.724	21,3%	381	(918)
0.50 to <0.75	519.846	211.851	49,2%	355.262	0,7%	7.850	50,0%		126.417	35,6%	1.164	(1.531)
0.75 to <2.5	514.184	137.070	50,0%	330.126	1,4%	9.388	48,7%		164.746	49,9%	2.318	(1.796)
0.75 to <1.75	495.488	136.056	50,0%	315.589	1,4%	8.001	48,6%		154.642	49,0%	2.161	(1.672)
1.75 to <2.5	18.696	1.015	59,8%	14.537	2,1%	1.387	51,0%		10.104	69,5%	158	(124)
2.5 to <10	511.036	160.505	42,6%	337.014	3,6%	12.580	46,6%		194.837	57,8%	5.677	(4.084)
2.5 to <5	498.270	157.057	42,2%	324.256	3,5%	11.754	46,5%		185.156	57,1%	5.280	(3.981)
5 to <10	12.765	3.448	57,9%	12.758	6,4%	826	48,6%		9.682	75,9%	396	(102)
10 to <100	311.990	28.689	47,0%	163.120	16,8%	7.434	48,0%		134.892	82,7%	13.032	(15.923)
10 to <20	177.534	20.978	45,4%	97.726	12,8%	4.634	47,9%		73.362	75,1%	5.962	(8.747)
20 to <30	108.949	6.089	48,0%	52.373	20,2%	2.176	49,0%		48.747	93,1%	5.194	(5.211)
30 to <100	25.507	1.621	64,3%	13.021	32,7%	624	44,0%		12.784	98,2%	1.877	(1.965)
100 (Default)	272.340	7.844	36,9%	239.617	100,0%	9.397	88,3%		57.217	23,9%	207.233	(177.509)
Total	2.668.092	943.480	45,5%	1.908.158	15,07%	64.699	53,20%		769.359	40,32%	229.992	(202.451)

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 exposure	Credit risk mitigation techniques											Credit risk Mitigation methods in calculation of RWAs	
		Financed Credit Protection (PCF)									Protection of Unfinanced Credit (PCNF)			
		Part of exposures covered by financial guarantees (%)	Part of exposures covered by Other eligible guarantees (%)	Part of the risks guaranteed by roperty(%)	Part of the risks covered by credits (%)	Part of exposures covered by other physical guarantees (%)	Part of exposures covered by other financed credit protection (%)	Part of exposures covered by cash on deposit (%)	Part of the risks covered by life insurance policies (%)	Part of exposures covered by instruments held by a third party (%)	Portion of exposures covered by guarantees (%)	Part of exposures covered by credit derivatives (%)	RWEA without substitution effects (reduction effects only)	RWEA with substitution effects (both reduction and substitution effects)
Central governments and central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corporates	352.120	-	-	-	-	-	-	-	-	0%	-	-	236.132	236.132
Of which companies, SMEs	249.409	-	-	-	-	-	-	-	-	0%	-	-	137.633	137.633
Of which companies, Specialized financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which companies, other	102.711	-	-	-	-	-	-	-	-	0%	-	-	98.499	98.499
Retail	28.545.843	-	-	-	-	-	-	-	-	0%	-	-	5.716.515	5.716.515
Of which retail, real estate-SMEs	1.631.487	-	-	-	-	-	-	-	-	0%	-	-	974.455	974.455
Of which retail, real estate- Non-SMEs	25.006.198	-	-	-	-	-	-	-	-	0%	-	-	3.972.701	3.972.701
Of which retail, revolving	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which retail, other SMEs	1.722.096	-	-	-	-	-	-	-	-	0%	-	-	687.841	687.841
of which retail, other non-SMEs	186.062	-	-	-	-	-	-	-	-	-	-	-	81.518	81.518
Total	28.897.963	-	-	-	-	-	-	-	-	-	-	-	5.952.647	5.952.647

Figures in thousands of euros

F- IRB	Total exposure	Credit risk mitigation techniques											Credit risk Mitigation methods in the calculation of RWEAs	
		Financed Credit Protection (PCF)									Unfinanced Credit Protection (PCNF)			
		Part of exposures covered by financial guarantees (%)	Part of exposures covered by Other eligible guarantees (%)	Part of risks guaranteed by property (%)	Part of the risks covered by credits (%)	Part of exposures covered by other physical guarantees (%)	Part of exposures covered by other financed credit protection (%)	Part of exposures covered by cash on deposit (%)	Part of the risks covered by life insurance policies (%)	Part of exposures covered by instruments held by a third party (%)	Portion of exposures covered by guarantees (%)	Part of exposures covered by credit derivatives (%)	RWEA without substitution effects (reduction effects only)	RWEA with substitution effects (both reduction and substitution effects)
Central governments and central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corporates	13.462.487	-	-	-	-	-	-	-	-	0%	-	-	10.000.663	10.000.663
Of which companies, SMEs	3.345.485	-	-	-	-	-	-	-	-	0%	-	-	2.103.236	2.103.236
Of which companies, Specialised lending	531.496	-	-	-	-	-	-	-	-	-	-	-	510.948	510.948
Of which companies, other	9.585.506	-	-	-	-	-	-	-	-	0%	-	-	7.386.478	7.386.478
Retail	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which retail, real estate-SMEs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which retail, real estate- Non-SMEs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which retail, revolving	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which retail, other SMEs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
of which retail, other non-SMEs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	13.462.487	-	-	-	-	-	-	-	-	-	-	-	10.000.663	10.000.663

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 for exposures subject to the Standardized Approach and the IRB approach	Percentage of the total exposure value subject to the permanent partial use of the standard method (%)	Percentage of total exposure value subject to a deployment plan (%)	Percentage of the total exposure value subject to the IRB method (%)
Central governments or central banks	34.108.376	15.960.466	100,00%		
Of which regional governments or local authorities	456.354				
Of which Public sector entities	38.689	35.754			
Institutions	6.163.050	5.433.133	100,00%		
Corporates	30.061.320	18.966.535	9,20%	0	76,07%
Of which Companies – Specialised financing, excluding allocation method					
Of which Companies – Specialised financing, with the allocation method	719.827	339.930			
Retail	52.588.822	46.874.467	9,18%	0	57,89%
of which Retail – SME mortgages	5.553.067	5.342.953	20,97%	0	30,05%
of which Retail – Individual mortgages	28.421.411	28.052.650	5,83%	0	88,53%
of which Retail – Renewable demandable					
of which Retail – Other SMEs	9.584.714	5.805.461	11,39%	1	35,42%
of which Retail – Other individuals	9.029.631	7.673.403	10,14%	1	2,43%
Equity positions	220.440	220.440	100,00%		
Other non-credit obligation assets	685.458	685.458			100,00%
Total	**123.827.467**	**88.140.499**	**39,06%**	**0**	**43,05%**

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
APR at the end of 2020	14.360.728
Size of assets	553.468
Asset quality	182.106
Model updates	190.735
Methods and policies	155.325
Acquisitions and assignments	
Exchange rate fluctuations	
Other	
APR at the end of 2021	15.442.361

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 2020. The charts show the following information:

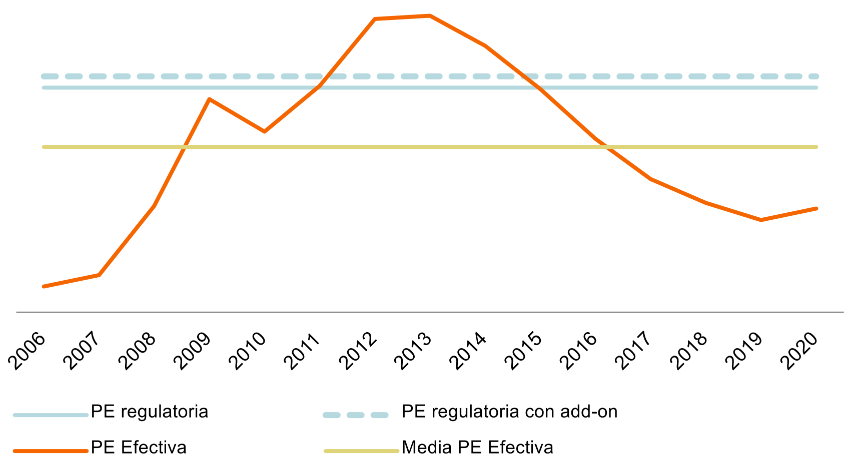
- Regulatory expected loss. Expected loss calculated by multiplying the cycle-adjusted PD by the LGD during the worst cycle moment or downturn (LGD DT).
- Regulatory expected loss with add-on. calculated applying a margin of conservatism required by the Supervisor to the regulatory expected loss of certain 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 2006-2020. In open recovery processes, an estimated of final LGD is included.
- Average effective expected loss. This is the average of effective losses of each year from 2006 to 2020.

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 (2018-2020), 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 and large companies. Due to the adaptation of the models to the new regulatory framework (EBA/GL/2017/16, EBA/GL/2016/07), there are some differences compared to the information reported in previous years.

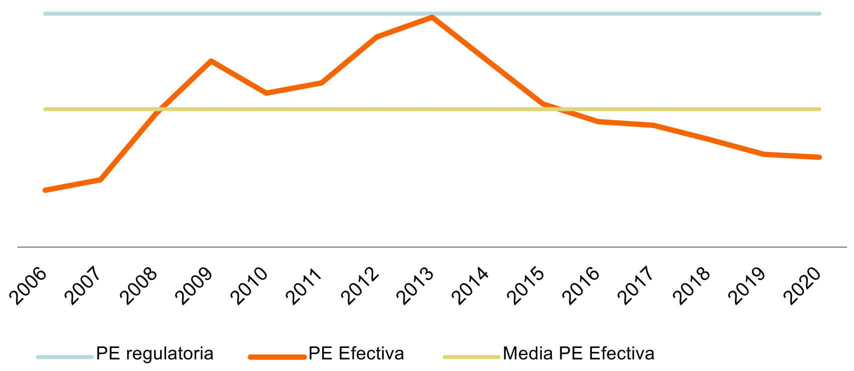
Residential mortgages for individuals

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.



