GLORIA CALVO DÍAZ, SECRETARY OF BANKINTER'S BOARD OF DIRECTORS

I HEREBY CERTIFY THAT:

a) The Bank's individual and consolidated annual financial statements for 2022 have been translated into English.

b) The Spanish version will prevail in the event of any discrepancy.

c) Neither the individual audit report nor the statement of responsibility for the annual financial report have been translated.

In witness whereof, I issue this certificate for the Spanish National Securities Market Commission in Madrid, 15th March 2023.

Signed: Gloria Calvo Díaz
Secretary of the board

bankinter.

Annual Accounts Bankinter S.A.

2022

Bankinter, S.A.

Informe de auditoría
Cuentas anuales al 31 de diciembre de 2022
Informe de gestión

Informe de auditoría de cuentas anuales emitido por un auditor independiente

A los accionistas de Bankinter, S.A.:

Informe sobre las cuentas anuales

Opinión

Hemos auditado las cuentas anuales de Bankinter, S.A. (la Sociedad), que comprenden el balance a 31 de diciembre de 2022, la cuenta de pérdidas y ganancias, el estado de ingresos y gastos reconocidos, el estado total de cambios en el patrimonio neto, el estado de flujos de efectivo y la memoria correspondientes al ejercicio terminado en dicha fecha.

En nuestra opinión, las cuentas anuales adjuntas expresan, en todos los aspectos significativos, la imagen fiel del patrimonio y de la situación financiera de la Sociedad a 31 de diciembre de 2022, así como de sus resultados y flujos de efectivo correspondientes al ejercicio terminado en dicha fecha, de conformidad con el marco normativo de información financiera que resulta de aplicación (que se identifica en la nota 2 de la memoria) y, en particular, con los principios y criterios contables contenidos en el mismo.

Fundamento de la opinión

Hemos llevado a cabo nuestra auditoría de conformidad con la normativa reguladora de la actividad de auditoría de cuentas vigente en España. Nuestras responsabilidades de acuerdo con dichas normas se describen más adelante en la sección *Responsabilidades del auditor en relación con la auditoría de las cuentas anuales* de nuestro informe.

Somos independientes de la Sociedad de conformidad con los requerimientos de ética, incluidos los de independencia, que son aplicables a nuestra auditoría de las cuentas anuales en España según lo exigido por la normativa reguladora de la actividad de auditoría de cuentas. En este sentido, no hemos prestado servicios distintos a los de la auditoría de cuentas ni han concurrido situaciones o circunstancias que, de acuerdo con lo establecido en la citada normativa reguladora, hayan afectado a la necesaria independencia de modo que se haya visto comprometida.

Consideramos que la evidencia de auditoría que hemos obtenido proporciona una base suficiente y adecuada para nuestra opinión.

Cuestiones clave de la auditoría

Las cuestiones clave de la auditoría son aquellas cuestiones que, según nuestro juicio profesional, han sido de la mayor significatividad en nuestra auditoría de las cuentas anuales del periodo actual. Estas cuestiones han sido tratadas en el contexto de nuestra auditoría de las cuentas anuales en su conjunto, y en la formación de nuestra opinión sobre éstas, y no expresamos una opinión por separado sobre esas cuestiones.

R. M. Madrid, hoja 87.250-1, folio 75, tomo 9.267, libro 8.054, sección 3ª
Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79 031290

Cuestiones clave de la auditoría	Modo en el que se han tratado en la auditoría

Correcciones de valor por deterioro de activos financieros a coste amortizado, préstamos y anticipos – clientela

La Sociedad aplica lo establecido en la Circular 4/2017, de 27 de noviembre, de Banco de España, en el cálculo de deterioro bajo un modelo de pérdida esperada.

La determinación del deterioro por riesgo de crédito es una de las estimaciones más significativas en la preparación de las cuentas anuales adjuntas, motivo por el cual se ha considerado una cuestión clave de la auditoría.

Dicha estimación ha visto incrementada su complejidad por la situación de incertidumbre derivada de la situación macroeconómica actual, lo que supone la incorporación en los modelos internos de elementos adicionales de juicio. Los modelos internos que utiliza la Sociedad tienen en cuenta elementos tales como:

- La clasificación de las diferentes carteras crediticias y acreditados en función de su perfil de riesgo de crédito.
- La identificación y clasificación de los activos en vigilancia especial o deteriorados ("Fase 2" o "Fase 3").
- La estimación de la probabilidad de incumplimiento (PD) y la severidad del incumplimiento (LGD) para cada uno de los modelos.
- La utilización de información prospectiva en los distintos escenarios considerados en los modelos, así como la probabilidad de ocurrencia de estos. La información prospectiva más relevante se refiere, entre otros, a la evolución prevista de las tasas de desempleo, del producto interior bruto y del precio de la vivienda.

  Para la definición del escenario base, la Sociedad ha considerado las previsiones macroeconómicas publicadas por los bancos centrales de España y Portugal.
- La razonabilidad de la incorporación del juicio experto en los modelos, cuando aplica

Nuestro trabajo se ha centrado en el análisis, evaluación y comprobación del marco general de control interno, así como en la realización de pruebas de detalle sobre las correcciones de valor estimadas tanto colectivamente como individualmente, en colaboración con nuestros expertos en modelos de riesgo de crédito.

Respecto al sistema de control interno, hemos obtenido un entendimiento del marco general de control interno y de los principales procedimientos y controles establecidos por la Sociedad, incluyendo la comprobación de controles clave. Nuestros procedimientos se han centrado en los siguientes aspectos:

- Análisis de las metodologías desarrolladas por la Sociedad para el cálculo del deterioro por riesgo de crédito, incluyendo un entendimiento y comprobación de las actualizaciones realizadas durante el periodo.
- Evaluación del cumplimiento normativo y del funcionamiento de los modelos internos aprobados.
- Razonabilidad de los escenarios macroeconómicos utilizados.
- Evaluación periódica de riesgos y del seguimiento para la clasificación de los activos.

Adicionalmente, hemos realizado pruebas de detalle consistentes en:

- Comprobaciones selectivas de los métodos de cálculo, la segmentación, la clasificación de la cartera crediticia, la información utilizada para las estimaciones, los criterios para la determinación de incremento significativo del riesgo y la inclusión de ciertos atributos en las bases de datos.

Cuestiones clave de la auditoría	Modo en el que se han tratado en la auditoría
• El valor realizable de las garantías reales asociadas a las operaciones crediticias concedidas. Por otra parte, durante el ejercicio 2022, la Sociedad ha llevado a cabo una actualización de los modelos como consecuencia de la experiencia acumulada, en lo que respecta a la estimación de las pérdidas esperadas en las distintas fases y los criterios para la determinación de la existencia de un incremento significativo del riesgo. Adicionalmente, la Sociedad realiza una estimación individualizada de las coberturas, para los activos considerados significativos, a partir de un análisis pormenorizado de los flujos futuros. Ver notas 5, 10 y 44 de las cuentas anuales adjuntas.	• Réplica de una selección de modelos, considerando la información prospectiva y los escenarios utilizados por la Sociedad, para la comprobación de los resultados obtenidos en el cálculo de las correcciones de valor estimadas colectivamente. • Obtención de una selección de expedientes individualizados para evaluar su adecuada clasificación y registro, en su caso, del correspondiente deterioro. Como resultado de los procedimientos anteriormente descritos no se han puesto de manifiesto diferencias fuera de un rango razonable, en relación con el importe de correcciones de valor por deterioro de activos financieros a coste amortizado, préstamos y anticipos – clientela, en el contexto del marco contable de aplicación bajo el que se elaboran las cuentas anuales adjuntas.
Segregación parcial de la unidad de banca de inversión a favor de Bankinter Investment, S.A.U. Con fecha 17 de febrero de 2022, se ha constituido la sociedad Bankinter Investment, S.A.U., íntegramente participada por Bankinter, S.A. Con fecha 20 de abril de 2022, el consejo de administración de la Sociedad acordó la segregación de una parte del patrimonio de la Sociedad a favor de Bankinter Investment, S.A.U. (sociedad beneficiaria), conforme al proyecto común de segregación de 23 de marzo de 2022, sujeto a la obtención de las correspondientes autorizaciones por parte de las autoridades competentes. El patrimonio segregado constituye una unidad económica, formada por activos y pasivos identificados, que viene prestando en la Sociedad de manera individualizable los servicios y actividades propias de originación y estructuración de operaciones de inversión alternativa, asesoramiento en operaciones corporativas (principalmente en fusiones y adquisiciones) y asesoramiento en operaciones de financiación estructurada y alternativa.	En relación con la segregación parcial de la unidad de banca de inversión a favor de Bankinter Investment, S.A.U., hemos obtenido un entendimiento del proceso de registro contable de la misma en las cuentas anuales de la Sociedad. Nuestros procedimientos se han centrado principalmente en: • Lectura de actas del consejo de administración de la Sociedad, con los acuerdos adoptados en relación con la mencionada segregación. • Obtención del proyecto común de segregación aprobado por el consejo de administración de la Sociedad, comprobando los términos relacionados con la mencionada segregación. • Obtención de las correspondientes autorizaciones emitidas por parte de las autoridades competentes.

Cuestiones clave de la auditoría	Modo en el que se han tratado en la auditoría
La estructura jurídica de la segregación se corresponde con una segregación simplificada, por ser la sociedad beneficiaria una sociedad directa e íntegramente participada por la Sociedad. Por tanto, la segregación está sujeta al régimen previsto en el artículo 49 de la Ley 3/2009, de 3 de abril, sobre modificaciones estructurales de las sociedades mercantiles. Una vez recibidas las correspondientes autorizaciones por parte de las autoridades competentes, la Sociedad ha procedido a registrar la segregación, dando de baja unos activos netos por importe de 184,7 millones de euros contra un mayor valor de la participación en Bankinter Investment, S.A.U., todo ello con efectos contables desde el 1 de enero de 2022, de acuerdo con la normativa contable vigente. Esta segregación se considera una cuestión clave de auditoría al tratarse de un hecho relevante que ha tenido lugar durante el ejercicio auditado. Ver Nota 13 de la memoria de las cuentas anuales adjuntas.	• Comprobación del adecuado registro contable y de la información incluida en las cuentas anuales de la Sociedad, en relación con la mencionada segregación. Como resultado de los procedimientos descritos anteriormente, no se ha puesto de manifiesto ninguna observación relevante sobre el registro contable de la segregación parcial de la unidad de banca de inversión a favor de Bankinter Investment, S.A.U., en el contexto del marco contable de aplicación bajo el que se elaboran las cuentas anuales adjuntas.

Provisiones por litigios y reclamaciones

La Sociedad se encuentra inmersa en ciertos procedimientos administrativos, judiciales o de otras índoles, relacionados con asuntos de naturaleza legal, resultantes del curso normal de su actividad. Los administradores y la dirección de la Sociedad tienen diseñada una política al respecto, bajo la cual deciden cuándo registrar una provisión por estos conceptos. En concreto, para determinados procesos legales, la Sociedad estima el importe de la provisión, aplicando procedimientos de cálculo consistentes con la experiencia histórica, análisis legal y las condiciones de incertidumbre inherentes a las obligaciones que cubren. Generalmente, tanto la determinación del resultado previsto de dichos procedimientos, como la evaluación de su efecto económico son asuntos de especial complejidad e incertidumbre en cuanto a su posible desenlace, periodo de finalización de dichos procesos y/o cuantía definitiva.	Hemos llevado a cabo nuestro entendimiento y análisis del proceso de identificación y evaluación de los litigios y procesos abiertos, y del proceso de registro de provisiones, así como del control interno del mismo, centrando nuestros procedimientos en aspectos como: • Entendimiento del entorno de control interno y de la política de calificación de las reclamaciones y litigios aprobada por la Sociedad, y de la constitución de las provisiones, incluyendo los controles asociados al cálculo y análisis de provisiones. • Evaluación de la metodología empleada por la Sociedad en la estimación de las provisiones asociadas a los principales procesos legales abiertos. • Análisis de las principales tipologías de reclamaciones y litigios de naturaleza legal vigentes al 31 de diciembre de 2022.

Cuestiones clave de la auditoría	Modo en el que se han tratado en la auditoría
En consecuencia, la estimación de las provisiones por litigios y reclamaciones es una de las áreas que conlleva un mayor componente de juicio y estimación en cuanto a su posible impacto en las cuentas anuales, motivo por el cual ha sido considerada una cuestión clave de la auditoría. Ver nota 20 de las cuentas anuales adjuntas.	• Comprobación de la información relativa a la evolución de las demandas y las sentencias en los principales procesos legales abiertos. • Análisis de una selección de demandas, comprobando la correcta agrupación de casos por tipología, para el cálculo de provisiones. • Comprobación de los datos históricos utilizados para la determinación de las provisiones, en relación con el resultado de los principales procesos legales. Como resultado de la realización de los procedimientos sobre las provisiones por litigios y reclamaciones, dichas estimaciones no se encuentran fuera de un rango razonable, en relación con los importes registrados en las cuentas anuales adjuntas.
Automatización de los sistemas de información financiera	
La operativa de la Sociedad tiene una gran dependencia de los cálculos, procesamientos e información gestionada de manera automática por los diversos sistemas de información utilizados. La efectividad del marco general de control interno de los sistemas de información relacionados con el proceso de registro y cierre contable es fundamental para la realización de ciertos procedimientos de auditoría basados en el control interno. El conocimiento, la evaluación y la validación de controles generales relativos a los sistemas de información financiera, por su naturaleza y por la extensión del trabajo de auditoría necesario, constituyen un área crítica de nuestra auditoría, motivo por el cual se ha considerado una cuestión clave de la auditoría.	Nuestro trabajo ha consistido en realizar determinados procedimientos en el ámbito de control interno general asociado a los sistemas de información, sobre los procesos que soportan el registro y cierre contable de la Sociedad, en colaboración con nuestros especialistas internos en sistemas de la información. Hemos obtenido un entendimiento de las funcionalidades e intervención en el proceso de registro y cierre contable de los distintos sistemas de información de la Sociedad. Para los sistemas de información considerados relevantes en este contexto, hemos realizado pruebas relativas a la comprobación de los siguientes aspectos: • Controles de índole general para la gestión de las autorizaciones de acceso del personal a los sistemas de información financiera para la implantación de cambios en los procesos informáticos. • Existencia de herramientas de gestión y control de los procesos automáticos y potenciales incidencias.

Cuestiones clave de la auditoría	Modo en el que se han tratado en la auditoría
	• Análisis del proceso de generación de asientos manuales y pruebas selectivas de extracción y filtrado de asientos inusuales en los sistemas de información financiera. • Comprobación de los controles automáticos que soportan los principales procesos clave del negocio que afectan al registro en los sistemas contables. Como resultado de los procedimientos anteriormente descritos, no se han identificado aspectos relevantes que pudieran afectar a las cuentas anuales adjuntas.

Otra información: Informe de gestión

La otra información comprende exclusivamente el informe de gestión del ejercicio 2022, cuya formulación es responsabilidad de los administradores de la Sociedad y no forma parte integrante de las cuentas anuales.

Nuestra opinión de auditoría sobre las cuentas anuales no cubre el informe de gestión. Nuestra responsabilidad sobre el informe de gestión, de conformidad con lo exigido por la normativa reguladora de la actividad de auditoría de cuentas, consiste en:

a) Comprobar únicamente que el estado de información no financiera, determinada información incluida en el Informe Anual de Gobierno Corporativo y el Informe Anual de Remuneraciones de los Consejeros, a los que se refiere la Ley de Auditoría de Cuentas, se ha facilitado en la forma prevista en la normativa aplicable y, en caso contrario, informar sobre ello.

b) Evaluar e informar sobre la concordancia del resto de la información incluida en el informe de gestión con las cuentas anuales, a partir del conocimiento de la entidad obtenido en la realización de la auditoría de las citadas cuentas, así como evaluar e informar de si el contenido y presentación de esta parte del informe de gestión son conformes a la normativa que resulta de aplicación. Si, basándonos en el trabajo que hemos realizado, concluimos que existen incorrecciones materiales, estamos obligados a informar de ello.

Sobre la base del trabajo realizado, según lo descrito anteriormente, hemos comprobado que la información mencionada en el apartado a) anterior se facilita en la forma prevista en la normativa aplicable y que el resto de la información que contiene el informe de gestión concuerda con la de las cuentas anuales del ejercicio 2022 y su contenido y presentación son conformes a la normativa que resulta de aplicación.

Responsabilidad de los administradores y de la comisión de auditoría en relación con las cuentas anuales

Los administradores son responsables de formular las cuentas anuales adjuntas, de forma que expresen la imagen fiel del patrimonio, de la situación financiera y de los resultados de la Sociedad, de conformidad con el marco normativo de información financiera aplicable a la entidad en España, y del control interno que consideren necesario para permitir la preparación de cuentas anuales libres de incorrección material, debida a fraude o error.

En la preparación de las cuentas anuales, los administradores son responsables de la valoración de la capacidad de la Sociedad para continuar como empresa en funcionamiento, revelando, según corresponda, las cuestiones relacionadas con empresa en funcionamiento y utilizando el principio contable de empresa en funcionamiento excepto si los administradores tienen intención de liquidar la Sociedad o de cesar sus operaciones, o bien no exista otra alternativa realista.

La comisión de auditoría es responsable de la supervisión del proceso de elaboración y presentación de las cuentas anuales.

Responsabilidades del auditor en relación con la auditoría de las cuentas anuales

Nuestros objetivos son obtener una seguridad razonable de que las cuentas anuales en su conjunto están libres de incorrección material, debida a fraude o error, y emitir un informe de auditoría que contiene nuestra opinión.

Seguridad razonable es un alto grado de seguridad, pero no garantiza que una auditoría realizada de conformidad con la normativa reguladora de la actividad de auditoría de cuentas vigente en España siempre detecte una incorrección material cuando existe. Las incorrecciones pueden deberse a fraude o error y se consideran materiales si, individualmente o de forma agregada, puede preverse razonablemente que influyan en las decisiones económicas que los usuarios toman basándose en las cuentas anuales.

Como parte de una auditoría de conformidad con la normativa reguladora de la actividad de auditoría de cuentas vigente en España, aplicamos nuestro juicio profesional y mantenemos una actitud de escepticismo profesional durante toda la auditoría. También:

- Identificamos y valoramos los riesgos de incorrección material en las cuentas anuales, debida a fraude o error, diseñamos y aplicamos procedimientos de auditoría para responder a dichos riesgos y obtenemos evidencia de auditoría suficiente y adecuada para proporcionar una base para nuestra opinión. El riesgo de no detectar una incorrección material debida a fraude es más elevado que en el caso de una incorrección material debida a error, ya que el fraude puede implicar colusión, falsificación, omisiones deliberadas, manifestaciones intencionadamente erróneas, o la elusión del control interno.

- Obtenemos conocimiento del control interno relevante para la auditoría con el fin de diseñar procedimientos de auditoría que sean adecuados en función de las circunstancias, y no con la finalidad de expresar una opinión sobre la eficacia del control interno de la entidad.

- Evaluamos si las políticas contables aplicadas son adecuadas y la razonabilidad de las estimaciones contables y la correspondiente información revelada por los administradores.

- Concluimos sobre si es adecuada la utilización, por los administradores, del principio contable de empresa en funcionamiento y, basándonos en la evidencia de auditoría obtenida, concluimos sobre si existe o no una incertidumbre material relacionada con hechos o con condiciones que pueden generar dudas significativas sobre la capacidad de la Sociedad para continuar como empresa en funcionamiento. Si concluimos que existe una incertidumbre material, se requiere que llamemos la atención en nuestro informe de auditoría sobre la correspondiente información revelada en las cuentas anuales o, si dichas revelaciones no son adecuadas, que expresemos una opinión modificada. Nuestras conclusiones se basan en la evidencia de auditoría obtenida hasta la fecha de nuestro informe de auditoría. Sin embargo, los hechos o condiciones futuros pueden ser la causa de que la Sociedad deje de ser una empresa en funcionamiento.

- Evaluamos la presentación global, la estructura y el contenido de las cuentas anuales, incluida la información revelada, y si las cuentas anuales representan las transacciones y hechos subyacentes de un modo que logran expresar la imagen fiel.

Nos comunicamos con la comisión de auditoría de la entidad en relación con, entre otras cuestiones, el alcance y el momento de realización de la auditoría planificados y los hallazgos significativos de la auditoría, así como cualquier deficiencia significativa del control interno que identificamos en el transcurso de la auditoría.

También proporcionamos a la comisión de auditoría de la entidad una declaración de que hemos cumplido los requerimientos de ética aplicables, incluidos los de independencia, y nos hemos comunicado con la misma para informar de aquellas cuestiones que razonablemente puedan suponer una amenaza para nuestra independencia y, en su caso, de las correspondientes salvaguardas.

Entre las cuestiones que han sido objeto de comunicación a la comisión de auditoría de la entidad, determinamos las que han sido de la mayor significatividad en la auditoría de las cuentas anuales del periodo actual y que son, en consecuencia, las cuestiones clave de la auditoría.

Describimos esas cuestiones en nuestro informe de auditoría salvo que las disposiciones legales o reglamentarias prohíban revelar públicamente la cuestión.

Informe sobre otros requerimientos legales y reglamentarios

Formato electrónico único europeo

Hemos examinado el archivo digital del formato electrónico único europeo (FEUE) de Bankinter, S.A. del ejercicio 2022 que comprende un archivo XHTML con las cuentas anuales del ejercicio, que formará parte del informe financiero anual.

Los administradores de Bankinter, S.A. son responsables de presentar el informe financiero anual del ejercicio 2022 de conformidad con los requerimientos de formato establecidos en el Reglamento Delegado UE 2019/815, de 17 de diciembre de 2018, de la Comisión Europea (en adelante Reglamento FEUE). A este respecto, el Informe Anual de Gobierno Corporativo y el Informe Anual de Remuneraciones de los Consejeros han sido incorporados por referencia en el informe de gestión.

Nuestra responsabilidad consiste en examinar el archivo digital preparado por los administradores de la Sociedad, de conformidad con la normativa reguladora de la actividad de auditoría de cuentas en vigor en España. Dicha normativa exige que planifiquemos y ejecutemos nuestros procedimientos de auditoría con el fin de comprobar si el contenido de las cuentas anuales incluidas en dicho fichero se corresponde íntegramente con el de las cuentas anuales que hemos auditado, y si el formato de las mismas se ha realizado en todos los aspectos significativos, de conformidad con los requerimientos establecidos en el Reglamento FEUE.

En nuestra opinión, el archivo digital examinado se corresponde íntegramente con las cuentas anuales auditadas, y éstas se presentan, en todos sus aspectos significativos, de conformidad con los requerimientos establecidos en el Reglamento FEUE.

Informe adicional para la comisión de auditoría

La opinión expresada en este informe es coherente con lo manifestado en nuestro informe adicional para la comisión de auditoría de la Sociedad de fecha 22 de febrero de 2023.

Periodo de contratación

La Junta General Ordinaria de Accionistas celebrada el 23 de marzo de 2022 nos nombró como auditores por un periodo de un año para el ejercicio finalizado el 31 de diciembre de 2022.

Con anterioridad, fuimos designados por acuerdo de la Junta General Ordinaria de Accionistas para el periodo de tres años y hemos venido realizando el trabajo de auditoría de cuentas de forma ininterrumpida desde el ejercicio finalizado el 31 de diciembre de 2016.

Servicios prestados

Los servicios, distintos de la auditoría de cuentas, que han sido prestados a la entidad auditada y a sus sociedades dependientes se desglosan en la nota 41 de la memoria de las cuentas anuales.

PricewaterhouseCoopers Auditores, S.L. (S0242)

Amagoia Delgado Rodríguez (22009)

22 de febrero de 2023

AUDITORES
INSTITUTO DE CENSORES JURADOS DE CUENTAS DE ESPAÑA

PRICEWATERHOUSECOOPERS AUDITORES, S.L.

2023 Núm. 01/23/00954
96,00 EUR

SELLO CORPORATIVO:
Informe de auditoría de cuentas sujeto a la normativa de auditoría de cuentas española o internacional

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Balance sheets at 31 December 2022 and 2021

(Thousands of euros)

ASSETS	Note	31.12.2022	31.12.2021(*)
Cash, cash balances at central banks and other demand deposits	**6**	**12,531,236**	**21,762,533**
Financial assets held for trading	**7**	**4,055,770**	**4,038,256**
Derivatives		1,181,732	342,070
Equity instruments		164,756	197,862
Debt securities		974,684	1,246,748
Loans and advances		1,734,598	2,251,575
Central banks		-	-
Credit institutions		1,320,483	2,251,575
Customers		414,115	-
Memorandum items: loaned or pledged		524,832	667,722
Non-trading financial assets mandatorily at fair value through profit or loss	**8**	**104,973**	**187,694**
Equity instruments		71,717	129,675
Debt securities		884	739
Loans and advances		32,372	57,281
Central banks		-	-
Credit institutions		-	-
Customers		32,372	57,281
Memorandum items: loaned or pledged		-	-
Financial assets designated at fair value through profit or loss		-	-
Debt securities		-	-
Loans and advances		-	-
Central banks		-	-
Credit institutions		-	-
Customers		-	-
Memorandum items: loaned or pledged		-	
Financial assets at fair value through other comprehensive income	**9**	**2,605,817**	**2,525,109**
Equity instruments		195,616	304,892
Debt securities		2,410,201	2,220,217
Loans and advances		-	-
Central banks		-	-
Credit institutions		-	-
Customers		-	-
Memorandum items: loaned or pledged		618,859	868,516
Financial assets at amortised cost	**10**	**83,450,572**	**76,182,598**
Debt securities		9,702,877	7,945,821
Loans and advances		73,747,695	68,236,778
Central banks		-	-
Credit institutions		4,225,845	3,623,268
Customers		69,521,850	64,613,510
Memorandum items: loaned or pledged		9,285,766	7,095,267
Derivatives – hedge accounting	**11**	**1,056,927**	**162,792**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	**11**	**(576,938)**	**53,396**
Investments in subsidiaries, joint ventures and associates	**13**	**650,646**	**567,593**
Subsidiaries		604,401	430,592
Joint ventures		-	90,686
Associates		46,245	46,315
Tangible assets	**14.15**	**386,342**	**393,097**
Property, plant and equipment		386,342	393,097
For own use		380,041	384,389
Leased out under an operating lease		6,301	8,708
Assigned to welfare projects (savings banks and credit cooperatives)		-	-
Investment property		-	-
Of which: Leased out under operating leases		-	
Memorandum items: Acquired under finance leases		125,717	127,151
Intangible assets	**16**	**57,385**	**58,662**
Goodwill		-	-
Other intangible assets		57,385	58,662
Tax assets	**17**	**580,306**	**796,398**
Current tax assets		197,938	413,179
Deferred tax assets		382,368	383,220
Other assets	**18**	**69,087**	**64,835**
Insurance contracts linked to pensions		-	-
Inventories		-	-
Other assets		69,087	64,835
Non-current assets and disposal groups classified as held for sale	**12**	**11,232**	**17,414**
TOTAL ASSETS		**104,983,353**	**106,810,378**

The accompanying notes 1 to 51 and appendices I, II and III attached hereto form an integral part of the balance sheet as at 31 December 2022.

(*) Presented for comparison purposes only.

Balance sheets as at 31 December 2022 and 2021

(Thousands of euros)

EQUITY AND LIABILITIES	Note	31.12.2022	31.12.2021(*)
LIABILITIES			
Financial liabilities held for trading	**7**	**3,338,249**	**3,690,800**
Derivatives		1,131,119	433,099
Short positions		918,983	1,472,332
Deposits		1,288,147	1,785,370
Central banks		-	-
Credit institutions		-	245,677
Customers		1,288,147	1,539,693
Debt securities issued		-	
Other financial liabilities		-	-
Financial liabilities designated at fair value through profit or loss		**-**	**-**
Deposits		-	-
Central banks		-	-
Credit institutions		-	-
Customers		-	-
Debt securities issued		-	-
Other financial liabilities		-	-
Memorandum items: subordinated liabilities		-	
Financial liabilities at amortised cost	**19**	**95,757,045**	**97,363,036**
Deposits		85,759,777	87,249,296
Central banks		11,699,869	14,190,714
Credit institutions		4,663,867	5,953,977
Customers		69,396,041	67,104,604
Debt securities issued		6,974,805	8,400,112
Other financial liabilities		3,022,463	1,713,627
Memorandum items: subordinated liabilities		1,081,087	1,693,350
Derivatives – hedge accounting	**11**	**622,286**	**275,076**
Fair value changes of the hedged items in portfolio hedge of interest rate risk		**(203,914)**	**1,957**
Provisions	**20**	**278,401**	**320,023**
Pensions and other post-employment defined benefit obligations		1,154	1,109
Other long-term employee benefits		-	-
Pending legal issues and tax litigation		47,552	62,118
Commitments and guarantees given		25,636	24,608
Other provisions		204,060	232,188
Tax liabilities	**17**	**286,060**	**290,835**
Current tax liabilities		230,038	185,041
Deferred tax liabilities		56,022	105,793
Share capital repayable on demand		**-**	**-**
Other liabilities	**18**	**241,158**	**187,621**
Of which: welfare fund (savings banks and credit cooperatives only)		-	-
Liabilities included in disposal groups classified as held for sale		**-**	**-**
TOTAL LIABILITIES		100,319,285	102,129,347

The accompanying notes 1 to 51 and appendices I, II and III attached hereto form an integral part of the balance sheet as at 31 December 2022.

(*) Presented for comparison purposes only.

Balance sheets as at 31 December 2022 and 2021

(Thousands of euros)

LIABILITIES AND EQUITY (continued)	Note	31.12.2022	31.12.2021(*)
SHAREHOLDERS' EQUITY		4,577,227	4,383,944
Capital	21	269,660	269,660
a) Paid up capital		269,660	269,660
b) Unpaid capital which has been called up		-	-
Memorandum items: uncalled share capital			
Share premium		-	-
Equity instruments issued other than capital		-	-
a) Equity component of compound financial instruments		-	-
b) Other equity instruments issued		-	-
Other equity		11,700	5,877
Retained earnings		4,040,536	2,904,007
Revaluation reserves		-	-
Other reserves		-	-
(-) Treasury shares		(1,261)	(905)
Profit or loss for the period		456,430	1,371,351
(-) Interim dividends	21	(199,837)	(166,046)
ACCUMULATED OTHER COMPREHENSIVE INCOME	22	86,841	297,087
Items that will not be reclassified to profit or loss		141,617	246,582
a) Actuarial gains or (-) losses on defined benefit pension plans		6,255	3,584
b) Non-current assets and disposal groups classified as held for sale		-	-
c) Fair value changes of equity instruments measured at fair value through other comprehensive income		135,362	242,998
d) Hedge ineffectiveness of fair value hedges for equity instruments measured at fair value through other comprehensive income		-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income [hedged item]		-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income [hedging instrument]		-	
e) Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk		-	-
Items that may be reclassified to profit or loss		(54,776)	50,505
a) Hedge of net investments in foreign operations [effective portion]		-	-
b) Foreign currency translation		-	-
c) Hedging derivatives. Cash flow hedges reserve [effective portion]		6,402	(329)
d) Fair value changes of debt instruments measured at fair value through other comprehensive income	9	(61,178)	50,834
e) Hedging instruments [not designated elements]		-	-
f) Non-current assets and disposal groups classified as held for sale		-	-
TOTAL EQUITY		4,664,068	4,681,031
TOTAL EQUITY AND LIABILITIES		104,983,353	106,810,378
MEMORANDUM ITEMS: OFF-BALANCE-SHEET EXPOSURES			
Loan commitments given	24	14,546,275	12,773,074
Financial guarantees given	24	2,092,400	1,765,266
Other commitments given	24	9,634,105	8,400,677

The accompanying notes 1 to 51 and appendices I, II and III attached hereto form an integral part of the balance sheet as at 31 December 2022.

(*) Presented for comparison purposes only.

Income statement for the years ended 31 December 2022 and 2021

(Thousands of euros)

	Note	(Debit)/Credit 31.12.2022	(Debit)/Credit 31.12.2021(*)
Interest income	29	1,425,752	1,157,430
Financial assets at fair value through other comprehensive income		48,550	56,029
Financial assets at amortised cost		1,311,306	987,100
Other assets		65,896	114,301
(Interest expenses)	29	(276,100)	(208,469)
(Expenses on share capital repayable on demand)		-	-
A) NET INTEREST INCOME		**1,149,652**	**948,960**
Dividend income		99,917	50,552
Fee and commission income	28	631,761	667,163
(Fee and commission expenses)	28	(178,344)	(174,591)
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	30	41,583	35,522
Financial assets at amortised cost		34,403	32,134
Other financial assets and liabilities		7,180	3,390
Gains or losses on financial assets and liabilities held for trading, net	30	27,170	19,758
Reclassification of financial assets out of fair value through other comprehensive income		-	
Reclassification of financial assets out of amortised cost		-	-
Other gains or losses		27,170	19,758
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss, net	30	(5,843)	16,241
Reclassification of financial assets out of fair value through other comprehensive income		-	-
Reclassification of financial assets out of amortised cost		-	-
Other gains or losses		(5,843)	16,241
Gains or losses on financial assets and liabilities designated at fair value through profit or loss, net	30	-	
Gains or losses from hedge accounting, net		(109)	12
Exchange differences [gain or loss], net	31	(7,911)	1,864
Other operating income	33	34,369	33,323
(Other operating expenses)	33	(164,682)	(144,673)
Of which: compulsory transfers to welfare funds (only savings banks and credit cooperatives)		-	-
B) GROSS OPERATING INCOME		**1,627,563**	**1,454,131**
(Administrative expenses)		(718,720)	(672,756)
(Staff expenses)	27	(388,893)	(367,397)
(Other administrative expenses)	32	(329,827)	(305,358)
(Redemption)		(42,078)	(42,272)
(Provisions or reversal or provisions)	20	(74,860)	(102,708)
(Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss) or modification gains or losses, net)		(131,264)	(143,985)
(Financial assets at fair value through other comprehensive income)	9	(65)	164
(Financial assets at amortised cost)	10	(131,199)	(144,150)
(Impairment or reversal of impairment of investments in subsidiaries, joint ventures and associates)	13	(16,070)	(66)
(Impairment or reversal of impairment on non-financial assets)		-	(2,377)
(Tangible assets)		-	-
(Intangible assets)		-	(2,377)
(Other)		-	-
Gains or losses on derecognition of non-financial assets, net	34	(1,738)	735
Negative goodwill recognised in profit or loss		-	
Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	34	(1,555)	(2,854)
C) PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS		**641,278**	**487,847**
Tax expense or income related to profit or loss from continuing operations	42	(184,848)	(128,186)
D) PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS		**456,430**	**359,662**
Profit or loss after tax from discontinued operations	13	-	1,011,689
E) PROFIT OR LOSS FOR THE PERIOD		**456,430**	**1,371,351**
EARNINGS PER SHARE:			
Basic	22	0.51	1.53
Diluted	22	0.49	1.50

The accompanying notes 1 to 51 and appendices I, II and III attached hereto form an integral part of the income statement for the year ended 31 December 2022.

(*) Presented for comparison purposes only.

Statement of recognised income and expense for the years ended 31 December 2022 and 2021

(Thousands of euros)

	31.12.2022	31.12.2021(*)
A) PROFIT OR LOSS FOR THE PERIOD	456,430	1,371,351
B) OTHER COMPREHENSIVE INCOME	(210,246)	204,593
Items that will not be reclassified to profit or loss	(104,965)	247,277
a) Actuarial gains or (-) losses on defined benefit pension plans	3,787	6,072
b) Non-current assets and disposal groups held for sale	-	
c) Fair value changes of equity instruments measured at fair value through other comprehensive income	(109,276)	246,699
d) Gains or (-) losses from hedge accounting of equity instruments at fair value through other comprehensive income, net	-	-
e) Fair value changes of equity instruments measured at fair value through other comprehensive income (hedged item)	-	-
f) Fair value changes of equity instruments measured at fair value through other comprehensive income (hedging instrument)	-	-
g) Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	-	-
h) Income tax relating to items that will not be reclassified	524	(5,494)
Items that may be reclassified to profit or loss	(105,281)	(42,684)
a) Hedge of net investments in foreign operations [effective portion]	-	-
Valuation gains or (-) losses taken to equity	-	-
Transferred to profit or loss	-	-
Other reclassifications	-	-
b) Foreign currency translation	-	-
Translation gains or (-) losses taken to equity	-	-
Transferred to profit or loss	-	-
Other reclassifications	-	-
c) Cash flow hedges [effective portion]	9,617	904
Valuation gains or (-) losses taken to equity	9,617	904
Transferred to profit or loss	-	-
Transferred to initial carrying amount of hedged items	-	-
Other reclassifications	-	-
d) Hedging instruments [not designated elements]	-	-
Valuation gains or (-) losses taken to equity	-	-
Transferred to profit or loss	-	-
Other reclassifications	-	-
e) Debt instruments at fair value through other comprehensive income	(160,017)	(61,880)
Valuation gains or (-) losses taken to equity	(158,393)	(58,612)
Transferred to profit or loss	(1,624)	(3,268)
Other reclassifications	-	
f) Non-current assets and disposal groups held for sale	-	-
Valuation gains or (-) losses taken to equity	-	-
Transferred to profit or loss	-	-
Other reclassifications	-	-
g) Income tax relating to items that may be reclassified to profit or loss	45,120	18,293
C) TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	246,184	1,575,944

The accompanying notes 1 to 51 and appendices I, II and III attached hereto form an integral part of the statement of recognised income and expense for the year ended 31 December 2022.
(*) Presented for comparison purposes only.

Statement of total changes in equity for the years ended 31 December 2022 and 2021

(Thousands of euros)

	Share capital (Note 22)	Share premium (Note 22)	Equity instruments issued other than capital	Other equity	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares (Note 22)	Profit or loss for the period	(-) Interim dividends (Note 22)	Other comprehensive income (Note 21)	Total
Closing balance at 31.12.2021(*)	**269,660**	**-**	**-**	**5,877**	**2,904,007**	**-**	**-**	**(905)**	**1,371,351**	**(166,046)**	**297,087**	**4,681,031**
Effects of correction of errors	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance 01/01/2022	**269,660**	**-**	**-**	**5,877**	**2,904,007**	**-**	**-**	**(905)**	**1,371,351**	**(166,046)**	**297,087**	**4,681,031**
Total comprehensive income for the period	-	-	-	-	-	-	-	-	456,430	-	(210,246)	246,184
Other changes in equity	**-**	**-**	**-**	**5,822**	**1,136,529**	**-**	**-**	**(356)**	**(1,371,351)**	**(33,792)**	**-**	**(263,147)**
Issuance of ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of preference shares	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
Exercise or expiration of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt to equity	-		-	-	-	-	-	-	-	-	-	-
Capital reduction	-	-	-	-	-	-	-	-	-	-	-	-
Dividends (or remuneration to shareholders) (Note 13)	-	-	-	-	-	-	-	-	-	(252,479)	-	(252,479)
Purchase of treasury shares	-	-	-	-	(825)	-	-	(20,232)	-	-	-	(21,057)
Sale or cancellation of treasury shares	-		-	-	-	-	-	19,876	-	-	-	19,876
Reclassification of financial instruments from equity to liability	-		-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liability to equity	-	-	-	-	-	-	-	-	-	-	-	-
Transfers among components of equity	-	-	-	-	1,152,663	-	-	-	(1,371,351)	218,688	-	-
Equity increase or (-) decrease resulting from business combinations	-	-	-	-	-	-	-	-	-	-	-	
Share-based payments	-	-	-	5,822	-	-	-	-	-	-	-	5,822
Other increases or (-) decreases in equity	-	-	-	-	(15,309)	-	-	-	-	-	-	(15,309)
Of which: discretionary transfer to welfare funds (only savings banks and credit cooperatives)	-		-	-	-	-	-	-	-	-	-	-
Closing balance at 31/12/2022	**269,660**	-	**-**	**11,700**	**4,040,536**	**-**	**-**	**(1,261)**	**456,430**	**(199,837)**	**86,841**	**4,664,068**

The accompanying notes 1 to 51 and appendices I, II and III attached hereto form an integral part of the statement of total changes in equity for the year ended 31 December 2022.

(*) Presented for comparison purposes only.

Statement of total changes in equity for the years ended 31 December 2022 and 2021

(Thousands of euros)

	Share capital (Note 22)	Share premium (Note 22)	Equity instruments issued other than capital	Other equity	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares (Note 22)	Profit or loss for the period	(-) Interim dividends (Note 22)	Other comprehensive income (Note 21)	Total
Closing balance at 31.12.2020(*)	**269,660**	**1,184,265**	**-**	**7,112**	**2,765,801**	**-**	**-**	**(2,146)**	**201,957**	**-**	**92,494**	**4,519,141**
Effects of correction of errors	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance 01/01/2021	**269,660**	**1,184,265**	**-**	**7,112**	**2,765,801**	**-**	**-**	**(2,146)**	**201,957**	**-**	**92,494**	**4,519,141**
Total comprehensive income for the period	-	-	-	-	-	-	-	-	1,371,351	-	204,593	1,575,944
Other changes in equity	**-**	**(1,184,265)**	**-**	**(1,234)**	**138,206**	**-**	**-**	**1,241**	**(201,957)**	**(166,046)**	**-**	**(1,414,054)**
Issuance of ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of preference shares	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
Exercise or expiration of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt to equity	-		-	-	-	-	-	-	-	-	-	-
Capital reduction	-	-	-	-	-	-	-	-	-	-	-	-
Dividends (or remuneration to shareholders)	-	(1,184,265)	-	-	-	-	-	-	-	(210,769)	-	(1,395,034)
Purchase of treasury shares	-	-	-	-	279	-	-	(18,832)	-	-	-	(18,552)
Sale or cancellation of treasury shares	-		-	-	-	-	-	20,073	-	-	-	20,073
Reclassification of financial instruments from equity to liability	-		-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liability to equity	-	-	-	-	-	-	-	-	-	-	-	-
Transfers among components of equity	-	-	-	-	157,233	-	-	-	(201,957)	44,724	-	-
Equity increase or (-) decrease resulting from business combinations	-	-	-	-	-	-	-	-	-	-	-	
Share-based payments	-	-	-	(1,234)	-	-	-	-	-	-	-	(1,234)
Other increases or (-) decreases in equity	-	-	-	-	(19,306)	-	-	-	-	-	-	(19,306)
Of which: discretionary transfer to welfare funds (only savings banks and credit cooperatives)	-		-	-	-	-	-	-	-	-	-	-
Closing balance at 31.12.2021(*)	**269,660**	-	**-**	**5,877**	**2,904,007**	**-**	**-**	**(905)**	**1,371,351**	**(166,046)**	**297,087**	**4,681,031**

(*) Presented for comparison purposes only.

Statement of cash flows for the years ended 31 December 2022 and 2021

(Thousands of euros)

	Note	31.12.2022	31.12.2021(*)
A) CASH FLOWS FROM OPERATING ACTIVITIES		(8,370,334)	7,119,567
Profit or loss for the period		456,430	1,371,351
Adjustments to obtain cash flows from operating activities		447,261	(489,050)
Redemption	14.15	42,078	42,272
Other adjustments		405,183	(531,322)
Net increase/(decrease) in operating assets		7,784,194	6,370,191
Financial assets held for trading		17,514	1,879,514
Non-trading financial assets mandatorily at fair value through profit or loss		(82,721)	38,815
Financial assets designated at fair value through profit or loss		-	-
Financial assets at fair value through other comprehensive income		350,065	(94,190)
Financial assets at amortised cost		6,760,769	4,278,720
Other operating assets		738,567	267,333
Net increase/(decrease) in operating liabilities		(1,580,532)	12,917,540
Financial liabilities held for trading		(352,551)	2,311,979
Financial liabilities designated at fair value through profit or loss		-	-
Financial liabilities at amortised cost		(1,317,502)	10,948,387
Other operating liabilities		89,521	(342,826)
Income tax recovered/(paid)		90,701	(310,081)
B) CASH FLOWS FROM INVESTING ACTIVITIES		(108,128)	(64,659)
Payments		236,393	78,564
Tangible assets		13,250	10,600
Intangible assets		6,253	8,461
Investments in subsidiaries, joint ventures and associates	13	216,890	59,503
Other business units		-	-
Non-current assets and liabilities classified as held for sale		-	
Other payments related to investing activities		-	-
Proceeds		128,265	13,905
Tangible assets		4,416	7,685
Intangible assets		-	-
Investments in subsidiaries, joint ventures and associates	13	117,768	-
Other business units		-	-
Non-current assets and liabilities classified as held for sale		6,081	6,220
Other proceeds related to investing activities	13	-	-
C) CASH FLOWS FROM FINANCING ACTIVITIES		(752,835)	340,472
Payments		772,711	429,601
Dividends	21	252,479	210,769
Subordinated liabilities	19	500,000	200,000
Redemption of own equity instruments		-	-
Acquisition of own equity instruments		20,232	18,832
Other payments related to financing activities		-	-
Proceeds		19,876	770,073
Subordinated liabilities	19	-	750,000
Issuance of own equity instruments		-	-
Disposal of own equity instruments		19,876	20,073
Other proceeds related to financing activities		-	-
D) EFFECT OF EXCHANGE RATE CHANGES		-	-
E) NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)		(9,231,297)	7,395,380
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	6	21,762,533	14,367,153
G) CASH AND CASH EQUIVALENTS AT END OF PERIOD	6	12,531,236	21,762,533
Of which: Interest received		1,341,211	1,036,186
Of which: Interest paid		309,242	233,199

The accompanying notes 1 to 51 and appendices I, II and III attached hereto form an integral part of the statement of cash flows for the year ended 31 December 2022.

(*) Presented for comparison purposes only.

Bankinter, S.A.

Notes to the financial statements for the year ended 31 December 2022

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

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

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

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

The companies forming Bankinter Group are listed in Note 13.

Bankinter Group's consolidated balance sheets as at 31 December 2022 and 2021 and the consolidated income statements for the years then ended are presented in Appendix II.

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

- In the year, Bankinter and Liberty Seguros reached an agreement to jointly carry out their insurance businesses through **Bankinter Liberty Hogar y Auto, S.A.**, whose main focus will be marketing car and homeowners' insurance products and services. With this transaction, which is subject to securing the pertinent authorisations from regulators, Liberty will acquire 50.01% of Bankinter Hogar y Auto, S.A. from Bankinter and Bankinter will retain the remaining 49.99%. The products' design and development will benefit from Liberty Seguros' expertise, and they will be distributed exclusively through Bankinter's online and offline retail networks in Spain and Portugal, including EVO Banco, Bankinter Group's fully digital bank. At the end of the reporting period, the company was still not operating, and the regulatory authorisations required to execute the agreement were still being processed.
- In the first half of the year, Bankinter, S.A. set up a wholly subsidiary, **Bankinter Investment, S.A.U.** Bankinter, S.A. has spun off to Bankinter Investment S.A.U. the assets and liabilities of the economic unit that the investment banking business had been running, until now, essentially: i) origination and structuring of alternative investment operations; ii) advice on corporate operations (mainly M&A) and; iii) advice on structured and alternative financing operations.
- **Bankinter Investment SGEIC**, alternative investment fund management firm subordinate to Bankinter Investment, S.A.U., was also incorporated. This firm aims to make progress in alternative investing options. It offers alternative investing under delegated management, tailored to each customer's profile and striving for appropriate investment diversification. Under the new, recently approved regulatory framework (Law 18/2022, of 28 September, on creating and growing businesses), this alternative investment platform, through the management firm, will be available for investments from 10,000 euros. The firm will keep the Bank's model: investments in real-economy sectors carefully selected for their potential for growth, search for the best professional management for each investment type, close tracking of all investments to protect the interests of investors, and co-investment of Bankinter Investment S.A.U. and its expert sectoral partners, and other investors.
- **Bankinter International Notes S.à r.l.**, a wholly owned Bankinter Group subsidiary located in Luxembourg, began operations during the year. It was set up for the issuance of structured bonds, which are marketed by the Bankinter, S.A. parent.
- At the end of the reporting period, Bankinter Group, through its subsidiary engaged in consumer lending (Bankinter Consumer Finance, E.F.C.), was at an advanced stage of negotiation with Sonae SGPS, S.A. to create a joint venture to become leaders in consumer lending in Portugal. This partnership will rely on the combination of the current consumer businesses held by bother partners in Portugal.
- The period also featured the early redemption of the entire series of fixed-rate 2.50% **subordinated notes**, with a nominal amount of 500 million euros, issued in April 2017 (Note 19). In the period, **covered bonds** amounting to 750 million euros with maturity at 5.5 years (note 19) were issued.
- Also, 2,550 million euros drawn by the Bank from the lines of the European Central Bank's **third series of targeted longer-term refinancing operations** (TLTRO III) expired, with 11,682 million euros still to expire. The conditions of these TLTRO III lines have been recalibrated by the ECB as part of its monetary policy measures to fight inflation. Specifically, the ECB has set its interest rate as the average of the interest rate of its own deposit facility during the remaining period until each drawdown expires; and has enabled early repayment of the drawdowns (Note 19).

- Law 38/2022 was approved in December 2022, establishing a **temporary tax rate** on credit institutions: credit institutions and credit financial establishments operating in Spanish territory whose total income from interest and fees and commissions, calculated according to the applicable accounting regulations, for 2019 is equal to or higher than 800 million euros must pay this temporary tax rate for 2023 and 2024. This temporary tax rate will have the legal consideration of public non-tax charges. The amount to be paid by each liable party will be the result of applying 4.8% of the sum of the net interest income plus the revenue and expenses from fees and commissions derived from their operations in Spain. Note 51. Events after the reporting period).

2. Accounting standards applied

a) Basis of preparation of the separate financial statements

In view of adapting the accounting regime of Spanish credit institutions to the principles and criteria of the International Financial Reporting Standards as adopted by the European Union regulations (IFRS-EU), Banco de España published Circular 4/2017, of 27 November, with entry into force set for 1 January 2018. Banco de España has updated this circular to maintain its alignment with the amendments made to the International Financial Reporting Standards adopted in the European Union and with other European regulations.

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

The Bank's 2022 financial statements were authorised for issue by the directors (at a meeting of the board of directors held on 22 February 2023) in accordance with the regulatory framework applicable to the Bank, as set out in the Code of Commerce and other company law and Banco de España Circular 4/2017 and its subsequent amendments, and other regulations. These financial statements will be presented for approval at the Annual General Meeting and it is expected that they will be approved with modification.

The financial statements for 2021 have been prepared from the Bank's accounting records. Bankinter, S.A.'s annual financial statements for 2021 were approved by the shareholders at the Annual General Meeting held on 23 March 2022.

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

The Directors of the Bank, as the parent company of a business group, have authorised for issue the consolidated financial statements of the Bankinter Group for the same year simultaneously with the individual statements of the bank for 2022. The consolidated financial statements are included as an appendix to this document.

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

b) Accounting principles and measurement standards

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

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

c) Judgements and estimates used

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

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

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

d) Comparison of information

The information referred to 2020 in these notes to the financial statements for last period is presented exclusively for comparison with the information for the current period.

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

3. Distribution of profit for the year

The proposed distribution of the profit obtained by Bankinter, S.A. during the year ended 31 December 2022 prepared by the Bank's directors and to be submitted for approval at the Annual General Meeting is as follows:

Distribution:	
Voluntary reserves	176,329
Legal reserve	-
Dividends (Note 22)	280,101
Profit distributed	456,430
Profit or loss for the period	**456,430**

Shareholders at the Annual General Meeting held on 23 March 2022 approved the distribution of 2021 profit, which consisted of earmarking 1,152,663 thousand euros to "Voluntary reserves" and 218,687 thousand euros to "Dividends".

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

4. Deposit Guarantee Fund and Single Resolution Fund

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

5. Accounting principles and measurement bases applied

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

a) Going concern principle

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

b) Accruals principle

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

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

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

c) Foreign currency transactions and balances

The functional and presentation currency for these annual financial statements is the euro. Accordingly, all balances and transactions in currencies other than the euro are considered to be denominated in "foreign currency".

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

- Monetary items in foreign currency are translated to the functional currency at the closing exchange rate.
- Non-monetary items measured at historical cost are translated to the functional currency at the exchange rate at the date of acquisition.
- Non-monetary items measured at fair value are translated at the exchange rates at the date when the fair value was determined.

- Income and expenses are translated at the exchange rate at the transaction date. An average exchange rate may be used for all the transactions carried out in a particular period.
- Forward foreign exchange contracts against currencies and currencies against euros not to hedge asset positions are translated at the exchange rates established at period-end by the forward foreign exchange market for the given maturity.
- Forward currency contracts: These transactions are translated at the rate of exchange at the reporting date in the forward foreign exchange market, bearing in mind the term of maturity.

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

d) Statement of cash flows

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

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

e) Statement of recognised income and expense

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

Therefore, this statement presents:

a. Profit or loss for the year.

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

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

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

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

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

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

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

f) Statement of total changes in equity

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

- Adjustments due to changes in accounting policies and error corrections: which includes the changes in equity that arise as a result of the retroactive restatement of the balances in the financial statements originating from changes in accounting policies or error corrections.
- Income and expenses recognised during the year: includes, in aggregate, the total of the items recorded in the statement of recognised income and expense indicated above.

- **Other changes in equity**: reflects the rest of the items recognised under equity, such as increases or decreases in the appropriation fund, distribution of earnings, transactions involving treasury shares, payments involving equity instruments, transfers between equity items and any other increase or decrease in equity.

g) Recognition, measurement and classification of financial instruments

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

Financial assets

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

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

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

- They shall be the most consistent and suitable techniques and they shall incorporate observable market data, such as: recent transactions of other instruments that are substantially the same; discounted cash flows and market models for valuing options.
- They shall be techniques that provide the most realistic estimate on the price of the instrument, and preferably, they shall be those which, usually, use participants in the market when valuing the instrument.
- They shall maximise the use of observable market data, limiting the use of unobservable data as much as possible. The measurement method shall be applied over time so long as the reasons for choosing it do not change. In any event, the entity must regularly assess the valuation technique and examine its validity by using observable prices from recent transactions and from current market data.
- Consideration will be made of factors such as the temporary value of money, credit risk, the exchange rate, equity instrument prices, volatility, liquidity, the risk of early repayment and administration costs, among others.

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

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

a) Financial assets at amortised cost.

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

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

   Financial assets held for trading.

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

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

e) Derivatives – hedge accounting.

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

This decision will be taken on the basis of:

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

1. Business model:

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

There are three different business models:

- Traditional business model to collect contractual cash flows.
- Mixed model to both collect contractual cash flows and sell.
- Trading business model to obtain capital gains on the sale.

Under certain relevant circumstances, the Entity may decide to change the definitions of business models. These changes in business models may involve prospective reclassifications between accounting portfolios of the affected assets, with effective date from the first business day of the next financial reporting period. The change in model must comply with the requirements of accounting regulations: a) infrequent; b) change of management determined by the competent governing body; and c) originated by external factors with a relevant, observable impact.

2.- Contractual cash flow characteristics:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial liabilities

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

a) Financial liabilities held for trading.

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

c) Financial liabilities at amortised cost.

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

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

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

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

b) They are short positions on securities.

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

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

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

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

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

- it is hybrid financial instrument and meets certain conditions.
- if doing so eliminates or significantly reduces a measurement or recognition inconsistency (accounting mismatch) that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
- when doing so results in more relevant information, because a group of financial liabilities, or financial assets and liabilities is managed and its performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy, and information about the group is provided on that basis to the entity's key management personnel.

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

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

Equity instruments

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

a) The instrument does not include a contractual obligation:

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

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

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

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

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

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

h) Recognition of income and expenses

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

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

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

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

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

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

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

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

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

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

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

i) Impairment of financial assets

Debt instruments and off-balance-sheet exposures

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

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

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

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

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

1) Performing exposures (Stage 1)

2) Underperforming exposures (Stage 2)

3) Non-performing exposures (Stage 3)

4) Write-offs

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

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

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

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

The Bank recognises impairment losses on investments in subsidiaries, joint ventures and associates whenever there is objective evidence that the carrying amount of the investment is not recoverable. The amount of impairment losses will be the difference between the carrying

amount of the instrument and its recoverable amount. The recoverable amount is the higher of fair value less costs of disposal and value in use.

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

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

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

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

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

j) Financial derivatives

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Bankinter enters into fair value and cash flow hedges:

- Micro hedges or individual hedges (for which there is a specific identification of hedged instruments and hedging instruments) cover the exposure to changes in the fair value

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

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

k) Transfers and derecognition of financial instruments

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

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

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

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

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

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

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

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

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

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

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

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

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

l) Tangible assets

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

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

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

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

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

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

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

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

m) Intangible assets

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

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

Intangible assets are amortised in accordance with their useful life based on the same criteria established for the depreciation of tangible assets. The annual amortisation of intangible assets is recognised under "Depreciation" in the income statement. The Bank reviews the amortisation period and method for intangible assets at least at the end of each reporting period.

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

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

n) Leases

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

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

   When the Bank is lessor, the sum the present values of the payments receivable from the lessee during the term of the lease plus any guaranteed residual value, normally the

exercise price of the purchase option by the lessee on expiry of the least, is recognised as finance granted to third parties, so it is included under "Loans and receivables" in the balance sheet in accordance with the nature of the lessee.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Impairment losses on non-current assets held for sale are recognised in "Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations" in the consolidated income statement. Recoveries in value are recognised in the

consolidated income statement up to an amount equal to the previously recognised impairment losses. The accounting policy for "Discontinued operations" is detailed in note 13.

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

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

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

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

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

p) Offsetting

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

q) Securities loaned or pledged

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

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

r) Financial guarantees

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

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

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

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

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

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

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

s) Staff expenses

Post-employment benefits

The Bank's post-employment obligations with its employees are considered to be "Defined contribution plans", where the Bank makes pre-determined contributions to a separate entity with no legal or effective obligation to make further contributions if the separate entity cannot pay the employee benefits with relating to the services rendered in the current and prior periods.

Post-employment obligations that do not meet the above conditions are considered "Defined benefit plans". The characteristics of those obligations are described in Note 27.

Defined contribution plans

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

Any amounts not yet contributed at 31 December to the external plan covering those obligations are recognised at their present value under "Provisions - Pension and similar obligations". At year-end 2022 and 2021, there was no outstanding amount to be paid into external defined contribution plans.

Defined benefit plans

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

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

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

Post-employment benefits are recognised as follows:

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

Other long-term employee benefits

Early retirements

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

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

Death and disability of current employees

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

Share-based payments

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

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

Termination benefits.

Compensation for termination is recognised as a provision for pension funds or similar obligations and as a staff expense only when the bank has demonstrably undertaken to terminate the link to an employee or group of employees before the usual retirement ages, or to pay compensation for termination as a result of an offer to incentivise the voluntary resignation of employees. Compensation to be paid after the twelve months following the data of the financial statements will be valued by its discounted amount, as per the discount rate used for the defined benefit plans. If the bank has presented an incentive for the contract's voluntary termination, the compensation will be valued on the number of employees expected to accept the offer.

t) Provisions and contingencies

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

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

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

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

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

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

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

At the end of the reporting periods for these annual financial statements, no contingent assets of a significant amount occur.

