Risk management

2021

Integrated Annual Report

Risk management

The year was shaped by the development of the health and economic crisis caused by the pandemic (with an uneven impact that affected, above all, the hospitality, leisure and transport sectors) and by the gradual recovery of economic activity, supported by the continuation of the extraordinary measures approved by national governments.

In 2021, Bankinter continued to proactively apply the support measures initiated in 2020, as well as the extensions and legislative developments introduced during the year. At the close of the financial year, the figures for moratoriums and public guarantee programmes were as follows:

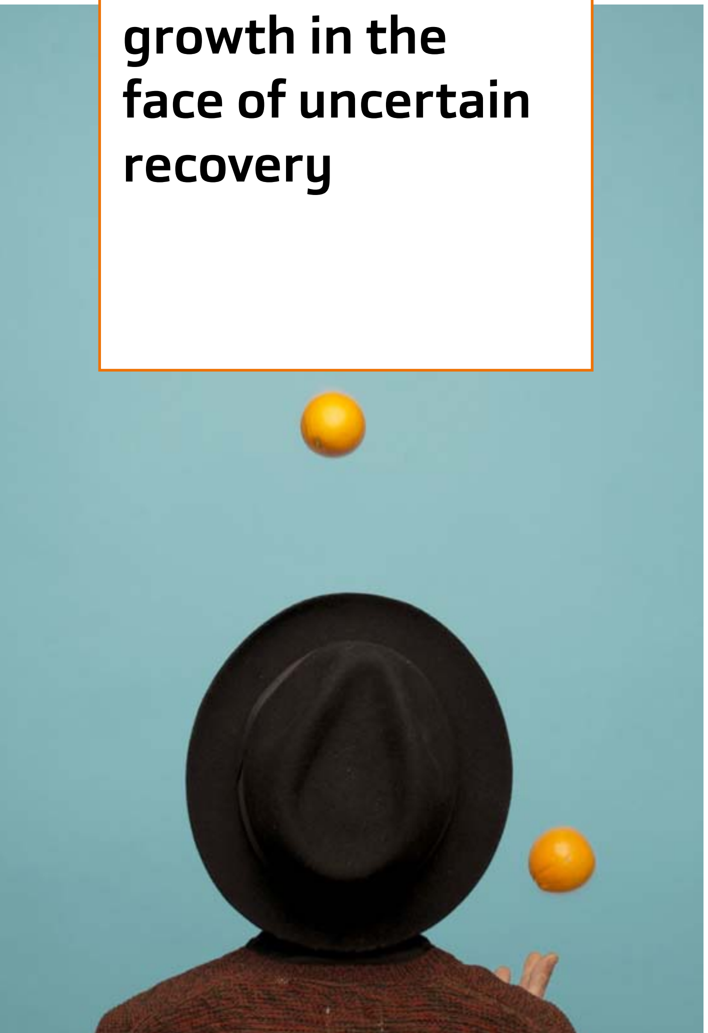
Legislative and non-legislative moratoria

		Gross carrying amount, thousands of euros			Distribution by phases		
	Number of obligors	Total	Legislative moratoriums	Unexpired moratoriums	1	2	3
Households		1,589,890	765,606	11,148	80.7%	16.5%	2.8%
Collateralised by residential immovable property		1,460,992	730,043	10,159	81.3%	16.9%	1.8%
Non-financial corporations		461,763	461,199	23,006	81.5%	7.4%	11.0%
Small- and medium-sized enterprises		356,587	356,023	12,577	88.7%	9.6%	1.7%
Collateralised by commercial immovable property		202,971	202,874	18,886	70.5%	7.1%	22.4%
Total loans and advances	**22,257**	**2,068,190**	**1,243,342**	**34,153**	**81.0%**	**14.3%**	**4.7%**

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

	Number of obligors	Gross carrying amount, thousands of euros	1	2	3
Households		67,792	99.0%	0.0%	1.0%
Non-financial corporations		6,424,919	93.3%	5.4%	1.3%
Total loans and advances	**31,073**	**6,523,733**	**93.4%**	**5.3%**	**1.3%**

Solid investment growth in the face of uncertain recovery



Official bodies, particularly Banco de España, repeatedly upgraded their economic forecasts from the end of 2020 through to the third quarter of 2021. This upwards trend slowed in the final quarter of 2021 as a result of supply shortage, higher energy prices and the spread of new variants of the virus. Therefore, there is still considerable uncertainty about the recovery trend.

In this context, Bankinter's loan activity maintained a steady rate of growth in 2021. Loans rose to 68 billion euros, up 5.7% from the previous year. In the Spanish market, loans increased by 3.9%, compared to a decrease of 0.3% in the sector as a whole, with data from November.

Loans rose to 68 billion euros, up 5.7% from the previous year.

Cornerstone of the strategy

Bankinter maintains its risk appetite principles and levels and a prudent risk profile, the management of which is one of the central pillars of its competitive strategy. The bank has a risk management model of proven effectiveness that is in line with regulatory standards and best international practices, in proportion to the scale and complexity of its business activities.