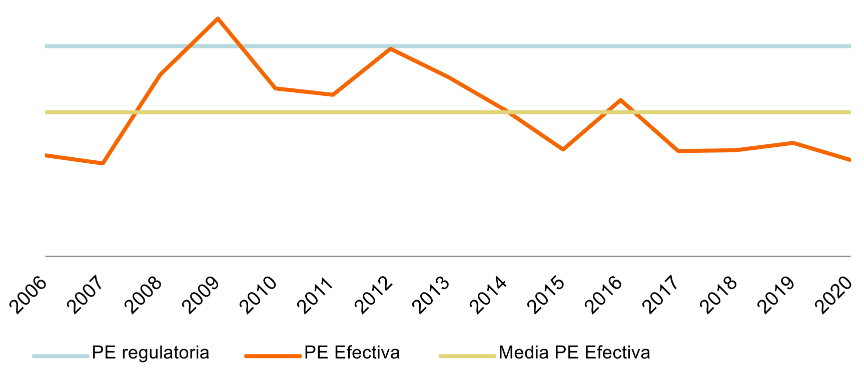
Consumer loans and credit with personal guarantees

The 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 expected loss, except for the entire time horizon. Therefore, the regulatory expected loss seems sufficiently conservative compared to the average effective expected loss.



Small businesses

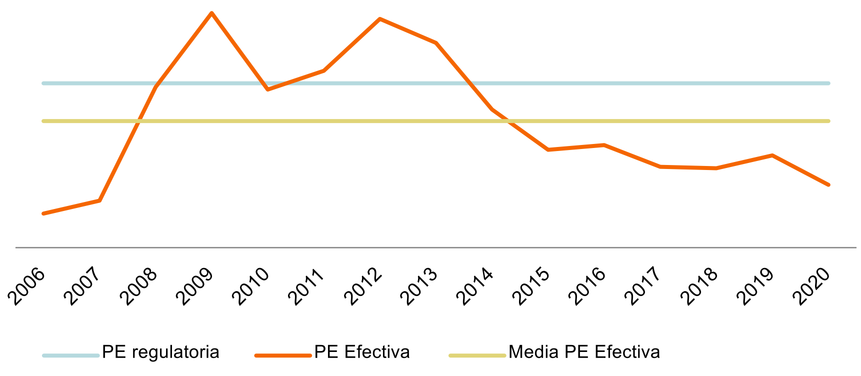
The graph shows that the maximum effective expected loss for small businesses was reached in 2009, the only year in which it exceeded the regulatory expected loss. From that year onwards, there is a steady decline, with a small upswing in 2012 and another in 2016. In the last years of the observed period, similar values as before the crisis were reached. Regulatory expected loss appears sufficiently conservative compared with average effective expected loss.



Medium-sized companies

The graph shows that the maximum effective loss for medium enterprises was also reached in 2009 and then a downward trend began, although there was an upturn in 2012.

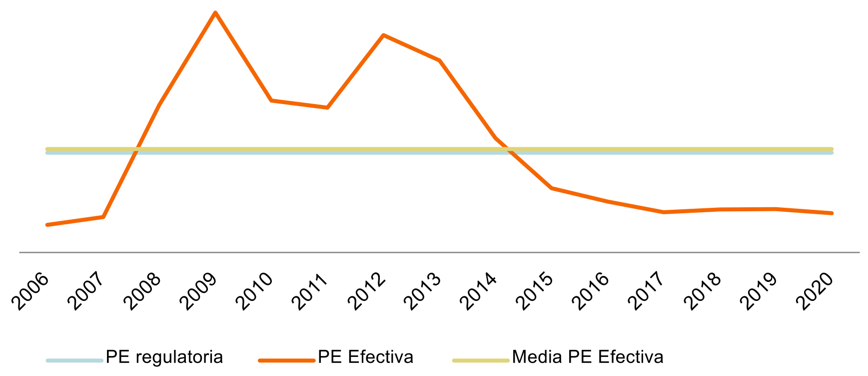
Currently, a clear downward trend can be observed, even if the pre-crisis values are not reached for the time being. It can be observed that the effective expected loss is lower than the regulatory loss, except in 2009, 2011, 2012 and 2013. Nevertheless, the regulatory expected loss seems to be sufficiently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

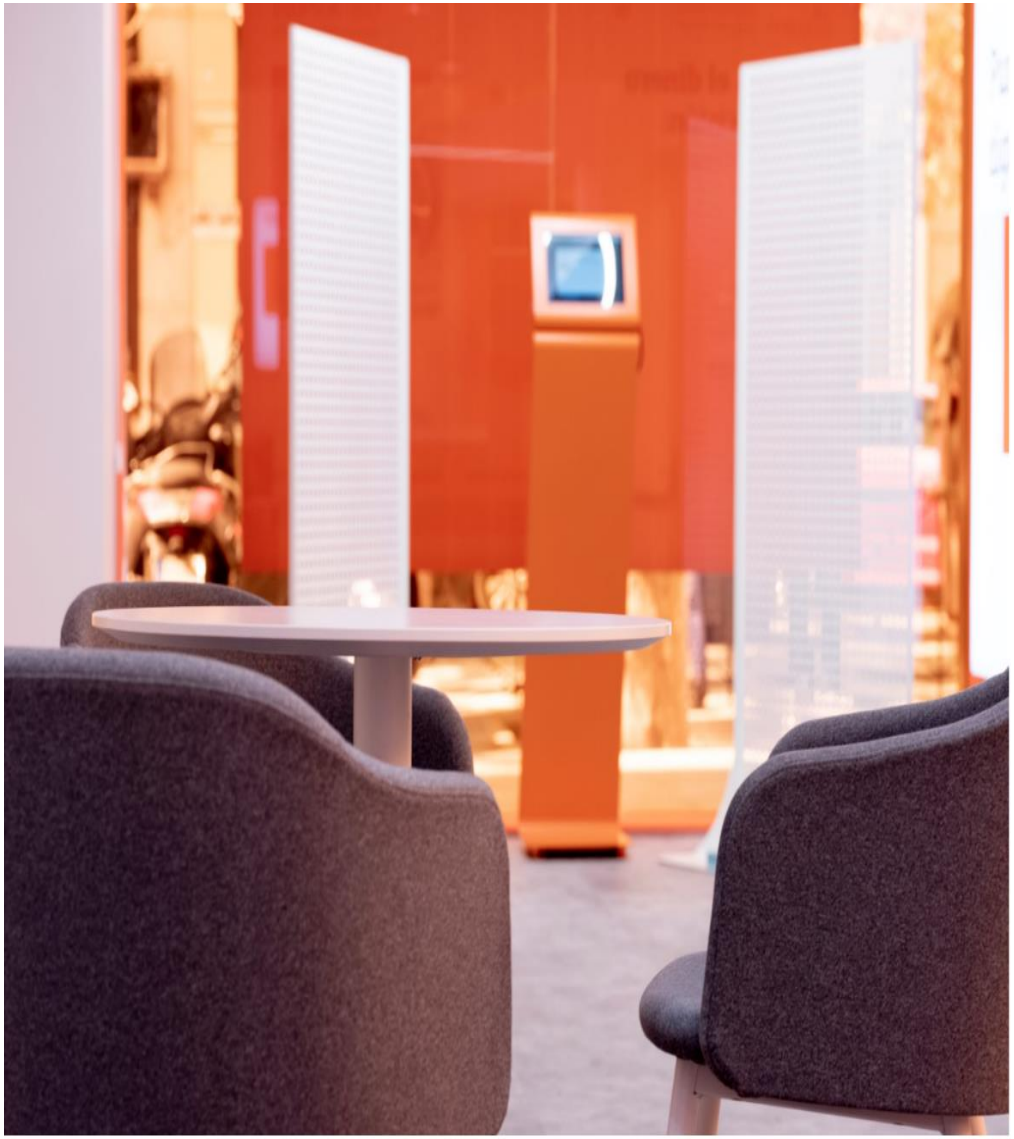


Very large companies

The final chart here shows the very large companies portfolio. In this portfolio, too, the maximum effective loss was reached in 2009 and a downward trend began thereafter, although an upward trend can be observed again in 2012. It can be observed 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.





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 2021:

IRB specialised lending (CR10)

Specialised lending: project finance								
Regulatory categories	**Remaining maturity**	**On-balance exposure**	**Off-balance sheet exposure (allocation method)**	**Risk weighting**	**Exposure value**	**Amount of risk-weighted exposure**	**Amount of expected loss**
Category 1	Less than 2.5 years			50%			
	equal to or longer than 2.5 years	19.029	10.867	70%	24.463	17.124	98
Category 2	Less than 2.5 years	1.544	3.873	70%	3.480	2.436	14
	equal to or longer than 2.5 years	259.801	315.313	90%	417.458	375.712	3.340
Category 3	Less than 2.5 years	7		115%	7	8	0
	equal to or longer than 2.5 years	43.385	37.688	115%	62.229	71.563	1.742
Category 4	Less than 2.5 years	758	3.000	250%	2.258	5.645	181
	equal to or longer than 2.5 years	13.169	4.429	250%	15.384	38.460	1.231
Category 5	Less than 2.5 years	5		-	5		3
	equal to or longer than 2.5 years	5.466	1.492	-	6.212		3.106
Total	Less than 2.5 years	2.314	6.873	-	5.750	8.089	197
	equal to or longer than 2.5 years	340.851	369.789	-	525.746	502.859	9.517

Figures in thousands of euros

4.6. Securitisations

4.6.1. General characteristics

Pursuant to Regulation (EU) 2013/575, 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 2021, 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 statement of financial position, 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 2021, nor has 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 27 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 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.

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 2021, 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.

- **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 statement of financial position.

