bankinter.

Strategy and results

2021

Integrated Annual Report

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Strategy

Increased commercial drive in response to the economic recovery

2021 was marked by a recovery in economic activity after a particularly difficult year caused by the pandemic.

The measures put in place by public authorities prevented the damage caused by the economic shutdown from becoming structural. Together with the country's excellent vaccination figures, these measures mitigated the effects of the virus and are behind the recovery of the economy, which was reflected in strong employment figures at the end of the year.

Banks once again demonstrated their importance for recovering economies, facilitating the delivery of assistance and providing financial support for companies and families. As a result, after a difficult year for the business in which entities had to redouble their efforts and bolster their balance sheets in anticipation of future impacts, 2021 saw an improvement in activity and profits in the sector.

Against this backdrop, in its latest stress tests, the European Banking Authority recognised Bankinter as the most robust, solvent and resilient bank in Spain, placing it third in Europe. Underpinned by these strong foundations, the bank has maintained an active commercial strategy, promoting its lines of business to generate higher income to offset the absence of Línea Directa Aseguradora, which left the bank's perimeter at the end of April, following a successful deal that generated positive remuneration for shareholders after distribution of the issue premium.

Bankinter has boosted its activity in the various segments for individual customers, particularly those with higher net worth, with significant growth in the balance sheets of Private Banking and Personal Banking, and in businesses such as mortgages and Asset Management, especially investment funds. The bank has also strengthened its digital investment offering with the launch of Bankinter Capital Advisor, the first 100% online advisory service. This is aimed at investors who want to invest in funds and build and modify their own portfolios, while receiving recommendations based on their profiles.

The bank has a strong position in the alternative investment business through Bankinter Investment, with the launch of new vehicles and the successful sale of the Helia I renewable energy fund being highlights in the year.

In the Corporate segment, the bank has built on its trusted position by supporting companies in applications for and processing of European support, facilitating their international activity and optimising management with small- and medium-sized enterprises, through a new relationship model adapted to the circumstances and characteristics of each customer.

This strategy of meeting the requirements of each customer, launching new products and services and promoting sales is reflected in the strong figures for recurring business and in the entity's profit, which are detailed in full below.

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Results

A decade with an annual profit growth rate of 15%

Bankinter's commercial efforts in a year of strong economic recovery, such as 2021, brought the Group record results. This demonstrates Bankinter's financial strength, the consistency of its value proposition and the potential of some of its lines of business that are starting to thrive and become increasingly diversified.

All margins experienced strong growth, with the pre-provision operating profit reaching record figures: 1.0021 billion euros, 13.9% more than in 2020 and 19% more than in 2019, that is, before the outbreak of the pandemic.

Net profit amounted to 1.3331 billion euros, including the capital gain of 895.7 million euros generated by the successful IPO of Línea Directa Aseguradora (LDA). Excluding this capital gain, the Group's recurring net profit stood at 437.4 million euros (+37.9%).

As a result, Bankinter achieved a CAGR for profit after tax of 15% between 2012 and 2021, despite the low level of earnings in 2020 caused by extraordinary provisions.

Return on Equity (ROE). Without taking into account the capital gain from LDA, this stood at 9.6%, compared to 7.03% in 2020, which was the year in which this ratio suffered from the higher provisions made to prevent the macroeconomic environment from worsening due to the health crisis.

Capital. The Bankinter capital maintains a CET1 fully-loaded ratio (of the highest quality) of 12.1%, well above the requirements of the European Central Bank, set at 7.68%.

Non-performing loans. As at 31 December, the non-performing loans ratio stood at 2.24%, down 13 basis points from the year-earlier figure, with little impact from the end of the mortgage moratoriums. The non-performing loan coverage ratio was 63.56%, an improvement of 302 basis points from year-end 2020.

Liquidity. Bankinter has a negative customer funding gap, with a deposit-to-loan ratio of 108.5%.

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Margins

The stronger commercial activity boosted margins, which in all cases were not just higher than in 2020, but also than in 2019, enabling the Bank to post record revenue figures.

The diversity of the source of revenue and the fact that our business includes activities that have already been consolidated along with new activities, with much greater potential, means we can predict strong figures in future, which will compensate for LDA leaving the Group.

Net interest income. Closed the year at 1.2753 billion euros, up 2.3% from 2020, driven by higher volumes and price optimisation, even amid low interest rates.

Gross operating income. Up 8.6% from one year ago, reaching 1.8553 billion euros. Revenue from commissions already represents 33% of this margin and totals 603 million (+21%). The bulk of these fees and commissions come from the asset management, brokerage and customer advisory business, all high value-added services.

Operating profit. This figure, before taxes, exceeded 1 billion euros for the first time in the bank's history, standing at 1.0021 billion (+13.9% compared to 2020 and +19% compared to 2020), with operating costs growing to 3%.

Businesses

Bankinter ended 2021 with excellent results in commercial activity in all types of products and businesses and in all markets where it is present.

Companies. Loans and receivables amounted to 28,700 million euros, with the portfolio in Spain increasing by 1%, compared with a 1.4% contraction in the sector until November. This improvement was achieved despite the absence of ICO-backed loans, which were very important in 2020. Bankinter's market share increased from 5.3% to 5.4%.

Commercial Retail Banking. Strong growth in all customer segments. The Private Banking assets under management amounted to 49.9 billion euros, compared to 42.8 billion in 2020, with 3.6 billion in net new assets. In Retail Banking, growth has been driven by magnificent customer acquisition figures of 107,503 customers, up 20% on the previous year. All commercial retail banking products performed positively. The balance for salary accounts in Spain increased from 12,700 million euros to 14,900 million euros. 2021 was one of the best years ever for Bankinter's mortgage business, with new loans (including EVO Banco) amounting to 5,900 million euros, a 58% increase on the previous year. The mortgage portfolio totalled 31,300 million euros at 31 December, with 8.6% growth in Spain, compared to 1.3% for the sector as a whole, according to figures to November from the Banco de España.

Net interest income
€**1.28** bn
+2.3%

Gross operating income
€**1.86** bn
+8.6%

Operating income
€**1.00** bn
+13.9%

Total assets
€**107.58** bn
+11.8%

Loans and receivables
€**68,05** bn
+15.7%

Balance sheet

Total assets closed 2021 at 107.5841 billion euros (+11.8%), while customer loans and receivables grew to 68.0488 billion (+5.7%) and retail funds reached 72.4849 billion (+11.7 %).

In Spain, the increase in loans and receivables was 3.9% and that of retail funds was 10.8%, compared to -0.3% and +4.9% for the banking system as a whole, according to data from November.