The board of directors is ultimately responsible for risk management. It approves the risk strategy and, in particular, defines the risk appetite framework. The risk appetite framework is an internal governance document that defines:

- The type and levels of risk that the group considers reasonable to accept as part of its business strategy.
- A set of metrics and key indicators to monitor and manage risks. These cover variables such as risk levels and cost, returns, liquidity and capital. Tolerance levels and thresholds are established for each metric. If these are breached, they trigger corrective measures.

The Risk Appetite Framework establishes the criteria that govern the group's risk strategy:

Risk appetite statement. Bankinter carries out its activity with a moderate and prudent risk profile. Its objective is a balanced balance sheet and a recurrent and healthy income statement, to maximise the entity's value in the long term.

Risk management principles. The group's risk appetite and tolerance in its activities are subject to the following principles:

- Prudent strategies, policies, organisation and management systems adapted adjusted to the size, environment and complexity of the group's activities, based on quality banking practices.
- Respect for and conformance to established regulatory requirements, limits and restrictions, and ongoing compliance with current legislation. New regulatory developments are also being anticipated, which may reduce the potential impact.
- Maintenance a low or moderate credit-risk exposure, in line with the values shown by the lowest NPL ratio in Spain's financial system and the lowest expected losses under stress scenarios.
- Working with first-class financial institutions in every country, of recognised solvency and sufficient rating to limit counterparty risks.
- Appropriate hedging of problem assets.
- Adequate return on capital invested, ensuring a minimum return over the risk-free rate throughout the cycle and complying at all times with target capital levels and operating profitably.
- Maintenance of a low level of market risk in the trading book, so that in stress scenarios the losses generated have a significantly reduced impact on the Group's income statement.

- An ALCO portfolio comprising low-risk securities and a return commensurate with the entity's RoE requirements, designed to reduce the volatility of net interest income and adjust the impact of any changes in interest rates.

- Intense growth in the priority strategic medium-sized and large enterprise segments, characterised by higher-quality risk and its notable contribution to earnings through the generation of income, fees and commissions, and other recurring income.

- Balance of the loan book to boost profitability.

- Reduction of dependence on retail markets, supported by stable growth of retail funds.

- Diversification of wholesale funding sources, from the viewpoint of both instruments and markets, maintaining a balanced maturity profile.

- Optimisation of retail funding costs, maintaining a balance between returns on lending and market interest rates. The aim is stability and avoidance of an excessive concentration of maturities.

- Use of a risk diversification policy to avoid excessive concentration levels that could pose problems for the Bank.

- Contribution to the sustainable development of society, including the preservation of environmental resources.

- Limitation of business in sensitive sectors that could entail a risk for Bankinter's sustainability or have a negative impact on its reputation and/or honour.

- Moderate appetite for interest rate risk.

- Maintenance of a scaled-back structural FX position that is as close to zero as possible at all times.

- Strengthening control of the Bank's reputational positioning (e.g. good corporate governance, systemic risks).

- Less exposure to pension obligation risk through the most appropriate mitigating measures (e.g. outsourcing, hedging instruments, diversification).

- Willingness to round out the level of services Bankinter offers its Private Banking and Business Banking customers with limited-risk investment banking services.

- Optimisation of the cost-to-income ratio.

- Maximisation of shareholder value creation throughout cycles, all underpinned by a strong capital and liquidity base.

- Diversification of lines of activity. To this end, opportunities in companies in the financial sector that are related to or complement our main business model will be taken advantage of.

- Maintaining a *Common Equity Tier 1* (CET1) within the fluctuation band set by the entity, above the regulatory minimum, with a medium-term target of 10%-12%.

The board of directors is ultimately responsible for risk management. It approves the risk strategy and, in particular, defines the risk appetite framework.

2021 milestones
Interviews
Results
Businesses
Risks
Innovation
Governance
Sustainability
Individuals
Appendix

Credit risk

Defaults at all-time low and adequate cover

The economic recovery and the extension of public aid were decisive for the balances of unpaid and doubtful loans to remain at minimum levels throughout the year. How these develop in future will depend in particular on the effectiveness of the economic recovery and the rate at which the aid measures are withdrawn. The sectors most affected by the crisis -and the households whose jobs depend on them- remain highly vulnerable, because of the deterioration in their income and financial positions.

The significant increase in debt levels in public administrations makes the Spanish economy particularly vulnerable to any worsening in financing conditions.

Bankinter's risk management has been preparing for the vulnerabilities that could lead to deterioration of the loan book, although these have been less severe than was expected at the beginning of the crisis. The bank has adequate cover against such eventualities as a result of the extraordinary provisions made in 2020. Extensive additional information on this can be found in the 'Impact of the health crisis' section of Note 46 to the Consolidated Legal Report.

NPL contained

In summary, for yet another year credit risk increased very moderately and with very contained NPL ratios thanks to the extraordinary measures taken against the pandemic and the bank's proactivity in applying them. Computable credit risk (which includes off-balance sheet risks) increased by 6.2% in the year.