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

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

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

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

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

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

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

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

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

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

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

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

v) Off-balance sheet customer funds

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

w) Business combination

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

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

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

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

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

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

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

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

x) Equity

The equity items in the balance sheet are grouped into the following categories: "Shareholders' equity", "Other comprehensive income" and, where appropriate in consolidated equity, "Minority interests".

"Shareholders' equity" includes equity amounts that correspond to contributions made by shareholders or partners; comprehensive income previously recognised through the income statement; comprehensive income reclassified from "Other comprehensive income"; and other instruments that are permanent equity. It will also include amounts from expenses issuing or reducing own equity instruments and results from disposals of own equity instruments and the retroactive restatement of financial statements due to errors and changes in accounting criteria.

"Other comprehensive income" will include the comprehensive amounts, net of tax effect, of adjustments made to the assets and liabilities whose changes in value are recognised in other comprehensive income. Items included in this category are broken down, according to their nature, into "Items that will not be reclassified to profit or loss" and "Items that may be reclassified to profit or loss".

Treasury shares and other acquired own equity instruments:

The value of equity instruments issued by the Bank held by the Bank is recognised by reducing the net equity in the corresponding item. These instruments are recognised at their cost of acquisition. The income from their disposal is recognised under "Other reserves".

The information on gains per share will be added at the end of the financial statement, distinguishing the basic from the diluted amount. Basic earnings per share will be calculated as the coefficient between the period's income attributable to holders of the parent's ordinary equity instruments (numerator) and the weighted average of ordinary shares outstanding during the period (denominator). To calculate the diluted earnings per share, the bank will adjust the numerator and denominator for all diluting effects inherent to the potential ordinary shares.

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

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

	Thousands of euros	
	31.12.2022	**31.12.2021**
Cash	180,437	191,843
Cash balances at central banks	11,461,908	21,293,492
Banco de España	11,333,314	20,684,745
Other central banks	128,205	610,896
Valuation adjustments	389	(2,149)
Other demand deposits	888,891	277,198
Of which managed as cash	888,891	277,198
	12,531,236	**21,762,533**
In euros	11,893,568	21,560,472
In foreign currency	637,668	202,061
	12,531,236	**21,762,533**

7. Financial assets and liabilities held for trading

"Financial assets held for trading" on balance sheet at 31 December 2022 and 2021 is as follows:

	Thousands of euros	
	31.12.2022	**31.12.2021**
Assets:		
Loans and advances	1,734,598	2,251,575
Debt securities	974,684	1,246,748
Equity instruments	164,756	197,862
Derivatives	1,181,732	342,070
	4,055,770	**4,038,256**
In euros	3,876,396	3,923,592
In foreign currency	179,374	114,663
	4,055,770	**4,038,256**
Memorandum items		
Assets loaned or pledged	**524,832**	**667,722**

The amount recorded in "Loans and advances" at 31 December 2022 and 2021 mainly relates to assets acquired under reverse repurchase agreements.

The detail of the portfolio of financial assets held for trading at 31 December 2022 and 2021, by type of instrument and counterparty, is as follows:

Thousands of euros

At 31 December 2022

	General governments	Credit institutions	Other private sectors	Total
Loans and advances	-	1,320,483	414,115	1,734,598
Debt securities	962,584	12,100	-	974,684
Equity instruments	-	62,626	102,129	164,756
Derivatives	-	1,084,500	97,233	1,181,732
	962,584	**2,479,709**	**613,477**	**4,055,770**

Thousands of euros

At 31 December 2021

	General governments	Credit institutions	Other private sectors	Total
Loans and advances	-	2,251,575	-	2,251,575
Debt securities	1,239,991	6,756	1	1,246,748
Equity instruments	-	103,826	94,036	197,862
Derivatives	-	252,327	89,743	342,070
	1,239,991	**2,614,484**	**183,781**	**4,038,256**

The detail of financial liabilities held for trading in the balance sheet at 31 December 2022 and 2021, by type of instrument, is as follows:

Thousands of euros

Liabilities	**31.12.2022**	**31.12.2021**
Deposits	1,288,147	1,785,370
Trading derivatives	1,131,119	433,099
Short positions in securities	918,983	1,472,332
	3,338,249	**3,690,800**
In euros	3,174,318	3,573,792
In foreign currency	163,931	117,008
	3,338,249	**3,690,800**

The amount recognised in "Deposits" at 31 December 2022 and 2021 relates mainly to assets sold under repurchase agreements. Short positions in securities at 31 December 2022 and 2021 related to the sale of financial assets received as a loan or collateral.

The net gains or losses (Note 30) on the transactions carried out in these portfolios of financial assets and liabilities held for trading amounted to 27,170 thousand euros in 2022 (2021: 19,758 thousand euros).

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

a) Debt securities

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

Thousands of euros

	31.12.2022	31.12.2021
Treasury bills	125,300	229,781
Bonds	53,958	258,730
Debentures	570,128	504,287
Strips	225,298	253,950
	974,684	**1,246,748**

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

b) Equity instruments

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

Thousands of euros

	31.12.2022	31.12.2021
Quoted	164,756	197,862
Unquoted	-	-
	164,756	**197,862**

Practically all equity instruments are denominated in euros.

c) Derivatives

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

Thousands of euros

Carrying amount	**31.12.2022**		**31.12.2021**	
	Financial assets held for trading	**Financial liabilities held for trading**	**Financial assets held for trading**	**Financial liabilities held for trading**
Interest rate	413,832	450,609	100,377	137,951
Equity instruments	72,777	107,320	55,688	118,488
Currencies and gold	695,124	573,190	186,005	176,659
DERIVATIVES	1,181,732	1,131,119	342,070	433,099

d) Short positions

This balance sheet item at 31 December 2022 includes financial liabilities arising from short sales amounting to 918,984 thousand euros (2021: 1,472,332 thousand euros). These short positions on sales are due to the outright sale of financial assets acquired under reverse repurchase agreements. The amounts are denominated in euros.

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

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

The breakdown of this item at 31 December 2022 and 2021 is as follows:

Thousands of euros

	31.12.2022	31.12.2021
Debt securities	884	739
Equity instruments	71,717	129,675
Loans and advances to customers	32,372	57,281
	104,973	**187,694**
In euros	94,879	177,957
In foreign currency	10,094	9,738
	104,973	**187,694**
Memorandum items		
Assets loaned or pledged	-	-

The breakdown of this balance sheet item at 31 December 2022 and 2021 by instrument and counterparty is as follows:

Thousands of euros

	31.12.2022			
	Credit institutions	General governments	Other private sectors	Total
Debt securities	-	-	884	884
Equity instruments	-	-	71,717	71,717
Loans and advances to customers	-	-	32,372	32,372
	-	**-**	**104,973**	**104,973**

Thousands of euros

	31.12.2021			
	Credit institutions	General governments	Other private sectors	Total
Debt securities	-	-	739	739
Equity instruments	-	-	129,675	129,675
Loans and advances to customers	-	-	57,281	57,281
	-	**-**	**187,694**	**187,694**

9 Financial assets at fair value through other comprehensive income

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

Thousands of euros

	31.12.2022	31.12.2021
Debt securities	2,410,201	2,220,217
Equity instruments	195,616	304,892
	2,605,817	**2,525,109**
In euros	2,549,951	2,468,341
In foreign currency	55,865	56,768
	2,605,817	**2,525,109**
Memorandum items		
Assets loaned or pledged	618,859	868,516
Debt securities		
Stage 1	2,410,201	2,220,217
Stage 2	-	-
Stage 3	-	-

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

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

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

The interest retained in Línea Directa Aseguradora, S.A. is recognised in "Financial assets at fair value through other comprehensive income", in exercise of the irrevocable option in the accounting regulations to designate equity instruments at fair value through other comprehensive income. Included in "Other comprehensive income" in the "Statement of

recognised income and expense" "Items that will not be reclassified to profit or loss" include the valuation adjustments related to these equity instruments recognised in the period (Note 1).

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

Thousands of euros

31.12.2022				
	Credit institutions	General governments	Other private sectors	Total
Debt securities	737,883	1,497,641	174,677	2,410,201
Equity instruments	-	-	195,616	195,616
	737,883	**1,497,641**	**370,293**	**2,605,817**

Thousands of euros

31.12.2021				
	Credit institutions	General governments	Other private sectors	Total
Debt securities	782,571	1,246,506	191,140	2,220,217
Equity instruments	-	-	304,892	304,892
	782,571	**1,246,506**	**496,032**	**2,525,109**

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

In 2022, the Entity recognised an impairment amounting to 64 thousand euros in relation to debt securities under "Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss) or modification gains or (-) losses, net" in the accompanying income statement (2021: 164 thousand euros). These amounts are also reported in the "Statement of recognised income and expense" in "Transferred to profit or loss" under "e) Debt instruments at fair value through other comprehensive income". Accumulated impairment amounts to 890 thousand euros at 31 December, 2022 (2021: 826 thousand euros)

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

Thousands of euros

	2022	2021
Debt securities: Capital gains	10,528	56,629
Debt securities: Capital losses	(71,707)	(5,795)
Total fixed income	**(61,178)**	**50,834**
Equity instruments: Capital gains	135,362	242,998
Equity instruments: Capital losses	-	-
Total equities	**135,362**	**242,998**
Balance at the end of the period	**74,184**	**293,832**

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

Thousands of euros

	2022
Valuation adjustments at 31 December 2021	**293,832**
Revaluation gains and losses	(267,669)
Amounts transferred to profit or loss	(1,624)
Income tax expense	49,644
Valuation adjustments at 31 December 2022	**74,184**
Debt securities	(61,178)
Equity instruments	135,362

Thousands of euros

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

In 2022, the assets and liabilities committee decide to nullify its prior decision of changing the "mixed business model (to collect contractual cash flows and selling)" and "business model to collect contractual cash flows" of private institutional debt securities. This decision would have entailed the accounting reclassification of the affected securities from the portfolio of "Financial

assets at fair value through other comprehensive income" to the portfolio of "Financial assets at amortised cost".

10. Financial assets at amortised cost

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

	Thousands of euros	
	31.12.2022	31.12.2021
Loans and advances to credit institutions:	4,223,991	3,623,286
Valuation adjustments	1,855	(18)
Total loans and advances to credit institutions	**4,225,845**	**3,623,268**
Loans and advances to customers:	70,172,828	65,317,190
Valuation adjustments	(650,979)	(703,680)
Total loans and advances to customers	**69,521,850**	**64,613,510**
Debt securities	10,038,124	7,737,588
Valuation adjustments	(335,247)	208,232
Total debt securities	**9,702,877**	**7,945,821**
	83,450,572	**76,182,598**
In euros	78,491,782	71,794,382
In foreign currency	4,958,790	4,388,217
	83,450,572	**76,182,598**
Memorandum items		
Assets loaned or pledged	9,285,766	7,095,267
Loans and advances acquired with impairment	22,690	37,914

Valuation adjustments to financial assets at amortised cost:

	Thousands of euros	
	31.12.2022	31.12.2021
Impairment on assets	(856,881)	(801,287)
Discount on the acquisition of financial assets - Portugal	(57,475)	(74,438)
Accrued interest	156,761	70,498
Micro-hedges	(370,929)	217,684
Other	144,153	92,076
	(984,371)	**(495,466)**

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

	Thousands of euros	
	2022	2021
Opening balance	**1,486,981**	**1,477,479**
Net additions	38,635	69,624
Transfers to write-offs	(53,126)	(60,122)
Balance at the end of the period	**1,472,490**	**1,486,981**

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

			Thousands of euros	
				31.12.2022
	Loans and advances to credit institutions	Loans and advances to customers	Debt securities	Total
Credit institutions	4,225,845	-	942,330	5,168,175
General governments	-	968,190	7,721,541	8,689,731
Other private sectors	-	68,553,659	1,039,006	69,592,665
	4,225,845	**69,521,850**	**9,702,877**	**83,450,572**

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

Interest and income generated by the portfolio of loans and advances recorded in the income statement for the year ended 31 December 2022 and 2021 are as follows:

	Thousands of euros	
	2022	2021
Loans and advances to credit institutions (Note 29)	45,176	21,277
Loans and advances to customers (Note 29)	1,071,229	853,941
	1,116,405	875,218

a) Loans and advances to credit institutions

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

	Thousands of euros	
	31.12.2022	31.12.2021
Deposits with agreed maturity	2,658,411	2,822,735
Reverse repurchase agreements	1,235,965	437,915
Other accounts	329,517	362,560
Non-performing assets	98	76
Total without considering valuation adjustments	**4,223,991**	**3,623,286**
Valuation adjustments	1,855	(18)
Accrued interest	1,914	75
Other	(60)	(93)
	4,225,845	**3,623,268**
In euros	2,172,848	2,189,814
In foreign currency	2,052,998	1,433,454
	4,225,845	**3,623,268**
Memorandum items		
Of which activity with customers	**2,047,612**	**1,540,586**

b) Loans and advances to customers

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

	Thousands of euros	
Loans and advances to customers	**31.12.2022**	**31.12.2021**
General governments		
Loans to general governments	971,171	737,724
Non-performing assets	277	200
Total without considering valuation adjustments	**971,448**	**737,924**
Valuation adjustments	(3,257)	(6,248)
	968,190	**731,676**
Other private sectors		
Commercial credit	3,757,316	3,004,677
Secured loans	34,643,268	34,023,908
Reverse repurchase agreements	0	-
Other term loans	26,762,472	23,945,180
Finance leases	695,795	858,437
Receivable on demand and other	1,871,170	1,261,115
Non-performing assets	1,471,360	1,485,949
Total without considering valuation adjustments	**69,201,380**	**64,579,266**
Valuation adjustments	(647,721)	(697,432)
	68,553,659	**63,881,834**
	69,521,849	**64,613,510**
In euros	66,625,401	61,658,747
In foreign currency	2,896,449	2,954,763
	69,521,850	**64,613,510**

Non-performing assets by maturity:

	Thousands of euros	
	31.12.2022	31.12.2021
Less than 90 days	278,614	293,995
Over 90 days, but no more than 180 days	94,661	79,510
Over 180 days, but no more than 1 year	140,627	170,413
More than 1 year	957,735	942,231
	1,471,637	**1,486,149**

Past due amounts receivable not impaired related to non-performing transactions at 31 December 2022 totalled 100,679 thousand euros (2021: 52,242 thousand euros).

c) Debt securities

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

	Thousands of euros	
	2022	2021
General governments	8,055,115	6,100,411
Credit institutions	942,504	759,574
Other private sectors	1,039,749	876,848
Non-performing assets	756	756
Total without considering valuation adjustments	**10,038,124**	**7,737,588**
Valuation adjustments	(335,247)	208,232
Impairment on assets	(1,837)	(1,370)
Discount on the acquisition of financial assets	-	-
Micro-hedges	(333,408)	209,603
	9,702,877	**7,945,821**
Memorandum items		
Of which activity with customers	**389,766**	**226,667**

Credit quality of the portfolio of financial assets at amortised cost

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

GROSS AMOUNT (*)	31.12.2022	31.12.2021
Performing loans	80,567,477	73,654,104
Underperforming loans	2,299,245	1,888,138
Non-performing loans	1,440,730	1,441,642
Total gross amount	**84,307,453**	**76,983,884**

IMPAIRMENT LOSSES (*)	31.12.2022	31.12.2021
Performing loans	113,980	129,421
Underperforming loans	66,373	63,651
Non-performing loans	676,528	608,214
Total impairment losses on assets	**856,881**	**801,286**
Collectively measured allowances	**634,870**	**616,342**
Individually measured allowances	**222,011**	**184,944**

CARRYING AMOUNT	31.12.2022	31.12.2021
Performing loans	80,453,497	73,524,684
Underperforming loans	2,232,873	1,824,486
Non-performing loans	764,202	833,429
Total carrying amount	**83,450,572**	**76,182,599**

GUARANTEES RECEIVED	31.12.2022	31.12.2021
Value of collateral	**36,587,880**	**36,251,210**
Of which: guarantees underperforming loans	1,286,777	1,113,967
Of which: guarantees non-performing exposures	435,817	565,732
Value of other guarantees	**12,058,662**	**11,579,750**
Of which: guarantees underperforming loans	723,339	512,208
Of which: guarantees non-performing exposures	286,081	168,777
Total value of guarantees received	**48,646,541**	**47,830,959**

FINANCIAL GUARANTEES GIVEN	31.12.2022	31.12.2021
Loan commitments given	**14,546,275**	**12,773,074**
Of which: classified as underperforming	365,999	104,310
Of which: classified as non-performing	-	-
Amount recognised under liabilities on the balance sheet	15,192	10,613
Financial guarantees given	**2,092,400**	**1,765,266**
Of which: classified as underperforming	55,442	17,049
Of which: classified as non-performing	8,438	4,172
Amount recognised under liabilities on the balance sheet	4,996	6,122
Other commitments given	**9,634,105**	**8,400,677**
Of which: classified as underperforming	75,947	46,070
Of which: classified as non-performing	7,466	9,059
Amount recognised under liabilities on the balance sheet	5,448	7,873

(*) The gross amount in the preceding table includes the discount obtained on the acquisition of the loan portfolio in Portugal from Barclays Plc for 57 million and 74 million euros at 31 December 2022 and 2021, respectively. These amounts therefore do not appear under "Impairment losses" in the preceding table, but rather constitute a hedge of the receivables from customers that must be considered when assessing the risk to which the entity is exposed.

11. Derivatives - asset and liability hedge accounting

The detail of the outstanding hedging instruments at 31 December 2022 and 2021, respectively, is as follows:

Thousands of euros

	Nominal		Fair value of hedging instrument	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Fair value hedges				
Interest rate				
Fixed income (EUR)	1,361,940	1,901,940	404,124	(111,959)
Loans (EUR)	417,758	356,586	32,631	(12,205)
Loans (USD)*	57,472	69,043	2,765	(829)
Loans (MXN)**	1,175	2,104	35	12
Senior debt	2,000,000	2,000,000	(213,498)	(1,690)
Subordinated debt	789,823	1,289,823	(101,909)	6,196
Covered bonds	1,750,000	2,000,000	(58,346)	58,378
Demand account macro-hedges	3,000,000	5,000,000	(215,993)	4,696
Mortgage macro-hedges	2,631,732	2,350,305	576,846	(54,413)
Total	**12,009,900**	**14,969,801**	**426,654**	**(111,814)**
Cash flow hedges				
Interest rate				
Mortgage macro-hedges	1,800,000	1,800,000	(18,687)	39
Other				
Forward sales	1,164,000	55,000	26,674	(510)
Total	**2,964,000**	**1,855,000**	**7,987**	**(471)**

* US dollar
** Mexican Pesos

The detail of the hedged items at 31 December 2022 and 2021, respectively, is as follows:

	Carrying amount		Cumulative adjustment for hedges (*)		Adjustments for hedges recognised in 2022	Cash flow hedges	
	31.12.2022	31.12.2022	31.12.2022	31.12.2021		Continuing hedges	Discontinued hedges
Fair value							
Fixed income (EUR)	1,081,449	2,291,303	(344,985)	208,249	(553,234)		
Loans (EUR)	384,355	363,861	(33,403)	7,575	(40,978)		
Loans (USD)*	54,751	69,861	(2,721)	818	(3,539)		
Loans (MXN)**	1,141	2,092	(35)	(12)	(23)		
Total financial assets	**1,521,696**	**2,727,117**	**(381,143)**	**216,630**	**(597,773)**		
Senior debt	1,792,311	1,994,367	207,689	5,633	202,056		
Subordinated debt	689,381	1,295,298	100,442	(5,476)	105,918		
Covered bonds	1,685,083	2,042,041	64,917	(42,041)	106,958		
Total financial liabilities	**4,166,775**	**5,331,706**	**373,048**	**(41,884)**	**414,932**		
Demand account macro-hedges	2,796,086	5,001,957	203,914	(1,957)	205,871		
Mortgage macro-hedges	2,054,781	2,403,701	(576,938)	53,396	(630,334)		
Cash flow							
Mortgage macro-hedges	1,800,000	1,800,000		-	-	(17,528)	
Forward sales	1,181,203	51,273		-	-	26,674	

* US dollar
** Mexican Pesos

(*) Cumulative hedging adjustments in this table include hedging adjustments for assets classified in the portfolio of Assets at fair value through other comprehensive income of -10.2 million euros (2021: -1.4 million euros).

A summary by maturity of the hedges at 31 December 2022 and 2021 is as follows:

(€ million)	Maturity			
	Up to one year	Between one and two years	After two years but not more than five years	More than five years
Fair Value Hedge				
Interest rate				
Interes Rate Swap				
Nominal	21	1,543	5,345	5,101
Cash flow hedges				
Interest rate				
Interes Rate Swap				
Nominal	1,800	-	-	-
Other				
Forward sale				
Nominal	1,164	-	-	-

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

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

Gains or losses recognised on cash flow hedges as at 31 December 2022 and 2021:

			Amounts reclassified from reserves to profit or loss as:	
	Gains or losses recognised in other comprehensive income in 2022	Ineffectiveness recognised in profit or loss	Hedged cash flows that will not occur	Cash flows affected by profit or loss
Cash flow				
Currency hedges	-	-	-	-
JPY mortgages				
Interest rate				
Mortgage macro-hedges	(17,567)	-	-	(1,049)
Other				
Forward sales	27,184	-	-	-

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

Changes in the cash flow hedges reserve in 2022 and 2021:

Amounts recognised in other comprehensive income	Cash flow hedge reserve
Balance at 1 January 2022	**(329)**
Interest rate risk	**(12,297)**
- Changes in fair value	(17,567)
- Taxes	5,270
Other	**19,028**
- Changes in fair value	27,183
- Taxes	(8,155)
Balance sheet at 31 December 2022	**6,403**

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

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

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

The breakdown of the balance recognised for this item at 31 December 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
Assets foreclosed or received in payment of debt	11,232	17,414
Gross value	18,904	27,486
Valuation adjustments	(7,672)	(10,072)
Carrying amount	11,232	17,414

Changes in the gross value of assets foreclosed or received in payment of debt in 2022 and 2021:

	Thousands of euros
Balance at 31.12.2020	36,145
Additions	9,731
Disposals	(18,390)
Balance at 31.12.2021	27,486
Additions	6,867
Disposals	(15,449)
Balance at 31.12.2022	18,904

Changes in valuation adjustments made to assets foreclosed or received in payment of debt classified as held for sale in 2022 and 2021 are as follows:

	Thousands of euros	
	2022	2021
Opening balance	10,072	11,431
Net allowances taken to profit or loss	2,309	2,844
From loan losses (Note 44)	758	519
From ageing effect (Note 34)	1,551	2,325
Amounts used	(4,884)	(4,203)
Other movements	175	-
Closing balance	7,672	10,072

The net losses recognised in 2022 (Note 34) on the disposal of non-current assets for sale totalled 3,2 thousand euros (2021: 529 thousand euros).

In 2022, the Bank recognised impairment losses on non-current assets held for sale of 2,309 thousand euros (2021: 2,844 thousand).

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

Thousands of euros

	Residential assets		Industrial assets		Other assets		Total	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Up to one month	364	94	300	86	110	-	774	180
More than one month and up to three months	32	157	117	188	55	-	204	345
More than three months and up to six months	521	-	86	138	-	-	607	138
More than six months and up to one year	471	535	148	1,464	-	-	619	2,000
More than one year	5,535	7,006	2,460	5,527	1,033	2,219	9,028	14,752
Total	**6,923**	**7,792**	**3,111**	**7,403**	**1,198**	**2,219**	**11,232**	**17,414**

Note 46 provides further disclosures on foreclosed assets.

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

Between 31 December 2022 and the date of authorisation for issue of these financial statements no significant amounts have been classified under "Non-current assets and disposal groups classified as held for sale" in the balance sheet.

Assets included in "Non-current assets and disposal groups classified as held for sale - Foreclosed assets / payments in lieu of debt" relate to foreclosed assets, payments in lieu of debt and acquisitions of assets with subrogation to the Bank. These assets are recognised initially at the carrying amount of the related debt, without any release of allowances recognised for impairment losses. These assets are subsequently measured at the lower of the carrying amount of the relevant loan at the acquisition date or the fair value of the foreclosed asset (estimated based on their appraised value), adjusted downwards based on the time the asset remains on the balance sheet. The appraisal value of non-current assets held for sale is estimated mainly using appraisals carried out by appraisal companies registered in Banco de España's Official Register of Appraisal Companies. All of the assets are denominated in euros at 31 December 2022 and 2021.

The following table provides details of the appraisal companies that have valued foreclosed assets in 2022 and 2021, as well as the total appraised amount for each type of asset.

Thousands of euros

Appraisal companies	Residential assets		Industrial assets		Other assets		Total	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021
SOCIEDAD DE TASACION SA	2,653	2,685	3,909	30,980	3,148	3,131	9,710	36,796
P3 -EC- ENGENHARIA E CONSTRUÇÃO, LDA	-	120	-	-	-	158	-	278
EUROVALORACIONES SA	759	3,235	3,824	9,513	954	3,198	5,537	15,946
TECNICOS EN TASACION SA TECNITASA	58	603	48	2,529	-	-	106	3,132
PRIMEYIEELD	708	-	-	-	-	-	708	-
TINSA TASACIONES INMOBILIARIAS	379	11	2	2	-	53	381	65
KRATA SA	-	103	-	150	86	-	86	252
GESVALT SOCIEDAD DE TASACION	5,774	7,837	322	746	457	1,138	6,553	9,720
NCG - CONSULTORIA E GESTÃO, LDA		-		-		-		-
PY - AVALIAÇÃO E CONSULTADORIA IMOBILIARIA, LDA		-		-		-		-
GLOVAL VALUATION SAU		341		621		-		962
CIA HISPANIA DE TASACIONES	47	-	143	337	18	18	208	355
OTHER	-	-	-	-	64	64	64	64
Total	**10,378**	**14,935**	**8,248**	**44,878**	**4,727**	**7,760**	**23,353**	**67,570**

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

- The equalisation ratio of the price per square meter in the case of appraisals carried out using the comparison method.

- The equalisation ratio of annual estimated income and the discount applied for appraisals carried out using the discounted income method.
- The construction term and discount rate for appraisals carried out using the residual method.

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

The acquisition of those assets is financed by Bankinter, S.A. on an arm's length basis. The resources contributed by the Bank to Intermobiliaria at 31 December 2022 and 2021 are summarised in the following table:

	Thousands of euros	
	31.12.2022	**31.12.2021**
Capital contributions	7,319	7,319
Participating loans (Note 8)	680,000	680,000
Credit account	48,000	72,800
	735,319	**760,119**

The outstanding balances collateral or guarantees enforced by the Bank (foreclosures) at December 2022 and 2021 are as follows:

	Thousands of euros	
	2022	**2021**
Bankinter, S.A.	12,215	18,074

The amounts financed in sales by the Bank of assets included under this item at December 2022 and 2021 are as follows:

	Thousands of euros	
	2022	**2021**
Bankinter, S.A.	1,582	4,727

13. Investments in subsidiaries, joint ventures and associates

The breakdown of this item in the balance sheets at 31 December 2022 and 2021 is as follows:

	Thousands of euros	
	31.12.2022	**31.12.2021**
Associates	46,315	46,315
Joint ventures	-	90,729
Group companies	662,948	473,139
Valuation adjustments	(58,617)	(42,590)
	650,646	**567,593**
In euros	650,646	567,593
	650,646	**567,593**

Movement in valuation adjustments for equity investments in 2022 and 2021:

	Thousands of euros	
	31.12.2022	**31.12.2021**
Opening balance	**(42,590)**	**(42,523)**
Allowances taken to profit or loss	(16,031)	(317)
Amounts used/reversed	3	250
Closing balance	**(58,617)**	**(42,590)**

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

- In the year, Bankinter and Liberty Seguros reached an agreement to jointly carry out their insurance businesses through **Bankinter Liberty Hogar y Auto, S.A.**, whose main focus will be marketing car and homeowners' insurance products and services. With this transaction, which is subject to securing the pertinent authorisations from regulators, Liberty will acquire 50.01% of Bankinter Hogar y Auto, S.A. from Bankinter and Bankinter will retain the remaining 49.99%. The products' design and development will benefit from Liberty Seguros' expertise, and they will be distributed exclusively through Bankinter's online and offline retail networks in Spain and Portugal, including EVO Banco, Bankinter Group's fully digital bank. At the end of the reporting period, the regulatory authorisations required to execute this agreement were still being processed.
- On 17 February 2022, Bankinter, S.A. set up a wholly subsidiary, **Bankinter Investment, S.A.U.** On 20 April 2022, the board of directors agreed to spin off part of the assets of Bankinter S.A., to Bankinter Investment, S.A.U. (Beneficiary Company), as per the common spin-off project of 23 March 2022, subject to receiving the corresponding authorisation from the competent authorities. The assets spun off are an economic unit that has been rendering individualisable services and activities typical of origination and structuring of alternative investment transactions, advice in corporate transactions (mainly in mergers and acquisitions) and advice in structured and alternative finance.

The spin-off's legal structure is a simplified spin-off, since the Beneficiary Company is fully and directly owned by Bankinter, S.A. Consequently, the spin-off is subject to the provisions of article 49 of Law 3/2009, of 3 April, on structural modifications of companies.

After it received the corresponding authorisation from the competent authorities, the Company has registered the spin-off and derecognised the net assets in the amount of 184.7 million euros against a higher stake in Bankinter Investment, S.A.U., all with accounting effects from 1 January 2022, according to the prevailing accounting legislation. The assets spun off have the following balance sheet:

Millions of euros

ASSETS		LIABILITIES	
Cash and other demand deposits	4.8	Financial liabilities at amortised cost	0.1
Non-trading financial assets mandatorily at fair value through profit or loss	71.5	Other liabilities	9.0
Investments in subsidiaries, joint ventures and associates	116.2	**TOTAL LIABILITIES**	**9.0**
Other assets	1.2	**SHAREHOLDERS' EQUITY**	**184.7**
TOTAL ASSETS	**193.7**	**TOTAL EQUITY AND LIABILITIES**	**193.7**

- **Bankinter Investment SGEIC**, alternative investment fund management firm subordinate to Bankinter Investment, S.A.U., was also incorporated. This firm aims to make progress in alternative investing options. It offers alternative investing under delegated management, tailored to each customer's profile and striving for appropriate investment diversification. Under the new, recently approved regulatory framework (Law 18/2022, of 28 September, on creating and growing businesses), this alternative investment platform, through the management firm, will be available for investments from 10,000 euros. The firm will keep the Bank's model: investments in real-economy sectors carefully selected for their potential for growth, search for the best professional management for each investment type, close tracking of all investments to protect the interests of investors, and co-investment of Bankinter Investment S.A.U. and its expert sectoral partners, and other investors.
- **Bankinter International Notes S.à r.l.**, a wholly owned Bankinter Group subsidiary located in Luxembourg, began operations during the year. It was set up for the issuance of structured bonds, which are marketed by the Bankinter, S.A. parent.
- At the end of the reporting period, Bankinter Group, through its subsidiary engaged in consumer lending (Bankinter Consumer Finance, E.F.C.), was at an advanced stage of negotiation with Sonae SGPS, S.A. to create a joint venture to become leaders in consumer lending in Portugal. This partnership will rely on the combination of the current consumer businesses held by bother partners in Portugal.

The most significant changes in the consolidation perimeter during 2021 were as follows:

- The resolution passed at the Annual General Meeting of Bankinter, S.A. on 19 March 2020 for the distribution in kind of its entire share premium (1,184 million euros) was executed in April 2021. This involved the delivery to shareholders of securities representing 82.6% of the share capital of subsidiary Línea Directa Aseguradora, S.A., Compañía de Seguros y Reaseguros. The valuation of the company based of market prices at the transaction date did not differ significantly from the appraisal by independent experts.
- The impact of this distribution on "Profit or loss for the period" amounted to 895,732 thousand euros (910,797 thousand euros before tax), recognised in "Profit or (-) loss after tax from discontinued operations" in the consolidated income statement. The gain on transaction arose from the difference between the consolidated carrying amount of Línea Directa Aseguradora, S.A. and its fair value.
- Prior to this, Línea Directa Aseguradora, S.A. distributed a dividend of 120 million euros, as planned, leaving its capital adequacy ratio at a normal level for this type of insurance company. 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.
- 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 S.à rl was in the process of being incorporated for the purpose of issue structured bonds.

Fully consolidated group companies as at 31 December 2022 and their most significant data:

2022			% ownership									Summarised financial information				
Name	**Tax ID No**	**Registered address**	**% direct interest, Bankinter**	**% indirect interest, Bankinter**	**% total interest**	**Dividends paid**	**No. of shares**	**Par value (euros)**	**Capital**	**Reserves**	**Profit or loss for the year**	**Carrying amount (*)**	**Equity**	**Cost**	**Assets**	**Liabilities**
Bankinter Global Services, S.A.	A-85982411	Calle Pico de San Pedro 2, 28760 Madrid	99.99	0.01	100	3,100	30,000,000	1	30,000	42,767	4,240	77,862	77,862	30,854	235,809	157,948
Relanza Gestión, S.A.	A-85593770	Avda de Bruselas 12, Alcobendas. 28018 Madrid	-	100.00	100	73	1,000	60	60	235	183	478	478	60	576	98
Bankinter Luxembourg, S.A.	LU-001623854	37, avenue J. F Kennedy L - 1855 Luxembourg	99.99	0.01	100	-	65,230	870	56,750	17,811	9,853	73,652	73,652	69,598	845,269	771,618
Bankinter Hogar y Auto, Sociedad Anónima de Seguros y Reaseguros	A67777144	Paseo de la Castellana 29, 28046 Madrid	100.00	-	100	-	4,507	1,000	9,015	990	(0)	10,005	10,005	10,015	10,005	-
Bankinter International Notes SARL	LU2021249	46A, avenue J. F Kennedy L - 1855 Luxembourg	100.00		100		12,000	1	12	600	(669)	(57)	(57)	612,000	259,804	259,861
Bankinter Investment SAU	A09777020	Paseo Eduardo dato 18. 28010 Madrid	100.00	-	100	-	60,000	1	60	(3)	33,070	217,722	217,722	184,655	435,322	217,600
Bankinter Investment SGEIC SAU	A72811755	Paseo Eduardo dato 18. 28010 Madrid	-	100.00	100	-	150,000	1	150	450	(16)	584	584	600	600	16

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

2022			% ownership						Summarised financial information							
Name	Tax ID No	Registered address	% direct interest, Bankinter	% indirect interest, Bankinter	% total interest	Dividends paid	No. of shares	Par value (euros)	Capital	Reserves	Profit or loss for the year	Carrying amount (*)	Equity	Cost	Assets	Liabilities
Bankinter Consultoría, Asesoramiento, y Atención Telefónica, S.A.	A-78757143	Paseo de la Castellana 29, 28046 Madrid	99.99	0.01	100		35,222	30	1,060	33,831	82	34,973	34,973	28,060	61,746	26,773
Bankinter Gestión de Activos, S.G.I.I.C.	A-78368909	Calle Marqués de Riscal 11, 28010 Madrid	99.99	0.01	100	45,582	144,599	30	4,345	28,452	39,015	71,852	71,852	6,416	87,871	16,019
Hispamarket, S.A.	A-28232056	Paseo de la Castellana 29, 28046 Madrid	99.99	0.01	100		4,516,452	6	27,144	11,263	515	38,791	38,791	32,962	38,962	171
Intermobiliaria, S.A.	A-28420784	Paseo de la Castellana 29, 28046 Madrid	99.99	0.01	100		243,546	30	7,319	(644,121)	(11,292)	(648,094)	(648,094)	42,496	82,101	730,195
Bankinter Consumer Finance, E.F.C., S.A.	A-82650672	Avda de Bruselas 7, Alcobendas. 28108 Madrid	99.99	0.01	100		1,299,999	30	39,065	205,058	55,447	299,570	299,570	60,002	3,184,372	2,884,802
Bankinter Sociedad de Financiación, S.A.U.	A-84129378	Paseo de la Castellana 29, 28046 Madrid	100	-	100		602	100	60	2,539	4	2,604	2,604	60	502,642	500,038
Arroyo Business Consulting Development, S. L.	B-84428945	Calle Marqués de Riscal 13, 28010 Madrid	100	0.01	100		2,976	1	9	(3)	(0)	6	6	12	6	-
Evo Banco, S.A.	A-70386024	Calle Serrano 45, Madrid	100	0.01	100		254,327,121	1	254,327	(50,248)	(18,098)	184,013	184,013	197,124	4,592,579	4,408,566
Avantcard, D.A.C	IE002008000	Dublin Rd, Ck-on-Shannon, Leitrim	-	100.00	100		18,125,002	1	18,125	48,748	19,406	86,280	86,280	79,796	2,423,248	2,336,969

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

Companies accounted for using the equity method as at 31 December 2022 and their most significant data:

2022			% ownership									
Name	Tax ID No	Registered address	% direct interest, Bankinter	% indirect interest, Bankinter	% total interest	Dividends paid	No. of shares	Par value (euros)	Capital	Reserves	Profit or loss for the period	Cost
Olimpo Real Estate Socimi S.A. (*)	A-87709655	Calle Goya 3, Madrid	-	7.44	7.44	569	19,625,887	0.1	19,670	143,552	7,087	12,285
Bankinter Seguros de Vida, S.A. de Seguros y Reaseguros	A-78510138	Avda de Bruselas 12, Alcobendas. 28018 Madrid	50.00	-	50.00	33,313	549,348	30	33,016	80,364	68,210	41,295
Bankinter Seguros Generales, S.A.de Seguros y Reaseguros	A-78801172	Paseo de la Castellana 29, 28046 Madrid	49.90	-	49.90		998	5,030	10,060	84	1,898	5,020
Atom Hoteles Socimi, S.A. (*)	A-87998928	Paseo de la Castellana 29, 28046 Madrid	-	5.35	5.35	382	32,288,750	1	32,289	265,800	28,217	15,862
Olimpo Real Estate Portugal, SIGI, S.A. (*)	PT-515727504	Lugar do Espido-Via Norte, 4470-177 Maia Portugal	-	12.01	12.01		12,550,000	1	12,550	36,326	647	5,682
Victoria Hotels & Resorts, S.L	B99077844	Av Gremi Boters 24, 7009 Palma/Baleares	-	7.50	7.50		1,150,504	1	15,340	192,120	(2,703)	14,968
Bankinter Logística, S.A.	A05303581	Paseo de la Castellana 29, 28046 Madrid	-	6.41	6.41		4,054,000	1	85,988	780,766	(5,273)	55,981
Atrium Bire SIGI SA	PT-517060132	Lugar do Espido-Via Norte, 4470-177 Maia Portugal	-	10.00	10.00		37,000,000	1	37,000	71,163	2,007	11,100

(*) Company over which the Entity has joint control

In consolidated companies by the equity method with less than 20% stake, significant influence is exerted due to representation in the board of directors.

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

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

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

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

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

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

2021			% ownership									
Name	Tax ID No	Registered address	% direct interest, Bankinter	% indirect interest, Bankinter	% total interest	Dividends paid	No. of shares	Par value (euros)	Capital	Reserves	Profit or loss for the period	Cost
Olimpo Real Estate Socimi S.A. (*)	A-87709655	Calle Goya 3, Madrid	7.44	-	9.98	366	19,625,887	0.10	19,670	152,172	6,864	13,150
Bankinter Seguros de Vida, S.A. de Seguros y Reaseguros	A-78510138	Avda de Bruselas 12, Alcobendas. 28018 Madrid	50.00	-	50.00	25,023	549,348	30.1	33,016	80,363	58,846	41,295
Bankinter Seguros Generales, S.A.de Seguros y Reaseguros	A-78801172	Paseo de la Castellana 29, 28046 Madrid	49.90	-	49.90	-	998	5,030	10,060	(838)	828	5,020
Atom Hoteles Socimi, S.A. (*)	A-87998928	Paseo de la Castellana 29, 28046 Madrid	5.35	-	6.90	272	32,288,750	1	32,289	270,755	6,384	16,356
Olimpo Real Estate Portugal, SIGI, S.A. (*)	PT-515727504	Lugar do Espido-Via Norte, 4470-177 Maia Portugal	12.01	-	12.01	-	12,550,000	1	12,550	36,501	542	5,955
Bankinter Logística, S.A.	A05303581	Paseo de la Castellana 29, 28046 Madrid	6.41	-	6.41	-	4,054,000	1	63,227	562,141	(559)	40,000
Victoria Hotels & Resorts, S.L	B99077844	Av Gremi Boters 24, 7009 Palma/Baleares	7.50	-	7.50	-	1,150,504	1	15,340	188,055	4,333	15,268

(*) Company over which the Entity has joint control

In consolidated companies by the equity method with less than 20% stake, significant influence is exerted due to representation in the board of directors.

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

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

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

A) Unconsolidated structured entities

At the end of the last two reporting periods, all reaming entities structured by the Group are shown as consolidated in the financial statements.

B) Consolidated structured entities

2022:

Name	Tax ID No	Registered address	Activity	% total ownership interest	Date of origination	Total securitised exposures as at the date of origination	Total securitised exposures as at 31.12.2022
Bankinter 9 Fondo de titulización de activos	V-84246099	Cl Lagasca 120, 28006 Madrid	Financial services	100.00	14.02.2005	1,035,000	112,700
Bankinter 10 Fondo de titulización de activos	V-84388115	Cl Lagasca 120, 28006 Madrid	Financial services	100.00	27.06.2005	1,740,000	211,633
Bankinter 11 Fondo de Titulización Hipotecaria	V-84520899	Cl Lagasca 120, 28006 Madrid	Financial services	100.00	28.11.2005	900,000	135,122
Bankinter 13 Fondo de titulización de activos	V-84752872	Cl Lagasca 120, 28006 Madrid	Financial services	100.00	20.11.2006	1,570,000	312,422

No securitisation funds were redeemed in 2022. In 2021, the Bankinter 7 FTH and Bankinter 8 FTA funds were redeemed (Note 25).

Other structures. Summarised financial information

Name	Tax ID No	Registered address	% direct interest, Bankinter	No. of shares	Par value (euros)	Capital	Reserves	Profit or loss for the period	Carrying amount	Equity	Cost	Assets	Liabilities
NAVIERA SOROLLA, S.L	B86728185	Paseo de la Castellana 29, 28046 Madrid	100.00	3,000	1	3	(17)	(7)	19	19	20	545,698	545,679
NAVIERA GOYA, S.L	B86728193	Paseo de la Castellana 29, 28046 Madrid	100.00	3,000	1	3	(18)	(9)	11	11	20	292,250	292,239

2021:

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

Other structures. Summarised financial information

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

In 2022 and 2021, there were no contractual arrangements under which the parent company or its subsidiaries have provided or are required to provide financial support or sponsorship to any of these consolidated structured entities.

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

2022

	TOTAL ASSETS	TOTAL EQUITY
Pension funds	**3,504,269**	**3,497,603**
Guaranteed fixed income	52,755	52,657
Guaranteed equity	35,708	35,403
Mixed fixed income	917,764	916,930
Mixed equity	723,222	721,645
Short-term fixed income	603,169	602,056
Long-term fixed income	152,935	152,408
Equity	1,018,715	1,016,504
Mutual funds	**11,359,272**	**11,315,840**
Partially secured	8,725	8,716
Guaranteed fixed income	48,283	47,399
Guaranteed equity	712,241	678,792
Specific non-guaranteed return target	69,959	69,873
Global	29,721	28,571
Short-term fixed income euro fund	1,575,017	1,574,427
Fixed income (euros)	990,356	989,911
Mixed fixed income (euros)	410,106	409,899
International mixed fixed income	3,230,328	3,228,055
Equity (euros)	257,297	256,964
International equity	1,084,708	1,083,448
Euro mixed equity	115,671	115,577
International mixed equity	2,810,439	2,807,805
Absolute return	16,422	16,404
Open-ended investment companies ("SICAVs")	**2,729,735**	**2,726,851**
TOTAL	**17,593,276**	**17,540,294**

2021

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

14 Tangible assets

The detail of this balance sheet item at 31 December 2022 and 2021 is as follows:

	Thousands of euros	
	31.12.2022	31.12.2021
For own use	380,041	384,389
Investment property	-	-
Other assets leased out under an operating lease	6,301	8,708
	386,342	393,097

Below is a summary of the items of tangible assets and their movements in 2022 and 2021:

2022	Thousands of euros			
	Opening balance	Additions	Disposals and other	Closing balance
Cost:				
For own use:	**667,603**	**13,269**	**4,440**	**676,432**
Land and buildings	295,624	-	(1,014)	296,638
Construction in progress	3,774	10,408	10,966	3,216
Facilities	301,442	2,145	(5,594)	309,181
IT equipment	2,381	-	(702)	3,083
Furniture and fittings	64,370	715	783	64,302
Other property, plant and equipment	11	-	-	11
Other assets leased out under an operating lease	**8,708**	**-**	**2,407**	**6,301**
Depreciation:				
For own use:	**410,365**	**15,053**	**3,312**	**422,108**
Land and buildings	91,152	4,418	1	95,570
Construction in progress	-	-	-	-
Facilities	259,268	8,698	2,683	265,283
IT equipment	1,313	515	3	1,825
Furniture and fittings	58,631	1,423	625	59,429
Other property, plant and equipment	1	-	-	1
Other assets leased out under an operating lease	**-**	**-**	**-**	**-**
Net:				
For own use:	**257,238**	**(1,785)**	**1,128**	**254,325**
Land and buildings	204,472	(4,418)	(1,015)	201,068
Construction in progress	3,774	10,408	10,966	3,216
Facilities	42,175	(6,552)	(8,277)	43,900
IT equipment	1,068	(515)	(705)	1,258
Furniture and fittings	5,738	(708)	158	4,872
Other property, plant and equipment	10	-	-	10
Other assets leased out under an operating lease	**8,708**	**-**	**2,407**	**6,301**
Total	**265,946**	**(1,785)**	**3,535**	**260,626**

2021	Thousands of euros			
	Opening balance	Additions	Disposals and other	Closing balance
Cost:				
For own use:	**660,391**	**10,600**	**3,388**	**667,603**
Land and buildings	297,771	3	2,150	295,624
Construction in progress	2,499	8,385	7,110	3,774
Facilities	294,280	1,551	(5,611)	301,442
IT equipment	1,901	1	(479)	2,381
Furniture and fittings	63,928	660	218	64,370
Other property, plant and equipment	**11**	**-**	**-**	**11**
Other assets leased out under an operating lease	**19,530**	**-**	**10,822**	**8,708**
Depreciation:				
For own use:	**396,265**	**15,687**	**1,586**	**410,365**
Land and buildings	87,587	4,420	855	91,152
Facilities	250,506	9,293	531	259,268
IT equipment	907	410	3	1,313
Furniture and fittings	57,264	1,564	197	58,631
Other property, plant and equipment	1	-	-	1
Other assets leased out under an operating lease	**-**	**-**	**-**	**-**

Net:				
For own use:	**264,126**	**(5,087)**	**1,801**	**257,238**
Land and buildings	210,184	(4,417)	1,295	204,472
Construction in progress	2,499	8,385	7,110	3,774
Facilities	43,775	(7,742)	(6,142)	42,175
IT equipment	994	(409)	(482)	1,068
Furniture and fittings	6,664	(905)	21	5,738
Other property, plant and equipment	10	-	-	10
Other assets leased out under an operating lease	**19,530**	**-**	**10,822**	**8,708**
Total	**283,656**	**(5,087)**	**12,623**	**265,946**

No impairment losses on tangible assets were recognised in 2022 and 2021.

The cost of the fully depreciated elements for own use as at 31 December 2022 that are still in use amounts to 284,415 thousand euros (274,988 thousand euros at 31 December 2021).

The profits and losses recognised in 2022 and 2021 on the disposal of investment property and other items by type of asset are presented in Note 34.

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

As at 31 December 2022 and 2021, the Bank had no tangible assets for its own use or under construction with restrictions on ownership or which have been pledged to secure repayment of debts. Additionally, as at these dates there were no commitments with third parties for the acquisition of tangible assets. In these periods, no amounts have been received or were expected to be received from third parties as compensation or indemnity for the impairment or loss of value of tangible assets for own use.

Operating leases.

The balance of assets leased out under an operating lease presented in the balance sheet at 31 December 2022 was 6,301 thousand euros (2021: 8,708 thousand euros).

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

	Thousands of euros	
	2022	**2021**
Operating leases - Minimum payments		
Within one year	2,491	2,402
After one year but not more than five years	3,810	6,306
More than five years	-	-

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

All of the Bank's tangible assets for own use as at 31 December 2022 and 2021 were denominated in euros.

15 Leases of right-of-use assets

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

					31.12.2022
	Initial cost	**Additions**	**Disposals and other**	**Final cost**	**Accumulated depreciation**
Right-of-use assets:	**186,122**	**26,385**	**(11,055)**	**201,452**	**(75,735)**
Land and buildings	180,596	25,149	(9,808)	195,937	(73,016)
IT equipment	-	-	-	-	-
Vehicles	4,564	1,227	(1,247)	4,544	(2,414)
Other	962	9	-	971	(305)

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

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

	31.12.2022	31.12.2021
Other liabilities - Lease liabilities	128,621	129,905
Current lease liabilities	21,407	19,379
Non-current lease liabilities	107,214	110,526

Bankinter's lease liabilities at 31 December 2022 and 2021 by maturity are as follows.

				31.12.2022
Up to one month	Between one and three months	Between three months and one year	After one year but not more than five years	More than five years
1,929	3,695	15,783	64,372	42,842

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

The weighted average incremental borrowing rate applied to lease liabilities in 2022 was 0.49% (2021: 0.53%).

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

	31.12.2022	31.12.2021
Depreciation expense of right-of-use assets	20,009	20,404
Land and buildings	18,644	19,127
IT equipment	-	-
Vehicles	1,289	1,201
Other	76	76
Interest expense on lease liabilities	1,086	886
Cash outflows	21,684	19,986

16. Intangible assetss

The detail of this item of the balance sheet and movement in 2022 and 2021 is as follows:

2022				Thousands of euros
	Opening balance	Additions	Disposals and other	Closing balance
Cost:	75,750	6,253	(956)	81,046
Goodwill	-	-	-	-
Intangible assets	62,486	-	10,418	72,904
Software in progress	13,264	6,253	(11,374)	8,143
Depreciation:	13,262	7,015	(442)	19,836
Goodwill	-	-	-	-
Intangible assets	13,262	7,015	(442)	19,836
Software in progress	-	-	-	-
Impairment:	3,826	-	-	3,826
Goodwill	-	-	-	-
Intangible assets	3,826	-	-	3,826
Software in progress	-			
Net:	58,662	(762)	(515)	57,385
Goodwill	-	-	-	-
Intangible assets	45,398	(7,015)	10,859	49,242
Software in progress	13,264	6,253	(11,374)	8,143

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

One of the Bankinter Group's objectives for the coming years is to renew its technology platform, redesign its processes and develop digital banking, taking into account the Group's growth and

its growing needs of operational and technological transformation. In line with these objectives, the capitalisation of IT developments is the Bank's only source of generating new intangible assets in 2022 and 2021.

17. Tax assets and liabilities

The breakdown of these items in the balance sheets at 31 December 2022 and 2021 is as follows:

Thousands of euros

	Current		Deferred	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Tax assets:				
Withholdings	11,405	12,921	-	-
Income tax	176,873	387,915	382,368	383,220
VAT	9,660	12,343	-	-
Other	-	-	-	-
	197,938	**413,179**	**382,368**	**383,220**
Tax liabilities:				
Income tax	222,897	178,470	56,022	105,793
VAT	7,141	6,571	-	-
	230,038	**185,041**	**56,022**	**105,793**

The movement in deferred tax assets and liabilities in 2022 and 2021 is as follows:

Thousands of euros

	Deferred taxes	
	Assets	Liabilities
Balance at 31.12.20	**390,381**	**123,561**
Additions	18,515	3,700
Disposals	25,676	21,468
Balance at 31.12.2021	**383,220**	**105,793**
Additions	20,257	8,543
Disposals	21,109	58,315
Balance at 31.12.22	**382,368**	**56,022**

The reconciliation of the movement of deferred taxes in 2022 is as follows:

Thousands of euros

	Balance at 31.12.2021	Charge/credit to profit or loss	Charge/credit to equity	Balance at 31.12.2022
Deferred tax assets	**383,220**	(786)	(65)	**382,368**
- Arising from the branch in Portugal	***5,476***	*(220)*	-	***5,256***
Deferred tax liabilities	**105,793**	*(2,861)*	(46,911)	**56,022**
-From the branch in Portugal	***29,586***	*(2,113)*	-	***27,473***

Charges/credits for deferred taxes recognised in the income statement (-2,075 thousand euros) include the deferred tax expense corresponding to 30% of the temporary differences for 2022 from the business in Spain (-4,669 thousand euros). The remaining amount mainly relate to the charges/credits that are recognised in the income statement for 2022 as a result of accounting for the definitive corporation tax of the prior year (166 thousand euros), and accounting for the deferred tax expense of the Bankinter branch in Portugal (-1,893 thousand euros) as well as other deferred tax charges/credits that do not necessarily relate to timing differences.

Of the amount of deferred tax liabilities recognised at 31 December 2022, 27,473 thousand euros related to the amount recognised in 2016 for temporary difference of liabilities arising from the negative goodwill recognised in the acquisition of the business of the branch in Portugal of 40,152 thousand euros. The Bank recognises this amount as income for the purpose of calculating income tax over a 20-year period, under the framework of prevailing tax legislation in Portugal.

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

Thousands of euros

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

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

Thousands of euros

	31.12.2022	31.12.2022
Deferred tax assets	**382,368**	**383,220**
Within 10 years		
Provisions and other accruals	170,494	183,665
Pension fund	522	1,708
Other	4,936	4,458
Loan fees and commissions	388	465

	Thousands of euros	
	31.12.2022	31.12.2022
Beyond 10 years		
Impairment of equity investments	206,028	192,924
Deferred tax liabilities	**56,022**	**105,793**
Within 10 years		
Financial assets at fair value through other comprehensive income	(21,555)	25,357
Provisions and other	8,105	8,105
Beyond 10 years		
Goodwill	27,473	29,586
Revaluation of properties	41,999	42,745

Royal Decree-Law 14/2013, of 29 November, on urgent measures to adapt Spanish law to European Union regulations regarding the supervision and solvency of financial institutions, added the twenty-second additional provision to the consolidated text of the Spanish Corporate Income Tax Law, establishing the conversion of certain deferred tax assets into loans payable to the taxation authorities. The Bank estimates that approximately 55,163 thousand euros in deferred tax assets will be monetisable 31 December 2022 (2020: 57,779 thousand euros). Nevertheless, Royal Decree Law 3/2016, of 2 December, introduced certain amendments to Corporate Income Tax Law 27/2014, of 29 November. Specifically, the law sets a limit of 25% on inclusion of monetisable assets in the tax base and tax loss carryforwards.

Also, there is a new limit for applying double taxation relief: 50% of the full tax base for companies with net turnover over 20 million euros. This was also applicable in 2022.

The Bank performed an analysis of the recoverability of the deferred tax assets recognised at 31 December 2022, supporting their recoverability within the legal maximum.

18. Other assets and other liabilities

The breakdown of these balance sheet items as at 31 December 2022 and 2021 is as follows:

	Thousands of euros			
	Assets		Liabilities	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Accruals and prepayments	58,169	55,186	153,087	147,963
Other items:	10,917	9,649	88,071	39,658
Transactions in transit	1,872	2,467	14,528	16,156
Other	9,046	7,182	73,543	23,502
	69,087	**64,835**	**241,158**	**187,621**
In euros	68,289	64,835	241,035	187,445
In foreign currency	797	-	123	176
	69,087	**64,835**	**241,158**	**187,621**

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

19. Financial liabilities at amortised cost

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

	Thousands of euros	
	31.12.2022	31.12.2021
Deposits	**85,759,777**	**87,249,296**
Deposits from central banks	11,699,869	14,190,714
Deposits from credit institutions	4,663,867	5,953,977
Customer deposits	69,396,041	67,104,604
Debt securities issued	**6,974,805**	**8,400,112**
Payables represented by marketable securities	5,893,718	6,706,763
Subordinated liabilities	1,081,087	1,693,350
Other financial liabilities	**3,022,463**	**1,713,627**
	95,757,045	**97,363,036**
In euros	92,120,411	93,932,283
In foreign currency	3,636,634	3,430,753
	95,757,045	**97,363,036**

The breakdown of "Valuation adjustments" of the portfolio of financial liabilities at amortised cost is as follows:

	Thousands of euros	
	31.12.2022	31.12.2021
Accrued interest		
Deposits at central banks	(169,643)	(174,730)
Deposits with credit institutions	9,468	3,527
Customer deposits	10,354	9,564
Payables represented by marketable securities	46,234	52,296
Subordinated liabilities	5,138	15,180
	(98,449)	**(94,164)**
Micro-hedges	(373,048)	41,883
Other	(10,791)	(13,170)
	(482,288)	**(65,451)**

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

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

Annexe V to these annual financial statements itemises information on the main issuances, repurchases or redemptions of debt securities.

a) Deposits from central banks

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

	Thousands of euros	
	31.12.2022	31.12.2021
Central Banks	11,869,512	14,365,444
Valuation adjustments	(169,643)	(174,730)
Accrued interest	(169,643)	(174,730)
	11,699,869	**14,190,714**
In euros	11,512,357	14,058,275
In foreign currency	187,512	132,439
	11,699,869	**14,190,714**

Balances with Central Banks at year-end include 11,682,000 thousand euros (31 December 2021: 14,232,000 thousand euros), obtained in 4 transactions of the third series of targeted longer-term refinancing operations (TLTRO III) of the European Central Bank (ECB). The Bank participated in 5 of these transactions, one of which, amounting to 2,550,000 thousand euros, matured in December 2022. Valuation adjustments included the negative interest accrued thereon to date, amounting to 169,643 thousand euros (31 December 2021: 174,730 thousand euros).

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

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

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

In 2022, the European Central Bank changed the terms of these TLTRO III transactions. These changes included setting the interest rate of the ECB's deposit facility as the interest rate receivable for these transactions from 23 November 2022.

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

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

Deposits from credit institutions

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

	Thousands of euros	
	31.12.2022	31.12.2021
Deposits with agreed maturity	1,634,364	3,714,791
Repurchase agreements	1,949,476	1,879,849
Other accounts	1,070,559	355,811
Valuation adjustments	9,468	3,527
Accrued interest	9,468	3,527
	4,663,867	**5,953,977**
In euros	3,830,868	5,233,996
In foreign currency	832,999	719,981
	4,663,867	**5,953,977**

b) Customer deposits

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

	Thousands of euros	
	31.12.2022	31.12.2021
General governments	**1,192,518**	**948,722**
Deposits received	1,192,513	948,728
Valuation adjustments	5	(6)
Accrued interest	5	(6)
Other private sectors	**68,203,523**	**66,155,883**
Demand deposits	64,387,765	62,820,128
Deposits with agreed maturity	3,805,408	3,192,153
Repurchase agreements	-	134,032
Valuation adjustments	10,349	9,570
Accrued interest	10,349	9,570
Micro-hedges	-	-
	69,396,041	**67,104,604**
In euros	67,148,855	64,832,570
In foreign currency	2,247,186	2,272,034
	69,396,041	**67,104,604**

c) Payables represented by marketable securities

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

	Thousands of euros	
	31.12.2022	31.12.2021
Promissory notes and bills	1,220,009	1,235,192
Mortgage-backed securities	16,445,857	15,680,708
Other non-convertible securities	1,995,738	1,995,738
Hybrid securities	434,122	678,328
Own securities	(13,968,686)	(12,964,528)
Valuation adjustments	(233,322)	81,325
Accrued interest	46,234	52,296
Micro-hedges	(272,606)	36,408
Other	(6,950)	(7,379)
	5,893,718	**6,706,763**
In euros	5,684,253	6,506,652
In foreign currency	209,465	200,111
	5,893,718	**6,706,763**

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

At 31 December 2022, "Own securities" included covered bonds amounting to 13,950,000 thousand euros (2021: 12,950,000 thousand euros).

