

A close-up photograph of a person's hand holding a pen and writing in a notebook. The person is wearing a blue button-down shirt. The background is dark and out of focus. The text 'Annual Report' is overlaid in the top right, and '2016' is overlaid in the center in large white font. The 'bankinter.' logo is in the bottom right.

Annual Report

2016

bankinter.

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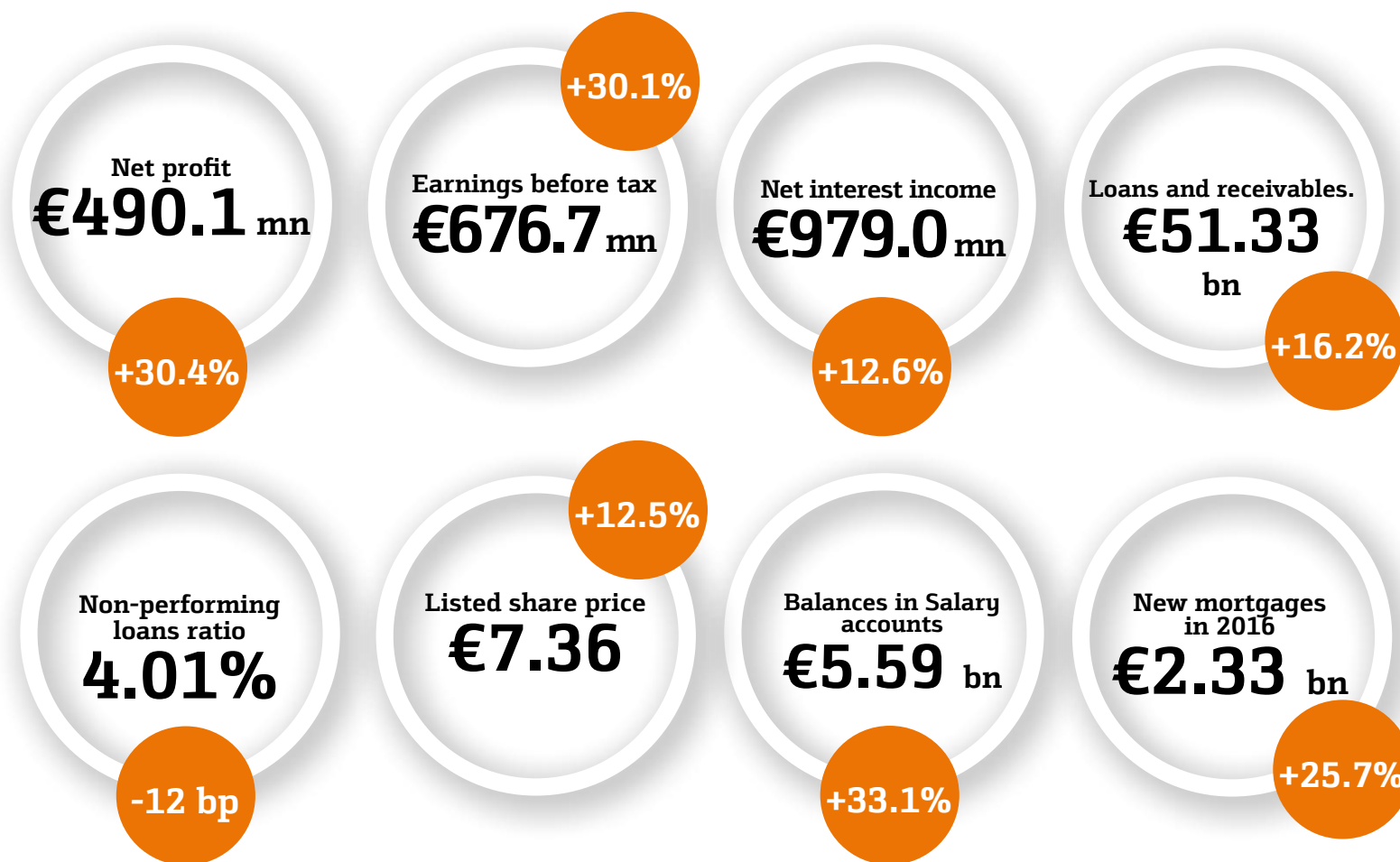
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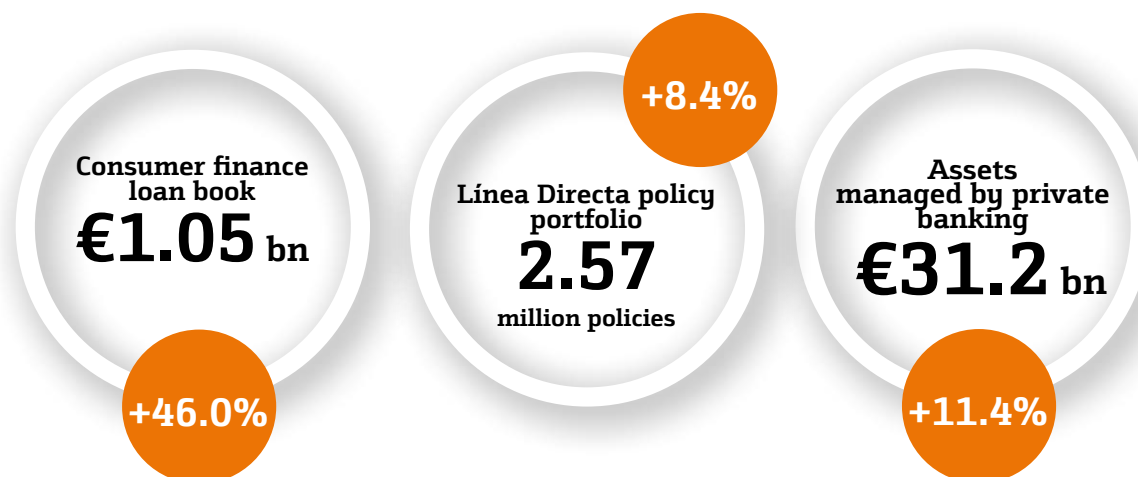
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Bankinter's project is geared towards profitable, sustained and balanced growth, and always based on recurring business with customers.

In 2016 the accounting, operating and technological integration of the business in Portugal was completed and the cultural change plan was launched.

The new Digital Banking division provides a response to the new demands of the technological environment and customers' demands.

The Bank operates with high capital levels that are significantly above that required by regulators and supervisors.

Risk management is one of the cornerstones of Bankinter's competitive strategy.

Half of the members of the Board of Directors are independent.

The new Sustainability Plan includes 18 economic, social and environmental strategic lines arising from dialogue with stakeholders.

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Now a year later, we once again present you, our shareholders, with the Bankinter Group's Activities Report for 2016, which contains information on the Group's financial results as well as the most significant activities and projects carried out by the Bank's various management and business areas that provide support.

Bankinter's Annual Report is recognised by the market and by the Bank's stakeholders not only for the thoroughness and comprehensiveness

of the information included therein, which is in line with the strictest corporate governance requirements, but also for the creativity and aesthetics of its presentation and, of course, for the ongoing innovation in the formats used, with cutting-edge technology.

Each year Bankinter's Annual Report is therefore one of the most highly-valued and well-received reports among listed companies, which strengthens the value of our brand.

As an introduction to this informational report, we offer you a letter from the Chairman and from the CEO, in which they fully respond to various questions regarding the Bank's results and strategy, as well as the current economic and financial environment. These letters are once again written in an interview format, which allows us to give you their opinion in a much more direct and personalised manner.

As always the purpose is to maintain a fluid and transparent relationship with all of you, our shareholders, and to offer a comprehensive report of our Bank that shows we are worthy of your trust.

We hope you are pleased with the content of the letters as well as the rest of this Annual Report and that all of your information needs are met.



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Interview with the Chairman, Pedro Guerrero



How do you see 2016 from a macroeconomic viewpoint?

We came off a good 2015 in which Spain had recorded GDP growth rates exceeding 3%. During 2016 the Spanish economy maintained its expansionary trend and returned to 3.2% growth thanks to domestic spending, the creation of employment and a favourable trade balance encouraged by low oil prices. It is true that the unprecedented political stagnation situation, whose immediate consequence was the country having an acting government for nearly a year, did not help. But, despite everything, the macroeconomic data continue to be positive which demonstrates that our economy has started to recover its former strength and it is in a position to overcome obstacles that not that long ago would have seemed overwhelming. This gave rise to strong job creation that lowered the unemployment rate to 18.6% at the end of the year, the lowest level since 2009. The unemployment rate

continues to be extraordinarily high, but it cannot be forgotten that just 4 years ago it was around 27% and therefore recent trends have been very positive.

Is it possible to maintain that trend?

In a global economy nobody is alone. The outlook for worldwide growth continues to be modest. There are many uncertainties deriving from geopolitical tensions that could cause problems if they are not result in time. For example, the decision of the United Kingdom to leave the European Union, the execution of which is still not defined, as well as the threat of protectionist policies could affect global economic growth.

The complicated internal political situation also gives rise to uncertainties. There is still much to do to reach tax consolidation and we must persist with the reforms that best contribute to growth and employment with the highest level of consensus possible, which will not be easy.

'We are bigger, stronger and more profitable.'

Can you provide a specific forecast for 2017?

Everything is pointing to Spain continuing to grow, although at a slightly lower rate. That is the forecast of both the Government, which foresees GDP growth of 2.5%, as well as the European Commission and the International Monetary Fund, which predicts somewhat more modest growth of 2.3%.

Just the increase in oil prices and the strengthening of the dollar will significantly reduce the contribution of the export sector to Spanish GDP growth. And then there are the uncertainties regarding the international economy and the political environment that were mentioned previously.

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Nevertheless, the strength of domestic demand and the inertia of the economy lead me to have good confidence that in 2017 we will continue on the path of economic growth and job creation.

How has the banking sector situation evolved in Spain?

Our business is undergoing very profound changes. On these same pages last year, I indicated that we were at a crossroad after the financial crisis required the sector's capacity to be notably reduced and caused a contraction of asset volume that is unprecedented in the history of Spain. The new regulatory requirements also gave rise to a very high cost in terms of capital and resources, which was particularly burdensome due to coinciding with the tightening of margins as a result of low interest rates.

'The great challenge for the banking sector is for profitability to be higher than the cost of capital.'

All of this continues to be in place and requires us to seek more efficiency and in that we have a great ally in digitalization as it allows us to generate economies of scale in sales and product and customer management. That does not mean to say, of course, that we are leaving traditional channels since personal relationships are key to our industry and, in particular, to our business model. But we do have to take maximum advantage of the possibilities offered by technology, as is being done by the new competitors that have appeared in the market.

If this is not done, it will be difficult for the banking sector to attain a level of profitability above the cost of capital as is demanded by investors. It must be borne in mind that digitalization facilitates the rendering of more and better services to customers, apart from reducing costs, that may translate into new revenues that will therefore increase our margins. Of course, it isn't a magic wand that reflects results the next day but rather a long-term effort that will be successfully completed by those that are most consistent and offer the best responses to society's demands at any given time. This must always be backed by reinforced honesty and transparency to assist overcoming

'We gained market share in all strategic segments.'

the serious reputation problems that were generated by the financial crisis.

In that context, what is Bankinter's role?

Our company has been characterised by rigor and innovation over the course of its more than 50 years of history. Thanks to that rigor, we were not tempted by the easy money available during the real estate boom. Then, before then and now, we apply prudent and responsible management of credit risk and that explains why our non-performing asset rate is clearly lower than the average in the sector. We of course experienced difficulties during the crisis, but less than other banks to the point that we continued to grow organically in terms of loan volume and the number of employees and we were the only exception to the general trend in the sector in sharp contraction.

Our innovative vocation has always had, and will continue to have, a special place in our corporate strategy. The constant search for innovation in terms of products, channels and processes allows us to create a new type of banking that is more modern and close to, and appreciated by, customers. Telephone banking, Internet banking and mobile banking are very consolidated tools today and entered into the Spanish market through us and made us pioneers in the rendering of services of increasing quality.

Today we must work on that line of innovation with more intensity than ever.

In this connection, the digital transformation to which I referred previously, constitutes one of the most important aspects of our strategy.

What would you note about 2016?

It was an exceptional year for Bankinter for two reasons.

The first was the results obtained, again the best in the history of Bankinter. I will return to this topic again later.

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The other reason is that in 2016 the first foreign venture of the Bank and the first relevant acquisition carried out by Bankinter was formally concluded.

Of course I am referring to the acquisition of the Barclays Commercial Banking and Insurance business in Portugal which was formally concluded on 1 April last year and has provided us with an adequately sized healthy network that has excellent professionals that are perfectly aligned with Bankinter's strategy and traditional orientation towards high income customers.

Bankinter's model may be perfectly replicated in Portugal and we will do so, given the good results obtained in Spain during the crisis.

The transaction is progressing in a very satisfactory manner. All of the milestones established for operational integration are being met. The business is growing in terms of customers, deposits and lending, and positive ordinary results are already being generated and they will surely grow notably this year and in coming years.

This is all independent of the very important extraordinary results generated by the negative goodwill deriving from the acquisition of the business at a price much lower than its book value.

How do you assess the Bank's results?

As I have already stated, we have once again broken records. They were again the best ever for the Bank, with or without extraordinary items. What is most important is that we are in a position to repeat that situation again this year.

As the CEO will explain, the Bank's commercial activities are at their best moment and we have therefore grown vigorously and gained market share in all strategic segments. Private Banking, Personal Banking, Mortgages, Consumer Loans, Corporate and Enterprise Banking, are good examples. Our subsidiary Línea Directa Aseguradora also had an excellent year.

This growth has allowed us to obtain earnings after taxes totalling 490.1 million euros, 30% more than last year. Without the extraordinary profits deriving from the bad will in Portugal and the extraordinary costs of the integration of the business in that country, ordinary and recurring results would have been 426.5 million euros after taxes, representing 13% growth compared to the preceding year.

Thanks to the efforts and brilliant performance of all of our professionals, the return on invested capital was again the highest in the sector.

I want to thank all of Bankinter's employees for their exceptional efforts and their commitment and dedication. They are the drivers of the Bank's success, which has obtained the best results in the Spanish financial system since the start of the crisis.

'Our commitment to sustainability is a reflection of our constant commitment to shareholders, customers, employees and society in general.'

Our solvency and the improvement of the liquidity ratios due to the sharp increase in deposits during the year have been recognised by analysts and rating agencies. I also want to note that Standard and Poor's once again improved our credit rating a few days ago.

For all of these reasons the Board has proposed a cash dividend distribution to the General Shareholders' Meeting consisting of a 200 million euros charge against 2016, a 6.02% increase compared with last year.

Our objective is to increase returns for shareholders always within the framework of a prudent policy that contributes to the conservation of capital and allows us to maintain an adequate solvency level.

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'The transaction in Portugal is progressing in a very satisfactory manner.'

In conclusion, we end 2016 bigger, more profitable, more robust, without compromising our loyalty to the principle of creating a top-quality bank that is attentive to the needs of our customers. The market rewarded us for all of this by making Bankinter the best performing bank stock on the Ibex 35 for the fourth consecutive year, obtaining a 12.5% return in 2016.

Does Bankinter also seek sustainability?

Without any doubt. These efforts are projected first on Corporate Governance, which is subject to the most demanding international practices and, of course, the content of the European Banking Union

project. We believe that sustainability must also saturate the three broad business dimensions at Bankinter: its economic, social, and environmental facets. Accordingly, our sustainability plan is called 'Tres en Raya' ('Three in a Row').

Through that plan we are committed to the establishment of a balanced, transparent and clear relationship with our customers, among other things, the financial integration of customers with disabilities, the responsible management of people as the Bank's primary asset and the development of the community in which we operate as well as the mitigation of our impact on the environment.