Underperforming loans increased by 29.8% due mostly to the reclassification of customers in the sectors affected most by the pandemic. Non-performing loans remained stable (+0.5%) and the NPL ratio fell to 2.24%, representing a reduction of 5.4% in the year. The non-performing loan ratio in Spain was 2.4% compared to the sector average of 4.29%, according to Banco de España data from November 2021.

Asset quality – Credit risk

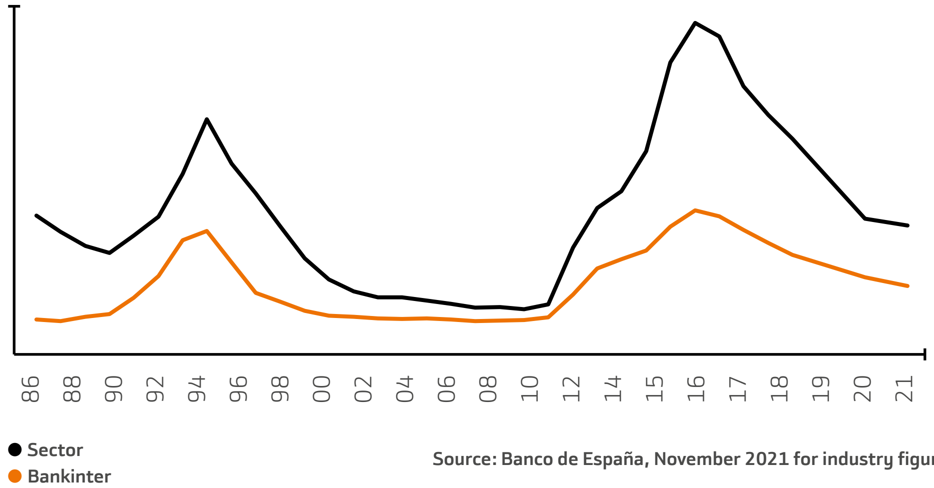
Thousands of euros	31/12/2021	31/12/2020	Change	% change
Eligible exposures	**75,667,818**	**71,243,941**	**4,423,877**	**6.2%**
Stage 1 (Performing loans)	71,864,821	67,933,648	3,931,173	5.8%
Stage 2 (Underperforming exposures)	2,109,457	1,625,086	484,371	29.8%
Stage 3 (Non-performing exposures)	1,693,541	1,685,207	8,333	0.5%
Credit risk allowances and provisions	**1,076,381**	**1,020,270**	**56,111**	**5.5%**
Stage 1 (Performing loans)	203,711	212,511	-8,801	-4.1%
Stage 2 (Underperforming exposures)	102,973	69,430	33,543	48.3%
Stage 3 (Non-performing exposures)	769,698	738,329	31,369	4.2%
Non-performing loan ratio (%)	2.24%	2.37%	-0.13%	-5.4%
Non-performing loan coverage ratio (%)	63.56%	60.54%	3.02%	5.0%
Foreclosed assets	**170,655**	**227,145**	**(56,490)**	**-24.9%**
Provision for foreclosed assets	89,767	110,241	-20,474	-18.6%
Foreclosure coverage (%)	52.60%	48.53%	4.07%	8.4%

Provisions for credit risk increased by 5.5% in anticipation of the potential effects of the pandemic. This is fully explained in Note 46 to the consolidated legal report.

The balance of foreclosed asset decreased by 24.9% in the year to 171 million euros at 31 December 2021, equal to 0.3% of total credit risk.

Below is a description of the evolution and main figures by internal business units in terms of eligible exposures:

Changes in the NPL ratio (%) – Spain



Source: Banco de España, November 2021 for industry figure.

Individuals. Credit increased by 6.5%, with momentum in all segments. The individual lending portfolio totalled 31,724 million euros at year-end, with an NPL ratio of 2.0%. The home mortgage portfolio recorded a Loan To Value of 56% and 87% were secured by the borrower's first home. The non-performing loan ratio was 1.6%. The average effort (measured as the proportion of income that the customer allocates to paying mortgage loan instalments) remained extremely low (22%). Mortgage activity started up in Ireland the year before but took off last year, ending December with a balance of 424 million euros. Consumer credit returned to normal in the year and grew by 7.4%, with a business of 2.671 billion euros, 3.5% of the total credit risk. Risk-adjusted margins, and NPLs and NPL ratios remained under control and in line with typical levels for this type of business.

Corporate Banking. Credit risk in this area decreased by 5.1% to 16.403 billion euros with an NPL ratio of 0.66%. In this segment, where the business activities are more international and less exposed to Spain's economic solid, Bankinter boasted a solid competitive position based on specialisation, KYC, flexibility and quality of service.

Small- and medium-sized enterprises. It grew by 3.0% in the year and the portfolio stood at 15,171 million euros, with a default rate of 5.2%. The Bank uses automated decision-making models to manage this segment, along with centralised teams of highly-experienced risk analysts.

Portugal. Its loan book contributed risk of 7.611 billion euros, with growth of 8.8% and an NPL ratio of 1.72%.