Securitisation exposures in the banking book (SEC1)

	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	
Retail (total) - of which	-	-	876.954	876.954	-	-	876.954
Mortgage on residential real estate	-	-	876.553	876.553	-	-	876.553
Credit card	-	-	-	-	-	-	-
Other retail exposure	-	-	401	401	-	-	401
Resecuritisation	-	-	-		-	-	-
Wholesale (total) - of which	-	-	-		-	-	-
Corporate loans	-	-	-		-	-	-
Mortgage on residential real estate	-	-	-		-	-	-
Leases and receivables	-	-	-		-	-	-
Other wholesale exposures	-	-	-		-	-	-
Resecuritisation	-	-	-		-	-	-

Figures in thousands of euros

During 2021, 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 2021 year end, all the Entity's securitisation positions were recognised in the loan book. 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).

2021	Exposure values (By ranges of risk weights/deductions)					Exposure values (by regulatory method)				APR (by regulatory method)				Capital requirement after the maximum limit			
	≤ 20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW	IRB RBA (including IAA)	IRB SFA	SA/SSFA	1250% / Capital deduction	IRB RBA (including IAA)	IRB SFA	SA/SSFA	1250% / Capital deduction	IRB RBA (including IAA)	IRB SFA	SA/SSFA	1250% / Capital deduction
Total exposure	514.320	33.974	1.823	9.548	70.561	630.226	-	-	-	80.881	-	-	335.027	2.762	-	-	10.872
Traditional operations	514.320	33.974	1.823	9.548	70.561	630.226	-	-	-	80.881	-	-	335.027	2.762	-	-	10.872
Securitisation	514.320	33.974	1.823	9.548	70.561	630.226	-	-	-	80.881	-	-	335.027	2.762	-	-	10.872
Retail	514.320	33.974	1.823	9.548	70.561	630.226	-	-	-	80.881	-	-	335.027	2.762	-	-	10.872
Of which STS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Resecuritisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Synthetic operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Retail underlying	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Resecuritisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

For all securitisations to which a weighting of 1.250% is applicable, the Institution calculates its risk-weighted exposures rather than deducting the exposure from own funds.

Risk-weighted assets amounted to €170,425 thousand at the close of the 2021 financial year compared to €258,047 thousand 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)

	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	
Total exposures	876.954	17.275	
Retailers (total)	876.954	17.275	
Mortgage on residential real estate	876.553	17.024	
Credit cards			
Other retail exposure	401	250	
Resecuritisation			
Wholesalers (total)			
Corporate loans			
Mortgage on residential real estate			
Leases and receivables			
Other wholesale exposures			
Resecuritisation			

Figures in thousands of euros

4.6.3. Investment in securitisations

At 31 December 2021, Bankinter does not act as investor in any securitisation.

4.7. Information on credit risk mitigation techniques

Title II, Chapter 4 of Regulation (EU) 2013/575, 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. 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 bank, 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.

4.7.1. 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.

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
Loans and advances	71.908.269	19.947.797	31.039.437	11.091.658	-
Debt securities	10.045.849	-	-	-	
Total	59.770.801	19.947.797	31.039.437	11.091.658	-
Of which: non-performing exposures	921.944	879.784	679.786	199.998	-
Of which: with default					

Figures in thousands of euros

The above table lists the exposure covered by guarantee type and calculation method only for cases in which the guarantee could have been used to reduce capital requirements. In IRB models, the effect of collateral is taken into account in the calculation of the LGD of exposures, with the effect generally being a reduction in LGD, as a risk mitigation element.

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 2021.

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 Assets held for trading

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 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.
- Are short securities positions
- They are part of a, jointly identified and managed, portfolio of financial instruments for which there is evidence of a recent pattern of short-term profit taking.
- They are derivative instruments that do not meet the definition of financial guarantee contracts and have not been designated as hedging instruments.

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

5.2. Characteristics of the risk management system and models used

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

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 2021 financial year, in millions of euros:

VaR by risk factor	
Interest rate VaR	0,46
Equity VaR	0,40
Exchange rate VaR	0,06
Volatility VaR	0,40
Total VaR	**0,71**

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 2021, 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 2021, 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)

2021	RWA	Capital
Outright products		
Interest rate risk (general and specific)	377.980	30.238
Equity risk (general and specific)	8.991	719
Foreign exchange risk	-	-
Commodity risk	-	-
Options	-	-
Simplified approach	-	-
Delta-plus method	2.129	170
Scenario approach	-	-
Securitisation	-	-
Total	389.100	31.128

Figures in thousands of euros

Capital requirements for market risk have increased, compared to the close of the previous financial year, as a result of the increase 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' 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
- Maintaining and testing the business continuity plans for which they are responsible

Operational Risk Unit (ORU)

The functions of this unit, which forms 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.
- Promoting the creation of business continuity and contingency plans
- 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 activities are carried out:

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

Risk Control unit

As a second line of defence, the main objective of the Risk Control Unit 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 committee

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

- Risk identification and assessment by developing risk maps estimating the significance of the risks and evaluating the appropriateness 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 practise.

This programme is reviewed annually, taking into account the identification and assessment of operational risks. The decision on coverage depends on various factors, such as the degree of exposure, tolerance and risk appetite at a given 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 2021 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	Relevant indicator			Own funds requirements	Aamount of risk-weighted exposure
	2.019	2.020	2.021		
Banking activities subject to the basic indicator method					
Banking activities subject to the standard method or alternative method	237.422	242.744	263.088	247.751	3.096.891
Subject to the standard method:	237.422	242.744	263.088		
Subject to the alternative method:					
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.

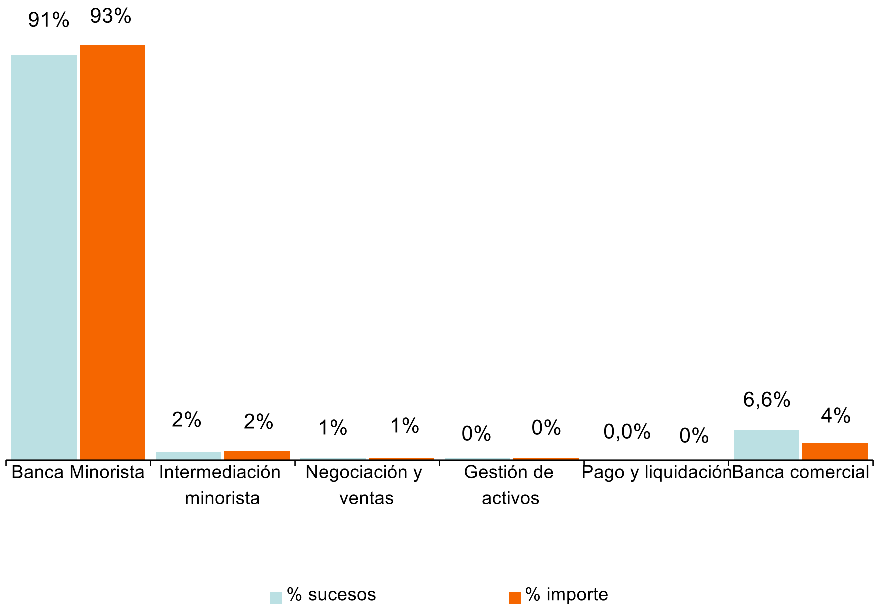
6.4. Group operational risk profile

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

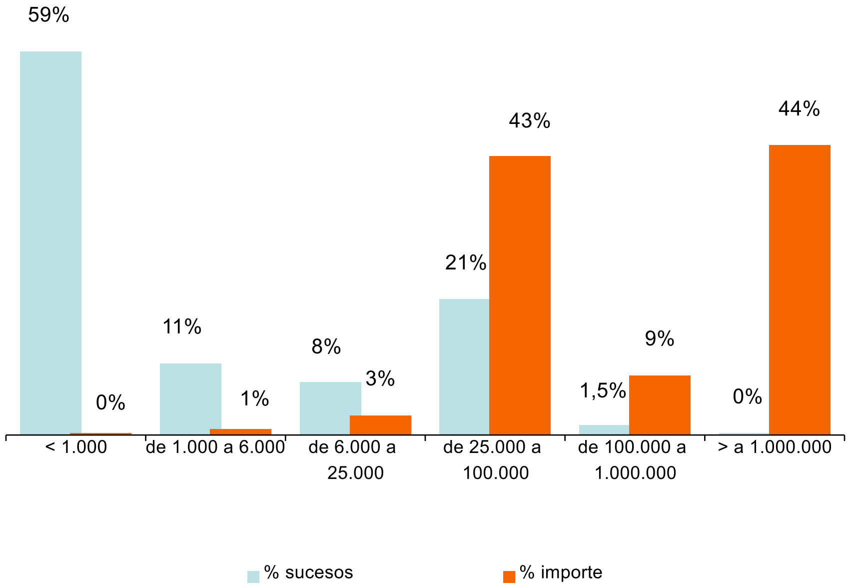
The chart reflects a concentration of losses due to a number of events in 'Commercial practices', 'External fraud' and 'Performance, delivery and management of process'. 'Commercial practices' is also the type of risk where the highest amounts are concentrated.

Percentage breakdown by line of business



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 (96%) occur in the interval between 25,000 euros and 100,000 euros, which accounts for 22.5% 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 45 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	
2020	118.865	72.847	36.679	(0)	228.391
2021	130.328	78.642	91.328	1	300.299

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

	2021	2020
	Carrying amount	Carrying amount
Listed instruments	38.197	38.142
Unlisted instruments	262.102	190.248
Total	**300.299**	**228.391**

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 2021 and 2020.

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 2021 was 19,401 thousand euros.

At 31 December 2021, 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 2021.

Risk-weighted capital instruments and equity investments, including the amount of investments in financial institutions below 10% of CET1, stood at €1,177,574 thousand at the close of the 2021 financial year, compared to €1,237,200 thousand at the end of 2020.

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, with the "*Guidelines on the management of interest rate risk arising from non-trading book activities*" (GL-EBA: 2018-02 of July 19, 2018), structural interest rate risk is limited exclusively to the risk derived from the **positions not included in the trading book** (*non-trading book activities).*

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** and the **Group's 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. 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 audit.