Promissory notes and bills

The detail of outstanding promissory note issues at 31 December 2022 and 2021 is shown below, by redemption value:

	Thousands of euros	
	Outstanding balance at 31.12.2022	Outstanding balance at 31.12.2021
CNMV registration date		
10.10.2021	¨-	1,252,550
10.10.2022	1,236,301	¨-
Promissory notes	**1,236,301**	**1,252,550**
Outstanding interest at discount	(16,292)	(17,358)
Total	**1,220,009**	**1,235,192**

These issues are denominated in euros.

The interest accrued by these promissory note issues in 2022 totalled 40,534 thousand euros (Note 29) (2021: 40,252 thousand euros).

Mortgage securities

Mortgage-backed securities include the outstanding balance of bond, debenture and covered bond issues made by the Bank. Outstanding mortgage-backed securities (nominal amounts in thousands of euros):

					31.12.2022
Issue	**Nominal amount (thousands of euros)**	**Type of security**	**Interest %**	**Quoted price**	**Final maturity of the issue**
Feb-15	1,000,000	Covered bonds	Fixed rate 1.00%	YES	Feb-25
Apr-17	1,000,000	Covered bonds	3M EUR+0.60%	YES	Apr-27
Nov-17	1,000,000	Covered bonds	3M EUR+0.35%	YES	Nov-27
Feb-18	500,000	Covered bonds	Fixed rate 1.25%	YES	Feb-28
Sept-18	1,700,000	Covered bonds	3M EUR+0.15%	YES	Sept-23
June-2019	50,000	Covered bonds	Fixed rate 1.20%	YES	June-35
Sept-19	1,250,000	Covered bonds	3M EUR+0.30%	YES	Sept-29
Dec-19	1,200,000	Covered bonds	3M EUR+0.25%	YES	Nov-26
Dec-19	206,638	Covered bonds	3M LIBOR+0.65%	YES	Dec-27
Apr-20	2,000,000	Covered bonds	3M EUR+0.40%	YES	Apr-30
May-20	2,000,000	Covered bonds	3M EUR+0.35%	YES	May-25
Sept-20	500,000	Covered bonds	3M EUR+0.30%	YES	Sept-24
Feb-21	1,000,000	Covered bonds	3M EUR+0.20%	YES	Feb-28
Oct-22	2,300,000	Covered bonds	3M EUR+0.45%	YES	Oct-32
Nov-22	750,000	Covered bonds	Fixed rate 3.05%	YES	May-28
	16,456,638				
Discounted interest and other items	(10,781)				
Total	**16,445,857**				

					31.12.2021
Issue	**Nominal amount (thousands of euros)**	**Type of security**	**Interest %**	**Quoted price**	**Final maturity of the issue**
May-13	1,300,000	Covered bonds	3M EUR+2.50%	YES	May-23
Feb-15	1,000,000	Covered bonds	Fixed rate 1.00%	YES	Feb-25
Aug-15	1,000,000	Covered bonds	Fixed rate 0.857%	YES	Aug-22
Apr-17	1,000,000	Covered bonds	3M EUR+0.60%	YES	Apr-27
Nov-17	1,000,000	Covered bonds	3M EUR+0.35%	YES	Nov-27
Feb-18	500,000	Covered bonds	Fixed rate 1.25%	YES	Feb-28
Sept-18	1,700,000	Covered bonds	3M EUR+0.15%	YES	Sept-23
June-2019	50,000	Covered bonds	Fixed rate 1.20%	YES	June-35
Sept-19	1,250,000	Covered bonds	3M EUR+0.30%	YES	Sept-29
Dec-19	1,200,000	Covered bonds	3M EUR+0.25%	YES	Nov-26
Dec-19	194,597	Covered bonds	3M LIBOR+0.65%	YES	Dec-27
Apr-20	2,000,000	Covered bonds	3M EUR+0.40%	YES	Apr-30
May-20	2,000,000	Covered bonds	3M EUR+0.35%	YES	May-25
Sept-20	500,000	Covered bonds	3M EUR+0.30%	YES	Sept-24
Feb-21	1,000,000	Covered bonds	3M EUR+0.20%	YES	Feb-28
	15,694,597				
Discounted interest and other items	(13,889)				
Total	**15,680,708**				

The interest accrued by these covered bond issues in 2022 amounted to 30,239 thousand euros (2021: 28,419 thousand euros) (Note 29).

Hybrid securities

Detail of outstanding issues of hybrid liabilities (structured bonds), by original term:

TERM	BALANCE	
	31.12.2022	**31.12.2021**
Up to one year		-
Over one year and up to two years		-
Over two years and up to three years		-
Over three years and up to four years	5,601	23,825
Over four years and up to five years	50,792	50,792
Over five years	377,729	603,712
Total	**434,122**	**678,328**

In accounting for hybrid financial liabilities (structured bonds), embedded derivatives have been separated from the main agreement. These embedded derivatives are recorded at their fair value

under the "Derivatives" captions of the "Assets or liabilities held for trading" portfolios in the consolidated balance sheet. At year-end 2022, the underlying asset positions of these embedded derivatives amounted to 23,525 thousand euros (2021: 44,824 thousand euros).

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

The interest accrued by these promissory note issues in 2022 totalled 1,346 thousand euros (2021: 1,270 thousand euros) (Note 29).

Other non-convertible securities

Outstanding non-convertible bonds (nominal amounts in thousands of euros):

					31.12.2022
Issue	**Nominal amount (thousands of euros)**	**Type of security**	**Interest %**	**Quoted price**	**Final maturity of the issue**
Other non-convertible securities					
Mar-19	500,000	Bonds	Fixed rate 0.875%	YES	Mar-24
July-19	750,000	Bonds	Fixed rate 0.875%	YES	July-26
Feb-20	750,000	Bonds	Fixed rate 0.675%	YES	Oct-27
	2,000,000				
Discounted interest	(4,262)				
	1,995,738				

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

All these outstanding issues are denominated in euros.

The interest accrued by the issues of other non-convertible securities in 2022 amounted to 16,931 thousand euros (2021: 16,931 thousand euros) (Note 29).

e) Subordinated liabilities

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

	Thousands of euros	
	31.12.2022	**31.12.2021**
Subordinated liabilities	1,180,371	1,678,376
Non-convertible securities	830,371	1,328,376
Convertible contingent preference shares	350,000	350,000
Valuation adjustments	(99,284)	14,974
Accrued interest	5,138	15,180
Micro-hedges	(100,442)	5,476
Other	(3,980)	(5,682)
	1,081,087	**1,693,350**
In euros	1,081,087	1,693,350
	1,081,087	**1,693,350**

The interest accrued by issues of non-convertible subordinated debentures in 2022 amounted to 20,425 thousand euros (2021: 23,505 thousand euros).

The interest accrued by issues of contingent convertible preference shares at 31 December 2022 and 2021 is recognised in equity, as explained in Note 22. f). In 2022 and 2021, no amounts of interest paid on the preference shares are recognised in "Interest expense and similar charges" in the accompanying consolidated income statement (see Note 29).

Non-convertible subordinated debentures

Subordinated debentures at 31 December 2022 and 2021 (nominal amounts in thousands of euros):

Balance at 31 December 2022				Thousands of euros
	Issue	Nominal	Interest %	Issue maturity
III SUBORDINATED DEBENTURES 1998	14.05.1998	81,893	Fixed rate 6.00%	18.12.2028
I SUBORDINATED DEBENTURES June 2021	23.06.2021	750,000	Fixed rate 1.25%	23.12.2032
		831,893		
Interest and other items		(1,522)		
		830,371		

Balance at 31 December 2021				Thousands of euros
	Issue	Nominal	Interest %	Issue maturity
III SUBORDINATED DEBENTURES 1998	14.05.1998	81,893	Fixed rate 6.00%	18.12.2028
I SUBORDINATED DEBENTURES April 2017	06.04.2017	500,000	Fixed rate 2.50%	06.04.2027
I SUBORDINATED DEBENTURES June 2021	23.06.2021	750,000	Fixed rate 1.25%	23.12.2032
		1,331,893		
Interest and other items		(3,518)		
		1,328,375		

In April 2022, Bankinter redeemed an issue of subordinated debt for 500 million euros issued in April 2017 at 2.50% interest rate.

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

Preference shares

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

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

As a contingent condition for the irrevocable and mandatory conversion of the preference shares into ordinary shares, the Common Equity Tier 1 (CET 1) ratio must fall below 5.125%. In this case, the holders of the preference share will receive a variable number of ordinary shares depending on the higher of i) the market price of the share at the time of conversion, ii) a floor price of 4.1686 euros subject to adjustments, or iii) the par value of the ordinary shares (0.30 euros).

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

In accordance with the characteristics of the issue, the conversion into shares of the nominal amount of these instruments would occur if the CET1 ratio of the Bank's consolidated group were to fall below a certain level, in which case the issuer could not avoid delivery of a variable number of shares. Consequently, in accordance with IAS 32, the principal amount of the instruments issued was classified as a financial liability. Moreover, the Group has decision-making power on payment of the coupon, so it considered it has a component of equity under IAS 32. At 31 December 2022, the Group had recognised 97,581 thousand euros (net of tax) in retained earnings for the coupon accrued by preference shares issued (2021: 82,272 thousand euros).

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

Issues of preference shares on the balance sheet at 31 December 2022 and 2021:

				31.12.2022
	Issue	Nominal	Interest %	Issue maturity
Bankinter, S.A.	17.07.2020	350,000	6.250%	PERPETUAL
		350,000		

				31.12.2021
	Issue	Nominal	Interest %	Issue maturity
Bankinter, S.A.	17.07.2020	350,000	6.250%	PERPETUAL
		350,000		

f) Other financial liabilities

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

	Thousands of euros	
	31.12.2022	31.12.2021
Payment obligations	335,457	332,757
Factoring account payables	55,629	28,762
Other	279,828	303,995
Collateral received	911,116	81,449
Clearing houses	671,349	317,262
Tax collection accounts	649,371	634,014
Special accounts	256,335	254,454
Of which: Unsettled transactions	195,161	136,321
Financial guarantees	16,580	17,289
Other	182,255	76,403
	3,022,463	1,713,627
In euros	2,862,990	1,607,439
In foreign currency	159,473	106,188
	3,022,463	1,713,627

20 Provisions

Balances and movements in provisions in 2022 and 2021:

	Thousands of euros				
	Total	Pensions and other post-employment defined benefit obligations	Commitments and guarantees given	Pending legal issues and tax litigation	Other provisions
Balance at 31.12.2020	**384,903**	**932**	**24,330**	**75,408**	**284,233**
Net increases in the period	102,708	-	178	43,477	59,053
Amounts used	(163,228)	-	-	(56,767)	(106,461)
Other movements	(4,361)	177	99	-	(4,637)
Balance at 31.12.2021	**320,023**	**1,109**	**24,608**	**62,118**	**232,188**
Net increases in the period	74,860	-	902	37,568	36,390
Amounts used	(107,442)	-	-	(52,134)	(55,308)
Other movements	(9,039)	45	126	-	(9,210)
Balance at 31.12.2022	**278,401**	**1,154**	**25,635**	**47,552**	**204,060**

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

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

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

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

These provisions are estimated for all ongoing legal proceedings. The Entity monitors the contingencies and obligations associated with these types of instruments periodically. At each reporting date, the Bank's management analyses and determines the best estimate of the legal provisions to be recognised in the Bank's financial statements, taking into account the number of claims submitted by customers and the outcome of the rulings handed down in judgements of second instance on the various proceedings initiated by customers. Specifically, to calculate the legal provision associated with these types of transactions, the average record of adverse rulings handed down by the courts against the Entity and the estimated average loss per case are taken into account. The governance bodies and management consider that the provision recognised at year-end is the best estimate of the probable outflow of resources that the Entity would have to make as a result of the actual contingency arising from multicurrency loans sold to customers.
The estimated maximum amount of the obligation at year-end arising from pending claims for multi-currency loans marketed to customers, assuming that all claims were settled in favour of the customer, would amount to 188.1 million euros (2021: 293.3 million euros).

Regarding the schedule for the outflow of resources, the average weighted maturity in 2022 was 2.8 years for tax contingencies was 3.2 years for legal contingencies (2021: 2 and 2 years, respectively).
The Bank considers that there will not be any future reimbursements giving rise to the recognition of assets.
The Group's main contingencies are described in Note 42 "Tax situation" of the notes to the financial statements. Note 27 "Staff expenses" gives further details on the provision for pensions and similar obligations. Furthermore, Note 44 "Risk policies and management" provides additional disclosures on provisions for contingent liabilities and commitments.

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

21 Accumulated other comprehensive income

The detail of this balance sheet item at 31 December 2022 and 2021 is as follows:

	Thousands of euros	
	31.12.2022	31.12.2021
ACCUMULATED OTHER COMPREHENSIVE INCOME	86,841	297,087
Items that will not be reclassified to profit or loss	141,617	246,582
Actuarial gains or (-) losses on defined benefit pension plans	6,255	3,584
Fair value changes of equity instruments measured at fair value through other comprehensive income	135,362	242,998
Items that may be reclassified to profit or loss	(54,776)	50,505
Hedging derivatives. Cash flow hedges [effective portion]	6,402	(329)
Fair value changes of debt instruments measured at fair value through other comprehensive income	(61,178)	50,834
Debt instruments	(61,178)	50,834
Equity instruments	-	-

22. Shareholders' equity

The composition of, and changes in, the Bank's own funds in 2022 and 2021 are included in the statement of total changes in equity.

a) Capital

At 31 December 2022 and 2021, Bankinter, S.A.'s share capital was represented by 898,866,154 fully subscribed and paid shares with a par value of 0.30 euros each. These shares confer the same voting and dividend rights.

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

There were no movements in share capital in 2022 and 2021.

	Thousands of euros	
	Number of shares	Nominal value
Balance at 31.12.2020	898,866,154	269,660
Additions	-	-
Balance at 31.12.2021	898,866,154	269,660
Additions	-	-
Balance at 31.12.2022	898,866,154	269,660

Shareholders with an ownership interest equal to or greater than 10% of share capital at 31 December 2022 and 2021:

	No. of direct shares		No. of indirect shares		% of share capital	
Shareholder	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Cartival, S.A.	208,455,116	208,426,443	-	-	23.19	23.19

b) Share premium

Movement in the share premium account in 2022 and 2021:

	Thousands of euros
	Share premium
Balance at 31.12.2020	1,184,265
Additions	-
Disposals	1,184,265
Balance at 31.12.2021	-
Additions	-
Disposals	-
Balance at 31.12.2022	-

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

c) Reserves

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

	Thousands of euros	
	31.12.2022	31.12.2021
Legal reserve	57,467	57,467
Unrestricted reserves	3,460,053	2,396,640
Revaluation reserves	-	-
Treasury share reserve:	322,261	261,943
Due to acquisition	1,261	905
Due to guarantee	321,000	261,038
Capitalisation reserve	172,392	159,594
Canary Islands investment reserve	28,363	28,363
	4,040,536	2,904,007

Legal reserve: Companies must earmark 10% of profit for the year to the legal reserve fund until it reaches at least 20% of the share capital. The legal reserve cannot be distributed to

shareholders and can only be used to offset losses, provided that other reserves are not available for this purpose. Also, under certain circumstances, it may be used to increase the share capital in the portion of this reserve that exceeds 10% of the share capital amount after the increase. At 31 December 2022 and 2021, the legal reserves were fully allocated.

Capitalisation reserve: This reserve is established to comply with section 1.b) of article 25 of Law 27/2014, on Corporate Income Tax, as a result of the Bankinter Group's use in 2022 and 2021 of the tax credit for the capitalisation reserve regulated by this article.

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

d) Other equity

This item includes share-based payments.

e) Treasury shares

As at 31 December 2022, the Bank possessed 200,000 treasury shares of 0.3 euros par value each (200,000 treasury shares as at 31 December 2021).

In 2022, the Bank purchased 3,611,432 shares (2021: 3,813,873) and sold 3,611,432 shares (2021: 4,095,413) on the stock market, giving rise to a loss of 825 thousand euros recognised under "Reserves" on the balance sheet (2021: profit of 279 thousand euros).

f) Earnings per share

Earnings per share are calculated by dividing the earnings attributable to the Bank adjusted by the profit after tax recognised in equity from contingent convertible preference shares, by the weighted average number of ordinary shares outstanding during the period, excluding, where applicable, the treasury shares acquired by the Bank. Earnings per share in 2022 and 2021:

	2022	2021
Profit for the period (thousands of euros)	456,430	1,371,351
Coupon amount of perpetual non-cumulative contingent convertible instrument	(15,309)	(19,306)
Earnings for the period (thousands of euros)	**441,121**	**1,352,045**
Average number of shares (thousands of shares)	898,866	898,866
Average number of treasury shares (thousands of shares)	191	209
Basic earnings per share (euros)	0.51	1.53
Diluted earnings per share (euros)	0.49	1.50
Memorandum items:		
Continuing operations.		
Earnings for the period (thousands of euros)	**441,121**	**340,355**
Basic earnings per share (euros)	0.51	0.4
Diluted earnings per share (euros)	0.49	0.38
Discontinued operations		
Earnings for the period (thousands of euros)	**-**	**1,011,690**
Basic earnings per share (euros)	-	1.13
Diluted earnings per share (euros)	-	1.13

The convertibility of the Bank's perpetual non-cumulative contingent convertible instruments (preference shares, Note 19) is conditional on compliance with certain terms and conditions other than the Bank's earnings or the market price of the Bank's shares. In accordance with applicable financial regulations, as these terms and conditions were not met at 31 December 2022, these convertible instruments have not considered to have any effect on the weighted average number of shares outstanding and, accordingly, do not affect the Bank's diluted earnings per share at 31 December 2022 or at 31 December 2021.

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

g) Dividends and remuneration

Dividends distributed and distributable charged to profit or loss for 2022 and 2021, excluding treasury shares held by the Bank:

Date	Dividend per share (euros)	Number of shares	Amount (thousands of euros)	Date of board approval	Profit (loss) for the year
Oct-2021	0.13328659	898,866,154	119,780	Sept-2021	2,021
Dec-2021	0.05148231	898,866,154	46,265	Dec-2021	2,021
Mar-2022	0.05857824	898,866,154	52,642	Feb-2022	2,021
	0.24334714		**218,688**		
June-2022	0.07412058	898,866,154	66,610	June-2022	2,022
Sept-2022	0.06453401	898,866,154	57,995	Sept-2022	2,022
Dec-2022	0.08371622	898,866,154	75,233	Dec-2022	2,022
Mar-2023	0.08931488	898,866,154	80,264	Feb-2023	2,022
	0.31168569		**280,101**		

The provisional accounting statements of Bankinter, S.A. justifying the existence of sufficient resources for the distribution of interim dividends were as follows:

	May 2022	August 2022	November 2022
	First	Second	Third
Profit after tax (thousands of euros)	206,285	372,709	503,385
Prior dividends paid (thousands of euros)		66,610	124,605
Interim dividend for the period (thousands of euros)	66,610	57,995	75,233
Accumulated interim dividends (thousands of euros)	66,610	124,605	199,838
Gross dividend per share for the period (euros)	0.07412058	0.06453401	0.08371622
Payment date	June-2022	Sept-2022	Dec-2022

23. Offsetting of financial assets and liabilities and collateral

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

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

Counterparty	Assets	Liabilities	Net	Collateral received	Collateral provided
Company 1	378,019	(26,288)	351,731	358,020	-
Company 2	433,257	(228,216)	205,041	205,050	-
Company 3	114,375	(21,016)	93,359	93,360	-
Company 4	661,112	(633,191)	27,921	27,930	-
Company 5	67,657	(89,630)	(21,972)	-	21,980
Company 6	77,809	(98,961)	(21,152)	-	21,150
Company 7	59,218	(41,366)	17,852	17,653	-
Company 8	17,494	-	17,494	17,490	-
Company 9	22,504	(5,133)	17,371	17,430	-
Company 10	28,448	(11,180)	17,268	17,270	-
Company 11	19,936	(3,031)	16,906	16,910	-
Company 12	16,029	-	16,029	15,180	-
Company 13	23,669	(9,550)	14,119	14,120	-
Company 14	37,726	(47,947)	(10,221)	-	10,230
Company 15	18,776	(9,517)	9,259	9,260	-
Company 16	12,698	(4,608)	8,090	8,100	-
Company 17	14,703	(21,933)	(7,230)	-	5,480
Company 18	17,896	(10,789)	7,106	7,110	-
Company 19	8,483	(14,013)	(5,529)	-	4,490
Company 20	32,025	(26,619)	5,406	5,410	-
Company 21	-	(5,326)	(5,326)	-	5,520
Company 22	7,699	(3,271)	4,427	4,350	-
Company 23	24,350	(28,529)	(4,179)	-	4,200
Company 24	1,563	(3,483)	(1,920)	-	1,930
Company 25	-	(1,698)	(1,698)	-	1,700
Company 26	3,011	(1,407)	1,605	1,650	-
Company 27	3,945	(5,492)	(1,548)	-	1,520
Company 28	42,762	(44,031)	(1,269)	-	1,410
Company 29	1,103	(109)	994	870	-
Company 30	2,489	(1,525)	964	900	-
Company 31	75	(997)	(922)	-	910
Other	34,527	(34,768)	(242)	1,601	1,677

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

In addition, guarantees for 529 million euros have been deposited in clearing houses.

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

Counterparty	Exposure	Collateral
Company 1	56,077	57,050
Company 2	53,577	51,232
Company 3	23,944	23,940
Company 4	10,788	10,774
Company 5	10,656	10,650
Company 6	7,841	7,840
Company 7	5,974	5,878
Company 8	5,026	5,030
Other	16,223	15,754

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

Counterparty	Special guarantee
FIANZA 13 FTA	12,640
FIANZA 10 FTA	6,830
FIANZA 11 FTH	4,420
FIANZA BK 9 FTA	1,990

24. Guarantees and contingent commitments provided

Breakdown of "Guarantees given" at 31 December 2022 and 2021 :

	Thousands of euros	
	31.12.2022	31.12.2021
Contingent risks		
Financial guarantees	2,092,400	1,765,266
Other guarantees and sureties provided	4,930,742	4,084,451
Irrevocable documentary credits	417,002	971,636
	7,440,144	**6,821,352**
Contingent commitments		
Drawable by third parties:	14,546,275	12,773,074
Regular way financial asset purchase contracts	4,272,071	3,321,934
Other contingent commitments	14,290	22,657
	18,832,636	**16,117,665**

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

25. Transfers of financial assets

Breakdown of the transfers of financial assets by the Bank as at 31 December 2022 and 2021:

	Thousands of euros	
	31.12.2022	31.12.2021
Removed from the balance sheet		-
Retained fully on the balance sheet	771,878	905,583
	771,878	**905,583**

No securitisation funds were redeemed in 2022. In 2021, the Bankinter 6 FTH, Bankinter 7 FTH and Bankinter 8 FTA funds were redeemed for 131,680 thousand euros, 48,502 thousand euros and 102,750 thousand euros, respectively.

The main characteristics of asset transfers completed via loan securitisations are as follows:

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

Fund	Series	Rating	Nominal amount	Coupon	Maturity
BK 9 FTA	Series A1 (P)	Aaa/AAA:	66,600	3M EUR + 0.07%	16.07.2042
	Series A2 (P)	Aaa/AAA:	656,000	3M EUR + 0.11%	
	Series B (P)	A2/A+:	15,300	3M EUR + 0.50%	
	Series C (P)	Baa3/BBB:	7,100	3M EUR + 0.95%	
		Total (1)	745,000		
	Series A1 (T)	Aaa/AAA:	21,600	3M EUR + 0.07%	16.07.2042

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

At 31 December 2022, the securitisation bonds issued by securitisation funds integrated and acquired or retained by the Bank amounted to 524,662,173 euros (2021: 600,553,913 euros). These securities are recognised under "Debt securities issued" on the liabilities side of the balance sheet with a reduction to the amount of the corresponding issues.

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

Thousands of euros

	Outstanding balance as at 31.12.2022	Carrying amount of associated liabilities (bonds)	Fair value of assets transferred	Fair value of associated liabilities	Net position
Fully maintained on the balance sheet:					
Bankinter 9 Fondo de Titulización de Activos	112,700	41,652	114,464	41,640	72,824
Bankinter 10 Fondo de Titulización de Activos	211,633	68,962	214,944	69,113	145,831
Bankinter 11 Fondo de Titulización Hipotecaria	135,122	55,552	137,237	55,772	81,465
Bankinter 13 Fondo de Titulización de Activos	312,422	81,050	317,310	81,575	235,735
	771,878	**247,215**	**783,954**	**248,099**	**535,855**

Thousands of euros

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

26 Financial derivatives

Notional amounts of financial derivatives held by the Bank at 31 December 2022 and 2021:

Thousands of euros

	31.12.2022	31.12.2021
Financial derivatives (Notes 7 and 11):		
Foreign currency risk	45,593,217	31,021,071
Interest rate risk	27,293,655	24,930,544
Equity risk	3,286,931	1,822,004
Commodity risk	366	-
	76,174,169	**57,773,619**

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

27. Staff expenses

Breakdown of this heading of the income statement for the years ended 31 December 2022 and 2021:

Millions of euros

	2022	2021
Salaries and bonuses of current employees	287,366	272,043
Social security contributions	64,593	62,143
Contributions to defined benefit plans	740	1,604
Contributions to defined contribution plans	5,347	5,497
Termination benefits	4,544	4,010
Other staff expenses	26,304	22,100

	Millions of euros
2022	2021
388,893	367,397

The Bank remunerates certain groups of employees with shares, i.e. providing shares in exchange for services rendered. In accordance with the accounting standards, the services received are recognised in the income statement, with a corresponding increase in equity. The amount recognised under "Shareholders' equity" at 31 December 2022 is 6,255 thousand euros (5,877 thousand euros at 31 December 2021).

The breakdown of Bank staff (number of employees) at 31 December 2022 and 2021 according to the pension obligations is as follows:

	31.12.2022	31.12.2021
Employees in Spain with recognised service prior to 8 March 1980	18	26
Employees in Portugal with recognised service prior to March 2009	603	617
Staff beneficiaries of a vested pension	132	126
Former employees with vested rights	138	119
Other current employees	4,130	3,936

Post-employment benefits

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

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

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

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

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

- For top executives appointed from 2012, in the year of appointment as top executive, an initial contribution equal to 656,560 euros to a unit-linked policy taken out with AXA Seguros y Reaseguros S.A. and, from the sixth year from when this initial contribution was made, they will have a regular annual contribution to a savings insurance policy taken out with Generali España S.A. Seguros y Reaseguros ("Generali"), equal to a percentage of their annual gross salary according to their professional category and year of appointment.
- For top executives appointed between 2000 and 2010, from 2019, they will be entitled to a regular annual contribution to a savings insurance policy taken out with Generali España S.A. Seguros y Reaseguros, equal to a percentage of their annual gross salary according to their professional category and year of appointment.

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

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

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

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

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

Other long-term employee benefits

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

In addition, the premium paid for death and disability coverage in Spain amounted to 63 thousand euros in 2022 (2021: 189 thousand euros).

Main assumptions used to determine pension obligations

The following table sets out the basic actuarial assumptions used to calculate the defined benefit obligations to current employees, non-active employees and early retirees of Bankinter at 31 December 2022 and 2021:

	Spain		Portugal	
	31.12.2022	**31.12.2021**	**31.12.2022**	**31.12.2021**
Survival	PERM/F-2020p	PERM/F-2020p	TV88/90	TV88/90
Disability	N/A	N/A	EKV80	EKV80
Discount rate	3.50%	1.00%	3.20%	1.65%
Expected rate of return	3.50%	1.00%	3.20%	1.65%
Marital status	Actual marital status	Actual marital status	70% married, where the spouse is 3 years older/younger than the employee	70% married, where the spouse is 3 years older/younger than the employee
CPI	2.00%	2.00%	2.00%	2.00%
Salary increase	3.50%	3.50%	5% for 2023; 4% for 2024, and 1.75% for 2025 and after	1.75%
Pension increase	2%	2%	4% for 2023; 3% for 2024, and 0.75% for 2025 and after	0.75%
Retirement age in the Bank	65	65	65	65
Retirement age in the Social Security	65	65	66 years and 4 months in 2023 and 2024, projecting that age to the future in accordance with the Eurostat forecast for the Portuguese population	66 years and 7 months in 2022, projecting that age to the future in accordance with the Eurostat forecast for the Portuguese population

The PERMF2020p survival table has been used in the valuation of year-end 2022 pension commitments.

The financial term of all payment obligations assumed or accrued at the end of the year (post-employment and long-term remuneration) is 14.40 years at Bankinter Spain (2021: 15.00 years) and 19.83 years at Bankinter Portugal (2021: 22.95 years), distributed as follows:

	2022		2021	
	Spain	**Portugal**	**Spain**	**Portugal**
Within 5 years	21%	0%	21%	0%
Between 5 and 10 years	20%	3%	21%	0%
Between 10 and 15 years	18%	28%	18%	24%
Between 15 and 20 years	14%	16%	14%	7%
Beyond 20 years	27%	53%	26%	69%

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

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

Set out below is the reconciliation of the value of the obligations and the fair value of the assets assigned to cover them for 2021 and 2022

	Spain		Portugal	
	Pension obligations	Fair value of plan assets	Pension obligations	Fair value of plan assets
Balance at 31 December 2020 – Total	**21,461**	**23,783**	**95,211**	**94,957**
Active staff	12,027	14,376	74,055	74,125
Staff beneficiaries of a vested pension	9,433	9,406	19,365	19,243
Former employees since retirement	-	-	1,791	1,589
Former employees until	-	-	-	-
Total accounting cost for 2021	**(931)**	**234**	**1,822**	**954**
Normal cost for the year	253	-	569	-
Employee contributions	-	-	-	541
Risk premium for assets	-	-	-	(1,152)
Interest cost/income (pensions)	214	234	1,571	1,566
Curtailments	(1,397)	-	(318)	-
Other variations to accounting expense for 2021	**(3,947)**	**(5,591)**	**(1,732)**	**2,193**
Benefits paid (pensions)	(4,429)	(6,894)	(1,186)	(1,078)
Company contributions (pensions)	-	312	-	-
Losses/(gains) on actuarial assumptions	-	-	-	-
Losses/(gains) on actuarial experience	482	-	(546)	-
(Losses)/gains on the fund	-	991	-	3,271
Balance at 31 December 2021 – Total	**16,582**	**18,424**	**95,301**	**98,104**
Active staff	6,800	8,669	73,899	76,705
Staff beneficiaries of a vested pension	9,782	9,755	19,429	19,429
Former employees since retirement	-	-	1,973	1,970
Total accounting cost for 2022	**(364)**	**176**	**2,012**	**845**
Normal cost for the year	132	-	441	-
Employee contributions	-	-	-	472
Risk premium for assets				(1,246)
Interest cost/income (pensions)	164	176	1,571	1,619
Curtailments	(660)			
Other variations to accounting expense for 2022	**(5,190)**	**(6,556)**	**(21,900)**	**(18,306)**
Benefits paid (pensions)	(1,588)	(2,740)	(1,099)	(1,133)
Company contributions (pensions)		72		664
Losses/(gains) on actuarial assumptions	(3,861)	-	(24,157)	-
Losses/(gains) on actuarial experience	259	-	3,356	-
(Losses)/gains on the fund		(3,888)	-	(17,837)
Balance at 31 December 2022 – Total	**11,027**	**12,045**	**75,412**	**80,643**
Active staff – Banking agreement	3,390	4,426	55,255	58,838
Staff beneficiaries of a vested pension	7,637	7,619	18,669	20,248
Former employees from			1,488	1,557

Key features of the difference between actuarial valuations at 31 December 2022 and 2021:

- Provisions for pension obligations - Spain: these provisions decreased as a result of employees leaving the company in 2022 with the resulting loss of pension obligations, and the retirements that took place in 2022, whereby benefits were received in almost all cases in the form of a single payment.
- Provisions for pension obligations - Portugal: these provisions were decreased owing to two factors:
  - First, the provisions increased as a result of the early retirements occurring in 2022, requiring recognition of 100% of the obligation assumed by these early retirees during the year.
  - Second, they decreased due to employee departures in 2022, thereby decreasing the obligations to be assumed since they then became considered former employees.

  In Portugal, net provisions decreased from the year before.
- Actuarial gains/(losses) - Spain: valuation has gone down significantly, both in terms of pension obligations and the Fund's value (plan assets) due to an increase in the interest rate curve in 2022, which has led to a substantial reduction of both figures (long-term payment obligations). This reduction is also due to the homogeneous hedging level of the plan assets when compared with Bankinter's pension obligations.

  At the start of the year, the expected income from the plan assets was estimated at 156 thousand euros, whereas the actual income was -3,888 thousand euros.
- Actuarial gains/(losses) - Portugal: valuation has gone down significantly, both in terms of pension obligations and the Fund's value (plan assets) due to an increase in the interest rate curve in 2022, which has led to a substantial reduction of both figures (long-term payment obligations).
  The expected return on plan assets at the beginning of the year was estimated at 1,608 thousand euros, while the actual return obtained was -17,837 thousand euros due to the market drop, which reduced the value of the assets in which the pension fund was invested.
- Accounting cost of the pension obligations: the total amount recognised in the income statement in 2022 to cover defined-benefit pension obligations was 541 thousand euros in Spain and a cost of 502 thousand euros in Portugal (2021: 1,212 thousand euros in Spain and 868 thousand euros in Portugal).

  The Company's estimate at the beginning of the year for pension costs in 2023 is -62 thousand euros.

Provisions for pensions and other post-employment defined benefit obligations and long-term remuneration at 31 December 2022 and 31 December 2021:

	31.12.2022			31.12.2021		
	RD 1588/1999			RD 1588/1999		
	Externalised	Internal	Other	Externalised	Internal	Other
Present value of committed remuneration	85,285	1,154		110,774	1,109	-
Value of related funds	92,688			116,528	-	-
Pension liability		1,154		-	1,109	-
Pension asset	7,402			5,755	-	-
Insurance contracts linked to pensions				-	-	-

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

Thousands of euros

Year	Defined benefit obligations	Plan assets	Other funds	Deficit/surplus	Total actuarial gains and losses
2018	109,153	112,462	509	3,818	(2,425)
2019	117,573	118,510	751	1,688	(3,102)
2020	116,671	118,739	932	3,000	5,046
2021	111,883	116,528	1,109	5,755	4,326
2022	86,439	92,688	1,154	7,402	2,671

Accumulated actuarial gains and losses recognised in reserves

At 31 December 2022, Bankinter's accumulated actuarial gains recognised under "Accumulated other comprehensive income" amounted to 6,255 thousand euros (2021: 3,584 thousand euros of gains).

Sensitivity to changes in the main valuation assumptions

	Year-end	Interest rate		Salary increase		Pension plan increase		Mortality table
		-50 bp	+50 bp	-50 bp	+50 bp	-50 bp	+50 bp	-1 year
Present value of committed remuneration	86,439	95,281	79,689	81,471	92,226	84,783	88,488	88,992
Value of plan funds	92,688	93,229	92,130	92,687	92,688	92,688	92,688	92,973

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

Main categories of plan assets:

	2022	
	Percentage	Amount (in thousands of euros)
Fixed income	69.24%	64,181
Equity	17.34%	16,068
Real estate	0.00%	4
Cash	0.42%	391
Unrelated insurance policies	12.99%	12,045

The Bank's estimate of the expected contributions to the plan (net of recoveries) in 2023 amounts to 0 thousand euros.

Pension costs incurred in 2022 due to defined contribution obligations

The total expense recognised in the income statement in 2022 for coverage for defined contribution pension commitments amounts to 5,347 thousand euros (2021: 5,497 thousand euros).

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

Average number of employees in 2022 and 2021:

	2022		2021	
	Male	Female	Male	Female
Managers	83	38	88	33
Middle managers	757	533	732	513
Commercial/Senior Technicians	742	743	720	707
Commercial/Technicians	558	862	561	896
Staff	140	228	119	209
Total	**2,280**	**2,404**	**2,220**	**2,358**

Breakdown of employees by gender and category at 31 December 2022 and 2021:

	2022		2021	
	Male	Female	Male	Female
Managers	81	40	86	35
Middle managers	760	538	738	510
Commercial/Senior Technicians	751	742	724	726
Commercial/Technicians	576	871	562	885
Staff	150	242	121	213
Total	**2,318**	**2,433**	**2,231**	**2,369**

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

	2022		2021	
	Male	Female	Male	Female
Managers			1	-
Middle managers	9	4	10	4
Commercial/Senior Technicians	6	6	4	6
Commercial/Technicians	5	15	7	12
Staff	3	1	2	1
Total	**23**	**26**	**24**	**23**

28. Fee and commission income and expenses

Breakdown of these headings of the income statement for the years ended 31 December 2022 and 2021:

	Thousands of euros	
	2022	2021
Fee and commission income		
On guarantees and documentary credits	58,887	49,238
On contingent commitments	21,718	21,415
On foreign exchange and foreign banknotes	90,979	82,642
On collection and payment services	127,926	99,828
Bills of exchange	18,212	14,940
Demand accounts	26,100	20,620
Credit and debit cards	54,034	39,667
Cheques	1,749	1,611
Payment orders	27,832	22,989
For securities services	92,398	126,569
Underwriting and placement of securities	256	36,106
Purchase and sale of securities (Note 40)	34,866	35,730
Securities administration and custody	43,830	40,321
Asset management (Note 40)	13,446	14,412
For marketing of non-banking financial products	180,943	179,919
Other fees and commissions	58,910	107,552
Total	**631,761**	**667,163**
Fee and commission expenses		
Fees and commissions ceded to other entities and agencies	80,687	78,961
Fees and commissions ceded to agents	77,795	77,825
Other fees and commissions	19,861	17,805
Total	**178,344**	**174,591**

29. Interest income/expense

Breakdown of these items of the income statement by nature of the transactions giving rise to them for the financial years ended 31 December 2022 and 2021:

	Thousands of euros	
Interest income:	2022	2021
Deposits at Banco de España and other central banks	95,821	121,846
Loans and advances to credit institutions (Nota10)	45,176	21,277
Money market transactions through counterparties	783	24
Loans and advances to customers (Note 10)	1,071,229	853,941
Debt securities	230,168	190,404
Non-performing assets	14,051	11,633
Correction of income for hedging transactions	(55,297)	(63,337)
Returns from insurance contracts related to pensions and similar obligations	1,790	1,789
Other interest	22,031	19,854
	1,425,752	**1,157,430**

"Loans and advances to customers" in 2022 included 384,934 thousand euros corresponding to secured loans (2021: 317,843 thousand euros).

	Thousands of euros	
Interest expenses:	2022	2021
Deposits from Banco de España	42,786	63,672
Deposits from credit institutions	90,528	62,632
Money market transactions through counterparties	11	227
Customer deposits	43,592	30,296
From payables represented by marketable securities (Note 19)	89,051	86,872
From subordinated liabilities (see Note 19)	20,425	23,505
Correction of expenses for hedging transactions	(20,348)	(66,933)
Interest cost of pension funds	1,730	1,776
Other interest	8,325	6,422
	276,100	**208,469**

Bankinter Group's average annual returns by line in 2022 and 2021:

	Average return	
	31.12.2022	31.12.2021
Similar income:		
Deposits at central banks	0.53%	0.70%
Deposits with credit institutions	0.16%	0.18%
Loans and advances to customers	2.15%	1.85%
Debt securities	1.93%	1.70%
Equity	2.47%	2.99%
Similar expenses:		
Deposits from central banks	0.31%	0.46%
Deposits from credit institutions	1.40%	1.28%
Customer funds	0.10%	0.03%
Customer deposits	0.05%	0.00%
Payables represented by marketable securities	0.77%	0.28%
Subordinated liabilities	1.61%	1.65%

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

Breakdown of these headings of the income statement for the years ended 31 December 2022 and 2021:

	Thousands of euros	
	2022	2021
Gains or losses on financial assets and liabilities held for trading, net (Note 7)	**27,170**	**19,758**
Debt securities	15,784	(7,056)
Equity instruments	2,949	17,692
Trading derivatives	8,437	9,122
Gains or (-) losses on financial assets and liabilities measured at fair value through profit or loss, net	**-**	**-**
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	**41,583**	**35,522**
Financial assets at fair value through other comprehensive income (Note 9)	1,689	3,104
Debt securities	1,689	3,104
Equity instruments	-	-
Financial assets at amortised cost	34,403	32,134
Financial liabilities at amortised cost	1,604	534
Other	3,888	(249)
Gains or losses from hedge accounting, net	**(109)**	**12**
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss, net (Note 8)	**(5,843)**	**16,241**
	62,801	**71,533**

31. Exchange differences (net)

The amount of net foreign exchange differences recorded in the income statement for the year ended 31 December 2022 was a loss of 7,911 thousand euros (2021: a profit of 1,864 thousand euros).

Breakdown by currency of the assets and liabilities of the Bank's balance sheet denominated in foreign currency at 31 December 2022 and 2021:

	Thousands of euros			
	2022		2021	
	Assets	Liabilities	Assets	Liabilities
US dollar	4,492,903	3,297,670	3,528,440	3,202,564
Pound sterling	422,254	207,743	251,456	146,955
Japanese yen	460,397	47,876	653,275	42,838
Swiss franc	219,782	173,229	221,242	82,122
Norwegian krone	25,546	12,905	25,767	9,675
Swedish krona	21,793	42,274	1,922	14,867
Danish kroner	2,895	921	1,216	2,203
Australian dollar	71,262	7,821	-	-
Other	128,555	11,149	88,164	49,279
	5,845,387	**3,801,588**	**4,771,482**	**3,550,503**

32. Other administrative expenses

Breakdown of this heading of the income statement for the years ended 31 December 2022 and 2021:

	Thousands of euros	
	2022	2021
Property, fixtures and material	15,356	14,530
Information technology	159,132	148,762
Communications	12,730	10,407
Advertising and publicity	20,180	17,852
Legal and lawyer expenses	2,779	4,392
Technical reports	6,983	4,960
Surveillance and security carriage services	2,923	2,966
Insurance and self-insurance premiums	5,120	3,641
Governing and control bodies	3,570	3,590

	Thousands of euros	
	2022	2021
Entertainment and staff travel expenses	5,806	3,691
Association membership fees	8,109	7,738
Outsourced administrative services	73,050	68,167
Contributions and taxes	11,643	12,406
Other	2,445	2,256
	329,828	305,359

In 2022, the premium was paid for a group civil liability insurance policy for all Bankinter directors and executives for potential damage caused by wrongful acts committed or allegedly committed in the performance of their duties, for a total amount of 373 thousand euros (2021: 295 thousand euros).

33. Other income and other operating expenses

Breakdown of these headings of the income statement for the years ended 31 December 2022 and 2021:

	Thousands of euros			
	2022		2021	
	Income	Expenses	Income	Expenses
Income from exploitation of investment property and other operating leases	5,334		5,986	-
Financial fees and commissions offsetting direct costs	17,787		16,822	-
Contribution Deposit Guarantee Fund and Single Resolution Fund (Note 4)		109,135	-	93,258
Other	11,248	55,546	10,516	51,414
	34,369	164,682	33,323	144,673

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

Breakdown of these headings of the income statement for the years ended 31 December 2022 and 2021:

	Thousands of euros	
	2022	2021
Gains (losses) on disposal of non-financial assets and investments		
Tangible assets (Note 14/15)	(469)	(282)
Intangible assets (Note 16)	(1,269)	(1,000)
Investments	-	2,018
Total	(1,737)	736
Gains (losses) of non-current assets classified as held for sale		
Gains on disposal	5,139	4,402
Losses on disposals	(5,142)	(4,931)
Impairment of assets (see Note 12)	(1,551)	(2,325)
Total	(1,554)	(2,854)

35. Related party transactions and balances

The breakdown of transactions and balances with the Bank and other related companies and natural persons at 31 December 2022 and 2021 is set out in Appendix I and Note 36 below. Transactions with related parties are carried out on an arm's length basis and the corresponding remuneration in kind has been recognised.

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

Remuneration of the board of directors

The director remuneration policy for years 2022, 2023 and 2024 was approved by the Annual General Meeting held on 21 April 2021 with 86.475% approval.

In addition, Bankinter submits the annual report on directors' remuneration, which is presented using the template provided in the CNMV Circular, to consultative vote at the Annual General Meeting. The latest report on the remuneration of directors was approved at the Annual General Meeting held on 23 March 2022, with 89.508% of total capital present and represented voting in favour. The report included information on the general remuneration policy, its application in 2022 and the remuneration system applicable in 2021. While this practice has only been mandatory for listed companies since 2014, Bankinter has been submitting this report to the General Meeting since 2008, in line with the recommendations of the Good Governance Code of Listed Companies. Also, this report is included in a separate section of the management report in these annual financial statements.

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

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

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

The shareholders at the Annual General Meeting on 21 April 2021 voted to set the maximum annual remuneration of directors in their status as such at 2,200,000 euros, pursuant to articles 217 and 529 septdecies of the Spanish Companies Act.

The board of directors, on the recommendation of the remuneration committee, determined the specific amount that has corresponded to each of the directors, in their capacity as such, conforming to the agreement of the General Meeting when legally required. In this regard, and within the limit set by the Meeting, the board of directors, at its meeting on 20 December 2021, following a proposal from the remuneration committee, approved increasing the amounts established for the previous year by 3 percent, in line with the general increase applicable to the employees of Bankinter Group.

For 2022, the total remuneration received by directors individually in that capacity has been paid by means of: i) an annual fixed amount for their role on the board of directors and their duties as the chairs of board committees, and ii) attendance fees for meetings of the board and board committees. As it has happened since 1 January 2015, no Bankinter shares have been delivered to directors as compensation for their role as directors.

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

Itemised total individual remuneration of members of Bankinter's board of directors in their capacity as such (supervisory and collective decision-making duties) in 2022 and 2021:

In euros

Directors	2022	2021
Pedro Guerrero Guerrero	244,561	238,553
Alfonso Botín-Sanz de Sautuola y Naveda (1)	174,226	0
María Dolores Dancausa Treviño	203,801	196,193
Fernando Masaveu Herrero	129,170	114,819
Marcelino Botín-Sanz de Sautuola y Naveda	121,133	127,079
María Teresa Pulido Mendoza	114,818	113,145
Teresa Marín-Retortillo Rubio	155,578	153,276
María Luisa Jordá Castro	157,874	165,538
Álvaro Álvarez-Alonso Plaza	168,208	154,948
Fernando José Francés Pons	148,689	129,866
Cristina García-Peri Álvarez (2)	145,819	92,461
Former directors (3)	53,113	282,955
	1,816,990	1,768,833

(1) Due to the expiry of the term of office of CARTIVAL as director in 2022, and because a legal entity cannot be re-elected as a director of Bankinter, the appointment of Alfonso Botín-Sanz de Sautuola y Naveda as proprietary director was proposed and approved on 23 March 2022 (Mr Botín-Sanz de Sautuola y Naveda was until that date the representative of CARTIVAL on the board of directors of Bankinter, S.A.).

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

(3) Remuneration paid is included: (i) in 2021 to Rafael Mateu de Ros Cerezo, who ended his term of office as a director of Bankinter on 21 April 2021 and was not proposed for re-election by the board of directors because he had lost his status as an independent external director after more than 12 years as such; and (ii) in 2021 and 2022 to director CARTIVAL (legal entity), who ceased to be a director of Bankinter on 23 March 2022, as described in note (1) to this table.

Breakdown of the total amounts shown in preceding table for each directors as such between the fixed remuneration and the amount received in fees for attending meetings of the board of directors and board committees in 2022 and 2021:

In euros

	2022		2021	
Directors	Fixed remuneration	Attendance fees	Fixed remuneration	Attendance fees
Pedro Guerrero Guerrero	195,190	49,371	189,504	49,049
Alfonso Botín-Sanz de Sautuola y Naveda (1)	146,670	27,556	-	-
María Dolores Dancausa Treviño	172,226	31,575	167,210	28,983
Fernando Masaveu Herrero	97,595	31,575	94,753	20,066
Marcelino Botín-Sanz de Sautuola y Naveda	97,595	23,538	94,752	32,327
María Teresa Pulido Mendoza	97,595	17,223	94,752	18,393
Teresa Marín-Retortillo Rubio	114,818	40,760	111,474	41,802
María Luisa Jordá Castro	114,818	43,056	111,474	54,064
Álvaro Álvarez-Alonso Plaza	114,818	53,390	111,474	43,474
Fernando José Francés Pons	97,595	51,094	94,752	35,114
Cristina García-Peri Álvarez (2)	114,818	31,001	77,413	15,048
Former directors (3)	42,779	10,334	218,301	64,654
Subtotals	1,406,517	410,473	1,365,859	402,974
Total	**1,816,990**		**1,768,833**	

(1) Due to the expiry of the term of office of CARTIVAL as director in 2022, and because a legal entity cannot be re-elected as a director of Bankinter, the appointment of Alfonso Botín-Sanz de Sautuola y Naveda as proprietary director was proposed and approved on 23 March 2022 (Mr Botín-Sanz de Sautuola y Naveda was until that date the representative of CARTIVAL on the board of directors of Bankinter, S.A.).

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

(3) Remuneration paid is included: (i) in 2021 to Rafael Mateu de Ros Cerezo, who ended his term of office as a director of Bankinter on 21 April 2021 and was not proposed for re-election by the board of directors because he had lost his status as an independent external director after more than 12 years as such; and (ii) in 2021 and 2022 to director CARTIVAL (legal entity), who ceased to be a director of Bankinter on 23 March 2022, as described in note (1) to this table.

ii) **Fixed remuneration of the chairman of the board of directors** for his additional institutional and non-executive duties[1] since January 2013 as chairman (the latter remunerated in accordance with the previous point). Pedro Guerrero Guerrero received 748,083 euros as fixed remuneration in 2022. This amount has been updated with respect to 2021, by 3%, as well as the remuneration of the directors detailed in the previous section and in line with the general increase applicable to Bankinter Group employees.

The chairman of the board of directors has also received as beneficiary of medical insurance policies and other items of remuneration in kind and other corporate benefits totalling 4,930 euros (2021: 5,428 thousand euros).

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

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

iii) Remuneration of executive directors for their executive duties.

a) Components of remuneration of executive directors for their executive duties

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

- basic fixed remuneration, which primarily reflects the professional experience and organisational responsibility; and
- variable remuneration, which reflects sustainability of performance and is adapted to risk.

Fixed remuneration:

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

Executive directors may be beneficiaries of health insurance policies taken out by the Bank. The Bank pays the related premiums, which are attributed to the directors as remuneration

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

in kind. The Bank also compensates certain of these directors with other remuneration in kind, such as the leasing of vehicles and other corporate benefits that apply to all other staff.

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

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

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

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

Variable remuneration:

- Annual variable remuneration:

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

The variable incentive for 2022 has been calculated annually. This annual variable remuneration had the following financial indicators for the annual incentive: i) Earnings before tax (EBT) for banking business in Spain, Portugal and Ireland (including EVO), to achieve appropriate risk management and engagement to performance over the medium and long term, and ii) Pre-provision operating profit for the banking business in Spain, Portugal and Ireland (including EVO), as a critical factor for the sustainability of the business over the medium and long term and alignment with the Entity's risk policy. Each one of the indicators, PBT for the banking business and gross operating income of the banking business for Spain, Portugal and Ireland (including EVO), represent 40% and 60%, respectively, of variable remuneration, independently. The variable component accrues from the achievement of 90% and up to a maximum of 120% of the targets, potentially resulting in between 80% and 120% of the variable amount assigned to each beneficiary, according to the aforementioned achievement percentages. Therefore, the total incentive amount to be received for the maximum level of achievement of targets is 120% of the benchmark incentive. Pursuant to these tables of achievement and accrual, the overall percentage accrual of the incentive in 2022 was 113.97% (2021: 106.62%). Furthermore, to earn this 2022 variable remuneration, the following indicators (which may reduce accrued variable remuneration to zero but may never increase the amount) had to be met cumulatively:

- Risk appetite framework ratios, which measure the following risks: credit risk, solvency risk, liquidity risk, interest rate risk and reputational risk, which must meet the condition of not exceeding the risk level defined in the risk appetite framework. The level of achievement of these ratios in 2022 was 100%. Therefore, the amount of the variable remuneration receivable for the PBT and gross operating income targets before provisions will not be reduced.

- RoE TTC (through the cycle); i.e. return on equity invested factoring in the structure perspective which eliminates the effect of the cycle, thereby providing the ideal measurement of performance, must be above 7% to accrue 100% of the incentive achieved. If this ratio were between 6% and 7%, 50% of the incentives achieved would accrue; however, if it were below 6%, no amount whatsoever would be accrued. The level of achievement of this indicator in 2022 was over 100% (reaching 10.15%), so the amount of variable remuneration receivable for the PBT and gross operating income targets before provisions is not reduced.

Thus, the percentage of annual variable remuneration was earned was: 113.97%, as indicated above.

- Multi-year variable remuneration:

The 2022-2023 multi-year incentive plan is currently in force. Executive directors are beneficiaries of this plan, and its characteristics are described in the directors' remuneration report.

One of the indicators used in this plan is the Group's RoE - the stated objective is to have the indicator score above the average of its comparison group when measured at 31 December of each year. The 2022 comparison group comprises: Banco Santander, BBVA, CaixaBank, Unicaja Banco, Sabadell and Bankinter.

The Group's RoE on 31 December 2022 reportedly scored above the average of the comparison group.

b) Amounts of remuneration accrued in 2022 by the executive vice chairman:

As for the executive vice chairman, this role was performed by legal person director CARTIVAL, S.A. between 1 January 2022 and 23 March 2022, the end of its term as a director. Since this legal entity could not be re-elected as director of Bankinter, the Annual General Meeting held on 23 March 2022 approved the appointment of Alfonso Botín-Sanz de Sautuola y Naveda as a new proprietary director (Alfonso Botín-Sanz de Sautuola y Naveda had been representing CARTIVAL, S.A. in the board of directors of Bankinter, S.A. up to that date). He was appointed executive vice chairman by the board of directors on that same date.

b.1) Amount of fixed remuneration received by the executive vice chairman in 2022.

CARTIVAL, S.A., as Bankinter's executive vice chairman, received the proportional portion for its performance of its executive duties between 1 January 2022 and 23 March 2022, amounting to 145,049 euros as fixed remuneration.

Alfonso Botín-Sanz de Sautuola y Naveda, as Bankinter's executive vice chairman, received the proportional portion for his performance of his executive duties since 23 March 2022, amounting to 697,500 euros as fixed remuneration.

CARTIVAL, S.A. (or its natural person bord representative), while performing its duties as executive vice chairman, has not been beneficiary of health insurance policies underwritten by the Bank or of other remuneration in kind such as car hire and other social benefits applicable to all other employees.

Alfonso Botín-Sanz de Sautuola y Naveda, as the executive vice chairman, has also received, as a beneficiary of medical insurance policies and other items of remuneration in kind and other corporate benefits, a total of 3,037 euros.

This pension scheme described above does not apply to the executive vice chairman, CARTIVAL or Alfonso Botín-Sanz de Sautuola y Naveda.

b.2) Amount of annual variable remuneration accrued by the executive vice chairman in 2022:

Considering the changes mentioned before occurred on 23 March 2022 (expiry and new appointment of a executive vice chairman), the amount accrued for variable incentive in 2022 by the executive vice chairman, proportional in each case, was as follows:

- **CARTIVAL, S.A.:** 56,861 euros, for the performance of its executive duties from 1 January 2022 until the end of its term in office, to be paid in the form and within the deadlines below:

- In cash (the gross amounts accrued are provided below. These amounts will be paid net of tax):
  - 50% of the **non-deferred** variable remuneration accrued under the variable incentive in 2022: €17,058.
  - 50% of the **deferred** variable remuneration accrued from the 2022 variable incentive will be paid in cash, according to the following schedule:
    - 1/5 of 50% of the deferred variable remuneration accrued by the variable incentive for 2022 will be paid in January 2024: 2,274 euros.
    - 1/5 of 50% of the deferred variable remuneration accrued by the variable incentive for 2022 will be paid in January 2025: 2,274 euros.
    - 1/5 of 50% of the deferred variable remuneration accrued by the variable incentive for 2022 will be paid in January 2026: 2,274 euros.
    - 1/5 of 50% of the deferred variable remuneration accrued by the variable incentive for 2022 will be paid in January 2027: 2,274 euros.
    - 1/5 of 50% of the deferred variable remuneration accrued by the variable incentive for 2022 will be paid in January 2028: 2,274 euros.

- In shares[2] (as stated above, conditional upon shareholders' approval in the Annual General Meeting). The maximum number of Bankinter shares to be delivered, as calculated over gross amounts accrued, is shown below. The average quoted price of the Bankinter share at the close of business for the trading sessions between 2 January and 20 January 2023, inclusive, will be used as a benchmark to determine the number of shares to be delivered. This share price is 6.5928 euros per share:
  - 50% of the **non-deferred** variable remuneration accrued by the 2022 variable

[2] For the executive vice chairman, shares will be delivered if they are approved by shareholders at the Annual General Meeting of Bankinter in 2023 (one year after remuneration has accrued), as required by article 219 of the Spanish Companies Act.

incentive will be paid through the delivery of 2,587 shares. If shareholders at the General Meeting approve this delivery of shares, the shares will be delivered within 15 business days after approval.

- 50% of the **deferred** variable remuneration accrued from the 2022 variable incentive will be paid in shares, in the following way:

    - 344 Bankinter shares will be delivered in the month of January 2024, corresponding to 1/5 of 50% of the deferred remuneration accrued by the variable incentive in 2022.

    - 344 Bankinter shares will be delivered in the month of January 2025, corresponding to 1/5 of 50% of the deferred remuneration accrued by the variable incentive in 2022.

    - 344 Bankinter shares will be delivered in the month of January 2026, corresponding to 1/5 of 50% of the deferred remuneration accrued by the variable incentive in 2022.

    - 344 Bankinter shares will be delivered in the month of January 2027, corresponding to 1/5 of 50% of the deferred remuneration accrued by the variable incentive in 2022.

    - 344 Bankinter shares will be delivered in the month of January 2028, corresponding to 1/5 of 50% of the deferred remuneration accrued by the variable incentive in 2022.