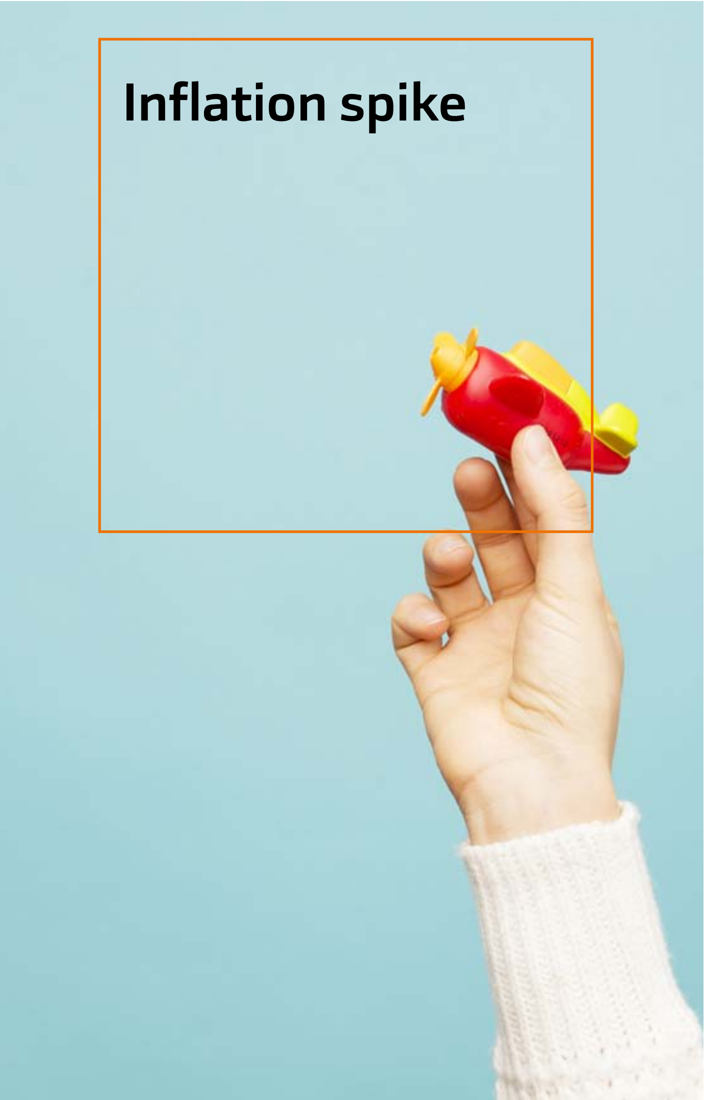
Individuals
€**31.72** bn
+2.0%

Corporate banking
€**16.40** bn
-5.1%

SMEs
€**15.17** bn
+3.0%

Portugal
€**7.61** bn
+8.8%

Structural and market risks



The year was characterised by a pick-up in inflation and by the actions of the central banks, which preserved, as in the previous year, their policies of supplying ample liquidity and intervening in the debt markets. In certain markets, systematic purchases public debt by central banks continued to trigger a reduction in market depth.

Structural interest rate risk. The Bank'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 with the aim of safeguarding net interest income and preserving the Bank's economic value.

The exposure of net interest income to different scenarios of interest rate changes is analysed monthly using dynamic simulation measures. With a more long-term outlook, the Bank also analyses the sensitivity of its economic value to movements in interest rates.

The interest rate risk exposure of net interest income of parallel shifts of ±100 basis points in market interest rates is 9.3/-2.5%, for a 12-month horizon.

The sensitivity of economic value to parallel shifts of +/-100 basis points was +11.1%/-5.8% of own funds at year-end 2020.

Management assumptions were used to calculate both measures, considering negative interest rates, except for items with a Euribor floor.

Structural liquidity risk

Risk associated with the Bank's ability to meet the payment obligations it acquires and to fund its investment lending business. The Bank actively monitors liquidity and liquidity forecasts, as well the actions to be taken in both business-as-usual situations and in exceptional circumstances arising due to internal causes or market behaviours.

The instruments used to control liquidity risk include monitoring changes in the liquidity gap or map, such as information and specific analysis of balances resulting from trade transactions, wholesale maturities, interbank assets and liabilities and other funding sources. These analyses are performed under business as usual conditions or simulating different scenarios of liquidity needs based on varying business conditions or market changes. 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.

During 2021, the entity's liquidity position improved significantly due to the positive performance of the customer funding gap (the difference between investment and customer funds). Fund levels are higher than loans and receivables. Customer funds have grown sharply and have comfortably met the liquidity needs generated by the growth in lending.

This improvement led to a significant increase in available liquid assets, which made it possible to maintain LCR levels comfortably above both the regulatory threshold and the internal limits set in the Bank's Risk Appetite Framework. At the end of 2021, the LCR ratio stood at 228.6%, compared to 198.1% recorded at the end of 2020.

The liquidity ratio, the NSFR, which measures the proportion of long-term assets funded by stable funding, stood at 151.0%, up from 133.0% the year before. The Bank's financing structure, with a significant and increasing weight of customer deposits and wholesale funding focused on the medium-long term, has driven a steady increase in this indicador.