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.

  There is an appropriate **technical management** and **data management architecture** in place to include the entire statement of financial position of the company, in particular the positions sensitive to interest rate risk, including implicit and explicit interest rate derivatives and non-performing exposures (NPE) net of provisions as general interest rate sensitive instruments.

Finally, an appropriate structure to control interest rate risk is maintained, allowing **for the introduction of techniques to mitigate interest rate risk,** such as the formalisation of hedges (accounting and/or economic) through interest rate swaps and other derivatives (e.g. (futures).

- ✓ Ongoing analysis of current and future interest rate risk. The company analyses its current and future exposure to the various interest rate curves and the composition of the statement of financial position, 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 entity 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 Entity 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.

5 Net interest income (NII): Interest income received - interest expense paid.

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 unit analyses the expected change in the net interest margin of the 5baseline 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 company or weaken the confidence of other agents (investors, customers, etc.) in the Entity, 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 statement of financial position 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 statement of financial position 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 statement of financial position items (e.g. the maturity date of demand deposits, the rate of early repayment of mortgage loans, the early repayment of term deposits, etc.).

The Entity 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[6] to be considered under the different interest rate shock scenarios.

The models have been reviewed by the Internal Validation area and have been developed following BCBS 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

6 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 defines in its "Guidelines on the management of interest rate risk arising from non-trading book activities" (Annex III / EBA GL 2018-02) 6 interest rate shock scenarios for each currency that are 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*].

According to art. 114 of GL 2018-02, 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), the prudential requirement only covers the two parallel scenarios (up and down). The current guidelines**7** 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.

The EBA guidelines also set a **limit for the interest rate shock in downside scenarios**: For each currency, a minimum floor for the post-shock interest rate should be applied on a term basis. In the case of the euro, the immediate limit would be -100 basis points, increasing by 5 basis points per year and reaching 0% for maturities of 20 years or longer.

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 2021 to the regulatory scenarios set out in section 8.1.4 is shown in the table below:

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

Regulatory shock scenarios	Changes in the economic value of equity*		Changes in net interest income**	
	4Q2021	4Q2020	4Q2021	4Q2020
Parallel-up movement	3,2%	6,7%	14,8%	11,0%
Parallel-down movement	-6,7%	-1,5%	-4,2%	-2,4%
Positivisation	5,0%	6,3%		
Flattening	-5,9%	0,6%		
Short rates up	-2,5%	0,1%		
Short rates down	0,1%	0,0%		

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

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

The interest rate risk data for 2021 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 both ratios is the **scenario of a parallel decline in interest rates**. In the case of the economic value ratio, this sensitivity is largely due to the impact of assessing the opportunity cost of restricting the application of negative interest rates on the revaluation of retail deposits in an environment of low or negative interest rates.
- ✓ The **trend in 2021 of the regulatory sensitivity of economic value of equity (EVE)** in the adverse scenario shows a slightly increasing behaviour due to the greater severity of the shock from the rise in interest rates compared to the regulatory floor of this scenario and the significant growth in retail deposits in 2021.

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

✓ The **trend in 2021 of the regulatory sensitivity of net interest income (NII)** in the adverse scenario with respect to the base margin is slightly higher and remains at very low levels.

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: 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 are 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 statement of financial position 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 are 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 2021, 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	-1,2%	-25 bp parallel	-3,3%
+25 bp parallel	+0,2%	+25 bp parallel	+2,5%
-100 bp parallel	-2,5%	-100 bp parallel	-8,2%
+100 bp parallel	+9,3%	+100 bp parallel	+6,8%
Gradual fall	-2,4%	Gradual rise 100 bp	+1,4%
Gradual rise	+4,4%	Gradual fall 100 bp	-3,6%
Flattening	-2,1%	Positivisation 50 bp	+3,1%
Positivisation	+1,3%	Flattening 50 bp	-2,9%

8.2. Exchange rate risk

8.2.1. Management of structural foreign currency risk

The structural exchange rate risk on the statement of financial position 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 statement of financial position 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 Institution 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 statement of financial position 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 entity'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 2020) 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

Customer funds increased by more than €7,000 million in 2021, with the balance at year-end representing 108.5% of loans and receivables, up from 103.2% the year before. Customer loans grew by 3,458 million euros, leaving the customer funding gap (i.e. the difference between loans and funds) at -4,730 million euros. This was more than €3,600 million euros lower than at the end of 2020. Spain's banking business closed 2021 at -€3,937 million, a decrease of €3,264 million in the customer funding gap, due to a strong increase in customer funds, which more than covered the liquidity needs generated by the growth in lending. The banking business Portugal helped to narrow the customer funding gap by an additional 703 million euros. However, these reductions were partially offset by EVO Banco, which saw its customer funding gap widen by 353 million euros, with customer loans growing more than customer funds.

In wholesale funding, a 750 million euro subordinated debt issue was carried out in June, with strong take-up by wholesale investors.

The improved liquidity position drove significant growth in the liquidity buffer, leaving the LCR well above both internal and regulatory limits. The LCR stood at 228,6% at year-end 2021, up from 198,1% at year-end 2020.

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) being over 100% during the whole of 2021. At 31 December 2021, this ratio had increased to 151% from the figure of 133% at the close of the 2020 financial year.

For 2022, Bankinter expects to continue its balanced growth in lending and in deposits, thus reducing dependence on wholesale markets.

No substantial increase in short-term issues aimed at institutional customers or fund raising through asset securitisation are expected.

9.3. Liquidity coverage ratio (LCR)

The monthly averages of the components of the LCR ratio at the close of each quarter in 2021 are shown below. These values and figures have been calculated as the simple averages of month-end observations over the twelve months preceding the end of each quarter.

Liquidity coverage ratio, LCR (LIQ1)

Consolidated scope	Total unweighted value (average)				Total weighted value (average)			
Quarter ending	31-12-21	30-09-21	30-06-21	31-03-21	31-12-21	30-09-21	30-06-21	31-03-21
Number of data used in calculating the average	12	12	12	12	12	12	12	12
HIGH QUALITY LIQUID ASSETS								
Total high-quality liquid assets (HQLA)					23.186	22.423	20.980	18.651
CASH OUTFLOWS								
Retail deposits and deposits from small business customers, of which:	42.798	41.621	40.324	39.089	2.724	2.641	2.556	2.477
Stable deposits	27.150	26.274	25.317	24.423	1.357	1.314	1.266	1.221
Less stable deposits	13.372	12.963	12.565	12.183	1.367	1.327	1.291	1.256
Unsecured wholesale funding	24.182	23.658	23.189	22.546	8.606	8.581	8.545	8.333
Operational deposits (all counterparties) and deposits in networks of cooperative banks	15.979	15.749	15.492	15.068	3.772	3.683	3.593	3.492
Non-operational deposits (all counterparties)	8.112	7.814	7.611	7.416	4.743	4.803	4.867	4.778
Unsecured debt	90	95	85	63	90	95	85	63
Secured wholesale funding					24	27	30	34
Additional requirements	13.082	13.001	12.907	12.384	1.229	1.204	1.234	1.169
Outflows related to derivative exposures and other collateral requirements	197	202	204	202	197	202	204	202
Outflows related to loss of funding on debt products	10	10	71	71	10	10	71	71
Credit and liquidity facilities	12.875	12.789	12.633	12.110	1.022	992	959	895
Other contractual funding obligations	590	456	300	153	525	393	239	91
Other contingent funding obligations	4.622	3.975	3.074	2.157	618	505	357	200
TOTAL CASH OUTFLOWS					13.726	13.352	12.962	12.304
CASH INFLOWS								
Secured lending (e.g. reverse repos)	2.167	1.971	1.876	1.761	-	-	-	-
Inflows from fully performing exposures	4.712	4.451	4.207	4.072	3.523	3.190	2.858	2.592
Other cash inflows	124	101	105	119	103	73	77	94
(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)					-	-	-	-
(Excess inflows from a related specialised credit institution)					-	-	-	-
TOTAL CASH INFLOWS	7.003	6.523	6.188	5.952	3.626	3.263	2.935	2.686
Fully exempt inflows	-	-	-	-	-	-	-	-
Inflows subject to 90% cap	-	-	-	-	-	-	-	-
Inflows subject to 75% cap	7.003	6.523	6.188	5.952	3.626	3.263	2.935	2.686
LIQUIDITY BUFFER					23.186	22.423	20.980	18.651
TOTAL NET CASH OUTFLOWS					10.100	10.089	10.027	9.618
LIQUIDITY COVERAGE RATIO (%)					230%	223%	209%	193%

Figures in millions of euros

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

The increase in the ratio over the last 12 months is mainly due to the significant growth in HQLA assets as a result of the constant increase in retail and wholesale deposits.

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 contrast, corporate debt instruments and equity securities play a smaller role.