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Asset Management. The bank's commercial and advisory activity resulted in a 26.9% increase in off-balance-sheet managed funds compared to 2020, to 39,533.6 million euros. The improvement was especially significant in investment funds, both proprietary and third party, which increased by 30% to 29,800 million euros, with some products being among the most profitable in their categories.

Investment banking. Bankinter Investment, the company responsible for investment banking, has become a benchmark for activities such as alternative investment. It has launched 16 investment vehicles in a wide range of economic sectors, attracting 3,200 million euros of capital from more than 3,000 private banking and institutional customers. The balance for structured financing stands at 4,000 million euros. As a result, Bankinter Investment's gross operating income increased to 187 million euros, from 116 million in 2020.

Bankinter Portugal. It made a pre-tax profit of 50 million euros, which is reflected in all of its business indicators and margins. The loan book grew by 6% to 6,900 million euros, while customer deposits increased by 23% to 5,900 million euros. Off-balance sheet assets under management increased by 22%, to 4,400 million euros. Net interest income was 99 million euros (+5%) while gross operating income was 152 million euros (+10%), due to the strong performance of fee income, at 61 million euros.

Bankinter Consumer Finance At 31 December, the consumer business brand had a loan book of 3,500 million euros (+23%), with 1,500 million in new production. Consumer loans accounted for 1,900 million euros, with the remainder relating to various types of cards and the mortgages marketed in Ireland. Activity in Ireland, through the Avant Money brand, expanded considerably in 2021, with 1,000 million euros in the loan book at year-end, of which 400 million euros was accounted for by new mortgages. The bank has already become a major player in this market, despite only having started this business there recently. Avant Money's NPL ratio is 0.6%.

EVO Banco. Evo is continuing to consolidate its position among the younger and digital customer segments, with 678,000 customers at year-end 2021 and loans and receivables of 1,860 million euros, compared to 1,224 million in 2020. New mortgages amounted to 729 million euros (395 million in 2020). This reflects the level of recovery caused by the digital bank in this business.

Bank has become a benchmark in some activities, e.g. alternative investment.

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CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2021 AND 2020

(Thousands of euros)

ASSETS	31.12.2021	31.12.2020 (*)
Cash, cash balances at central banks and other demand deposits	**22,373,090**	**15,044,317**
Financial assets held for trading	**4,038,256**	**2,158,742**
Derivatives	342,071	498,922
Equity instruments	197,862	181,834
Debt securities	1,246,748	400,254
Loans and advances	2,251,575	1,077,732
Central banks	-	-
Credit institutions	2,251,575	1,020,568
Customers	-	57,164
Memorandum items: loaned or pledged	667,722	136,949
Non-trading financial assets mandatorily at fair value through profit or loss	**131,316**	**119,555**
Equity instruments	130,328	118,865
Debt securities	738	690
Loans and advances	250	-
Central banks	-	-
Credit institutions	-	-
Customers	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	**2,751,517**	**2,629,598**
Equity instruments	304,893	-
Debt securities	2,446,624	2,629,598
Loans and advances	-	-
Central banks	-	-
Credit institutions	-	-
Customers	-	-
Memorandum items: loaned or pledged	868,516	560,373
Financial assets at amortised cost	**76,285,363**	**72,861,812**
Debt securities	7,595,987	7,579,330
Loans and advances	68,689,376	65,282,482
Central banks	-	-
Credit institutions	2,407,309	2,122,461
Customers	66,282,067	63,160,021
Memorandum items: loaned or pledged	7,095,267	4,303,136
Derivatives – hedge accounting	**170,077**	**210,773**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	**46,124**	**195,805**
Investments in joint ventures and associates	**169,971**	**109,526**
Joint ventures	91,329	36,679
Associates	78,642	72,847
Assets under reinsurance and insurance contracts	**-**	**-**
Tangible assets	**450,436**	**455,070**
Property, plant and equipment	450,436	455,070
For own use	441,728	435,540
Leased out under an operating lease	8,708	19,530
Assigned to welfare projects (savings banks and credit cooperatives)	-	-
Investment property	-	-
Of which: Leased out under operating leases	-	-
Memorandum items: Acquired under finance leases	130,740	115,221
Intangible assets	**269,685**	**258,075**
Goodwill	2,276	2,276
Other intangible assets	267,409	255,799
Tax assets	**638,444**	**380,085**
Current tax assets	364,636	110,053
Deferred tax assets	273,808	270,032
Other assets	**153,645**	**120,326**
Insurance contracts linked to pensions	-	-
Inventories	-	-
Other assets	153,645	120,326
Non-current assets and disposal groups classified as held for sale	**106,184**	**1,708,409**
TOTAL ASSETS	**107,584,108**	**96,252,093**

The accompanying notes 1 to 52 and appendices I through VI attached hereto form an integral part of the consolidated balance sheet as at 31 December 2021.

(*) Presented for comparison purposes only.

LIABILITIES AND EQUITY	31.12.2021	31.12.2020 (*)
LIABILITIES	**102,731,948**	**91,287,936**
Financial liabilities held for trading	**3,696,496**	**1,382,300**
Derivatives	438,795	440,711
Short positions	1,472,331	496,886
Deposits	1,785,370	444,703
Central banks	-	-
Credit institutions	245,677	-
Customers	1,539,693	444,703
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	**97,809,974**	**87,472,834**
Deposits	87,995,644	78,028,886
Central banks	14,190,714	12,885,116
Credit institutions	3,026,174	2,072,639
Customers	70,778,756	63,071,131
Debt securities issued	7,689,865	7,623,285
Other financial liabilities	2,124,465	1,820,663
Memorandum items: subordinated liabilities	1,693,190	1,167,074
Derivatives – hedge accounting	**275,264**	**482,033**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	**1,957**	**38,775**
Liabilities under reinsurance and insurance contracts	**-**	**-**
Provisions	**419,911**	**438,511**
Pensions and other post-employment defined benefit obligations	1,669	1,265
Other long-term employee benefits	-	-
Pending legal issues and tax litigation	136,609	100,098
Commitments and guarantees given	38,216	37,787
Other provisions	243,417	299,361
Tax liabilities	**254,543**	**220,102**
Current tax liabilities	139,054	90,490
Deferred tax liabilities	115,489	129,612
Share capital repayable on demand	**-**	**-**
Other liabilities	**273,803**	**264,433**
Of which: welfare fund (savings banks and credit cooperatives only)	-	-
Liabilities included in disposal groups classified as held for sale	**-**	**988,948**
TOTAL LIABILITIES	**102,731,948**	**91,287,936**