In relation to wholesale funding, maturities were replaced with new issuances. Thus, dependence on wholesale markets continued at the same levels as in the previous year.

Market risk

The possibility of losses as a result of changes in the market prices of on- and off-balance sheet positions of the trading book. To measure it, Bankinter uses the historical value at risk (VaR) methodology with data for one year and a 95% confidence interval.

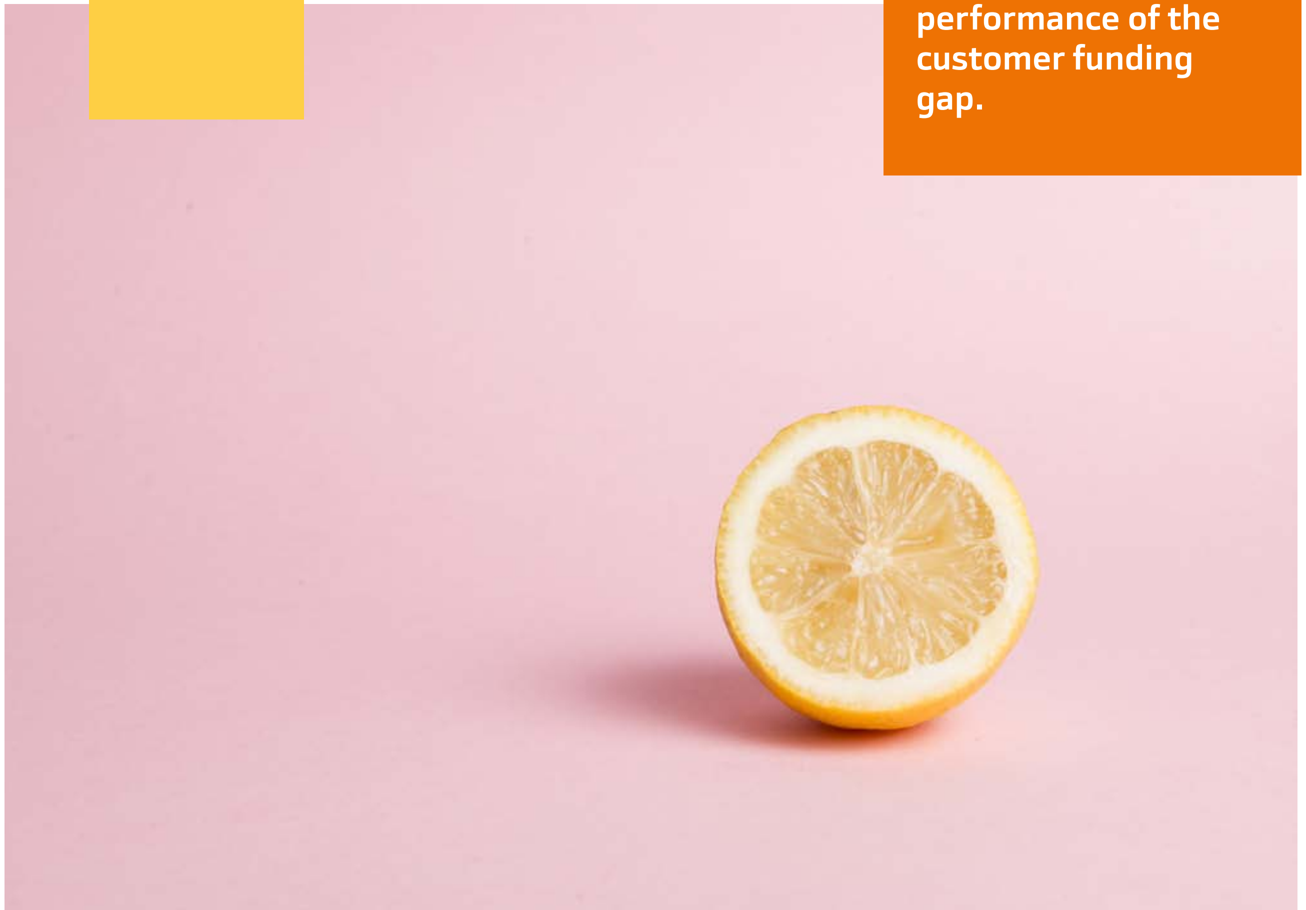
An asset portfolio's VaR is the estimated maximum potential loss that could be incurred for a specific time horizon with a particular confidence interval. Given the instability experience in recent years, Bankinter kept limits unchanged from the previous year.

The following table sets out the VaR values of trading positions at the close of 2021.

Moreover, the VaR of the portfolio positions of the subsidiary Bankinter Luxembourg are monitored on a monthly basis using the historical simulation methodology. The VaR of this portfolio at the end of the year was 0.06 million euros.

2020 VaR trading

Millions of euros	Last
VaR – Interest rate	0.46
VaR – Equities	0.40
VaR – Exchange rate	0.06
VaR – Volatility rate	0.40
Total VaR	**0.71**



During 2021, the Bank's liquidity position improved significantly due to the positive performance of the customer funding gap.