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)					
Capital items and instruments	4.604	0	0	830	5.435
Shareholders' equity	4.604	0	0	830	5.435
Other equity instruments		0	0	0	0
Retail deposits		43.886	488	496	41.919
Stable deposits		29.452	286	16	28.267
Less stable deposits		14.434	203	480	13.652
Wholesale funding:		14.887	3.843	16.542	31.160
Operating deposits		17.441	0	0	8.720
Other wholesale funding		-2.554	3.843	16.542	22.440
Interdependent liabilities		0	0	0	0
Other liabilities:	361	3.867	179	317	406
Liabilities arising from the net stable funding ratio	361				
All other liabilities and capital instruments not included in the previous categories		3.867	179	317	406
Total stable funding available					78.920
Required stable funding (RSF) items					
Total high-quality liquid assets (HQLA)					252
Encumbered assets with a residual maturity of one year or more in a coverage pool		0	0	15.287	12.994
Deposits held in other financial entities for operating purposes		0	0	0	0
Performing loans and securities:		19.540	4.720	32.704	34.413
Non-performing securities financing transactions with financial customers collateralised by Tier 1 HQLA are subject to a valuation haircut of 0%		2.305	0	0	1.067
Non-performing securities financing transactions with financial customers collateralised by other assets and loans and advances to financial institutions		3.138	446	332	849
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:		10.467	4.106	13.105	29.645
With a risk weight of 35% or less under the BCBS II standardised approach for credit risk		598	256	6.705	13.554
Mortgages on residential real estate, of which:		136	103	16.548	0
With a risk weight of 35% or less under the BCBS II standardised approach for credit risk		97	88	12.121	0
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		3.493	66	2.718	2.852
Interdependent assets		0	0	0	0
Other assets		2.627	374	2.808	3.900
Physically traded commodities				0	0
Assets posted as initial margin for derivatives contracts and contributions to CCP default funds		132	0	0	112
Assets arising from the net stable funding ratio		481			481
Liabilities resulting from the net stable funding ratio before deduction of the contributed variation margin		714			36
All other assets not included in the above categories		1.300	374	2.808	3.271
Off-balance sheet items		829	138	12.838	707
Total stable funding required					52.266
Net stable funding ratio (%)					151,00%

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 close of the 2021 financial year, Bankinter Group's leverage ratio stood at 4.89%, compared to 5.20% in the previous financial year, well above the regulatory minimum requirement set at 3%. For the calculation of the ratio as at 31 December 2021, the exclusion of exposures to Eurosystem central banks, known as CRR- 2 Quick Fix, set out in Regulation 2020/873 has been temporarily applied.

Bankinter Group's leverage ratio at 31 December 2020 and 2021:

	2021	2020
Tier 1	4.604.202	4.521.576
Exposure	94.214.872	87.004.215
Leverage ratio	4,89%	5,20%

Figures in thousands of euros

A reconciliation between the Group's financial statements and the exposure measure used in calculating the 2021 leverage ratio is as follows:

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

	2021
Total assets according to published financial statements	107.584.108
Adjustment for entities consolidated for accounting purposes, but which fall outside the scope of regulatory consolidation	(0)
(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transfer)	(600.554)
(Adjustment for temporary exemption of exposures to central banks (if applicable))	(17.609.795)
(Adjustment for fiduciary assets recognised on the statement of financial position under the applicable accounting framework but excluded from the total exposure measure under CRR Article 429a(1)(i))	-
Adjustment for regular way purchases and sales of financial assets subject to accounting on the trade date	55.000
Adjustment for eligible cash pooling transactions	-
Adjustment for derivative financial instruments	(184.086)
Adjustment for securities financing transactions	(121.936)
Adjustment for off-balance-sheet items (i.e., conversions of off-balance-sheet exposures to credit equivalents	6.646.147
(Prudent valuation adjustments and specific and general provisions that have reduced Tier 1 capital)	-
(Adjustment for exposures excluded from the total exposure measure in accordance with Article 429a(1)(c) CRR)	-
(Adjustment for exposures excluded from the total exposure measure in accordance with Article 429a(1)(j) of the CRR)	-
Other adjustments	(1.554.012)
Total leverage ratio exposure measure	94.214.872

Figures in thousands of euros

The following table provides a breakdown of the items used to calculate the leverage ratio at 31 December 2021:

Leverage ratio common disclosure table (LR2)

	CRR leverage ratio exposures	
On balance sheet exposures (excluding derivatives and SFTs)	**4T21**	**2T21**
On balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including security interests	85.326.262	80.761.551
Gross-up for derivative collaterals provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	
Deductions of receivables assets for cash variation margin provided in derivatives transactions)	(107.612)	(177.298)
(Adjustment for securities received in securities financing transactions recognised as assets)	-	
(Adjustments for general credit risk of on-balance sheet items)	-	
(Amounts of assets deducted to determine tier 1 capital)	(546.341)	(540.265)
Total on-balance sheet exposures (excluding derivatives and securities financing transactions)	84.672.309	80.043.989
Exposures in derivatives		
Replacement cost associated with all derivative transactions under the standardised approach to counterparty risk (i.e. net of eligible cash variation margin)	75.417	315.538
Exception applicable to derivatives: contribution to replacement costs under the simplified standard method	-	-
Amounts of potential future exposure additions associated with derivative transactions under the standardised approach for counterparty credit risk	252.644	352.565
Exception applicable to derivatives: potential contribution to replacement costs under the simplified standardised approach	-	-
Exposure determined under original exposure approach	-	-
(CCP component excluding client-cleared trading exposures) (standardised approach for counterparty credit risk)	-	-
(CCP-exempt portion of trade exposures netted by the client) (simplified standardised approach)	-	-
(CCP-exempt portion of trade exposures netted by the client) (original exposure method)	-	-
Adjusted effective notional amount of written credit derivatives	-	-
(Adjusted effective notional offsets and additional deductions for credit derivatives entered into)	-	-
Total derivatives exposures	328.061	668.104
SFT exposures (under Article 429 and 429 ter)		
Gross assets of securities financing transactions (without recognition of netting), after adjustments for sale accounting transactions	2.690.290	2.798.047
(Net amounts of cash payable and cash receivable in gross assets of securities financing transactions)	(123.745)	(818.325)
Counterparty credit risk exposure on securities financing transaction assets	1.809	1.186
Exemption for securities financing transactions: Counterparty risk exposure under Article 429e(5) and Article 222 of the CRR	-	
Agent transaction exposures	-	
(CCP component excluding exposures from securities financing transactions netted by the client)	-	
Total SFT exposures	2.568.355	1.980.908
Off balance-sheet exposures		
Off-balance sheet exposures at gross notional amount	9.942.309	9.824.517
(Adjustments for conversion to credit equivalent amounts)	(3.296.162)	(3.368.401)
(General provisions deducted for the determination of Tier 1 capital and specific provisions associated with off-balance sheet exposures)	-	-
Off balance sheet exposures	6.646.147	6.456.116

Exposures exempted		
(Exposures excluded from the total exposure measure in accordance with Article 429 bis (1)(c) of the CRR)	-	-
(Exposures exempted under Article 429a(1)(j) CRR (on- and off-balance sheet))	-	-
(-) Excluding exposures of public development banks, or units - Public sector investments	-	-
(-) Excluding exposures of public development banks or units - promotional lending	-	-
(-) Excluding subrogated exposures to promotional loans of non-public development banks or units.	-	-
(Secured portions excluded from exposures arising from export credits)	-	-
(Excluding surplus collateral posted with triparty agents)	-	-
(Excluding services related to CSDs of institutions in accordance with Article 429a(1)(o) of the CRR)	-	-
(Excluding services related to CSDs of entities designated in accordance with Article 429a(1)(p) of the CRR)	-	-
(Reduction in the exposure value of pre-financing or mezzanine loans)	-	-
(Total exposures excluded)	-	-
Capital and total exposure measurement		
Tier 1 capital	4.604.202	4.557.029
Measurement of total exposure for leverage ratio	94.214.872	89.149.116
Leverage ratio		
Leverage ratio (%)	4,89%	5,11%
Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	4,89%	5,11%
Leverage ratio (excluding the impact of any applicable temporary exemption from central bank reserves) (%)	4,12%	4,29%
Regulatory minimum leverage ratio requirement (%)	3,17%	3%
Additional own funds requirements to address the excessive leverage ratio (%)	0%	0%
of which: consisting of Common equity tier 1	0%	0%
Required leverage ratio buffer requirement (%)	0%	0%
Overall leverage ratio requirement (%)	3,17%	3%
Choice of transitional arrangements and amount of derecognised fiduciary items		
Choice of transitional arrangements for the definition of the capital measure		
Disclosure of mean values		
Average of the daily values of SFTs' gross assets, after adjustment for sale accounting transactions and net of the amounts of the associated cash payables and receivables	3.107.068	2.793.312
Quarter-end value of SFT gross assets, after adjusting for sales accounting transactions and net of related cash liabilities and receivables	2.566.546	1.979.722
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).	94.214.872	89.149.116
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).	111.824.666	106.236.909
Leverage ratio (including the impact of any applicable temporary exemption from central bank reserves) incorporating the average values of row 28 of gross SFT assets (after adjustment for sale accounting transactions and net of the amounts of the associated accounts payable and cash receivables)	4,89%	5,11%
Leverage ratio (excluding the impact of any applicable temporary exemption of central banks' reserves) incorporating the average values of row 28 of gross SFT assets (after adjustment for sale accounting transactions and net of the amounts of the associated accounts payable and cash receivables)	4,12%	4,29%

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)

	CRR leverage ratio exposures
Total on-balance sheet exposures (excluding derivatives, securities financing transactions and excluded exposures), of which:	85.218.650
Trading book exposures	1.336.999
Exposures of the loan book, of which:	83.881.651
Covered bonds	-
Exposures treated as sovereigns	15.286.100
Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	10.450
Institutions	4.627.079
Secured by mortgages of immovable properties	32.809.917
Retail exposures	9.195.429
Corporates	17.282.411
Defaulted exposures	978.852
Other exposures (e.g. equities, securitisations and other assets other than credit obligations)	3.691.415

Figures in thousands of euros

10.2. Trends in the leverage ratio

The leverage ratio fell by 31 basis points during 2021, from 5.20% at the end of 2020 to 4.89% at 31 December 2021.

The value of the numerator of the ratio, Tier 1 Capital, increased by €83 million during the year, which mitigated some of the increase in total exposure that forms the denominator of the ratio. The denominator, total exposure, increased sharply, mainly due to the increase in the consolidated statement of financial position total by €12,253 million during the year.

In 2021, it is permitted to temporarily exclude certain exposures to central banks from the calculation of the total risk measure, as set out in Article 429a of Regulation 575/2013, as amended by Regulation 2019/876.

In 2021, these temporary reliefs for the leverage ratio set out in Regulation (EU) 2020/873 were applied and exposures to central banks, including reserves, coins and banknotes, were therefore excluded from the exposure ratio. The total amount excluded at 31 December was €17,609 million, €4,309 million more than at year-end 2020, and without this exclusion the ratio would have been 4.12% at year-end 2021.