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

- **Alfonso Botín-Sanz de Sautuola y Naveda:** 279,326 euros, for the performance of his executive duties from 23 March 2022 to 31 December 2022, to be paid in the form and within the deadlines below:

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

    - 50% of the **non-deferred** variable remuneration accrued under the variable incentive in 2022: €83,798.

    - 50% of the **deferred** variable remuneration accrued from the 2022 variable incentive will be paid in cash, according to the following schedule:

        - 1/5 of 50% of the deferred variable remuneration accrued by the variable incentive for 2022 will be paid in January 2024: 11,173 euros.

        - 1/5 of 50% of the deferred variable remuneration accrued by the variable incentive for 2022 will be paid in January 2025: 11,173 euros.

        - 1/5 of 50% of the deferred variable remuneration accrued by the variable incentive for 2022 will be paid in January 2026: 11,173 euros.

        - 1/5 of 50% of the deferred variable remuneration accrued by the variable incentive for 2022 will be paid in January 2027: 11,173 euros.

        - 1/5 of 50% of the deferred variable remuneration accrued by the variable incentive for 2022 will be paid in January 2028: 11,173 euros.

- In shares[3] (as stated above, conditional upon shareholders' approval in the Annual General Meeting). The maximum number of Bankinter shares to be delivered, as calculated over gross amounts accrued, is shown below. The average quoted price of the Bankinter share at the close of business for the trading sessions between 2 January and 20 January 2023, inclusive, will be used as a benchmark to determine the number of shares to be delivered. This share price is 6.5928 euros per share.

    - 50% of the **non-deferred** variable remuneration accrued by the 2022 variable incentive will be paid through the delivery of 12,710 shares. If shareholders at the General Meeting approve this delivery of shares, the shares will be delivered within 15 business days after approval.

    - 50% of the **deferred** variable remuneration accrued from the 2022 variable incentive will be paid in shares, in the following way:

[3] For the executive vice chairman, shares will be delivered if they are approved by shareholders at the Annual General Meeting of Bankinter in 2023 (one year after remuneration has accrued), as required by article 219 of the Spanish Companies Act.

- 1.694 Bankinter shares will be delivered in the month of January 2024, corresponding to 1/5 of 50% of the deferred remuneration accrued by the variable incentive in 2022.

- 1.694 Bankinter shares will be delivered in the month of January 2025, corresponding to 1/5 of 50% of the deferred remuneration accrued by the variable incentive in 2022.

- 1.694 Bankinter shares will be delivered in the month of January 2026, corresponding to 1/5 of 50% of the deferred remuneration accrued by the variable incentive in 2022.

- 1.694 Bankinter shares will be delivered in the month of January 2027, corresponding to 1/5 of 50% of the deferred remuneration accrued by the variable incentive in 2022.

- 1.694 Bankinter shares will be delivered in the month of January 2028, corresponding to 1/5 of 50% of the deferred remuneration accrued by the variable incentive in 2022.

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

c) Amounts of remuneration accrued in 2022 by the chief executive officer:

c.1) Amount of fixed remuneration received by the chief executive officer in 2022:

María Dolores Dancausa Treviño, chief executive officer of Bankinter, received a total of 971,043 euros as fixed remuneration. This remuneration was increased from 2021 by 4%, in line with the average increase applied to the management team, for dedication and performance in recent years, and still shows a significant difference relative to peers of other companies according to the remuneration studies used.

The chief executive officer also received 13,391 euros (13,966 euros in 2021) as remuneration in kind and other items in corporate benefits as chief executive officer.

c.2) Contributions to the pension scheme in 2022 and accumulated amounts

An annual contribution in 2022 of 582,626 euros was made to the CEO in 2022 (2021: 560,217 euros). These contributions are not vested, but the accumulated amount is reported in the directors' remuneration report submitted to consultative vote at the 2023 Annual General Meeting.

c.3) Amount of annual variable remuneration accrued by the chief executive officer in 2022:

At the end of 2022, as a result of the achievement rate previously mentioned, the amount of variable incentive accrued by the chief executive officer was 387,331 euros. This amount will be paid in the form and time frame indicated below:

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

  - 50% of the **non-deferred** variable remuneration accrued under the variable incentive in 2022: 77,466 euros.

  - 40% of the **deferred** variable remuneration accrued from the 2022 variable incentive will be paid in cash, according to the following schedule:

    - 1/5 of 40% of the deferred variable remuneration accrued by the variable incentive for 2022 will be paid in January 2024: €18,592.

    - 1/5 of 40% of the deferred variable remuneration accrued by the variable incentive for 2022 will be paid in January 2025: €18,592.

    - 1/5 of 40% of the deferred variable remuneration accrued by the variable incentive for 2022 will be paid in January 2026: €18,592.

    - 1/5 of 40% of the deferred variable remuneration accrued by the variable incentive for 2022 will be paid in January 2027: €18,592.

    - 1/5 of 40% of the deferred variable remuneration accrued by the variable incentive for 2022 will be paid in January 2028: €18,592.

- In shares[4] (as stated above, conditional upon shareholders' approval in the Annual General Meeting). The maximum number of Bankinter shares to be delivered, as calculated over gross amounts accrued, is shown below. The average quoted price of the Bankinter share at the close of business for the trading sessions between 2 January and 20 January 2023, inclusive, will be used as a benchmark to determine the number of shares to be delivered. This share price is 6.5928 euros per share.

  - 50% of the **non-deferred** variable remuneration from the 2022 variable incentive will be paid through the delivery of 11,750 shares. If shareholders at the General Meeting approve this delivery of shares, the shares will be delivered within 15 business days after approval.

  - 60% of the **deferred** variable remuneration accrued under the variable incentive in 2022 will be paid in shares, as follows:
    - 4,230 Bankinter shares will be delivered in the month of January 2024, corresponding to 1/5 of 60% of the deferred remuneration accrued by the variable incentive in 2022.
    - 4,230 Bankinter shares will be delivered in the month of January 2025, corresponding to 1/5 of 60% of the deferred remuneration accrued by the variable incentive in 2022.
    - 4,230 Bankinter shares will be delivered in the month of January 2026, corresponding to 1/5 of 60% of the deferred remuneration accrued by the variable incentive in 2022.
    - 4,230 Bankinter shares will be delivered in the month of January 2027, corresponding to 1/5 of 60% of the deferred remuneration accrued by the variable incentive in 2022.
    - 4,230 Bankinter shares will be delivered in the month of January 2028, corresponding to 1/5 of 60% of the deferred remuneration accrued by the variable incentive in 2022.

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

During 2022, the corresponding shares for the deferral of the variable remuneration accrued in the years 2018, 2019 and 2020, as well as the shares corresponding to the immediate payment of the remuneration accrued in 2021 and the shares corresponding to the extraordinary remuneration accrued in 2018, have been delivered to the Executive Directors in accordance with the agreements approved at Annual General Meeting between 2019 and 2022, respectively. Detail of the shares delivered in 2022:

	Delivery of shares corresponding to the annual variable remuneration accrued in 2018		Delivery of shares corresponding to the annual variable remuneration accrued in 2019		Delivery of shares corresponding to the annual variable remuneration accrued in 2020		Delivery of shares corresponding to the annual variable remuneration accrued in 2021		Delivery of shares corresponding to the multi-year variable remuneration accrued in 2018	
Executive director	Unit price assigned to each share[1]	In shares[5]	Unit price assigned to each share[2]	In shares[5]	Unit price assigned to each share[3]	In shares[5]	Unit price assigned to each share[4]	In shares[5]	Unit price assigned to each share[1]	In shares[5]
CARTIVAL, S.A. (*)	7.022	1,509	6.44708	1,694	4.8014	634	4.9125	14,076	7.022	10,760
María Dolores Dancausa Treviño	7.022	2,539	6.44708	2,914	4.8014	1,122	4.9125	9,220	7.022	16,947

(*) Term ended on 23 March 2022

1 Average quoted price of the Bankinter share at market close for each trading session held between 2 January and 20 January 2019. Price per share at time of delivery: 5.156 euros per share (annual variable remuneration 2018) and 5.042 euros per share (multi-year variable remuneration 2018).

2 Average quoted price of the Bankinter share at market close for each trading session held between 2 January and 20 January 2020. Price per share at time of delivery: 5.156 euros per share.

3 Average quoted price of the Bankinter share at market close for each trading session held between 2 January and 20 January 2021. Price per share at time of delivery: 5.156 euros per share.

4 Average quoted price of the Bankinter share at market close for each trading session held between 2 January and 20 January 2022. Price per share at time of delivery: 5.252 euros per share.

5 Number of shares delivered net of the related tax. For shares corresponding to variable remuneration from years prior to 2021, the original number of shares to be delivered needs to be adjusted in the manner approved by Bankinter's board of directors in order to mitigate the impact of Línea Directa Aseguradora, S.A., going public on the price of the share. This means the delivery of 1.28379 shares for each share pending delivery.

The **recognition of variable remuneration that may be settled in shares** with respect to compensation for the board of directors did not have an impact on the income statement for 2022 and 2021, as provisions were recognised in the years in which it accrued. Economic value of the shares delivered (amounts in euros):

[4] Nonetheless, for the chief executive officer, shares will be delivered if they are approved by the shareholders at the Annual General Meeting of Bankinter in 2023 (one year after remuneration has accrued), as required by article 219 of the Spanish Companies Act.

	2022(*)	2021(*)
Directors		-
Executive directors	409,805	332,384

(*) Figures gross of taxes

The impact of these share deliveries on equity amounted to 409,805 euros at 31 December 2022.

iv) Other remuneration:

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

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

Bankinter has not agreed any golden parachute clauses with the chairman in his services contract, or any clauses that link the accrual of financial rights to situations of change of control over the bank, which are common clauses in these types of contracts in large companies, as specified in the directors' remuneration report that will be submitted to a consultative vote at the 2022 General Meeting, as in previous years.

Summary of director remuneration, loans and other benefits

Remuneration by type

Thousands of euros

	2022	2021
Fixed remuneration (1)	2,583	2,297
Variable remuneration (2)	724	579
Attendance fees (3)	410	403
By-law allowances (4)	1,407	1,366
Share options and/or other financial instruments	-	-
Other	-	-
	5,124	4,645

(1) Fixed remuneration accrued in 2022 corresponding exclusively to executive directors in their capacity as executives and to the chairman of the board of directors for their non-executive institutional functions. For the executive vice chairman, this includes the amount received by CARTIVAL, S.A. until the end of its term of office on 23 March 2022, and the amount received by Alfonso Botín-Sanz de Sautuola y Naveda from his appointment as executive vice chairman on that same day. Includes the remuneration in kind and other items of corporate benefits received by the chairman, executive vice chairman and chief executive officer (amounting to 21 thousand euros in 2022 and 19 thousand euros in 2021).

In 2022, an annual contribution of 582,625.80 euros was made to the chief executive officer's pension scheme (2021: 560,217 euros). These are not included in fixed remuneration, since they have not vested.

(2) Variable remuneration corresponding exclusively to Executive Directors in their capacity as executives, as annual variable remuneration accrued in 2022 and 2021. Each Executive Director was assigned an amount that he or she would receive if the goal was achieved, as explained under 'Remuneration of Executive Directors for their executive duties'. For the executive vice chairman, this includes the amount received by CARTIVAL, S.A. until 23 March 2022 and the amount received by Alfonso Botín-Sanz de Sautuola y Naveda as executive vice chairman from that same day. For purposes of clarification, the chairman of the board does not receive variable remuneration. No multi-year remuneration was accrued in either 2021 or 2022.

(3) Attendance fees for board and committee meetings (directors).

(4) Includes fixed remuneration of the board (for seats on the board)

Remuneration by director type including all items

Thousands of euros

	2022		2021	
Director type	By company[1]	By group (**)	By company[2]	By group (**)
Executive (*)	2,985	-	2,561	-
Proprietary external	250	-	243	-
Independent external	891	72	871	108
Other external (***)	998	-	970	-
	5,124	72	4,645	108

1 Includes the in-kind remuneration received by the chairman, executive vice chairman and chief executive officer or other corporate benefits received (which amount to 21 thousand euros).

2 Includes the remuneration in kind received by the chairman and the chief executive officer or other corporate benefits received (which amount to 19 thousand euros).

(*) The following are executive directors: i) executive vice chairman, duties performed between 1 January 2022 and 23 March 2022 by the legal person CARTIVAL, S.A., and from 23 March 2022, by Alfonso Botín-Sanz de Sautuola y Naveda, and ii) María Dolores Dancausa Treviño, chief executive officer. The same annual contribution was made to the chief executive officer's pension scheme in 2022 of 582,625.80 euros (2021: 560,217 euros). These are not included in fixed remuneration, since they have not vested.

(**) Includes amounts received for:

- Rafael Mateu de Ros was appointed chairman of Bankinter's board of directors until 21 April 2021, under the category of independent external director. He was also a board member of Línea Directa Aseguradora, S.A. as a non-executive director, and received 13,733 euros for attendance fees between 1 January 2021 until the time he resigned from his position in that company, in April 2021.
- Teresa Martín-Retortillo Rubio is a member of the board of directors of EVO Banco, a subsidiary of Bankinter, as well as a member of several of its supervisory committees. Teresa Martín-Retortillo Rubio received 66 thousand euros for these components in 2021 and 44 thousand euros in 2022.
- Cristina García-Peri Álvarez was a board member at EVO Banco, a subsidiary of Bankinter, as well as member of several of its supervisory committees until 6 July 2022. Between her appointment in Bankinter (21 April 2021) until the end of 2021, Cristina García-Peri received 37,600 euros, and 28 thousand euros in 2022 until she resigned on 6 July 2022.

(***) The chairman, Pedro Guerrero Guerrero, is classified as an "other external director".

Other benefits

	Thousands of euros
Advances	-
Credit facilities granted	-
Pension funds and schemes: Contributions	583
Pension funds and schemes: Obligations undertaken	3,381
Life insurance premiums	3
Guarantees provided by the Company to directors	

Transactions with members of the board of directors

See section 5 (related party transactions) of the 2022 annual corporate governance report for significant transactions implying a transfer of resources or obligations between Bankinter and Bankinter Group companies and directors of Bankinter, S.A., its significant shareholders, executives and related parties outside the ordinary course of business of Bankinter, S.A., or any transactions that were not carried out at arm's length.

Overall information and characteristics of the credit facilities and guarantees granted to directors are provided below:

- The amount drawn down on credit facilities granted to directors at 31 December 2022 was 1,341 thousand euros, with a limit of 12,338 thousand euros (2021: 745 thousand euros drawn down and 11,842 thousand euros limit). as at 31 December 2022, the Entity had no guarantees extended to directors (2021: 0 euros).
- The average remaining term on the loans and credit facilities granted to the Entity's directors in 2022 was approximately 4 years and 9 months (2021: 1 year and 11 months). Interest rates in 2021 ranged between 0.30% and 1.55% (2021: 0.15% and 1.25%).

Additional disclosures on related-party transactions appearing in Appendix I of to these notes are provided below:

- The average remaining term on the finance agreements listed in that Appendix is 7 years and 10 months (2021: 6 years and 11 months).
- The average effective interest rate on credit facilities granted to directors and managers is 2.868% (2021: 0.374%). Of these credit facilities, 55% was backed by personal guarantees and the remaining 45% by collateral (2021: 58% and 42%, respectively).
- The average effective interest rate on credit facilities granted to other related parties was 2.660% (2021: 0.431%). Of these credit facilities, 71% was backed by personal guarantees and the remaining 29% by collateral (2021: 89% and 11%, respectively).

At the end of 2022 and 2021, no loss allowance was recognised for doubtful receivables relating to amounts included in the outstanding balances.

At the end of 2022 and 2021, no expenses were recorded for uncollectible or doubtful receivables from related parties.

Conflicts of interest of members of the board of directors

Article 229 of the Spanish Companies Act states that directors must notify the board of directors of any direct or indirect conflict of interest that they or persons related to them may have with the interests of the company. Bankinter also has a Conflict of Interest Prevention Policy, adopted by the board on 22 April 2015 and amended on 16 November 2016. No member of the board of directors has reported a situation of conflict of interest as defined under Article 229 of the Spanish Companies Act; and the board members have made an express record thereof as per section 3 of said Article.

Directors' stakes in share capital

Shareholdings owned by members of the board of directors in the Entity's share capital are disclosed in the annual corporate governance report for 2022.

Remuneration of senior management

At 31 December 2022, the Bank had seven senior managers excluding executive directors and chairman, given the status as non-executive directors (2021: seven).

Therefore, the aggregate remuneration of senior management in 2022 by item was as follows:

- Fixed salary: 2.670 thousand euros (2021: 2.406 thousand euros).
- Annual variable remuneration: 940 thousand euros (2021: 940 thousand euros).
- Multi-year variable remuneration: 31 thousand euros (2021: 839 thousand euros).
- Contributions to social benefit schemes: 726 thousand euros in 2022 (2021: 624 thousand euros).

37. Information on sustainability management

In carrying on their businesses, the companies in Bankinter Group ("the Group" or "BANKINTER"), in addition to meeting their own goals in benefit of shareholders, aim to generate shared value with stakeholders by implementing guidelines for responsible behaviour with a view to becoming the benchmark bank in sustainability.

To achieve this, a comprehensive corporate responsibility management process was implemented that is sustainable, lasting, focused on value creation, and integrated in the Bank's management in a global, transversal and gradual manner.

In March 2021, the board of directors approved a new sustainability policy, which sets out corporate-wide guidelines for Bankinter Group to integrate values and principles of responsible management into its activity so it can contribute to the prosperity of society and sustainable development. Compared to previous versions of the policy, this one factors new trends; e.g. biodiversity impact management, cybersecurity and a human rights policy, and includes subsidiaries Evo and Avant Money in the scope.

The policy's principles aim to contribute to the sustainable and inclusive development of the environment in which the entity operates based on the three strategic pillars of quality, innovation and technology, in line with Bankinter's corporate values of agility, enthusiasm, integrity and originality.

The principles of the Bankinter Group's sustainability policy are:

1. Good governance in the organisation, promoting best corporate governance practices in management that ensure compliance with applicable legislation, promotion of sustainable finance, transparency, business ethics, proper risk management, transparent tax policy with responsible and prudent criteria, and the application of best practices in information security.
2. A balanced, transparent and clear relationship with our stakeholders, as well as our clients, developing products and services tailored to their needs.
3. The inclusion of ESG (environmental, social and governance) criteria when analysing investments and funding.
4. The consideration of social and environmental impacts when designing products and services, promoting those that generate added environmental or social value.
5. The integration of sustainability risks into investment decisions and advice on investments and insurance.
6. Financial inclusion, facilitating access to Bankinter services and financial education under equal conditions, ensuring non-discrimination.
7. The advanced management of people as the Bank's most important capital, promoting their well-being and motivation through work-life balance, personal and career development and health and safety, and promoting inclusion and employee diversity.
8. The responsible and sustainable management of the chain of suppliers, fostering a positive mutual influence society for a better the social, ethical and environmental performance.
9. The contribution to the social development of the communities where the Bank operates, through both its own activity and initiatives aimed at social investment via the Bankinter Innovation Foundation (Fundación para la Innovación Bankinter), collaboration with the third sector and the corporate volunteering programme.
10. An environmentally conscious approach to its business activities, involving its main stakeholders in the global challenge posed by climate change and loss of biodiversity.
11. The assumption of the obligations set out in international protocols and standards, implementing their best practices.

The Group implements its sustainability policy while always guaranteeing its full suitability and consistency with the Bank's strategy and the demands of an ever-changing environment, through the following instruments:

- Strategic sustainability plans, drawn up on a multi-year basis;
- Strategic lines, which structure and implement these plans;
- Related programmes and their economic, social and environmental goals arising from implementation of the strategic lines;
- The Group's other internal policies, which reflect the guidelines set out by the Bank for various areas.

The Board of Directors is the body responsible for establishing and overseeing compliance with the Sustainability Policy and its implementing instruments, and deciding on any amendments that may be necessary.

The board sustainability and appointments committee is staked with monitoring implementation of the policy.

The Sustainability Committee is responsible for proposing and executing the strategic plan by planning and implementing the initiatives set out in it and integrating in each area of the Bank the principles set forth in the sustainability policy in a manner that is consistent and integrated with the Bank's overall strategy. Committee resolutions must be adopted by a majority of votes, with the chairman having a casting vote in case of a tie. The Sustainability Committee meets at least once every four months and reports to the board of directors, through the Appointments and Corporate Governance Committee, at least once a year and whenever required, on the degree of deployment of the strategic lines included in the strategic sustainability plan.

The chairman of the Sustainability Committee is in charge of coordinating and supervising the committee's activities, as well as the duties inherent as Chairman of a collective body.

The sustainability division is responsible for coordinating and monitoring the actions defined in the strategic sustainability plan's lines and programmes, verifying the level of compliance with the related goals and identifying areas of improvement based on ongoing engagement with stakeholders and in accordance with recognised standards and sustainability indices.

Internal audit supervises the non-financial information reported at least annually by the Sustainability Committee to the board through the sustainability and appointments committee.

Following the approval of the sustainability policy, a strategic sustainability plan was drawn up for the 2021-23 period called "3D", as it addresses management of the three dimensions of sustainability: environmental, social and governance (ESG). This plan contains 20 strategic lines, which contribute to the achievement of 11 of the 17 sustainable development goals (SDGs) of the United Nations Agenda 2030, as verified by certification firm EQA (European Quality Assurance) in an independent report.

Its design was based on the outcome of a materiality assessment performed using a questionnaire in which the Bank's main stakeholders took part and aimed to identify the matters they considered to be the most relevant for the Bank's sustainability management.

The plan was also inspired by recognised standards, such as the ISO 26000 corporate responsibility guidance standard or the Forética SGE21 standard; and following recommendations from international influencers, such as sustainability rating agencies and corporate responsibility observatories.

The Bank's sustainability management was recognised in 2022 when Bankinter was included in the Dow Jones Sustainability Europe Index for the fifth straight year, as one of the institutions with the best corporate governance and best environmental and social performance. In addition, the Bank maintained its position on the FTSE4Good and MSCI indices, among others, and on that of environmental management of the CDP, along with other global large-cap companies. Additionally, Bankinter was included in Bloomberg's 2023 Gender-Equality Index for the first time.

Bankinter adheres to the main international sustainability and climate change initiatives commitments, e.g.: the UN Global Compact, the Equator Principles, UNEPFI (United Nations Environment Programme Finance Initiative), the Principles for Responsible Banking and, more recently, the Net Zero Banking Alliance. Through the Net Zero Banking Alliance, signatory banks are committed to aligning their lending and investment portfolios net-zero emissions by 2050, setting an intermediate target for 2030.

In line with these goals, the Group's sustainability and appointments committee approved in February 2021 a roadmap for decarbonisation until 2020 for the corporate banking business in Spain, consistent with the emission reduction target set in the Spanish Integrated Energy and Climate Plan (PNIEC). Every month, we track the emissions financed in this segment and compare them to the target. Also, in 2022 corporate banking in Portugal was added to the roadmap. We have made major progress in managing climate change risk both in corporate and mortgage business (for details see the note on risk management).

Other milestones in terms of ESG (environment, social and governance) in 2022:

- Group policies were updated, such as the Environmental and Climate Change Policy, the Accessibility Policy and the sectoral financing guides.
- A Social Investing Procedure has been established.
- The 3D Sustainability Plan has been extended to Bankinter's business in Portugal.
- The sustainable turnover has increased.
- The ESG training programme has been extended to all of the Bank's workforce.
- The scope of the environmental management system has been expanded.
- The scope of the physical and digital accessibility management system has been expanded.
- The "Bankinter Te Cuida" programme for employee health and safety has been developed.

Bankinter is also a member of Forética (the Spanish association of businesses whose mission is to promote a culture of business ethics) and also collaborates with Corporate Excellence for Reputation Leadership, a corporate foundation created to pursue excellent management of intangible assets, and Fundación Lealtad, a not-for-profit institution whose mission is to strengthen confidence of Spanish society in NGOs by promoting their transparency.

The Group saw no need in the year to set aside provisions for any environmental risks and liabilities, as there were no contingencies linked to environmental protection and improvement, and no penalties or fines were imposed on Bankinter Group for its environmental management. The Group also did not incur any expenses or receive subsidies related to such risks. The Group's directors consider that any environmental risks that may arise from its operations are minimal and adequately covered, although it working actively on managing the climate change risks associated with its financial activity.

38. Customer Service area

The Customer Service area is available to Bankinter customers and users to respond to and resolve any complaints or claims about transactions and banking and financial services stemming from their relationship with the entity. Its exercises independent judgement and its decisions are binding for the Bank. It is separate from the commercial and business services, and has the right means for correct response to and resolution of the cases presented.

In addition, Bankinter has an independent Customer Ombudsman, who is equally competent in resolving claims by customers with full autonomy in its decisions, which are binding for the Entity.

The Customer Service area guarantees appropriate attention, resolution and communication to customers. Bankinter Group customers and users can send their complaints and claims to the CSA through the various communication channels (e.g. online, e-mail, mobile, branch office, telephone).

The activities of Bankinter, S.A.'s CSA and Customer Ombudsman are carried out in accordance with article 17 of Ministry of Economy Order 734/2004, of 11 March. In accordance with this article, following is a summary of their activity.

Customer Service area activity report.

In 2022, the CSA handled 11,651 cases, of which 2,748 were complaints (23.6%) and 8,903 were claims (76.4%). Of these claims, 76.2% were resolved in favour of Bankinter and 23.8% in favour of the customer.

Of cases in 2022, 41.9% were resolved in less than 2 days. The average resolution time was 7 days.

The CSA has a specific tool for following up and assessing the reasons for the complaints and controlling the customer response time. Further improvement was made during the year to the systems used to enhance the efficiency of the department's performance. Communication with customers has been reinforced by sending its response via email and posting it through a link to the website.

In 2022, the traing plan proceeded as scheduled. The main purpose is to ensure that managers in the CSA have the knowledge needed to perform their functions in controlling the Bank's activities so that they comply with prevailing regulations. Training on banking transparency, products, services and risk transactions (anti-money laundering and terrorist financing).

Customer Ombudsman activity report

In addition to the CSA, customers and users can file claims and complaints with a competent and independent body.

The customer ombudsman, José Luis Gómez-Dégano y Ceballos-Zúñiga, handles claims where customers or users disagree with the CSA's decision or they prefer to contact this body directly.

The Customer Ombudsman processed 540 cases in 2022, of which 3 were complaints and 537 were financial claims. A total of 429 of the financial claims were resolved in favour of the Bank (79.9%) and 108 in favour of the customer (20.1%).

Banco de España

Banco de España handled a total of 214 cases in 2022, of which:

- In favour of the bank: 25
- In the customer's favour: 35
- Uncontested: 58
- No competence: 4
- Outstanding: 92

Spanish National Securities Market Commission

In 2022, 23 cases were presented through the Spanish National Securities Market Commission. Of these claims:

- Against the bank: 8
- In favour of the bank: 3
- Uncontested: 5
- Outstanding: 7

39. Branches, centres and agents

Bankinter, S.A. branches, centres and agents at 31 December 2022 and 2021:

	31.12.2022	31.12.2021
Branches	445	446
Other business units		
Corporate banking	25	25
SMEs	77	77
Private banking and personal banking	49	50
Virtual branches	355	346
Number of agents and financial advisory companies (EAFIs)	367	379
Telephone and Internet branches	3	3

At 31 December 2022, Bankinter, S.A. had a network of 337 agents plus five agents at Bankinter branch in Portugal (2021: 353), composed of natural or legal persons granted powers to deal with the Bank's customers generally on its behalf in negotiating and arranging transactions that are typical of a credit institution, and with 23 financial advisory companies (2021: 26). At 31 December 2021, this network managed 3,293 million euros of average customer deposits (2021: 2,599 million euros) and 1,997 million euros of average loans and receivables (2021: 1,874 million euros). A list is on file at the Banco de España's Office of Financial Institutions (Oficina de Instituciones Financieras). Financial advisory companies are regulated by the Spanish Securities Market Act, Royal Decree 217/2008, of 15 February, on the legal framework for investment services companies and, in particular, Spanish National Securities Market Commission Circular 10/2008, of 30 December, on financial advisory companies.

40 Fiduciary businesses and investment services

Fees and commissions recorded in 2022 and 2021 for investment services and ancillary activities provided by the Bank:

	Thousands of euros	
	2022	2021
For securities services-	92,398	126,569
Underwriting and placement of securities	256	36,106
Purchase and sale of securities	34,866	35,730
Securities administration and custody	43,830	40,321
Asset management	13,446	14,412
For marketing of non-banking financial products	180,943	179,919
Total fees and commissions received	**273,341**	**306,488**

Summary of balances of assets of investment funds, pension funds, customer portfolios and SICAVs managed by the Group, of which the Bank is parent, together with the external investment funds marketed (Note 28):

	Thousands of euros	
	31.12.2022	31.12.2021
Own investment funds (Note 13)	11,315,840	10,958,792
External investment funds marketed	17,685,511	20,366,577
Pension funds (Note 13)	3,497,603	3,792,735
Asset management and SICAVs	4,716,542	5,940,968
	37,215,496	**41,059,071**

41 Remuneration of auditors

The fees for the audit of the annual financial statements and other services provided by the auditor of the Bank and the Group, PricewaterhouseCoopers Auditores, S.L., or by a company related to the auditor as a result of control, common ownership or common management, in 2022 and 2021 were as follows:

Description	Fees for services charged by the auditor and related companies Thousands of euros Bankinter, S.A.	
	2022	2021
Audit services	1,080	972
Other assurance services	135	86
Total audit and related services	**1,215**	**1,058**
Tax advisory services	5	40
Other services	257	107
Total professional services	**1,477**	**1,205**

In 2022, the Group's auditor, PricewaterhouseCoopers Auditores, S.L., and its related companies due to control, ownership or management, provided non-audit services. These services are primarily of the following types:

- Other assurance services:
  - Report on agreed-upon procedures regarding certain information included in the Form related to ex ante contributions to the Single Resolution Fund in 2023.
  - Issue of the auditor's report on the "Internal Control over Financial Reporting (ICFR) System".
  - Annual Report on Customer Asset Protection of several Group companies.
  - Other reports on agreed procedures required by Banco de España.
- Other services:
  - External expert review report on anti-money laundering and terrorism financing.
  - Assurance report on the non-financial statement.
  - Financial due diligence on the acquisition of companies that are not part of the consolidation perimeter

42 Tax situation

On 27 December 2000, the Bank notified the National Revenue Agency of its decision to apply the tax consolidation system from 2001 onwards. The Tax Group number 13/2001 was allocated by the National Revenue Agency.

Bankinter subsidiaries comprising the tax group at 31 December 2014:

- Bankinter Consultoría, Asesoramiento y Atención Telefónica, S.A.
- Bankinter Gestión de Activos, S.A., S.G.I.I.C.

- Hispamarket, S.A.
- Intermobiliaria, S.A.
- Bankinter Consumer Finance E.F.C., S.A.
- Bankinter Capital Riesgo, S.G.E.C.R, S.A.
- Bankinter Emisiones, S.A.
- Bankinter Sociedad de Financiación, S.A.
- Arroyo Business Consulting Development, S.L.
- Relanza Gestión, S.A.
- Bankinter Global Services, S.A.
- Línea Directa Aseguradora, S.A.
- Línea Directa Asistencia, S.L.U.
- Motoclub LDA. S.L.U.
- Centro Avanzado de Reparaciones CAR, S.L.U.
- Ambar Medline, S.L.U.
- LDActivos, S.L.
- Naviera Goya S.L.U.
- Naviera Sorolla, S.L.U.
- Bankinter Securities, S.A.

Law 27/2014, of 27 November 2014, on Corporate Income Tax ("LIS"), became effective on 1 January 2015, replacing the previous consolidated text of the Spanish Corporate Income Tax Law approved by RDL 4/2004, of 5 March, and amending the tax rates with a reduction in the general rate from 30% to 25% (2015: 28%). However, the tax rate for credit institutions remains at 30%.

As a result of this modification and the developments in the tax consolidation system arising thereof, the Bank has modified the composition of the tax group in such a way that, from 1 January 2015, the tax group 13/01 is composed of Bankinter, S.A., Bankinter Consumer Finance E.F.C., S.A. and Intermobiliaria S.A. Also, effective from 1 January 2016, the companies Naviera Goya S.L.U and Naviera Sorolla S.L.U. were added to the tax group 13/01, the parent company of which is Bankinter, S.A.

The other companies that formed part of tax group no. 13/01 in 2014 were removed and now file individual tax returns, with the exception of Línea Directa Aseguradora, S.A., Línea Directa Asistencia, S.L.U., Motoclub LDA, Centro Avanzado de Reparaciones CAR, S.L.U., Ambar Medline, S.L.U., and LDActivos, S.L., which have formed their own consolidated tax group effective as from 1 January 2015 (Group no. 486/15). LDA Reparaciones, S.L. was included in this tax group with effect from 1 January 2017.

On 31 May 2019, EVA Banco S.A. was removed from VAT Group 0066/16 and tax group 269/15 following the acquisition of EVO Banco S.A. and Avantcard by Bankinter, S.A. It had been filing consolidated taxes since 2015 and in 2019 filed individual tax returns in Spain. In 2020, EVO Banco S.A. has joined the tax group 13/01, whose parent company is Bankinter, S.A., with effect from 1 January, 2020.

Avantcard continues to file individual taxes in its jurisdiction (Ireland).

Reconciliation between the accounting profit (loss) and taxable profit (loss) for 2022 and 2021:

	Thousands of euros	
	31.12.2022	**31.12.2021**
Accounting profit (loss) for the year before tax	**641,278**	**1,514,449**
Permanent differences-	(90,400)	(1,064,005)
Exemption, branch in Portugal	(50,112)	(25,700)
Exemption, LDA transaction	-	(862,893)
Other	(40,289)	(175,412)
Adjusted accounting profit:	**550,878**	**450,444**
Temporary differences	15,565	(22,392)
Accounting tax base	**566,443**	**428,052**

Positive temporary differences in 2022 amounted to 109,752 thousand euros included mainly differences due to adjustments for non-tax deductible provisions.

Negative temporary differences in 2022 amounted to 94,187 thousand euros and mainly included reversals of adjustments for provisions and other items that were not tax deductible in previous years.

Calculation of income tax expense for 2022 and 2021:

	Thousands of euros	
	31.12.2022	**31.12.2021**
Tax charge for the year (Spain)	165,263	135,133
Tax charge for the year (Portugal branch)	16,407	8,432
Tax relief and credits	(1,366)	(3,537)
Other	4,696	2,636
Tax adjustments from previous financial years	(152)	433
	184,848	**143,098**

"Tax adjustments from previous financial years" in 2022 reflects the income tax expense for tax adjustments made in the settlement of Bankinter's income tax for 2021 not foreseen at 31 December 2021.

Current tax expense for the period and the amount of deferred tax expenses (income) for 2022 and 2021:

	Thousands of euros	
	31.12.2022	31.12.2021
Current tax expense	186,923	139,265
Deferred tax expense	(2,075)	3,833
Total tax expense	**184,848**	**143,098**

Reconciliation of profit (loss) before tax and tax expense:

	Thousands of euros	
	2022	2021
Accounting profit (loss) before tax:	**641,278**	**1,514,449**
Tax at 30%	192,384	454,335
Items for reconciliation of tax payable at the tax rate and income tax expense for the year:		
Non-deductible expenses	19,560	7,941
Non-eligible income	(46,681)	(327,143)
Total deductions applied during the year	(1,366)	(3,537)
Tax losses		
Other:		
Tax adjustment from previous financial year	(152)	433
Tax expense, Portugal branch	16,407	8,432
Other	4,696	2,636
Income tax expense for the year	**184,848**	**143,098**
Effective tax rate for the year	**28.82%**	**9.45%**

On 18 June 2021, the Bank, as parent of Tax Group 13/01 and VAT Group 0066/15, received notification of the commencement of partial and limited inspections of the tax deduction for technological innovation from corporate income tax in 2017-2019 and the share of the volume of transactions in the Common Territory (i.e. Spain excluding Navarre and the Basque Country) and in Navarre and the Basque Country of Intermobiliaria, S.A. for value added tax purposes for the February 2017-2019 period.

On 10 February 2022, it was announced that these partial inspections were to extended to 2020 for VAT and to 2017-2020 for the check on the share of the volume of transactions in the Common Territory (i.e. Spain excluding Navarre and the Basque Country) and in Navarre and the Basque Country for corporate tax. After these checks, on 22 March 2022, Intermobiliaria, S.A. signed certificates with no regularisation of VAT and corporate tax because of the checks. On 3 June 2022, Bankinter signed a certificate of compliance A01 with VAT, not regularised, as the parent company of the VAT group.

As for the check on the deduction by Innovación Tecnológica on the corporate tax for 2017-2019, on 11 July 2022 the certificate of compliance was settled, and the inspection of the Bank was concluded.

Regarding proceedings arising from tax inspections of previous years, in the inspection of income tax for 2007 to 2009, on 26 July 2022, a notice was received that the appeal against the decision had been accepted, and the appeal was filed with the Supreme Court, with hearing, vote and ruling expected in 2023.

As for the partial checks and inspection of income tax (IRPF) for compensation paid in 2010-2012 in Bankinter, S.A., on 2 February 2022, the Bank received the ruling from the Spanish high court rejecting the appeal against these proceedings, and the pending amount was paid on 10 February 2022, and the proceedings closed.

The proceedings arising from general inspection for 2011-2013 have been appealed before the Spanish high court in relation to the added-value tax. As regards corporate tax, on 13 December 2022, a ruling was received from the central administrative and economic court partially upholding our arguments; the portion not upheld will be appealed at the Spanish high court.

In any case, the tax liabilities that might derive from the claims lodged against the disputed assessments were adequately provided for at the end of 2022 and preceding financial years.

Because of the possible interpretations of tax legislation applicable to some transactions carried out in the banking sector, certain tax liabilities of a contingent nature could exist. However, in the opinion of the Bank's directors, the possibility of such liabilities arising is remote, and if they did arise, the resulting tax charge would not have a material impact on the financial statements.

In 2005, the Group elected to apply the tax regime for foreign holding companies regulated in Chapter XIII of Title VII of Corporate Income Tax Law 27/2014, of 27 November, notifying the competent body of the Spanish Tax Administration Agency (Agencia Estatal de la Administración Tributaria) of its decision to do so on 21 April 2005. In accordance with article 108.3 of this Law, the Bank reported that it did not obtain any gains or dividends in 2022 and 2021.

In relation to the merger between Bankinter, S.A. (acquiring company) and Bankinter Securities, Sociedad de Valores, S.A. (absorbed company) in 2018, the required disclosures in the notes according to 86.3 of Law 27/2014, of 27 November, on Corporate Income tax are presented in the notes to the 2018 financial statements approved in 2019.

Lastly, in 2022, the company that until then had been engaging in investment banking was spun off from Bankinter, S.A. to a new company called Bankinter Investment, S.A., with retroactive accounting effects to 1 January 2022.

This transaction was subject to the tax regime set forth in article 86.1 of chapter VII of title VII of Law 27/2014, of 27 November, on corporate tax. The tax authority was duly notified in proper form and in the right time.

As for compliance with the accounting and registration requirements laid down in article 86.1 of Law 27/2014, of 27 November, on corporate tax, the accounting and tax sum of the sums delivered and received by Bankinter, S.A. is 184,655 thousand euros.

43. Fair value of assets and liabilities.

a) Fair value of financial instruments

Breakdown of fair value of financial instruments and the procedure used to obtain the price:

2022:

ASSETS	Carrying amount	Fair value	Fair value hierarchy	Fair value	Valuation techniques	Main inputs
Cash, cash balances at central banks and other demand deposits	12,531,236	12,531,867	Level 2	12,531,867	Present value	Discounted expected cash flows with market curve
Financial assets held for trading						
Loans and advances to credit institutions	1,320,483	1,320,483	Level 2	1,320,483	Price calculation using market inputs and explicit formulae	Yield curves and interest rate fixing
Loans and advances to customers	414,115	414,115	Level 2	414,115	Price calculation using market inputs and explicit formulae	Yield curves and interest rate fixing
Debt securities	974,684	974,684	Level 1	974,684	Directly capturing quoted prices in markets	Observable market data
Equity instruments	164,756	164,756	Level 1	164,756	Directly capturing quoted prices in markets	Observable market data
Derivatives	1,181,732	699	Level 1	699	Directly capturing quoted prices in markets	Observable market data
		1,181,034	Level 2	413,832	Price calculation using market inputs and explicit formulae and counterparty credit-risk adjustments, where applicable	Yield curves and interest rate fixing
			Level 2	521,250	Price calculation using market inputs and explicit formulae and counterparty credit-risk adjustments, where applicable	Currency fixing and yield curves
			Level 2	182,082	Price calculation using market inputs and explicit formulae and counterparty credit-risk adjustments, where applicable	Currency fixing, yield curves and exchange rate volatility
			Level 2	38,530	Price calculation using market inputs and explicit formulae and counterparty credit-risk adjustments, where applicable	Equity fixing and volatility of the underlying
			Level 2	25,339	Price calculation using market inputs and standard techniques, and counterparty credit-risk adjustments, where applicable	Equity fixing, volatility of the underlying, yield curves and interest rate fixing

ASSETS	Carrying amount	Fair value	Fair value hierarchy	Fair value	Valuation techniques	Main inputs
Non-trading financial assets mandatorily at fair value through profit or loss						
Equity instruments	71,717	71,717	Level 1	9,500	Directly capturing quoted prices in markets	Observable market data
			Level 3	62,216	Discounted cash flow method, net asset value	NAV of fund management company; the entity's business plans
Debt securities	884	884	Level 1	884	Directly capturing quoted prices in markets	Observable market data
Loans and advances to customers	32,372	32,372	Level 3	32,372	Gross carrying amount less impairment	Discounted expected cash flows with the entity's market curve and business plans
Financial assets at fair value through other comprehensive income						
Debt securities	2,410,201	2,410,201	Level 1	2,410,201	Directly capturing quoted prices in markets	Observable market data
Equity instruments	195,616	195,616	Level 1	195,616	Directly capturing quoted prices in markets	Observable market data
Financial assets at amortised cost						
Loans and advances to credit institutions	4,225,845	4,335,368	Level 2	4,335,368	Present value	Discounted expected cash flows with market curve
Loans and advances to customers	69,521,850	71,156,993	Level 2	71,156,993	Present value	Discounted expected cash flows with market curve
Debt securities	9,702,877	8,718,859	Level 1	7,780,293	Directly capturing quoted prices in markets	Observable market data
			Level 2	491,838	Price calculation using market inputs and explicit formulae	Yield curves and interest rate fixing
			Level 3	446,729	Calculation of the present value of the future cash flows using internal estimates. Cost less impairment.	Discounted expected cash flows with the entity's market curve and business plans
Hedging derivatives						
Derivatives – hedge accounting	1,056,927	1,056,927	Level 2	1,056,927	Price calculation using market inputs and explicit formulae	Yield curves and interest rate fixing
					Price calculation using market inputs and explicit formulae and counterparty credit-risk adjustments, where applicable	Currency fixing and yield curves

LIABILITIES	Carrying amount	Fair value	Hierarchy	Fair value	Valuation techniques	Main inputs
Financial liabilities held for trading						
Deposits-Credit institutions	(0)	(0)	Level 2	(0)	Price calculation using market inputs and explicit formulae	Yield curves and Euribor fixing
Customer deposits	1,288,147	1,288,147	Level 2	1,288,147	Price calculation using market inputs and explicit formulae	Yield curves and Euribor fixing
Trading derivatives	1,131,119	86,961	Level 1	86,961	Directly capturing quoted prices in markets	Observable market data
		1,044,158	Level 2	450,235	Price calculation using market inputs and explicit formulae and counterparty credit-risk adjustments, where applicable	Yield curves and interest rate fixing
			Level 2	390,059	Price calculation using market inputs and explicit formulae and counterparty credit-risk adjustments, where applicable	Currency fixing and yield curves
			Level 2	184,248	Price calculation using market inputs and explicit formulae and counterparty credit-risk adjustments, where applicable	Currency fixing, yield curves and exchange rate volatility
			Level 2	19,101	Price calculation using market inputs and explicit formulae and counterparty credit-risk adjustments, where applicable	Equity fixing and volatility of the underlying
			Level 2	514	Price calculation using market inputs and standard techniques, and counterparty credit-risk adjustments, where applicable	Equity fixing, volatility of the underlying, yield curves and interest rate fixing
Short positions in securities	918,983	918,983	Level 1	918,983	Directly capturing quoted prices in markets	Observable market data
Financial liabilities at amortised cost						
Deposits from central banks	11,699,869	12,452,380	Level 2	12,452,380	Present value	Discounted expected cash flows with market curve
Deposits from credit institutions	4,663,867	4,669,911	Level 2	4,669,911	Present value	Discounted expected cash flows with market curve
Customer deposits	69,396,041	64,445,588	Level 2	64,445,588	Present value	Discounted expected cash flows with market curve
Payables represented by marketable securities	5,880,698	5,616,082	Level 2	5,616,082	Present value	Discounted expected cash flows with market curve
Subordinated liabilities	1,094,107	1,028,311	Level 2	1,028,311	Present value	Discounted expected cash flows with market curve
Other financial liabilities	3,022,463	3,022,463	Level 2	3,022,463	Present value	Discounted expected cash flows with market curve
Derivatives – hedge accounting						

LIABILITIES	Carrying amount	Fair value	Hierarchy	Fair value	Valuation techniques	Main inputs
Financial liabilities held for trading						
Hedging derivatives	622,286	622,286	Level 2	622,286	Price calculation using market inputs and explicit formulae and counterparty credit-risk adjustments, where applicable	Yield curves and interest rate fixing

2021:

ASSETS	Carrying amount	Fair value	Fair value hierarchy	Fair value	Valuation techniques	Main inputs
Cash, cash balances at central banks and other demand deposits	21,762,533	21,762,700	Level 2	21,762,700	Present value	Discounted expected cash flows with market curve
Financial assets held for trading						
Loans and advances to credit institutions	2,251,575	2,251,575	Level 2	2,251,575	Price calculation using market inputs and explicit formulae	Yield curves and interest rate fixing
Loans and advances to customers	-	-	Level 2	-	Price calculation using market inputs and explicit formulae	Yield curves and interest rate fixing
Debt securities	1,246,748	1,246,748	Level 1	1,246,748	Directly capturing quoted prices in markets	Observable market data
Equity instruments	197,862	197,862	Level 1	197,862	Directly capturing quoted prices in markets	Observable market data
		338	Level 1	338	Directly capturing quoted prices in markets	Observable market data
			Level 2	100,397	Price calculation using market inputs and explicit formulae and counterparty credit-risk adjustments, where applicable	Yield curves and interest rate fixing
			Level 2	69,420	Price calculation using market inputs and explicit formulae and counterparty credit-risk adjustments, where applicable	Currency fixing and yield curves
Derivatives	342,071	341,733	Level 2	116,585	Price calculation using market inputs and explicit formulae and counterparty credit-risk adjustments, where applicable	Currency fixing, yield curves and exchange rate volatility
			Level 2	8,753	Price calculation using market inputs and explicit formulae and counterparty credit-risk adjustments, where applicable	Equity fixing and volatility of the underlying
			Level 2	46,578	Price calculation using market inputs and standard techniques, and counterparty credit-risk adjustments, where applicable	Equity fixing, volatility of the underlying, yield curves and interest rate fixing

ASSETS	Carrying amount	Fair value	Fair value hierarchy	Fair value	Valuation techniques	Main inputs
Non-trading financial assets mandatorily at fair value through profit or loss						
Equity instruments	129,675	129,675	Level 1	8,354	Directly capturing quoted prices in markets	Observable market data
			Level 3	121,320	Discounted cash flow method, net asset value	NAV of fund management company; the entity's business plans
Debt securities	739	739	Level 1	739	Directly capturing quoted prices in markets	Observable market data
Loans and advances to customers	57,281	57,281	Level 3	57,281	Gross carrying amount less impairment	Discounted expected cash flows with the entity's market curve and business plans
Financial assets at fair value through other comprehensive income						
Debt securities	2,220,217	2,220,217	Level 1	2,220,217	Directly capturing quoted prices in markets	Observable market data
Equity instruments	304,892	304,892	Level 1	304,892	Directly capturing quoted prices in markets	Observable market data
Financial assets at amortised cost						
Loans and advances to credit institutions	3,623,268	3,744,781	Level 2	3,744,781	Present value	Discounted expected cash flows with market curve
Loans and advances to customers	64,613,510	68,845,281	Level 2	68,845,281	Present value	Discounted expected cash flows with market curve
Debt securities	7,945,821	8,414,808	Level 1	7,686,397	Directly capturing quoted prices in markets	Observable market data
			Level 2	501,939	Price calculation using market inputs and explicit formulae	Yield curves and interest rate fixing
			Level 3	226,472	Calculation of the present value of the future cash flows using internal estimates. Cost less impairment.	Discounted expected cash flows with the entity's market curve and business plans
Hedging derivatives						
Derivatives – hedge accounting	162,792	162,792	Level 2	162,792	Price calculation using market inputs and explicit formulae	Yield curves and interest rate fixing
			Level 2	-	Price calculation using market inputs and explicit formulae and counterparty credit-risk adjustments, where applicable	Currency fixing and yield curves

LIABILITIES	Carrying amount	Fair value	Hierarchy	Fair value	Valuation techniques	Main inputs
Financial liabilities held for trading						
Deposits-Credit institutions	245,677	245,677	Level 2	245,677	Price calculation using market inputs and explicit formulae	Yield curves and Euribor fixing
Customer deposits	1,539,693	1,539,693	Level 2	1,539,693	Price calculation using market inputs and explicit formulae	Yield curves and Euribor fixing
Trading derivatives	433,099	107,080	Level 1	107,080	Directly capturing quoted prices in markets	Observable market data
		326,019	Level 2	137,080	Price calculation using market inputs and explicit formulae and counterparty credit-risk adjustments, where applicable	Yield curves and interest rate fixing
			Level 2	,688	Price calculation using market inputs and explicit formulae and counterparty credit-risk adjustments, where applicable	Currency fixing and yield curves
			Level 2	120,721	Price calculation using market inputs and explicit formulae and counterparty credit-risk adjustments, where applicable	Currency fixing, yield curves and exchange rate volatility
			Level 2	5,807	Price calculation using market inputs and explicit formulae and counterparty credit-risk adjustments, where applicable	Equity fixing and volatility of the underlying
			Level 2	5,723	Price calculation using market inputs and standard techniques, and counterparty credit-risk adjustments, where applicable	Equity fixing, volatility of the underlying, yield curves and interest rate fixing
Short positions in securities	1,472,332	1,472,332	Level 1	1,472,332	Directly capturing quoted prices in markets	Observable market data
Financial liabilities at amortised cost						
Deposits from central banks	14,190,714	14,334,411	Level 2	14,334,411	Present value	Discounted expected cash flows with market curve
Deposits from credit institutions	5,953,977	5,953,797	Level 2	5,953,797	Present value	Discounted expected cash flows with market curve
Customer deposits	67,104,604	66,956,810	Level 2	66,956,810	Present value	Discounted expected cash flows with market curve
Payables represented by marketable securities	6,706,763	7,022,752	Level 2	7,022,752	Present value	Discounted expected cash flows with market curve
Subordinated liabilities	1,693,350	1,816,345	Level 2	1,816,345	Present value	Discounted expected cash flows with market curve
Other financial liabilities	1,713,627	1,713,627	Level 2	1,713,627	Present value	Discounted expected cash flows with market curve
Derivatives – hedge accounting						

LIABILITIES	Carrying amount	Fair value	Hierarchy	Fair value	Valuation techniques	Main inputs
Financial liabilities held for trading						
Hedging derivatives	275,076	275,076	Level 2	275,076	Price calculation using market inputs and explicit formulae and counterparty credit-risk adjustments, where applicable	Yield curves and interest rate fixing

"Level 1" in the hierarchy includes data on financial instruments whose fair values are obtained from quoted prices in active markets for identical instruments; i.e. without modification or reorganisation. "Level 2" in the hierarchy includes data on financial instruments whose fair value is obtained from quoted prices in active markets for similar instruments or other valuation techniques in which all significant inputs are based on observable market data. "Level 3" in the hierarchy includes data on financial instruments whose fair value is obtained from valuation techniques in which some significant input is not based on observable market data. There were no transfers between stages in the hierarchy for significant amounts in 2022.

Certain equity instruments are measured at cost where fair value cannot be estimated reliably. The lack of reliability of a fair value estimate is due to the wide range of estimates and the impossibility of measuring the probabilities of each estimate within the range reasonably.

The fair value of financial instruments derived from internal models considers the contractual terms and the market data, including interest rates, credit risk, exchange rates, share prices, volatility, etc. It is assumed that the markets where trading is done are efficient, and that their data is representative. The valuation models do not factor in subjective considerations.

In addition, in some cases, the price published by the counterparty in official media, such as Reuters, is used given the complexity of the products measured.

At 31 December 2022 and 2021, the main techniques used by internal models to determine the fair value of financial instruments were the present value model (which discounts future cash flows to present value using market interest rates) and the Black-Scholes model and its derivative (which allow, through a closed formula and using only market inputs, the valuation of interest rate options). Credit derivatives are measured like any other interest rate derivative, but include (market) spreads in the market inputs related to underlying of the issue. Counterparties are reviewed on an ongoing basis during the different valuation processes to ensure that the models and inputs used remain valid at all times.

When calculating the fair value of derivative liabilities, the entity distinguishes between collateralised positions, for which the impact of own credit risk is estimated as zero, and uncollateralised positions, for which the own credit risk adjustment is estimated objectively based on the probability of default by the entity observed in data published by the market's main financial news agencies.

When calculating the fair value of derivative assets, the entity distinguishes between collateralised positions, for which the impact of counterparty credit risk is estimated as zero, and uncollateralised positions, for which the counterparty credit risk adjustment is estimated based on internal probability of default models constructed on the basis of historical information from the Bank's databases.

When determining fair value of equity investments in subsidiaries, jointly controlled entities or associates, the entity's accounting policy is to consider the whole investment as the unit of account.

b) Fair value of non-financial assets and liabilities

Detail of fair value of non-financial assets and liabilities at 31 December 2022 and 2021:

	Thousands of euros		Thousands of euros	
	31.12.2022		31.12.2021	
	Amount recognised	Fair value	Amount recognised	Fair value
Assets:				
Tangible assets	386,342	408,363	393,097	418,648
Non-current assets held for sale	11,232	23,353	17,414	67,570

The fair values of properties were calculated based on observable market prices provided by appraisal reports certified by appraisal companies, not including any potential discounts required to liquidate the assets.

44. Risk policies and management

Risk appetite

Bankinter understands the risk function as a core element of its competitive strategy, which is translated into its risk management and differentiates the Entity in the financial system.

Adequately identifying, measuring, managing and controlling the relevant risks of all the Entity's businesses is a priority of the board of the directors. Therefore, it establishes the basic risk management mechanisms and principles to achieve the Entity's strategic goals, protect the Entity's earnings and reputation, defend the interests of shareholders, customers, other

stakeholders and society at large, and ensure business stability and financial soundness on a sustained basis over time.

The board of directors approves and reviews the risk appetite framework, which defines the risk appetite and tolerance that the Entity is willing to assume in its activities, on a regular basis. The Framework contains a set of key metrics for the levels of the various risks, and the quality and recurrence of earnings, liquidity and capital adequacy. Risk tolerance levels that the Entity is willing to assume are defined for each metric.

These metrics are monitored on a quarterly basis. Where a negative trend is seen in any of them, action plans are drawn up and monitored until the metrics return to appropriate levels.

Therefore, the risk appetite framework is a governance tool to ensure that the risks assumed are consistent with the Entity's strategy and business plans, irrespective of any limits established for the various risks and monitored regularly though the relevant committees and organisational structures. See the chapter on "Risk appetite framework" in the Pillar III Report for more information.

Corporate governance of the risk function

Following is a brief description of the corporate governance and organisation of the risk function. For a broader description, see the following sections of the Pillar 3 Disclosures Report: "Corporate governance of the risk function" and "Structure and organisation of the risk management and control function".

Bankinter has a corporate governance system that is in line with the industry best practices and adapted to regulatory requirements.

The board of directors, in accordance with board of directors regulations, is responsible for approving the risk control and management policy and regularly monitoring the internal information and risk control systems. The rules and regulations of the board of directors stipulated that " the board of directors shall organise its work by setting up committees. Board committees will be vested with decision-making powers as well as the authority to provide expertise and propose motions in relation to specific matters, while subjecting the board to additional scrutiny and control". As per the aforementioned document, the board committee responsible for risk control and management are as follows:

Executive committee

The executive committee is vested with all of the functions of the board, except those that cannot be delegated by law or under the corporate by-laws or the rules and regulations of the board of directors. It takes decisions for managing and monitoring all types risks and, in turn, delegates to the following first-level committees:

Credit risk, in the Executive Risk Committee, which in turn sets the limits on the delegation of powers to the lower-ranking internal bodies, within the limits set by the board of directors. (The Executive Risk Committee is the top risk committee, except for risks that fall under the Management Committee's and the Assets and Liabilities Committee's remit).

Business risk, to the Management Committee.

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

Risk and compliance committee

The risk and compliance committee has supervisory duties related to risks and its the board of directors main support in risk-related matters.

Its duties include: i) advising the board of directors on the entity's overall risk propensity and on its strategy in this regard, and assisting the board of directors in the effective implement of that strategy, determining, together with the board of directors, the nature, quantity, format and frequency of the information on risks to be received. And ii) agree on the appointment and removal of the chief risk officer and the head of control and compliance, based on a suitability assessment in both cases by the pertinent committee, and iii) oversight of the Group's control and compliance function, and specifically risk control, internal validation, regulatory compliance and anti-money laundering and counter-terrorist financing.

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.

Remuneration committee

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

Sustainability and appointments committee

The committee is also involved in risk management by assuming the following specific duties relating to sustainability: i) reviewing Bankinter Group's sustainability policy and corporate governance policy and ensuring that it is aimed at creating value at all times; ii) monitoring the sustainability strategy and practices -best practices- and evaluating their level of achievement; iii) assessing all of the Company's social, environmental, political and reputational risks, irrespective of the powers granted to the risk and compliance committee or other board committees.

Organisation of the risk function

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

The board of directors is ultimately responsible for managing and controlling Bankinter's risks.

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

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

- Risk management.
- Control and compliance function.

The organisation of these functions is described below.

Risk management

The risk management function covers that main risks (credit and counterparty, market, liquidity, structural, operational and model), with global and corporate-wide responsibilities and support to Bankinter Group's governance bodies. It is charged with defining the methods and executing the risk controls as the first line of defence. It is also geared towards executing and 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: tasked with defining the risk policies associated with each of the segments. It is delegated powers that allow it to authorise customer transactions. It oversee the entire risk process, from approval (which requires IT support capable of achieving the highest level of efficiency) to monitoring and recovery.

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

Risk Assessment and Processes: mainly defining and supporting risk reporting, and designing, implementing, maintaining and evolving credit risk approval and monitoring systems.