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LIABILITIES AND EQUITY (continued)	31.12.2021	31.12.2020 (*)
Shareholders' equity	**4,736,621**	**4,816,054**
Capital	**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	**-**	**1,184,265**
Equity instruments issued other than share capital	**-**	**-**
a) Equity component of compound financial instruments	-	-
b) Other equity instruments issued	-	-
Other equity	**6,162**	**7,482**
Retained earnings	**3,306,854**	**3,051,137**
Revaluation reserves	**-**	**4,806**
Other reserves	**(12,092)**	**(14,778)**
Reserves or accumulated losses of investments in joint ventures and associates	(12,092)	(14,778)
Other	-	-
(-) Treasury shares	**(1,025)**	**(3,641)**
Profit or loss attributable to owners of the parent	**1,333,108**	**317,123**
(-) Interim dividends	**(166,046)**	**-**
Accumulated other comprehensive income	**115,539**	**148,103**
Items that will not be reclassified to profit or loss	**57,602**	**6,200**
a) Actuarial gains or (-) losses on defined benefit pension plans	3,272	(976)
b) Non-current assets and disposal groups classified as held for sale	-	7,176
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	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	**57,937**	**141,903**
a) Hedge of net investments in foreign operations [effective portion]	-	-
b) Foreign currency translation	-	-
c) Hedging derivatives. Cash flow hedges [effective portion]	(452)	(962)
d) Fair value changes of debt instruments measured at fair value through other comprehensive income	53,951	99,711
e) Hedging instruments [not designated elements]	-	-
f) Non-current assets and disposal groups classified as held for sale	-	37,550
g) Share of other recognised income and expense of investments in joint ventures and associates	4,438	5,604
Minority interests [Non-controlling interests]	**-**	**-**
Accumulated other comprehensive income	-	-
Other items	-	-
TOTAL EQUITY	**4,852,160**	**4,964,157**
TOTAL EQUITY AND LIABILITIES	**107,584,108**	**96,252,093**
MEMORANDUM ITEMS: OFF-BALANCE-SHEET EXPOSURES		
Loan commitments given	15,963,920	16,985,633
Financial guarantees given	1,676,285	1,749,716
Other commitments given	8,405,185	7,028,444

The accompanying notes 1 to 52 and appendices I through VI attached hereto form an integral part of the consolidated balance sheet as at 31 December 2021.
(*) Presented for comparison purposes only.

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CONSOLIDATED INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2021 AND 2020

(Thousands of euros)

	(Debit)/Credit 31.12.2021	(Debit)/Credit 31.12.2020 (*)
Interest income	1,446,347	1,385,745
Financial assets at fair value through other comprehensive income	58,164	71,069
Financial assets at amortised cost	1,273,523	1,275,012
Other interest income	114,660	39,664
Interest expenses	(171,069)	(138,745)
Expenses on share capital repayable on demand	-	-
A) NET INTEREST INCOME	**1,275,278**	**1,247,000**
Dividend income	20,611	19,032
Share of the profit or loss of entities accounted for using the equity method	33,368	28,766
Fee and commission income	787,772	631,565
Fee and commission expenses	(184,313)	(134,805)
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	36,073	45,807
Financial assets at amortised cost	32,134	31,156
Other financial assets and liabilities	3,939	14,651
Gains or losses on financial assets and liabilities held for trading, net	16,559	6,017
Reclassification of financial assets out of fair value through other comprehensive income	-	-
Reclassification of financial assets out of amortised cost	-	-
Other gains or losses	16,559	6,017
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss, net	19,401	5,025
Reclassification of financial assets out of fair value through other comprehensive income	-	-
Reclassification of financial assets out of amortised cost	-	-
Other gains or losses	19,401	5,025
Gains or losses on financial assets and liabilities designated at fair value through profit or loss, net	-	-
Gains or losses from hedge accounting, net	12	63
Exchange differences [gain or loss], net	2,254	(7,813)
Other operating income	28,556	36,928
Other operating expenses	(180,244)	(168,545)
Of which: compulsory transfers to welfare funds (only savings banks and credit cooperatives)	-	-
Income from assets under insurance and reinsurance contracts	-	-
Expenses from liabilities under insurance and reinsurance contracts	-	-
B) GROSS OPERATING INCOME	**1,855,327**	**1,709,040**
Administrative expenses	(775,417)	(753,281)
a) Staff expenses	(472,786)	(446,695)
b) Other administrative expenses	(302,631)	(306,586)
Depreciation and amortisation	(77,787)	(75,577)
Provisions or reversal or provisions	(182,835)	(204,766)
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	(263,071)	(425,429)
a) Financial assets at fair value through other comprehensive income	166	567
b) Financial assets at amortised cost	(263,237)	(425,996)
Impairment or reversal of impairment of investments in joint ventures and associates	-	-
Impairment or reversal of impairment on non-financial assets	(7,185)	(2,084)
Tangible assets	(1,142)	-
Intangible assets	(6,046)	(2,082)
Other	3	(2)
Gains or losses on derecognition of non-financial assets	(742)	(1,190)
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	(11,581)	(16,174)
C) PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS	**536,709**	**230,539**
Tax expense or income related to profit or loss from continuing operations	(139,276)	(56,413)
D) PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS	**397,433**	**174,126**
Profit or loss after tax from discontinued operations	935,675	142,997
E) PROFIT OR LOSS FOR THE PERIOD	**1,333,108**	**317,123**
Attributable to minority interests (non-controlling interests)	-	-
Attributable to the owners of the parent	1,333,108	317,123
EARNINGS PER SHARE:		
Basic	1.49	0.35
Diluted	1.46	0.33

The accompanying notes 1 to 52 and appendices I through VI attached hereto form an integral part of the consolidated income statement for the year ended 31 December 2021.

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CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR THE YEARS ENDED 31 DECEMBER 2021 AND 2020

(Thousands of euros)

	31.12.2021	31.12.2020 (*)
A) PROFIT OR LOSS FOR THE PERIOD	**1,333,108**	**317,123**
B) OTHER COMPREHENSIVE INCOME	**(32,564)**	**(39,518)**
Items that will not be reclassified to profit or loss	**51,403**	**8,097**
a) Actuarial gains or (-) losses on defined benefit pension plans	6,029	5,159
b) Non-current assets and disposal groups held for sale	(9,567)	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	52,875	(3,627)
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	2,066	(3,002)
Items that may be reclassified to profit or loss	**(83,967)**	**(47,615)**
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]	**727**	**(1,414)**
Valuation gains or (-) losses taken to equity	727	(1,414)
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	**(65,365)**	**(117,052)**
Valuation gains or (-) losses taken to equity	(61,544)	(64,605)
Transferred to profit or loss	(3,821)	(6,544)
Other reclassifications	-	(45,903)
f) Non-current assets and disposal groups held for sale	**(50,067)**	**50,067**
Valuation gains or (-) losses taken to equity	(50,067)	4,164
Transferred to profit or loss	-	-
Other reclassifications	-	45,903
g) Share of other recognised income and expense of investments in joint ventures and associates	**(1,166)**	**65**
h) Income tax relating to items that may be reclassified to profit or (-) loss	**31,904**	**20,719**
C) TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1,300,544**	**277,605**
Attributable to minority interests (non-controlling interests)	-	-
Attributable to the owners of the parent	1,300,544	277,605

The accompanying notes 1 to 52 and appendices I through VI attached hereto form an integral part of the consolidated statement of recognised income and expense for the year ended 31 December 2021.
(*) Presented for comparison purposes only.