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 growth in the statement of financial position and with a prudent risk policy.

Forecasts for this ratio are also made in the three-year statement of financial position, 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 the 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 statement of financial position. 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
Assets of the reporting institution	**26.440**	**5.447**			**76.134**	**22.040**		
Equity instruments	6	4			628	50		
Debt securities	5.705	5.445	6.122	5.856	5.900	3.834	5.933	4.108
of which: covered bonds	0	0	0	0	0	0	0	0
of which: securitisations	0	0	0	0	0	0	0	0
of which: issued by pubic administrations	5.294	5.291	5.701	5.698	3.981	3.732	4.007	3.998
of which: issued by financial corporations	258	9	263	9	1.532	1	1.519	1
of which: issued by non-financial corporations	152	150	157	153	383	105	403	106
Other assets	20.875	0			69.557	18.189		

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.

Guarantees received	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
Collateral received by the reporting institution	880	880	594	231
Loans on demand	-	-	-	-
Equity instruments	-	-	-	-
Debt securities	880	880	539	231
Of which: covered bonds	-	-	-	-
Of which: securitisations	-	-	388	225
Of which: issued by pubic administrations	880	880	150	-
Of which: issued by financial corporations	33	33	388	-
Of which: issued by non-financial corporations	-	-	47	-
Loans and advances other than loans on demand	-	-	-	-
of which:	-	-	50	-
Own debt securities issued other than own covered bonds or asset-backed securities	-	-	-	-
Own issued and not yet pledged securitisations and covered bonds			1.753	-
TOTAL COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED	27.803	6.886		

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)

	Liabilities	Assets
Carrying amount of selected financial liabilities	**19.943**	**25.076**
Derivatives	387	463
of which: OTC	205	349
Deposits	16.571	20.999
Reverse repos	2.437	2.439
of which: central banks	-	-
Collateralised deposits other than repurchase agreements	14.104	18.568
of which: central banks	14.104	18.568
Debt securities issued	3.059	3.740
of which: covered bonds issued	2.739	3.424
of which: asset-backed securities issued	339	339
Other sources of encumbrance	2.920	2.744
Nominal value of loan commitments received	-	-
Nominal value of personal financial guarantees received	-	-
Fair value of securities received on loan with collateral other than cash	-	-
Other	2.920	2.744
TOTAL SOURCES OF ENCUMBRANCE	22.814	27.803

Figures in millions of euros

12

Remuneration

12. Remuneration

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

Bankinter's by-laws reserve to the board of directors decisions relating to the remuneration of directors, within the framework of the bylaws and, where appropriate, of the remuneration policy approved by the annual general meeting. The board of directors also has, among other powers, the power to approve the remuneration policy for senior executives and for those employees whose professional activities have a significant impact on the Entity's risk profile.

Bankinter's Rules and Regulations of the board of directors set out the internal rules for the operation of the board and its committees, which provide assistance on matters within their competence. These include the remuneration committee is the body that assists the board in the remuneration issues falling under its remit in the Rules and Regulations of the board of directors, overseeing observance of the established remuneration policy. At its meeting of 22 July 2020, and on the recommendation of the remuneration committee, the board of directors approved a specific set of remuneration committee regulations. The aim of these regulations (which were added to Bankinter Group's internal corporate governance rules) is to enhance the committee's independence and determine the basic guidelines for action and the rules of its composition, operation and powers while observing corporate governance best practices.

As set out in Article 41 of the Bank's Rules and Regulations of the board of directors, and in its own Regulations, the remuneration committee's functions include:

- 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

As of the date of this report, the remuneration committee comprises four external members, most of whom are independent, including the committee chairman.

In order to carry out its duties, the Bankinter remuneration committee held a total of six ordinary meetings and one written meeting in 2021 to discuss all matters that come under its remit.

All of the committee's activities are included in the annual activity report for 2021, 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[8]; the exercise of

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

its functions in relation to the Group's subsidiaries, and updating of remuneration-related policies and procedures.

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

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

On 17 March 2021, Bankinter's board of directors approved the annual report on directors' remuneration. This report was subsequently approved, on an advisory basis, at the annual general meeting held on 21 April 2021 (with a 87.3% approval rating), and can be viewed on the Company's corporate website.

On 21 February 2019, Bankinter's annual general meeting approved (with a percentage of approval of 91.66%), in accordance with the provisions of article 529 novodecies of the Capital Companies Act, the remuneration policy for the directors of Bankinter, S.A., for a maximum period of 3 years (for the financial years 2019, 2020 and 2021), the text of which is available on the Company's corporate website.

The annual general meeting held on March 19, 2020 agreed (with an approval percentage of 97.38%) to amend the directors' remuneration policy for 2019, 2020 and 2021 (the 'Directors' remuneration policy').

The proposed amendment of the remuneration policy was justified for the following reasons:

> The current remuneration policy authorises the board of directors to modify and adjust the number of shares to be delivered to executive directors are part of the deferred variable remuneration in shares under the following terms[9]:

> *'The board of directors is authorised to modify and adjust the number of shares to be delivered on each of the aforementioned dates when an increase in capital in the form of a bonus share issue and/or with a charge to reserves, a split or reverse split of the outstanding shares, or any other corporate transaction of a similar nature or having similar effects has been carried out between the date of approval of the corresponding resolution and the effective date of delivery.'*

Bankinter's board of directors is authorised to modify and adjust the number of shares to be delivered as part of the deferred variable remuneration in shares when there is a bonus share issue, a split or a reverse split of Bankinter shares, or "any other corporate transaction of a similar nature or having similar effects".

Nevertheless, the possibility of different situations, events or special circumstances arising, or regulatory requirements or recommendations to be issued by regulatory or supervisory bodies, and corporate transactions may trigger changes in the unit value of Bankinter's shares, which could therefore affect the initial value of the investment made by any Bankinter shareholder, must be clearly explained in the aforementioned policy. In these cases, Bankinter's board of directors is also authorised to make the necessary adjustments to offset the loss of value of the Bank's shares resulting exclusively from these situations, events, special circumstances or corporate transactions to maintain the balance of its remuneration system.

To do so, Bankinter must have the appropriate corrective mechanisms to ensure that variable remuneration is the same as the amount that would have been paid if such events had not occurred. Therefore, a motion is being laid before shareholders at the annual general meeting to replace this paragraph with the following:

> *'The board of directors is authorised to modify and adjust the number of shares to be delivered as part of the variable remuneration and change the rules on settlement and the payment schedule when before the date of effective delivery special situations, events or circumstances have arisen due to internal or external factors, such as but not limited to laws or requirements or recommendations by regulators of supervisors or corporate transactions affecting the Bank (e.g. capital increases, stock splits or reverse stock splits, structural modifications or similar operations, public takeover bids, etc.), and in the opinion of the board of directors such modification, adjustment or change is warranted to maintain the value of*

9 Section 3.3.c) ii of the Bankinter directors' remuneration policy on the timing, terms and conditions for delivering variable remuneration

the consideration and/or the balance of the remuneration system. These modifications, adjustments or changes shall be disclosed in the annual report on directors' remuneration.'

In both cases, the directors' remuneration policy was accompanied by an explanatory report by the board and a specific report by the remuneration committee, pursuant to Article 529 novodecies of the Spanish Companies Act, all of which are available on the corporate website.

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 Institution by providing incentives for employees to assume excessive risk.

Following the spin-off and flotation of Línea Directa Aseguradora (LDA) in April 2021, charged to the issue premium, the remuneration committee proposed to the board of directors at its meeting of 22 December 2021, within the powers delegated to the board by the annual general meeting in the directors' remuneration policy, the adjustment of the number of shares pending delivery as deferred variable remuneration, in order to neutralise the effect of the split of LDA. This adjustment therefore affects the variable remuneration subject to deferral and payment in shares of the employees included in the Bankinter Group's identified staff as well as the beneficiaries of the multi-year plan 2016-2018 accrued on 31 December 2018. Consequently, each beneficiary must receive 1.28 shares for each share to which he or she was entitled before the corporate transaction. In the case of the executive directors, the information on this new maximum total number of shares to be delivered has been reported in the annual report on remuneration of Bankinter's directors, which will be submitted to a consultative vote at the annual general meeting of shareholders to be held on 23 March 2022, 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 (hereinafter, the "Spanish Companies Act"), which is available on the website www.bankinter.com/webcorporativa) of the Company from the date on which the annual general meeting is called.

12.2. Principles of Bankinter's remuneration policy

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

- 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 professionals in terms of content (remuneration in cash and in kind), time horizon (short, medium and long term), security (fixed and variable) and purpose.
- Prudent and effective risk management: The remuneration policy will be compatible with and promote appropriate and effective risk management, and will not offer any incentives for assuming risks that exceed the level of risk tolerated by the Bank. The remuneration policy for all employees of the Company shall be consistent with the objectives of the risk and business strategy, including environmental, social and governance ("ESG") objectives, the corporate culture and values, the risk culture of the Company and the measures to avoid conflicts of interest and shall not encourage excessive risk taking.
- Alignment with long-term interests: The policy must be compatible with the business strategy, objectives, values and long-term interest of the company, and must include measures to avoid conflicts of interest.
- Appropriate balance between fixed and variable components: As a general rule, variable remuneration must not represent a significant portion in comparison with fixed remuneration, in order to avoid the assumption of excessive risks.
- Internal fairness and external competitiveness: The policy will provide compensation based on the level of responsibility and career path of Bankinter directors in order to guarantee fairness internally and competitiveness externally.
- Pay equality: The policy will ensure non-discrimination and promote salary management by ensuring at all times that remuneration policies and practises are non-discriminatory in terms of gender, age, culture, religion and race. To this end, Bankinter has robust corporate governance procedures in place to ensure that remuneration policies and practises are non-discriminatory and consistent with appropriate and effective risk management.
- Supervision and effectiveness: As part of its supervisory duties, the Bank's board of directors will adopt and periodically review the general principles of the remuneration policy and will be responsible for monitoring and guaranteeing its effective and appropriate application.
- Flexibility and transparency: The rules established to manage the compensation paid to identified staff must include mechanisms that enable exceptional situations to be addressed, in accordance with the needs arising at any given time. Remuneration standards must be explicit and known by the company's directors and professionals, always giving priority to transparency around the issue of remuneration.