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

The Risk Assessment unit acts on cross-cutting factors, coordinating and promoting: a sectoral approach to credit portfolio management, analysing sectors and promoting the most appropriate information and management processes at all times. As managing climate- and environment-related factors and their translation into different risks.

Market risk and institutional control: Reporting to the managing director of risk/chief risk officer, its function is to control and monitor structural risks (liquidity, interest rate and foreign currency) and market risks arising from the Entity's institutional and trading operations.

As discussed further on, the balance sheet management area and the trading department, which report to the general capital markets division, are responsible, respectively, for managing liquidity, interest and foreign currency risks (structural risks) and market risk. Market risk has the independent duty of measuring, monitoring and controlling changes in interest rate, liquidity, foreign currency, market and counterparty risks in 'institutional' positions; i.e., those taken by the Assets and Liabilities Committee (ALCO) and by the treasury department for trading purposes.

Operational risk: responsible for promoting and coordinating the procedures and tools for the identification, measurement, control and reporting of operational risks, providing the organisation with a uniform vision of operational risk. First-line management of operational risk is delegated to the 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: It is responsible for running and managing the process for recovering outstanding loans in early stages of default, by implementing and promoting internal and external tools and actions for this purpose with a view to minimising new non-performing loans. It is also responsible for running and managing the control, monitoring and non-amicable recovery of loans in accordance with prevailing legislation by creating and promoting automatic systems that make management more efficient and by implementing more efficient and

effective mechanisms and processes to improve outstanding debt collection. It is also responsible for all matters related to the policy, analysis, approval and monitoring of refinancing and forbearance arrangements.

Real Estate Assets: setting and updating the price of foreclosed assets and determining their purpose. Its duties include the adapting the assets technically and legally and monitoring them to prevent impairment. Its purpose and main responsibility is to proactively seek out buyers by publicising and managing assets in accordance with principles of transparency, sufficient publicity, competition and effectiveness in order to obtain the highest price possible. It prioritises quick selling.

Control and Compliance function

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

Risk control unit: The purpose of this area is to oversee the quality of 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. It also oversees credit risk management at regional organisations.

Technical division: This area is in charge of procedural aspects of the risk appetite framework and the corporate risk map, and oversight of the second line of defence of certain specific risks (e.g. reputational risk). It also oversees the second lines of Group subsidiaries.

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

Regulatory compliance unit

The board of directors is responsible for overseeing compliance with the 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 of senior management, employees and the Group's business and operating areas. Supervising and controlling compliance with rules of conduct. Detecting and managing non-compliance risks. Relations with regulatory and oversight authorities and bodies in matters that fall within its remit.

Financial control and analysis unit

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

Its mission is to assess the effectiveness of the general internal financial control framework, to ensure the reliability of the 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 the Group, setting maximum limits that it delegates to such bodies, as defined in the risk control and management framework.

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

The ALCO is directly responsible for managing all interest rate and liquidity risks, as well as stock exchange and institutional change risks and group financing policies. However, capital markets, within its powers or following the guidelines of the chairman, chief executive officer or managing director of capital markets may carry out actions aimed at protecting the Bank from its risks or taking advantage of trading opportunities that arise.

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

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

Technology risks

These risks are supervised by the Digital Security area, which reports hierarchically to the Digital Banking division. Functionally, it reports regularly to Bankinter's chief risk officer (CRO). Its main responsibilities regarding management of these risks include: training and awareness-raising on information security; coordination of technology environment improvement plans; management of system vulnerabilities; coordination of certified risk management systems; cryptographic key custody; identification and definition of the security requirements for new projects and developments; definition, approval and maintenance of business continuity plans, technological contingency and incident response plans; implementation of security measures on operating systems, databases and middleware; and identification and management of any vulnerabilities detected.

Reputational risk

The first-line management of this risk is delegated to the Bank's various subsidiaries, support areas and business units, operating within the scope of the policies and guidelines issued by the Corporate Reputation unit. This unit, which is part of the corporate communication and responsibility area, also draws up reputational risk metrics, oversees the preventive management of this risk and mitigates potential reputational risks by taking part in crisis response actions.

Other units completing the risk control and management framework

Data protection officer.

The corporate privacy and data protection officer reports to Legal Counsel and has the following functions: Coordinating the privacy and data protection officers of Group companies, to guarantee that they apply the same criteria in matters of privacy and personal data protection. Approving new initiatives that affect the right to privacy and personal data protection that are different to those already approved in the organisation the responsibility for which exceeds that of the privacy and data protection officers of the Group entities. Advising the data controller of their obligations in relation to data privacy and protection. Overseeing compliance with the requirements of privacy and data protection regulations.

Privacy committee

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

Customer Service area

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

Risk diversification is an essential management principle, as illustrated in the successive financial crises. The Bank regularly monitors risk diversification by sectors, geographic location, products, guarantees, customers and counterparties.

Classification of the portfolio based on credit risk

Credit risk is the main risk to which the Bank is exposed. The procedures and criteria used to estimate credit risk are set out below. This section starts with their classification and the next explains how expected credit losses are estimated.

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

1) Performing 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 Entity may take any actions necessary to attempt to collect until its rights have been definitively extinguished due to statute of limitations, forgiveness or other causes.

The criteria used by the Bank to determine whether a significant increase in risk has occurred can be divided into three categories:

- Objective increase in Probability of Default (PD), according to estimates provided by daily provisions models. Once this objective increase in PD is identified, depending on the significance of the transaction and the customer's rating, it is assessed whether to automatically reclassify to Underperforming Exposures (Stage 2) or if this needs to be confirmed or rejected by an expert analyst. This will always apply to exposures above 1 million euros. The analysis to be performed is set out in an internal procedure detailing the circumstances for both individuals and legal entities to verify a substantial change in an instrument's risk profile from its granting. As for the exemption for low risk set forth in paragraph 5.5.10 of the IFRS 9, Bankinter analyses the significant increase in risk in all its exposures. However, significant risk increases are not considered automatically due to an objective increase in the PD when the 12-month PD is less than 0.3% or the internal rating is more than 7, on a scale of 1 to 9, as explained below.
- Expert assessment: In addition, a reclassification based on an expert's opinion may take place if a situation is observed that might lead to the conclusion that there is a significant increase in the risk. Therefore, there is system of warnings that contributes to the early identification of these situations, and a procedure of expert assessment of the significant increase in risk that includes the following indicators:
    - Changes in the economic or regulatory environment or in conditions of markets to which the customer may be particularly sensitive.
    - Deterioration of the customer's economic and financial structure (e.g. income, debt levels, margins, cash flows, debt service ratios)
    - Technological risks
    - Pending litigation
    - Pre-insolvency proceedings
    - Significant downgrade of internal and/or external rating
    - Significant deterioration of market indicators
    - Waivers, breach of covenants, standstill, etc.
    - Potential contagion effects
    - Defaults in other exposures

These indicators address the guidelines contained in the IFRS9 standards, the EBA – Guidelines on accounting for expected credit losses or Annex 9 of Banco de España Circular 4/2017.

- Backstops: Moreover, the following additional criteria are taken into account:
    - Forbearance is objective evidence of a significant increase in risk, and therefore reclassification to Stage 2, provided there are no indications of impairment.
    - In general, the Bank adds the accumulation of more than 35 days past due as additional objective evidence of a significant increase in risk. The rejection of the general approach in paragraph 5.5.11 of IFRS 9 to the presumption of a significant increase in risk when a default occurs that is more than 30 days past due is based on the example set out in paragraph B5.5.20 of the same standard. It is based on the empirical analysis of observed default frequencies conditional on days of non-payment as well as collection activity. This analysis shows that there is a significant volume of collections between days 30 and 35 of non-payment, which can be explained for several reasons:
        - The regular income from customers, although occurring on a monthly basis, does not necessarily have to be exactly 30 days apart due to the length of the months and the effect of holidays.
        - Exposures from 30 days past due are given a different management status and, as a result, recovery actions are stepped up.

- In products such as factoring, 30 days of non-payment can accumulate without triggering recourse to the assignor, so there is not really a significant increase in risk.

Consequently, the Bank opted to adjust the general criterion by five days with the sole objective of not automatically classifying exposures where no significant increase in risk is actually observed in Stage 2, so making the classification system more stable.

- As for the exemption for low risk provided in the standard, Bankinter analyses the significant increase in risk in all its exposures.

The credit risk monitoring and provisions committee governs the entire classification system and approves the criteria and procedures for analysing and determining the existence of a significant increase in risk. Specifically, this committee approves the thresholds set with respect to the increases in PDs and days past due, by which any significant increase in risk is determined in each of the categories into which the loan portfolio is divided. For this purpose, quantitative analyses are taken into consideration to check the stability of the system (and certain other factors) taking into account that the classification is updated daily and that entering Stage 2 means a change in customer management.

B5.5.1 to B5.5.6 of the IFRS 9 allow for the possible implementation of a collective approach to measure significant risk increases. The aim is to detect that these increases exist at an early stage, even when there is not enough evidence or information to move them to instrument level. Therefore, the standard even provides for the possibility of recognising expected losses over the life of a portion of assets with common characteristics, when it is assumed that there may have been a significant increase in risk in part of the assets.

Following from the above, although the Entity carries out collective analysis in certain portfolios, as a result thereof, the Group always identifies the instruments for which there is a significantly risk increase individually. This is a relevant consideration since this collective analysis is not exactly as set forth in B5.5.1 to B5.5.6 of the IFRS 9.

Firstly, as explained below, the expected loss is calculated and assigned on a contract-by-contract basis, taking into account its specific characteristics, and which are used to determine EAD, PD and LGD risk parameters. There is, therefore, no estimation on the basis of aggregated groups of exposures with a homogeneous risk profile, except in those portfolios where what are known as the "practical expedients" provided for in paragraph B.5.5.35 of IFRS 9 are used, and which are residual when we exclude the categories for financial institutions and public sector, as described in the next section.

Although a big part of the loan book is subject to collective estimation of expected losses through provision models, these models offer individualised values for each instrument, considering not only the portfolio they belong to but also a series of clarifying variables linked to the profile of holders, default history, product characteristics and the class and value of guarantees. Additionally, the estimates depend on macroeconomic expectations, taking account of various scenarios and therefore arriving at a forward-looking view of risk parameters.

However, there may be specific situations with a very unequal impact on certain portfolio segments and that are not reflected in the empirical evidence used for the models. This type of situation has been seen as a consequence of the health crisis and the war in Ukraine. For this reason, we must incorporate a forward-looking approach that does not restrict itself to the projected general economic scenario, and that instead considers specific effects that may lead to a significant increase in risk. This type of analysis is part of the identification of significant risk increase by expert judgement carried out on a recurring basis, and which includes two different, complementary approaches:

- Individualised analysis of instruments that share a series of common characteristics or for which certain relevant events take place.

- Collective analysis. Nevertheless, as a result of this analysis, a specific set of instruments is always identified for which there is a significant risk increase individually. The Entity has sufficient classification criteria to be able to differentiate the risk at exposure level, by either using its own provision models or the internal rating.

Specifically, during the health crisis and currently with the effects of the war in Ukraine, during the expert assessment of significant risk increase, we have identified groups that are especially vulnerable and may be subject to individual review or directly moved to stage 2. This is always done on an instrument-by-instrument basis. Consideration has been given to indicators like the sector of activity, assessed together with other variables such as the rating from internal models and its progress, the follow-up alerts or greater use of aid instruments set up since the pandemic.

The following criteria are used to identify impairment:

- Over 90 days past due: Includes all positions with amounts more than 90 days past due, without applying any material filter.
- Carry-forward: This category includes the amounts of all transactions with a holder when the transactions with amounts overdue for more than 90 days exceed 20% of the amounts pending collection.
- Refinancing, refinanced and restructured transactions that meet the following characteristics:
    - The transaction has a grace period of more than 24 days.
    - If any contract to be refinanced was already impaired, including successive refinancing of positions that were already refinanced and impaired.
    - If a haircut is arranged on the principal amount of the transaction.

  The forbearance policy, which includes the criteria for determining the existence of impairment, is described later in this note.

- Other criteria for reasons other than late payment, including the following indicators:
    - Transactions in which legal proceedings have been taken to recover the debt.
    - The transactions of borrowers that are or will be declared in insolvency proceedings without a winding up petition. The guarantees granted to borrowers declared subject to insolvency proceedings for whom there is a record that the winding up stage has been or will be declared, or who undergo a considerable and unrecoverable impairment in their solvency, even though the guarantee beneficiary has not ordered payment.
    - Finance lease transactions in which the entity has decided to terminate the contract in order to repossess the asset
    - The set of transactions of borrowers with a balance categorised as doubtful due to delinquency, that do not reach the percentage indicated in the carry-forward scenario, in the event that there are conclusively reasonable doubts about their total repayment following an individualised study.
    - Purchased or originated credit-impaired transactions or transactions with a considerable discount.
    - Sales of loans of a borrower with significant losses.
    - Exposures fall under a situation of no interest accrual or conditional interest accrual.

The Entity also considers the following indicators in performing impairment tests:

- Significant financial difficulties of the borrower that seriously affect its ability to comply with its loan obligations.
- Continuous losses that have comprised the debtor's solvency.
- Generalised delay in payments to settle debts and other obligations.
- Existence of an internal or external credit rating that shows the borrower to be in default.
- Existence of impaired positions in other group companies to which the debtor belongs or in companies where a relationship of contagion on the debtor has been identified.

All these criteria established for the recognition of impairment are fully consistent with the definition of "Impaired asset" in Appendix A of IFRS 9 as well as with the indications in paragraph B5.5.37, considering in all cases that an instrument is recognised as doubtful when it is 90 days past due.

Section 4.1 "Accounting definitions" in Bankinter Group's Pillar 3 report describes the differences between the definition of default applied for prudential purposes (as set out in article 178 of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 27 June 2013 - CRR) and the guidelines issued by the European Banking Authority on the application of the definition of default and the definition of credit-impaired. Although there are certain differences between the definition of "default" used by the Group and the concept of non-performing/doubtful, these have no substantial effect. Therefore, the differences between portfolios in default and those classified as non-performing/doubtful are in practice limited.

The main differences are as follows:

- The concept of non-performing/doubtful is applied at exposure level, which means that transactions from the same debtor with different ratings (e.g. sustainable and unsustainable tranches in a restructuring agreement). On the other hand, for legal entities, the concept of default is applied at obligor level and, once they are considered to be in default, a carry-over of all of their exposures takes place. However, it should be noted that, where carry-over criteria are observed in relation

to assets classified as non-performing/doubtful and, in general, for assets seen as "subjective doubtful", then this carry-over effect is also applied at individual level.

- The definition of default includes material thresholds not considered in past due/non-performing, although these thresholds are extremely limited according to Commission Delegated Regulation (EU) 2018/171.
- On the other hand, for individuals, the concept of default is applied at exposure level, without considering automatic carry-over criteria like those anticipated in the case of non-performing/doubtful exposures.
- Prudential default considers a three-month "testing period" during which the situation remains the same even if payment has been made. Past due/non-performing does not consider automatic criteria, so the position may be reclassified from Stage 3 once payment is made and there are no other additional criteria for considering impairment.

Transitions between a stage of credit risk and another arise depending on when a financial asset meets or no longer meets the definitions of impairment and significant increase in credit risk. However, the Entity has established minimum cure periods for forborne exposures and minimum terms for the individualised analysis. In addition, the forbearance measures constitute indicators of impairment and/or significant increase of credit risk. Treatment of these types of transactions is similar to the standards issued by the European Banking Authority and Banco de España Circulars.

Estimation of expected credit losses

The expected loss is calculated and assigned on a contract-by-contract basis, taking into account its specific characteristics, and which are used to determine EAD, PD and LGD risk parameters. There is, therefore, no estimation on the basis of aggregated groups of exposures with a homogeneous risk profile, except in those portfolios where what are known as the "practical expedients" provided for in paragraph B.5.5.35 of IFRS 9 are used. However, a distinction must be made between two different procedures:

- The individualized estimation of coverage based on a detailed analysis of future flows performed by an expert analyst.
- The collective estimation of hedges obtained automatically through internal provisioning models.

The first of these procedures is applied systematically in the following cases:

- From 2 million euros of credit risk (which includes the drawn amount plus the undrawn commitment) for exposures in Stage 3.
- From 3 million euros of credit risk for exposures in Stage 2.

These thresholds, which are applied without exceptions, follow a customer risk criterion so that, for example, if a customer is doubtful and has a risk of more than 2 billion, it will be analysed under an individualised methodology even if not all its positions are doubtful. Moreover, the worse customer rating prevails. In other words, if a customer has only one exposure in Stage 2 and the rest in Stage 1, the Stage 2 methodology will be applied for all exposures, unless the Stage 2 risk is considered residual (no more than 5% of the client's total risk).

On the other hand, operations classified as performing (Stage 1) are generally only subject to the collective estimation of expected losses. However, it should be noted that in the coverage estimation procedure, the individualised analysis can be applied to those transactions, irrespective of their classification, where it is found that the model provides an inadequate estimate of the coverage. This exceptional treatment is carried out under governance criteria, so that all proposals are submitted to the monitoring and provisions committee, leaving a trace of the justification, validity and proponent. Moreover, this extension is not limited to a particular segment of the portfolio as forward-looking valuation criteria may emerge that are not adequately captured by the models.

It might be thought that the collective estimate is simply a shared estimate for groups of instruments with similar characteristics. However, bearing in mind that there are 21 internal models for estimating PD and 19 models for estimating LGD, and, also, these models are broken down into sub-models, each of which has its own explanatory variables, the combination of possible situations characterised by a given expected loss is extremely high and incompatible with an alternative non-parametric procedure, as there are not enough individuals in each homogeneous group to estimate losses with a minimum degree of precision.

In addition, an individualised estimate in the case of an unimpaired exposure classified as Stage 2 also requires the probabilities of default provided by the collective estimation models. So the individualised analysis and the collective analysis differ in that the former provides a detailed analysis of the potential losses in the event of default under three alternative scenarios that are weighted according to their probability of occurrence, taking into account the evolution of the exposure over the life of the instrument. A hypothetical calculation of the provision through a case-by-case analysis for Stage 1 exposures is simplified since it is reduced to the expected loss in the first 12 months from the reference date and should therefore not differ significantly (except for possible LGD expert valuation biases referred to in the next paragraph) from the collective calculation since both procedures are based on the PD estimates provided by the models.

Also, a hypothetical individualised analysis applied to performing exposures for the determination of 12-month expected losses should be based on probabilities of default provided by the models, analysing potential losses based on the assumption of default. There is a risk of this analysis being biased, however, because the starting conditions in terms of revenue

generation capacity or even the value of collateral if liquidated may be far removed from those that would exist under a hypothetical default situation, also taking into account that there has not been a significant increase in risk. In fact, in LGD models, a very relevant factor is the so-called probability of cure, a parameter which is difficult for analysts to specify and which must be supported by empirical evidence. That is why we do not think it is appropriate to establish a threshold in Stage 1 that would systematically lead to replacing collective estimation with individualised analysis.

The internal provisioning models are the key part of the impairment calculation methodology, providing the various components that affect the expected loss over both a twelve-month horizon from the reference date (Stage 1) and the life of the instrument (Stages 2 and 3): EAD ("exposure at default") reflects the exposure drawn on transactions at the time the impairment is incurred. It therefore incorporates the estimate of the amounts expected to be paid on off-balance sheet exposures through a conversion factor applied to the nominal value of the transaction. PD ("probability of default") reflects the probability that a borrower will not meet its payment obligations in the time horizon considered (one year or at maturity). Lastly, the LGD ("loss given default") reflects the part of the EAD that is assumed to be a loss in the event of such an event. These parameters are calculated and adjusted taking into account the economic climate at each reporting date.

The following table presents the different categories into which the Bank's credit risk portfolio is divided at year-end 2022. The approach used for the collective estimation of expected losses is also shown:

Application	Category	Approach from 1 January 2018 on
BK Spain	Mortgages to individuals Personal loans to individuals Bankinter non-company cards Other Individual transactions Small businesses Medium-sized companies Large companies Very large companies Very large insurers Financing development projects Comp. without valid balance sheet	Collective models
BK Portugal	Crédito Habitaçao Grandes Operaçoes Second mortgages Small enterprises Mid-corporate Large companies Empresas sem balanço Corporate Companies	
BK Spain	Foreclosed properties	
BK Spain	Individual overdrafts Financial institutions Public Sector - Regional Admin. Public Sector - Regional Admin. Public companies Operations Weighting 100% Other Fixed income Non-inventoried Accounts	Alternative Solutions
BK Portugal	Personal Credit Credit Cards Other personal operations Real estate promotion Financial institutions Public sector	Benchmarks / Simple Collective Models

It can be seen that the portfolio is subdivided using a highly granular segmentation according to different criteria, such as the geographical location, nature and size of borrowers. The type of financing, the collateral or even the distribution channel (Bankinter business or open business) is also considered for individuals. In legal persons, certain activities and specific types of financing, such as project developers, are separated into specific categories. The public sector is also separated, distinguishing between private companies and local, regional or state administrations.

In general, each of these categories has shared risk characteristics and in most cases, this means that collective models can be developed, to make a causal relationship between a set of attendant variables and credit risk. Each of these models may in turn contain submodels, however, which can give a specific response when, for example, instruments are past due. Clearly, the same category may show very substantial differences in the risk profile. These models are able to find these differences according to the explanatory variables that characterise the borrower and the instrument.

At the end of 2022, 90,5% of the provisions for instruments and assets subject to collective estimation correspond to the categories for which collective internal models are applied. The "practical expedients" (IFRS 9, paragraph B.5.5.35), which include both the so-called alternative solutions provided by Banco de España and other simple solutions applied in other geographies, are rarely used if we exclude the categories corresponding to financial institutions and the public sector.

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

Alternative solutions are used to calculate expected loss of exposures to financial institutions, the public sector and fixed income. This is because the Entity does not have sufficient historical experience of defaults in these portfolios to develop internal models, especially when various types of customers and instruments have to be covered, and the fact that they must be sensitive to the economic scenario. Alternatively, Banco de España has estimated coverage percentages for the different Stages drawing on its experience and the information it has on the Spanish banking sector, and forecasts on future conditions. These strike us as being the best option, and fit in with our limited experience and future expectations in this type of exposures. However, the decision needs to be continuously reviewed according to possible events and analysts' expectations.

In this respect, we highlight the following:

- Up to now, the forward-looking assessment of expected loan losses has been based on various scenarios assuming the continuity of the euro.
- Exposure to the public sector is limited under the Group's risk appetite framework.
- Ratings issued by rating agencies are a key benchmark in this area, an investment grade rating being needed.
- Other indicators such as risk premiums, which have a more situational nature, are also relevant as indicators of a potential structural change.

The Bank takes into consideration forward-looking information to determine expected **credit losses** and to identify significant increases in risk. In this regard, the Entity has defined a baseline macroeconomic scenario it uses to draw up the Bank's budgets, business projections and capital planning. This scenario covers a 5-year period, with growth gradually converging towards levels consistent with the potential growth of the economy. The Bank considers that it is not possible to make forecasts with a minimum degree of precision beyond this period, although it still considers the contractual terms of transactions to determine expected losses. The Entity considers alternative forward-looking information to the baseline scenario as follows:

- Bankinter has two alternative scenarios to the baseline scenario: a pessimistic and an optimistic scenario. It uses these to estimate the risk parameters for calculating expected credit losses by applying collective assessment approaches. The outcome of each scenario –baseline, optimistic and pessimistic– is weighted in accordance with its probability of occurrence, with 40% for the baseline scenario, and 30% for each of the alternative scenarios.
- The function of these scenarios is to correct for possible biases in the estimation of expected losses. They must thus adequately reflect the dispersion of the business cycle in both directions and in a balanced manner. They therefore represent equiprobable deviations from the baseline scenario, converging to the latter at the end of the projection period, and are constructed by Monte Carlo simulation, in accordance with the historical evidence of relationships between the various macroeconomic variables considered and their uncertainty. The probabilities of occurrence attributed as based on empirical evidence, minimising the difference between the dispersion of thousands of scenarios simulated and the three scenarios chosen.

For Spain, each scenario features specific amounts for year-on-year growth in GDP, the unemployment rate, year-on-year growth in housing prices, and year-on-year growth in the business turnover index (ICNE). For Portugal, they consider the same variables with the exception of the ICNE, and also include the headline inflation rate. The following table summarises the various scenarios through the three common variables to all geographies:

		Average of the first three years of the projection*		
Country	Scenario	Prob.	GDP	Unemployment rate	Property price
Spain	Baseline	40%	2.6	12.9	(0.4)
	Pessimistic	30%	1.1	17.4	(2.7)
	Optimistic	30%	4.1	8.6	2.0
Portugal	Baseline	40%	2.2	5.4	6.0
	Pessimistic	30%	1.5	8.8	4.7
	Optimistic	30%	3.0	2.0	7.3

(*) 2022-2024. Housing prices in Spain are taken from appraised value statistics published by the Ministry of Transport.

- Averages for the first three years of the project are shown, since there is a reversion back to the baseline scenario in the next two years to complete the five-year period. In the three countries considered, this reflects the macroeconomic projects published in 2022 by their central banks in coordination with the European Central Bank, as detailed in section "Disclosures and impacts of the war in Ukraine in the post-pandemic era" of this Note.

- Provision models, which estimate the expected losses, are sensitive to these scenarios to the extent that they incorporate a causal link between the structural components of the expected loss (probability of default, PD, loss given default, LGD, and credit conversion factor, CCF) and macroeconomic variables. Since this relationship is multi-factor, the sensitivity of expected loss to each of these variables is minor, i.e. excluding common effects that may be attributed to other variables. Also, since the expected loss is calculated by unit exposed as the product of its structural components, there is a multiplication effect between the macroeconomic variables. For this reason, single-factor sensitive analyses may be relatively deceiving and, therefore, it is preferable to assess the sensitivity of expected loss to scenarios other than the base scenario. This considers simultaneously the joint effect of the concomitant variables. As it is explained in the next section about the changes made in 2022 to the provision models, it has been observed that sensitivity to the macroeconomic environment is much greater in non-impaired exposures, both in stage 1 and stage 2, when compared with stage 3. This is due to the aforementioned multiplication effect, and to the fact that the recovery capability is much more conditioned by variables such as the length of default in relation to the variables that characterise the short-term macroeconomic environment. Consequently, the sensitivities in each stage should be offered. The following table shows the impact on the estimated expected losses[5] from the collective models, considering the two alternative scenarios:

Relative variation of the estimated expected losses by collective models versus baseline scenario

	Alternative scenarios	
Stage	Optimistic	Pessimistic
1	-10.22%	12.29%
2	-4.91%	5.37%
3	-0.48%	0.51%

These impacts include the effect associated with the migrations between stages, as a consequence of greater or lesser recognition of significant risk increase due to a change in the PD. However, these movements between stages are not solely dependent on the probability of default provided by provision models. In fact, in the current climate, stage 2 ratings are heavily weighed by expert forward-looking judgement.

Complementarily, this table shows the impact that a reduction/increase in GDP by one percentage point, *ceteris paribus* and most relevant variable, would have on the expected estimated loss by collective models of each of stages:

Relative variation of the estimated expected losses by collective models versus a one percentage point change in GDP, with the remaining variables unchanged

Variable	Stage	Change -1%	Change +1%
GDP	1	-3.18%	3.35%
	2	-1.12%	1.15%
	3	-0.04%	0.04%

- The individualised estimations also take into consideration the scenarios established and are weighed taking into account the probability of occurrence of each scenario and, in the case of financial assets in Stage 2, the probability of default of a counterparty in each scenario.

- The prospective idiosyncratic elements are captured in the collective models with ad hoc adjustments governed in a Provisions Committee to adjust elements that the expected credit loss models are unable to capture. Here, we highlight the explanation provided in the section on the impacts of the health crisis regarding maintenance of the overlay adjustment caused by lingering uncertainty over the pandemic's potential impact on the loan book.

The forward-looking assessment of expected losses must consider certain emerging risks, especially those related to climate and the environment. Climate change has some specific characteristics that entail a very different approach to other risks. Firstly, its potential capacity to cause radical and irreversible damage. However, these effects would materialise in the very long term, much later than the periods normally used in financial planning. Secondly, its uncertainty given its effect in the very long term and, above all, the scope of the mitigating

[5] This sensitivity is determined without considering the overlay adjustments, described in section "Information and impacts of the health crisis" of this Note.

measures deployed and that must be implemented globally. Thirdly, the lack of comparable historical references.

Provision models are used to determine the expected losses and, to a large extent, to identify significant risk increases, and are calibrated from historical information. As a consequence, considering the specific characteristics mentioned above, it is currently really difficult for the models to be a full reflection of climate change risks. But even if that were the case, their impact on risk measures in relatively short terms (12 months for the portfolio in a normal situation) would currently be relatively minor.

However, other mechanisms are having some impact on the estimation of expected losses and will have even more of an impact in the future:

- First, the value of real estate collaterals, which has a direct influence on the estimated recovery rate, will be increasingly dependent on the properties' energy efficiency, a factor of increasing importance against a scenario of a sharp increase in energy prices.
- Second, the forward-looking approach introduced through the definition of future scenarios can also be affected by climate factors.
- During the pandemic, significant risk increases were predominantly recognised from a forward-looking approach and this is still the case, with a focus on certain very energy intensive activities. Naturally, this is linked to the transition risks associated with climate change.
- The individualised analysis of expected losses can also include factors relating to climate risks.

In short, although the models cannot incorporate relationships that are not backed by empirical evidence, climate risks can be included through means that give a forward-looking vision to estimates. Also, this empirical evidence will emerge in the future and be incorporated during the models' frequent recalibration.

At the moment, the priority is to gain a better grasp of the issue, find out how our customers are adapting, and how we can help them, and to gather information about climate factors. Right now, this type of information is pretty scarce, not sufficiently well-founded and even of questionable quality. Major regulatory changes are being introduced to revert this situation, and financial and non-financial institutions are required to further disclose their emissions and operations.

Update of provision models

In the first half of 2022, Bankinter performed a major update of its provision models, which extended to the second half of the year with some additional adjustments and which affects the estimate of expected losses in the various stages and the determination of whether there has been a significant increase in risk.

This was prompted by the experience gained since implementation of IFRS 9 in January 2018 in both empirical evidence and consolidation of the standard and related criteria of interpretation. Moreover, during this period the entire system was subject to highly exceptional conditions caused by the health crisis.

This update did not lead to any meaningful increase in coverage of the loan book, but it did in stage 2 exposure and, therefore, provisioning per instrument. This does not mean the recognition of any increase in the overall risk of the portfolio.

Firstly, the specification models for estimating PDs, LGDs, depreciation adjustments and conversion factors for the various categories of exposure were updated and improved. Key results from this exercise include:

- Expected losses on the portfolio in stage 1 and 2 were, systematically, including a certain conservative bias, which has been addressed with the new developments.
- Conversely, the sensitivity of the stage 3 portfolio to time of exposures past-due in the new model increased. This is related to the longer foreclosure periods or time involved in resolving court proceedings.
- In addition, performing exposures in stage 1 and 2 show significantly higher sensitivity to the macroeconomic environment than exposures in stage 3. This correlation is much stronger in PD than LGD.
- Elsewhere, greater importance is attached to certain related factors, e.g. sector of economic activity, or collateral/guarantees.

Secondly, the criteria for identifying whether there has been a significant increase in risk related to an objective increase in probability of default were modified, resulting in considerable reclassification of exposures to stage 2. Even though IFRS 9 leaves the meaning of "significant" open to interpretation, a more financial and less risk-based approach has consolidated over time.

The financial approach is underpinned by a hypothetical loss in value of the instrument due to the increase in credit risk. Therefore, assuming that prices adjusted perfectly to the risk assumed at the grant date, the loss in value in terms of a lower margin net of impairment adjustments is related to relative changes in probability of default.

Conversely, there are two core ideas behind a risk-based approach:

- The circumstances giving rise to the recognition of a significant increase in risk may not be short-lived or irrelevant from a risk perspective. This is especially important in estimation and classification systems executed daily, such as Bankinter's.
- Stage 2 is likely to show a far worse risk profile than stage 1.

In practice, this leads to an approach in which relative increases in PD are assessed differently depending on the absolute value of current PD.

So that the two approaches are more aligned, the standard introduces the "low risk" exception; i.e. a PD below which it is considered that there has not been a significant increase in credit risk. However, during the years since IFRS 9 became effective, the 'financial approach' has clearly become the dominant approach, also adjusting low risk to PD levels equated to an investment rating.

Accordingly, Bankinter decided to adapt its classification system for objective increase in PD from the grant, adjusting the thresholds for determining a significant increase in credit risk and thus introducing higher sensitivity to relative increases in PD.

Since the IFRS 9 became effective in 2018 and until 31 December 2021, these thresholds translated into two criteria to be met simultaneously:

- PD Lifetime should show a significant relative increase set at 100% in most portfolios, except for the mortgage portfolio and in large and very large businesses, which was set at 200%. This difference is due to the lower average PD in these portfolios.

- As a result of the significant increase, the 12-month PD should reach a minimum value. This criterion, supported by the concept of "low risk" introduced by the IFRS 9, can be specific to each sub-portfolio, albeit almost all companies share the same threshold.

However, from 2022, the concept of "low risk" was simplified and unified for all portfolios, with a 12-month PD of less than 0.3% or an internal rating of more than 7, on a scale of 1 to 9. From this level of PD, 200% relative increases in the PD lifetime are considered the only applicable value in all cases ("threefold criterion").

This resulted not only in an increase in the stage 2 portfolio, but also a healthy improvement in the portfolio's profile as new additions are characterised by lower PDs than the exposures classified in stage 2 before the changes were made.

Note that the review of the target PD affects mostly SMEs and individuals; i.e. the most diversified portfolios. This is because major customers are subject to individual assessment which, because of the health crisis, led to a significant volume of prospective reclassifications to stage 2 based on expert assessment including forward-looking information.

In sum, the changes explained result in a readjustment of cover between the stages, with a transfer of provisions to stage 3.

Disclosures and impacts of the war in Ukraine in the post-pandemic era

On 14 September 2022, the Director-General of the World Health Organisation (WHO) stated that the end to the pandemic was in sight, after the lowest recorded number of deaths since the start of the crisis. Given the uncertainty at close of 2021 because of the fast spreading omicron variant, this is undoubtedly a sign of the extraordinary progress in the fight against coronavirus, reliant on the efficacy of the vaccines, which guarantee peace of mind for the moment despite the sharp increase in cases in China.

Therefore, at least in terms of the health crisis, what many thought was a temporary shock has been confirmed. This was the theory behind the extraordinary measures taken by governments around the world aimed at slowing the spread of the virus while work was being done to come up with an effective remedy, at the same time protecting production and employment. The Government in Spain passed a raft of legislative initiatives in 2020[6] and 2021[7] including the rollout of 'aid instruments' in the form of legislative and non-legislative moratoria on loan repayments and government-backed liquidity facilities through the official credit institute (ICO).

The Portuguese Government has also implemented a package of similar aid measures the past two years with the same objective. This involves moratoria for individuals and companies and lines of support for the economy in response to COVID-19 coordinated by the Mutual Guarantee Companies (SGM). Compared to Spain, it gives considerably greater weight to the use of moratoria.

These initiatives led to a sizeable portfolio of this type of aid instruments. At year-end 2021, the carrying amount of payments in moratoria for the Entity stood at 1,969 million euros, of which 98.3% were past-due at that date. Therefore, their original repayment schedule had been recovered. Loans and advances under government-backed schemes at that date stood at 6,512 million euros. These represented new money, thereby increasing borrowings, especially in the sectors hit hardest by the health crisis that, as a result, had higher liquidity requirements to tackle the drop in activity.

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

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

Economic recovery did take place in 2021, although it was more moderate than originally expected by the organisations whose forecasts Bankinter used during this crisis as benchmarks, especially the European Central Bank (ECB) and the central banks of Spain and Portugal, which liaise with the ECB. The reasons recovery was slower than anticipated were the series of ensuing waves of contagions that occurred during 2021 and the 'frictions' related to the rebound in activity seen in the last couple of months of 2021 in supply shortages and rising energy prices which, in turn, led to overall inflation, as noted by Banco de España in its December 2021 report on economic forecasts for the Spanish economy.

This slower-than-expected recovery prompted governments to take additional measures, which entail primarily extending the maturities and/or grace periods of the aid instruments, bearing in mind that as of April 2021 many of the grace periods would run out. And this was the main goal of the Code of Best Practices, set forth in Royal Decree-Law 5/2021, of 12 March, on new extraordinary measures to support business solvency as response to the COVID-19 pandemic, in Spain, and the *Linha Retomar* in Portugal[8].

While the frictions undermined the recovery, war in Ukraine broke out on 24 February 2022. Using European Central Bank terminology, this gives rise to three types of economic effects:

- First-round, for exposures to counterparties resident in any of the countries at war.
- Second-round, for exposures through investments or trade ties in Russa, Belarus or Ukraine.
- And third-round, for the knock-on effect of impacts related to rising energy, food and commodity prices on the overall economy.

The first- and second-round effects on Bankinter's lending portfolio have been very limited. pecifically, direct exposures to residents of Russia, Belarus or Ukraine are basically limited to mortgage-backed loans in the amount of €14.2 million at 31 December 2022. he potential third-round effects are the real concern, specifically their impact on economic recovery in the post-pandemic era.

Measures taken by the Spanish government to cushion the economic impact of the war in Ukraine include enactment of Royal Decree-Law 6/2022, of 29 March. This Royal Decree provides for the rollout of new government-backed guarantee and financial facilities, equivalent to those rolled out during the pandemic, for businesses and self-employed people affected by the ward's economic effects. These facilities are broad reach, excluding the financial and insurance sectors only.

This was completed by the resolution of the Council of Ministers of 29 March amending the Code of Good Practices for the debt renegotiation framework with customers granted secured financing provided for in Royal Decree-Law 5/2021, of 12 March. The biggest change was the removal of the eligibility requirement for the mandatory extension of deadlines for government-backed transactions of a decline in revenue of at least 30% in 2020 from 2019. Also, self-employed professionals and SMEs in the agricultural, livestock, fishing and road transport sectors were given a six-month grace period for extensions to maturities applied for and granted as of 31 March.

The following tables provide a summary of legislative and non-legislative moratoria in Bankinter as at 31 December 2021 and 31 December 2022, respectively:

Legislative and non-legislative moratoria – 31.12.2022		Gross carrying amount, thousands of euros			Distribution by stages		
	No. of obligors	Total	Legislative moratoria	Unexpired moratoriums	1	2	3
Households		1,304,474	644,790	0	82.0%	15.6%	2.4%
Collateralised by residential immovable property		*1,270,150*	*637,731*	*0*	82.1%	15.5%	2.4%
Non-financial corporations		319,647	319,276	6,996	83.1%	14.4%	2.5%
Small- and medium-sized enterprises		270,988	270,617	6,996	80.4%	16.8%	2.7%
Collateralised by commercial immovable property		140,699	140,616	5,161	83.7%	15.7%	0.6%
Total loans and advances	**11,400**	**1,633,023**	**972,969**	**6,996**	**82.3%**	**15.3%**	**2.4%**

Legislative and non-legislative moratoria – 31.12.2021		Gross carrying amount, thousands of euros			Distribution by stages		
	No. of obligors	Total	Legislative moratoria	Unexpired moratoriums	1	2	3
Households		1,491,081	727,715	10,777	81.3%	16.9%	1.8%
Collateralised by residential immovable property		*1,450,612*	*719,663*	*10,159*	81.3%	16.9%	1.8%
Non-financial corporations		461,256	460,692	23,006	81.6%	7.3%	11.0%
Small- and medium-sized enterprises		356,081	355,517	12,577	88.8%	9.5%	1.7%
Collateralised by commercial immovable property		202,971	202,874	18,886	70.5%	7.1%	22.4%
Total loans and advances	**12,213**	**1,968,875**	**1,204,944**	**33,783**	**81.5%**	**14.5%**	**3.9%**

[8] Spanish Royal Decree 5/2021, of 12 March, ushered in a raft of extraordinary measures to keep afloat sustainable businesses that had been seriously affected by the health crisis. This involved support of 11 billion euros earmarked for direct aid (7 billion euros), financial debt restructuring support for companies (3 billion euros) and the establishment of a recapitalisation fund (1 billion euros) supplementing the fund already managed by SEPI. This Royal Decree set out the actions on the drawing board and announced the approval of a Code of Good Practices to contain the specific criteria for the effective implementation of these actions and proper coordination among creditors.
This Code of Good Practices was approved on 11 May 2021 in a resolution by the Council of Ministers and published on 13 May. Its main aim is to reinforce the solvency of viable businesses with debt endorsed by the government, so that productive activity carries on. Bankinter formally submitted its adherence to this Code of Best Practices on 1 June.
With the 1 October 2021 deadline looming of a large percentage of moratoriums granted, in Portugal, Banco Português de Fomento presented the "Linha Retomar" facility. This facility, with total guarantees to be provided of 1 billion euros, targets viable non-financial undertakings of any size through three mechanisms: restructuring of all loans under a moratorium, partial refinancing of all loans under a moratorium, or guarantee loan to cover liquidity requirements.

As illustrated, the gross carrying amount of the Entity's moratoriums is 1,633 million euros, of which only 7 million euros has not expired. As for the distribution by stage, the percentage of stage 2 portfolio went up by 0.8 percentage points due to a pure denominator effect since the portfolio is becoming extinct as the exposure in this stage decreases. In terms of non-performing exposure, there is a substantial reduction in the ratio from 3.9% to 2.4% in 2022.

The following table sets out transactions with public guarantee schemes in response to the COVID-19 crisis as at 31 December 2021 and 31 December 2022, respectively:

Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis (31.12.2022).

	Number of obligors	Gross carrying amount (thousands of euros)	Distribution by stages 1	2	3
Households		56,337	97.3%	0.0%	2.7%
Non-financial corporations		5,647,462	87.5%	8.8%	3.7%
Total loans and advances	**29,173**	**5,732,773**	**87.7%**	**8.7%**	**3.7%**

Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis (31.12.2021).

	Number of obligors	Gross carrying amount (thousands of euros)	Distribution by stages 1	2	3
Households		67,792	99.0%	0.0%	1.0%
Non-financial corporations		6,413,121	99.3%	5.4%	1.3%
Total loans and advances	**31,056**	**6,511,936**	**93.4%**	**5.3%**	**1.3%**

This information refers to the portfolio in Spain and Portugal and, as a result, includes loans backed by the ICO, CESCE and FEI (the latter two with a minor weight) and loans backed by Portuguese mutual guarantee companies in coordination with the Portuguese government. They all share similar characteristics and the same purpose. As illustrated, at end-year 2022, the gross carrying amount of the Entity's moratoria amounted to 5,733 million euros, with a non-performing loan ratio of 3.7%, i.e. an increase of 2.4 percentage points in one year, of which 0.4 points can be attributed to the denominator effect. Even though a substantial part of the debt of these instruments is ultimately guaranteed by the government, at year-end 2022, the Entity recognised them as a single risk, so that their classification in any of the stages corresponds to a full amount. For this reason, at this date, the derecognition from the balance sheet of none of these exposures was considered since they are guaranteed.

The sum of moratoriums and facilities backed by government guarantee schemes represents 9,1% of eligible exposures. Analysing the distribution of aid by branches of activity, the wholesale and retail trade sectors stand out considerably, Next is manufacturing, given the relatively large scale of this sector aggregate, followed by accommodation and food service.

The set of measures implemented to date has clearly had a positive effect on containing the economic damage caused by the pandemic, which was exacerbated by the war in Ukraine. Evidence is the trend in cost of risk in 2021 and the first half of 2022, with an accumulated total in 2022 of 132.2 million (131.3 million euros recognised under "Impairment on financial assets not measured at fair value through profit or loss" and 0.9 million in "Provisions for commitments and guarantees given").

However, we must remain prudent because of how uncertain the current climate is, and the accumulated impacts. In fact, the rapid and strong interest rate hike and the loss of purchasing power as a consequence of the price increase may leave families with mortgage loans and low income in a particularly vulnerable position. That is why Spain approved RDL 19/2022, of 22 November, establishing a Code of Good Practices to alleviate the effects of higher interest rates on mortgages for first homes, amending RDL 6/2012, of 9 March, on urgent measures to protect mortgage holders without funds, and adopting other structural measures to improve conditions in the market for mortgage loans. This Royal Decree not only adapts the previous Code of Good Practices to the current situation but also introduces a new temporary and broader reaching Code of Good Practices. Considering that most of Bankinter's mortgage loans in recent years have been at a fixed interest rate, applying these frameworks (to which the Bank has adhered) should not have a significant impact on the Entity's earnings.

Following the recommendation of the European Central Bank, Bankinter has been taking the quarterly forecasts published by the ECB for the European Union and the country-specific forecasts issued by the central banks, consistent with the former, as its benchmark since the start of the health crisis. Banco de España released its updated forecasts in April, June, October and December 2022 to include the new scenario caused by the war in Ukraine. Faced with continued inflationary pressures, which reach double digits, and the measures taken by central banks to control them with a substantial rate hike, these forecasts have started assuming slower growth of activity in 2023, together with still high inflation in the next year. The forecasts from December are summarised below:

			Forecasts as at December 2022			
Annual variation rate (%), unless otherwise indicated	2020	2021	2022	2023	2024	2025
GDP	(11.3)	5.5	4.6	1.3	2.7	2.1
Harmonised consumer price index (HCPI)	(0.3)	3.0	8.4	4.9	3.6	1.8
Unemployment rate (% of the active population) Annual average	15.5	14.8	12.8	12.9	12.2	12.0

*Source: Banco de España: Macroeconomic scenarios for the Spanish economy 2020-2022. Dec 2021

With these forecasts, recovery is pushed back from 2019 to 2024, with a major downward adjustment of growth in 2023, when pressure over prices will continue. However, forecasts for unemployment for 2022 improve based on Social Security registrations, which has been the

underlying trend in all the forecasts published since September 2020. Unemployment is a key indicator to determine the expected losses of loan books of natural persons.

As remarked by Banco de España, this macroeconomic scenario is based on certain assumptions that may not materialise, with downward risk in activity growth and upward risk in prices. The economy may reach a stagnation situation with high inflation.

Since one of the most important focal points of risk is the change in energy prices, these unfavourable scenario would have an impact across Europe and, therefore, the countries where Bankinter operates. Even if the underlying assumptions regarding energy markets are correct, there are other elements of risk, including the possible activation of a redistributive spiral that increases the risk of sustained price growth and forces more aggressive policies that could, overall, significantly affect both economic activity and employment.

An important element in supporting economic recovery is also the implementation of the EU's Next Generation Fund programme, which has been delayed and may have a lower take-up than expected. The European Union approved the national recovery plans presented by Spain and Portugal. This will enable the effective application, between 2021 and 2026, of 70 billion euros in aid and 70 billion euros in loans to Spain, and 14 billion euros of aid and 2,600 million euros of loans to Portugal.

In short, even if the scenario proposed by the Banco de España, which was developed in coordination with the European Central Bank and is therefore in line with the hypotheses of other central banks such as Portugal's, proves true, the combined effect of higher prices and higher interest rates undermines both the cash flow of companies and the disposable income of individuals, affecting their ability to pay. Therefore, an uptick in non-performing loans and the cost of risk is very likely in 2023. However, if the central scenario materialises and growth continues, this uptick would be moderate.

In 2020, as a consequence of the pandemic, the Entity made a major provision allocation due to the change in the macroeconomic scenario, with a particular characteristic: under the assumption of a transitory shock, deploying aid measures would have a positive effect on containing the effects of the pandemic. As a consequence, a forward-looking assessment of expected losses had to consider both the decline in activity in 2020 and the subsequent recovery expected for the following years, and how this recovery, together with these measures, could support the economy's productive fabric. This extraordinary allocation was called "macroeconomic effect" and was not considered an "overlay adjustment" since it derived directly from applying internal provision models. In 2021, macroeconomic projects came to light that reflected growing optimism backed by the evidence of the progress and efficacy of the vaccination process, the economy's performance and the European recovery funds. The application of these new scenarios resulted in a more favourable estimate of expected losses. However at the same time, emphasis was placed on greater uncertainty insofar as there were forecasts of a slower pace of recovery of the activity lost with the pandemic, happening in 2021 and 2022 and, to a lesser extent, in 2023. Faced with this situation, at year-end 2021, the Entity decided to keep the provisions created in 2020 for the "macroeconomic effect", aimed at covering the impacts of an adverse scenario; instead, it was meant to cover the model risk associated with the estimates that, against such a particular situation as the health crisis, was very high.

At year-end 2022, the Entity has decided to keep an overlay adjustment of additional provisions amounting to 115.3 million euros for the same reasons; it is determined as a the difference between the estimate adjusted to the updated macroeconomic scenario and an estimate for a more pessimistic scenario.

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

Aside from the risks mentioned above that may lead to a reduction in activity and an increase in inflation, we must not dismiss the background situation: a major shock caused by the coronavirus, mitigated by the assumption that it would be temporary, hence the ability of activity to return to pre-crisis levels relatively quickly. A slower economic recovery could have considerable implications for customers affected by the pandemic, a situation compounded by increased financial and non-financial costs. Therefore, greater growth does not necessarily justify lesser losses when growth is slower in the context of recovering lost activity and when businesses had to assume more debt to finance their drop in production in 2020.

In any case, Bankinter maintains its activity and has increased its operating income before provisions in 2022 by 17.3%. In addition, the pandemic alone has required a continuous exercise in risk management preparedness, not mention reinforcement of the risk function with additional resources and tools.

Performance in the year

As explained in the previous section, 2022 saw uncertain economic recovery due to supply chain disruptions and the energy crisis, caused by the relaunch of the economic activity after the health crisis and due to the war in Ukraine.

Against this backdrop, Bankinter's activity remained buoyed by lending growth, mostly in the corporate banking and residential mortgage businesses.

Underperforming loans increased by 24.8% due mostly to the reclassification of customers in the sectors affected most by the health and energy crisis. Non-performing exposures went down by 0.8% and the NPL ratio feel to 1.84%; i.e. a reduction of 8,4% in the year. This is 49% of the sector average in Spain (3.77% according to Banco de España data from October 2022).

Provisions for credit risk rose by 3.9%, as explained at greater length in the section on the impacts of the war in Ukraine in the post-pandemic context.

At the end of December 2022, the foreclosed asset portfolio stood at 19 million euros, representing 0.02% of total credit risk, after falling by 31% during the course of the financial year.

Thousands of euros	31.12.2022	31.12.2021	Change	%
Eligible exposures	**80,786,361**	**74,586,122**	**6,200,238**	**8.3%**
Stage 1 (Performing loans)	76,852,754	71,126,300	5,726,454	8.1%
Stage 2 (Underperforming exposures)	2,445,212	1,959,611	485,601	24.8%
Stage 3 (Non-performing exposures)	1,488,394	1,500,212	(11,818)	-0.8%
Credit risk allowances and provisions	**923,939**	**888,916**	**35,023**	**3.9%**
Stage 1 (Performing loans)	133,419	154,543	(21,124)	-13.7%
Stage 2 (Underperforming exposures)	79,417	77,333	2,084	2.7%
Stage 3 (Non-performing exposures)	711,104	657,040	54,063	8.2%
Non-performing loan ratio (%)	1.84%	2.01%	-0.17%	-8.4%
Non-performing loan coverage ratio (%)	62.08%	59.25%	2.82%	4.8%
Foreclosed assets	18,904	27,486	(8,582)	-31.2%
Provision for foreclosed assets	7,672	10,072	(2,401)	-23.8%
Foreclosure coverage (%)	40.58%	36.65%	3.94%	10.7%

Following is a description of the trend and main figures for eligible exposures in Spain by internal business segments:

Natural persons

Lending to individuals increased by 5.4% in 2022 in Spain. The individual lending portfolio totalled 31,065 million euros at year-end, with an NPL ratio of 1.23%.

The residential mortgage loan book for individuals showed a *loan-to-value* (LTV) ratio of 50% at 2021 year-end and 88% of these loans were secured by the primary residence of the owners. The NPL ratio of this portfolio ended the year at 1.4%. The average effort (measured as the proportion of income that the customer allocates to paying mortgage loan instalments) remained extremely low (23%).

Corporate banking

Credit risk in Corporate Banking rose by 9.7% to 19,684 million euros, with an NPL ratio of 0.57%. In 2022, Bankinter has prioritised growth in this segment, which is more resilient to the adverse economic circumstances.

Small- and medium-sized enterprises

The SMEs Banking (small- and medium-sized enterprises) segment grew by 4.7%, ending the year with a loan book of 15,881 million euros and an NPL ratio of 5.5%.

Portugal

Bankinter Portugal's loan book contributed 8,634 million euros of exposures to the balance sheet at year-end, an increase of 13.4% in the year, and an NPL ratio of 1.31%.

Maximum exposure to credit risk

The table below shows the maximum level of exposure to credit risk assumed by the Group at 31 December 2022 and 2021 for each type of financial instrument, without deductions for collateral or other credit enhancements to ensure compliance by borrowers.

At 31 December 2022:

Types of instruments	Thousands of euros						
	Asset balances						
	Financial assets held for trading	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Non-trading financial assets mandatorily at fair value through profit or loss	Derivatives – hedge accounting	Off-balance-sheet accounts	Total
Debt and equity instruments							-
Loans and advances to credit institutions	1,320,483		4,225,845				5,546,329
Debt securities and equity instruments	1,139,440	2,605,817	9,702,877	72,601			13,520,734
Loans and advances to customers	414,115		69,521,850	32,372			69,968,336
Total debt and equity instruments	2,874,038	2,605,817	83,450,572	104,973	-	-	89,035,399
Contingent risks							-
Financial guarantees						2,092,400	2,092,400
Other contingent risks						5,347,744	5,347,744
Total contingent exposures	-	-	-	-	-	7,440,144	7,440,144
Other exposures							-
Derivatives	1,181,732						1,181,732
Contingent commitments					1,056,927	18,832,636	19,889,564
Total other exposures	1,181,732	-	-	-	1,056,927	18,832,636	21,071,296
MAXIMUM LEVEL OF EXPOSURE TO CREDIT RISK	4,055,770	2,605,817	83,450,572	104,973	1,056,927	26,272,781	117,546,839

At 31 December 2021:

Types of instruments	Thousands of euros						
	Asset balances						
	Financial assets held for trading	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Non-trading financial assets mandatorily at fair value through profit or loss	Derivatives – hedge accounting	Off-balance-sheet accounts	Total
Debt and equity instruments							
Loans and advances to credit institutions	2,251,575	-	3,623,268	-	-	-	5,874,843
Debt securities and equity instruments	1,444,611	2,525,109	7,945,821	130,413	-	-	12,045,953
Loans and advances to customers	-	-	64,613,510	57,281	-	-	64,670,791
Total debt and equity instruments	**3,696,186**	**2,525,109**	**76,182,598**	**187,694**	**-**	**-**	**82,591,587**
Contingent risks							
Financial guarantees	-	-	-	-	-	1,765,266	1,765,266
Other contingent risks	-	-	-	-	-	5,056,086	5,056,086
Total contingent exposures	**-**	**-**	**-**	**-**	**-**	**6,821,352**	**6,821,352**
Other exposures							
Derivatives	342,070	-	-	-	162,792	-	504,862
Contingent commitments	-	-	-	-	-	16,117,665	16,117,665
Total other exposures	**342,070**	**-**	**-**	**-**	**162,792**	**16,117,665**	**16,622,528**
MAXIMUM LEVEL OF EXPOSURE TO CREDIT RISK	4,038,256	2,525,109	76,182,598	187,694	162,792	22,939,018	106,035,467

Ageing analysis of past due amounts receivable

from unimpaired financial assets at 31 December 2022 and 2021:

	Thousands of euros	
By type of guarantee or collateral	**31.12.2022**	**31.12.2021**
Transactions with mortgage collateral	4,255	12,369
Transactions with other collateral	796	818
Other	95,628	39,055
of which Bankinter branch in Portugal	1,522	932
Total	**100,679**	**52,242**
By term		
0-30 days past-due	81,099	42,341
30-60 days past-due	12,264	6,319
60-90 days past-due	7,316	3,582
Total	**100,679**	**52,242**

Risk mitigation

Payment capacity and solvency, with collateral and guarantees providing additional assurance of obligations. Collateral and guarantees should not be the primary means of recovering amounts from transactions, and not the determining factor in the decision regarding approval. However, provided they meet certain requirements, they provide an element of credit-risk mitigation and are required where possible.

For accounting purposes, effective collateral and guarantees include collateral and personal guarantees shown to be valid as a means of mitigating risk considering the time needed to realise them, the ability to do so, and past experience.

Personal guarantees, barring certain exceptions, cover the total amount of the transaction and imply the Bank's direct and joint liability. The guarantor's payment capacity and solvency to meet the obligation guaranteed is assessed. Personal guarantees are particularly relevant in transactions with businesses, often requiring the guarantee of the owners.

Real estate mortgages are generally first mortgages, constituted and registered in favour of the Bank. The properties provided to the Bank as collateral are generally located in urban areas and are highly liquid.

Collateral in the form of pledged financial assets are generally deposited at the Bank and operations with them are blocked. More or less strict coverage criteria are applied depending on the nature and liquidity of the pledged assets.

In line with regulations, the appraisals of real estate collateral are updated as follows:

Performing portfolio: The policy for updating the portfolio of residential and commercial properties (commercial premises, warehouses and offices) is to update the appraisal where there are significant declines in value through full individual appraisals or automated appraisals by independent appraisal companies. For individual assets, such as land or plots, or assets used for financial exploitation, and all transactions with significant risk, a full individual appraisal is made every three years, or less is there are significant declines in value. Potential declines in value are verified annually.

Transactions classified as underperforming are updated annually. The appraisal of collateral and guarantees for non-performing loans is updated on classification as non-performing and annually thereafter. The appraisal of assets foreclosed or received in payment of debt is updated at the time of foreclosure or receipt and annually thereafter.

Bankinter's Risk Control function verifies compliance with the procedure for approving collateral and guarantees and the estimate of value approved by the board of directors.

Non-performing loans and foreclosed assets

The Group defines its exposure to credit risk in terms of eligible exposures, as indicated above. Eligible exposure represents the risk assumed in relation to the borrowers, as well as the committed amount drawable or off-balance-sheet risk.

At year-end 2022, total non-performing eligible exposures stood at 1,488 million euros, down 12 million euros (or -1.0%) from the year before. The NPL ratio was 1.84% at year-end, with a reduction of 17 basis points (8.4%).

The portfolio of forbearance transactions at the end of 2022 was 742 million euros, considering as forbearance any modifications in the credit risk conditions.