CONSOLIDATED STATEMENT OF TOTAL CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2021 AND 2020

(Thousands of euros)

												Minority interests		
	Share capital	Share premium	Equity instruments issued other than share 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)**	**255,716**	**(4,806)**	**2,686**	**2,616**	**(317,123)**	**(166,046)**	**-**	**-**	**-**	**(1,412,541)**
Issuance of ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of preference shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exercise or maturity of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share capital reductions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends (or shareholder remuneration)	-	(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 liabilities to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between equity components	-	-	-	-	272,400	-	-	-	(317,123)	44,723	-	-	-	-
Increases or decreases in equity arising from business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	(1,319)	-	-	-	-	-	-	-	-	-	(1,319)
Other increases or (-) decreases in equity	-	-	-	-	(17,417)	(4,806)	2,686	-	-	-	-	-	-	(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**	**3,306,853**	**-**	**(12,092)**	**(1,025)**	**1,333,108**	**(166,046)**	**115,539**	**-**	**-**	**4,852,160**

The accompanying notes 1 to 52 and appendices I through VI attached hereto form an integral part of the consolidated statement of total changes in equity for the year ended 31 December 2021

CONSOLIDATED STATEMENT OF TOTAL CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2021 AND 2020

(Thousands of euros)

	Share capital	Share premium	Equity instruments issued other than share 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	Minority interests: Accumulated other comprehensive income	Minority interests: Other items	Total
Closing balance at 31.12.2019 (*)	**269,660**	**1,184,265**	**-**	**12,567**	**2,762,882**	**4,716**	**4,252**	**(1,222)**	**550,665**	**(175,442)**	**187,621**	**-**	**-**	**4,799,964**
Effects of correction of errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance at 1.1.2020	**269,660**	**1,184,265**	**-**	**12,567**	**2,762,882**	**4,716**	**4,252**	**(1,222)**	**550,665**	**(175,442)**	**187,621**	**-**	**-**	**4,799,964**
Total comprehensive income for the period	-	-	-	-	-	-	-	-	317,123	-	(39,518)	-	-	277,605
Other changes in equity	**-**	**-**	**-**	**(5,085)**	**288,255**	**90**	**(19,030)**	**(2,419)**	**(550,665)**	**175,442**	**-**	**-**	**-**	**(113,412)**
Issuance of ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of preference shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exercise or maturity of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share capital reductions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends (or shareholder remuneration)	-	-	-	-	-	-	-	-	-	(87,757)	-	-	-	(87,757)
Purchase of treasury shares	-	-	-	-	(340)	-	-	(59,003)	-	-	-	-	-	(59,343)
Sale or cancellation of treasury shares	-	-	-	-	-	-	-	56,584	-	-	-	-	-	56,584
Reclassification of financial instruments from equity to liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liabilities to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between equity components	-	-	-	-	287,466	-	-	-	(550,665)	263,199	-	-	-	-
Increases or decreases in equity arising from business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	(5,085)	-	-	-	-	-	-	-	-	-	(5,085)
Other increases or (-) decreases in equity	-	-	-	-	1,129	90	(19,030)	-	-	-	-	-	-	(17,811)
Of which: discretionary transfer to welfare funds (only savings banks and credit cooperatives)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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**

(*) Presented for comparison purposes only.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2021 AND 2020

(Thousands of euros)

	31.12.2021	31.12.2020 (*)
A) CASH FLOWS FROM OPERATING ACTIVITIES	**7,050,834**	**8,538,308**
Profit or loss for the period	**1,333,108**	**317,123**
Adjustments to obtain cash flows from operating activities	**(182,434)**	**860,390**
Depreciation and amortisation	77,787	75,577
Other adjustments	(260,221)	784,813
Net increase/(decrease) in operating assets	**5,615,322**	**4,355,843**
Financial assets held for trading	1,879,514	(1,689,408)
Non-trading financial assets mandatorily at fair value through profit or loss	11,511	(10,748)
Financial assets designated at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	(140,270)	(1,816,622)
Financial assets at amortised cost	3,599,962	7,946,282
Other operating assets	264,605	(73,661)
Net increase/(decrease) in operating liabilities	**11,877,918**	**11,837,451**
Financial liabilities held for trading	2,314,196	(1,441,548)
Financial liabilities designated at fair value through profit or loss	-	-
Financial liabilities at amortised cost	9,971,341	13,296,974
Other operating liabilities	(407,619)	(17,975)
Income tax recovered/(paid)	**(362,436)**	**(120,813)**
B) CASH FLOWS FROM INVESTING ACTIVITIES	**(63,908)**	**(120,860)**
Payments	**(121,156)**	**(189,627)**
Tangible assets	(18,304)	(17,911)
Intangible assets	(49,019)	(68,773)
Investments in joint ventures and associates	-	-
Subsidiaries and other business units	(53,833)	-
Non-current assets and liabilities classified as held for sale	-	(102,943)
Other payments related to investing activities	-	-
Proceeds	**57,248**	**68,767**
Tangible assets	7,685	-
Intangible assets	-	-
Investments in joint ventures and associates	-	228
Subsidiaries and other business units	-	-
Non-current assets and liabilities classified as held for sale	49,563	68,539
Other proceeds related to investing activities	-	-
C) CASH FLOWS FROM FINANCING ACTIVITIES	**341,847**	**219,823**
Payments	**(459,605)**	**(186,761)**
Dividends	(210,769)	(87,758)
Subordinated liabilities	(200,000)	(40,000)
Redemption of own equity instruments	-	-
Acquisition of own equity instruments	(48,836)	(59,003)
Other payments related to financing activities	-	-
Proceeds	**801,452**	**406,584**
Subordinated liabilities	750,000	350,000
Issuance of own equity instruments	-	-
Disposal of own equity instruments	51,452	56,584
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)	**7,328,773**	**8,637,271**
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**15,044,317**	**6,407,046**
G) CASH AND CASH EQUIVALENTS AT END OF PERIOD	**22,373,090**	**15,044,317**
Of which: Interest received	**1,317,773**	**1,413,935**
Of which: Interest paid	**198,439**	**168,193**

The accompanying notes 1 to 52 and appendices I through VI attached hereto form an integral part of the consolidated statement of cash flows for the year ended 31 December 2021.
(*) Presented for comparison purposes only.