- **Simplicity and customisation**: Remuneration management standards must be written clearly and concisely, simplifying, as far as possible, their description, the calculation methods of the remuneration and the necessary conditions to access it.

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

In its meeting on 21 January 2015, the board of directors, following a proposal from the remuneration committee, approved a policy to determine identified staff, which was revised by the remuneration committee and the corresponding amendments were submitted to the board, who approved the current wording in the meeting held on 20 October 2021. This policy takes 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 as regards regulatory technical standards on the criteria for determining the responsibilities of senior management, control functions, significant business lines and material impact on the risk profile of a significant business line, and sets out the criteria for determining the staff or categories of staff whose professional activities have an impact on the risk profile of the institution comparable in importance to that of the staff or categories of staff referred to in Article 92(3) of that Directive. This Delegated Regulation 2021/923 repeals Commission Delegated Regulation (EU) 604/2014 of 4 March 2014.

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, where:
  - Member of the board of directors and senior management of the Entity.
  - Employees 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, in order to facilitate their implementation.

According to these criteria, the above group comprised 101 people in the Bankinter Group at the end of 2021, representing approximately 1.65% of the workforce.

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 that form part of 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 101 professionals were classified as identified staff at the close of the 2021 financial year, which represents approximately 1.65% 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 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, 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, senior management and identified staff, in particular, to keep it 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 included in the Bank's corporate by-laws: i) annual fixed amount for membership on the board of directors and chairing any committees thereof; ii) allowances for attending meetings of the board and the committees thereof; and iii) delivery of shares, share options or remuneration indexed to the value of shares.

For 2021, remuneration includes only the first two items.

The annual general meeting held on 21 March 2019 approved, in accordance with articles 217 and 529 septdecies of the Spanish Companies Act, set the maximum amount of the directors' annual remuneration in their status as such at 2,000,000 euros for 2021. This amount shall remain in force until amended by the 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 2021, along with a description of the amounts to be accrued for each item in 2022.

ii. Remuneration of the chairman of the board of directors:

Since January 2013, his non-executive institutional functions (described in the directors' remuneration policy published on the Bank's corporate website) as well as the functions he performs in his capacity as chairman of the board are remunerated as outlined in the previous point. The chairman of the board of directors will receive no variable remuneration of any kind, for the same reasons noted in the previous point for non-executive directors.

The directors' remuneration policy for 2019, 2020 and 2021, which was approved by the annual general meeting in March 2019, 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 2021.

iii. Remuneration of executive directors for carrying out executive duties and remuneration of the rest of identified staff:

The directors' remuneration policy applicable for the financial years 2019, 2020 and 2021 was approved by the annual general meeting of shareholders on 21 February 2019, and amended as indicated above on 19 March 2020. The Bankinter Group's remuneration policy described in this report was approved by the board of directors at its meeting held on 21 February 2018, and amended on 18 February 2020.

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 2019, 2020 and 2021, 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. The chief executive officer is currently included in this scheme.

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 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.

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

Annual variable remuneration

The purpose of the annual variable remuneration is to ensure a proper correlation between the resulting remuneration levels and the variations of the results, directly indexed, inter alia, to the Earnings Before Tax (EBT) target of the group's banking activity, with a system of individual distribution to employees based on assigned duty and responsibility.

The annual variable remuneration accrued in 2021 was linked to financial indicators: i) profit before tax (PBT) as a contribution to appropriate risk management and its link to medium and long-term management, and ii) achievement of annual targets set for each centre/business area, such as operating profit, as a crucial element for the medium and long-term sustainability of the business and alignment with the company's risk policy.

The indicators (PBT of the banking business and operating profit of Bankinter Group) represent 35% and 65%, respectively, of variable remuneration. The variable component accrues from the achievement of 90% and up to a maximum of 120% of the targets, potentially resulting in between 80% and 120% of the variable amount assigned to each beneficiary, according to the aforementioned achievement percentages. Therefore, the total incentive amount to be received for the maximum level of achievement of targets is 120% of the benchmark incentive.

The global percentage accrual of the incentive in 2021 was 106.62%, compared to 27.48% in 2020 (this is because, in 2020, the achievement of the first target, Banking Business EBT, remained below 80% as a result of the effects of the COVID-19 pandemic during the year, and no incentive being accrued for that tranche).

Furthermore, to earn this 2021 variable remuneration, the following indicators (which may reduce accrued variable remuneration to zero but may never increase the amount) had to be met cumulatively:

- Risk appetite framework ratios, which measure the following risks: solvency, liquidity, interest rate, reputational and credit risk (financial and non-financial), which must meet the condition of not exceeding the risk level set in the risk appetite framework.
- TTC RoE, return on equity invested which had to exceed 7% to accrue 100% of the incentive attained. If this ratio were between 6% and 7%, 50% of the incentives achieved would accrue; however, if it were below 6%, no amount whatsoever would be accrued.

As a result of this, the achievement percentages of both indicators in 2021 are as follows:

- Risk appetite framework ratios. The percentage of achievement of this indicator in 2021 was 100%, so the amount of variable remuneration to be received is not reduced, and the malus or clawback clauses do not apply for this reason.
- TTC RoE. The level of achievement of this indicator in 2021 was 100% (with a level of 8.22% being attained), so the amount of the variable remuneration receivable will not be reduced.

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

This variable remuneration system is aimed at executive directors and those groups of employees of the identified staff not involved in the specific incentive aimed at the Group's commercial network or any other specific incentive of the area, or who have no special incentive programme.

For employees who participate in the specific incentive aimed at the Group's commercial network, this aims to incentivise and reward 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.

In addition, there are specific areas such as Treasury and Capital Markets, Risks, Investment Banking, Financial and Market Analysis, Bankinter Asset Management and Bankinter Consumer Finance, whose incentive structure has the following objectives, depending on the area of activity to which it is directed:

- 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 a repeat of the temptation to achieve short-term results at the expense of properly managing the risks incurred.
- 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.

For employees in control areas, the indicators established for the accrual of variable remuneration are directly related to their control activities and are independent to the references used for the areas they control.

In the case of executive directors, on an annual basis and if 100% of the targets are met, the remuneration committee proposes to the board of directors the approval of the target variable remuneration of executive directors without them being present.

Long-term variable remuneration 2019- 2021:

The board of directors, at the proposal of the remuneration committee, approved a Long-Term Incentive Plan for the financial years 2019-2021 (the "Plan"), in accordance with the provisions of the directors' remuneration policy approved at the 2019 annual general meeting.

This 2019 - 2021 multi-year incentive plan, the key features of which were described in the directors' remuneration reports approved by the annual general meeting in 2019 and subsequent years and from which, among others, the executive directors and other members of the identified staff benefited, has expired without any of the beneficiaries accruing any entitlement to any amount, as the targets set for the final maturity date have not been met.

Specific characteristics of vested variable remuneration systems:

Accrued variable remuneration is subject to the following clauses:

- Deferral: a substantial portion of variable remuneration, of 60% for the chief executive officer (considered particularly high) and at least 40% for the executive vice chairman and members of senior management, will be deferred over a period of five years. For all other persons in the identified group to whom this clause applies, 40% or 60% of the variable remuneration shall be deferred for a period of 4 years in the case of employees whose variable remuneration is considered to be particularly high.

  Depending on the staff group, this deferred remuneration shall be paid over five or four years immediately following that of the receipt of the non-deferred portion in fifths, and therefore the remuneration payable under the deferral provisions will not be received more quickly than is proportionate.

- Payment in shares and retention periods: a substantial portion of the deferred variable remuneration component, at least 60% in the case of the members of the identified group whose variable remuneration is considered particularly high and 50% in the case of the other members of the identified group whose variable remuneration is subject to this clause, is delivered in Bankinter shares. 50% of non-deferred variable remuneration will be delivered in shares.

  The resulting amounts in cash and shares will be paid net of taxes (or tax withholdings).

  Under this section, Bankinter shares delivered to identified staff members, including executive directors, will be subject to a retention period of one year from delivery. This is considered an appropriate practice for incentives to be consistent with the Entity's long-term interests.

- Ex-post adjustments: variable remuneration (including the deferred portion) will be paid or vest only if it is deemed sustainable based on Bankinter Group's financial situation, and when justified based on the Entity's, business unit's or person's performance.

  Bankinter has implemented malus and clawback clauses that apply to up to 100% of the total variable remuneration. These clauses are triggered when the financial performance of the Company as a whole, or of a particular department or division of the Company, or the exposures generated by employees is inadequate, attributable to the management of the manager or managers, based on the existence of at least some of the following factors:

  (i) Significant failures in risk management by the institution or a business or risk control department.
  (ii) An increase in the business' or business unit's capital needs that was unforeseen when generating exposures.
  (iii) regulatory sanctions or court rulings due to events that may be attributed to the unit or member of staff responsible for said events. In addition to breaches of the Bank's internal codes of conduct.
  (iv) irregularities, whether committed by an individual or group. Special consideration shall be given to the adverse effects resulting from the marketing of unsuitable products and the responsibility of the persons or bodies who made those decisions.

- Prohibition on hedging transactions: Personal hedging strategies or insurance relating to remuneration and liabilities that undermine the sound risk alignment effects promoted by the remuneration arrangements may not be used.

  Specifically, they may not engage in hedging transactions of any kind or take out any insurance on deferred variable remuneration pending payment, pursuant to the deferral clause in Bankinter's remuneration policy.

  Furthermore, they may not carry out hedging transactions on any Bankinter shares already delivery that are subject to the retention period.