Reputational risk

Progress in the management model

Reputational risk is the risk arising when the expectations of stakeholders (e.g. customers, shareholders, employees, investors, etc.) are not met and their reaction can adversely affect existing or new business relationships with them.

It is essential to understand the unique nature of such risks to manage them. They are unique because they depend on external assessments and can originate from a wide variety of sources, including other risks.

In 2021, the entity made advances in the management model for this type of risk, updating the prioritisation of stakeholders and the repertoire of reputational risk events, and developing a global indicator for exposure.

The management model for these risks is based on prevention. Identifying and controlling them proactively is key to reducing the likelihood they will occur and mitigating their impact. The Bank has various tools at its disposal for this:

- Regular measurement of the perception and expectations of the Bank's main stakeholders based on RepTrak®, the international standard for measuring and managing reputation.
- 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 or outsourcing a service.
- Monitoring and quarterly reporting to senior management of metrics for each stakeholder.
- Crisis management protocol to preserve reputation and business continuity.

All employees are responsible for safeguarding the entity's reputation, guided by a number of professional conduct and ethics manuals. Therefore, training and awareness of all staff is crucial for creating a strong internal culture of prevention.

Operational risk

An efficient management model

Operational risk is linked to the possibility of incurring losses from failed internal processes, people and systems or from external events (e.g. natural disasters), including legal risks.

Bankinter's operational risk management model is the 'standardised approach' according to prevailing solvency regulations. This method requires the existence of systems for identifying, measuring and managing operational risks, prior authorisation from 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.

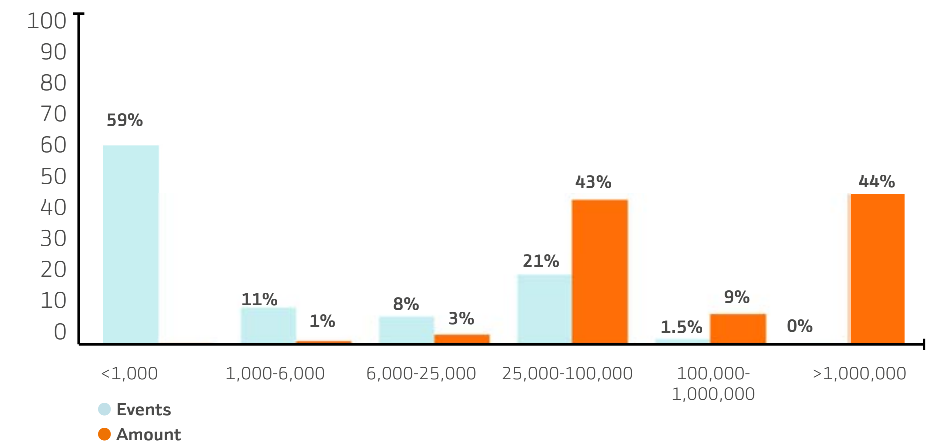
With a view to achieving an efficient system for managing operational risk, Bankinter has set forth the following basic principles of action:

- Management focussing on preventive mitigation of major operational risks.
- Decentralised management model.
- Periodic review of the situation and degree of management of each unit.

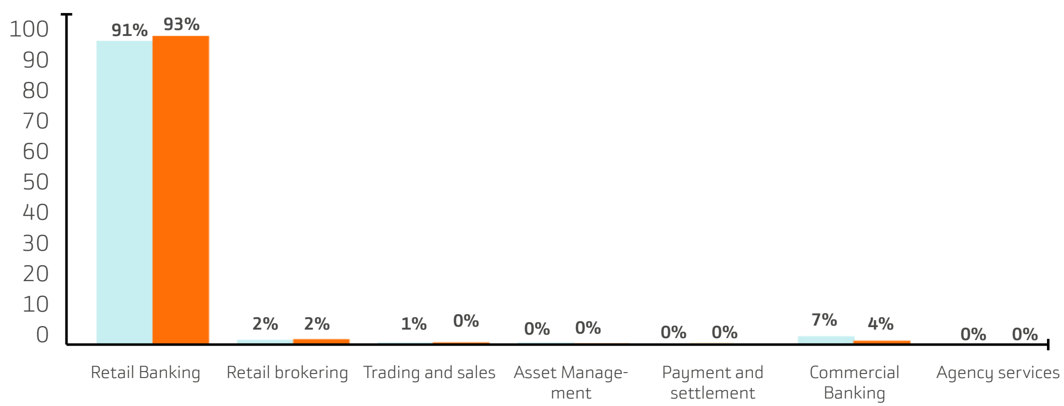
With regard to loss events in the year, Bankinter's operational risk profile is summarised in the following charts.

***More detailed information on these risks can be found in the Prudential Relevance Report, the group's Consolidated Legal Report and the Annual Corporate Governance Report. In 2021 Bankinter made significant progress in managing the portfolio's climate change risk. A full explanation is provided in the Non-Financial Information Statement.**

Percentage breakdown by amount intervals



Percentage breakdown by line of business



Regulatory Compliance

A new institutional framework to strengthen the second line of control

The bank must achieve its business objectives while complying not only with regulations, but also the domestic and international standards and best practices required of its operations. Regulatory compliance is not just a legal obligation for Bankinter, it is an ethical commitment to society.