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Share price

Most profitable year

The growth in business results, excess liquidity in the economy and still expansionary monetary policies favored a general improvement in stock markets around the world in 2021. Although the last quarter was affected by the expansion of the Omicron variant of the coronavirus, the Ibex 35 index experienced a rise of 7.9% compared to the end of the previous year, with financial stocks clearly recovering, due, among other things, to the forecasts of rising interest rates, not yet confirmed by the Central Bank European (ECB).

In this scenario, Bankinter's share behaved extraordinarily and increased its profitability more than in any other year, thanks to the positive impact of the spin-off of Línea Directa in April. Shareholders who kept their shares in the bank and the insurance company throughout 2021 obtained a joint dividend yield of more than 5.3%, which represents a growth of 31% over the dividends distributed by Bankinter alone in 2019. In addition, dividend investment increased by 38%, including both shares, while the average for banks listed in Spain stood at 31% (the same percentage lost in 2020).

The Bank's market capitalisation at 31 December 2021 stood at 4.053 billion euros.

Share capital

At the end of 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. 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 58,632 shareholders at 31 December. Residents in Spain held 55% of the share capital and non-residents the remaining 45%. Registered shareholders with more than 5% of the share capital are detailed in the table below.

Key data and ratios for Bankinter shares in 2021 are detailed in the tables on the next page.

Performance (%)
+31%
over the dividends distributed by Bankinter only in 2019

Shareholders
58,632

Shareholders with significant holdings. 31/12/2021

Name	Total shares	%
Cartival, S.A.	208,426,443	23.19
Corporación Masaveu, S.A.*	44,959,730	5.00

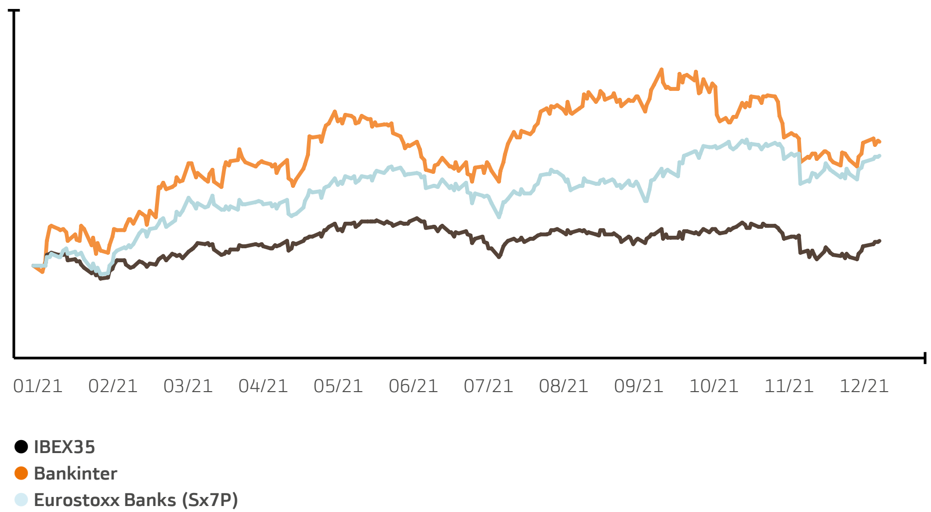
Shareholder structure by number of shares

Tranches	No. of shareholders	%	No. of shares	%
From 1 to 100 shares	15,379	26.23	249,056	0.03
From 101 to 1,000 shares	19,525	33.30	9,850,410	1.10
From 1,001 to 10,000 shares	20,038	34.18	66,531,895	7.40
From 10,001 to 100,000 shares	3,404	5.80	80,386,191	8.94
More than 100,000 shares	286	0.49	741,848,602	82.53
Total	**58,632**		**898,866,154**	

Summary by type of shareholder

Type	No. of shareholders	%	No. of shares	%
Residents	57,809	98.60	492,608,072	54.80
Non-residents	823	1.40	406,258,082	45.20
Total	**58,632**		**898,866,154**	

Share price Relative performance (%) last 12 months (Dec-20 base 100)



Data per share for the period, at 31.12.2021 (euros)

Earnings per share	1.46
Dividend per share	0.23
Book value per share	5.40
Share price at beginning of period	4.42
Minimum intraday share price	4.04
Maximum intraday share price	6.06
Last share price	4.51
Performance over last 12 months (%)	1.92
Performance over the last 12 months adjusted by share premium distribution (%)	38.28

Stock market ratios at 31.12.2021

Price/book value (times)	0.84
PER (price/earnings, times)	9.26
Dividend yield (%)	5.20
Number of shareholders	58,632
Number of shares	898,866,154
Number of shares of non-residents	406,258,082
Average daily trading volume (number of shares)	2,871,919
Average daily trading volume (thousands of euros)	14,201
Market capitalisation (thousands of euros)	**4,052,987**

(*) This percentage of Bankinter's share capital owned by Corporación Masaveu is part of the indirect voting rights held on the Bank's share capital by Bankinter director, Fernando Masaveu. Fernando Masaveu directly and indirectly holds 5.29% of the voting rights of Bankinter's share capital.

Dividend policy

Bankinter resumed its dividend policy on 1 October, the day the ECB ended its recommendation to the banks not distribute dividends. A first payment of 0.133 euros per share was made and later another was made in the amount of 0.051 euros per share.

These two interim dividends on the 2021 income statement will be complemented by the final dividend approved at the 2022 Annual General Meeting as suggested by the Board of Directors at its previous meeting.

Dividends distributed and distributable charge to profit for 2021, excluding treasury shares held by the Bank:

American Depositary Receipts (ADR)

Bankinter has a Level 1 ADR programme managed by Bank of New York-Mellon, with 68,048 ADRs outstanding at the end of 2021. This allows US residents to invest in foreign companies through a US dollar-denominated product and to receive dividend payments in their own currency.

Distribution of dividends

Deposit date	Dividend per share (euros)	No. of shares	Treasury shares	Shares with voting rights	Amount (euros)	Corresponding year
Oct-21	0.13328659	898,866,154	200,000	898,666,154	119,780,147	2021
Dec-21	0.05148231	898,866,154	200,000	898,666,154	46,265,410	2021
Mar-22*	0.05857824	898,866,154	200,000	898,666,154	52,642,282	2021
Total	**0.24334714**				**218,687,839**	

*Final dividend subject to its approval at the Annual General Meeting, first convened for 23 March 2021.