- Risk adjustments: The variable remuneration of all members of the identified staff is contingent on the achievement of a series of indicators in the risk appetite framework; specifically *(financial and non-financial)* indicators for solvency, liquidity, interest rate, reputational and credit risk:

In the directors' remuneration report is available on the Bank's corporate website, a more comprehensive description of the indicators and adjustment mechanisms is provided as well as payment conditions.

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 2021 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)

	Oversight function of the management body	Management function of the management body	Other senior officers	Other identified staff
Guaranteed variable remuneration granted	-	-	-	-
Guaranteed variable remuneration granted- Number of staff members identified	-	-	-	-
Guaranteed variable remuneration granted - Total amount	-	-	-	-
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	-	-	-	-
Severance payments granted in previous periods and paid during the year- Number of members of the identified staff	-	-	-	-
Severance payments granted in prior periods and paid during the year - total amount	-	-	-	-
Severance payments granted during the year	-	-	-	-
Severance payments granted during the year- Number of members of the identified staff	-	-	-	2
Severance payments granted during the year- total amount	-	-	-	344
Of which: paid during the year	-	-	-	344
Of which: deferred	-	-	-	-
Of which: severance payments paid during the year that are not taken into account in the capping of premiums	-	-	-	344
Of which: highest compensation awarded to a single person	-	-	-	240

Figures in thousands of euros

Remuneration granted for the year (REM1)

		Oversight function of the management body	Management function of the management body	Other senior officers	Other identified staff
Fixed remuneration	Number of members of identified staff	9	2	7	83
	Total fixed remuneration	2.084	2.458	2.937	15.946
	Of which: in cash	2.082	1.960	2.267	12.563
	Of which: shares or equivalent ownership interests	-	-	-	-
	Of which: equity-linked instruments or equivalent non-cash instruments	-	-	-	-
	Of which: other instruments	-	-	-	-
	Of which: other modalities	2	498	670	3.383
Variable remuneration	Number of members of identified staff	-	2	7	83
	total variable remuneration	-	663	1.873	5.724
	Of which: in cash	-	269	828	3.597
	Of which: deferred	-	130	397	843
	Of which: shares or equivalent ownership interests	-	394	1.045	2.126
	Of which: deferred	-	256	615	861
	Of which: equity-linked instruments or equivalent non-cash instruments	-	-	-	-
	Of which: deferred	-	-	-	-
	Of which: other instruments	-	-	-	-
	Of which: deferred	-	-	-	-
	Of which: other modalities	-	-	-	-
	Of which: deferred	-	-	-	-
Total remuneration		2.084	3.121	4.810	21.670

Figures in thousands of euros

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

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

	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
Total number members of identified staff										101
Of which: members of the management body	9	2	11							
Of which: other senior officers				-	-	-	-	-	7	
Of which: other identified staff				5	33	8	25	12	7	
total remuneration of identified staff	2.084	3.121	5.143	2.644	10.436	1.736	5.241	1.613	4.810	
Of which: variable remuneration	-	663	663	1.837	2.297	598	808	184	1.873	
Of which: fixed remuneration	2.084	2.458	4.480	807	8.139	1.137	4.433	1.429	2.937	

Figures in thousands of euros

Deferred remuneration (REM3)

Deferred and retained remuneration	Total amount of deferred remuneration granted in respect of previous performance periods	Of which: to be vested during the year	Of which: which will be vested in subsequent years	Amount of the performance adjustment applied in the year to deferred remuneration to be vested in the year	Amount of the performance adjustment applied in the year to deferred remuneration to be vested in future years	Total amount of adjustment during the year due to ex post implicit adjustments (changes in the value of deferred remuneration due to changes in instrument prices)	Total amount of deferred remuneration granted prior to the year and actually paid in the year	Total amount of deferred remuneration granted in respect of prior performance periods that has vested but is subject to withholding periods
Oversight function of the management body	-	-	-	-	-	-	-	-
In cash	-	-	-	-	-	-	-	-
Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
Equity-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
Other instruments	-	-	-	-	-	-	-	-
Other modalities	-	-	-	-	-	-	-	-
Management function of the management body	2.050	531	1.519	-	-	(101)	430	148
In cash	891	234	657	-	-	-	234	-
Shares or equivalent ownership interests	1.158	297	862	-	-	(101)	195	148
Equity-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
Other instruments	-	-	-	-	-	-	-	-
Other modalities	-	-	-	-	-	-	-	-
Other senior officers	2.414	663	1.752	-	-	(114)	549	120
In cash	1.207	331	876	-	-	-	331	-
Shares or equivalent ownership interests	1.207	331	876	-	-	(114)	218	120
Equity-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
Other instruments	-	-	-	-	-	-	-	-
Other modalities	-	-	-	-	-	-	-	-
Other identified staff	7.201	3.038	2.943	-	-	(497)	2.541	568
In cash	3.601	1.519	2.081	-	-	-	1.519	-
Shares or equivalent ownership interests	3.601	1.519	862	-	-	(497)	1.022	568
Equity-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
Other instruments	-	-	-	-	-	-	-	-
Other modalities	-	-	-	-	-	-	-	-
Total amount	11.665	4.232	6.213	-	-	(713)	3.520	835

Figures in thousands of euros

Annexes

Appendices:

Annex 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	Admin.	Admin.	Admin.	Admin.	Admin.	Admin.
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	23/06/2021	6/02/2020	8/07/2019	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	23/12/2032	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 case of Regulatory Event or Tax Event.	In case of Eligibility Event or Tax Event: 100% of the nominal amount of investment.	In case of Eligibility Event or Tax Event: 100% of the nominal amount of investment.	In case of Eligibility Event: 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

Annexe II: CC1- Composition of regulatory own funds.

		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 corresponding 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)	3.416.915	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	1.114.420	Amount of eligible items referred to in Article 484(3) of the CRR
6	Common equity Tier 1 before the regulatory adjustments	4.800.995	
	Common equity tier 1: regulatory adjustments		
7	Additional value adjustments (negative amount)	(4.037)	Deduction from Common equity Tier 1 of additional value adjustments of assets valued on the statement of financial position at fair value, as determined in Art. 34 of the CRR and deductions not reflected in the accounts.

8	Intangible assets (net of tax debt) (negative amount)	(186.232)	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 not measured at fair value	(452)	Note 22 to the Group's notes to the financial statements
12	Negative amounts resulting from the calculation of expected losses	(285.576)	
13	Any increase in net equity resulting from securitised assets (negative amount)	-	
14	Gains or losses on liabilities valued at fair-value deriving from changes in the own credit quality	-	
15	Defined-benefit pension fund assets (negative amount)	-	
16	Direct, indirect and synthetic holdings of Common Equity Tier 1 own instruments by an institution (negative amount)	(17.036)	
17	Direct, indirect and synthetic holdings of common equity Tier 1 capital of financial sector entities where these entities have a reciprocal holding with the institution designed to artificially increase 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 difference [amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met] (negative amount)	-	
22	Amount exceeding the 17,65% threshold (negative amount)	-	
23	of which: direct, indirect and synthetic holdings by the entity of common equity Tier 1 instruments of financial sector entities where the entity holds 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	(50.000)	
28	Total of CET1 regulatory adjustments	(546.793)	
29	**Common Equity Tier 1:**	4.254.202	
	Additional tier 1 capital instruments		
30	Capital instruments and the corresponding 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 494 bis (1) and the related share premium accounts subject to phasing out from additional tier 1 capital		
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 of Common Equity Tier 1 own instruments by an institution (negative amount)	-	
38	Direct, indirect and synthetic holdings of additional equity Tier 1 capital of financial sector entities where these entities have a reciprocal holding with the institution designed to artificially increase 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)**	4.604.202	
	Tier 2 capital: instruments		
46	Capital instruments and the corresponding 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 items referred to in Article 494a(2) of the CRR to be phased out from Tier 2 capital		
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 and indirect 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)	5.434.574
60	Total risk-weighted assets	35.303.115
	Capital ratios and requirements, including buffers	
61	Common equity tier 1	12,05%
62	Tier 1 capital	13,04%
63	Total capital	15,39%
64	Institution's general Common Equity Tier 1 capital requirements.	7,68%
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)	-
EU-67b	of which: additional own funds requirements to address risks other than the risk of excessive leverage (%)	-
68	Common Equity Tier 1 capital (as a percentage of the risk exposure amount) available after meeting minimum capital requirements	6,88%
	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)	382.854
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)	105.564
	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	148.222
78	Credit risk adjustments included in T2 in respect of exposure subject to internal rating-based approach (before application of the cap)	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	
	Capital instruments subject to phase-out provisions (only applicable between 1 January 2014 and 1 January 2022)	

80	Current cap on CET1 instruments subject to phase-out arrangements
81	Excluded from CET1 due to cap (excess over cap after redemptions and maturities)
82	Current cap on AT1 instruments subject to phase-out arrangements
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)
84	Current cap on T2 instruments subject to phaseout arrangements
85	Excluded from tier 2 due to cap (excess over cap after redemptions and maturities)

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

Bankinter Group 2021. Institution Name	Accounting consolidation method	Prudential consolidation method			Not consolidated, not deducted	Deducted	Description of entity
		Full consolidation	Proportionate consolidation	Equity method			
Bankinter Gestión de Activos, S.A. SGIIC	Full consolidation	X					Asset Management
Hispamarket, S.A.	Full consolidation	X					Holding and purchasing securities
Intermobiliaria, S.A.	Full consolidation	X					Real estate management
BK Consultoria, Asesoramiento y Atención Telefonica, S.A.	Full consolidation	X					Telephone assistance
BK Sociedad de Financiación, S.A.U.	Full consolidation	X					Issuance of debt securities
Bankinter Consumer Finance, EFC, S.A.	Full consolidation	X					Financial credit institution
Arroyo Business Consulting Development, S.L.	Full consolidation	X					No activity
Bankinter Global Services, S.A.	Full consolidation	X					Consulting
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 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
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