This commitment also serves as an opportunity to reflect for Bankinter to become a leading institution adapted to the new reality of the finance industry, which is subject to the need to change relationships with customers and adjust the bank's business model in line with new financial consumption habits and multiple reporting requirements.

The growing importance of regulatory compliance has been underlined by the entry into force (first as a result of the economic and financial crisis and then as a result of the health crisis) of several highly complex regulations and the launch of a new supervisory architecture, obliging the bank to strengthen its available resources.

The purpose of the compliance function is to assess and provide guidelines for the lines of business that help define its strategy, ensuring compliance with applicable legislation at all times. With this in mind, all areas of the compliance function spare no efforts in enhancing the training activities of its commercial staff.

New Department of Control and Compliance

The regulatory compliance function is integrated within Bankinter through an internal institutional framework. The new Control and Compliance Department was formed in January 2021, integrating the areas responsible for the following second lines of control in the entity:

- Risk Control and Internal Validation Unit.
- Financial control and analysis unit.
- Regulatory Compliance unit.
- Anti-Money Laundering And Counter Terrorism Financing Unit.

The decision aims to standardise the information systems of these second-level control areas, ensuring greater interaction between them and a single risk map. All of this will result in greater efficiency and optimisation of resources and will provide the second line of control with the necessary independence to perform its functions, in line with the best practices in this field.

The new Department was included as a corporate function in September 2021, structured so as to coordinate the management of all risks at the group level, while preserving the individual and specific features of each country. The new framework also allows for better coordination of the control and compliance areas at a global level, as well as the simplification of reports and controls within the organisation, by establishing common policies and procedures and a single methodology, in accordance with the new international internal control framework standards.

This corporate structure follows the model based on the three lines of defence and is integrated into Bankinter's risk culture, which is deeply rooted in the organisation and driven by the strong involvement of the Board of Directors and Senior Management. Its application leads to the agile and efficient use of the necessary tools and systems to ensure compliance with the regulations and prevent undesired behaviour. The risk control culture is reinforced through an incentive policy aligned with the Group's risk appetite, a continuous and compulsory training programme for the entire workforce, and a reinforced whistleblower channel.

Under this regulatory and institutional framework, the bank developed the basic areas of the compliance function in 2021 through the following units:

- **Control and advice on banking transparency and products, investment services, market abuse, Internal Code of Conduct and conflicts of interest.** Bankinter has implemented a methodology based on the risk approach that enables the risk of default in each area of activity to be assessed in relation to the provision of investment and banking services.

- **Anti-money laundering and counter terrorist financing.** In 2021, the risk control and management framework was reinforced and centralised monitoring was developed.

- **Risk Control and Internal Validation.** This unit is in charge of controlling credit, operational, technological, and market and institutional risks.

- **Financial control and analysis.** It reviews the general framework of internal financial control and outsourced services.

The functions of Regulatory Compliance and Anti Money Laundering and Counter Terrorism Financing are integrated into the Corporate Control and Compliance Department, which has global and corporate responsibilities and supports the Group's governing bodies. The head of the Control and Compliance division reports to the chief risk officer, and reports hierarchically to the board of directors' risk and compliance committee. The Control and Compliance unit ensures effective control in relation to the bank's risk culture and policies, and compliance with its operating procedures and regulations. It also guarantees that risks are managed as per the defined risk appetite.

This organisational structure enables the Bank to adequately manage the risk of failing to comply with regulations, which also entails significant reputational risk, with a potentially adverse impact on relations with customers, markets, employees and the authorities. In particular, failure to comply with regulations may lead to sanctions, damage or cancellation of contracts, harming the bank's image.

In particular, it is involved in the following bodies of the bank:

- **The Regulatory Compliance Committee.** This is the senior management body that monitors the Bank's compliance policies according to the Charter of the Regulatory Compliance function. The committee executes the policies in relation to the regulatory and regulatory compliance matters established by the board of directors' risk and compliance committee.

- **The products and operational risk committee.** This committee approves the launch, modification and cancellation of products and services offered to customers. It is the body to which information on the entity's operating and operational risk is reported. During 2021, new products and services continued to be reviewed, along with existing products and services. This guarantees that the correct target audience is being reached and that the services and products are offered with sufficient quality and control guarantees.

- **The internal control body.** The body in charge of establishing and ensuring compliance with anti-money laundering and counter-terrorism financing policies and procedures, pursuant to Law 10/2010 and other applicable legislation. This body must be aware of the risks applicable to the bank in this regard and ensure that the necessary measures are taken to mitigate them effectively.

In addition, to support the supervisory function of the Board of Directors, other specialised Senior Management committees have been set up, which the Control and Compliance Department participates in to ensure effective and consistent risk management, such as the Crime Prevention and Professional Ethics Committee. It is also involved in various committees, such as the credit risk map monitoring committee, the credit risk models committee, the data management operations committee; the coordination of technological risks committee, the information security and business continuity committee, and the outsourcing committee.