Flow of non-performing loan balances in the year:

	Change in non-performing exposures (including contingent risk)			
Thousands of euros	**31.12.2022**	**31.12.2021**	**Change**	**% change**
Opening balance	**1,500,212**	**1,492,701**	**7,511**	**1.0%**
Net additions	41,308	67,633	(26,325)	-39.0%
Transfers to write-offs of the principal	(53,126)	(60,122)	6,996	-12.0%
Balance at the end of the period	**1,488,394**	**1,500,212**	**(11,818)**	**-1.0%**
Impairment allowance	923,939	888,916	35,023	4.0%

Write-offs in the year:

Movement of write-offs	Thousands of euros	
	31.12.2022	**31.12.2021**
Balance at the beginning of the year	**998,539**	**960,009**
Additions (including interest in memorandum accounts)	56,247	81,181
Disposals	71,091	42,652

Movement of write-offs	Thousands of euros	
	31.12.2022	31.12.2021
For recovery in cash	5,832	5,193
For disposal of written-off assets	21,831	-
For forgiveness, statute of limitations and other	43,429	37,459
Balance at the end of the year	**983,695**	**998,539**

Movements between stages 1, 2 and 3 in 2022 and 2021 in the gross carrying amount of the loans and advances of the portfolio of financial assets at amortised cost (Notes 10 (a) and (b)) and changes in the corresponding impairment allowances:

	Loans and advances			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount at 31.12.2021	**65,707,670**	**1,888,138**	**1,440,887**	**69,036,694**
Additions, disposals and changes in balance	6,240,192	(451,043)	(174,087)	5,615,063
Transfers between stages	(1,084,345)	862,150	222,195	-
Removals from Stage 1	(1,685,765)	1,655,458	30,306	-
Removals from Stage 2	570,841	(846,774)	275,934	-
Removals from Stage 3	30,579	53,466	(84,045)	-
Write-offs	-	-	(49,020)	(49,020)
Gross carrying amount at 31.12.2022	**70,863,517**	**2,299,245**	**1,439,975**	**74,602,737**

	Loans and advances			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount at 31.12.2020	**61,795,459**	**1,461,937**	**1,420,115**	**64,677,511**
Additions, disposals and changes in balance	4,765,079	(226,265)	(124,712)	4,414,102
Transfers between stages	(852,868)	652,466	200,402	-
Removals from Stage 1	(1,312,866)	1,284,014	28,852	-
Removals from Stage 2	431,321	(679,839)	248,518	-
Removals from Stage 3	28,677	48,291	(76,968)	-
Write-offs	-	-	(54,919)	(54,919)
Gross carrying amount at 31.12.2021	**65,707,670**	**1,888,138**	**1,440,887**	**69,036,694**

(*) The gross carrying amount is the sum of the carrying amount and the amount of impairment of the assets. Therefore, it includes the value of the discount on the acquisitions of financial assets from Portugal and other valuation adjustments from loans and advances to customers and credit institutions (Note 10)

At 31 December 2022, including these figures, the "Gross carrying amount" of the portfolio of impaired loans and advances acquired amounted to 22,690 thousand euros (31 December 2021: 37,914 thousand euros), representing an average discount of 59.9% (31 December 2021: 55.3%) with respect to the principal owed in these exposures, plus an impairment loss of 6,423 thousand euros (31 December 2021: 4,982 thousand euros).

	Loans and advances. Impairment losses			
				31.12.2022
	Stage 1	Stage 2	Stage 3	Total
Closing balance at 31.12.2021	**128,278**	**63,652**	**607,987**	**799,917**
Additions, disposals and changes in provisions	(31,547)	33,394	84,995	86,842
Transfers between stages	15,637	(30,673)	15,036	-
Removals from Stage 1	(11,047)	10,303	744	-
Removals from Stage 2	22,004	(49,225)	27,221	-
Removals from Stage 3	4,680	8,248	(12,928)	-
Write-offs	-	-	(31,716)	(31,716)
Closing balance at 31.12.2022	**112,368**	**66,373**	**676,302**	**855,043**

	Loans and advances. Impairment losses			
				31.12.2021
	Stage 1	Stage 2	Stage 3	Total
Closing balance at 31.12.2020	**128,588**	**45,464**	**564,447**	**738,500**
Additions, disposals and changes in provisions	(2,235)	38,342	58,666	94,773
Transfers between stages	1,924	(20,154)	18,230	-
Removals from Stage 1	(10,326)	9,593	733	-
Removals from Stage 2	7,988	(37,524)	29,536	-
Removals from Stage 3	4,263	7,777	(12,040)	-
Write-offs	-	-	(33,356)	(33,356)
Closing balance at 31.12.2021	**128,278**	**63,652**	**607,987**	**799,917**

Despite the growth of the gross carrying amount of loans and advances classified as Stage 1, in 2021 and 2022, the volume of provisions in this stage went down. In 2021, the Entity did not release provisions during the year as a consequence of better expectations linked to the end of the pandemic. The table above also shows that the transfers between stages even represent a new addition to stage 1 of around 2 million euros. Therefore, the reduction in the average coverage in this stage can only derive from the portfolio's rotation to a lower risk level. There has been an increase in exposure with mortgage loans exceeding 1,496 million euros, and exposure with other financial institutions with an increase of 805 million euros.

In 2022, there was a greater reduction of provisions in stage 1 when compared to 2021. Again, this is not due to a more favourable forward-looking scenario since the overlay adjustment is still at 115.3 million euros. The main reason for the changes in the estimate of expected losses are, inter alia, a readjustment of coverage in the different stages, as explained in detail in section "Update of provision models" of this Note. Also, as it happened in 2021, there was a rotation effect visible in tables "Distribution of loans and advances to customers by activity (carrying amount)" for 2021 and 2022, presented in Note 47 to this annual report. Specifically, other financial companies and large corporations gained relative weight.

The gross balance of the portfolio of foreclosed assets at year-end stood at 19 million euros, with a reduction in the year of 9 million euros.

The real estate assets are highly diversified geographically and by type of property, which facilitates their sale.

The portfolio of real estate portfolio assets does not include hardly any developments in progress and the weight of rural land is negligible.

Forbearance policy

The Group's refinancing policy still conforms to best practices set out in prevailing legislation. The main objective is to recover all amounts due, which means any amounts considered unrecoverable must be recognised immediately.

The Group's refinancing policy described below has not been altered by the COV SARS 2 health crisis. The Group has simply followed the recommendations of banking regulators and supervisors to make appropriate use of the flexibility implicit in the regulatory framework, and has sought to avoid automatically recording measures deployed to support families and companies as a result of the pandemic as refinancing arrangements. Both the legislative and industry moratoriums and the government-backed liquidity facility schemes described in last section of this Note should be considered macroprudential mechanisms designed essentially to help customers cope with the temporary difficulties arising from the health crisis. It is not automatically assumed that they should be considered as refinancing and that they therefore constitute a significant increase in risk.

Forbearance measures must take into account:

- An up-to-date and **individualised assessment** of the economic and financial situation of the borrowers and guarantors, as well as their capacity and willingness to pay.
- The situation and effectiveness of the guarantees and collateral provided.
- Past **Experience** with the borrower: sufficiently extensive history of debt repayment or, failing that, of an equivalent amount of repayment of the principal.

The refinancing or restructuring of transactions that are not current with payments **will not interrupt the period of their default status**, nor will it result in them being reclassified, unless there is reasonable certainty that the customer can meet their repayment obligations or that new effective guarantees will be provided and, in both cases, provided at least the past due ordinary interest is paid.

The solution that best adapts to the situation of the obligor will be chosen through individual analysis from among the potential forbearance options, for the purpose of recovering all amounts owed. In this regard, a suitable repayment plan without any grace periods will be chosen, unless there are short-term liquidity restrictions or a disposal plan needs to be executed to cover all or part of the debt. In general, measures that allow payments to be deferred in the short term or leave open refinancing terms and conditions in the long term must be based on the temporary nature of the situation of the obligors that warranted adopting these types of measures and on the clear willingness of customers to fulfil their payment obligations.

When a transaction is refinanced, it will be classified under one of the following categories:

- Underperforming refinancing transaction: Those for which there is objective evidence that the recovery of all outstanding amounts is highly probable. In this regard, the following factors will be taken into consideration:
  - Grace period of less than 24 months.
  - Existence of a suitable repayment plan. In the case of transactions with individuals structured via monthly payments, the debt burden should not exceed 50 per cent.
  - Addition of guarantors of unquestionable solvency, or of new effective guarantees or collateral.
- Non-performing forborne exposures: Transactions where there is evidence of weaknesses in the borrower's repayment capability will be classified as non-performing. In this regard, the following factors will be taken into consideration:
  - The grant of grace periods on capital repayment exceeding 24 months.
  - The need to write off amounts from the balance sheet estimated as irrecoverable for the arrangement to continue.
  - Failure to provide new effective guarantees or collateral.
  - Acceptability of previous forbearance measures.

  Borrowers will be classified as non-performing unless there is evidence of sufficient capacity to fulfil their contractual obligations.

  Distress restructuring: Due to Bankinter's size and risk management, in general it appears as a minority entity among the creditors in debt restructuring processes and, therefore, it does not have a leading role in these processes. However, the various proposals submitted must be assessed for the purpose of defending the one with greater expectations of recovering the debt within a context of uncertainty. The conditions under which business continuity is viable and likely, as well as the reasonableness of the disposal plans and their implications, must therefore be analysed in detail.

Reclassification of forbearance

The reclassification between forbearance categories requires an exhaustive review of the equity and financial position that concludes that it is not likely that the holder will encounter financial difficulties. In this regard, it must assess:

- For reclassification from non-performing forborne exposure to underperforming forborne exposure:
  - That 12 months have elapsed since the date of the refinancing
  - That the renegotiated principal amount has decreased since the date of the transaction and there should be no past-due amounts from that time.
  - That the holder does not have any other amounts more than 90 days past due.
- For reclassification from underperforming to performing:
  - That 24 months have elapsed from the date of the forbearance or from the date of reclassification as non-performing loans.
  - That the borrower has settled an amount equivalent to the amount past due on the date of the forbearance and there are no past-due amounts from that point on.

That the holder does not have any other amounts more than 30 days past due.

Accounting classification

Refinancing means any transaction, irrespective of the borrower or the guarantees or collateral given, granted or used for economic or legal reasons related to the -current or foreseeable-- financial difficulties of the borrower(s) in order to cancel one or more transactions granted by the Bank or by other Group entities to the borrower(s) or to one or more other companies of the borrower's economic group, or whereby such transactions are brought totally or partially up to date with payments, so as to help the borrower(s) under the cancelled or refinanced transactions repay their debts (principal and interest) because they cannot, or it is thought that they will not be able to comply in time and form with the terms of the arrangement.

Regarding modifications of terms and conditions, transactions can be classified as:

- **Refinancing transaction***:* any transaction, irrespective of the borrower or the guarantees or collateral given, granted or used for economic or legal reasons related to the -current or foreseeable-- financial difficulties of the borrower(s) in order to cancel one or more transactions granted by the Bank or by other Group entities to the borrower(s) or to one or more other companies of the borrower's economic group, or whereby such transactions are brought totally or partially up to date with payments, so as to help the borrower(s) under the cancelled or refinanced transactions repay their debts (principal and interest) because they cannot, or it is thought that they will not be able to comply in time and form with the terms of the arrangement.
- **Refinanced transaction***:* a transaction that is brought totally or partially up to date with payments as a consequence of a refinancing transaction carried out by the Bank or another entity in its economic group.
- **Restructured transaction:** a transaction in which, for economic or legal reasons relating to the current or foreseeable financial difficulties of the borrower(s), the financial terms and conditions are modified in order to help the borrower(s) under the cancelled or refinanced transactions repay their debts (principal and interest) because they cannot, or it is thought that they will not be able to comply in due time and form with its conditions, even if such modification is envisaged in the contract. In any case, the following transactions shall be considered to be restructured: transactions involving a 'haircut' or debt forgiveness or where assets are received to reduce the debt, or where the terms and conditions are modified to extend the maturity, change the repayment schedule to reduce the amount of the instalments in the short term or reduce their frequency, or establish or extend a grace period for principal, interest or both, except when it can be shown that the conditions are modified for reasons other than the borrower's financial difficulties and are analogous to those applied in the market at the date of the modification to transactions granted to customers with a similar risk profile.
- **Rollover transaction:** a transaction executed to replace another previously granted by the entity itself without the borrower having any financial difficulties or foreseeably having any in the future, i.e. the transaction takes place for reasons other than refinancing.
- **Renegotiated transaction***:* a transaction whose financial terms and conditions are changed without the borrower having any financial difficulties or foreseeably having any in the future; i.e. the terms and conditions are changed for reasons other than restructuring.

In any case, for a transaction to be classified as a rollover or as renegotiated, the borrowers must be able to obtain transactions on the market and at the date of the rollover or renegotiation for a similar amount and under substantially similar financial conditions to those applied by the Bank, and these must also be in line with those granted at that date to other borrowers with a similar risk profile.

Reconciliation of the opening and closing balances of refinanced and restructured assets:

	Thousands of euros
Refinanced portfolio at 31.12.2021	**Carrying amount**
General governments	48
Legal persons and entrepreneurs	453,399
Natural persons	291,263
Balance at 31.12.2021	**744,709**
Additions	
General governments	0

	Thousands of euros
Refinanced portfolio at 31.12.2021	**Carrying amount**
Legal persons and entrepreneurs	164,951
Natural persons	20,926
Total additions	**185,877**
Disposals	
General governments	25
Legal persons and entrepreneurs	127,620
Natural persons	60,576
Total disposals	**188,220**
Refinanced portfolio at 31.12.2022	
General governments	23
Legal persons and entrepreneurs	490,730
Natural persons	251,612
Balance at 31.12.22	**742,366**

Exposure to sovereign risk

Set out below is the carrying amount of sovereign risk exposure at year-end:

2022				Debt securities
Thousands of euros				
	Short positions in securities	Financial assets at fair value through other comprehensive income	Financial assets held for trading	Financial assets at amortised cost
SPAIN	(913,159)	1,471,736	936,348	4,905,230
ITALY	(5,825)	-	-	1,690,124
PORTUGAL	-	-	2,569	782,060
BULGARIA	-	-	-	1,882
ROMANIA	-	-	-	11,056
ANDORRA	-	9,074	-	16,107
SAUDI ARABIA	-	-	-	17,510
EUROPEAN UNION	-	16,831	23,667	241,939
	(918,984)	**1,497,641**	**962,584**	**7,665,908**

2021				Debt securities
Thousands of euros				
	Short positions in securities	Financial assets at fair value through other comprehensive income	Financial assets held for trading	Financial assets at amortised cost
SPAIN	(1,472,333)	1,236,147	1,007,043	4,068,550
ITALY	-	-	232,897	1,386,620
PORTUGAL	-	10,359	51	798,964
BULGARIA	-	-	-	2,464
ROMANIA	-	-	-	11,195
ICELAND	-	-	-	7,018
ANDORRA	-	-	-	9,102
SAUDI ARABIA	-	-	-	25,711
	(1,472,333)	**1,246,506**	**1,239,991**	**6,309,624**

Structural and market risks

Structural liquidity risk

Structural liquidity risk is associated with the Entity's ability to meet the payment obligations it acquires and to fund its investment lending business. The Bank actively monitors its liquidity position and forecasts, as well as the actions to taken both in business as usual market situations and in exceptional circumstances arising due to internal causes or market behaviours.

The ALCO is in charge of managing this risk by delegation of the board of directors.

The liquidity management principles, strategies and practices are set out in the Liquidity Planning Framework and that the ensure that the Entity has sufficient liquidity to meet its day-to-day liquidity obligations and to cope during a period of liquidity stress. Liquidity management is underpinned by the following strategic principles:

- Reducing dependence on wholesale markets for funding the business by seeking balanced growth in retail funds.
- Diversification of wholesale funding sources by instruments and markets, and maintenance a balanced maturity schedule.

To comply with these principles, the following strategic liquidity management lines have been established:

- Maintain a customer funding gap that enables a loan-to-deposit (LtD) ratio below 120%;
- Being present in all wholesale markets, with frequent issues depending on market needs and opportunities;
- Offering maximum transparency to investors and regularly providing them with information on Bankinter;
- Keeping an adequate wholesale maturities profile and avoiding credit risk concentrations; and
- Maintaining a sufficient buffer of liquid assets to cover a possible shutdown of wholesale markets.

Customer funds increased by more than 2,000 million euros in 2022, with contributions from all business areas. Consequently, the figure for customer funds remains considerably higher than lending, with the customer loan ratio at 102.8% at the end of the reporting period.

In wholesale funding, a 1,000 million euro covered bond issue matured in August and was partially replaced with a 750 million euro covered bond issue in November, with strong take-up by wholesale investors. In December, 2,550 million euros from the TLTRO liquidity auction matured.

As a consequence of these changes in liquidity, the liquidity buffer was lower than in the previous year. However, the liquidity position at year-end 2022 made it possible to keep LCR levels substantially above the internal and regulatory limits, with 188.68% at year end.

One analysis used by analysts is information on liquid assets relative to the maturities of the liabilities is detailed below. This is the Entity's liquidity profile. It can be used to verify the Bank's ability to assume liquidity obligations without affecting its traditional lending business.

LIQUIDITY PROFILE

Liquidity

Liquid assets

	Total, million euros
Cash	11,642
Liquid assets	4,035
Eligible for Banco de España	4,035
Eligible for other central banks	-
Other securities	177
Fixed income (A or higher)	10
Quoted securities	167
Money market funds	-

WHOLESALE

Financial institutions (excluding repos)

	Total, million euros	<1 month	1-3 months	3-6 months	6-9 months	9-12 months	1-2 years	2-3 years	3-5 years	>5 years
Net financial institutions	2,610	(4,152)	1,253	1,979	489	390	1,304	363	519	466
Loans		-	-	-	-	-	-	-	-	-
Banks	3,547	1,678	654	436	202	60	33	12	23	450
Other financial institutions	6,771	104	776	1,607	307	364	1,336	373	745	1,159
Borrowings		-	-	-	-	-	-	-	-	-
Banks	(2,476)	(1,262)	(50)	(27)	(3)	(4)	(5)	0	0	(1,125)
Second-floor facilities (préstamos de mediación)	(436)	(9)	(13)	(27)	(15)	(24)	(60)	(21)	(249)	(18)
Other financial institutions	(4,797)	(4,663)	(114)	(10)	(2)	(7)	-	(0)	-	(0)

Other wholesalers

	Total, million euros	<1 month	1-3 months	3-6 months	6-9 months	9-12 months	1-2 years	2-3 years	3-5 years	>5 years
Other wholesalers	(3,504)									
Corporate	(1,662)	(1,634)	(5)	(10)	(1)	(12)	(1)	-	-	-
Public sector	(1,842)	(1,819)	(23)	(0)	-	-	-	-	-	-

Repurchase agreements

	Total, million euros	<1 month	1-3 months	3-6 months	6-9 months	9-12 months	1-2 years	2-3 years	3-5 years	>5 years
Repos, net	(12,869)	(1,348)	(2,389)	(5,050)	(2,788)	-	(1,294)	-	-	-
Assets										
Reverse repos	2,969	2,458	511	-	-	-	-	-	-	-
Liabilities										
ECB repos	(11,682)	-	(2,550)	(5,050)	(2,788)	-	(1,294)	-	-	-
Other repos	(4,156)	(3,806)	(350)	-	-	-	-	-	-	-

Outstanding debt

	Total, million euros	<1 month	1-3 months	3-6 months	6-9 months	9-12 months	1-2 years	2-3 years	3-5 years	>5 years
Outstanding debt	(5,729)									
Senior	(2,000)	-	-	-	-	-	(500)	-	(1,500)	-
Government-backed	-	-	-	-	-	-	-	-	-	-
Subordinated and preference	(1,182)	-	-	-	-	-	-	-	(1,100)	(82)
Covered bonds	(2,300)	-	-	-	-	-	-	(1,000)	-	(1,300)
Short term	-									
Securitisations	(247)	(28)	(7)	(10)	(9)	(9)	(70)	(61)	(14)	(40)
Debt withheld	13,950									
Government-backed	-									
Covered bonds	13,950									
Issue capacity	3,622									
In progress	-									
Covered bonds	3,622									
Government-backed	-									

RETAIL

Retail financing

	Total, million euros	<1 month	1-3 months	3-6 months	6-9 months	9-12 months	1-2 years	2-3 years	3-5 years	>5 years
Retail										
Individuals and SMEs	(61,704)	(58,909)	(807)	(806)	(222)	(676)	(135)	(36)	(72)	(41)
Debt placed with retailers										
Placements	(2,070)	(77)	(797)	(348)	(671)	(176)	(1)	-	-	-
Credit facilities	13,331									

Moreover, the measures used by the market risks department to control liquidity risk include verifying compliance with the limits set by the board and delegated to the market risk offers and the ALCO. The market risks department calculates the limits based on information prepared for the various regulators.

The limits are grouped into large classes:

1) Determining the liquidity buffer

   The Bank uses both the definition of regulatory LCR and a similar ratio extended to 90 days and with a definition of liquid assets in accordance with assets accepted by the European Central Bank as collateral for liquidity. Another reference for calculating the liquidity buffer is the schedule of maturities of wholesale issues over the ensuing months.

2) Wholesale funding concentration ratios

   With the aim of not subjecting Bankinter to stress as a result of a possible sudden shutdown of the wholesale markets, limits are established on short-term wholesale funding, as well as on the concentration of issue maturities.

3) Ratio of stable deposits to total loans.

   In order to reduce the reliance on wholesale funding, a minimum ratio of stable deposits to total loans is established. In order to establish the stability of the deposits, the regulatory definition of the net stable funding ratio (NSFR) and the experience of the Spanish financial sector are combined.

In addition to the limits established by the board of directors, trends in the liquidity gap or liquidity map are monitored, and information is obtained and analyses performed on the specific situation of balances resulting from commercial transactions, wholesale maturities, interbank assets and liabilities and other funding sources. These analyses are performed both under normal market conditions and simulating different scenarios of liquidity needs that could arising from different business conditions or changes in market conditions.

For contingent liabilities shown below, 15,217 million euros are stated as demand deposits, but this does not mean they will be demanded in the immediate future. Credit accounts, which make up the bulk of the amount, are drawn by customers depending on their financing needs over time.

Figures at December 2022 in millions of euros	On demand	1D at 1M	1M at 3M	3M at 12M	12M at 5Y	> 5Y	TOTAL
Contingent liabilities							
Financial guarantees and documentary letters of credit	671	216	410	924	41	247	2,509
Commitments drawable by third parties	14,546	-	-	-	-	-	14,546

Bankinter has implemented a liquidity contingency plan that specifies the persons responsible and the lines of action to take in order to raise liquidity in the event of adverse conditions in financial markets. This plan identifies three levels of alert: minor problems, serious problems and severe liquidity crisis. Besides including the procedure for identification, it outlines the action to take for persons affected in each scenario. The activation of the contingency plan is also decided by the ALCO. The alerts included in the contingency plan are monitored by both the balance sheet management and market risk areas, which notify the ALCO members in the event of deterioration of the objective conditions identified.

Structural interest rate risk

Structural interest rate risk is the Entity's exposure to changes in market interest rates arising from the different timing structure of maturities and repricing of global balance sheet items.

Bankinter actively manages this risk to protect net interest income and preserve the Bank's economic value in the event of fluctuations in interest rates.

To control exposure to structural interest rate risk, the Bank has established a limits structure that is reviewed and approved annually by the board of directors in accordance with Bankinter's risk management strategies and policies.

Bankinter has tools to control and monitor structural interest rate risk. The main measurements used by the Bank to manage and control the interest rate risk profile approved by the board of directors of the parent company are as follows:

a. Sensitivity of net interest income:

   The exposure of net interest income to different scenarios of interest rate fluctuations and for a 12-month time horizon is measured monthly using dynamic measurements. The sensitivity of net interest income is obtained as the difference between the net interest income projected with the market curves at each analysis date and the net interest income projected with the interest rate curves altered in different scenarios, of both parallel movements of interest rates and changes in the slope of the curve.

   The sensitivity of Bankinter's net interest income to parallel shifts of 100 basis points in market interest rates is approximately +6.2% for increases and -6.3% for decreases, both for a 12-month horizon.

b. Sensitivity of economic value:

   This is a supplementary measure to the two previous measures and is calculated monthly. It allows the Bank to quantify the exposure of its economic value to interest rate risk, and it is obtained as the difference between the net present value of the items sensitive to the interest rates calculated using the interest rate curves in different scenarios and the curve quoted in the market at each analysis date.

The sensitivity of economic value to parallel shifts of +/- 100 basis points was +3.5% and -4.5%, respectively, of own funds at year-end 2022.

Management assumptions were used to calculate both measures.

Market risk

The board of directors delegates the bank's own activities in the financial markets to capital markets department, which is performed through their trading division, using sufficiently liquid financial instruments and having hedging instruments available. The risk that may arise from managing the Bank's proprietary accounts relates to changes in interest rates, stock market prices, exchange rates, volatility and credit spreads.

The board of directors delegates to the ALCO the continuous monitoring of the proprietary trading activities carried out by treasury's trading area and establishes maximum limits for authorisation of the possible excesses that may occur in this activity.

Market risk, which reports to the managing director of risk/CRO, independently measures, monitors and controls the Entity's market risks and the limits delegated by the board.

Market risk is measured mainly using the Value at Risk (VaR) methodology.

Value at Risk (VaR)

Value at Risk (VaR) is defined as the maximum expected loss in a given portfolio of financial instruments, in normal market conditions, for a specific confidence interval and time horizon as a result of variations in market prices and variables.

VaR is the principal indicator daily by Bankinter to comprehensively and globally measure and control exposure to market risk due to interest rates, equity, exchange rates, volatility and credit.

The historical simulation approach is used to measure VaR. VaR is calculated with a 95% confidence interval and a 1-day time horizon, although additional monitoring is carried out with other confidence intervals.

Set out below are comparative figures of VaR by risk factor for 2022 and 2022 of the Bank's positions in overall figures and by portfolio:

VaR financial assets held for trading in 2022

Millions of euros	Last
Interest rate VaR	0.44
Equity VaR	1.13
Exchange rate VaR	0.33
Volatility rate VaR	1.26
	2.55

VaR financial assets held for trading in 2021

Millions of euros	Last
Interest rate VaR	0.46
Equity VaR	0.40
Exchange rate VaR	0.06
Volatility rate VaR	0.40
	0.71

VaR financial assets at fair value through other comprehensive income 2022

Millions of euros	Last
Interest rate VaR	13.03
Equity VaR	-
Exchange rate VaR	-
	13.03

VaR financial assets at fair value through other comprehensive income 2021

Millions of euros	Last
Interest rate VaR	0.90
Equity VaR	-
Exchange rate VaR	-
	0.90

VaR non-trading financial assets mandatorily at fair value through profit or loss 2022

Millions of euros	Last
Interest rate VaR	0.04
Equity VaR	0.10
Exchange rate VaR	-
	0.11

VaR non-trading financial assets mandatorily at fair value through profit or loss 2021

Millions of euros	Last
Interest rate VaR	0.00
Equity VaR	0.08
Exchange rate VaR	-
	0.08

Operational risk

Operational risk is the risk of incurring losses from failed internal processes, people and systems or from external events, including legal risks. These are risks encountered in processes and generated internally by people and systems or that arising as a result of external agents, such as natural disasters.

Bankinter's operational risk management model is the "standardised approach" in accordance with prevailing solvency regulations. This method requires the existence of systems for identifying, measuring and managing operational risks with prior authorisation by Banco de España and an annual audit. Bankinter ensures access to best sector management practices by participating in the Spanish Operational Risk Consortium (Consorcio Español de Riesgo de Operacional), a forum of financial institutions for sharing experiences regarding operational risk management.

Principles of action and management framework

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

- The main goal is to identify and mitigate the major operational risks, seeking to minimise any possible losses.
- Systematic procedures are defined for assessing, analysing, measuring and reporting risks.

- In exploring the Bank's operations to inventory risks, the business units are chosen as the analysis unit, so that after analysing their risks, the institution's total risks are arrived at by aggregation.

The main elements of Bankinter's operational risk management framework are:

- Identification and assessment of risks, by developing risk maps that estimate the importance of the risk and assess the appropriateness of its control environment.
- Registration of loss events, with information on their management.
- Preparation of continuity and contingency plans, outlining the alternative procedures to business as usual to restore critical services in the event of interruptions.
- Generation and dissemination of management information adapted to the needs of each governing body.

Governance structure

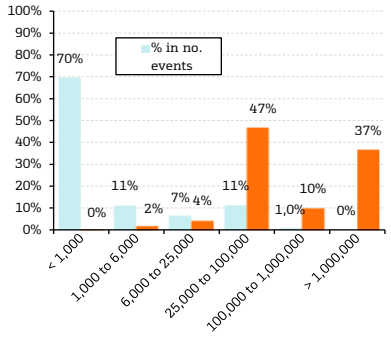
Bankinter follows a decentralised model in which ultimate responsibility for managing operational risk falls on the respective business and support units.

For governance purposes, the following control bodies and lines of responsibility have been established:

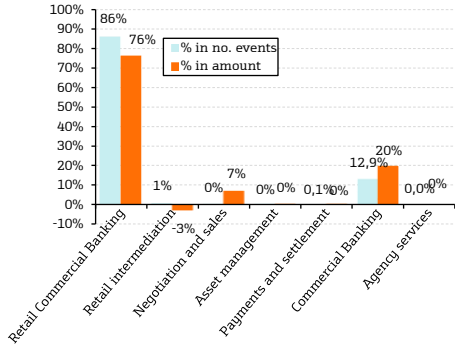
- Board of directors: It approves the policies and the management framework, establishing the level of risk that Bankinter is willing to assume.
- Risk and compliance committee: It assumes the following operational risk management functions:
    - Promote the implementation of operational risk management policies.
    - Monitor the significant operational risks.
    - Resolve conflicts of responsibility and decide on the proposals made by the operational risk area.
- The products and operational risk committee. It assumes the following operational risk management functions:
    - Oversee compliance with procedures for identifying and assessing operational risks associated with the launch of new products and business lines. Authorise or reject, as appropriate, the sale of products with relevant operational risks.
    - Review operational risks associated with the sale of existing products, their sales policies and the materialisation of these risks in relations with customers, partners and suppliers.
    - Monitor plans for mitigating the risks associated with launching and selling products and services.
    - Monitor and analyse the main indicators associated with operational risk management, such as operational losses, monitoring of current or potential risks, monitoring the effectiveness of controls, monitoring the risk profile and appetite.
- Operational risk: It assumes the following functions:
    - Promote the management of operational risks in the areas and units, encouraging their identification, allocation of responsibility, establishment of controls, generation of indicators, design of mitigation plans, regular review and the actions to be taken in the event of new losses or material risks.
    - Provide the areas with the necessary methodologies, tools and procedures for managing their risks.
    - Ensure that the Bank's operational losses are correctly and accurately recorded.
    - Provide the organisation with a uniform vision of its exposure to operational risk, identifying, integrating and assessing existing operational risks.
    - Provide the information on operational risk for disclosure to regulators, supervisors and external institutions.
- Business units: They have the following functions:
    - Manage operational risks and specifically, identify, assess, monitor, analyse, mitigate and control the operational risks on which they have the ability to act.
    - Record incidents and communicate the operational losses incurred in their business activities.
    - Study, define, prioritise and fund plans to mitigate the operational risks under their management.
    - Maintain and test the business continuity plans for which they are responsible.

With regard to loss events databases, Bankinter's operational risk profile is summarised in the charts below:

Percentage breakdown by amount intervals



Percentage breakdown by business line



Insurance in operational risk management

Bankinter uses insurance as a key element in managing certain operational risks, thereby complementing the mitigation of those risks that require it due to their nature. Accordingly, the insurance area, together with the Bankinter various other areas and taking into account the operational risk assessments and loss history, assesses the advisability of modifying the scope of coverage of the insurance policies for the various operational risks.

Examples are the insurance taken out with various companies of recognised solvency for contingencies affecting the Bank's property (e.g. earthquake, fire insurance), internal or external fraud (e.g. robbery, embezzlement), employees' civil liability, etc.

Reputational risk

Reputational risk is the risk arising when the expectations of stakeholders (e.g. customers, shareholders, employees, investors) are not met and their reaction can adversely affect existing or new business relationships with them. They are unique because they depend on external assessments and can originate from a wide variety of sources, including other risks and the social, economic or sectoral environment.

The reputational risk management model involves preventing such risks, identifying and controlling them proactively to reduce their probability of occurrence and mitigate their impact. The entity has various tools at its disposal for this:

- Regular measurement of the perception and expectations of the main stakeholders (through reputation, customer satisfaction, internal climate, analyst ratings, etc.).
- Monitoring and analysis of mentions of the entity in conventional and social media, in addition to active listening to gauge trends in the market and environment.
- Assessment of reputational risk before marketing a product, outsourcing a service or partnering with a third party.
- Reputational risk map, which includes a catalogue of 33 possible events linked to products and services, conduct, finance, leadership, innovation, labour aspects, sustainability and image. They are all associated with performance indicators, impact and control mechanisms.
- Crisis management protocol to preserve reputation and business continuity.
- Employee training and awareness-raising within the Bank to reinforce a preventive culture.
- Reporting to governing bodies.

In 2022, we carried out several actions for continuous improvement of management and control processes. These includes the creation of a management manual for this risk, to document the identification, measurement, surveillance and control measures. Also, the risk map hierarchisation criteria have been revised.

Legal risk

Bankinter's lending transactions, retail mortgage segment and denominated in foreign currency ("multicurrency loans"): the Parent has received claims whose estimated obligations have been recognised by the Entity at 31 December 2022 under "Other provisions" (Note 20).

A lawsuit filed by one consumer association in 2016 is still ongoing; it claims to represent Bankinter's consumer customers with multi-currency mortgages. Bankinter submitted its reply to the lawsuit on 17 May 2021. It is still ongoing, with no ruling having been made regarding the underlying case.

The Entity has policies and procedures aimed at adequately managing the legal risk arising from these transactions. Some of the main features can be summarised as follows:

- The Entity has a policy for estimating legal provisions, defined in Note 20, which includes regular monitoring of the main variables, such as the average record of adverse rulings handed down against the Entity and the average loss per case, in order to estimate the

allowances necessary for the legal risk associated with the transactions against which claims are filed.

- The Entity carries out an individual analysis, by court and by geographical area, of the key factors that give rise to the adverse rulings in the judgements received, and their possible ramifications on the maximum risk and the estimate, at each review date, of the legal provisions required and associated with multicurrency loan transactions. The Entity is also tracking case law handed issued by the Supreme Court and the Court of Justice of the European Union, assessing potential impacts on the Entity's multi-currency loan portfolio with the assistence of independent experts.

- The Entity has also identified the multicurrency mortgage loan portfolio as a separate segment within the mortgage loan portfolio. In this regard, to calculate the expected loss on multicurrency loans, the Entity's internal models include certain elements that affect the estimate of the probability of default and loss given default associated with these transactions, resulting in greater coverage of credit risk for the multicurrency loan segment.

The Entity considers that the provisions recognised at 31 December 2022 were sufficient to cover any potential losses arising from the multicurrency loan portfolio and to face the outcome of any risks that may affect it.

Climate change risk

In line with supervisory expectations, Bankinter works actively to identify, assess, manage and reduce the impact of climate change on its loan book. In 2021, it set up four lines of work: identification and measurement, assessment, action and monitoring.

Identification and measurement:

A large portion of data used are estimates and weights due to the scant information and previous measurements available. Bankinter keeps working to improve this aspect, thanks largely to the introduction of regulatory initiatives to significantly improve disclosure by financial and non-financial companies of information related to sustainability (specifically, the NFRD and CSRD directives[9]).

Three complementary approaches are taken to risk identification and measurement:

- The PCAF approach for calculating financed emissions. According to this approach, Bankinter's financed emissions generated by companies in Spain and Portugal through loans and investments of 27,051 million euros amount to 1.8 million tonnes. Thanks to the composition of our portfolio, with less financing of high emission intensity industries (e.g. agriculture or refineries) and the significant weight of renewables in energy financing, we have a better starting point than the system.
- Bankinter has implemented a system of assigning a climate rating to all companies that tells how likely they are to be affected by climate change risks, so it can initiate dialogue with them for an assessment.
- In the mortgage portfolio of natural persons, Bankinter joined an industry project in 2021 to secure energy efficiency certificates for all its mortgaged properties. This information was used for an initial estimate of the issuances financed in Bankinter Spain for this portfolio. There are various physical risk indicators depending on the geographic location of the guarantees, such as the risks of flooding by rivers or seawater and desertification. Considering the geographical areas where Bankinter focuses its operations, flooding risks are very limited.

Assessment

Bankinter is aware that this poses a serious challenge to financial institutions because of the potential long-term effects, the problems obtaining reliable and verified data, and how new the exercises are. Therefore, it is working on three methodological approaches, in line with the recommendations by the EBA in the "*EBA Report on management and supervision of ESG risks for credit institutions and investment firms*":

- Portfolio alignment. Measuring financed emissions has allowed financial institutions to have a decarbonisation strategy, and build characteristics on concentrations of direct and indirect emissions, and carbon footprint by branch of activity.
- Sensitivity analysis, including the European Central Bank 2022 stress test. Bankinter has also developed its own climate sensitivity analyses from NGFS scenarios and projections, assessing the potential impact by sector of activity and the long-term effects.
- Exposure method, which entails understanding the risks to which customers are exposed and how they are mitigating, or plan to mitigate, them. This climate rating system has been implemented to Corporate Banking in Spain and Portugal.

Action.

This entails essential two lines of action

Inclusion of climate change risk in the credit risk approval process.

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

[9] NFRD: Non Financial Reporting Directive; CSRD: Corporate Sustainability Directive

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

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

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

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

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

Disclosure and monitoring

The final line of work is the definition of indicators that help in monitoring the management and progress of climate risk through Bankinter's information. The information is gradually conveyed to senior management and the board for monitoring and specific tracking of climate risks.

Despite the lack of specific customer information and the uncertainty regarding climate risk at present, this risk is not expected to have a material short-term impact on the Entity's financial statements based on the estimates and weightings used by Bankinter and its active management to identify, assess and reduce this risk.

IBOR reform

The LIBOR's discontinuance, confirmed in March 2021, has meant that market must transition to alternative rates that, in accordance with the recommendations of the FSB (Financial Stability Board) and other authorities, must be based on the risk-free rates designated by the working groups in each of the affected jurisdictions.

The transition to risk-free rates is, therefore, one of the most complex issues facing the financial industry in recent years. The impact is corporate-wide, involving practically all the Bank's operations, transactions, contracts, market risks, accounting, etc. To help banks that use the benchmark in their financial transaction and contracts adequately manage the transition, the CNMV has stressed the importance of monitoring the developments and actions of the working groups, the main advances in the reform process, and the identification and assessment of the risks and possible impacts arising from their exposure.

In 2022, the working group set up within Grupo Bankinter, S.A. to ensure a smooth transition to risk-free rates has continued with the lines of work set up in 2021 and has kept working to prepare the operational and technological systems, on the necessary contractual amendments and on training the workforce.

The roadmap was prepared and the associated risks were measured taking consideration of the different approaches and transition timeframes to the new indices. Of particular notice in 2022 was the end of JPY LIBOR in December.

The working group also monitored closely the consultations of the United Kingdom's Financial Conduct Authority (FCA) about the intention to keep demanding that the ICE Benchmark Administration (IBA, which administers LIBOR) publish the three-month synthetic GBP LIBOR until the end of March 2024, and 1, 3 and 6-month USD LIBOR under synthetic methodology until the end of September 2024. They will disappear after this date.

Lastly, as for LIBOR indices, the Group's exposure can be considered non-significant since there is a very low volume of assets and liabilities indexed to these indices. USD LIBOR is the most representative in terms of exposure. Other LIBOR currencies affect some of the Group's products, but do not pose any material risk considering that the exposure of JPY LIBOR has migrated with the end of this rate.

Benchmarked to the LIBOR at 31.12.2022	Products			
	Loans and advances		Deposits	
	Number of contracts	Thousands of euros	Number of contracts	Thousands of euros
USD	1,120	964,255	797	77,123
GBP	102	12,349	313	75,018
CHF				
JPY	3,986	435,037	53	1,137

Benchmarked to the LIBOR at 31.12.2021	Products			
	Loans and advances		Deposits	
	Number of contracts	Thousands of euros	Number of contracts	Thousands of euros
USD	1,162	1,293,139	1,503	265,890
GBP	130	18,146	586	48,433
CHF	1,468	204,281	496	19,509
JPY	4,939	632,371	135	30,398

45. Disclosures regarding the mortgage market

The board of directors of Bankinter declares that the Bank has express policies and procedures in place to carry out its business activities in the mortgage market. It is responsible for complying with all mortgage market regulations and as such has approved these policies and procedures.

Each year, the board of directors sets out the basic principles regarding its risk policy for each business segment in a document titled The Risk Management and Control Framework. The board also approves a responsible lending policy, in accordance with the Transparency Act, which sets forth the principles that the Bank has always applied in this field.

Bankinter has adapted its products and processes to the Real Estate Credit Act 5/2019.

The policies regarding the granting of mortgage loans include, , the following criteria:

- The ratio between the loan amount and the appraisal value of the mortgaged property, as well as the existence of other guarantees and collateral.
- The ratio between the borrower's debt and income, as well as verification of the information provided by the borrower and its solvency.

The key elements of the risk policies for this product are:

Automatic authorisation and discrimination by rating.

- In home mortgage loan transactions the maximum authorisation is sought via automatic systems.
- Bankinter has an internal rating model, developed and improved over the years, based on statistical systems in accordance with solvency regulations. Obtaining a rating for each transaction implies a certain probability of default, which is estimated on the basis of historical performances and projections of future scenarios. The rating is the main indicator of transaction quality and the main variable in the automatic authorisation and in manual approval.

Customer classification and repayment capacity

- Transactions are accepted based on an individual study of customers, the rating and economic capacity. Prices are customised according to the transaction rating and the customer's socio-economic profile.
- The maximum burden that customers may take on must always be taken into account. The following information must be available in order to make this calculation: servicing of all debts in the financial system and their net recurring income (extraordinary income should not be taken into account). This verifies whether the final disposable net income is enough to service the financing and usual expenses. The documents used to calculate the burden of the transaction are tax related, and must be as up-to-date as possible.

Financing the primary residence and second home.

- Bankinter's mortgage loan policy targets financing of primary residences and second homes for individuals, and not investment financings.

LTV (Loan to Value; relationship between the amount of the loan and the value of the property).

- The Bank's general policy is to finance homes up to an LTV of 80%. Exceptionally, for transactions involving customers with a high socio-economic profile, and a strong repayment ability and solvency, a higher LTV may be permitted. The collateral must be appraised correctly, both on authorisation of the transaction and throughout its life.

- On authorisation, the value of the collateral will be determined by the lower of the official appraisal or the purchase value executed by deed. There may not be any major difference between the two values.

Non-residents

- In these transactions, the required debt burden ratio is stricter.

Type of asset

- The home subject to finance must be located in established areas or urban locations, where there must be a real estate market with extensive supply and demand.

Standardisation of the mortgage process

- Standardisation is crucial to achieve a process where efficiency is its core element, particularly in retail commercial banking.
- End-to-end management of the process and coordination with all parties involved (mostly agencies and appraisal companies) is entrusted to a specialised department, which is in charge of establishing the procedures, applications, organisation and control of the process. This ensures that the process will be undertaken correctly, with optimal customer service and excellent credit quality in mortgage transactions.

Independent appraisal process

- The appraisal process is completely independent of the commercial network. Generally speaking, it is carried out centrally and the appraiser appointed for each appraisal is selected randomly. This ensures that the transactions carried out by a branch have been appraised by different appraisal companies.

Monitoring of the real estate market

- Official reports are collected and examined on a regular basis so as to monitor the value on the real estate market. The value of the mortgage collateral is updated in accordance with prevailing legislation.

Multi-currency

- Given the volatility of the currency-linked portfolio, specific monitoring and control is performed. (Note 44)

Sales policy for foreclosed assets

Prior to foreclosure, the team of specialised professionals forming the real estate assets unit first conducts an on-site inspection of the property to perform a technical analysis that covers the characteristics, type, description and condition of the property, as well as a study of the market and prices in the area.

Selling prices are set centrally based on objective criteria and are reviewed periodically to ensure that they are in line with the market, following an active real estate management policy as quickly and efficiently as possible.

For the sale of real estate assets, the Bank has created a network of external partners specialising in the property market. These specialist partners are selected individually based on their proximity, knowledge of the local market and product suitability. The effectiveness of this network is monitored closely, with daily contact and assessment of the level of sales and commitments.

By way of sales support the Bank relies on:

- The branch network, which has a financial incentive for referring potential buyers.
- Its own real estate portal on the Bank's website: https://www.bankinter.com/www/es-es/cgi/ebk+inm+home
- The assets are published on the main national portals.
- Sales service call centre.
- An active policy is in place aimed at studying the possibility of disposing of the entire portfolio or in batches of foreclosed assets.

Land and construction in progress

Due to the highly restrictive risk policy on developer finance, the amount for foreclosed land is low relative to the Bank's share and particularly compared to the banking sector as a whole.

Knowing the developer, the size of the development and the risk policy pursued has enabled us to support these developers to ensure at least that the financed projects are completed. Therefore, there are virtually no developments in progress among the foreclosed assets. In any case, the land management policy is aimed at establishing controls to prevent impairment of the asset and improving its condition to ensure a quick sale.

Specific examples of these procedures include:

- Selecting and controlling specialist service providers to resolve planning issues with land and unfinished developments, accepting budgets and monitoring budget execution.
- Supervising and monitoring the procedures to obtain the necessary sale permits from official bodies or municipalities.
- Proposing the analysis of viability studies for the real estate development to investors and property promoters.

Policy on lending to problematic real estate developers

Bankinter maintains a limited risk appetite in this business, closely monitoring exposures to ensure that they are within the authorised frameworks and that the strict risk policy established for authorisation of the developer loan transactions is respected scrupulously.

You can find below the information required by Circular 4/2017 of Banco de España from institutions that issue covered bonds in their annual financial statements: statements PI 11, 1 to 7. The regulations governing these statements is still not adapted to Decree-Law 24/2021, of 2 November, on the transposition of European Union directors relating to, inter alia, covered bonds. Consequently, they must be interpreted taking this into account.

a) Credit transactions

PI 11-1 Mortgage loans:

	31 December 2022	
	Nominal value	Present value
1 Total loans	**33,966,997**	
2 Mortgage participations issued	**193,835**	
Of which: Loans held on the balance sheet	193,835	
3 Mortgage transfer certificates issued	**529,968**	
Of which: Loans held on the balance sheet	529,968	
4 Mortgage loans pledged in guarantee for financing received	**-**	
5 Loans backing mortgage bonds issues and covered bond issues	**33,243,194**	
5.1 Non-eligible loans	12,107,786	
5.1.1 Meet the eligibility requirements except the limit under article 5.1 of RD 716/2009	-	
5.1.2 Other	12,107,786	
5.2 Eligible loans	21,135,408	
5.2.1 Non-computable amounts	-	
5.2.2 Computable amounts	21,135,408	
5.2.2.1 Loans covering issues of mortgage bonds	-	
5.2.2.2 Loans eligible to cover issues of covered bonds	21,135,408	

	31 December 2021	
	Nominal value	Present value
1 Total loans	**33,914,536**	
2 Mortgage participations issued	**233,202**	
Of which: Loans held on the balance sheet	233,202	
3 Mortgage transfer certificates issued	**633,785**	
Of which: Loans held on the balance sheet	633,785	
4 Mortgage loans pledged in guarantee for financing received	**-**	
5 Loans backing mortgage bonds issues and covered bond issues	**33,047,549**	
5.1 Non-eligible loans	5,276,923	
5.1.1 Meet the eligibility requirements except the limit under article 5.1 of RD 716/2009	-	
5.1.2 Other	5,276,923	
5.2 Eligible loans	27,770,626	
5.2.1 Non-computable amounts	-	
5.2.2 Computable amounts	27,770,626	
5.2.2.1 Loans covering issues of mortgage bonds	-	
5.2.2.2 Loans eligible to cover issues of covered bonds	27,770,626	

PI 11-2 Mortgage loans. Classification of nominal values according to different attributes.

	31 December 2022	
	Loans backing mortgage bonds issues and covered bond issues	Of which: Eligible loans
TOTAL	**33,243,194**	**21,135,408**
1 ORIGIN OF TRANSACTIONS	**33,243,194**	**21,135,408**
1.1 Originated by the Bank	31,202,284	19,412,442
1.2 Subrogated from other entities	2,040,910	1,722,966
1.3 Other	-	-
2 CURRENCY	**33,243,194**	**21,135,408**
2.1 Euro	32,642,282	21,135,408
2.2 Other currencies	600,912	-
3 PAYMENT STATUS	**33,243,194**	**21,135,408**
3.1 Normal payment	32,944,854	21,135,408
3.2 Other situations	298,340	-
4 AVERAGE REMAINING MATURITY	**33,243,194**	**21,135,408**
4.1 Up to 10 years	4,950,909	3,275,351
4.2 More than 10 years and up to 20 years	12,294,256	8,217,180
4.3 More than 20 years and up to 30 years	13,734,911	9,642,821
4.4 Over 30 years	2,263,117	56
5 INTEREST RATE	**33,243,194**	**21,135,408**
5.1 Fixed	13,175,461	9,149,322
5.2 Floating	19,526,668	11,586,790
5.3 Mixed	541,065	399,296
6 HOLDERS	**33,243,194**	**21,135,408**
6.1 Legal entities and individual business owners	6,407,933	3,643,022
Of which: Real estate developers	-	-
6.2 Other individuals and NPISH	26,835,261	17,492,386
7 TYPE OF COLLATERAL	**33,243,194**	**21,135,408**
7.1 Completed assets/buildings	31,125,150	19,979,276
7.1.1 Residential	29,720,719	19,084,640
Of which: Subsidised housing	-	-
7.1.2 Commercial	1,404,431	894,636
7.1.3 Other	-	-
7.2 Assets/buildings under construction	1,749,936	1,119,327
7.2.1 Residential	27,650	27,650
Of which: Subsidised housing	-	-
7.2.2 Commercial	1,722,286	1,091,676
7.2.3 Other	-	-
7.3 Land	368,107	36,805
7.3.1 Developed	368,107	36,805
7.3.2 Other	-	-

	31 December 2021	
	Loans backing mortgage bonds issues and covered bond issues	Of which: Eligible loans
TOTAL	**33,047,549**	**27,770,626**
1 ORIGIN OF TRANSACTIONS	**33,047,549**	**27,770,626**
1.1 Originated by the Bank	30,995,050	25,877,274
1.2 Subrogated from other entities	2,052,500	1,893,353
1.3 Other	-	-
2 CURRENCY	**33,047,549**	**27,770,626**
2.1 Euro	32,170,915	26,987,630
2.2 Other currencies	876,635	782,996
3 PAYMENT STATUS	**33,047,549**	**27,770,626**
3.1 Normal payment	32,622,792	27,768,877
3.2 Other situations	424,757	1,749
4 AVERAGE REMAINING MATURITY	**33,047,549**	**27,770,626**
4.1 Up to 10 years	5,104,998	4,421,784
4.2 More than 10 years and up to 20 years	12,453,035	10,941,616
4.3 More than 20 years and up to 30 years	13,271,476	11,927,316
4.4 Over 30 years	2,218,040	479,910
5 INTEREST RATE	**33,047,549**	**27,770,626**
5.1 Fixed	8,800,411	7,302,392
5.2 Floating	23,728,202	20,021,552
5.3 Mixed	518,936	446,682
6 HOLDERS	**33,047,549**	**27,770,626**
6.1 Legal entities and individual business owners	6,572,522	4,918,053
Of which: Real estate developers	329,585	76,405
6.2 Other individuals and NPISH	26,475,028	22,852,573
7 TYPE OF COLLATERAL	**33,047,549**	**27,770,626**
7.1 Completed assets/buildings	30,743,333	26,114,081
7.1.1 Residential	29,258,075	24,959,777
Of which: Subsidised housing	-	-
7.1.2 Commercial	1,485,259	1,154,304
7.1.3 Other	-	-
7.2 Assets/buildings under construction	1,888,669	1,540,668
7.2.1 Residential	63,769	63,769
Of which: Subsidised housing	-	-
7.2.2 Commercial	1,824,899	1,476,899
7.2.3 Other	-	-
7.3 Land	415,547	115,877
7.3.1 Developed	331,039	109,713
7.3.2 Other	84,508	6,163

PI 11-3 Mortgage loans eligible for mortgage bond and covered bond issues. Distribution of nominal values according to the percentage corresponding to the risk on amount of latest available appraisal ("loan to value").

	31 December 2022					
	RISK ON AMOUNT OF LATEST AVAILABLE APPRAISAL FOR THE PURPOSES OF THE MORTGAGE MARKET (loan to value)					
TYPE OF COLLATERAL	Less than or equal to 40%	Greater than 40% and less than or equal to 60%	Greater than 60%	Greater than 60% and less than or equal to 80%	Greater than 80%	TOTAL
Loans eligible for mortgage bond and covered bond issues	**6,186,215**	**8,197,472**	**-**	**6,751,721**	**-**	**21,135,408**
- On homes	4,843,107	6,884,882		6,751,721	-	18,479,710
- On other assets	1,343,108	1,312,590	-	-		2,655,698

	31 December 2021					
	RISK ON AMOUNT OF LATEST AVAILABLE APPRAISAL FOR THE PURPOSES OF THE MORTGAGE MARKET (loan to value)					
TYPE OF COLLATERAL	Less than or equal to 40%	Greater than 40% and less than or equal to 60%	Greater than 60%	Greater than 60% and less than or equal to 80%	Greater than 80%	TOTAL
Loans eligible for mortgage bond and covered bond issues	**10,437,650**	**10,460,097**	**-**	**6,872,879**	**-**	**27,770,626**
- On homes	8,218,256	8,976,608		6,872,879	-	24,067,744
- On other assets	2,219,393	1,483,489	-	-		3,702,883

PI 11-4. Movements of nominal values in the period.

	31 December 2022	
MOVEMENTS	Eligible loans	Non-eligible loans
1 Opening balance 31.12.2021	**27,770,626**	**5,276,923**
2 Reductions in the period	**9,842,101**	**1,005,264**
2.1 Repaid at maturity	8,282,606	315,906
2.2 Repaid early	1,559,495	689,358
2.3 Subrogated by other entities	-	-
2.4 Other	-	-
3 Increases in the period	**3,206,883**	**7,836,127**
3.1 Originated by the Bank	2,975,453	7,746,666
3.2 Subrogated from other entities	93,041	62,030
3.3 Other	138,389	27,431
4 Closing balance at 31.12.2022	**21,135,408**	**12,107,786**

	31 December 2021	
MOVEMENTS	Eligible loans	Non-eligible loans
1 Opening balance 31.12.2020	**23,199,855**	**8,087,062**
2 Reductions in the period	**3,257,146**	**3,829,999**
2.1 Repaid at maturity	1,888,691	538,949
2.2 Repaid early	1,368,454	513,569
2.3 Subrogated by other entities	-	-
2.4 Other	-	2,777,480
3 Increases in the period	**7,827,917**	**1,019,860**
3.1 Originated by the Bank	4,814,181	977,971
3.2 Subrogated from other entities	38,089	9,288
3.3 Other	2,975,647	32,600
4 Closing balance at 31.12.2021	**27,770,626**	**5,276,923**

PI 11-5 Available principal.

	31 December 2022
Mortgage loans and credits	Available balances
	Nominal value
Total	**903,688**
– Potentially eligible	463,114
– Non-eligible	440,575

	31 December 2021
Mortgage loans and credits	Available balances
	Nominal value
Total	**902,855**
– Potentially eligible	537,952
– Non-eligible	364,903

The Bank did not have any replacement assets relating to covered bond and mortgage bond issues (PI 11-6) at 31 December 2022 and 2021.

d) Debit transactions

PI 11-7 Mortgage bonds issued:

MORTGAGE SECURITIES	Nominal value	Present value	Average remaining maturity
		31 December 2022	
1 Outstanding mortgage bonds issued	-	-	
2 Covered bonds issued	16,456,638		
Of which: recognised in liabilities	2,506,638		
2.1 Debt securities. Issued by public offering	16,456,638		
2.1.1 Remaining maturity of up to one year	1,700,000		
2.1.2 Remaining maturity greater than one year and up to two years	500,000		
2.1.3 Remaining maturity greater than two years and up to three years	3,000,000		
2.1.4 Remaining maturity greater than three years and up to five years	2,200,000		
2.1.5 Remaining maturity greater than five years and up to 10 years	6,706,638		
2.1.6 Remaining maturity greater than 10 years	2,350,000		
2.2 Debt securities. Other issues	-		
2.2.1 Remaining maturity of up to one year	-		
2.2.2 Remaining maturity greater than one year and up to two years	-		
2.2.3 Remaining maturity greater than two years and up to three years	-		
2.2.4 Remaining maturity greater than three years and up to five years	-		
2.2.5 Term to maturity greater than five years and up to 10 years	-		
2.2.6 Term to maturity greater than 10 years	-		
2.3 Deposits	-		
2.3.1 Remaining maturity of up to one year	-		
2.3.2 Remaining maturity greater than one year and up to two years	-		
2.3.3 Remaining maturity greater than two years and up to three years	-		
2.3.4 Remaining maturity greater than three years and up to five years	-		
2.3.5 Term to maturity greater than five years and up to 10 years	-		
2.3.6 Term to maturity greater than 10 years	-		
3 Mortgage participations issued	193,835		134
3.1 Issued by public offering	193,835		134
3.2 Other issues	-		-
4 Mortgage transfer certificates issued	529,968		152
4.1 Issued by public offering	529,968		152
4.2 Other issues	-		-

Average remaining maturity is expressed in days.

MORTGAGE SECURITIES	Nominal value	Present value	Average remaining maturity
		31 December 2021	
1 Outstanding mortgage bonds issued	-	-	
2 Covered bonds issued	15,694,597		
Of which: recognised in liabilities	2,744,597		
2.1 Debt securities. Issued by public offering	15,694,597		
2.1.1 Remaining maturity of up to one year	1,000,000		
2.1.2 Remaining maturity greater than one year and up to two years	3,000,000		
2.1.3 Remaining maturity greater than two years and up to three years	500,000		
2.1.4 Remaining maturity greater than three years and up to five years	4,200,000		
2.1.5 Remaining maturity greater than five years and up to 10 years	6,944,597		
2.1.6 Remaining maturity greater than 10 years	50,000		
2.2 Debt securities. Other issues	-		
2.2.1 Remaining maturity of up to one year	-		
2.2.2 Remaining maturity greater than one year and up to two years	-		
2.2.3 Remaining maturity greater than two years and up to three years	-		
2.2.4 Remaining maturity greater than three years and up to five years	-		
2.2.5 Term to maturity greater than five years and up to 10 years	-		
2.2.6 Term to maturity greater than 10 years	-		
2.3 Deposits	-		
2.3.1 Remaining maturity of up to one year	-		
2.3.2 Remaining maturity greater than one year and up to two years	-		
2.3.3 Remaining maturity greater than two years and up to three years	-		
2.3.4 Remaining maturity greater than three years and up to five years	-		
2.3.5 Term to maturity greater than five years and up to 10 years	-		
2.3.6 Term to maturity greater than 10 years	-		
3 Mortgage participations issued	233,202		142
3.1 Issued by public offering	233,202		142
3.2 Other issues	-		-
4 Mortgage transfer certificates issued	633,785		212
4.1 Issued by public offering	633,785		212
4.2 Other issues	-		-

Average remaining maturity is expressed in days.