This is also the case with the activities carried out by the Bankinter Innovation Foundation, which has four programs currently in progress: 'Future Trends Forum', a multi-disciplinary and international

think tank, considered by the University of Pennsylvania to be the best in Spain with respect to Science and Technology and number 27 worldwide; Akademia, which attempts to initiate Spanish university students in the world of innovation and entrepreneurship; Entrepreneurs, which invests early stage capital in start-ups; and Cre100do, whose purpose is to assist medium-sized companies make the leap into international markets.

This is intended to reinforce our constant commitment to stakeholders (shareholders, customers, employees, society in general) who are the true points of reference for our work.

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Interview with the CEO, María Dolores Dancausa

**How was 2016 for Bankinter?**

I think it was a very positive and satisfactory year. The data speak for themselves. The income statement reflects a net profit of 490.1 million euros, which is a 30.4% increase over 2015. Profits before taxes totalled 676.7 million euros, 30.1% more than last year. Naturally, such high increases were influenced by our new business in Portugal, the acquisition of which was completed on 1 April. It even without that extraordinary effect, net profits and profits before taxes showed very favourable development with 13.4% and 13.2% growth, respectively.

In terms of asset quality, solvency, profitability and efficiency the performance for the year was also very favourable. The non-performing asset rate fell to 4.01%, 12 basis points less than in 2015, despite the fact that we assumed the defaults in the Portugal business which resulted in an increase in this indicator. If this

effect is eliminated, the rate fell to 3.56% Bankinter maintained a CET1 capital ratio ('fully loaded', with the Basel criteria that will be enforcing 2019) of 11.2%, considerably higher than regulatory requirements. Our return on equity ratio, excluding Portugal, was 10.9% and the highest in the sector in Spain.

The listed price of our shares throughout 2016 reflected the market's confidence in our positive results and their sustainability over the coming years. Bankinter rose 12.5% in the stock market, which contrasts with negative returns (in some cases very notable), obtained by the great majority of the main Spanish and European banks during the year.

In summary, we ended an excellent year and this completes four consecutive years with high rates of growth and we have extended a trajectory of successes that initially allowed us to quickly overcome the

economic and financial crisis to then allow us to attain the best results in our history.

The Group's income statement has improved significantly over the past few years, despite the fact that the environment in the sector is not favourable. Are they sustainable results?

Without any doubt. In four years we multiplied net profits by four, which is a very notable increase, but I am sure that those results are sustainable over time for various reasons. On the one hand, because most of this growth is supported by recurring business profits, which guarantees the continuity of future earnings. Secondly, because both the lines of business that we can consider to be mature, as well as those that are not yet mature and have further to go, are continuing to reflect excellent performance. Over the past few years we have also been sowing seeds for the future through investments in

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strategic lines that we are sure will offer profits in the short and medium-term. We can also count on the entry of the business in Portugal, in which we have much hope. I believe that our results are therefore sustainable over time.

The commitment to Portugal is one of the most characteristic notes of the year. Almost one year after the acquisition of Barclays' business, our expectations being met?

Indeed, after nine months of operations Bankinter Portugal is meeting our expectations. The integration process is mostly completed and we have created a new organizational structure with the support of a very competent team of professionals. The problems in the Portuguese banking sector have not only not discouraged us but rather open a door to new business opportunities, as was the case in Spain in the middle of the financial and economic crisis. The results will be seen in 2017 and subsequent years.

Portugal now contributes 8% of our balance sheet and we intend to increase that percentage to 15% within a reasonable period of time. We have ambitious objectives to grow in mortgages and Personal Banking. We are also strongly committed to Corporate Banking, including international trade financing business and we intend to transplant

our successful strategy in the Spanish market. We believe that Portugal has great potential.

In addition to Portugal, what were the most notable business areas in 2016?

Most of the lines of business responded well, since the strategic businesses continued to grow and their contribution to recurring revenues was maintained. The gross margin on consumer financing, which is an activity that we relaunched through Bankinter Consumer Finance to take advantage of the changing trend in domestic spending, increased by 40.7%. We have much hope in this area and to reinforce that we have prepared an ambitious business and development plan, which includes 100% online processes and an intensive use of techniques that associate data that are apparently unrelated, what is known as 'Big Data' and is so important in mass markets. We have also made great efforts in Personal Banking and the results are there, with a 7.4% increase in the assets under management.

In other traditional businesses, or those that we could consider to be mature, development has also been very satisfactory. In Private Banking, which for years has been one of our strong points, assets under management increased by 11.4%. If we look at our Corporate Banking business, the year was also positive

'Bankinter Portugal is meeting our expectations.'

since loan book, even excluding the Portugal business, increased by 6.7% and we obtained a 5.5% market share of new lending. I must note in this respect the expansion of the international trade financing business, whose gross margin grew by 27% last year when it already represented 20.4% of the Corporate Banking segment.

As regards insurance, both policies and premiums in Línea Directa increased by 8.4% and 8.7%, respectively, with particularly significant growth in the home insurance policies and high profitability of the business was maintained, with an exceptional return on equity of 33.2% and the best margins in the market. I will not tire of noting that the contribution of Línea Directa to the Group's revenues and profits is, year after year, extraordinary and provides us with solid confidence in the future.

Speaking of the future, what is the outlook for 2017?

Once again the year is marked by uncertainty, which is one of the characteristic signs of our times. The Brexit, the new president in the United States and the coming critical elections in several countries in the European Union and the formation

in Spain of a Government with limited parliamentary support are elements that make the national and international scenario more insecure. The situation in the banking sector is also complex, in an environment of very low interest rates, although there are now signs that the situation may start to reverse, and intense regulatory pressure for banks to reinforce their solvency levels and improve risk management. This is the framework of restrictions that we must manage and what we must do is to create a solid business base and be prepared for future events. I believe that the Group's foundation is strong and, therefore, I am confident that throughout 2017 we can maintain our growth in terms of the number of customers and the volume of loans, deposits and revenues. It seems to me that it is particularly relevant that we have been able to increase our loans to customers one more year, because I believe that it is the manner of helping to drive the economic recovery.

In this context of difficulty and uncertainty, what are the immediate challenges faced by the Bank?

One of our fundamental priorities is to protect the profitability of the business, because low interest rates represent a great challenge to our margins. It is true that at Bankinter we depend less on interest rates than most Spanish and European banks, but net interest income still

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constitutes 55% of our gross interest margin. To offset the negative trend in the interest margin we are obligated to find new sources of revenues, maintain spreads and promote lines of business that do not excessively depend on interest rates. Increasing revenues through fees is an option in this connection. However, I believe that bank fees cannot be established or raised without justification. Fees cause great irritation if the customer does not perceive that added value is offered. For that reason any attempt to raise revenues in that way must be very well supported and justified by the added value perceived by the customer of the service.

Another of our immediate challenges is to improve our efficiency. In our case this does not involve adjusting the workforce and reducing the number of branches, because the Bank is well sized but rather to find formulas to improve our processes and to be more productive. In addition, the non-performing asset ratio must be monitored. We continue to be, with a great difference, the Spanish bank with the highest quality asset portfolio, but we cannot let our guard down and we must be extremely prudent with our risk policy to avoid exchanging growth for non-performing assets. Our growth must be healthy and sustainable over time. The commitments deriving from Banking Union, which promotes the

'The increase in our stock price contrasts with the negative stock performance seen by most of the main Spanish and European banks.'

improvement of risk management throughout the organisation's structure, may assist us in this respect.

What role does the technological revolution play in these challenges?

It is absolutely key. The technological revolution is part of the problem and of the solution. It forms part of our problems because technology is changing the rules of the game in the financial industry and customer habits. The data is there: Only 9% of our customers are purely physical, 31% digital and 60% are both. However, technology is primarily part of the solution. Technology allows us to manage more volume with fewer resources and brings enormous possibilities to make banking processes more efficient and to improve relationships with our customers.

However, the projects with which we become involved must be selected very well. Historically, and by conviction, at Bankinter we are well trained to take on technological

change and we know that the possibilities are infinite. Accordingly, we must use very rigorous criteria when selecting our investments and ensure that they provide measurable results in the shortest time possible. We must also adapt the profiles of our professionals to the new reality. With the introduction of new technologies we need fewer professionals in purely administrative positions and more dedicated to advisory services and the creation of services that provide value to customers.

We must renew our technology platforms and perfect the structure of our operating processes, but without impairing or losing the focus on business needs, because the market is increasingly more competitive and does not allow for distractions. To take on these challenges, in 2016 we significantly reinforced our technology and operations service subsidiary, Bankinter Global Services, strengthening both the transformation efforts and attention to the day-to-day services. Innovation is one of our identity characteristics and we wish to again demonstrate that with group of transformation projects currently being implemented, which will lay the foundation for the Bankinter of the future.

What is the Bank's position given the new international regulatory and supervision requirements?

I consider that we are in a good situation. As I have already mentioned, our capital levels are clearly higher than those required by the supervisor. I also believe that we are in a position to assume our future obligations to cover European regulations on resolution processes. While it is important to comply with those ratios and requirements, it is even more important that the inflationary spiral affecting capital requirements be stopped and that we know with absolute certainty what regulatory framework is applicable to banks. Regulatory stability is fundamental so that we can devote all of our energy to the management of the multiple challenges facing the financial industry. I believe that there must be an international debate regarding the advisability of extending the new regulation to technological financial companies, the so-called fintech, which today compete in some market segments under advantageous conditions compared with traditional credit institutions since they do not have to comply with capital obligations, risk controls and corporate governance regulations that are required of the banks.

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Economic environment

In 2016 it once again became clear that developed and emerging countries were facing different economic climates. While the economic cycle was consolidated and even gained ground in advanced economies, emerging countries continued to be plagued by significant imbalances.

In Europe the year was characterised by significant geopolitical challenges that raised doubts as to the economic cycle. Without a doubt, the most important was the Brexit referendum. Uncertainty was initially generated by this process itself and, afterwards, by the outcome of the vote. Despite this concern, the European economy proved to be highly resistant and GDP in the third quarter of 2016 grew by 1.7%. The central banks contributed significantly to this outcome. The

determination of the European Central Bank and the Bank of England to continue supporting the economy through accommodating monetary policies was a key supporting factor. In this regard, both banks decided not only to cut their lending rates, but also to strengthen their respective asset purchase programmes.

On a more local level, Spain was once again leading the growth of developed countries. Despite significant political challenges, the economy grew 3.3%. The excellent performance of internal demand and business investment were key, not to mention the improvement in the labour market. The number of unemployed dropped by 390,540 and the number of contributors to the Spanish social security system rose by 540,655 people.

The United States once again reported solid growth. The GDP rose by 1.7% in the third quarter. The good progress of the job market was also consolidated. The employment

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rate fell to 4.7% in December 2016, compared to 5% at the end of 2015, levels that can be considered full employment. This was accompanied by a reduction in borrowing costs. The Federal Reserve only raised its lending rate once at the end of the year. Specifically, the rate was increased by 25 basis points to a range of 0.50%-0.75% at its meeting held on 14 December.

Emerging economies continue to suffer. The lack of structural reforms, low prices for raw materials and the significant appreciation of the US dollar became serious challenges, especially for those countries with a higher percentage of debt in US dollars and greater dependence on tax revenue from oil. GDP growth continued to shrink in Brazil (-2.9% in the third quarter) and in Russia (-0.4%). In China the economy continued to show significant dependence on credit and the GDP grew by 6.7%. Against this complicated backdrop, the positive exception was India. The reformist government and the drop in the price of crude oil in the first half of the year helped the country post a growth rate of 7.3% in the third quarter.

In short, the global economy grew at a moderate rate thanks to the progress of developed countries, while emerging countries continued to be seen as the weakest link in the chain.

Interest rates and foreign currencies

Monetary policy was characterised by its differences among the main developed economies. Central banks in Europe continued to have clearly expansive policies, whereas the Federal Reserve began to tighten its monetary policy in the US, albeit slowly and prudently, as its lending rate was only increased by a quarter of a point throughout the year.

In 2016 fears of entering a deflationary cycle were abated as the year went on, however, inflation levels remained very low. Inflation in the eurozone stood 1.1% in December. This enabled the ECB to continue with its policy of monetary stimulus. In March, the ECB not only expanded its asset purchase programme, but also cut the intervention rate. More specifically, it reduced the lending rate by 5 basis points to 0%; the deposit rate by 10 basis points to -0.40%; and the marginal lending rate by 5 basis points to 0.25%. These levels remained unchanged until the end of the year. In addition, the ECB announced that certain non-banking corporate bonds would be included in its asset purchase programme and launched the TLTRO II programme (targeted longer-term refinancing operations) with a potential maximum amount of 1.7 trillion euros, which is equal to almost 1.6 times the Spanish GDP. The Bank of England also opted for

The global economy grew at a moderate rate thanks to the progress of developed countries, while emerging countries continued to be seen as the weakest link in the chain.



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a more lax monetary policy to offset the potential consequences of Brexit. In addition, the lending rate was cut from 0.50% to 0.25%, the stimulus package was increased from GBP 375 billion to GBP 435 billion, and asset purchases were expanded to include corporate bonds in the amount of GBP 10 billion.

The trend was very different in emerging countries. Despite the high levels of inflation in certain countries, central banks were forced to cut interest rates in order to counteract the weak economy. In Brazil, its benchmark rate fell from 14.25% to 13.75%, while the lending rate in Russia dropped from 11% to 10%.

The appreciation of the US dollar as a result of expected increases in interest rates by the Federal Reserve and the improvement in the economic outlook stands out in the currency market. The value of the US dollar against the euro went from around 1.09 at the end of 2015 to 1,052 at the end of 2016. However, the worst trend among currencies of developed countries was the exchange rate with the pound sterling. Following the outcome of the Brexit referendum, the British currency depreciated significantly, falling 13.6% in the year. Accordingly, the yen's role as a safe-haven currency was confirmed. In the first half of the year, this

currency appreciated against a more uncertain backdrop, while the improvement in the economic outlook at the end of the year had the opposite effect. In any case, the currency market was characterised by significant volatility. As shown, the US dollar reached 1.16 against the euro in May, whereas in December it stood at 1.03, and the Japanese yen went from 132.3 against the euro in January to 109.5 in June following the Brexit referendum.

Stock exchanges and bonds market

The changes in the main stock market indices in 2016 were characterised by volatility. The year began poorly for most indices, however, there was a significant upturn in yield at year-end. On the negative side, China's CSI 300 dropped 11.3% and the Ibex-35 fell 2% year on year. On the positive side, the Bovespa rose 38.9%. Despite the difficult economic situation in Brazil, expectations of a change in government drove share prices. The FTSE 100 rose by 14.4%, despite the Brexit referendum, although the depreciation of the pound sterling, which fell 13.6%, virtually cancelled out this progress entirely. The S&P 500 posted a 9.5% increase. On the whole, return on equity demonstrated significant resilience against geopolitical risks.

The performance of the fixed-income market was also not exempt from this volatility. The difficult start to the year continued to affect fixed income until well into 2016. The ECB's bond repurchase programme significantly contributed to this trend. However, the last part of the year was accompanied by a substantial improvement in the economic outlook. This, together with the upturn in the price of crude oil at the end of the year, caused inflation expectations to increase. The result was a considerable increase in the

return on bonds, which led to a drop in prices. This trend was more pronounced in maturities with longer terms, which gave rise to a substantial increase in the slope of the yield curve.

The table below shows, in local currency, the trend in the main stock markets worldwide in 2015 and 2016.