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Shareholders' Office

Information in advance

The 'You First' programme has been used for several years to ensure that news about items such as dividend payments, quarterly results or significant event notices about the Bank published with the Spanish National Securities Market Commission reach Bankinter shareholders before they are seen by anybody else.

This programme forms one of the pillars of the Shareholders' Office and also addresses the proposals and clarifications submitted to it in relation to the current share price or share history, dividend amounts and payment dates, the content of the corporate report and details on annual general meetings.

The Office performs two other fundamental tasks: inform internal stakeholders and supervisors about shareholder composition and ensure adherence to the Securities Market Code of Conduct, which the Bank's employees must observe with regard to Bankinter's actions.

The Bank operates in harmony with other European markets in terms of contracting and reporting processes, following the implementation of the reform of the securities clearing, settlement and registration system in Spain.

2021 Annual General Meeting

On 21 April 2021, the annual general meeting took place in person and online. The quorum for participation was 74.60%, in line with previous years and with the average for Ibex 35 companies. All items on the agenda were approved by a large majority.

Despite being held in dual format and with a reduced number of attendees due to the health crisis, the Meeting unfolded as usual and without any incidents of note.

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Investor relations

In permanent contact

Bankinter's relationship with its investors has always been guided by the principles of equality, rigour and transparency inherent to the bank's culture and required by regulators. Bankinter therefore provides its investors with relevant and high-quality information about performance of the various businesses, as well as new strategies, both for each type of business and for each geography. In 2021, some of the actions developed to fulfil this corporate commitment include:

- The quarterly appointment (in January, April, July and October) remained unchanged to present the Group's results to the investment community via webcast and teleconference. Between 150 and 200 financial analysts and institutional investors, both national and international, usually attend this type of meeting, and there is a Q&A.

- Despite the difficulties in mobility, Bankinter continued to be present, albeit remotely, at the most important international conferences and seminars organised by brokerage firms and investment banks. It has therefore been possible to maintain direct and close contacts with all stakeholders (institutional investors, portfolio managers, financial analysts, and private bankers) to inform them of business performance and the impact of the COVID-19 effects on each of these businesses.

- Almost 300 normal meetings were also held online with institutional investors and financial analysts, both individually and in groups, organised either by brokers or by the corporate access departments of the relevant institutions.

- Visits to investors and potential investors in various international financial capitals (New York, London, Paris, Frankfurt, Zurich, etc.) were cancelled until the situation stabilised and with the assurance that as soon as a 'new normal' is restored, the relevant roadshows will take place.

As of 31 December 2021, 45% of the bank's shares were held by non-resident and institutional investors, a slightly lower percentage than in previous years, which is expected to change when the health situation improves, in order to continue expanding the geographic shareholder base with new markets, such as the West Coast of the United States or Asia.

Sustainability (ESG)

After a few years acting in parallel, Investor Relations and the Sustainability area began to establish common criteria in 2020 to facilitate a permanent and uniform flow of information between the bank and the different interest groups to respond to their growing demand and sensitivity in relation to with matters such as good corporate governance, environmental protection or respect for social issues.

There is currently an increasing number of specialised agencies, as well as proxy advisors (firms that advise institutional investors on vote management at shareholders' meetings), which prepare rankings, reports and sustainability indices. Bankinter appears in most of them as one of the most sustainable companies in Spain and in the financial sector on a global scale.

As recognition of our good sustainability management, the Bank was included for the fourth consecutive year (2021) in the European and World Index of the Dow Jones Sustainability Index. Bankinter's achievement is doubled because most of the institutions included in this index have much larger budgets, due to their size.

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Rating

Improved outlook

Bankinter once again confirmed its ability to improve its financial solvency, liquidity, asset quality and profitability ratios in 2021, as evidenced by the upgrade from 'negative' to 'stable' in the outlook applied by the rating agencies S&P Global and DBRS, after the mandatory annual review. Good ratings help Bankinter reduce financing costs in the markets and preserve the bank's privileged position in relation to its competitors in this area.

Bankinter's credit ratings as of 31 December 2021 were as follows:

Moody's Ratings Limited.
The long-term issuer credit rating is Baa1, the short-term rating is P-2, and the outlook on both ratings remains at

stable

S&P Global Ratings.
The long-term issuer rating is BBB+ and the short-term rating is A-2, with both ratings getting an improved outlook of

stable

DBRS Morningstar.
The long-term rating is A (low) and the short-term rating is R-1 (low). It also decided on an outlook improvement to

stable

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Own funds

Maintaining resilience and solvency in an environment of uncertainty

Many of the most developed economies in the world recovered their pre-pandemic growth levels in 2021, although Spain did not, despite the notable improvement in the economy.

With regard to the financial system, the European Banking Authority (EBA), in its December 2021 report, wrote about the existence of certain vulnerabilities linked to uncertainty over the credit granted within the framework of the support measures for Covid-19, the potential withdrawal of stimuli by central banks to curb inflationary pressures and a possible bubble in the value of certain assets.

In this context, the EBA, in collaboration with the European Central Bank (ECB) and the European Systemic Risk Board (ESRB), carried out its stress tests on the main entities in the banking sector in a hypothetical very adverse macroeconomic scenario. Bankinter achieved excellent results, which placed it as the strongest and most solvent Spanish bank and third among all the entities analysed.

To compensate for the potential effects of the COVID-19 pandemic on the financial system, and boost recovery, the ECB approved a series of regulatory changes to the regulations on the solvency of credit institutions, which included specific measures to positively contribute to capital ratios and to the provision of credit to the economy, such as support schemes for SMEs and infrastructure.

In addition, the European Central Bank (ECB) announced that banks may temporarily operate below the capital level defined as Pillar 2G (Pillar 2 Guidance) and the capital conservation buffer. These temporary measures were reinforced by the relaxation of the countercyclical capital buffer by the national macroprudential authorities. Similarly, it was stated that banks could partially meet the Pillar 2 (P2R) requirement with lower quality capital instruments, Additional Tier 1 (AT1) or Tier 2 (Tier2) capital.

Finally, and given the persistent uncertainty about the future economic impact of the pandemic, the ECB recommended that credit institutions exercise extreme caution when distributing cash dividends and paying variable remuneration to their employees.

All this, together with Bankinter's business model and its prudent risk and capital management policy, allowed the Group to operate with comfortable levels of high quality capital that are well above the requirements of the regulatory authorities and supervisors, despite the current economic context.