Three-year regulatory map

Bankinter Group has assigned the competencies of identifying and reporting regulatory changes to the Regulatory Area, attached to the Office of the General Secretary. The Regulatory area facilitates the early detection of the potential impacts of regulatory changes, thus reducing their risks. Every year it prepares a three-year regulatory map that serves as the basis for the relevant strategy. The management of regulatory change was carried out in a cross-cutting manner last year, through the participation in various projects that required the adaptation of Group activities or processes. These notably include regulations deriving from the European Union's legislative package on Sustainable Finance and preparation of a new report to the Banco de España under Circular 4/2021, on models for reserved statements in matters of market conduct, transparency and customer protection, and on the recording of complaints.

Another priority was the final cessation or loss of representativeness of certain LIBOR maturities and currencies announced by the UK Financial Conduct Authority, with advice being provided to the Group Regulation area regarding adaptation and the analysis and decisions to be adopted in order to mitigate the impact and carry out an smooth transition.

The entry into force of consumer protection regulations, such as those relating to open-ended credit associated with payment instruments, also required certain adaptations that enhance customer protection. In the same vein, the guide on the criteria for organising and running customer services to be followed by banks supervised by Banco de España was adapted.

Other significant regulatory changes included: those introduced by: the Central Securities Depository Regulations, specifically with regard to the Securities Settlement Discipline regime; the ESMA Guidelines on the Regulatory Compliance function; and those resulting from transposition of Directive 2015/849, on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing.

Intense activity

Looking ahead to 2022, intense regulatory activity is expected. Below are the main projects underway:

- Level-two regulatory developments of the Sustainable Finance legislative package. Bankinter Group is committed to and supports this legislative package, which will increase Europe's resilience.
- Relaxation of some aspects of the Markets in Financial Instruments Directive, as a result of the *quick-fix* carried out by the European authorities in response to the COVID-19 pandemic.
- Developments in the transition of certain LIBOR maturities and currencies, calculated during 2022 under a synthetic methodology, and the smooth transition towards risk-free indices designated by the European Commission.
- Adaptation of the entity to the modifications made and being reviewed under PRIIPS, the Regulation on packaged retail investment and insurance products.
- Proposed regulations on Markets in Crypto-Assets and on Artificial Intelligence and the results of the application of the DLT Pilot Regime.
- Changes to the European Union package on anti-money laundering and counter terrorist financing, with the creation of the new European authority, the modifications to the regulation on information accompanying transfers of funds, and the anti-money laundering and counter-terrorism financing regulation.
- In the longer term, it will be necessary to pay attention to regulations that have not yet been adopted, but that will have a significant impact, such as the Digital Operational Resilience Act (DORA), the European Union initiative on retail investment and the reviews of directives such as Consumer Credit or Mortgage Credit.

Digital security

A new three-year master plan

Information security is a great priority at Bankinter. In 2021, in order to fulfil this commitment, the projects agreed within the Security Master Plan were performed. The objective is to guarantee high levels of confidentiality, integrity and availability for customers, employees, shareholders and suppliers. In addition, during the financial year Bankinter decided to rename the Information Security area Digital Security and drew up a new Master Plan, which sets out the entity's information security strategy and objectives for the next three years.

The model for the fight against cybercriminals is based around three lines of defence: the first line is technology, business, operations, etc.; the second line comprises risk control and regulatory compliance bodies; and the third line is the Internal Audit department.

From an organisational viewpoint, a new model was implemented in the first line in 2018 within the Data Security Department consisting of three management areas: technological risk, cybersecurity and security monitoring, and prevention of electronic fraud. In 2021, a new department was created to enhance continuity and response to incidents.

Based on this new reinforced structure, Bankinter has undertaken a set of projects with a higher level of maturity where the main focus has been on the vectors of greatest threat. Not only is it necessary to protect the entity's assets; it is also necessary to ensure security within the supply chain to guarantee the proper functioning of business processes.

Awareness

The activity of the area is completed by the development of awareness plans for users, who are the weakest link in the security chain. The Bank provides online training programmes for employees and carries out simulations to obtain confidential information (passwords, personal details, etc.) through emails, text messages (smishing) or telephone calls. (vishing), etc. The aim is to discover their reaction in situations that can be exploited by cybercriminals. The awareness-raising exercise includes external staff.

The growing importance of information security highlights the rapid expansion of cybercrime, the activities of which have evolved and become much more dangerous. Initially it involved the actions of individual hackers, who were not only motivated by money. Nowadays, cybercrime has created large and sophisticated business structures that are capable of attacking entire economic sectors.

The theft of confidential big data from companies, the denial-of-service attacks and phishing (using the identity of companies or public bodies in order to obtain confidential information from the victim), access to Swift or ransomware, are the main strategies used by cybercriminals.

Financial institutions are particularly exposed to this kind of manipulation and fraud as a result of their permanent contact with the public and the nature of their business, part of which involves payment systems.

2021 milestones
Interviews
Results
Businesses
Risks
Innovation
Governance
Sustainability
Individuals
Appendix