Main stock markets worldwide in 2015 and 2016

Geographical area	Index	Var. % 2015	Var. % 2016
Japan	Nikkei-225	9.1%	0.4%
United States	Nasdaq 100	8.4%	5.9%
United States	S&P 500	-0.7%	9.5%
Germany	DAX	9.6%	6.9%
Spain	Ibex - 35	-7.2%	-2.0%
France	CAC-40	8.5%	4.9%
Eurozone	EuroStoxx-50	3.8%	0.7%
United Kingdom	FTSE 100	-4.9%	14.4%
India	Sensex	-5.0%	1.9%
China	CSI 300	5.6%	-11.3%
Brazil	Bovespa	-13.3%	38.9%

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Bankinter Group. Consolidated Balance Sheets at 31 December 2016 and 2015 (Thousands of Euros)

ASSETS	31/12/2016	31/12/2015(*)
Cash, balances in cash in central banks and other demand deposits	3,556,750	1,448,882
Financial assets held for trading	2,676,719	4,473,638
Derivatives	386,897	356,041
Equity instruments	62,901	34,764
Debt securities	1,042,163	2,264,761
Loans and advances	1,184,758	1,818,072
— Credit institutions	1,031,734	1,009,596
— Customers	153,024	808,476
<i>Memorandum items: Loaned or pledged</i>	948,175	1,790,311
Financial assets designated at fair value through profit or loss	-	57,209
Equity instruments	-	57,209
<i>Memorandum items: Loaned or pledged</i>	-	-
Available-for-sale financial assets	4,140,057	3,530,153
Equity instruments	178,550	153,145
Debt securities	3,961,507	3,377,008
<i>Memorandum items: Loaned or pledged</i>	112,207	460,940
Outstanding loans and items	52,816,104	44,955,793
Debt securities	499,004	446,230
Loans and advances	52,317,100	44,509,563
— Credit institutions	1,132,327	326,930
— Customers	51,184,773	44,182,633
<i>Memorandum items: Loaned or pledged</i>	1,743,051	294,267
Investments held to maturity	2,019,546	2,404,757
<i>Memorandum items: Loaned or pledged</i>	118,132	-
Changes in fair value of the hedged items in a portfolio hedging interest rate risk	-1,889	-
Derivatives - hedge accounting	217,854	160,073
Investments in joint ventures and affiliated businesses	112,708	39,424
a) Associates	93,156	38,681
b) Jointly controlled entities	19,552	743
Assets covered by insurance and reinsurance contracts	3,124	2,889
Tangible assets	503,716	493,114
Property, plant and equipment	428,671	417,280
For own use	391,509	395,348
Leased out under operating leases	37,162	21,932
Assigned to welfare projects (savings banks and credit cooperatives)	-	-
Investment property	75,045	75,834
<i>Of which: leased out under operating leases</i>	75,045	75,834
<i>Memorandum items: acquired under financial leases</i>	-	-
Intangible assets	245,063	266,693
Goodwill	164,113	164,113
Other intangible assets	80,950	102,580
Tax assets	384,861	348,238
Current tax assets	219,615	201,391
Deferred tax assets	165,246	146,847
Other assets	204,833	160,660
Insurance contracts linked to pensions	93	343
Other assets	204,740	160,317
Stock	-	-
Non-current assets and disposal groups classified as held for sale	303,021	318,287
TOTAL ASSETS	67,182,467	58,659,810
MEMORANDUM ITEMS:		
Guarantees provided	3,934,041	3,229,661
Contingent commitments granted	12,175,148	10,989,833

(*) Presented for comparison purposes only.

LIABILITIES AND EQUITY	31/12/2016	31/12/2015(*)
LIABILITIES	63,085,091	54,861,633
Financial liabilities held for trading	2,195,816	3,769,080
Derivatives	461,494	464,958
Short positions	852,366	1,573,676
Deposits	881,956	1,730,446
— Credit institutions	63,687	735,427
— Customers	818,269	995,019
Financial liabilities designated at fair value through profit or loss	-	-
<i>Memorandum items: Subordinated debt</i>	-	-
Financial liabilities at amortised cost	59,338,635	49,836,994
Deposits	48,788,810	37,630,699
— Central banks	4,750,000	3,017,983
— Credit institutions	1,472,287	1,792,316
— Customers	42,566,523	32,820,400
Debt securities issued	8,915,470	11,079,445
Other financial liabilities	1,634,355	1,126,850
<i>Memorandum items: Subordinated debt</i>	675,913	594,563
Changes in fair value of the hedged items in a portfolio hedging interest rate risk	-	-
Derivatives - hedge accounting	109,154	11,489
Liabilities covered under insurance contracts	683,659	630,983
Provisions	153,707	95,868
Pensions and other defined benefit post-employment obligations	13,935	458
Other long-term employee remuneration	-	-
Procedural matters and litigation for outstanding taxes	95,029	83,160
Commitments and guarantees provided	28,541	8,312
Other provisions	16,202	3,938
Tax liabilities	346,391	314,940
Current tax liabilities	169,710	172,949
Deferred tax liabilities	176,681	141,991
Share capital repayable on demand	-	-
Other liabilities	257,729	202,279
Of which: welfare fund	-	-
Liabilities included in disposal groups classified as held for sale	-	-
TOTAL LIABILITIES	63,085,091	54,861,633
SHAREHOLDERS' EQUITY	3,987,518	3,689,436
Share capital	269,660	269,660
a) Paid-in capital	269,660	269,660
b) Unpaid capital required	-	-
<i>Memorandum items: uncalled share capital</i>	-	-
Share premium	1,184,265	1,184,268
Equity instruments issued other than share capital	-	-
a) Component of equity of compound financial instruments	-	-
b) Other equity instruments issued	-	-
Other items of equity	6,462	1,339
Retained earnings	2,158,104	1,964,596
Revaluation reserves	23,198	31,087
Other reserves	-5,471	738
(-) Treasury shares	-132	-988
Profit attributable to the owners of the Parent	490,109	375,920
(-) Interim dividends	-138,677	-137,184
OTHER CUMULATIVE COMPREHENSIVE INCOME	109,858	108,741
Items that will not be reclassified to profit or loss	1,347	1,288
a) Actuarial gains or losses on defined benefit pension plans	1,347	1,288
b) Non-current assets and disposal groups classified as held for sale	-	-
c) Share in other recognised income and expense from investments in joint ventures and associates	-	-
d) Other valuation adjustments	-	-
Items that may be reclassified to profit or loss	108,511	107,453
a) Hedging of net investments in foreign operations (effective portion)	-	-
b) Currency conversion	580	307
c) Hedging derivatives, cash flow hedges (effective portion)	635	-3,699
d) Financial assets available for sale	103,864	107,084
— i) Debt instruments	96,485	99,548
— ii) Equity instruments	7,379	7,536
e) Non-current assets and disposal groups classified as held for sale	-	-
f) Share in other income and expense recognised in joint ventures and associates	4,693	3,706
MINORITY INTERESTS (non-controlling interests)	-	-
Other cumulative global result	-	-
Other items	-	-
TOTAL EQUITY	4,097,376	3,798,177
TOTAL LIABILITIES AND EQUITY	67,182,467	58,659,810

Consolidated income statement for the years ended 31 December 2016 and 2015 (Thousands of Euros)

	(Debit)/Credit	
	31/12/2016	31/12/2015 (*)
(+) Interest income	1,271,458	1,283,765
(-) Interest expenses	-292,441	-414,311
(-) Expenses for share capital repayable on demand	-	-
= A) NET INTEREST INCOME	979,017	869,454
(+) Dividend income	10,253	6,681
(+/-) Share of profit or loss of companies accounted for using the equity method	22,093	18,223
(+) Fee and commission income	470,849	437,604
(-) Fee and commission expenses	-91,740	-80,275
(+/-) Gains or losses arising from the derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	55,770	57,883
(+/-) Gains or losses on financial assets and liabilities held for trading, net	15,085	12,360
(+/-) Gains or losses on financial assets and liabilities designated at fair value through profit or loss, net	1,357	-3,183
(+/-) Gains or losses resulting from hedge accounting, net	-387	-909
(+/-) Foreign exchange differences, net	-376	5,500
(+) Other operating income	30,478	26,752
(-) Other operating expenses	-91,510	-88,572
(+) Income from assets covered by insurance and reinsurance contracts	715,976	669,031
(-) Expenses from liabilities covered by insurance and reinsurance contracts	-399,476	-361,734
= B) GROSS OPERATING INCOME	1,717,389	1,568,815
(-) Administrative expenses:	-843,353	-699,401
(-) a) Staff costs	-462,693	-393,459
(-) b) Other administrative expenses	-380,660	-305,942
(-) Depreciation and amortisation	-58,893	-61,653
(+/-) Provisions or reversals of provisions	-38,611	-25,254
(+/-) Impairment or reversals of impairment of financial assets not measured at fair value through profit or loss, net	-168,875	-189,301
(+/-) a) Financial assets measured at cost	-	-
(+/-) b) Financial assets available for sale	-16,308	-10,322
(+/-) c) Loans and receivables	-152,567	-178,979
(+/-) d) Investments held to maturity	-	-
= C) OPERATING PROFIT	607,657	593,206
(+/-) Impairment or reversals of impairment of investments in joint ventures and associates	-	-
(+/-) Impairment or reversals of impairment of non-financial assets	-17,489	-442
(+/-) a) Tangible assets	-	-152
(+/-) b) Intangible assets	-17,174	-
(+/-) c) Other	-315	-290
(+/-) Gains or losses arising from the derecognition of non-financial assets and investments, net	-703	-2,001
(+) Negative goodwill recognised in profit or loss	145,140	-
(+/-) Gains or losses arising from non-current assets and disposal groups classified as held for sale and not admissible as discontinued operations	-57,893	-70,433
= D) PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS	676,712	520,330
(+/-) Expenses or income from taxes on earnings from continuing operations	-186,603	-144,410
E) PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS	490,109	375,920
(+/-) Profit or loss after tax from discontinued operations	-	-
PROFIT FOR THE PERIOD	490,109	375,920
Attributable to minority interests (non-controlling interests)	-	-
Attributable to the owners of the Parent	490,109	375,920
EARNINGS PER SHARE:		
Basic	0.54	0.42
Diluted	0.54	0.42

(*) Presented for comparison purposes only.

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Consolidated statement of recognised income and expense for the years ended 31 December 2016 and 2015 (Thousands of Euros)

	31/12/2016	31/12/2015 (*)	
A) PROFIT FOR THE PERIOD	490,109	375,920	
B) OTHER COMPREHENSIVE INCOME	1,117	-20,790	Summary of the year
Items that will not be reclassified to profit or loss	59	126	Results
a) Actuarial gains or losses on defined benefit pension plans	90	180	
b) Non-current assets and disposal groups classified as held for sale	-	-	
c) Other valuation adjustments	-	-	Corporate Governance
d) Tax on earnings related to items that will not be reclassified	-31	-54	
Items that may be reclassified to profit or loss	1,058	-20,916	Risks
a) Hedging of net investments in foreign operations [effective portion]	-	-	
- Gains or losses recognised in equity	-	-	
- Transferred to profit or loss	-	-	Business
- Transferred to profit or loss	-	-	
b) Currency conversion	412	116	
- Foreign currency gains or losses recognised in equity	64	877	Digital Banking and Channel Diversity
- Transferred to profit or loss	348	-761	
- Other reclassifications	-	-	
c) Cash flow hedges [effective portion]	4,289	-5,197	
- Gains or losses recognised in equity	-	-5,197	Human factor
- Transferred to profit or loss	4,289	-	
- Transferred to the initial carrying amount of the hedged items	-	-	
- Other reclassifications	-	-	Sustainability
d) Financial assets available for sale	-4,289	-30,149	
- Gains or losses recognised in equity	36,879	1,845	
- Transferred to profit or loss	-41,168	-31,994	Brand
- Other reclassifications	-	-	
e) Non-current assets and disposal groups classified as held for sale	-	-	
- Gains or losses recognised in equity	-	-	Recognition and awards
- Transferred to profit or loss	-	-	
- Other reclassifications	-	-	
f) Share in other recognised income and expense from investments in joint ventures and associates	987	-715	Appendix
g) Tax on earnings related to items that may be reclassified in profit or loss	-341	15,029	
C) TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	491,226	355,130	GRI content index
Attributable to minority interests (non-controlling interests)	-	-	
Attributable to the owners of the Parent	491,226	355,130	

(*) Presented for comparison purposes only.

Consolidated statement of changes in total equity for the years ended 31 December 2016 and 2015 (Thousands of Euros)

	Non-controlling interests													
	Share capital	Share premium	Equity instruments issued other than share capital	Other items of equity	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares	Profit attributable to the owners of the Parent	(-) Interim dividends	Other cumulative comprehensive income	Other cumulative comprehensive income	Other items	Total
Opening balance 31/12/2015(*)	269,660	1,184,268	-	1,339	1,964,596	31,087	738	-988	375,920	-137,184	108,741	-	-	3,798,177
Effects of correcting errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance 31/12/2015	269,660	1,184,268	-	1,339	1,964,596	31,087	738	-988	375,920	-137,184	108,741	-	-	3,798,177
Total comprehensive income for the year	-	-	-	-	-	-	-	-	490,109	-	1,117	-	-	491,226
Other changes in equity	-	-3	-	5,123	193,508	-7,889	-6,209	856	-375,920	-1,493	-	-	-	-192,027
Issue of ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issue of preference shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issue of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exercise or maturity of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share capital reductions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends (or shareholder remuneration)	-	-	-	-	-	-	-	-	-	-189,453	-	-	-	-189,453
Purchase of treasury shares	-	-	-	-	-	-	-	-56,044	-	-	-	-	-	-56,044
Sale or redemption of treasury shares	-	-	-	-	-190	-	-	56,900	-	-	-	-	-	56,710
Reclassification of financial instruments from equity to liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liabilities to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between equity components	-	-	-	-	194,169	-	-6,209	-	-375,920	187,960	-	-	-	-
Increases or decreases in equity arising from business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	5,123	-	-	-	-	-	-	-	-	-	5,123
Other increases or decreases in equity	-	-3	-	-	-471	-7,889	-	-	-	-	-	-	-	-8,363
<i>Of which: discretionary transfer to welfare funds (only savings banks and credit cooperatives)</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance 31/12/2016	269,660	1,184,265	-	6,462	2,158,104	23,198	-5,471	-132	490,109	-138,677	109,858	-	-	4,097,376

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	Non-controlling interests													
	Share capital	Share premium	Equity instruments issued other than share capital	Other items of equity	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares	Profit attributable to the owners of the Parent	(-) Interim dividends	Other cumulative comprehensive income	Other cumulative comprehensive income	Other items	Total
Opening balance 31/12/2014 (*)	269,660	1,184,268	-	-	1,821,249	38,974	-6,440	-771	275,887	-68,913	129,531	-	-	3,643,445
Effects of correcting errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance 31/12/2014 (*)	269,660	1,184,268	-	-	1,821,249	38,974	-6,440	-771	275,887	-68,913	129,531	-	-	3,643,445
Total comprehensive income for the year	-	-	-	-	-	-	-	-	375,920	-	-20,790	-	-	355,130
Other changes in equity	-	-	-	1,339	143,347	-7,887	7,178	-217	-275,887	-68,271	-	-	-	-200,398
Issue of ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issue of preference shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issue of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exercise or maturity of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share capital reductions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends (or shareholder remuneration)	-	-	-	-	-	-	-	-	-	-206,215	-	-	-	-206,215
Purchase of treasury shares	-	-	-	-	-	-	-	-64,243	-	-	-	-	-	-64,243
Sale or redemption of treasury shares	-	-	-	-	249	-	-	64,026	-	-	-	-	-	64,275
Reclassification of financial instruments from equity to liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liabilities to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between equity components	-	-	-	-	130,765	-	7,178	-	-275,887	137,944	-	-	-	-
Increases or decreases in equity arising from business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	1,339	-	-	-	-	-	-	-	-	-	1,339
Other increases or decreases in equity	-	-	-	-	12,333	-7,887	-	-	-	-	-	-	-	4,446
<i>Of which: discretionary transfer to welfare funds (only savings banks and credit cooperatives)</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance 31/12/2015 (*)	269,660	1,184,268	-	1,339	1,964,596	31,087	738	-988	375,920	-137,184	108,741	-	-	3,798,177

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(*) Presented for comparison purposes only.