In 2021, Bankinter maintained the active management of its capital as one of its strategic priorities. The aim was to reinforce its position in terms of capital adequacy and to be able to face the economic effects of the pandemic, while preserving the flow of credit to the real economy with no major impact on its capital ratios. All the above, while considering the effects of the distribution in kind to shareholders of Bankinter's share premium, in the form of shares of the Group's insurance company, Línea Directa Aseguradora (LDA), and its subsequent listing on the stock market, which took place in April.

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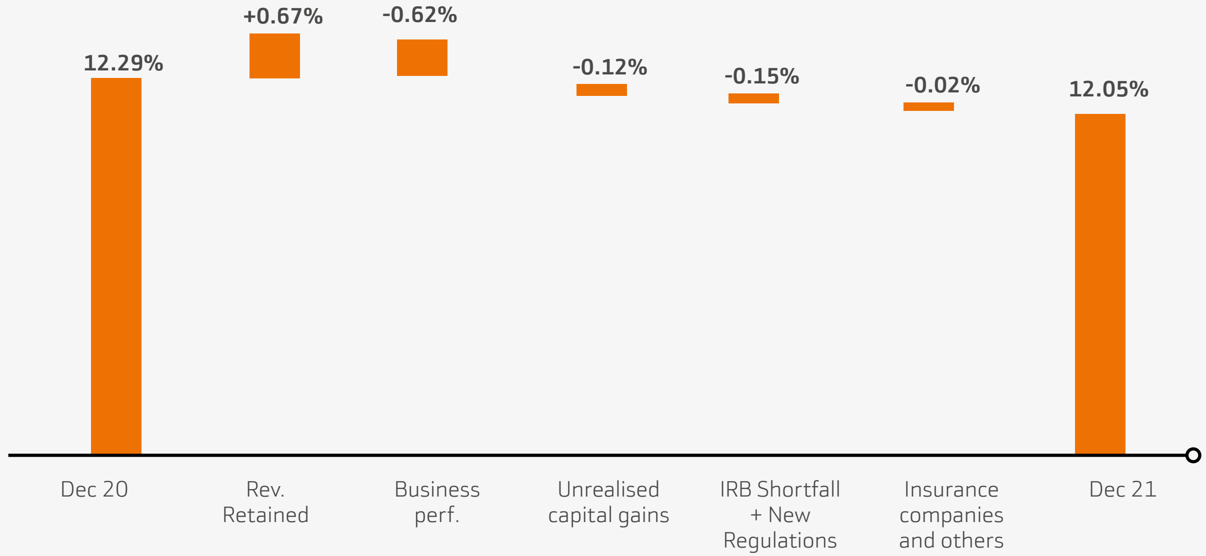
Recovery of the dividend policy

In addition, thanks to the good results of its evaluation by the supervisor and the EBA stress test exercise, Bankinter was able to resume its traditional policy of distributing dividends, resuming its payout level of 50% of the recurring earnings for the year, after the limitation on the distribution of dividends imposed at the start of the pandemic was lifted.

The highest quality capital of the Group, the CET1 ratio (ratio between ordinary Tier 1 capital and risk-weighted assets) stood at 12.05% at the end of 2021, 24 basis points below the ratio of the previous year. This was due to the high level of loans and receivables in the year, impacts due to regulatory changes in the definition of default, the estimation of the risk parameters of the loan book, the return to its usual policy of distributing cash dividends and the spin-off of LDA.

This level is well above the minimum ordinary capital requirement (CET1) established by the ECB for Bankinter Group in 2021 and which stood at 7.675% (the same as in 2020). The total capital ratio stood at 15.39%, also well above the total capital requirement established by the ECB for 2021 of 11.70%.

Variations in the CET1 ratio



The good results for the year, together with the impact of the spin-off of LDA, led to 67 basis points being retained in capital after the distribution of dividends.

The demand for credit throughout the year experienced strong growth both in terms of corporate exposure and in private mortgages. The introduction of support for SMEs and infrastructures brought about a flow of credit with decreased capital consumption. Other businesses also experienced growth in the year, with an increase in capital consumption due to market risk and operational risk. Changes in the business decreased the CET1 capital by 62 basis points.

The unrealised capital gains of the ALCO portfolio were gradually reduced by the evolution of the market and, although still positive, they caused a reduction of 12 basis points in the CET1.

Other effects impacted capital by 2 basis points.

In light of the improvement in market conditions in 2021, Bankinter issued 750 million euros of subordinated debt eligible as Tier 2 in mid-June 2021 to strengthen its capital base. The issue allowed the bank to supplement the capital levels that can be covered by this type of instrument and release higher quality capital (CET1) to improve its buffer, which is above regulatory requirements. In addition, this issue will make it possible to replace the Tier 2 subordinated debt of 500 million euros that was issued in 2017 and that has an early repayment clause from April 2022.

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The MREL buffer

In December 2020, the bank received the communication of the Minimum Requirement for Eligible Liabilities (MREL) set by the Single Resolution Board for 2021. According to said communication, Bankinter would have to reach from 1 January 2022 (binding intermediate requirement) a buffer of instruments with a loss-absorbing capacity of 16.18% of the Group's consolidated risk-weighted assets and 5.28% of the exposure to the leverage ratio. Thanks to the generation of organic capital, balance sheet management and the issuance of 750 million euros of subordinated debt, the level of eligible instruments (e.g. MREL) stood at 21.69% as of 31 December last year (19.19% not including the capital required to cover the combined buffer requirement, which represents 2.5% of risk-weighted assets) and 8.13% of the exposure to the leverage ratio.

Outlook

For the 2022 financial year, the bank still seeks to generate organic capital growth so that it can operate with comfortable ratios higher than those established by the supervisor and to maintain its normal dividend policy, with 50% cash distribution of earnings. During 2022, despite uncertainties, the economic recovery of the geographies in which Bankinter Group operates is expected to continue. The bank's aim is to provide credit to the real economy so as to contribute to this recovery, with a return-risk trade-off that allows it to preserve its solvency, its profitability and its risk profile.

During 2022, despite uncertainties, the economic recovery of the geographies in which Bankinter operates is expected to continue.

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Business Banking

Increase in market share and planning for European funds

2021 was a complicated year for the Business Banking business, which grew less than expected due to various environmental circumstances:

- The macroeconomic scenario was less favourable than expected, with economic growth slowed by the expansion of the omicron variant, the reappearance of inflation and problems in the supply chain.

- There was excess liquidity caused by the large number of loans guaranteed by ICO and Cesce in 2020, which limited the financing requirements of companies, especially in Business Banking.

- The arrival of funds from the European Recovery Plan (Next Generation EU) was delayed, which barely had any impact on economic activity in 2021.