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

Since RDL 24/201 entered into force, the bonds issued are now covered by assets incorporated by Bankinter to the pool of cover assets provided for in the regulation (the Cover Pool), which differs in its composition and value from the pool of assets that used to cover covered bonds until then.

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

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

46. Exposure to the construction and real estate development sector

Exposure to real estate credit risk (business in Spain)

GROSS AMOUNT	31.12.2022	31.12.2021
Financing for real estate construction and development (including land)	329,580	384,467
Of which: non-performing	3,631	5,884
Total gross amount	**329,580**	**384,467**

IMPAIRMENT LOSSES	31.12.2022	31.12.2021
Financing for real estate construction and development (including land)	2,727	3,016
Of which: non-performing	1,786	1,842
Total impairment losses on assets	**2,727**	**3,016**

CARRYING AMOUNT	31.12.2022	31.12.2021
Financing for real estate construction and development (including land)	326,853	381,451
Of which: non-performing	1,845	4,041
Total carrying amount	**326,853**	**381,451**
Total carrying amount of financing granted to customers	**62,452,445**	**57,959,982**

GUARANTEES RECEIVED	31.12.2022	31.12.2021
Value of collateral	307,318	363,227
Of which: guarantees non-performing exposures	1,610	2,758
Value of other guarantees	3,210	7,141
Of which: guarantees non-performing exposures	30	-
Total value of guarantees received	**310,528**	**370,369**

FINANCIAL GUARANTEES	31.12.2022	31.12.2021
Financial guarantees given for real estate construction and development	-	-
Amount recognised under liabilities on the balance sheet	-	-

Assets foreclosed or received in payment of debts (business in Spain)

GROSS AMOUNT (*)	31.12.2022	31.12.2021
Real estate assets foreclosed or received in payment of debts	9,306	15,408
Of which: land	1,228	1,228
Foreclosed equity instruments or instruments received as payment for debts, holdings in capital and lending to entities holding foreclosed property or property received as payment for debts	-	-
Total gross amount	**9,306**	**15,408**

IMPAIRMENT LOSSES (*)	31.12.2022	31.12.2021
Real estate assets foreclosed or received in payment of debts	3,227	4,374
Of which: land	922	832
Foreclosed equity instruments or instruments received as payment for debts, holdings in capital and lending to entities holding foreclosed property or property received as payment for debts	-	-
Total impairment losses on assets	**3,227**	**4,374**

CARRYING AMOUNT (*)	31.12.2022	31.12.2021
Real estate assets foreclosed or received in payment of debts	6,079	11,034
Of which: land	306	395
Foreclosed equity instruments or instruments received as payment for debts, holdings in capital and lending to entities holding foreclosed property or property received as payment for debts	-	-
Total carrying amount	**6,079**	**11,034**

(*) Includes the value of tangible assets classified as investment property and non-current assets classified as held for sale from foreclosure of property in payment of debts.

Financing by credit institutions to real estate construction and development (Businesses in Spain)

Figures at 31.12.2022

	Gross carrying amount	Excess of gross exposure on the maximum recoverable amount of effective collateral	Accumulated impairment
Financing for real estate construction and development (including land) (business in Spain)	329,580	58,570	(2,727)
Of which: non-performing	3,631	1,701	(1,786)

Figures at 31.12.2021

	Gross carrying amount	Excess of gross exposure on the maximum recoverable amount of effective collateral	Accumulated impairment
Financing for real estate construction and development (including land) (business in Spain)	384,467	50,617	(3,016)
Of which: non-performing	5,884	3,317	(1,842)

Figures at 31.12.2022	
	Gross carrying amount
Memorandum items:	
Write-offs	(6,619)
	Amount
Memorandum items:	
Loans and advances to customers, excluding general governments (business in Spain) (carrying amount)	60,162,077
Total assets (total business) (carrying amount)	**104,983,353**
Impairment and allowances for performing exposures (total business)	204,064

Figures at 31.12.2021	
	Gross carrying amount
Memorandum items:	
Write-offs	(6,619)
	Amount
Memorandum items:	
Loans and advances to customers, excluding general governments (business in Spain) (carrying amount)	56,430,991
Total assets (total business) (carrying amount)	**106,810,378**
Impairment and allowances for performing exposures (total business)	215,009

Breakdown of financing for real estate construction and development (including land) (business in Spain)

Figures at 31.12.2022	
	Financing for real estate construction and development. Gross amount
Without real estate collateral	**5,616**
With real estate collateral (broken down by type of asset received as collateral)	**323,964**
Buildings and other completed construction	**78,315**
Homes	**48,828**
Other	**29,487**
Buildings and other constructions under construction	**206,672**
Homes	**206,672**
Other	**-**
Land	**38,977**
Consolidated urban land	**38,977**
Other land	**-**
TOTAL	**329,580**

Figures at 31.12.2021	
	Financing for real estate construction and development. Gross amount
Without real estate collateral	**9,750**
With real estate collateral (broken down by type of asset received as collateral)	**374,717**
Buildings and other completed construction	**106,163**
Homes	85,753
Other	20,409
Buildings and other constructions under construction	**233,877**
Homes	233,877
Other	-
Land	**34,676**
Consolidated urban land	34,676
Other land	-
TOTAL	**384,467**

Loans to households for home purchase (business in Spain)

Figures at 31.12.2022		
	Gross carrying amount	Of which: non-performing
Loans for home purchase	**20,879,294**	**220,282**
Without real estate mortgage	159,505	6,116
With real estate mortgage	20,719,789	214,166

Figures at 31.12.2021		
	Gross carrying amount	Of which: non-performing
Loans for home purchase	**21,123,206**	**251,696**
Without real estate mortgage	165,219	6,438
With real estate mortgage	20,957,988	245,258

Breakdown of real estate mortgage loans to households for home purchase as a percentage of total gross carrying amount to the amount of the latest appraisal (loan to value) (business in Spain)

Figures at 31.12.2022

	Gross carrying amount to amount of the latest appraisal (loan to value)					
	Less than or equal to 40%	Greater than 40% and less than or equal to 60%	Greater than 60% and less than or equal to 80%	Greater than 80% and less than or equal to 100%	Greater than 100%	TOTAL
Gross carrying amount	4,715,382	6,816,607	7,903,251	988,306	296,244	20,719,789
Of which: non-performing	29,736	41,603	55,229	34,415	53,184	214,166

Figures at 31.12.2021

	Gross carrying amount to amount of the latest appraisal (loan to value)					
	Less than or equal to 40%	Greater than 40% and less than or equal to 60%	Greater than 60% and less than or equal to 80%	Greater than 80% and less than or equal to 100%	Greater than 100%	TOTAL
Gross carrying amount	4,570,322	6,554,935	8,189,382	1,248,774	394,575	20,957,988
Of which: non-performing	30,444	46,751	57,130	47,813	63,119	245,258

Assets foreclosed or received in payment of debts (business in Spain)

2022 — Thousands of euros

	Gross carrying amount	Accumulated impairment
Real estate assets from financing for real estate construction and development	1,503	(1,000)
Buildings and other completed construction	275	(78)
Homes	43	(5)
Other	232	(72)
Buildings and other constructions under construction	-	-
Homes	-	-
Other	-	-
Land	1,228	(922)
Consolidated urban land	1,228	(922)
Other land	-	-
Real estate assets from mortgage loans to households for home purchase	2,680	(488)
Other assets foreclosed or received in payment of debt	5,123	(1,740)
Equity instruments foreclosed or received in payment of debt	-	-
Equity instruments of holders of real estate assets foreclosed or received in payment of debt	42,494	(42,494)
Financing granted to holders of real estate assets foreclosed or received in payment of debt	79,906	

2021 — Thousands of euros

	Gross carrying amount	Accumulated impairment
Real estate assets from financing for real estate construction and development	2,212	(960)
Buildings and other completed construction	984	(128)
Homes	66	(10)
Other	918	(118)
Buildings and other constructions under construction	-	-
Homes	-	-
Other	-	-
Land	1,228	(832)
Consolidated urban land	1,228	(832)
Other land	-	-
Real estate assets from mortgage loans to households for home purchase	3,033	(533)
Other assets foreclosed or received in payment of debt	10,164	(2,881)
Equity instruments foreclosed or received in payment of debt	-	-
Equity instruments of holders of real estate assets foreclosed or received in payment of debt	42,494	(42,494)
Financing granted to holders of real estate assets foreclosed or received in payment of debt	91,597	

47. Additional information on risks: Refinancing and restructuring transactions. Geographic and sector concentration of risks

The Bank's refinancing and restructuring policy is described in Note 44.

Set out below is the breakdown by counterparty, NPL classification and type of guarantee or collateral, and the outstanding balances 31 December 2022 and 2021 of the restructuring and refinancing transactions carried out by the Bank.

Refinancing and restructuring transactions

Outstanding refinancing and restructuring balances at 31 December 2022:

2022	TOTAL							Of which: NON-PERFORMING						
	Without collateral		With collateral				Accumulated impairment or accumulated losses in fair value due to credit risk	Without collateral		With collateral				Accumulated impairment or accumulated losses in fair value due to credit risk
	Number of transactions	Gross carrying amount	Number of transactions	Gross carrying amount	Maximum amount of the security that may be considered			Number of transactions	Gross carrying amount	Number of transactions	Gross carrying amount	Maximum amount of eligible collateral		
					Real estate collateral	Other collateral						Real estate collateral	Other collateral	
Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General governments	1	23	-	-	-	-	-	1	23	-	-	-	-	-
Other financial corporations and individual entrepreneurs (financial business)	20	2,895	6	1,436	1,407	-	(1,404)	16	2,696	3	300	271	-	(1,404)
Non-financial corporations and individual entrepreneurs (non-financial business)	3,250	293,261	1,348	342,448	280,296	10,097	(147,907)	2,136	166,495	520	133,237	93,446	1,059	(139,454)
Of which: financing for construction and property development (including land)	2	71	13	4,908	3,898	-	(938)	2	71	7	2,055	1,054	-	(929)
Other households	943	14,156	2,270	263,674	239,213	1,169	(26,218)	486	8,331	570	72,738	56,154	152	(21,547)
Total	**4,214**	**310,336**	**3,624**	**607,559**	**520,916**	**11,266**	**(175,529)**	**2,639**	**177,545**	**1,093**	**206,275**	**149,871**	**1,211**	**(162,405)**
ADDITIONAL INFORMATION														
Financing classified as non-current assets and disposal groups classified as held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Outstanding balances of refinancing and restructuring transactions at 31 December 2021:

2021	TOTAL							Of which: NON-PERFORMING						
	Without collateral		With collateral				Accumulated impairment or accumulated losses in fair value due to credit risk	Without collateral		With collateral				Accumulated impairment or accumulated losses in fair value due to credit risk
	Number of transactions	Gross carrying amount	Number of transactions	Gross carrying amount	Maximum amount of the security that may be considered			Number of transactions	Gross carrying amount	Number of transactions	Gross carrying amount	Maximum amount of eligible collateral		
					Real estate collateral	Other collateral						Real estate collateral	Other collateral	
Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General governments	1	48	-	-	-	-	-	1	48	-	-	-	-	-
Other financial corporations and individual entrepreneurs (financial business)	30	3,502	9	1,071	1,071	-	26	21	3,215	8	998	998	-	26
Non-financial corporations and individual entrepreneurs (non-financial business)	2,968	230,680	1,463	373,668	313,994	6,313	(155,548)	2,015	160,988	537	149,216	111,492	494	(141,401)
Of which: financing for construction and property development (including land)	2	71	18	9,618	7,091	-	(1,409)	2	71	8	4,360	2,041	-	(1,201)
Other households	1,100	15,108	2,467	302,770	275,954	1,494	(26,616)	485	8,644	655	86,486	69,346	142	(20,950)
Total	**4,099**	**249,339**	**3,939**	**677,509**	**591,019**	**7,807**	**(182,138)**	**2,522**	**172,895**	**1,200**	**236,700**	**181,835**	**636**	**(162,325)**
ADDITIONAL INFORMATION														
Financing classified as non-current assets and disposal groups classified as held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Figures in thousands of euros

Details of the average probability of default of the groups of refinanced and restructured transactions:

2022	TOTAL				Of which: NON-PERFORMING			
	Without collateral		With collateral		Without collateral		With collateral	
	Number of transactions	PD	Number of transactions	PD	Number of transactions	PD	Number of transactions	PD
Credit institutions	-	-	-	-	-	-	-	-
General governments	1	-		-	1	-		-
Other financial corporations and individual entrepreneurs (financial business)	20	0.95	6	0.76	16	1.00	3	1.00
Non-financial corporations and individual entrepreneurs (non-financial business)	3,250	0.74	1,348	0.52	2,136	1.00	520	1.00
Of which: financing for construction and property development (including land)	2	1.00	13	0.76	2	1.00	7	1.00
Other households	943	0.71	2,270	0.51	486	1.00	570	1.00
Total	**4,214**	**0.75**	**3,624**	**0.52**	**2,639**	**1.00**	**1,093**	**1.00**

2021	TOTAL				Of which: NON-PERFORMING			
	Without collateral		With collateral		Without collateral		With collateral	
	Number of transactions	PD	Number of transactions	PD	Number of transactions	PD	Number of transactions	PD
Credit institutions	-	0.00	-	0.00		0.00	-	0.00
General governments	1	0.00	-	-	1	-	-	0.00
Other financial corporations and individual entrepreneurs (financial business)	30	0.95	9	0.75	21	1.00	8	1.00
Non-financial corporations and individual entrepreneurs (non-financial business)	2,968	0.74	1,463	0.55	2,015	1.00	537	1.00
Of which: financing for construction and property development (including land)	2		18		2		8	
Other households	1,100	0.70	2,467	0.46	485	1.00	655	1.00
Total	**4,099**	**0.73**	**3,939**	**0.51**	**2,522**	**1.00**	**1,200**	**1.00**

Geographic and sector concentration of risks

The distribution of the carrying amount of the Bank's most significant financial assets by geographical area and segment of activity, counterparty and purpose of the financing granted at 31 December 2022 and 2021 is set out below. The figures include asset positions of the held for trading portfolio, but not the offsetting liability positions required to measure the net exposure of each sector or geographical area. Note 7 provides further disclosures on the composition of the held for trading portfolio.

Distribution of loans and advances to customers by activity (carrying amount). 2022

2022				Secured loans. Loan to value				
	TOTAL	Of which: Real estate collateral	Of which: Other collateral	Less than or equal to 40 %	Greater than 40% and less than or equal to 60%	Greater than 60% and less than or equal to 80%	Greater than 80% and less than or equal to 100%	Greater than 100%
General governments	**968,190**	**6,791**	**-**	**6,170**	**622**	**-**	**-**	**-**
Other financial corporations and individual entrepreneurs (financial business)	**6,796,857**	**177,497**	**116,490**	**102,619**	**126,674**	**34,153**	**9,724**	**20,818**
Non-financial corporations and individual entrepreneurs (non-financial business)	**32,195,345**	**7,606,668**	**1,281,075**	**3,045,676**	**3,373,281**	**1,568,245**	**448,565**	**451,976**
Real estate construction and development	331,512	324,351	129	65,882	126,294	110,648	4,958	16,698
Civil engineering	403,972	9,160	4,398	2,339	4,196	1,806	880	4,337
Other purposes	31,459,861	7,273,158	1,276,549	2,977,456	3,242,791	1,455,791	442,727	430,941
Large corporations	11,979,008	666,957	214,028	280,759	329,955	181,145	35,780	53,347
SMEs and individual entrepreneurs	19,480,853	6,606,200	1,062,521	2,696,697	2,912,837	1,274,647	406,947	377,594
Other households	**28,578,032**	**26,751,430**	**616,236**	**6,081,485**	**9,048,608**	**10,546,583**	**1,289,345**	**401,644**
Residential	25,150,194	24,993,014	81,890	5,429,197	8,338,678	9,914,404	1,072,036	320,589
Consumer loans	701,931	466,272	96,498	128,139	203,214	178,928	44,758	7,730
Other purposes	2,725,908	1,292,144	437,849	524,149	506,716	453,251	172,552	73,325
TOTAL	**68,538,424**	**34,542,386**	**2,013,801**	**9,235,949**	**12,549,185**	**12,148,982**	**1,747,634**	**874,438**
MEMORANDUM ITEMS								

2022				Secured loans. Loan to value				
	TOTAL	Of which: Real estate collateral	Of which: Other collateral	Less than or equal to 40 %	Greater than 40% and less than or equal to 60%	Greater than 60% and less than or equal to 80%	Greater than 80% and less than or equal to 100%	Greater than 100%
Refinancing, refinanced and restructured transactions	742,366	534,103	12,986	173,234	134,414	113,210	53,013	73,218

Distribution of loans and advances to customers by activity (carrying amount). 2021

2021				Secured loans. Loan to value				
	TOTAL	Of which: Real estate collateral	Of which: Other collateral	Less than or equal to 40 %	Greater than 40% and less than or equal to 60%	Greater than 60% and less than or equal to 80%	Greater than 80% and less than or equal to 100%	Greater than 100%
General governments	731,676	7,706	-	7,007	699	-	-	-
Other financial corporations and individual entrepreneurs (financial business)	4,287,768	155,533	106,416	45,866	158,371	34,091	4,782	18,839
Non-financial corporations and individual entrepreneurs (non-financial business)	30,852,397	7,464,774	1,422,577	2,968,466	3,138,887	1,802,742	586,365	390,890
Real estate construction and development	387,007	375,729	167	48,629	126,593	155,386	16,915	28,373
Civil engineering	354,036	8,739	3,847	2,367	4,002	1,532	1,431	3,254
Other purposes	30,111,353	7,080,306	1,418,563	2,917,470	3,008,293	1,645,825	568,019	359,263
Large corporations	11,040,067	651,147	300,688	322,614	268,581	107,316	189,561	63,764
SMEs and individual entrepreneurs	19,071,286	6,429,160	1,117,875	2,594,857	2,739,713	1,538,509	378,457	295,500
Other households	27,901,515	26,408,648	614,212	5,794,562	8,541,317	10,679,144	1,507,998	499,840
Residential	24,824,138	24,660,764	86,869	5,160,406	7,819,371	10,005,033	1,338,174	424,648
Consumer loans	717,622	480,060	102,900	123,898	200,666	202,637	44,988	10,771
Other purposes	2,359,755	1,267,824	424,443	510,258	521,280	471,473	124,836	64,420
TOTAL	63,773,356	34,036,661	2,143,205	8,815,902	11,839,274	12,515,977	2,099,145	909,568
MEMORANDUM ITEMS								
Refinancing, refinanced and restructured transactions	744,709	607,496	9,396	176,626	157,439	133,961	71,391	77,475

* Bankinter manages internally an exposure for "Small and medium-sized enterprises" which is lower than that shown in this table for "SMEs and individual entrepreneurs". The amount and characteristics of this portfolio are described in the "Small and medium-sized companies" section of Note 44 Risk Policies and Management.

Distribution of exposure by activity and geographic area (carrying amount). Total activity. 2022

				2022	
Figures in thousands of euros	TOTAL	Spain	Other EU	America	Rest of the world
Central banks and credit institutions	22,208,118	16,713,103	3,393,737	518,423	1,582,855
General governments	11,335,593	8,222,484	3,026,238	20,874	65,998
Central government	10,120,090	7,251,825	2,825,574	-	42,691
Other general governments	1,215,503	970,659	200,664	20,874	23,307
Other financial corporations and individual entrepreneurs (financial business)	9,506,731	5,803,618	3,591,601	54,343	57,169
Non-financial corporations and individual entrepreneurs (non-financial business)	39,988,629	34,619,490	3,893,870	1,055,556	419,712
Real estate construction and development	331,512	326,853	4,659	-	-
Civil engineering	688,338	539,914	84,827	63,597	-

Figures in thousands of euros	TOTAL	Spain	Other EU	America	Rest of the world
Other purposes	38,968,779	33,752,723	3,804,384	991,959	419,712
Large corporations	16,603,238	14,076,543	1,236,802	929,331	360,562
SMEs and individual entrepreneurs	22,365,541	19,676,181	2,567,582	62,628	59,150
Other households	**28,676,576**	**22,662,751**	**5,113,702**	**205,285**	**694,838**
Homes	25,150,194	19,795,082	4,533,432	194,564	627,116
Consumer loans	707,770	148,034	533,866	1,548	24,322
Other purposes	2,818,612	2,719,635	46,403	9,173	43,400
SUBTOTAL	**111,715,647**	**88,021,446**	**19,019,148**	**1,854,481**	**2,820,572**

Distribution of exposure by activity and geographic area (carrying amount). Activity in Spain. 2022

Figures in thousands of euros	TOTAL	Andalusia	Aragon	Asturias	Balearic Islands	Canary Islands	Cantabria	Castilla - La Mancha	Castile and Leon	Catalonia
Central banks and credit institutions	**16,713,103**	**13,536**	**27,005**	**-**	**209**	**-**	**628,726**	**115**	**-**	**1**
General governments	**8,222,484**	**39,514**	**13,780**	**89,302**	**848**	**61,038**	**2,347**	**152**	**85,981**	**3,154**
Central government	7,251,825	-	-	-	-	-	-	-	-	-
Other general governments	970,659	39,514	13,780	89,302	848	61,038	2,347	152	85,981	3,154
Other financial corporations and individual entrepreneurs (financial business)	**5,803,618**	**22,346**	**6,845**	**4,980**	**36,134**	**8,462**	**2,867**	**4,676**	**4,454**	**64,414**
Non-financial corporations and individual entrepreneurs (non-financial business)	**34,619,490**	**3,490,301**	**1,062,706**	**410,251**	**1,424,144**	**1,282,236**	**362,994**	**803,034**	**616,779**	**4,285,532**
Real estate construction and development	326,853	20,161	19,559	11,370	7,239	57	4,195	5,004	14,246	40,150
Civil engineering	539,914	33,996	13,352	3,700	6,522	4,099	7,531	5,763	12,557	29,993
Other purposes	33,752,723	3,436,144	1,029,795	395,181	1,410,383	1,278,081	351,268	792,266	589,977	4,215,389
Large corporations	14,076,543	788,985	379,030	204,688	938,904	460,381	103,969	256,555	168,527	1,544,567
SMEs and individual entrepreneurs	19,676,181	2,647,159	650,765	190,493	471,479	817,700	247,299	535,711	421,450	2,670,821
Other households	**22,662,751**	**2,653,167**	**504,257**	**240,947**	**636,746**	**742,754**	**329,060**	**538,727**	**655,735**	**3,239,775**
Homes	19,795,082	2,410,603	426,979	211,024	593,604	669,932	255,025	495,315	604,989	2,929,316
Consumer loans	148,034	14,237	4,609	2,293	2,209	6,074	3,002	3,716	6,094	18,796
Other purposes	2,719,635	228,326	72,669	27,630	40,933	66,748	71,033	39,696	44,652	291,663
TOTAL	**88,021,446**	**6,218,862**	**1,614,593**	**745,480**	**2,098,081**	**2,094,491**	**1,325,995**	**1,346,703**	**1,362,950**	**7,592,875**

Figures in thousands of euros	TOTAL	Extremadura	Galicia	Madrid	Murcia	Navarre	Valencia	Basque Country	La Rioja	Ceuta and Melilla
Central banks and credit institutions	**16,713,103**	**-**	**364,425**	**14,333,846**	**49**	**-**	**1,034,018**	**311,173**	**-**	**-**
General governments	**8,222,484**	**43,282**	**70,724**	**7,657,541**	**-**	**55,130**	**5,722**	**93,968**	**-**	**-**
Central government	7,251,825	-	-	7,251,825	-	-	-	-	-	-
Other general governments	970,659	43,282	70,724	405,716	-	55,130	5,722	93,968	-	-
Other financial corporations and individual entrepreneurs (financial business)	**5,803,618**	**557**	**20,267**	**5,525,086**	**17,501**	**2,624**	**33,586**	**47,277**	**1,542**	**-**
Non-financial corporations and individual entrepreneurs (non-financial business)	**34,619,490**	**282,225**	**784,778**	**12,267,172**	**871,830**	**485,740**	**3,258,696**	**2,664,955**	**250,199**	**15,918**
Real estate construction and development	326,853	29	11,919	115,189	10,492	1,673	40,380	24,241	949	-
Civil engineering	539,914	2,813	15,270	282,791	9,670	37,412	60,307	13,366	771	-

Figures in thousands of euros	TOTAL	Extremadura	Galicia	Madrid	Murcia	Navarre	Valencia	Basque Country	La Rioja	Ceuta and Melilla
Central banks and credit institutions	**16,713,103**	**-**	**364,425**	**14,333,846**	**49**	**-**	**1,034,018**	**311,173**	**-**	**-**
Other purposes	33,752,723	279,383	757,589	11,869,193	851,668	446,655	3,158,009	2,627,348	248,479	15,918
Large corporations	14,076,543	113,136	262,863	5,600,209	324,350	173,666	1,099,968	1,597,251	58,493	1,003
SMEs and individual entrepreneurs	19,676,181	166,248	494,726	6,268,983	527,318	272,990	2,058,041	1,030,096	189,986	14,915
Other households	**22,662,751**	**149,851**	**467,357**	**9,012,821**	**394,390**	**189,388**	**1,819,548**	**964,418**	**116,553**	**7,258**
Homes	19,795,082	139,961	410,062	7,581,841	334,040	167,818	1,630,830	829,922	96,832	6,990
Consumer loans	148,034	780	4,551	52,561	2,376	1,380	11,586	12,699	981	90
Other purposes	2,719,635	9,110	52,744	1,378,419	57,974	20,190	177,133	121,796	18,741	178
TOTAL	**88,021,446**	**475,914**	**1,707,551**	**48,796,467**	**1,283,770**	**732,881**	**6,151,571**	**4,081,790**	**368,294**	**23,176**

Distribution of exposure by activity and geographic area (carrying amount). Total activity. 2021

2021

Figures in thousands of euros	TOTAL	Spain	Other EU	America	Rest of the world
Central banks and credit institutions	**30,497,327**	**26,318,106**	**1,994,100**	**523,293**	**1,661,828**
General governments	**9,645,704**	**7,037,637**	**2,526,325**	**29,816**	**51,926**
Central government	8,774,668	6,290,275	2,442,561	-	41,832
Other general governments	871,036	747,362	83,764	29,816	10,094
Other financial corporations and individual entrepreneurs (financial business)	**6,482,213**	**4,533,363**	**1,886,313**	**48,339**	**14,198**
Non-financial corporations and individual entrepreneurs (non-financial business)	**37,450,464**	**32,647,948**	**3,523,289**	**905,988**	**373,239**
Real estate construction and development	391,739	386,182	5,556	-	-
Civil engineering	564,985	459,206	84,574	21,205	-
Other purposes	36,493,740	31,802,560	3,433,158	884,783	373,239
Large corporations	15,011,931	12,795,828	1,038,487	836,874	340,741
SMEs and individual entrepreneurs	21,481,809	19,006,733	2,394,671	47,909	32,497
Other households	**27,980,377**	**22,639,437**	**4,531,794**	**155,100**	**654,045**
Homes	24,824,138	20,134,360	3,947,818	147,303	594,656
Consumer loans	722,887	143,811	544,876	1,809	32,391
Other purposes	2,433,352	2,361,267	39,101	5,987	26,998
SUBTOTAL	**112,056,085**	**93,176,492**	**14,461,822**	**1,662,536**	**2,755,236**

Distribution of exposure by activity and geographic area (carrying amount). Activity in Spain. 2021

Figures in thousands of euros	TOTAL	Andalusia	Aragon	Asturias	Balearic Islands	Canary Islands	Cantabria	Castilla - La Mancha	Castile and Leon	Catalonia
Central banks and credit institutions	**26,318,106**	**194,417**	**11,692**	**-**	**81**	**-**	**526,952**	**-**	**-**	**1,145**
General governments	**7,037,637**	**15,912**	**15,318**	**68,986**	**1,048**	**68,261**	**2,717**	**666**	**61,170**	**2,237**
Central government	6,290,275	-	-	-	-	-	-	-	-	-
Other general governments	747,362	15,912	15,318	68,986	1,048	68,261	2,717	666	61,170	2,237
Other financial corporations and individual entrepreneurs (financial business)	**4,533,363**	**25,504**	**12,626**	**3,831**	**31,774**	**7,675**	**4,400**	**1,957**	**6,148**	**65,930**
Non-financial corporations and individual entrepreneurs (non-financial business)	**32,647,948**	**3,456,647**	**1,016,652**	**421,856**	**1,397,487**	**1,401,534**	**367,217**	**752,327**	**617,054**	**4,310,014**
Real estate construction and development	386,182	31,316	16,416	9,741	11,628	924	6,937	4,145	11,834	45,033
Civil engineering	459,206	25,920	14,928	2,335	4,897	4,057	5,968	5,248	6,770	15,654
Other purposes	31,802,560	3,399,411	985,308	409,780	1,380,961	1,396,553	354,312	742,934	598,450	4,249,327
Large corporations	12,795,828	746,580	319,096	221,691	955,862	579,956	113,658	180,463	135,119	1,608,413
SMEs and individual entrepreneurs	19,006,733	2,652,831	666,212	188,089	425,100	816,598	240,654	562,470	463,331	2,640,915
Other households	**22,639,437**	**2,668,903**	**511,755**	**248,159**	**640,944**	**744,803**	**332,612**	**568,453**	**696,178**	**3,275,167**
Homes	20,134,360	2,431,304	427,468	217,793	595,498	672,394	257,341	522,022	640,556	2,968,329
Consumer loans	143,811	13,640	4,175	2,052	2,160	6,073	2,801	4,041	5,712	18,295
Other purposes	2,361,267	223,958	80,112	28,314	43,286	66,336	72,470	42,390	49,910	288,542
TOTAL	**93,176,492**	**6,361,382**	**1,568,043**	**742,831**	**2,071,334**	**2,222,273**	**1,233,899**	**1,323,404**	**1,380,550**	**7,654,492**

Figures in thousands of euros	TOTAL	Extremadura	Galicia	Madrid	Murcia	Navarre	Valencia	Basque Country	La Rioja	Ceuta and Melilla
Central banks and credit institutions	**26,318,106**	**-**	**68,073**	**23,205,384**	**-**	**-**	**1,616,487**	**693,875**	**-**	**-**
General governments	**7,037,637**	**45,784**	**22,831**	**272,149**	**-**	**57,358**	**2,208**	**102,830**	**7,887**	**-**
Central government	6,290,275	-	-	-	-	-	-	-	-	-
Other general governments	747,362	45,784	22,831	272,149	-	57,358	2,208	102,830	7,887	-
Other financial corporations and individual entrepreneurs (financial business)	**4,533,363**	**507**	**21,875**	**4,248,465**	**19,285**	**2,851**	**39,964**	**39,457**	**1,114**	**-**
Non-financial corporations and individual entrepreneurs (non-financial business)	**32,647,948**	**266,716**	**710,831**	**10,597,104**	**847,583**	**424,526**	**3,204,700**	**2,561,682**	**275,677**	**18,343**
Real estate construction and development	386,182	-	7,395	118,386	12,385	-	58,695	26,269	25,080	-
Civil engineering	459,206	2,088	11,803	238,337	9,761	34,570	52,515	23,418	938	-
Other purposes	31,802,560	264,628	691,633	10,240,382	825,437	389,956	3,093,490	2,511,996	249,659	18,343
Large corporations	12,795,828	112,855	221,735	4,783,269	297,425	122,715	1,014,110	1,318,291	61,429	3,161
SMEs and individual entrepreneurs	19,006,733	151,773	469,898	5,457,113	528,012	267,241	2,079,380	1,193,704	188,230	15,181
Other households	**22,639,437**	**160,221**	**467,640**	**8,812,255**	**404,635**	**193,449**	**1,799,737**	**993,346**	**113,120**	**8,059**
Homes	20,134,360	149,528	412,234	7,771,117	337,092	172,683	1,602,116	857,198	91,930	7,756
Consumer loans	143,811	812	4,185	50,810	2,611	1,881	11,401	12,084	974	104
Other purposes	2,361,267	9,881	51,222	990,327	64,932	18,886	186,220	124,064	20,216	199
TOTAL	**93,176,492**	**473,228**	**1,291,251**	**47,135,357**	**1,271,503**	**678,184**	**6,663,096**	**4,391,191**	**397,799**	**26,402**

48. Own funds and minimum reserves

a) Own funds

Applicable legislation

At 31 December 2022, the Bankinter Group's consolidated eligible capital was are calculated in accordance with Regulation (EU) No. 876/2019 of the European Parliament and of the Council of 20 May 2019 amending the previous Regulation (EU) No. 575/2013 on prudential requirements for credit institutions and investment firms, and Directive 2019/878/EU of the European Parliament and of the Council, amending Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions. Both regulations govern the levels of capital adequacy and composition of eligible capital with which credit institutions must operate. In 2020, to mitigate the potential effects of the COVID-19 pandemic on the financial system, the European Parliament and the European Council approved Regulation 2020/873 ('CRR Quick Fix') which amends both Regulation 575/2013 ('CRR') and Regulation 2019/876 ('CRR2') including certain measures that contribute positively to capital ratios, highlighting the new support factors for SMEs and infrastructures, which reduce capital consumption and the level of risk-weighted assets (RWAs).

The minimum capital requirements are calculated, in compliance with these regulations, on the basis of the Group's exposure to credit and dilution risk, counterparty risk, market risk of the trading book, foreign currency risk and operational risk. The Group is also subject to compliance with limits to large exposures, with liquidity and leverage ratios and with the internal corporate governance obligations established by law.

The Bankinter Group requested from its supervisor an exemption from individual compliance with the requirements established in solvency regulations for Bankinter, S.A. and Bankinter Consumer Finance, E.F.C., S.A. for purposes of efficiency and better management and since, given that the Group's characteristics, the adequate distribution of own funds between the parent undertaking and its subsidiaries is guaranteed. The supervisor authorised both exemptions on 8 October 2009.

Consolidated shareholders' equity and related capital ratios at 31 December 2022 and 2021:

Thousands of euros

	31.12.2022	31.12.2021	Change	% chg
Capital	269,660	269,660	-	0.00%
Reserves	4,537,767	4,513,848	23,919	0.53%
CET 1 deductions	(463,542)	(529,305)	65,763	(12.42)%
Common Equity Tier 1 (CET 1)	4,343,884	4,254,202	89,682	2.11%
AT1 instruments	350,000	350,000	-	0.00%
AT1 deductions	-	-	-	0.00%
Additional Tier 1 capital (AT1)	350,000	350,000	-	0.00%
Tier 1 capital (TIER 1 = CET 1 + AT1)	4,693,884	4,604,202	89,682	1.95%
TIER 2 instruments	830,371	830,371	-	0.00%
TIER 2 deductions		-	-	0.00%
Tier 2 capital (TIER 2)	830,371	830,371	-	0.00%
Total capital (TIER 1 + TIER 2)	5,524,256	5,434,574	89,682	1.65%
Risk-weighted assets	36,174,282	35,303,115	871,167	2.47%
Of which credit risk	31,024,308	30,248,699	775,609	2.56%
Of which market risk	200,019	389,100	(189,081)	(48.59)%
Of which operational risk	3,346,804	3,096,891	249,913	8.07%
CET1 (%)	12.01%	12.05%	(0.04)%	(0.35)%
Tier 1 (%)	12.98%	13.04%	(0.07)%	(0.51)%
Tier 2 (%)	2.30%	2.35%	(0.06)%	(2.41)%
Solvency ratio (%)	15.27%	15.39%	(0.12)%	(0.80)%

The changes in the Common Equity Tier 1 (CET1) ratio are mainly due by the retained annual recurring profit, and the decrease in deductions.

The change in TIER 1 capital ratio and in TIER 2 is in line with the change in CET1 1.

Reconciliation of the Bankinter Group's equity for accounting purposes with its regulatory capital:

	31.12.2022	31.12.2021
Shareholders' equity	**5,034,001**	**4,736,621**
(-) Retained earnings	(80,264)	(52,642)
(+/-) Other	(3,042)	1,025
(+) Valuation adjustments	(129,028)	115,539
CET1 deductions	**(477,783)**	**(546,341)**
Common equity Tier 1	**4,343,884**	**4,254,202**

Management of own funds

The principle laid down by Bankinter's Board of Directors in relation to the management of own funds consists of operating with a level of solvency in excess of the level established by applicable legislation adapted to the risks inherent in its business and its operating environment. The goal is the continuous reinforcement of solvency as a basis for sustained growth and creating long-term value for shareholders.

To meet this objective, the Bank has a number of management processes and policies for managing own funds, the main guidelines of which are:

- The board of directors and senior management are actively involved in the strategies and policies affecting the Group's capital management.
- The Group's capital management is based on the following fundamental pillars:
  - Maintaining robust solvency ratios and adequate quality, consistent with the Bank's risk profile and business model.
  - Maximising return on capital and sustained value creation over time without losing focus on preserving the Bank's solvency and ensuring it adapts to its entity's risk profile, balancing solvency and profitability to maintain sounds ratios and capital composition.
- The capital management and monitoring function is independent from the areas in charge of managing, developing and maintaining risk measurement methodologies and the areas that validate, control and independently review the results.
- Internal ratings-based (IRB) approaches are used to measure risk and calculate the own fund requirements for certain credit portfolios, which have been validated and approved by the supervisor.

The Bank considers its eligible own funds and own funds requirements established by regulations as key elements of its management, which affect investment decisions, the analysis of the viability of transactions, the strategy for distributing profit or loss and issues by the Parent, subsidiaries and the Group, etc.

b) Minimum reserves ratio

At the end of the current and previous reporting period, and throughout the periods, the Bank met the minimum reserves ratio required by applicable legislation.

49. Equity investments in credit institutions

The following table presents the Bank's holdings in Spanish and foreign credit institutions or banks that exceed 5% of their share capital or voting rights:

	% ownership
Bankinter Consumer Finance, S.A., E.F.C	100
Bankinter Luxemburgo, S.A.	100
EVO Banco S.A.	100
Avantcard D.A.C	100

In accordance with article 20 of Royal Decree 1245/1995, of 14 July, regarding holdings of more than 5% of the share capital or voting rights of the Bank's financial institutions held by Spanish or foreign credit institutions or banks, as defined in article 4 of the Spanish Securities Market Act, including a Spanish or foreign credit institution, at 31 December 2022 and 2021 there was no institution or bank with a holding exceeded this percentage.

50 Information on the average period of payment to suppliers

In accordance with the resolution of the Spanish Accounting and Audit Institute (ICAC), of 29 January 2016, on the disclosures to be included in the notes to the financial statements regarding the average period of payment to suppliers in commercial transactions, the following information is provided:

	2022	2021
	Days	Days
Average period of payment to suppliers	9.64	15.35
Ratio of transactions paid	9.50	15.31
Ratio of transactions pending payment	35.32	27.41
Total payments made	**344,253**	**366,254**
Total payments outstanding	**1,943**	**1,257**

Additionally, Law 18/2022 stipulates that additional information must be included about the monetary volume and number of invoices paid within a shorter period than the maximum

timeframe (30 days), and the percentage of these invoices over the total. The breakdown is shown below:

Invoices paid within a shorter period than the maximum set by the regulations on non-performing loans	2022	2021
Number of invoices paid within less than 30 days	131,232	132,270
% invoices paid within less than 30 days	81%	72%
Amount of invoices paid within less than 30 days	316,640	327,591
% amount paid within less than 30 days	92%	89%

51 Events after the reporting period

Law 38/2022, which sets forth a temporary tax rate on credit institutions (Note 1), stipulates that this tax is a temporary payment for two years, from 1 January 2023 and 1 January 2024. This payment must be made within the first twenty calendar days of September of that year, without prejudice to the early payment of 50% of the amount, to be made within the first twenty days of February of that year. Bankinter, S.A has recognised in 2023, before these annual financial statements were drafted, the estimated amount for this tax (78 million euros).

On 6 February 2023, Bankinter issued perpetual securities potentially convertible into newly issued Bankinter shares in an amount of 300 million euros. The issue's value date was 15 February 2023. The securities are expected to register as additional tier 1 capital of Bankinter Group, according to the applicable capital adequacy regulations. This issue has similar characteristics to the preference shares in the 2022 year-end balance sheet.

These preference shares accrue a quarterly coupon of 7.375%. The Bank reserves the right, at its sole discretion, to cancel the payout of any accrued coupon at any time. As a contingent condition for the irrevocable and mandatory conversion of the preference shares into ordinary shares, the Common Equity Tier 1 (CET 1) ratio must fall below 5.125%. In this case, the holders of the preference share will receive a variable number of ordinary shares depending on the higher of i) the market price of the share at the time of conversion, ii) a floor price of 4.32036 euros, or iii) the par value of the ordinary shares (0.30 euros).

In accordance with the characteristics of the issue, the conversion into shares of the nominal amount of these instruments would occur if the CET1 ratio of the Bank's consolidated group were to fall below a certain level, in which case the issuer could not avoid delivery of a variable number of shares. Consequently, in accordance with IAS 32, the principal amount of the instruments issued will be classified as a financial liability. The Group has the power to decide on the coupon payout and, for this reason, the coupon has been considered a component of equity, as per IAS 32.

Appendix I - Related party transactions

Most significant balances with related parties and the impact of related party transactions on the income statement:

Expenses and revenue					Thousands of euros
					2022
	Significant shareholders	Directors and managers	Group employees, companies and entities	Other related parties	Total
Finance costs	-	-	58,263	177	58,440
Services received			194,692		194,692
Other expenses			10,939		10,939
Total	**-**	**-**	**263,894**	**177**	**264,071**
Finance income (*)	-	42	53,117	722	53,881
Dividends received		-	48,681	33,313	81,994
Services rendered		-	9,849	2,383	12,232
Other income	-	-	47,442	45,591	93,034
Total	**-**	**42**	**159,089**	**82,009**	**241,140**

(*) Finance income relates to interest accrued in the period calculated using amounts drawn down under financing agreements.

Balances on the reporting date					Thousands of euros
					2022
	Significant shareholders	Directors and managers	Group employees, companies and entities	Other related parties	Total
Trade receivables	-	-	1,427	-	1,427
Loans and credit given		6,408	6,529,733	126,426	6,662,567
Other receivables	-	-	45,805	-	45,805
TOTAL RECEIVABLES	**-**	**6,408**	**6,576,964**	**126,426**	**6,709,798**
Trade payables	-	-	13,031	-	13,031
Loans and credit received	-	7,822	3,423,558	205,590	3,636,970
Other payment obligations	-	-	3,725	-	3,725
TOTAL PAYABLES	**-**	**7,822**	**3,440,313**	**205,590**	**3,653,726**

Expenses and revenue

Thousands of euros

2021

	Significant shareholders	Directors and managers	Group employees, companies and entities	Other related parties	Total
Finance costs	-	-	52,833	94	52,927
Services received			180,520		180,520
Other expenses			6,485		6,485
Total	**-**	**-**	**239,838**	**94**	**239,932**
Finance income (*)	-	10	41,548	211	41,769
Dividends received		-	5,239	25,661	30,899
Services rendered		-	9,099	2,320	11,419
Other income	-	-	41,528	58,514	100,042
Total	**-**	**10**	**97,414**	**86,705**	**184,129**

(*) Finance income relates to interest accrued in the period calculated using amounts drawn down under financing agreements.

Balances on the reporting date

Thousands of euros

2021

	Significant shareholders	Directors and managers	Group employees, companies and entities	Other related parties	Total
Trade receivables	-	-	1,465	-	1,465
Loans and credit given		6,133	4,371,759	23,063	4,400,955
Other receivables	-	-	75,858	-	75,858
TOTAL RECEIVABLES	**-**	**6,133**	**4,449,082**	**23,063**	**4,478,278**
Trade payables			13,714		13,714
Loans and credit received	-	11,286	4,801,999	331,344	5,144,629
Other payment obligations	-	-	3,751	-	3,751
TOTAL PAYABLES	**-**	**11,286**	**4,819,465**	**331,344**	**5,162,094**

Appendix II Consolidated financial statements
Consolidated balance sheet and income statement
BANKINTER GROUP. Consolidated balance sheets at 31 December 2022 and 2021

(Thousands of euros)

ASSETS	Note	31.12.2022	31.12.2021(*)
Cash, cash balances at central banks and other demand deposits	**6**	**13,351,217**	**22,373,090**
Financial assets held for trading	**7**	**4,055,770**	**4,038,256**
Derivatives		1,181,732	342,071
Equity instruments		164,756	197,862
Debt securities		974,684	1,246,748
Loans and advances		1,734,598	2,251,575
Central banks		-	-
Credit institutions		1,320,483	2,251,575
Customers		414,115	-
Memorandum items: loaned or pledged		524,832	667,722
Non-trading financial assets mandatorily at fair value through profit or loss	**8**	**161,397**	**131,316**
Equity instruments		160,047	130,328
Debt securities		884	738
Loans and advances		466	250
Central banks		-	-
Credit institutions		-	-
Customers		466	250
Memorandum items: loaned or pledged		-	-
Financial assets designated at fair value through profit or loss		**-**	**-**
Debt securities		-	-
Loans and advances		**-**	**-**
Central banks		**-**	**-**
Credit institutions		**-**	**-**
Customers		**-**	**-**
Memorandum items: loaned or pledged		**-**	**-**
Financial assets at fair value through other comprehensive income	**9**	**2,810,920**	**2,751,517**
Equity instruments		195,617	304,893
Debt securities		2,615,303	2,446,624
Loans and advances		-	-
Central banks		-	
Credit institutions		-	-
Customers		-	-
Memorandum items: loaned or pledged		618,859	868,516
Financial assets at amortised cost	**10**	**84,862,782**	**76,285,363**
Debt securities		9,352,619	7,595,987
Loans and advances		75,510,163	68,689,376
Central banks		**-**	**-**
Credit institutions		3,758,565	2,407,309
Customers		71,751,598	66,282,067
Memorandum items: loaned or pledged		9,285,766	7,095,267
Derivatives – hedge accounting	**11**	**1,128,474**	**170,077**
Fair value changes of the hedged items in portfolio hedge of interest rate risk		**(648,517)**	**46,124**
Investments in joint ventures and associates	**13**	**178,203**	**169,971**
Joint ventures		118,243	91,329
Associates		59,960	78,642
Assets under reinsurance and insurance contracts		**-**	**-**
Tangible assets	**14,15**	**447,853**	**450,436**
Property, plant and equipment		447,853	450,436
For own use		438,915	441,728
Leased out under an operating lease		8,938	8,708
Assigned to welfare projects (savings banks and credit cooperatives)		-	-
Investment property		-	-
Of which: Leased out under operating leases		-	-
Memorandum items: Acquired under finance leases		135,048	130,740
Intangible assets	**16**	**278,940**	**269,685**
Goodwill		2,276	2,276
Other intangible assets		276,664	267,409
Tax assets	**17**	**460,241**	**638,444**
Current tax assets		195,412	364,636
Deferred tax assets		264,829	273,808
Other assets	**18**	**156,758**	**153,645**
Insurance contracts linked to pensions		-	
Inventories		-	-
Other assets		156,758	153,645
Non-current assets and disposal groups classified as held for sale	**12**	**262,994**	**106,184**
TOTAL ASSETS		**107,507,032**	**107,584,108**

(*) Presented for comparison purposes only. Presented under the financial statements format in force at the date shown.

Appendix II
Consolidated balance sheet and income statement
BANKINTER GROUP. Consolidated balance sheets at 31 December 2022 and 2021

(Thousands of euros)

EQUITY AND LIABILITIES	Note	31.12.2022	31.12.2021(*)
LIABILITIES		102,602,060	102,731,948
Financial liabilities held for trading	7	3,347,198	3,696,496
Derivatives		1,140,068	438,795
Short positions		918,983	1,472,331
Deposits		1,288,147	1,785,370
Central banks		-	-
Credit institutions		-	245,677
Customers		1,288,147	1,539,693
Debt securities issued		-	-
Other financial liabilities		-	
Financial liabilities designated at fair value through profit or loss		-	-
Deposits		-	
Central banks		-	-
Credit institutions		-	-
Customers		-	-
Debt securities issued		-	-
Other financial liabilities		-	-
Memorandum items: subordinated liabilities		-	-
Financial liabilities at amortised cost	19	97,817,081	97,809,974
Deposits		87,965,731	87,995,644
Central banks		11,699,869	14,190,714
Credit institutions		3,363,826	3,026,174
Customers		72,902,036	70,778,756
Debt securities issued		6,433,093	7,689,865
Other financial liabilities		3,418,257	2,124,465
Memorandum items: subordinated liabilities		1,080,928	1,693,190
Derivatives – hedge accounting	11	625,125	275,264
Fair value changes of the hedged items in portfolio hedge of interest rate risk		(203,914)	1,957
Liabilities under reinsurance and insurance contracts		-	-
Provisions	20	376,159	419,911
Pensions and other post-employment defined benefit obligations		1,293	1,669
Other long-term employee benefits		-	
Pending legal issues and tax litigation		122,755	136,609
Commitments and guarantees given		39,143	38,216
Other provisions		212,968	243,417
Tax liabilities	17	291,132	254,543
Current tax liabilities		231,932	139,054
Deferred tax liabilities		59,200	115,489
Share capital repayable on demand		-	-
Other liabilities	18	349,279	273,803
Of which: welfare fund (savings banks and credit cooperatives only)		-	-
Liabilities included in disposal groups classified as held for sale		-	-
TOTAL LIABILITIES		102,602,060	102,731,948

(*) Presented for comparison purposes only. Presented under the financial statements format in force at the date shown.

Appendix II - Consolidated balance sheet and income statement

BANKINTER GROUP. Consolidated balance sheets at 31 December 2022 and 2021

(Thousands of euros)

LIABILITIES AND EQUITY (continued)	Note	31.12.2022	31.12.2021(*)
Shareholders' equity		**5,034,000**	**4,736,621**
Capital	**21**	**269,660**	**269,660**
a) Paid up capital		269,660	269,660
b) Unpaid capital which has been called up		-	-
Memorandum items: uncalled share capital		-	-
Share premium	**21**	**-**	**-**
Equity instruments issued other than capital		**-**	**-**
a) Equity component of compound financial instruments		-	-
b) Other equity instruments issued		-	-
Other equity		**11,905**	**6,163**
Retained earnings	**21**	**4,406,753**	**3,306,854**
Revaluation reserves	**21**	**-**	**-**
Other reserves	**21**	**(13,290)**	**(12,093)**
Reserves or accumulated losses of investments in joint ventures and associates		**(13,290)**	**(12,093)**
Other		**-**	-
(-) Treasury shares		**(1,393)**	**(1,025)**
Profit or loss attributable to owners of the parent		**560,203**	**1,333,108**
(-) Interim dividends		**(199,838)**	**(166,046)**
Accumulated other comprehensive income	**22**	**(129,028)**	**115,539**
Items that will not be reclassified to profit or loss		**(47,171)**	**57,602**
a) Actuarial gains or (-) losses on defined benefit pension plans		6,135	3,272
b) Non-current assets and disposal groups classified as held for sale		-	-
c) Share of other recognised income and expense of investments in joint ventures and associates		-	-
d) Fair value changes of equity instruments measured at fair value through other comprehensive income	**9**	(53,306)	54,330
e) Hedge ineffectiveness of fair value hedges for equity instruments measured at fair value through other comprehensive income		-	
Fair value changes of equity instruments measured at fair value through other comprehensive income [hedged item]		-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income [hedging instrument]		-	-
f) Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk		-	-
Items that may be reclassified to profit or loss		**(81,857)**	**57,937**
a) Hedge of net investments in foreign operations [effective portion]		-	-
b) Foreign currency translation		-	-
c) Hedging derivatives. Cash flow hedges [effective portion]		4,434	(452)
d) Fair value changes of debt instruments measured at fair value through other comprehensive income	**9**	(71,776)	53,951
e) Hedging instruments [not designated elements]		-	
f) Non-current assets and disposal groups classified as held for sale		-	-
g) Share of other recognised income and expense of investments in joint ventures and associates		(14,515)	4,438
Minority interests [non-controlling interests]		**-**	**-**
Accumulated other comprehensive income		-	
Other items		-	-
TOTAL EQUITY		**4,904,972**	**4,852,160**
TOTAL EQUITY AND LIABILITIES		**107,507,032**	**107,584,108**
MEMORANDUM ITEMS: OFF-BALANCE-SHEET EXPOSURES			
Loan commitments given	**24**	16,370,121	15,963,920
Financial guarantees given	**24**	1,976,956	1,676,285
Other commitments given	**24**	9,682,797	8,405,185

(*) Presented for comparison purposes only. Presented under the financial statements format in force at the date shown.

Appendix II - Consolidated balance sheet and income statement

BANKINTER GROUP. Consolidated income statement for the years ended 31 December 2022 and 2021

(Thousands of euros)

	Note	(Debit)/Credit 31.12.2022	(Debit)/Credit 31.12.2021(*)
Interest income	29	1,767,606	1,446,347
Financial assets at fair value through other comprehensive income		50,749	58,164
Financial assets at amortised cost		1,650,888	1,273,523
Other interest income		65,969	114,660
Interest expenses	29	(230,884)	(171,069)
Expenses on share capital repayable on demand		-	-
A) NET INTEREST INCOME		**1,536,722**	**1,275,278**
Dividend income		17,960	20,611
Share of the profit or loss of entities accounted for using the equity method	21	36,600	33,368
Fee and commission income	28	789,379	787,772
Fee and commission expenses	28	(183,287)	(184,313)
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	30	38,182	36,073
Financial assets at amortised cost		34,403	32,134
Other financial assets and liabilities		3,779	3,939
Gains or losses on financial assets and liabilities held for trading, net	30	26,251	16,559
Reclassification of financial assets out of fair value through other comprehensive income		-	-
Reclassification of financial assets out of amortised cost		-	-
Other gains or losses		26,251	16,559
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss, net	30	14,079	19,401
Reclassification of financial assets out of fair value through other comprehensive income		-	-
Reclassification of financial assets out of amortised cost		-	-
Other gains or losses		14,079	19,401
Gains or losses on financial assets and liabilities designated at fair value through profit or loss, net		-	-
Gains or losses from hedge accounting, net	30	(109)	12
Exchange differences [gain or loss], net	31	(7,611)	2,254
Other operating income	33	30,734	28,556
Other operating expenses	33	(214,598)	(180,244)
Of which: compulsory transfers to welfare funds (only savings banks and credit cooperatives)		-	-
Income from assets under insurance and reinsurance contracts	33	-	-
Expenses from liabilities under insurance and reinsurance contracts	33	-	-
B) GROSS OPERATING INCOME		**2,084,302**	**1,855,327**
Administrative expenses		(837,950)	(775,417)
a) Staff expenses	27	(508,859)	(472,786)
b) Other administrative expenses	32	(329,091)	(302,631)
Redemption	14/15/16	(80,088)	(77,787)
Provisions or reversal or provisions	20	(107,017)	(182,835)
Impairment or reversal of impairment and gains or losses on modifications of cash flows of financial assets not measured at fair value through profit or loss or modification gains or losses, net		(253,018)	(263,071)
a) Financial assets at fair value through other comprehensive income	9	(80)	166
b) Financial assets at amortised cost	10	(252,938)	(263,237)
Impairment or reversal of impairment of investments in joint ventures and associates		-	-
Impairment or reversal of impairment on non-financial assets		(9,192)	(7,185)
Tangible assets		(56)	(1,142)
Intangible assets	16	(9,136)	(6,046)
Other		-	3
Gains or losses on derecognition of non-financial assets	34	(1,313)	(742)
Negative goodwill recognised in profit or loss	13	-	-
Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	34	(10,687)	(11,581)
C) PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS		**785,037**	**536,709**
Tax expense or income related to profit or loss from continuing operations	42	(224,834)	(139,276)
D) PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS		**560,203**	**397,433**
Profit or loss after tax from discontinued operations	13	-	935,675
E) PROFIT OR LOSS FOR THE PERIOD		**560,203**	**1,333,108**
Attributable to minority interests (non-controlling interests)		-	-
Attributable to the owners of the parent		560,203	1,333,108
EARNINGS PER SHARE:			
Basic	21	0.62	1.49
Diluted	21	0.61	1.46

The accompanying notes 1 to 51 and appendices I, II and III attached hereto form an integral part of the balance sheet as at 31 December 2022

(*) Presented for comparison purposes only.

Appendix II - Banking Group consolidated statement of recognised income and expense for the years ended 31 December 2022 and 2021

(Thousands of euros)

	Note	31.12.2022	31.12.2021(*)
A) PROFIT OR LOSS FOR THE PERIOD		**560,203**	**1,333,108**
B) OTHER COMPREHENSIVE INCOME		**(244,567)**	**(32,564)**
Items that will not be reclassified to profit or loss		**(104,774)**	**51,403**
a) Actuarial gains or (-) losses on defined benefit pension plans		4,060	6,029
b) Non-current assets and disposal groups held for sale		-	(9,567)
c) Share of other recognised income and expense of investments in joint ventures and associates		-	-
d) Fair value changes of equity instruments measured at fair value through other comprehensive income	9	(109,276)	52,875
e) Gains or (-) losses from hedge accounting of equity instruments at fair value through other comprehensive income, net		-	-
f) Fair value changes of equity instruments measured at fair value through other comprehensive income (hedged item)		-	-
g) Fair value changes of equity instruments measured at fair value through other comprehensive income (hedging instrument)		-	-
h) Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk		-	-
i) Income tax relating to items that will not be reclassified		442	2,066
Items that may be reclassified to profit or loss		**(139,793)**	**(83,967)**
a) Hedge of net investments in foreign operations [effective portion]		**-**	**-**
Valuation gains or (-) losses taken to equity		-	-
Transferred to profit or loss		-	-
Other reclassifications		-	-
b) Foreign currency translation		**-**	**-**
Translation gains or (-) losses taken to equity		-	-
Transferred to profit or loss		-	-
Other reclassifications		-	-
c) Cash flow hedges [effective portion]		**6,981**	**727**
Valuation gains or (-) losses taken to equity		6,981	727
Transferred to profit or loss		-	-
Transferred to initial carrying amount of hedged items		-	-
Other reclassifications		-	-
d) Hedging instruments [not designated elements]		**-**	**-**
Valuation gains or (-) losses taken to equity		-	-
Transferred to profit or loss		-	-
Other reclassifications		-	-
e) Debt instruments at fair value through other comprehensive income	9	**(179,611)**	**(65,365)**
Valuation gains or (-) losses taken to equity		(177,545)	(61,544)
Transferred to profit or loss		(2,066)	(3,821)
Other reclassifications	13	-	-
f) Non-current assets and disposal groups held for sale		**-**	**(50,067)**
Valuation gains or (-) losses taken to equity		-	(50,067)
Transferred to profit or loss		-	
Other reclassifications	13	-	-
g) Share of other recognised income and expense of investments in joint ventures and associates		**(18,952)**	**(1,166)**
h) Income tax relating to items that may be reclassified to profit or (-) loss		**51,789**	**31,904**
C) TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**315,636**	**1,300,544**
Attributable to minority interests (non-controlling interests)		-	-
Attributable to the owners of the parent		315,636	1,300,544

The accompanying notes 1 to 51 and appendices I, II and III attached hereto form an integral part of the balance sheet as at 31 December 2022

(*) Presented for comparison purposes only.