Consolidated statement of cash flows for the years ended 31 December 2016 and 2015 (Thousands of Euros)

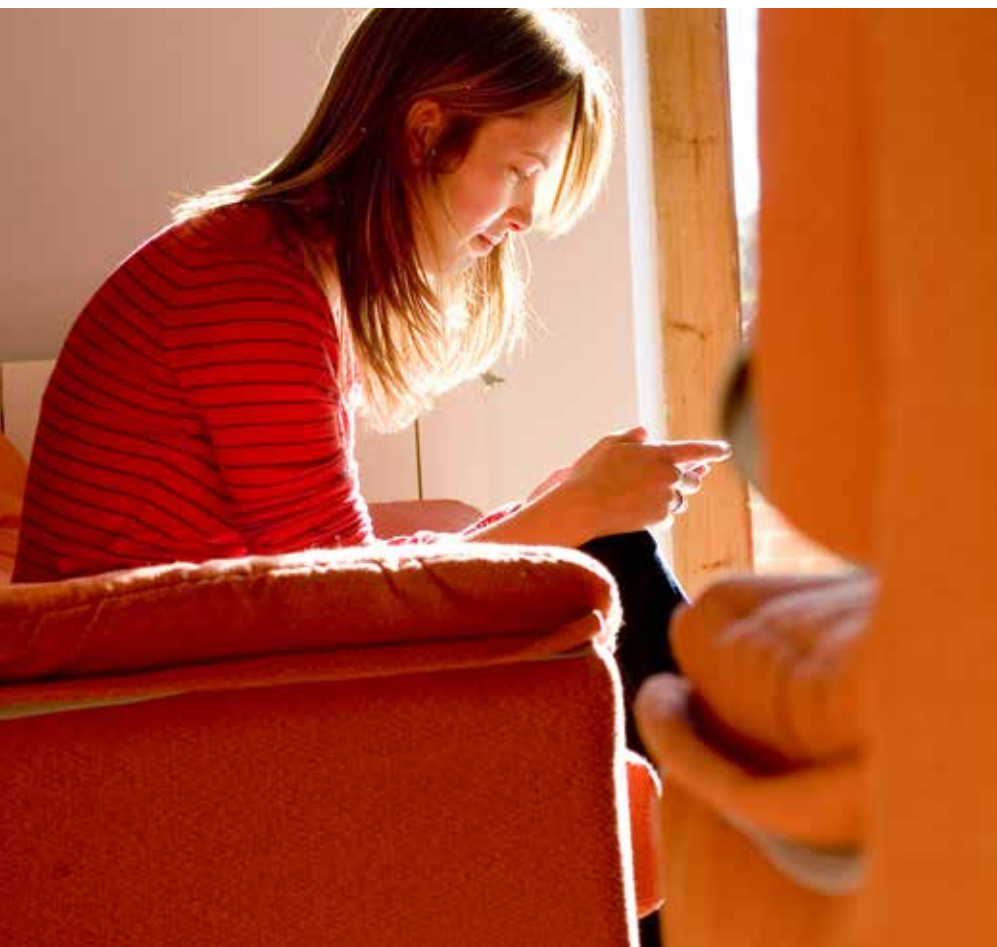
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CEO

	31/12/2016	31/12/2015 (*)	
CASH FLOWS FROM OPERATING ACTIVITIES	1,779,105	270,219	
Profit for the year	490,109	375,920	
Adjustments to obtain cash flows from operating activities	446,342	456,061	Summary of the year
Depreciation and amortisation	58,893	61,653	
Other adjustments	387,449	394,408	
Net increase/decrease in operating assets	2,639,562	1,564,834	
Financial assets held for trading	-1,796,920	-879,844	Results
Financial assets designated at fair value through profit or loss	-57,209	7,736	
Available-for-sale financial assets	625,778	550,440	
Loans and receivables	3,756,421	1,805,692	
Other operating assets	111,492	80,810	Corporate Governance
Net increase/decrease in operating liabilities	3,644,286	1,158,713	
Financial liabilities held for trading	-1,573,263	1,327,589	
Financial liabilities designated at fair value through profit or loss with changes to the results	-	-	
Financial liabilities at amortised cost	5,078,413	-119,698	
Other operating liabilities	139,136	-49,178	Risks
Income tax recovered (paid)	-162,070	-155,641	
CASH FLOWS FROM INVESTING ACTIVITIES	431,484	519,234	
Payments	-204,214	-106,312	Business
Tangible assets	-44,106	-83,021	
Intangible assets	-23,796	-23,291	
Investments in joint ventures and associates	-74,752	-	
Subsidiaries and other business units	-61,560	-	
Non-current assets and liabilities classified as held for sale	-	-	Digital Banking and Channel Diversity
Investments held to maturity	-	-	
Other payments related to investing activities	-	-	
Collections	635,698	625,546	
Tangible assets	10,310	29,440	
Intangible assets	-	6,859	Human factor
Investments in joint ventures and associates	556	-	
Subsidiaries and other business units	-	-	
Non-current assets and liabilities classified as held for sale	221,497	176,098	
Investments held to maturity	383,835	413,149	Sustainability
Other collections related to investing activities	19,500	-	
CASH FLOWS FROM FINANCING ACTIVITIES	-102,721	-219,275	
Payments	-359,621	-283,799	
Dividends	-189,453	-206,215	Brand
Subordinated debt	-114,124	-13,300	
Redemption of own equity instruments	-	-	
Acquisition of own equity instruments	-56,044	-64,284	
Other payments related to financing activities	-	-	Recognition and awards
Collections	256,900	64,524	
Subordinated debt	200,000	-	
Issue of own equity instruments	-	-	
Disposal of own equity instruments	56,900	64,524	Appendix
Other collections related to financing activities	-	-	
EFFECTS OF CHANGES IN FOREIGN EXCHANGE RATES	-	-	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,107,868	570,178	
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,448,882	878,704	GRI content index
CASH AND CASH EQUIVALENTS AT END OF PERIOD	3,556,750	1,448,882	

(*) Presented for comparison purposes only.

04

Results



Another record year in profit

The Bankinter Group ended 2016 with a new earnings record, despite it being a year full of uncertainties both in Spain and abroad. Both before tax and net earnings grew by more than 30%. These results include data on the business acquired in Portugal from Barclays, which was effectively recognised by Bankinter on 1 April.

The results obtained in 2016 reveal that the typical customer business has maintained all of its potential, with sharp growth in lending, international business banking, salary accounts, mortgages and consumer loans, among others.

The Bank also revalidated its status as the most profitable listed bank in Spain and maintained its traditional

competitive advantage in the quality of its assets (with a 4% non-performing loan ratio) and solvency (with capital much higher than required).

The notable information for 2016 is as follows:

- **Earnings.** Earnings before taxes totalled 676.7 million euros, 30.1% more than in 2015. Net earnings increased by 30.4% to 490.1 million euros. Excluding Portugal, earnings before taxes totalled 588.8 million euros and net earnings 426.5 million euros, which represents 13.2% and 13.4% increases, respectively, over last year.
- **Share price.** The share price began the year at 6.54 euros and ended at 7.36 euros. Capitalisation rose from 5.88 billion euros to 6.62 billion euros, which ranks Bankinter as the sixth bank by stock market value. An average of 2.9 million shares were traded daily.

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- **Return.** If dividends are added to Bankinter's share price, return in 2016 rose by 16%, the highest in the Spanish banking sector. ROE reached 10.9%, excluding Portugal.
- **Non-performing loans.** Non-performing loans fell from 4.13% to 4.01%, despite including the figure for the Portuguese business, which is higher than that of the rest of the Group in relative terms. If this figure is excluded, Bankinter's non-performing loan ratio would have ended 2016 at 3.56%, less than half the average in the sector, thanks to the Bank's successful risk management model.
- **Solvency.** The fully loaded CET1 capital ratio ended the year at 11.2% and phased-in CET1 was 11.77%, much higher than the level required by the ECB for Bankinter in 2017.
- **Financing structure.** The Bank strengthened its financing structure with a deposit-to-loan ratio of 90.4% at 31 December, when one year before it was 83.5%. The liquidity gap dropped to 5.4 billion euros, 3.1 billion euros less than in 2015. Maturities of wholesale issues outstanding up until 2019 amounted to 2.6 billion euros, and to cover these maturities, the Bank had liquid assets valued at 10 billion euros and a bond issuing capacity valued at a further 6.7 billion euros.
- **Margins.** The interest margin contributed 979 million euros, up 12.6% over last year and the gross margin was 1.71 billion euros (+9.5). The operating margin totalled 815.1 million euros (+0.95), despite the expenses deriving from the integration of the Portuguese business and others relating to digitalisation. The efficiency ratio of the banking activity with depreciation stood at 45.1%, (42.9% excluding Portugal).
- **Total customer loans and receivables.** Including Portugal, the figure rose to 51.33 billion euros (+16.2%) and excluding Portugal the figure was 46.78 billion euros (+5.9%). This represents organic growth totalling 2.6 billion euros in a year in which the sector reduced its loan volume by 3.1%.
- **Controlled resources.** They grew by 15.5% to 75.41 billion euros. The performance of retail resources was notable at 44.13 billion euros (+27.5%), and off-balance sheet items (investment funds, pension funds and asset management) increased by 12.1%. Retail resources excluding Portugal improved by 16.9%, up 14 percentage points on the sector average.



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The results in 2016 revealed that Bankinter's customer business has maintained all of its potential, has expanded its scope after the strategic opening of the Portuguese market, and continues to be the primary contributor to the Group's revenue. The results of its main business lines are as follows:

- **Enterprise Banking.** Enterprise Banking made the largest contribution to gross income. The lending portfolio amounted to 21 billion euros at 31 December, not including Portugal, which represented growth of 6.7%, greater than that of the Spanish banking sector as a whole (5%). The international business was consolidated as one of the strongest areas of Enterprise Banking, as it increased its gross margin by 27%.
- **Retail Banking.** In this segment, which refers to individuals, the results of the two products that the Bank has targeted are noteworthy of mention, given their strong ability to connect with customers. At 2016 year-end the salary accounts portfolio amounted to 5.59 billion euros (+33.1%) and new residential mortgages reached 2.33 billion euros (+25.7%, compared to the average 8% growth for the sector).
- **Private Banking.** The assets managed reached 31.2 billion euros (+11.4%), after capturing 3.5 billion euros. Bankinter's image of solvency decisively contributed to this increase, along with the role played by the Luxembourg office, which enables customers to diversify their investments in one of the countries with the greatest legal certainty worldwide.
- **Consumer Finance.** This business is operated through Bankinter Consumer Finance, which ended 2016 with 898,000 customers, up 23% on 2015. Its investment climbed to 1.05 billion euros (+46%).
- **Línea Directa.** This segment ended the year with 2.75 million policies (2.37 million in 2015). This growth was due to a 7.1% increase in car insurance and a 13.5% rise in homeowners insurance. Insurance premiums generated 738.7 million euros, compared to the 679.7 million euros of the previous year. The company maintains the business' high return, with a ROE of 33.2%.
- **Bankinter Portugal.** The result in the nine-month period from 1 April to 31 December offers high hopes regarding its potential: customer funds increased by 24% and investment rose by 3%. Gross income totalled 90.2 million euros and profit before taxes amounted to 7.7 million euros.

Lastly, the progress made in the digital transformation is noteworthy of mention. Thanks to this transformation process, 31% of Bankinter's customers are now only using online banking. Traditional channels and digital channels are indistinctly used by 60% and only 9%

use solely branch offices or telephone banking. The Coinc digital savings platform, which is primarily directed towards young people, expanded and improved its services, thus giving rise to a 34% increase in the number of customers.



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The Bankinter share

One of the best stock market track records in European banking

Share performance

The Spanish stock market had a very erratic year, marked by the 32% drop in trading volume compared to 2015 and by the volatility associated with various international events, such as the referendum in the United Kingdom to leave the European Union or the victory of Donald Trump in the US presidential elections. Prices improved towards the end of the year and the Ibex-35 was only down by 2%.

In this context, Bankinter's shares showed excellent performance. In 2016, its share price increased by 12.5% and reached a maximum of 7.69 euros. For the fourth consecutive year it was the best bank stock in the Spanish large company index with a yield (including dividends) of 16%. The Bank's stock market performance enabled it to end the year with a capitalisation of 6.61 billion euros, which compares very favourably to the international environment. The STOXX Europe 600 Banks index,

which reflects the listed price of the 45 most important European financial institutions, ended the year with a 6.8% decline and Bankinter was the third best-performing bank in the eurozone.

The favourable stock market track record is not limited to 2016. Despite the difficulties faced by the sector, investors have provided their ongoing support for Bankinter's management in recent years. Over the last three years, the Bank's share price has increased by 47.6%. During this same period, the Ibex-35 fell by 5.7% and the STOXX Europe 600 Banks index by 12.3%.

Share capital

At 31 December 2016, 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 shares are represented by book entries, are listed on the Madrid and Barcelona Stock Exchanges and are traded on the Spanish computerised trading system.

At 2016 year-end, Bankinter's share capital structure was represented by 57,750 shareholders. Residents held 53.92% of the share capital and the remaining 46.08% was in the hands of non-residents. Registered shareholders with more than 5% of the share capital are detailed in the table below. Treasury shares included 17,581 shares.

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The most significant figures regarding the Bankinter share in 2016 are detailed in the following tables:

Shareholders with significant holdings

		31/12/16
Name	Total shares	%
Cartival, S.A.	205,580,188	22.87
Corporación Masaveu, S.A. (*)	44,959,730	5.00
Standard Life Investment (Holdings) Limited (**)	53,857,030	5.99

Shareholder structure by number of shares

				31/12/16
Tranches	No. of shareholders	%	No. of shares	%
From 1 to 100 shares	18,817	32.59	258,737	0.03
From 101 to 1,000 shares	17,262	29.89	8,400,078	0.93
From 1,001 to 10,000 shares	17,944	31.07	60,103,702	6.69
From 10,001 to 100,000 shares	3,425	5.93	80,875,198	9.00
More than 100,000 shares	302	0.52	749,228,439	83.35
Total	57,750		898,866,154	

Summary by type of shareholder

				31/12/16
	No. of shareholders	%	No. of shares	%
Residents	56,965	98.64	484,639,019	53.92
Non-residents	785	1.36	414,227,135	46.08
Total	57,750		898,866,154	

(*) 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, Mr. Fernando Masaveu. Mr. Fernando Masaveu directly and indirectly holds 5.29% of the voting rights of Bankinter's share capital.

(**) Voting rights reported and declared by the company on the CNMV website.