Despite these adverse conditions, the performance of loans and receivables in Business Banking was slightly positive, reaching 28.7 million euros, with an increase of 1% compared to the previous year. In addition, this slight growth, allowed it to increase its gain market share (5.4%, compared to 5.3% in 2020), since investments in financial institutions as a whole fell by 1.4%, according to corresponding data up to November.

Clear strategy for European aid

The aid awaited from the European Union hardly had any impact on the economic fabric, so the bank was unable to exercise its triple role of channelling, advancing and supplementing business financing using European funds. However, Business Banking adopted a clear and intense strategy to prepare for the arrival of the aid in 2022 and subsequent years throughout the year. This phase of preparing now in order to reap the awards later was based on several lines of action.

- Closer contact with companies to find out their level of awareness of the aid. It turned out that most of them had very little information.

- Webinars campaign and other training actions between customers and potential customers, especially in the sectors expected to most benefit from the aid.

- Partnership agreement with the CEOE employers' association to provide customers with access to an information platform on tenders and calls for public aid, including an alert system for companies and self-employed workers interested in specific sectors.

- Agreement with two consultants specialised in raising and managing European funds, which are put in contact with Bankinter customers to explore opportunities.

This continuous effort regarding information and preparation resulted in the number of companies registered in the advisory and support service for European aid to exceed one thousand at the end of the year.

Growth prospects

European funds, if they do finally reach companies as expected, will be a vital lever in terms of restoring the usual investment growth rates to levels seen in recent years in 2022. For each business unit, the strategies and growth prospects for this year are as follows:

- Business Banking. One of our main aims is to increase our specialisation, as has been done in the field of structuring operations.
- In Investment Banking, we will reinforce our support for customers in capital markets issuances and we will play a more important role in the mergers and acquisitions market.
- Medium-sized Banking. The aim is to reinforce our policy of customer proximity and to establish a very close relationship with our day-to-day business. This strategy yielded excellent results in 2021, since the pre-pandemic level of working capital was recovered and the rate of return on investment significantly improved.
- SMEs. The goal is to streamline management and make progress in terms of productivity. Tools which facilitate the consultation of companies the customer works with have been developed, such as economic networks. In addition, the 'Business Plan' has been launched, which automates the conditions of customer relationships based on their loyalty with the entity.
- International banking. After a difficult financial year, in 2021 affected by the economic environment, logistics problems and the rising price of commodities, a strong recovery in activity is expected. The successful implementation of the foreign exchange broker business and the creation of a platform to facilitate payment transactions for suppliers is set to help to achieve this objective.

In addition, the dynamics of corporate mergers in the national financial sector may bring new opportunities to attract customers.

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Commercial Retail Banking

Sales efforts and organisational changes pay off

The results for the year in Commercial Retail Banking, or for individuals, were very satisfactory, especially if we take into account the difficulties associated with the second year of the coronavirus pandemic and the negative impact of the repricing of mortgage loans, affected by the reduction in the Euribor. The intense commercial effort made it possible to overcome these drawbacks and achieve all time highs in some headings.

As a result of all this, the income of Commercial Retail Banking at Bankinter Spain reached 663.2 million euros, up 11% from 2020. This business has the highest contribution to the entity's gross operating income at 31%.

Commercial Retail Banking in Spain reached a record figure of 4.177 billion euros in new mortgage loans, up 44% from the previous year. The mortgage portfolio of this business stood at 29.2 billion euros, up 5%, which compares very favourably with the 1.3% increase in the sector as of November. The mortgage is a product that attracts customers with a high level of loyalty and profitability. In 2021 more than 50% of mortgage loans was with new customers.

The salary account is another product that attracts new customers, which also performed excellently throughout the year. 66,600 new salary accounts were opened in Commercial Retail Banking in Spain reaching a balance of 14,900 million euros, compared to 12,700 million in 2020, which represents an increase of 17%. In five years, the bank's portfolio has multiplied by 2.7%, which reflects the ongoing success of a product that has remained stable for almost ten years.

The big sales boost was also reflected by the acquisition of 111,000 customers, the highest annual figure on record.

Record levels of commercial activity were also reached in investment funds. The net increase in investment funds excluding the market effect was close to 3 billion euros, double the figure reached in the previous year. The investment fund portfolio of Commercial Retail Banking customers in Spain stood at 24 billion, up 4.7 billion from 2020.

New mortgage loans
€4.177
bn
+44%

Mortgage portfolio
€29.2
bn
+5%

New customers
111,000
customers
the highest annual figure on record

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Record equity

In the Wealth Banking area, performance was just as positive. Assets under management for customers in this segment reached a record €49.9 billion, compared to €42.8 billion in 2020. Growth was particularly high in the fields of wealth advisory services and delegated investment management, which have high added value. In Personal Banking, the segment immediately below, the volume reached 29.8 billion euros, with new assets of 29.8 billion, i.e., 2.8 billion without market effect.

Assets under management in the Wealth Banking Area

€49.9 bn

Growth was particularly high in the fields of wealth advisory services and delegated investment management, which have high added value.

Transformations

In 2021, the sales efforts, which brought about record-breaking figures in terms of customer attraction, customers arranging asset and liability products and assets under management, took place alongside the launch of two projects aimed at transforming the customer service model. Both projects seek to improve the scalability and productivity of the sales model and involve the reorganisation of the business structure:

- **The Retail Banking area was created in 2021,** bringing together the former Personal, Private and Foreign Banking segments under the same hierarchical responsibility. Customers in this business unit were traditionally segmented solely by income or wealth criteria. With the new service model, dozens of additional variables have been incorporated that improve customer profiling, making it more appropriate to their financial needs and potential. Thanks to the more specific segmentation and the alignment of functional responsibilities over the different customer service channels, it has been possible to establish a consistent and coherent customer service model that improves the quality of service, is more scalable and expands the bank's commercial capacity.

- **In 2021, the Wealth Banking Area was also created,** which integrates all the distribution channels for high net worth individuals, i.e., the bank's branch network in Spain and the network of agents. Among other initiatives, the project to transform this business involves reviewing the customer segmentation model, which previously only took into account assets and which has been improved by incorporating other variables, allowing customers to be properly profiled based on their requirements and potential. The various lines of action of the Wealth Banking plan aim to standardise and scale the customer's strategy and experience, provide a service more suited to their needs and position Bankinter as a benchmark in the high net worth business.

Challenges

Looking ahead to 2022, the main challenge will be to maintain the remarkable pace of growth in gross operating income and the tone that has been set for commercial activity. To this end, the Commercial Retail Banking area will develop and consolidate the organisational and customer service model changes introduced in 2021, and will promote all fee-based businesses, focusing particularly on Insurance.

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