Appendix II - Bankinter Group consolidated statement of total changes in equity for the years ended 31 December 2022 and 2021

(Thousands of euros)

												Minority interests		
	Capital	Share premium	Equity instruments issued other than capital	Other equity	Retained earnings	Revaluation reserves	Other reserves (-) Treasury shares		Profit or loss attributable to owners of the parent	(-) Interim dividends	Accumulated other comprehensive income	Accumulated other comprehensive income	Other items	Total
Closing balance at 31.12.2021	**269,660**	**-**	**-**	**6,163**	**3,306,854**	**-**	**(12,093)**	**(1,025)**	**1,333,108**	**(166,046)**	**115,539**	**-**	**-**	**4,852,160**
Effects of correction of errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance 01/01/2022	**269,660**	**-**	**-**	**6,163**	**3,306,854**	**-**	**(12,093)**	**(1,025)**	**1,333,108**	**(166,046)**	**115,539**	**-**	**-**	**4,852,160**
Total comprehensive income for the period	-	-	-	-	-	-	-	-	560,203	-	(244,567)	-	-	315,636
Other changes in equity	**-**	**-**	**-**	**5,742**	**1,099,899**	**-**	**(1,197)**	**(368)**	**(1,333,108)**	**(33,792)**	**-**	**-**	**-**	**(262,824)**
Issuance of ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of preference shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exercise or expiration of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital reduction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends (or remuneration to shareholders)	-	-	-	-	-	-	-	-	-	(252,480)	-	-	-	(252,480)
Purchase of treasury shares	-	-	-	-	(145)	-	-	(84,469)	-	-	-	-	-	(84,614)
Sale or cancellation of treasury shares	-	-	-	-	-	-	-	84,101	-	-	-	-	-	84,101
Reclassification of financial instruments from equity to liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liability to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers among components of equity	-	-	-	-	1,114,420	-	-	-	(1,333,108)	218,688	-	-	-	-
Equity increase or (-) decrease resulting from business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	5,742	-	-	-	-	-	-	-	-	-	5,742
Other increases or (-) decreases in equity	-	-	-	-	(14,376)	-	(1,197)	-	-	-	-	-	-	(15,573)
Of which: discretionary transfer to welfare funds (only savings banks and credit cooperatives)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance at 31/12/2022	**269,660**	**-**	**-**	**11,905**	**4,406,753**	**-**	**(13,290)**	**(1,393)**	**560,203**	**(199,838)**	**(129,028)**	**-**	**-**	**4,904,972**

The accompanying notes 1 to 51 and appendices I, II and III attached hereto form an integral part of the balance sheet as at 31 December 2022

												Minority interests			
	Capital	Share premium	Equity instruments issued other than capital	Other equity	Retained earnings	Revaluation reserves	Other reserves (-) Treasury shares		Profit or loss attributable to owners of the parent	(-) Interim dividends	Accumulated other comprehensive income	Accumulated other comprehensive income	Other items	Total
Closing balance at 31.12.2020(*)	**269,660**	**1,184,265**	**-**	**7,482**	**3,051,137**	**4,806**	**(14,778)**	**(3,641)**	**317,123**	**-**	**148,103**	**-**	**-**	**4,964,157**
Effects of correction of errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance 01.01.2021	**269,660**	**1,184,265**	**-**	**7,482**	**3,051,137**	**4,806**	**(14,778)**	**(3,641)**	**317,123**	**-**	**148,103**	**-**	**-**	**4,964,157**
Total comprehensive income for the period	-	-	-	-	-	-	-	-	1,333,108	-	(32,564)	-	-	1,300,544
Other changes in equity	**-**	**(1,184,265)**	**-**	**(1,319)**	**255,717**	**(4,806)**	**2,685**	**2,616**	**(317,123)**	**(166,046)**	**-**	**-**	**-**	**(1,412,541)**
Issuance of ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of preference shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exercise or expiration of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital reduction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends (or remuneration to shareholders)	-	(1,184,265)	-	-	-	-	-	-	-	(210,769)	-	-	-	(1,395,034)
Purchase of treasury shares	-	-	-	-	733	-	-	(48,836)	-	-	-	-	-	(48,103)
Sale or cancellation of treasury shares	-	-	-	-	-	-	-	51,452	-	-	-	-	-	51,452
Reclassification of financial instruments from equity to liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liability to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers among components of equity	-	-	-	-	272,400	-	-	-	(317,123)	44,723	-	-	-	-
Equity increase or (-) decrease resulting from business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	(1,319)	-	-	-	-	-	-	-	-	-	(1,319)
Other increases or (-) decreases in equity	-	-	-	-	(17,416)	(4,806)	2,685	-	-	-	-	-	-	(19,537)
Of which: discretionary transfer to welfare funds (only savings banks and credit cooperatives)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance at 31.12.2021(*)	**269,660**	**-**	**-**	**6,163**	**3,306,854**	**-**	**(12,093)**	**(1,025)**	**1,333,108**	**(166,046)**	**115,539**	**-**	**-**	**4,852,160**

(*) Presented for comparison purposes only.

Appendix II - Banking Group consolidated statement of cash flows for the years ended 31 December 2022 and 2021

(Thousands of euros)

	Note	31.12.2022	31.12.2021(*)
A) CASH FLOWS FROM OPERATING ACTIVITIES		(8,034,976)	7,050,834
Profit or loss for the period		560,203	1,333,108
Adjustments to obtain cash flows from operating activities	14/15/16	698,795	(182,434)
Redemption		80,088	77,787
Other adjustments		618,707	(260,221)
Net increase/(decrease) in operating assets		9,405,758	5,615,322
Financial assets held for trading		17,514	1,879,514
Non-trading financial assets mandatorily at fair value through profit or loss		29,864	11,511
Financial assets designated at fair value through profit or loss		-	-
Financial assets at fair value through other comprehensive income		392,816	(140,270)
Financial assets at amortised cost		8,182,913	3,599,962
Other operating assets		782,651	264,605
Net increase/(decrease) in operating liabilities		59,516	11,877,918
Financial liabilities held for trading		(349,298)	2,314,196
Financial liabilities designated at fair value through profit or loss		-	-
Financial liabilities at amortised cost		295,483	9,971,341
Other operating liabilities		113,331	(407,619)
Income tax recovered/(paid)		52,268	(362,436)
B) CASH FLOWS FROM INVESTING ACTIVITIES		(234,051)	(63,908)
Payments		(287,478)	(121,156)
Tangible assets		(18,838)	(18,304)
Intangible assets		(53,412)	(49,019)
Investments in joint ventures and associates		-	-
Subsidiaries and other business units	13	(27,081)	(53,833)
Non-current assets and liabilities classified as held for sale		(188,147)	-
Other payments related to investing activities		-	-
Proceeds		53,427	57,248
Tangible assets		4,880	7,685
Intangible assets		2,334	-
Investments in joint ventures and associates	13	2,166	-
Subsidiaries and other business units		-	
Non-current assets and liabilities classified as held for sale		44,047	49,563
Other proceeds related to investing activities	13	-	-
C) CASH FLOWS FROM FINANCING ACTIVITIES		(752,846)	341,847
Payments		(836,948)	(459,605)
Dividends		(252,479)	(210,769)
Subordinated liabilities	19	(500,000)	(200,000)
Redemption of own equity instruments		-	
Acquisition of own equity instruments		(84,469)	(48,836)
Other payments related to financing activities		-	-
Proceeds		84,102	801,452
Subordinated liabilities	19	-	750,000
Issuance of own equity instruments		-	-
Disposal of own equity instruments		84,102	51,452
Other proceeds related to financing activities		-	
D) EFFECT OF EXCHANGE RATE CHANGES		-	-
E) NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)		(9,021,873)	7,328,773
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	6	22,373,090	15,044,317
G) CASH AND CASH EQUIVALENTS AT END OF PERIOD	6	13,351,217	22,373,090
Of which: Interest received		1,692,647	1,317,773
Of which: Interest paid		260,396	198,439

(*) Presented for comparison purposes only.

The accompanying notes 1 to 51 and appendices I, II and III attached hereto form an integral part of the balance sheet as at 31 December 2022

Appendix III. Annual Banking Report

This information has been prepared in compliance with the article 87 and transitional provision twelve of Law 10/2014, of June 26, additional provision twelve of Law 10/2014, of 26 June, on the organisation, supervision and capital adequacy of credit institutions, published in the Spanish Official State Gazette on 27 June 2014, which transposes article 89 of Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC (CRD IV) and repealing Directives 2006/48/EC and 2006/49/EC.

a) Name(s), nature of activities and geographical location

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

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

In addition to the activities it directly carries out, the Bank is the parent company of a group of subsidiaries that are dedicated to various activities (essentially banking services, investment services asset management and credit cards) and which constitute, together with the Bank, the Bankinter Group. As a result, the Bank is obliged to prepare, in addition to its own separate financial statements, the Group's consolidated financial statements, including investments in joint ventures and associates.

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

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

b) Turnover

This section presents information on turnover by country on a consolidated basis. Turnover is considered to be gross operating income, as presented in the Group's consolidated income statement at year-end 2022:

	Figures at 31 December 2022
	Turnover (in thousands of euros)
Spain	1,793,602
Luxembourg	20,293
Portugal	190,728
Ireland	79,678
Total	2,084,301

c) Number of employees on a full-time equivalent basis

Full-time employees per country at year-end 2022:

	Figures at 31 December 2022
	No. of employees
Spain	5,327
Luxembourg	39
Portugal	780
Ireland	273
Total	6,419

d) Gross profit or loss before tax

This item shows gross profit before tax on a consolidated basis.

	Figures at 31 December 2022
	Gross profit or loss (in millions of euros)
Spain	675,521
Luxembourg	9,853
Portugal	77,517
Ireland	22,147
Total	785,037

e) Tax on profit or loss

This item shows tax on profit or loss on a consolidated basis.

	Figures at 31 December 2022
	Income tax (in millions of euros)
Spain	201,475
Luxembourg	-
Portugal	20,573
Ireland	2,786
Total	224,835

f) Public subsidies received

Neither Bankinter, S.A. nor any Group company have received any public subsidies.

g) Return on assets.

As set forth in Law 10/2014, of 26 June, the return on the Group's assets, calculated by dividing net profit by total assets at 31 December 2022, was 1.24%, including the profit or loss from discontinued operations.

Management report for the year ended 31 December 2022

1. Performance of the Group in the period

Bankinter, S.A. obtained a net profit in 2022 of 456 million euros (2021: 1,371 million euros), including the gain on the Línea Directa transaction. Net interest income rose 21.1% to 1.150 million euros. Dividend income rose by 97.7%. Net fees and commissions dropped by 7.9% or 39.1 million euros to 453 million euros. Administrative expenses rose by 8%. Impairment losses decreased by 12.7 million euros to 131,2 million euros at year end.

Bankinter, S.A. reported a drop of 1.7% in assets, of 7.6% in loans and advances to customers and of 245% in derivatives. Customer deposits went up by 3.4%.

Bankinter, S.A. is the parent company of a group of subsidiaries and associates, which operate mainly in the banking and securities sectors. Management of the parent company is management of the Group. Accordingly, the management report of the consolidated group, of which Bankinter, S.A. is the parent, is included.

1.1 Corporate activity

Note 13 "Business combinations, investments in joint ventures and associates" of the annual financial statements describes the Group's structure: main subsidiaries and associates, percentages of direct and indirect participation, activity, main economic data, among other information of interest. Also disclosed are the Group's consolidated and unconsolidated structured entities, investment funds, pension funds and SICAVs managed by the Group.

The most significant changes in the Group's scope of consolidation arising during the year are shown below:

- In 2022, Bankinter and Liberty Seguros reached an agreement to jointly carry out their insurance businesses through **Bankinter Liberty Hogar y Auto, S.A.**, whose main focus will be marketing car and homeowners' insurance products and services. With this transaction, which is subject to securing the pertinent authorisations from regulators, Liberty will acquire 50.01% of Bankinter Hogar y Auto, S.A. from Bankinter and Bankinter will retain the remaining 49.99%. The products' design and development will benefit from Liberty Seguros' expertise, and they will be distributed exclusively through Bankinter's online and offline retail networks in Spain and Portugal, including EVO Banco, Bankinter Group's fully digital bank. At the end of the reporting period, the regulatory authorisations required to execute this agreement were still being processed.
- In the first half of the year, Bankinter, S.A. set up a wholly subsidiary, **Bankinter Investment, S.A.U.** Bankinter, S.A. has spun off to Bankinter Investment S.A.U. the assets and liabilities of the economic unit that the investment banking business had been running, until now, essentially: i) origination and structuring of alternative investment operations; ii) advice on corporate operations (mainly M&A) and; iii) advice on structured and alternative financing operations.
- **Bankinter Investment SGEIC**, alternative investment fund management firm subordinate to Bankinter Investment, S.A.U., was also incorporated. This firm aims to make progress in alternative investing options. It offers alternative investing under delegated management, tailored to each customer's profile and striving for appropriate investment diversification. Under the new, recently approved regulatory framework (Law 18/2022, of 28 September, on creating and growing businesses), this alternative investment platform, through the management firm, will be available for investments from 10,000 euros. The firm will keep the Bank's model: investments in real-economy sectors selected for their potential for growth, search for the best professional management for each investment type, close tracking of all investments to protect the interests of investors, and co-investment of Bankinter Investment S.A.U. and its expert sectoral partners, and other investors.
- **Bankinter International Notes S.à r.l.**, a wholly owned Bankinter Group subsidiary located in Luxembourg, began operations during the year. It was set up for the issuance of structured bonds, which are marketed by the Bankinter, S.A. parent.
- At the end of the reporting period, Bankinter Group, through its subsidiary engaged in consumer lending (Bankinter Consumer Finance, E.F.C.), was at an advanced stage of negotiation with Sonae SGPS, S.A. to create a joint venture to become leaders in consumer lending in Portugal. This partnership will rely on the combination of the current consumer businesses held by bother partners in Portugal.

The most significant changes in 2021 were:

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

  The impact of this distribution on "Profit or loss for the year" amounted to 895,732 million euros (910,797 million euros before tax), recognised under "Profit or (-) loss after tax from discontinued operations" in the consolidated income statement.

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

  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 Results

At 31 December 2022, Bankinter Group reached a pre-tax profit of 785 million euros, up by 46.3% on the previous year. The net profit amounted to 560.2 million euros, up by 28.1% even though 2021 still included four months of income from the insurance company; the comparison did not include the gains generated by Línea Directa's IPO that year.

Consequently, the Bank has reached the profit targets for 2023 one year earlier, and exceeded the results before the pandemic and the Línea Directa spin-off. This performance derives from a substantial improvement of all margins, as a consequence of greater commercial boost and the ability to attract business that has led the Bank to grow across all lines, customer segments and geographies.

The ratios and indicators are in line with this business strength. RoE (return on equity) is 12% versus 9.6% in 2021, and without including Línea Directa's extraordinary gains; ROTE of 12.7%. Cost-to-income ratio improved to 44%, or 40.5% in Spain. These figures are among the best in the sector in Europe.

As for solvency, the CET1 fully-loaded capital ratio increased to 12%, much higher than the minimum requirement set by the ECB for Bankinter for the whole of 2023 (7.726%, as in the previous year).

At the same time, Bankinter keeps its NPL ratio under control, despite worse macroeconomic conditions: the ratio is down to 2.10% versus 2.24% in 2021, and the cover rose to 66.3% from 63.6% in 2021. As for liquidity, Bankinter maintains a negative commercial funding gap since it has a higher volume of deposits than credit, 102.8%. Also, the Bank has no wholesale issues maturing this year. Special mention must be made of the performance of BKT shares, which went up in value by 39% and guaranteed a total return for shareholders, including dividends, of 45%.

Thanks to a well defined, strategic, consistent focus, a solid reputational position and the greater boost of the commercial network, all businesses, products and geographies have seen major growth.

In corporate banking, contributing 33% of the Bank's gross operating income, loans and receivables have gone up by 9.3% on 2021, with new business going up by 28% in one year. Corporate loans and receivables in Spain have gone up by 8.2% versus the sector (1.8%), according to Banco de España figures through to November. This means that Bankinter has increased its market share and has remained by its customers' side, financing their corporate operations in a pressured environment. The support given to companies in their foreign operations, with new services and increasingly specialised teams, has translated into 25% growth in the investment in corporate international business, to 8,000 million euros. Bankinter's relationship with its corporate customers keeps getting stronger, as shown by the greater importance of transactional business, with net interest margin up by 48% on 2021.

As for commercial or individual banking, assets under management have gone up among the higher profiles, such as private banking and retail banking. The assets for the first segment amount to 51,100 million euros (2021: 49,900 million euros), even though a market effect has had a negative impact of 3,300 million euros on the value of these assets. Bankinter has raised more than 4,000 million euros in new equity.

In retail banking, the assets under management reached 41,400 million euros (2021: 39,700 million euros), in spite of a negative market effect of 1,500 million euros. Bankinter has raised 3,400 million euros in new equity in 2022 for this segment.

The main hook for commercial retail banking customers was the salary account, the only account of this type with the same advantageous terms as when it was launched over 10 years ago. The portfolio of salary accounts amounted to 16,700 million euros, 2.7 times the volume of 2017, five years ago.

As for mortgage lending, the portfolio accounted for 33,700 million euros. Growth in the mortgage loan book in Spain was 2.8%, compared to the sector average of 0.4% according to Banco de España figures. New loans, including all geographies and EVO, amounted to 6,700 million euros in 2022, up by 13% on 2021, and a 6.7% market share in new transactions.

Mention should be made of investment banking and, specifically, alternative investment, by the subsidiary Bankinter Investment. The institution launched 19 investment vehicles to date, with an invested capital of more than 4,000 million euros. This business generated a gross operating income of 154 million euros in the year, and will start 2023 with a new growth journey after the launch of the new alternative investing management firm, for retail customers to access these assets.

The countries where Bankinter operates had a very positive performance. This is the case of Portugal, where the volume of assets under management has not stopped growing since Bankinter arrived in the country. This business, including funds, on and off balance sheet and investment, amounts to 18,200 million euros (2017: 11,400 million euros). In 2022, investments went up by 15% to 8,000 million euros, and customer funds have gone up by 9% to 6,400 million euros. Bankinter Portugal's income statement features very relevant data, derived from a 35% growth of the net interest income, 25% growth of the gross operating income, and 47% growth of the pre-provision profit. All amounting to a pre-tax profit of 78 million euros, up by 54% on 2021.

Business in Ireland has shown excellent performance in mortgage loans, with a clear impact on the gross operating income. Loans and receivables of Avant Money (Bankinter's brand in Ireland) amounted to 2,300 million euros, 132% more than in 2021. Of this volume, 1,600 million refer to mortgage loans, three times the book in 2021, with an NPL ratio of just 0.4%. Avant Money ended 2022 with a gross operating income of 80 million euros, up 34% on 2021.

Bankinter Consumer Finance, the Bank's subsidiary when Ireland's figures are consolidated, has also performed positively. Loans and receivables amount to 5,500 million euros, 1,600 million of which are mortgages loans in Ireland and the rest consumer business: 2,600 million euros in loans and the rest in card business. EVO Banco's investment figures show that the subsidiary's new strategy is being welcomed by digital customers. New mortgage loans signed in 2022 amounted to 984 million euros, up by 35% on 2021, 98% of which are fixed-rate mortgages thanks to one of the most competitive offers on the market. Loans and receivables rose 45% to 2,700 million euros. Gross operating income totalled 37 million euros at 2022in 2022, up by 55% on 2021.

Finally, some data on sustainability: Environmental, Social and Governance. Environmentally, the Bank has kept progress in the decarbonisation process of its corporate portfolio and will be adding the mortgage portfolio to this roadmap. Also, sustainable business has kept its upward pace, including more than 1,600 million euros in sustainable finance for companies and the increase in its own ESG investment funds and pension plans, which have gone over 1 billion euros for the first time. As for the social and governance aspects, mention should be made of the data on digital accessibility on the Bank's websites and app, its commitment to employment and the full compliance with the good governance recommendations.

Comparative results for 2022 and 2021:

	31.12.2022	31.12.2021	Change	
BANKINTER GROUP	**Amount**	**Amount**	**Amount**	**%**
Interest and similar income	1,767,606	1,446,347	321,259	22.21
Interest expense and similar charges	(230,884)	(171,069)	(59,814)	34.96
Net interest income	**1,536,722**	**1,275,277**	**261,445**	**20.50**
Return on equity instruments	17,960	20,611	(2,652)	-12.87
Share of the profit or loss of entities accounted for using the equity method	36,600	33,368	3,232	9.69
Net fees and commissions	606,092	603,459	2,633	0.44
Gains or losses on financial assets and liabilities and exchange differences	70,792	74,300	(3,508)	-4.72
Other operating income/expenses	(183,864)	(151,688)	(32,176)	21.21
Gross operating income	**2,084,301**	**1,855,327**	**228,974**	**12.34**
Staff expenses	(508,860)	(472,786)	(36,074)	7.63
Administrative expenses/depreciation	(409,178)	(380,418)	(28,760)	7.56
Operating profit (loss) before provisions	**1,166,264**	**1,002,123**	**164,141**	**16.38**
Provisions	(107,017)	(182,835)	75,818	-41.47
Impairment losses	(253,018)	(263,069)	10,051	-3.82
Net operating income	**806,229**	**556,219**	**250,010**	**44.95**
Gains/(losses) on disposal of assets	(21,191)	(19,510)	(1,681)	8.62
Profit (loss) before tax from continuing operations	**785,037**	**536,709**	**248,328**	**46.27**
Tax expense or income related to profit or loss from continuing operations	(224,835)	(139,276)	(85,559)	61.43
Profit or loss after tax from continuing operations	**560,203**	**397,433**	**162,770**	**40.96**
Profit or loss of discontinued operations	-	935,674	(935,674)	-100.00
Profit or loss for the period	**560,203**	**1,333,108**	**(772,905)**	**-57.98**
Net profit attributable to the Group excluding the capital gain upon distribution of the share premium	560,203	437,375	122,827	28.08

Quarterly trends in the income statement:

	Bankinter Group					% change	
INCOME STATEMENT							
	Q4 22	**Q3 22**	**Q2 22**	**Q1 22**	**Q4 21**	**Q4 2022/Q4 2021**	**Q4 2022/Q3 2021**
Interest and similar income	542,917	455,473	400,408	368,807	369,065	47.1%	19.2%
Interest expense and similar charges	(71,728)	(55,659)	(54,708)	(48,789)	(48,840)	46.9%	28.9%
Net interest income	**471,189**	**399,814**	**345,700**	**320,019**	**320,225**	**47.1%**	**17.9%**
Return on equity instruments	3,634	4,898	4,787	4,640	6,653	-45.4%	-25.8%
Share of the profit or loss of entities accounted for using the equity method	5,154	11,640	8,579	11,227	9,315	-44.7%	-55.7%
Net fees and commissions	153,898	148,861	156,740	146,593	160,807	-4.3%	3.4%
Gains or losses on financial assets and liabilities and exchange differences	11,984	5,549	20,744	32,515	9,332	28.4%	116.0%
Other operating income/expenses	(79,243)	(15,888)	(73,234)	(15,500)	(73,898)	7.2%	398.8%
Gross operating income	**566,617**	**554,874**	**463,317**	**499,493**	**432,433**	**31.0%**	**2.1%**
Staff expenses	(145,682)	(126,127)	(122,276)	(114,775)	(126,702)	15.0%	15.5%
Administrative expenses/depreciation	(117,279)	(101,236)	(97,802)	(92,861)	(102,274)	14.7%	15.8%
Operating profit (loss) before provisions	**303,656**	**327,511**	**243,240**	**291,856**	**203,457**	**49.2%**	**-7.3%**
Provisions	(32,235)	(29,319)	(22,523)	(22,940)	(26,534)	21.5%	9.9%
Impairment losses	(79,595)	(65,854)	(56,791)	(50,778)	(74,728)	6.5%	20.9%
Net operating income	**191,826**	**232,338**	**163,926**	**218,139**	**102,195**	**87.7%**	**-17.4%**
Gains/(losses) on disposal of assets	(8,359)	(4,650)	(4,314)	(3,868)	(8,286)	0.9%	79.8%
Profit (loss) before tax from continuing operations	**183,466**	**227,688**	**159,612**	**214,271**	**93,909**	**95.4%**	**-19.4%**
Tax expense or income related to profit or loss from continuing operations	(53,387)	(68,576)	(42,876)	(59,996)	(11,448)	366.3%	-22.1%
Profit or loss after tax from continuing operations	**130,079**	**159,113**	**116,736**	**154,275**	**82,461**	**57.7%**	**-18.2%**
Profit or loss of discontinued operations	**-**	-	-	-	0	-100.0%	0.0%
Profit or loss for the period	**130,079**	**159,113**	**116,736**	**154,275**	**82,461**	**57.7%**	**-18.2%**
Net profit attributable to the Group excluding the capital gain upon distribution of the share premium	130,079	159,113	116,736	154,275	82,461	57.7%	-18.2%

Net interest income in 2022 totalled 1,536.3 million euros, up 20.5% from 2021, driven by higher volumes and higher interest rates.

The net interest margin has grown consistently in recent years and ended December 2022 at 2.05%, up from 1.82% the year before. This increase is based on the strong growth of loans and advances to customers, which closed at 2.15% (2021: 1.85%). Customer deposits closed 2022 at 0.05%, compared to 0.00% in 2021.

Cumulative returns and costs

	31.12.2022		31.12.2021	
	Weight	Rate	Weight	Rate
Deposits at central banks	16.85%	0.53%	17.24%	0.70%
Deposits with credit institutions	3.97%	0.16%	3.29%	0.18%
Loans and advances to customers (a)	63.40%	2.15%	63.77%	1.85%
Debt securities	11.14%	1.93%	11.33%	1.70%
Of which ALCO portfolio	9.34%	1.72%	8.85%	1.75%
Equity	0.67%	2.47%	0.69%	2.99%
Other unweighted income		-0.05%		-0.07%
Average interest-bearing assets (b)	**96.03%**	**1.71%**	**96.31%**	**1.52%**
Other assets	**3.97%**		**3.69%**	
AVERAGE TOTAL ASSETS	**100.00%**	**1.64%**	**100.00%**	**1.46%**
Deposits from central banks	12.96%	0.31%	13.85%	0.46%
Deposits from credit institutions	2.80%	1.40%	3.12%	1.28%
Customer funds (c)	73.85%	0.10%	72.70%	0.03%
Customer deposits	68.84%	0.05%	66.41%	0.00%
Payables represented by marketable securities	5.00%	0.77%	6.29%	0.28%
Subordinated liabilities	1.17%	1.61%	1.41%	1.65%
Other unweighted costs		0.04%		0.03%
Average interest-bearing funds (d)	**90.78%**	**0.23%**	**91.09%**	**0.19%**
Other liabilities	**9.22%**		**8.91%**	
AVERAGE TOTAL FUNDS	**100.00%**	**0.21%**	**100.00%**	**0.17%**
Net interest margin (a-c)		**2.05%**		**1.82%**
Net interest margin (b-d)		**1.47%**		**1.33%**

Net fees and commissions rose by 0.44%. A highlight of Bankinter Investment's activity in the year was the 47.9 million euros of commission income from the sale of the assets of the renewable energy fund Helia I to Northland Power, despite the extraordinary performance in 2021. There was also a growth in charges and payments, guarantees and documentary credits, and foreign exchange.

CUMULATIVE FEES AND COMMISSIONS	31.12.2022	31.12.2021	Change	%
FEES AND COMMISSIONS PAID	183,287	184,313	(1,026)	(0.56)
FEES AND COMMISSIONS RECEIVED				
On guarantees and documentary credits	58,861	49,180	9,681	19.68
On foreign exchange and foreign banknotes	91,152	82,821	8,331	10.06
On contingent commitments	21,718	21,415	303	1.42
On collection and payment services	165,013	129,760	35,252	27.17
For securities services	132,613	136,188	(3,575)	(2.63)
Underwriting and placement of securities	29,416	36,106	(6,690)	(18.53)
Purchase and sale of securities	35,892	36,416	(524)	(1.44)
Securities administration and custody	45,291	41,707	3,584	8.59
Asset management	22,014	21,959	55	0.25
For marketing of non-banking financial products	256,603	261,232	(4,629)	(1.77)
Asset management	172,404	181,921	(9,517)	(5.23)
Insurance and pension funds	84,199	79,311	4,887	6.16
Other fees and commissions	63,420	107,175	(43,755)	(40.83)
Total fees and commissions received	789,379	787,772	1,607	0.20
TOTAL NET FEES AND COMMISSIONS:	**606,092**	**603,459**	**2,633**	**0.44**

Gross operating income totalled 2,084.3 million euros at 31 December 2022, up 12.34% year on year. Growth was driven by the increase in net interest income (+20.50%), and the share of profit companies accounted for using the equity method (+9.69%, due to the higher profits from BK Vida and Bankinter Investment). Other operating income, which mainly includes regulatory charges, increased by 21.21%. The sum of ROF and dividends went down by 6.5%. The increase of the net interest margin is once again explained by customer activity.

Operating costs (including staff expenses, general expenses, depreciation and amortisation) have gone up by 7.6%. The banking business cost-to-income ratio including depreciation and amortisation was 44.1%, signalling a vast improvement from 46.0% the year before.

1.3 Performance of customer deposits and loans

Loans to customers were 6,194.7 million euros or 9.10% higher than the year before, driven by growth in mortgages and personal loans.

Thousands of euros				
LOANS AND ADVANCES	**31.12.2022**	**31.12.2021**	**Change**	**%**
General governments	**968,190**	**731,676**	**236,515**	**32.33**
Other private sectors	**70,783,407**	**65,550,392**	**5,233,016**	**7.98**
Commercial credit	3,757,316	3,004,677	752,639	25.05
Secured loans	38,993,523	36,452,675	2,540,849	6.97
Other term loans	23,234,615	21,914,197	1,320,419	6.03
Personal loans	15,066,262	14,038,938	1,027,324	7.32
Credit accounts	8,080,196	7,813,354	266,842	3.42
Other	88,157	61,904	26,253	42.41
Finance leases	703,487	867,900	(164,413)	(18.94)
Non-performing assets	1,717,571	1,679,278	38,294	2.28
Valuation adjustments	(849,985)	(874,480)	24,496	(2.80)
Other credit	3,226,878	2,506,145	720,733	28.76
Loans and advances to customers	**71,751,598**	**66,282,067**	**5,469,531**	**8.25**
Other financial assets at amortised costs - Customers	2,491,847	1,766,687	725,160	41.05
Total	**74,243,445**	**68,048,754**	**6,194,691**	**9.10**
Off-balance sheet exposures	**23,694,821**	**22,696,291**	**998,530**	**4.40**
Contingent risks	7,324,700	6,732,371	592,330	8.80
Drawable by third parties	16,370,121	15,963,920	406,201	2.54

Retail funds from customers grew by 2.679,5 million euros, or 3.70% from the end of 2021.

Off-balance-sheet funds were down by 9.36% or 3,843.6 million euros from 2021.

Thousands of euros				
CUSTOMER FUNDS	**31.12.2022**	**31.12.2021**	**Change**	**%**
Retail funds	**75,164,331**	**72,484,855**	**2,679,475**	**3.70**
Loans and advances to general government	1,192,518	948,722	243,796	25.70
Loans and advances to private sector	71,709,837	69,695,832	2,014,005	2.89
Current accounts	65,223,866	63,993,348	1,230,518	1.92
Term deposits	6,476,285	5,698,340	777,945	13.65
Valuation adjustments	9,687	4,145	5,542	133.72
Other demand accounts	847,294	773,573	73,721	9.53
Retail marketable securities	1,414,681	1,066,728	347,953	32.62
Repurchase agreements	**726,347**	**1,363,039**	**(636,692)**	**(46.71)**
Wholesale marketable securities	**4,498,964**	**5,106,770**	**(607,806)**	**(11.90)**
Securitised bonds	247,215	305,030	(57,814)	(18.95)
Covered bonds	2,495,857	2,726,355	(230,498)	(8.45)
Senior bonds	1,995,738	1,992,711	3,026	0.15
Valuation adjustments	(239,846)	82,674	(322,519)	(390.11)
Total on-balance sheet funds	**80,389,642**	**78,954,664**	**1,434,977**	**1.82**
Off-balance sheet funds	**37,215,496**	**41,059,071**	**(3,843,575)**	**(9.36)**
Proprietary investment funds	11,315,840	10,958,792	357,048	3.26
Third-party investment funds sold	17,685,511	20,366,577	(2,681,066)	(13.16)
Pension funds and insurance contracts	3,497,603	3,792,735	(295,131)	(7.78)
Assets management and SICAVs	4,716,542	5,940,968	(1,224,426)	(20.61)

1.4. Liquidity

Bankinter's liquidity management includes monitoring of short-term (the liquidity coverage ratio or LCR) and long-term (net stable funding ratio or NSFR) regulatory ratios. Both ratios are included in the liquidity metrics of the Risk Appetite Framework (RAF).

The Entity's liquidity position remained at a high level in 2022, with customer funding gap, i.e. the difference between customer loans and deposits, that was still negative. Customer funds went up, albeit this did not match the growth of loans and receivables. The LCR stayed well above both the internal limits set in the RAF and regulatory limits. The LCR stood at 193.5% at year-end 2022, up from 228.6% at year-end 2021, with an average for the year of around 208.4%.

1.5 Activity in business segments

Appendix III to the consolidated financial statements provides detailed information and comparisons of profit or loss of the Bank's main business segments and key business indicators.

2 Solvency and management of own funds

Bankinter's capital management, business model and prudent risk policy allow it to operate with comfortable levels of capital, of high quality and far above that the requirements of the regulatory authorities and supervisors.

Note 48 of the notes to the annual financial statements describes the adequacy and management of the Group's own funds.

3 Economic environment

At the end of the reporting period, global growth had slowed down somewhat, affected by the war in Ukraine and stricter monetary policies. The rise of inflation to levels not seen in decades reduces the purchasing power of families and companies, and slows down consumption and investment. Leading international bodies, like the IMF and World Bank, revised their growth forecast down for 2022 and 2023.

Price pressures became generalised by countries and categories of goods and services, reaching double digits in some regions. In the euro area, it reached highs not seen in decades of +10.6% in October; +10.8% in July in Spain; +9.1% in June in the USA. Even though the latest figures are moderate, long-term inflation expectations are above the targets of central banks. Wage growth remains subdued, but increases are gathering momentum in certain countries.

Labour markets are still fairly dynamic in the main developed markets, particularly the US, where there is a large imbalance between labour supply and demand. Jobless rates there are still falling towards all-time lows.

Against this backdrop, central banks continue to tighten monetary policy, hiking interest rates sharply and starting or announcing the start of reductions in their balance sheets. The Fed raised its key rate by a total of 425 bp during the year, to 4.25/4.50%, first embarking on its tightening campaign in March. The ECB raised the deposit rate by 250bp from July, to 2.0%.

At the end of the year, China cast aside its "zero COVID" strategy and is gradually lifting restrictions. This, coupled with the implementation of stimuli, particularly in the real estate sector, eases the risk of new supply chain disruptions. It also bodes well for a rebound by private consumption, especially in the services sector.

Risk assets performed poorly throughout the year. The last time stocks and bonds fell so sharply and at the same time was all the way back in 1973. Starting with equity indices, the EuroStoxx 50 fell by 11.7%, the Ibex 35 by 5.6%, the S&P 500 by 19.4% and the Nasdaq 100 by 33.0% In fixed income, the Bloomberg Barclays Global Aggregate Total Return Index plummeted by 16.3%. The only positive performances were by commodities; e.g., crude (Brent +10.5%), natural gas (+20.0%) and nickel (+44.8%). In the foreign exchange market, after the euro and dollar lost their parity, the euro staged a rebound in the fourth quarter thanks to a stronger stance by the ECB and the decrease in risk perception. The yen weakened sharply due to monetary policy divergence. Japan has yet to raise interest rates, with its key rate still at -0.10%.

4 Risk management

Note 44 of the notes to these financial statements describes the Group's risk policy and risk management in 2021. We refer to that note, which specifically relates to:

- Risk policy framework established by the board of directors.
- Credit risk: organisation, policies and management, performance in the year, maximum exposure to credit risk, refinancing and restructuring policy, trends in customer risks, control, monitoring and recoveries, non-performing loans and foreclosures, provisions and allowances
- Structural risk management policies: structural interest rate, liquidity and market risks.
- Market risk management policies
- Operational risk
- Reputational and compliance risk.
- Climate change risk.

Note 11 lists the asset and liability hedging operations carried out by the Bank.

5 Other relevant information

Bankinter's share performed extraordinarily in 2022, and its return was one of the best figures in the year. Shareholders who kept their shares throughout the year benefited from total return in excess of 45%, including the divided, which went up by more than 20% on 2021. Share price revaluated at 39%, while Spanish listed banks stayed at 27% on average. The Bank's market capitalisation at 31 December 2022 rose to 5,634 million euros.

The improved share price contrasts with the negative performance of risk assets, affected by the war in Ukraine, stricter monetary policies and rising inflation. The IBEX 35 fell by 5.6% and the Eurostoxx 50 by 11.7%.

Share capital

At the end of 2022, Bankinter, S.A.'s share capital was represented by 898,866,154 fully subscribed and paid shares with a par value of 0.30 euros each. All the shares are represented by book entries, admitted for listing on the Madrid and Barcelona Stock Exchanges and traded on the Spanish continuous market.

Bankinter had 55,088 shareholders at 31 December. Residents in Spain held 54% of the share capital and non-residents the remaining 46%. Registered shareholders with significant holdings are detailed in the table below.

Key data and ratios for Bankinter shares in 2022 are detailed in the following tables:

Table of shareholders with significant holdings

Shareholders with significant holdings		31.12.2022
Name	**Total shares**	**%**
Cartival, S.A.	208,455,116	23.19
Fernando Masaveu Herrero	47,727,576	5.31
Lazard Asset Management Inc.	27,254,415	3.03
Fidelity International Limited	18,233,852	2.03

Table of shareholder structure by number of shares

Shareholder structure by number of shares				31.12.2022
Brackets	**No. of shareholders**	**%**	**No. of shares**	**%**
From 1 to 100 shares	14,782	26.83	250,649	0.03
From 101 to 1.000 shares	18,426	33.45	9,183,812	1.02
From 1,001 to 10,000 shares	18,422	33.44	60,972,014	6.78
From 10,001 to 100,000 shares	3,165	5.75	74,122,002	8.25
More than 100,000 shares	293	0.53	754,337,677	83.92
Total	**55,088**		**898,866,154**	

Summary table by type of shareholder

Summary by type of shareholder	No. of shareholders	%	No. of shares	%
Residents	54,282	98.54	483,735,260	53.82
Non-residents	806	1.46	415,130,894	46.18
Total	**55,088**		**898,866,154**	

Table of per share data for the period

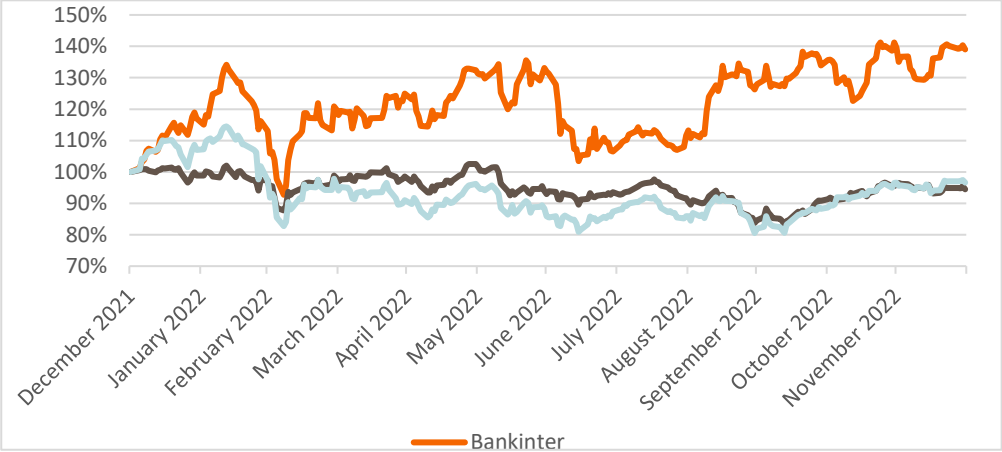
Data per share for the period, at 31.12.2022 (euros)	
Earnings per share	0.61
Dividend per share	0.28
Book value per share	5.46
Share price at beginning of period	4.51
Minimum intraday share price	4.01
Maximum intraday share price	6.51
Last share price	6.27
Performance over last 12 months (%)	39.01

Table on stock market ratios at 31.12.2021

Stock market ratios at 31.12.2022	
Price/book value (times)	1.15
PER (price/earnings, times)	10.05
Dividend yield (%)	4.48
Number of shareholders	55,088
Number of shares	898,866,154
Number of shares of non-residents	415,130,894
Average daily trading volume (number of shares)	3,523,508
Average daily trading volume (thousands of euros)	19,328
Market capitalisation (thousands of euros)	**5,634,093**

Chart on share price

Share price Relative performance (%) last 12 months (Dec-21 base 100)



Dividend policy

After the pandemic and the invasion of Ukraine, Bankinter went back to normal in 2022 as regards its quarterly distribution of dividends. The three dividends paid out on the 2022 account statement were 0.222 euro per share, with a distributed total of 200 million euros.

In addition to these interim dividends, the final dividend approved at the 2023 Annual General Meeting on the recommendation of the board of directors at its previous meeting will be paid.

Dividends distributed or proposed in 2023 out of 2022 profit, excluding treasury shares held by the Bank:

Table on dividend distributions

Date	Dividend per share (euros)	Number of shares	Amount (thousands of euros)	Date of board approval	Profit (loss) for the year
June-22	0.07412058	898,866,154	66,610	June-2022	2,022
Sept-22	0.06453401	898,866,154	57,995	Sept-2022	2,022
Dec-22	0.08371622	898,866,154	75,233	Dec-2022	2,022
Mar-23	0.08931488	898,866,154	80,264	Feb-2023	2,022
Total	**0.31168569**		**280,101**		

American Depositary Receipts (ADR)

Bankinter has a Level 1 ADR programme managed by Bank of New York-Mellon, with 1,514,883 ADRs outstanding at the end of 2022. This allows US residents to invest in foreign companies through a US dollar-denominated product and to receive dividend payments in their own currency.

6 New products

Commercial Retail Banking

In 2022, the WHO did not declare the end of the COVID-19 pandemic. However, its effects on people and the economic activity were substantially mitigated and the end is expected to be in sight (Joe Bien talked about the end of the pandemic in September 2022).

Although we must not forget that COVID-19 was still present, 2022 is bond to be remembered for Russia's invasion of Ukraine and the effects of this unprecedented situation in Europe in the 21st century. It has resulted in an increase in the price of raw materials and resources that, together with post-pandemic job and production recovery, has resulted in high inflation and the subsequent increase in the price of money. As a result, the hike in interest rates in general, and Euribor in particular, has come earlier and faster than expected at the start of the year.

This has led to the publication of Royal Decree-Law 19/2022, of 23 November, on relief measures for mortgage borrowers at risk of exclusion, with a two-fold purpose:

- Creation of a new Code of Good Practices (transitory until 31 December 2024) with a view to mitigating the effect of the Euribor hike for variable-rate mortgage borrowers.
- Amendment of the 2012 Code of Good Practices to relax the access requirements for borrowers and improve the conditions applicable to borrowers under the code.

In line with our social pledge, Bankinter has informed all customers with a Bankinter mortgage loan that we have adhered to the new Code of Good Practices. Consequently, we have rolled out all of the developments and adaptations needed in our products to apply the terms and conditions therein.

Also and before the Spanish government legislated thereon and before the end of the legal and sectoral COVID-19 mortgage moratoria, Bankinter developed and made available to our branches and customers a new renegotiation simulator to offer the best finance solution and repayment schedule to borrowers with difficulties making their payments.

As part of our commitment to society, we have launched the Joven 90 Plus mortgage, aimed at making it easier for young people to buy a home, lending them up to 90% of the purchase-sale price or the appraisal value of the property, even without requiring additional collateral.

As for customer funds, the salary account has remained the leading, most attractive product with over 470,000 salary accounts at the end of 2022 (5% more than in 2021). In addition to keeping the 5% and 2% interest in the first and second years of the account (even when the interest rate is negative) or the possibility of having a free credit card associated with the account, we have improved the product and, since March 2022, salary accountholders now have access to two additional, commission-free accounts.

Lastly, we made further efforts in 2022 to strengthen our multi-channel approach, digitalisation and transparency in the range of products and services we offer customers. For example, at the end of the year, we launched a salary account for new customers online, which has all of the advantages of our salary account as well as the option to receive a free debit card.

Still on the subject of multichannel and digitalisation, the website for legal entities now has a reporting or investment portfolio tool, a power consultation tool enabling our customers to analyse the performance of their assets at the Bank.

Corporate Banking

In 2020, because of the COVID-19 pandemic, extraordinary measures had to be implemented to mitigate the negative effects of the world activity coming to a standstill. One of these measures was the COVID-19 ICO guarantee facility that, for two years, has been widely taken up by customers. In 2021, the Bank has adhered to the Code of Good Practices to help Spain's business community and economic recovery. This Code provided for three measures to help customers:

- Extensions of transaction terms (including new grace periods)
- Conversion into participating loans
- Requests for transfers

These measures ended on 1 June 2022 with limited response from customers due to their relative complexity, with a low number of applications. However, at the end of this Code of Good Practices, it was necessary to have new tools in place to help

customers who needed it and were facing difficulties because of increased inflation, interest rates and fuel prices. Consequently, on 27 June 2022, the Spanish Council of Ministers published a resolution dated 21 June 2022 for customers to once again be able to apply for an extension of their transactions' terms within the deadlines set by the government's temporary aid framework.

Also, in 2022 Russia invaded Ukraine, leading to a sharp price hike, particularly in fuel and raw materials. In order to mitigate these problems, the government has restored one of the most successful pandemic measures, described in the previous paragraph – the ICO-UKRAINE guarantee facilities, backed by the new temporary aid regulation. Bankinter was one of the few banks to join this measure in 2022 since the facility's horizon was initially very short (ending on 1 December 2022) and the developments involved were more complex than they first appeared to be. This has earned us about 40% market share in this facility, according to the ICO's internal sources.

In 2022, we also marketed, together with Bankinter Portugal, the agreement with the European Investment Fund (EIF), which offers Bankinter a 70% guarantee and enables us to target small enterprises to help them with their new growth projects. This agreement is backed by the European Guarantee Fund (EGF), part of the 540,000 million euro EU rescue package approved by the European Council to tackle the economic impact caused by the pandemic. The agreement closed with an approximate portfolio of 265 million euros.

In 2021, we reviewed our entire account portfolio for SMEs and launched the Plan Empresa account as a supporting account for our customers, which aims to gain the customer's loyalty to reduce fees and commissions. The options vary depending on the type of contract (Plan 0, 10 or 20). In 2022, we have kept improving the product and will continue to do so in 2023. These enhancements include the overall picture of both the customer and their accounts to measure their loyalty, and the possibility of tracking their Plan's status online with details about their contract and direct access to operations and transactions to reach the best level (Plan 0).

As for products related to international business, worked focused mainly on two areas that are particularly important for our customers:

- Supply Chain Finance - reverse factoring: after a substantially complex development, the new Supply Chain platform has gone live in 2022, for an innovative and differential payment instrument. Our customers can pull the maximum value from their supply chain and strengthen their company's image abroad. This formula allows them to delegate management of the FX payments to their international suppliers. The product offers:
    - Finance for payment to their suppliers.
    - The suppliers can have their payments made in advance and guaranteed.
    - From a simple, intuitive interface with detailed information that can easily integrate with corporate management systems.
- "Single-currency" loan: we have standardised a very popular product among Corporate Banking customers for term financing in the currency they invoice in (always limited to the currencies listed and convertible in Bankinter). This avoids the exchange rate risk when the loan is repaid.

As in recent years, the Bank has a firm commitment to improving its finance solutions for working capital, particularly its investments in factoring, reverse factoring and multi-line products. As for the latter, we have launched the **Reverse factoring discount**, to optimise our customers' cash flow without increasing their CIRBE risk. Multi-line is a global product. With a single signature before a notary public, our customers can manage all of their company's finance. In 2022, we have changed the product to make it more digital so that our customers enjoy online operations that are as convenient as possible.

In July 2020, the European Council approved an exceptional temporary recovery instrument called Next Generation EU amounting to 750 billion euros to be distributed among the Member States. The Recovery Fund ensures a coordinated European response to the economic and social consequences of the pandemic.

Several products were created to help to distribute the EU funds:

- NextGeneration UE guarantees: when customers apply for aid, they are usually asked for a guarantee of developing the project; we offer the possibility of issuing that guarantee
- Advance of funding: when funding is granted, it usually takes the government several months to pay it, so we offer products for advance payments and faster project development
- NextGeneration loans: funding may not be sufficient to finance our customers' projects so we are offering loans to complement these financial needs

7. Outlook.

Going forward, the Group will continue to develop its business model based on the value creation through differentiation, focused on quality of service and underpinned by a multichannel

approach and ongoing innovation, together with rigorous monitoring of asset quality and solvency. With this model, the outlook is to maintain the positive trend in earnings and value creation.

8 Events after the reporting period

The relevant events after the end of the reporting period and until these annual financial statements were drafted are included in Note 51.

9 Research and development activities

At year-end, the Bank was not involved in any significant research and development activities.

10 Reliance on patents and licences

At year-end, the Bank was not subject to any significant degree of reliance on issuers of patents, licences, industrial, commercial or financial contracts, or new manufacturing processes.

11 Transactions involving treasury shares

These transactions are described in Note 22 to the separate financial statements.

12 Annual Corporate Governance Report

The annual corporate governance report, under the format outlined in Circular 5/2013, of 12 June, of the Spanish National Securities Market Commission (including subsequent amendments) and which is included in the management report as a separate section, in accordance with article 538 of Legislative Royal Decree 1/2010, of 2 July, approving the consolidated text of the Spanish Companies Act, is available for consultation the CNMV website under Other relevant information (OIR), and on Bankinter's website, under "Corporate gov.-remuneration pol.".

Link to the report on the CNMV website: CNMV - Information of corporate governance

13. Annual report on directors' remuneration

The annual report on director remuneration, using the format provided in Circular 4/2013, of 12 June, of the Spanish National Securities Market Commission (including subsequent amendments), which is part of the management report, after the entry into force of Law 5/2021, of 12 April, amending the consolidated text of the Spanish Companies Act approved by Legislative Royal Decree 1/2010, of 2 July, and other financial regulations, with regard to the promotion of long-term shareholder involvement in listed companies, is available for consultation on the CNMV website as Other relevant information (OIR) and on Bankinter's website under "Corporate gov.-remuneration pol.".

Link to the report on the CNMV website: CNMV - Information of corporate governance

14 Non-financial information

The non-financial statement, which is part of the consolidated management report, in accordance with Law 11/2018, of 28 December, amending, inter alia, article 49.5 of the Code of Commerce, and which includes non-financial information for the year ended 31 December 2022, is available for consultation on CNMV website as Other relevant information (OIR) and on Bankinter's website under the "Sustainability" section.

Link to the report on the CNMV website: CNMV - Other relevant information

15 Alternative performance measures

Bankinter Group uses certain "Alternative Performance Measures" ("APMs"). These APM are not subject to audit. These measures help readers to better understand the Group's financial performance and should be considered as additional information. In no case do they replace the financial information prepared under IFRSs. Furthermore, these measures can, both in their definition and in their calculation, differ from other similar measures calculated by other companies and, therefore, may not be comparable.

The ESMA Guidelines define APMs as a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework.

The main APMs used by Bankinter Group are as follows:

Alternative performance measure	Definition	Purpose
Eligible exposures	Loans and advances to customers (without valuation adjustments) for each portfolio of financial assets + Loans and advances to credit institutions from customer activity (without valuation adjustments) + Fixed Income from customer activity (without valuation adjustments) + Contingent risks + Securitised assets derecognised from the balance sheet (before 2004)	It measures the total credit risk assumed by the Group with customers.
NPL ratio	Calculated as non-performing loans (with off-balance sheet exposure) divided by total exposure.	It measures the quality of the entities' loan book, indicating the percentage of non-performing loans of total loans.
Non-performing loan coverage ratio (%)	Calculated as provisions and allowances divided by non-performing loans (with off-balance sheet exposure).	It measures the percentage of non-performing loans portfolio covered by provisions and allowances for credit risk.
Cost-to-income ratio	This is the result of dividing the sum of staff expenses, other general administrative expenses and depreciation and amortisation by gross operating income.	It measures the amount of general administrative expenses and depreciation required to generate income.
Return on equity (ROE)	Net profit from continuing operations dividend by average equity for the period (excluding profit or loss for the year, dividends and remuneration, and valuation adjustments). In the denominator, average own funds is the moving average of own funds of the previous 12 calendar months, or the corresponding period, excluding the profit/(loss) attributed to the Group as part of own funds, as well as dividends and accumulated other comprehensive income.	It measures the return obtained on funds invested in/held by the Company.

Alternative performance measure	Definition	Purpose
Earnings per share (EPS)	Earnings per share are calculated by dividing the earnings attributable to the Group, adjusted by the profit after tax arising recognised in equity from contingent convertible preference shares, by the weighted average number of ordinary shares outstanding during the period, excluding, where applicable, the treasury shares acquired by the Group.	It measures the net profit generated by each share, and enables shareholders to measure their return on their investment per share.
Loan-to-deposit ratio	The loan-to-deposit ratio is the result of dividing customer deposits by customer loans.	It measures the percentage of investment financed with customer funds and, therefore, represents the degree of reliance on wholesale funding.
Customer funding gap	The customer funding gap is the amount of customer loans not funded with retail deposits, but rather with funds raised on wholesale markets and the Bank's own funds Loans and receivables are considered to include: Loans to the public sector, commercial loans (including ICO loans), foreign-currency effect, secured loans, other term loans, demand loans, non-performing loans and valuation adjustments, non-resident customers, Portugal debt securities which are not bills of exchange and lending to credit institutions. Customer deposits are considered to include: Demand accounts, term deposits, promissory notes placed by the network, repos of promissory notes, structured bonds, subordinated debt placed by the network and ICO funds.	As an additional measure of reliance on wholesale funding, it measures the amount of business activity requiring finance with own funds or wholesale funding.
Liquidity gap	The liquidity gap is defined as the liquidity needs arising from the business that are covered by funds obtained on wholesale markets and the Bank's own funds. It includes the customer funding gap (the difference between customer loans and deposits) plus other items that generate inflows and outflows of funds. On the asset side of balance sheet: foreclosed assets, net of collateral and derivatives; and on the liability side: external securitisation fund accounts and BK securitisation fund accounts, net of other financial assets and liabilities (such as temporary accounts of transactions in progress).	As an additional measure of reliance on wholesale funding, it measures the amount of business activity requiring finance with own funds or wholesale funding.

RAF		Description	31.12.2022	31.12.2021
Eligible exposures	A	Loans and advances to credit institutions from customer activity (without valuation adjustments)	2,047,711	1,540,662
	B	Loans and advances to customers (without valuation adjustments) for each portfolio of financial assets	72,608,547	67,167,868
	C	Debit securities, customer activity (without valuation adjustments)	445,212	226,667
	D	Loans and advances at fair value through profit or loss	466	250
	E	Contingent risks	7,324,700	6,732,371
		A+B+C+D+E+F	82,426,636	75,667,818
NPL ratio	A	Non-performing exposures (includes contingent exposures)	1,734,606	1,693,541
	B	Eligible exposures	82,426,636	75,667,818
		A/B	2.10%	2.24%
Non-performing loan coverage ratio (%)	A	Credit risk allowances and provisions	1,150,700	1,076,381
	B	Non-performing exposures (includes contingent exposures)	1,734,606	1,693,541
		A/B	66.34%	63.56%
Cost-to-income ratio	A	Staff expenses	508,860	472,786
	B	Other general administrative expenses	329,090	302,631
	C	Redemption	80,088	77,787
	D	Gross operating income	2,084,301	1,855,327
		(A+B+C)/D	44.05%	45.99%
RoE	**A**	Profit or loss for the period	560,203	437,375
	B	Average shareholders' equity	4,677,934	4,560,879
		A/B	11.98%	9.59%
BPA	A	Profit/(loss) for the period adjusted for contingent convertible preference shares	544,894	1,313,802
	B	Average number of shares in circulation at the period-end, excluding treasure shares (thousands)	898,592	897,715
		A/B	0.61	1.46
Loan-to-deposit ratio	A	Customer funds with collection accounts	74,635,686	72,486,299
	B	Customer loans excluding securitisation	72,584,145	66,815,028
		A/B	102.8%	108.5%
Customer funding gap	A	Loans and advances to customers	72,831,360	67,120,058
	B	Customer funds	73,985,066	71,850,361
		A-B	-1,153,706	-4,730,303
Liquidity gap	A	Customer funding gap	-1,153,706	-4,730,303
	B	Other assets	0	481,655
	C	Other liabilities	-1,034,290	-1,015,719
		A+B+C	-2,187,996	-5,264,367

Dª GLORIA CALVO DÍAZ, SECRETARIA DEL CONSEJO DE ADMINISTRACIÓN DE BANKINTER, S.A.,

CERTIFICO:

a) Que los ficheros electrónicos que se adjuntan contienen las cuentas anuales y los Informes de gestión individuales de Bankinter, S.A. y de su Grupo consolidado, así como la Declaración de responsabilidad sobre su contenido, correspondientes al ejercicio cerrado a 31 de diciembre de 2022, formuladas en formato electrónico por el Consejo de Administración de Bankinter, S.A. el 22 de febrero de 2023, siguiendo los requerimientos del Formato Electrónico Único Europeo (FEUE) establecido en la Directiva 2004/109/CE y en el Reglamento Delegado (UE) 2019/815; y habiendo sido firmadas por todos los miembros del Consejo de Administración de Bankinter, S.A., en la citada fecha.

b) Que las Cuentas anuales y los informes de gestión de Bankinter, S.A. y de su Grupo correspondientes al ejercicio cerrado a 31 de diciembre de 2022 que se acompañan corresponden con los auditados por el auditor de cuentas de Bankinter y su Grupo consolidado, PricewaterhouseCoopers Auditores, S.L., y los informes de auditoría adjuntados en los ficheros XHTML individual y consolidado son copia fiel de los originales firmados por el auditor el 22 de febrero de 2023.

c) Que el Informe de verificación independiente del Estado de Información No Financiera consolidado (EINF) a 31 de diciembre de 2022 y el Informe sobre la Información relativa al Sistema de Control Interno sobre la Información Financiera (SCIIF) del ejercicio 2022, son copia fiel de los originales firmados por PricewaterhouseCoopers Auditores, S.L., con fecha 22 de febrero de 2023.

Y para que conste, a los efectos de la presentación de la referida documentación ante la Comisión Nacional del Mercado de Valores, expido la presente certificación, en Madrid, a veintidós de febrero de dos mil veintitrés.