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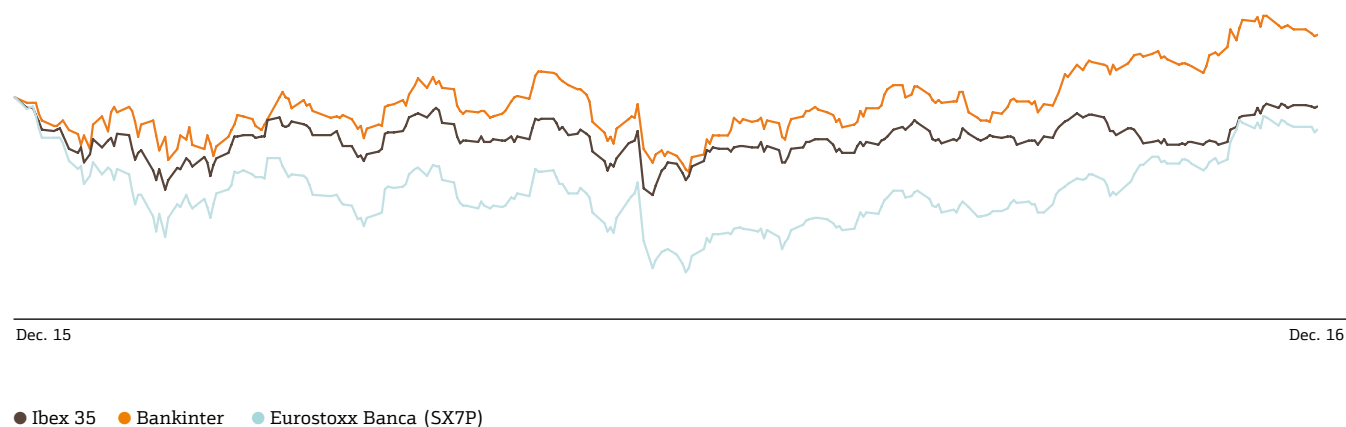
Data per share for the period, at 31/12/2016 (euros).

Earnings per share	0.55
Dividend per share	0.21
Underlying book value per share	4.56
Share price at the start of the year	6.54
Minimum intraday share price	5.50
Maximum intraday share price	7.69
Last share price	7.36
Appreciation over the past 12 months (%)	12.47

Stock market ratios at 31/12/2016

Price/Underlying book value (times)	1.61
PER (price/earnings ratio, times)	13.50
Dividend yield (%)	2.86
Number of shareholders	57,750
Number of shares	898,866,154
Number of shares of non-residents	414,227,135
Average daily trading (number of shares)	2,905,462
Average daily trading (thousands of euros)	18,739
Market capitalization (thousands of euros)	6,615,655

Share price



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Dividends policy

Bankinter continued to pay all its dividends in cash and on a quarterly basis, thanks to the business' solid growth and good standing in terms of solvency, which enabled the Bank to avoid the restrictions imposed in recent years by supervisors regarding the preservation of capital.

Bankinter therefore distributed four cash dividends to its shareholders, a final dividend for 2015 and three interim dividends for 2016, which represented approximately 50% of ordinary profit obtained in the first three quarters. The fourth and final dividend payment out of 2016 profit, which will be approved by the shareholders at the Annual General Meeting in 2017, has yet to be paid. The dividends paid out of 2016 profit as of the date of publication of this report are as follows:

American Depositary Receipts (ADR)

This is a product that enables residents of the United States to invest in foreign companies in US dollars and to receive dividend payments in their own currency. Bankinter has a Level 1 programme managed by Bank of New York-Mellon, which had 152,209 ADRs outstanding at 2016 year-end.



Distribution of dividends						31/12/16
Deposit date	Dividend per share (euros)	No. of shares	Treasury shares	Shares with voting rights	Amount (euros)	Corresponding year
25/06/2016	0.05143427	898,866,154	60,436	898,805,718	46,229,420	2016
28/09/2016	0.05143427	898,866,154	180,020	898,686,134	46,223,265	2016
28/12/2016	0.05143427	898,866,154	150,000	898,716,154	46,224,809	2016
Total	0.15430281				138,677,494	

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Shareholders Office

Always first

The Shareholders Office is a communication channel that passes on any suggestions and clarifies any queries that minority shareholders may have through direct and personal dialogue.

Most queries refer to issues such as the current share price or share history, dividend amounts and payment dates, the content of the corporate report and details on General Shareholders' Meetings. In order to respond to these queries, Bankinter publishes communiqués of interest for its shareholders on a regular basis.

The relationship with shareholders is based on the 'Usted Primero' (You First) project, the purpose of which is to notify shareholders, through physical and electronic means, of any relevant news on the company. The aim of this project is to ensure shareholders are the first to hear about a dividend payment and its amount, the quarterly results or the material facts that the Bank publishes with the CNMV (capital increases, changes in the Board, etc.).

The Shareholders Office is also entrusted with providing information on shareholder composition and any changes thereto, both internally and in relation to supervisory bodies, and ensuring adherence to the Securities Market Code of Conduct, which Bankinter employees must observe with regard to the Bank's actions.

Effort to adapt

In 2016 the main new development was the entry into force of the initial phase of the Reform of the Securities Clearing, Settlement and Registration System in Spain, in order to bring the post-trading processes into line with those of Europe. The change required a considerable effort at adaptation on the part of the Bank in order to ensure the continuity of the Shareholders' Register.

Accordingly, the Annual General Meeting, the Bank's maximum decision-making body, was held on 17 March 2016 with a quorum of 74.1%. This percentage maintains the upward trend of previous years and is significantly greater than the customary average among companies listed on the Ibex-35, which stood at 67% in 2015. The shareholders at the General Meeting approved the proposal submitted for the payment of a gross final dividend of 0,056 euros per share and, therefore, total gross shareholder remuneration for 2015 rose to 0,209 euros per share.

The number of shareholders continued to drop and stood at 57,750 in 2016, compared to the 61,386 shareholders in 2015. In 2016 there was a drop in the number of both Spanish and foreign minority shareholders and an increase in the number of foreign institutional shareholders.

Quorum at Bankinter's Annual General Meeting (%)	
2013	67.28
2014	68.48
2015	73.16
2016	74.10



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Investor relations

A more international shareholder base

The main goal of the Investor Relations Department is to provide information on the performance of the Bank's various businesses and activities, as well as its current and future strategy, always in accordance with the principles of equality, fluidity and transparency required by regulators. One of the main tools for providing investors with information are the quarterly online communications carried out in full by teleconference or webcast in January, April, July and October, where the

Group presents its results. Over one hundred analysts and institutional investors usually connect to these communications in real time from around the world.

The other cornerstone of the Investor Relations Department's activities is direct contact with institutional investors, which takes place primarily within the framework of the numerous international conferences, at which a number of institutional investors, portfolio managers, analysts, private bankers, etc. meet and at which Bankinter usually has a presence, held by the main stock market and investment banking companies of various countries, usually the United States, Canada and Europe. In addition, the Investor Relations Department welcomes more than three hundred qualified investors each year, either in individual sessions or in small

groups organised by brokers at the Bank's headquarters on Paseo de la Castellana in Madrid.

Another of the department's tasks things to organise several roadshows to visit investors or potential investors in various financial capitals around the world, such as New York, London, Paris, Rome, Frankfurt, Zurich, Geneva or Warsaw. The topics that most interest attendees include the performance of the Bank's various businesses and activities, regulatory framework, the situation of the sector and the economic and political outlook for Spain. This last topic captured the attention of several institutional investors in 2016, given the political instability experienced during the year.

At 2016 year-end, 46.1% of the Bank's shares were in the hands of non-resident investors, the majority of which are institutional investors, compared to the 44.2% recorded in 2015. The growing participation of foreign investors in the shareholder structure is an incentive to explore new markets (such as Asia, the Middle East or Latin America) and expand the geographical shareholder base.

Investor relations

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The sustainability factor

The growing sensitivity of international investors to aspects other than financial matters (such as good corporate governance, environmental protection or respecting social issues) has led the department to forge closer relationships with various agencies that specialise in the sustainability factor and that measure Bankinter by criteria of this nature. These agencies, as well as proxy advisors (consulting firms that advise institutional investors on the decisions made at shareholders' meetings), draw up rankings, reports and indices, such as the FTSE4Good Index, in which Bankinter tends to have a presence in order to meet investors' demands, which require making decisions based on sustainability standards. In addition, in 2016 various roadshows were carried out with institutions interested in results that are not strictly economic or financial in nature.

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Rating

Improved outlook

In 2016 Bankinter maintained its investment grade rating (the highest rating level offered by credit rating agencies) in all areas, which facilitates its deposit taking capacity and places it in a privileged position in the market with respect to its size. The good perception of the Bank's capacity to comply with its financial commitments was also confirmed by the improvement of the outlook of the main rating agencies during the year. The changes in the Bank's rating in 2016 are as follows:

- On 6 April, Standard & Poor's increased the Bank's outlook from stable to positive, as a result of its reduce dependency on short-term financing and the subsequent improvement in its liquidity position. The favourable change in outlook opens up the possibility to an improvement in the rating over the next 18 to 24 months, if

there is a confirmed improvement in the liquidity profile and the capital adequacy following the integration of the assets of the Portuguese business. Accordingly, S&P confirmed the BBB- and A-3 ratings for long- and short-term issues, respectively.

- On 11 July, DBRS increased the outlook for long-term debt from stable to positive. At the same time, the BBB (high) rating for long-term operations and the R-1 (low) rating for short-term operations was confirmed. The agency's assessments highlighted the Bank's reduction in wholesale financing and its solid position as a medium-sized bank with one of the best quality asset profiles, a profitable main business and a robust level of capital.

Bankinter holds at least one meeting per year with each of the rating agencies. At these meetings, in which the Bank's senior management participate, the Bank's situation and prospects are reviewed, making special mention of its business model, financing structure and risk policy.



Distribution of dividends

Agency	Date	Long term	Short term	Outlook
DBRS	11/07/2016	BBB (high)	R-1 (low)	Positive
Moody's	17/06/2015	Baa2	P-2	Stable
Standard & Poor's	06/04/2016	BBB -	A3	Positive

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Shareholders' equity

Abundant high-quality capital

Bankinter's management policy, its business model and prudent risk profile allow it to operate with higher levels of capital, that are high quality and also well above those required by regulators and supervisors. It has been credited in this way year after year, which reinforces the bank's solvency profile and enables shareholders to receive steady and sustainable remuneration over time.

During 2016, Bankinter maintained the active management of its shareholders' equity, in order to strengthen its leading position in terms of solvency in the Spanish banking sector and ensure the highest quality of its capital. Its capital base strengthened and by the end of the year reached a total capital of 3,872 million euros, 11.7% more than the previous year. Common Equity Tier 1 (CET1) rose to 3,622 million euros, 12.95% more than in 2015, and represented a 93.6% increase of total shareholders' equity. The total capital ratio stood at 12.59%; and the CET1 ratio reached 11.77%.

The main changes in Bankinter's capital ratio throughout the year were derived from the following factors:

- The organic generation of results, that improved for yet another year compared to the previous year.
- The growth in credit and counterparty risk-weighted assets, a result of the positive performance of ordinary business. Market and operational risk-weighted assets also increased due to the bank's increased activity.
- The incorporation of Barclays in retail business in Portugal. The impact came from capital consumption of the acquired business, which is mainly funded by the placement of an issue of 200 million euros in Additional Tier 1 Capital instruments (Additional Tier 1 - AT1) and the negative goodwill (badwill) generated in the operation.

Ample compliance

In late 2016 the Single Supervisory Mechanism integrated into the European Central Bank, informed banks about the outcome of the Supervisory Review and Evaluation Process (SREP) and as a result, established the minimum capital requirements with which they must operate from January 2017. According to the European supervisor, Bankinter must

have a minimum CET 1 capital ratio in phased-in terms (i.e. taking into account current regulatory requirements) of 6.5%. This ratio is made up of 4.5% of the capital required by the so-called Pillar 1 of the rules (which sets the minimum threshold for all banks), 0.75% of Pillar 2 (the result of the specific supervisor judgement for each bank's risk profile) and a capital conservation buffer of 1.25%.

The ratio required from Bankinter is the smallest of Spanish banks. In addition, the company has one of the highest quality CET 1 levels of Spanish banks (11.77% in 2016), so it amply complies (about six points difference) with regulatory requirements.

If we make the comparison in terms of total capital, which includes minimum level of shareholders' equity of 8% (CET1 and lower quality capital), the conclusion is equally favourable. The supervisor's requirement is 10% phased-in, while Bankinter recorded a ratio of 12.59% at the end of 2016.

Considering the full implementation of the European solvency rules in 2019, which is known as fully loaded, at year-end the Bankinter CET1 ratio was 11.2%.

Freedom in dividend payments

Ample compliance with capital levels required by the supervisor allows Bankinter to consolidate its strong position in terms of solvency and quality of its assets, which is higher than that of comparable Spanish and European banks. In addition, as a result, the bank has leeway in decisions regarding paying dividends, variable remuneration or hybrid instrument coupons such as Additional Tier 1 (AT1) emissions.

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Strategy

A balanced, profitable and sustainable project

Bankinter's project is mainly geared towards sustained and balanced growth. It is therefore defined as a bank for customers, who ensure a solid and recurring income base and guarantee sustainable earnings over time.

Another of its strategic cornerstones is innovation, which forms part of the Bank's corporate genes and which over the past two decades has placed the bank at the forefront in terms of products and services offered in the Spanish financial sector. To support this line of work, in 2016 Bankinter promoted the digitalisation process, which provides a response to the growing demands of customers for more and better digital services, offers the possibility of improving efficiency and enables the Bank to compete in the areas where it would be at a disadvantage because of its size compared to other larger credit institutions.

Another important pillar of its strategy is the search for diversification, both in terms of revenue sources and lines of business, in order to obtain recurring income and sustainable results. As part of its strategy, in recent years Bankinter has refocused its business in order to become less dependent on net interest income. Interest rates that are near zero limit the capacity of credit institutions to earn money by taking deposits and granting loans. The Bank has therefore strengthened its business lines that are less dependent on net interest income, such as added value products and services for Enterprise Banking (transactional banking, international business, investment banking, etc.), Private Banking and other businesses that respond positively to low interest rates, such as the insurance business, both with regard to bancassurance, through the joint venture with Mapfre, and with regard to direct sales, through its subsidiary Línea Directa.

The investment in Portugal also responds to the aforementioned diversification goal, whereby the Bank intends to reproduce the model that is giving us such excellent results in Spain in our neighbouring country, which will provide numerous opportunities for growth in areas such as private banking and asset management.



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With these strategic lines as a guide, the results of the main business areas were as follows:

- **Digital transformation.** The Digital Banking division was created in order to accelerate the digitalisation process and improve customer relations. A plan was launched to improve the Bank's websites in order to facilitate sales and attract customers. In addition, the processes were redesigned with the aim of improving service and user experience and a technological transformation plan was launched in order to revamp and simplify the internal platform and make it more efficient.
- **Integration of Portugal.** The acquisition of the Barclays retail business was successfully concluded on 1 April 2016 and the migration process, which was especially complex from a technical point of view, has virtually been completed. Progress was also made on the implementation of Bankinter's cultural and business model. The results of the Portuguese business during these nine months of the year were even better than expected.
- **Private Banking.** This is one of the Bank's reference businesses due to its ability to compete in a very complex market. In 2016 the Bank continued investing in this area. Growth in customer assets increased despite the difficult investment climate, which offers good prospects in terms of return for 2017 and 2018.
- **Enterprise Banking.** The restructuring of this business segment carried out in 2015 is now starting to bear fruit. Corporate Banking, which was the core of its operations, is losing market share in favour of small and medium enterprises. This diversification, together with the launch of new innovative financing products (for example, the loan for tax payments), is benefiting business associated with financing, such as collections, payments, transfers and other business. Its activity is concentrated in companies with high and low risk ratings.
- **Bankinter Consumer Finance.** Another strategic lever. In 2016 new technological tools were incorporated to refine the risk analysis in order to drive a healthy rate of growth. Agreements with third parties (point-of-sale financing) expanded the scope of business.
- **Insurance.** Growth in the mortgage business benefited the related insurance business and the agreement reached with Mapfre continued to bear fruit. Línea Directa, which is a fundamental supplement to banking activities, also had another year with excellent results in terms of revenue, yields and solvency.

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Integration of Portugal

A pioneering experience

In 2016 Bankinter undertook the process of integrating into its structures Barclays' retail business in Portugal, which is a business with 84 offices, 930 employees and 173,000 customers. It was the first time in history that the bank undertook an operation of this nature. The project, which will be completed in 2017, therefore constitutes a pioneering experience with multiple personal, logistical, technological and cultural ramifications that will test the organisation's capacity to manage complex change scenarios.

The integration plan was organised around an opening date for the branch: 1 April 2016. The purchase transaction was formally concluded on 31 March, at which point the Bank began to identify and segregate the operations of Barclays Portugal in order to prepare for the definitive merger process. The segregation plan included aspects such as launching a temporary website, creating an independent salary management system and processing the necessary legal authorisations, as well as a temporary training environment

to comply with legal requirements. A large-scale rollout also had to be undertaken in order to ensure all offices in Portugal, as well as all other channels for communicating with customers (websites, mobile apps) and even stationary, displayed the Bank's corporate image as of 1 April.

Although this process was arduous and complex, as of 1 April the Bank took on the main and most difficult objective: ensuring everything works correctly. With this goal in mind, the necessary support was provided to ensure that areas such as the

treasury, accounting or international activity departments could continue working, which up until that point had been received from Barclays, and the central computer, the IT servers and other communication infrastructure were gradually transferred from the United Kingdom to Spain.

With regard to operations, an in-depth review was carried out on the various procedures (from taking on new customers to processing mortgages), in order to bring them into line with procedures in Spain, reduce terms and drive business.

The technological and operational transformation was completed in 2016 with a plan to integrate employees, which included two complementary lines of action:

- A unique change management programme which entailed holding 37 face-to-face sessions at eight different locations in order to explain how Bankinter works, its spirit and its values.
- An ongoing programme known as 'Somos Bankinter' (We are Bankinter), which expresses the need to



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develop a long-term plan to transmit the Bank's corporate culture. This programme includes aspects such as commercial implication, cultural immersion and staff awareness. From a commercial perspective and the point of view of assimilating Bankinter's culture, 77 managers from offices in Portugal travelled to Madrid in 2016 in order to understand the Bank's way of working. In addition, interviews were carried out with 188 Portuguese managers, in order to fully understand their concerns, identify talent and begin to create a competency model.

In 2016 the Portuguese business adopted the Bank's remuneration policy, including the system of sales bonuses and other variable incentives.

Much more work to be done

There is still much more work to be done in 2017. The programmes for making employees aware of Bankinter's way of working need to be extended to specialists in investment products and business centres, as well as the risk and operations teams. A new leadership model and an engagement programme also need to be implemented this year in order to identify and work on tangible integration matters.

The computer renovation, which was completed at the end of 2016 for all branches in the network, must also reach central services, and web environments must also be unified. Another of the Bank's objectives is to revamp the supplier policy, bringing it into line with the review carried out in Spain in order to improve services and facilitate economic savings.

In order to conclude the integration process, in 2017 the headquarters currently in Lisbon will be relocated, although a portion of the offices (those that do not have contact with customers) will remain at their current location. This is more than just a spatial or geographical change in location, it is about adapting the work area to a new, more open and horizontal corporate culture. The message is clear: Bankinter is here to stay and build a successful model.



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Governance structure and composition

The Board of Directors

The Board of Directors of Bankinter, S.A. is formed by ten members, who are characterised by their professional capability, integrity and independent judgement. The status of director is

reported each year in the Corporate Governance Report, which is subject to approval by the Board of Directors.

Of its ten members, two are executive directors and eight are non-executive directors. Five of the latter are independent, two are proprietary and the last, in the opinion of the Board, is neither proprietary nor independent.

10

Directors

4

year mandate

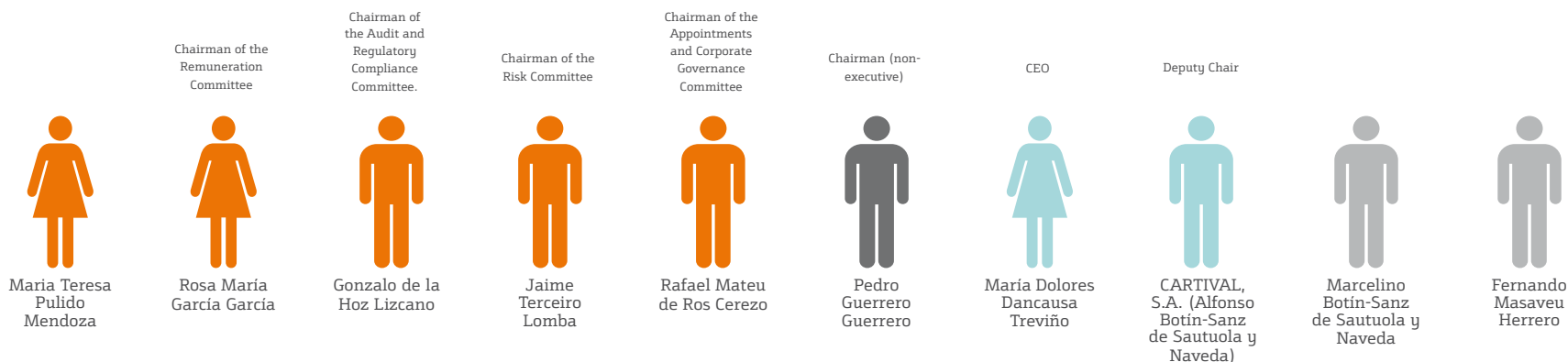
50%

independent directors

Separation between
CEO and Chairman

Majority of
independent directors
on Board Committees

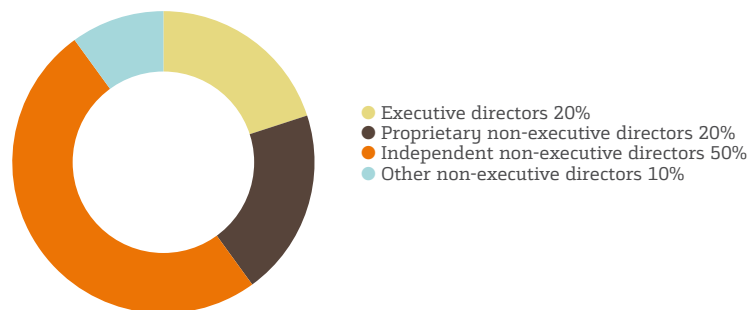
Majority of non-
executive directors on
Committees



- Proprietary non-executive director
- Independent non-executive director
- Executive director
- Other non-executives directors

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Current composition of the Board



In 2016 there was no change in the composition of the Board of Directors.

Directors are appointed for a period of four years and may be re-elected at the end of the term.



Bankinter firmly believes in the importance of balancing power in decision-making procedures, and a clear division of power between the non-executive Chairman and the CEO.

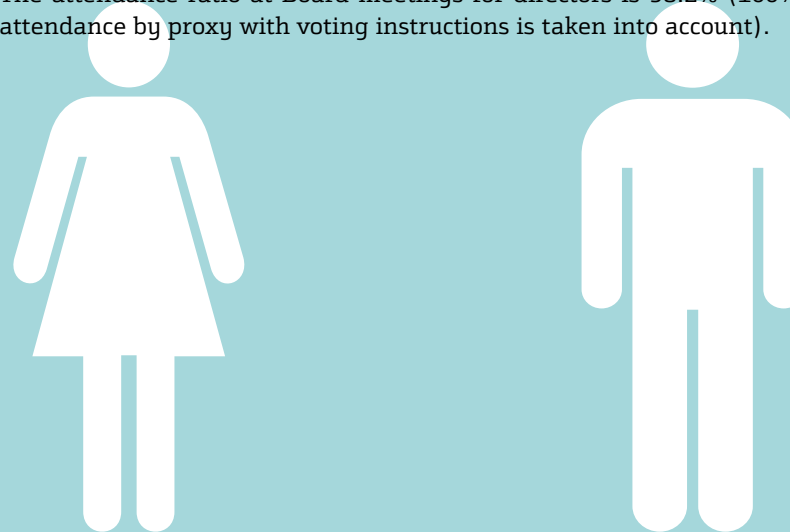
The number of independent directors appointed to the Board is very high: The Remuneration Committee, the Audit and Regulatory Compliance Committee and the Risk Committee are composed entirely of independent directors, and the Appointments and Corporate Governance Committee is composed mostly of independent directors (75%). All committees are chaired by independent directors.

Although there is a division of powers at Bankinter between the non-executive Chairman and the CEO, the Bankinter Articles of Association envisage the possibility of appointing a lead director from among its independent directors, whose powers will be likewise established.

Bankinter establishes clear rules on dedication, and sets limits to the number of boards of other companies on which its directors may sit.

Members of the Bankinter Board of Directors have a wide range of knowledge and experience and, with regard to gender equality, 30% of board members are women.

The attendance ratio at Board meetings for directors is 98.2% (100% if attendance by proxy with voting instructions is taken into account).



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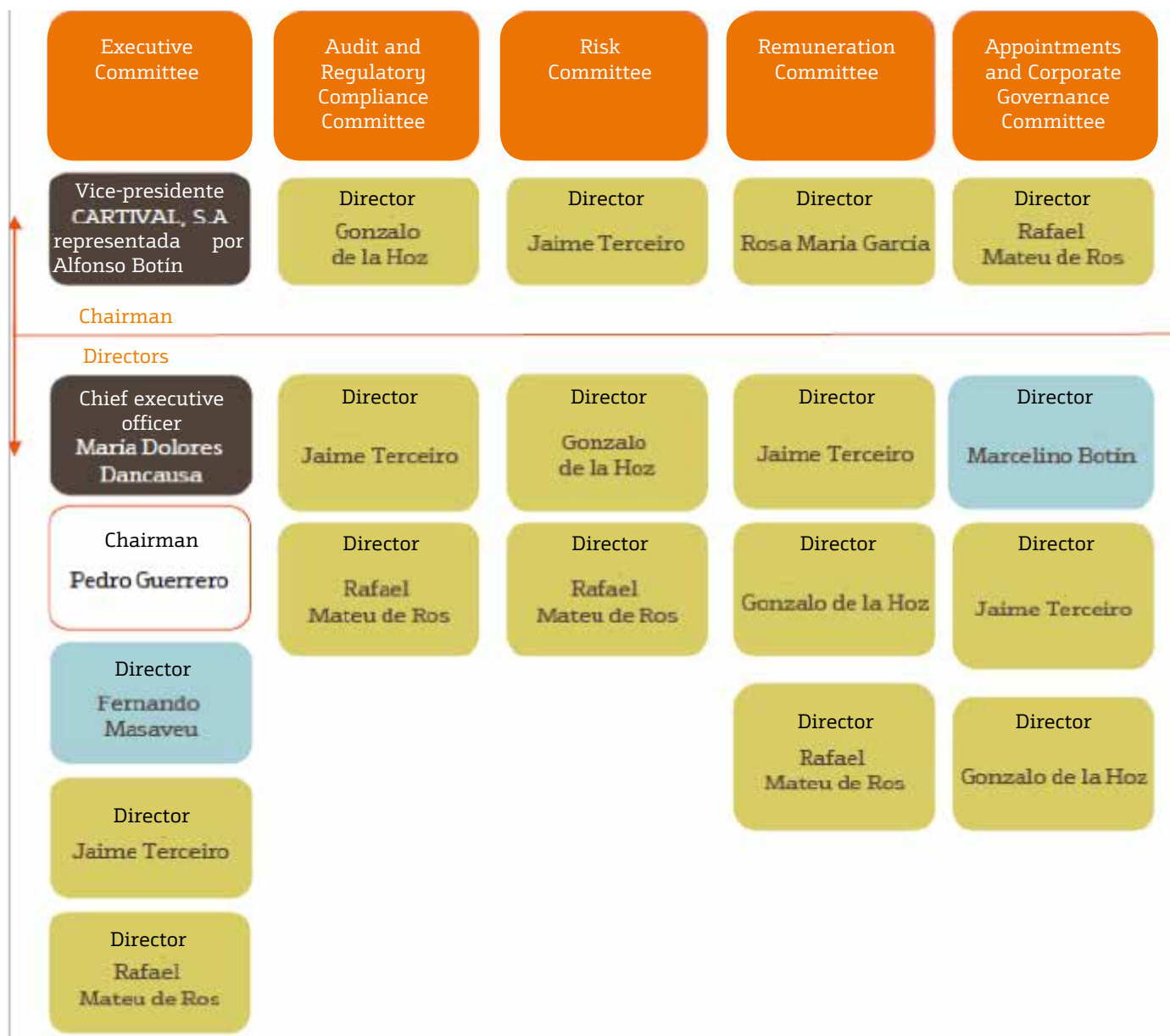
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Board Committees

The Board has created an Executive Committee, the powers of which may be delegated. Furthermore, the Board of Directors has the following committees with supervisory, reporting, advisory and proposal powers: the Audit and Regulatory Compliance Committee, the Risk Committee, the Remuneration Committee and the Appointments and Corporate Governance Committee. The Regulations of the Board of Directors, available on the company's corporate website, detail the functions and powers assigned to each of these committees.

The current composition of the aforementioned committees is as follows:



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Selection of directors. Diversity in the composition of the Board

On 18 November 2015, the Board of Directors of Bankinter approved the Director Selection and Succession Policy, according to which the process for the selection and succession of directors will adhere to the following general principles:

- i. The process will guarantee compliance with applicable regulations and will be carried out respecting the characteristics of the composition of the Board of Directors set out in the Articles of Association and in the Board Regulations.
- ii. The process will encourage there to be a clear majority of independent directors on the Board and the number of executive directors to be the minimum necessary taking into account the Group's complexity.
- iii. The process will guarantee there is an adequate balance between proprietary and independent directors, thus reflecting, as much as possible, the proportion between share capital with voting rights represented by proprietary directors and the rest of the share capital.

iv. The process will ensure diversity of nationalities, gender and experiences, such that decision-making is enriched and a variety of points of view are heard when debating matters within its competence.

v. The process will guarantee the stability of the Board of Directors in line with the measures taken by the Company to ensure, whenever possible, that the appointment or re-election of directors does not affect more than one fourth of the Board members in any given year.

The process for selecting directors must be based on an analysis of the needs of the Company and of the entities that make up the Group. This analysis will be carried out by the Board of Directors on the advice of the Appointments and Corporate Governance Committee.

Candidates for Company directorships must be honourable and well-suited, must have proven solvency, competence, experience, qualifications and training, and must be available and committed to their position.

The Appointments in Corporate Governance Committee will assess the balance of powers, expertise, diversity

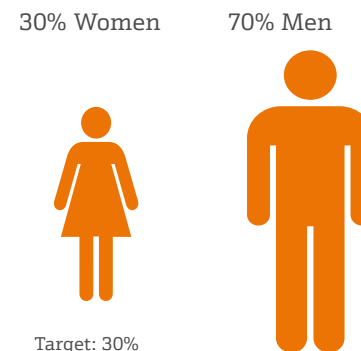
and experience necessary for the Board of Directors. Accordingly, the Committee will define the necessary duties and skills of the candidates that must cover each vacancy, and determine the time and dedication required so as to permit the efficient discharge of their duties.

In general, Bankinter uses external advisers to select candidates for membership on the Board of Directors as independent directors.

With regard to gender equality, Bankinter is committed to equal opportunities for men and women, which is in line with carrying out objective selection processes that are free from any determining conditions or biases which may limit the access of women to appointments as directors. Therefore, the candidate's independence, professional qualifications, capacity and experience in the industry are assessed in each case. The candidate selection process seeks to ensure that the candidates reviewed always include women.

As a result of this commitment, in 2010 a woman was appointed to the Board of Directors as an executive director and was the Company's first female executive director. In 2014 and 2015, two women were appointed as

independent directors, which resulted in a 30% ratio of women on the Board of Directors, representing early compliance with the target internally agreed upon in the document "Representation target for the less represented gender on the Board of Directors and guidelines on how to reach such target", adopted by the Board of Directors in 2014, and that established in the Code of Good Governance for listed companies for 2020.



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Succession plans for the Chairman and executive directors

In accordance with the policy approved by the Board in 2015, the succession process for Board members must guarantee that it is carried out in a planned and coordinated fashion, thus protecting the continuity of the business.

The Appointments and Corporate Governance Committee looks to ensure the existence of succession plans and update them for the Chairman and the executive directors of the Company and, where applicable, to submit proposals to the Board of Directors so that this succession is carried out in a planned and orderly manner. This analysis is submitted to the Board of Directors on an annual basis. The succession and selection policy for Board members is available on the company's corporate website.

Secretary of the Board

The Regulations of the Board of Directors contain an article that includes the functions of the Secretary, who is attributed all functions corresponding thereto by virtue of the Spanish Companies Act and in accordance with best corporate governance practices. These functions include safeguarding the formal and material legality of the Board's actions, overseeing compliance with

good governance recommendations assumed by the Bank and ensuring that the procedures and rules of governance are respected and reviewed on a regular basis.

On 16 December 2015, the Board of Directors approved a procedure for preparing the meetings of the Board and its committees. The procedure assigns the Secretary of the Board functions related to assisting the Chairman to ensure that all directors receive the relevant information in order to discharge their duties in good time and in the appropriate format.

Functioning of the Board

According to the Regulations, and before the start of each financial year, the Board of Directors will approve the meeting schedule for the following year and the expected agenda for them, whereby directors are entitled to propose additional items to be included on the agenda. The calendar and the agenda may be amended by resolution of the Board itself or by decision of the Chairman, who will report the change to the directors sufficiently in advance, except in cases of emergency. The minimum number of meetings will be 10 per year (well above the legal requirement to hold meetings once a quarter).

Accordingly, the Board of Directors of Bankinter met 11 times in 2016.

Moreover, as indicated in the previous section, in 2015 the Board of Directors approved a procedure for preparing the meetings of the Board and its committees following a proposal from the Appointments and Corporate Governance Committee. Notice must be given, except in cases of emergency or necessity, sufficiently in advance of the date of the meeting. This procedure includes, among others, the following aspects:

- Schedule of meetings of the Board and its committees.

- Method and site for holding meetings.
- Call notice and agenda for each meeting.
- Time and means for making the documentation available that will be analysed and discussed at each meeting.
- Means for communicating with the directors responsible for compliance with this procedure.



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Directors are guaranteed to receive the necessary information in order to adequately assess the corresponding transactions or decisions prior to when the Board or Committee meetings are held, so that they may reasonably prepare for the meetings and actively participate in the discussions.

Conduct of the meetings: The Board of Directors, either directly or through its committees, fully exercised its supervisory role in 2016. It was kept well informed of the progress and activity of the Bankinter Group's various business

areas and of general matters within the scope of its supervisory functions, and, most prominently, the Board has monitored the Bank's strategic objectives defined in 2015, which have been periodically discussed in specific items on the respective agendas. Similarly, Board members have been informed about the conclusions of the various internal and external audit reports, among many other matters addressed, such as the management and control of risks associated with the Bankinter Group.

Dedication to the Board's tasks:

Directors are required to devote the time and effort necessary in order to effectively discharge their duties and, in any case, to comply with the limits on the maximum number of Boards to which they may belong, as established by law.

Directors must ensure that absences from meetings of the Board of Directors and the Committees of which they are members are limited to unavoidable cases.

These requirements have been adequately met by all Board members of Bankinter, with an attendance rate of 98.2%, which is 100% if attendance by proxy is included, and full commitment to the analysis and discussion of the issues that have been placed before them through the study of the supporting documentation and any other information required for such purpose.

Assessment of the Board and its committees

One of the Board's powers is to produce an annual assessment of its own workings and those of its committees and, based on its conclusions, to propose an action plan to correct any shortcomings detected.

In accordance with corporate governance recommendations, the Board of Directors has decided that this assessment will be carried out by external advisors at least every 3 years. In 2016 this assessment was carried out by an independent external expert, Russell Reynolds.

The assessment carried out in 2016 by Russell Reynolds covers the functioning of the Board and its committees and the performance of its Chairman, executive directors and the chairmen of the committees, and entails an individual assessment of all its members. The assessment process was carried out in the following phases: i) send out questionnaires prepared by the external expert for Bankinter to each of the Board members, ii) prepare tables on and analyse all responses received, and carry out face-to-face interviews with each of the directors in order to obtain a more in-depth look at the responses given in the questionnaires, and iii) compare these responses with best corporate governance practices in Spain and abroad. The opinion of all directors was also sought out regarding the challenges faced by the Bank and its Board and the values that define the culture of Bankinter's Board of Directors, and an analysis was carried out comparing the characteristics of the Board with those of other relevant companies in the Spanish financial sector.

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The results of the external expert's assessment showed, on one hand, the comprehensiveness of the assessment requested by the Board and, on the other hand, the essential conclusions reached, which reflect the significant effort made by Bankinter's Board, highlighting the commitment, diversity and high qualification of each of the Board members, the strong leadership of executive directors, which permeates throughout the organisation, and the commitment of benchmark shareholders, which provide stability and strength to the management and supervisory functions exercised by the Board. These results place Bankinter's Board in a leading position among the boards analysed.

In short, the assessment carried out in 2016 did not detect any shortcomings that would require implementing an action plan to correct any of the areas analysed: i) quality and efficiency in the functioning of the Board of Directors, ii) functioning and composition of its committees, iii) diversity in the composition and competencies of the Board of Directors, iv) performance of the Chairman of the Board and the Company's CEO, and v) performance and contribution of each director, in particular that of the chairmen of the committees.

However, the independent external expert did make certain suggestions for improvement that were indicated

after carrying out the assessment, and which will be analysed and monitored, if the Company decides to implement them, by the Appointments and Corporate Governance Committee at successive meetings.

Remuneration and incentives

Description of the remuneration system

The principles and components of director remuneration are detailed in the Directors' Remuneration Policy and in the Annual Report on Directors' Remuneration which is subject to an advisory vote at the Annual General Meeting.

As part of its good governance policy, Bankinter decided, as of its entry into force in 2006, to implement and enforce recommendation 40 of the then Unified Good Governance Code of Listed Companies in relation to submitting its report on the directors' remuneration policy to the General Meeting as a separate item on the agenda, subject to an advisory vote. As of 2008, the Bank's shareholders therefore had the opportunity to express their opinion on this remuneration report. The report on directors' remuneration is currently governed by the Spanish Companies Act, which makes it mandatory for listed companies to submit this report to an advisory vote at the Annual General Meeting.

The Shareholders' Meeting is the competent body to approve the maximum annual amount of remuneration corresponding to all directors acting as such. This amount will remain in force until amended at the Shareholders' Meeting, although the Board may reduce the amount in those years when deemed justified.

The specific amount that corresponds to each of the directors in accordance with the Articles of Association and the form of payment will be determined by the Board of Directors. To this end, the positions held by each director on the body itself and their membership to and attendance at the various committees will be taken into account.

This remuneration currently has two components: i) a fixed annual amount, and ii) attendance fees.

Directors are entitled to remuneration (salaries, incentives, bonuses, pensions, insurance and severance payments) that, as proposed by the Remuneration Committee and approved by the Board of Directors, is deemed appropriate for the performance of other functions in the Company, regardless of whether they are executive directors or not, other than those that entail collective supervisory and decision-making functions discharged as mere Board members.

The variable components of remuneration are established such that there is an appropriate ratio between fixed and variable components of total remuneration.

The variable components do not exceed one hundred percent of the fixed components of total remuneration for each director, unless the shareholders at the General Meeting approve a higher ratio, which in no case is to exceed two hundred percent of the fixed components of total compensation, under the terms established by law.

Transparency

The Annual Report individually presents the remuneration received by each director, expressing the amounts relating to each item of remuneration. Additionally these items appear individually in the report as well as the remuneration that corresponds to the executive functions entrusted to the Company's executive directors.

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A man with dark hair, wearing a dark blue pinstriped blazer over a light-colored button-down shirt, is sitting on a wooden bench outdoors. He is holding a black mobile phone to his ear with his right hand and looking off to the side. The background is a blurred view of greenery and a building. The image has a diagonal line pattern overlay.

Risks

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06

Risks



Risk management

Cornerstone of competitive strategy

Risk management is one of the cornerstones of Bankinter's 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 ultimate responsibility for risk management resides in the Board of Directors, which approves the risk strategy and, in particular, defines the Risk Appetite Framework, which establishes:

- The type and levels of the different risks that the Group considers reasonable to take on in developing its business strategy.

- A set of metrics and key indicators to monitor and manage risks. They cover variables such as risk levels and cost, return, liquidity and capital. A tolerance level and limit are established for each metric which, if reached, lead to the adoption of corrective measures.

The risk strategy is divided into categories: the risk appetite statement and the risk management principles:

- Risk appetite statement. Bankinter carries out its business activities with a prudent risk profile, pursuing a stable balance sheet and a recurring and sound income statement, to maximise the bank's long-term value.

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- Risk management principles. The risk appetite and tolerance that the Group assumes are in line with, among others, the following principles:
 - Strategies, policies, organisation and management systems are prudent and well-suited to the size, environment and complexity of the Bank's activities, based on high-quality banking practices.
 - The Bank's actions respect and are in line with established requirements, limits and regulatory restrictions, ensuring proper compliance with current legislation at all times.
 - Maintenance of a low or moderate exposure to credit risk, with a non-performing loan ratio in the lowest range of the Spanish financial system.
 - Appropriate hedging of problematic assets.
 - Appropriate return on capital invested to ensure minimum return on the risk-free rate throughout the cycle.
 - Maintain a low level of market risk, such that in stress scenarios the losses generated have a limited impact on the Bank's income statement.
- Intense growth in priority strategic segments of medium and large enterprises.
- Balance of the lending portfolio of individuals and legal entities.
- Balanced growth in retail financing resources.
- Diversification of sources of wholesale financing, both from the point of view of instruments and markets, and maintenance of a balanced maturity profile.
- Optimisation of the cost of retail financing, maintaining a balance between the return on the loan and market rates.
- Use of a risk diversification policy to avoid excessive concentration levels that might translate into difficulties for the Bank.
- Limitation on business activities in industries that may pose a risk to the Bank's sustainability, such as industries related to property development or construction, or that may have a negative impact on its reputation and/or respectability.
- Moderate appetite for interest rate risk.
- Maintain a very small structural position in foreign currencies.



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- Strengthened control of the Bank's reputational position (Good Corporate Governance and systemic risks, etc.).

- Desire to round out the level of service that Bankinter offers its customers, both in Private Banking and Enterprise Banking, offering limited-risk investment banking services.

- Optimisation of the efficiency ratio.

- Maximisation of the creation of value for shareholders throughout the cycles through both dividends and increases in share price, all on a strong base of capital and liquidity.

- Maintain Common Equity Tier 1 (CET1) within the fluctuation band set by the Bank and higher than the regulatory minimums.

Bankinter also has a corporate governance model that is in line with the most demanding supervisory standards. To stimulate and reaffirm its solid risk culture, it has a highly qualified team supported by advanced information systems.

Three lines of defence

In 2016, Bankinter completed its shift towards an internal control model based on three lines of defence:

1. The **business units**, which are responsible for control in their area and executing the measures established in risk standards and regulations.

2. The **special control units**. This line of defence oversees the quality and execution of the controls by the business units in the first line of defence, determines any necessary mitigating and improvement measures and promotes the correct implementation thereof.

3. The **Internal Audit unit**, which performs an independent review, verifies compliance with and the efficiency of corporate policies and provides information on the control model.

Supervision

Consolidation continued in 2016 of the Single Supervision Mechanism (SSM), the body led by the European Central Bank which began operations in November 2014 and which, among other functions, establishes the minimum capital requirements for European credit institutions. Against this backdrop, Bankinter received the lowest capital requirement of Spanish banks and one of the lowest for European institutions subject to direct supervision by the SSM.

Accordingly, the Bank of Spain published Circular 4/2016, which strengthens the criteria relating to credit risk methodologies, procedures and management, and lists the demanding requirements to apply internal models in the individual and group estimate of provisions. Bankinter was the first bank to inform the supervisor of the effective application of internal models to estimate the provisions of its lending portfolio.

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Credit risk

Credit risk is the possibility of incurring losses if debtors fail to meet their contractual obligations. Changes in credit risk are conditional on the economic and financial environment. In the case of Spain, economic recovery was consolidated and GDP grew by more than 3%. Against this backdrop of improved activity, lending to the resident private sector continued to recover. According to the Bank of Spain, in September 2016 lending to companies was up by 0.6% year-on-year, while loans to households, although the rate of decline eased, continued to be less than the previous year (-1.6%). Lending to the resident private sector on the whole was less than that of the previous year (-0.3%), although the trend towards recovery was consolidated during the year.

In Spain, Bankinter once again increased lending to customers (up 5.9%) as well as the computable risk, which includes off-balance-sheet exposure (up 5.8%). The inclusion of the business in Portugal increased the computable risk by 16%.

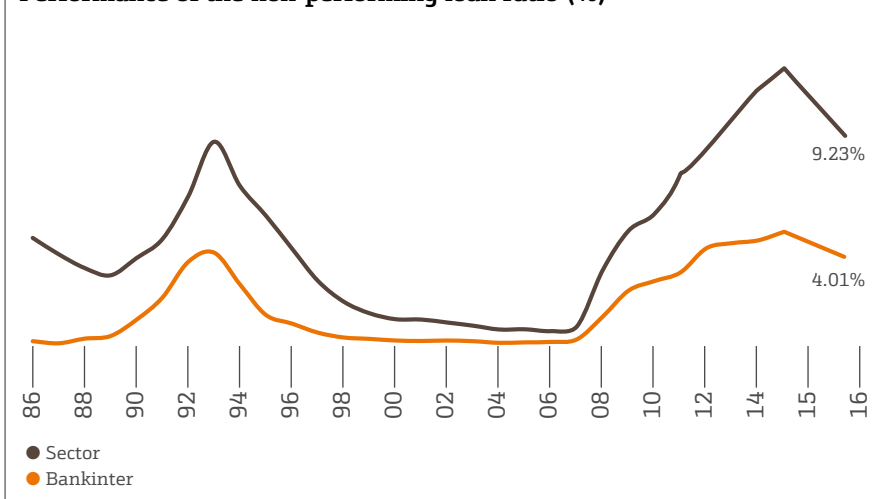
Non-performing loans

The year ended with a non-performing loan ratio of 4.01%, which is 12 basis points less than that of the previous year (down 2.9%). The Bank's non-performing loan ratio is 43% of the sector average (9.23% according to Bank of Spain data in November 2016). At 31 December, the foreclosed asset portfolio was 523 million euros, which is 0.9% of total credit risk, down 1.5% year-on-year.

The total risk arising from doubtful assets was 2.3 billion euros, an increase of 257 million euros (12.6%). This increase is mainly the result of the inclusion of the business in Portugal in 2016, which had 438

million euros in doubtful assets at the end of the year, 88.9% of which were hedged with provisions. In Spain the balance of doubtful assets amounted to 1,859 million euros, down 8.9% year-on-year.

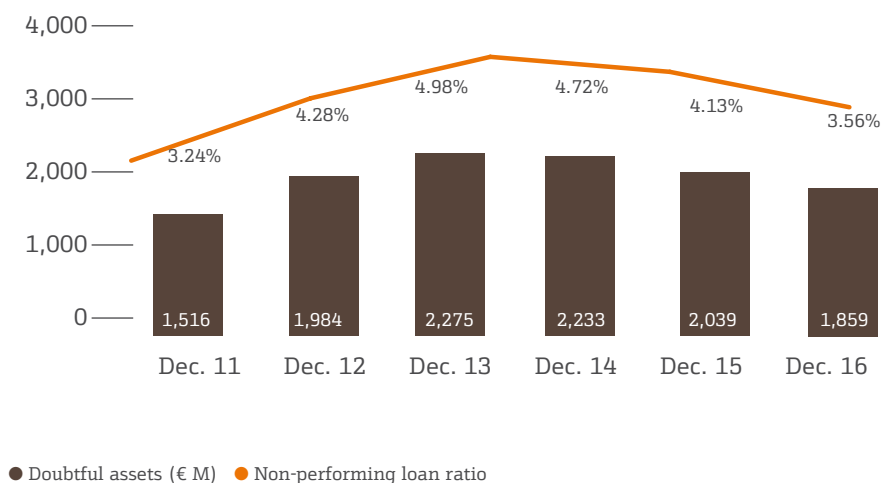
Performance of the non-performing loan ratio (%)



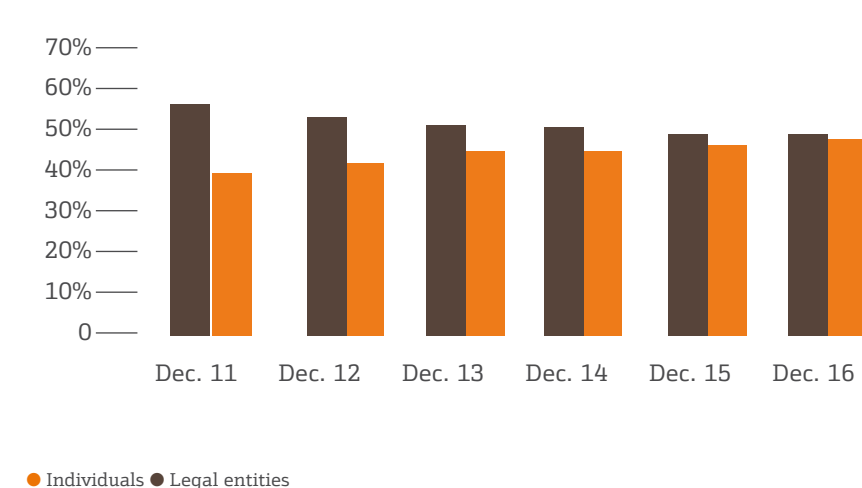
Asset quality (total balance sheet)

	31/12/2016	31/12/2015	Variation	% Var.
Computable risk	57,308,266	49,415,783	7,892,483	15.97
At-risk exposure (includes contingent risk)	2,296,743	2,039,239	257,504	12.63
Provisions for credit risk	1,131,359	856,302	275,057	32.12
NPL ratio (%)	4.01	4.13	-0.12	-2.91
Coverage ratio (%)	49.26	41.99	7.27	17.30
Foreclosed assets	523,453	531,348	-7,895	-1.49
Provision for foreclosures	220,433	213,061	7,372	3.46
Foreclosure coverage (%)	42.11	40.10	2.01	5.03

Changes in doubtful assets and the non-performing loan ratio



Credit risk – Changes in the portfolio



Distribution of the portfolio

The Bank has been balancing the distribution of its lending portfolio between individuals and legal entities for years. In 2016, credit risk in Spain for individuals grew by 3.4% and that for legal entities by 8.2%. Computable risk for individuals was 50.7% of the total, and that for legal entities was 49.3%. The most important characteristics are described below by segments:

- **Individuals.** In 2016 the housing market and the financial situation of households continued to improve. Against this backdrop, lending to individuals grew by 3.4%, thanks to traditional mortgage lending activity and the growing momentum of consumer loans. The individual lending

portfolio amounted to 24.85 billion euros at 2016 year-end, with a non-performing loan ratio of 2.7%. The residential mortgage loan portfolio for individuals showed a loan-to-value (LTV) ratio of 63% at 2016 year-end and 89% are secured by the primary residence of the owners. The non-performing loan ratio of this portfolio was 2.6% at the end of 2016.

- **Corporate Banking.** Investment in Corporate Banking grew by 5.5% to 14.1 billion euros, with a non-performing loan ratio of 1.8%. Bankinter devotes considerable attention to this segment, the business activities of which are more international and less exposed to Spain's economic cycle and which has a solid competitive position based on understanding

the customer, flexibility and quality of service.

- **Small and medium-sized enterprises.** This line of business has once again been especially buoyant, with growth of 10.3%. The portfolio stood at 11.3 billion euros, with a non-performing loan ratio of 6.5%. The Bank applies automated decision-making models for managing this segment, along with teams of highly-experienced risk analysts.

- **Developers.** Bankinter maintains a very limited risk appetite in this segment, which forces the Bank to be very selective in its operations, which focus exclusively on first-class projects of solid development companies with a long history in consolidated areas. De-

veloper lending ended the year at 1.3 billion euros, representing 2.3% of the Bank's credit risk, which is significantly less than the average exposure of the Spanish banking system.

- **Portugal.** The Portuguese lending portfolio acquired from Barclays in 2016 contributed a total risk of 5.1 billion euros to the balance sheet, with a non-performing loan ratio of 8.70%, and with provisions recognised for 88.9% of doubtful assets. Bankinter's business plans in Portugal are based on the Bank's usual high lending standards.

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Risk quantification models

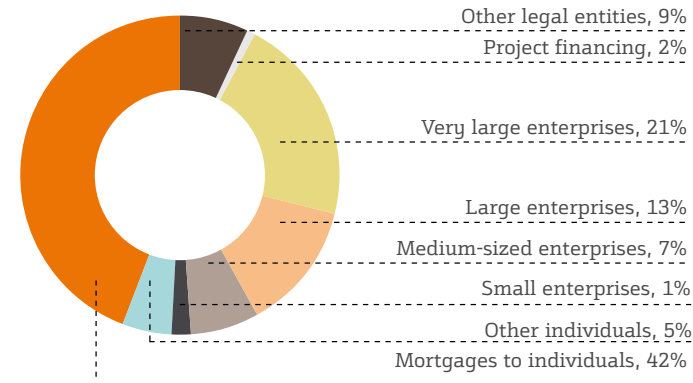
Bankinter has used internal rating models as a tool for supporting its decisions regarding credit risk since the 90s. These models enable the Bank to assess the credit quality or solvency of transactions and customers and provide quantitative measurements of its credit risk. These models are mainly used to support approvals, set prices, quantify the coverage for impairment or provisions, monitor portfolios, support recovery and facilitate active management of the portfolios' risk profile.

The internal rating models provide homogeneous classes of solvency and internal ratings that group together customers and transactions with comparable credit ratings. These models are also calibrated to assess expected and unexpected losses of capital. These metrics are fundamental for managing and monitoring credit risk at Bankinter.

Bankinter has rating models both for retail segments (mortgages, consumer spending, SMEs, etc.) and wholesale segments, such as Corporate Banking. These statistical models are developed using information on customers, operations and macroeconomics, combined with expert analysis for the wholesale segment. The models are updated and monitored on a regular basis to ensure their power of discrimination, stability and accuracy under a strict governance structure. The Models Committee and the Executive Risk Committee are responsible for approving Bankinter's models. The Risk Committee also receives information on a regular basis on the status and monitoring of these models.

The distribution of exposure at default (EAD) by internal segments or categories is shown in the following graph.

EAD distribution according to internal categories



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Structural and market risks

From the viewpoint of structural and market risks, 2016 was characterised by low inflation in the main economies and by the actions of central banks, which provided liquidity and intervened in the public debt financial markets. In certain markets, the systematic purchases of public debt by central banks caused a reduction in market depth. The US dollar appreciated in the last quarter of the year and the price of raw materials began to recover.

Structural interest rate risk

Structural interest rate risk is defined as the Bank's exposure to potential losses due to fluctuations in market interest rates as a result of the varying maturity and repricing dates of its balance sheet items

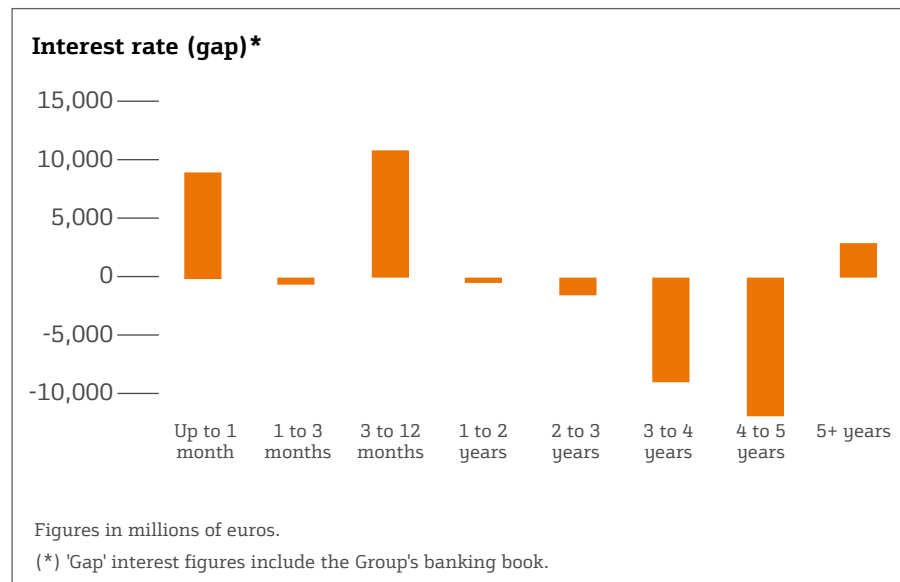
Bankinter actively manages this risk with the aim of safeguarding its net interest margin and preserving its economic value.

The situation of the Group's interest risk at 2016 year-end is shown in the following graph.

Interest rate risk management includes carrying out dynamic analyses of simulated performance that enables the sensitivity of the financial margin to be estimated in various scenarios of interest rate fluctuations. With a more long-term outlook, the Bank studies the sensitivity of its economic value to such fluctuations.

The exposure to interest rate risk of the net interest margin for variations of +/-100 basis points with parallel shifts in market interest rates is +10.1%/-9.9% for a time horizon of 12 months, given the current interest rate level and taking into account that a 0% floor is applied to items such as corporate banking investment, EIB bonds subsequent to 2015 and securitisation bonds.

At 2016 year-end, the sensitivity of the Group's economic value to parallel shifts of 200 basis points was 7.4% of its own funds.



Liquidity risk

Structural liquidity risk is associated with the Bank's ability to meet its payment obligations and fund its lending activity. The Bank actively manages its liquidity situation and its impact, and anticipates the actions necessary in normal situations and in exceptional circumstances due to internal causes or market trends.

The measures used to control liquidity risk include monitoring changes in the liquidity gap or map and analysing the specific status of the balances resulting from sales transactions, wholesale maturities, interbank assets and liabilities and other sources of funding. These analyses are performed under normal market conditions and using simulations of different scenarios.

In 2016 the commercial gap (the difference between investment and customer funds) of the business in Spain was reduced by 3.36 billion. As a result, the percentage of lending financed by customer funds rose from 83.5% to 91.4%. After consolidating the business in Portugal, this percentage stood at 90.4% and the commercial gap dropped to 2.48 billion. The considerable strength of the liquidity situation is evidenced by the fact that only one issue of mortgage-backed bonds for 350 million euros was carried out.



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Market risk

Market risk is the possibility of incurring losses as a result of changes in the market prices of on- and off-balance-sheet positions of the trading portfolio. Bankinter measures value at risk using the historical VaR methodology using one-year data and a 95% confidence interval.

An asset portfolio's value at risk (VaR) is the estimated maximum potential loss that could be incurred for a specific time horizon with a particular confidence level. Given the instability in recent years, Bankinter maintained the VaR limits from the previous year.

The following chart details the VaR values of the trading positions at 2016 year-end.

Moreover, the VaR of the portfolio positions of the subsidiary Linea Directa Aseguradora are monitored on a monthly basis using historical simulation methodologies. The VaR of the Linea Directa Aseguradora portfolio at 31 December was 2.10 billion euros. The risk that may be incurred by the subsidiary Bankinter Luxembourg is also monitored. Using this same methodology, the VaR was estimated at 0.06 million euros.

Stress testing, or analysis of adverse scenarios, is a test complementary to the VaR.

Stress test estimates quantify the potential loss that extreme changes in risk factors could cause to the portfolio's value. The scenarios are obtained based on analysing the behaviour of these risk factors (interest rates, stock markets, exchange rates, credit spreads and volatility) under historic conditions, simulating their impact on the portfolio. The changes observed in relevant historic crises are also simulated.

The following table details the estimated data of the stress tests on the Bank's trading positions at the end of 2016, performed under a scenario of extreme changes in the different risk variables.

If the same scenarios are applied to the positions of the Linea Directa Aseguradora and Bankinter Luxembourg portfolios at the end of the year, the stress would reach 42.26 million euros and 0.75 million euros, respectively.

Table with 2 columns: 2016 VaR Trading (millions of euros), Latest. Rows include Interest rate VaR (0.88), Equity VaR (0.20), Exchange rate VaR (0.04), Volatility rate VaR (0.24), Credit VaR (0.00), Total VaR (0.91), Provision for foreclosures (220,433), and Foreclosure coverage (%) (42.11).

Table with 3 columns: Stress Testing 2016 (millions of euros), Average, Latest. Rows include Interest rate stress (4.73, 3.97), Equity stress (1.85, 1.14), Exchange rate stress (0.87, 0.18), Volatility stress (*) (1.50, 1.56), Credit stress (0.00, 0.00), Relative credit stress (3.46, 0.58), and Total stress (12.40, 7.44).

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Operational risk

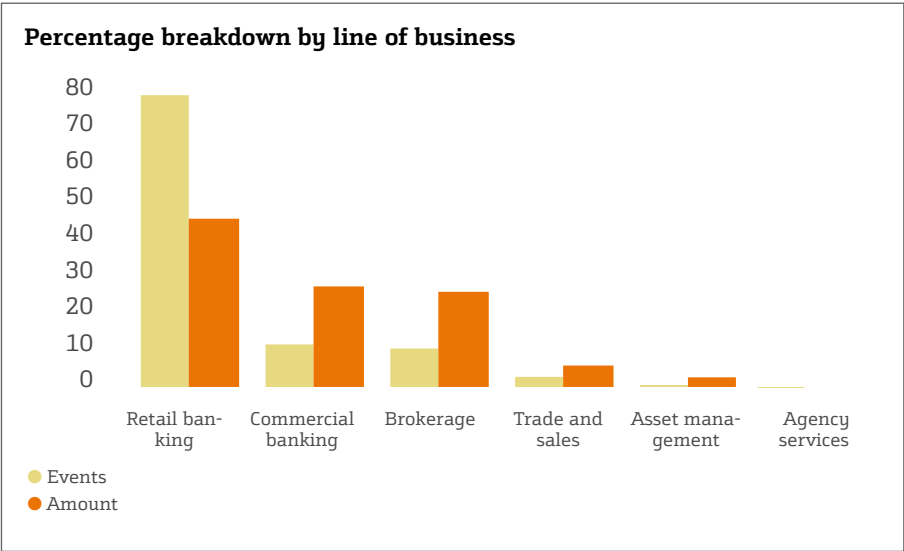
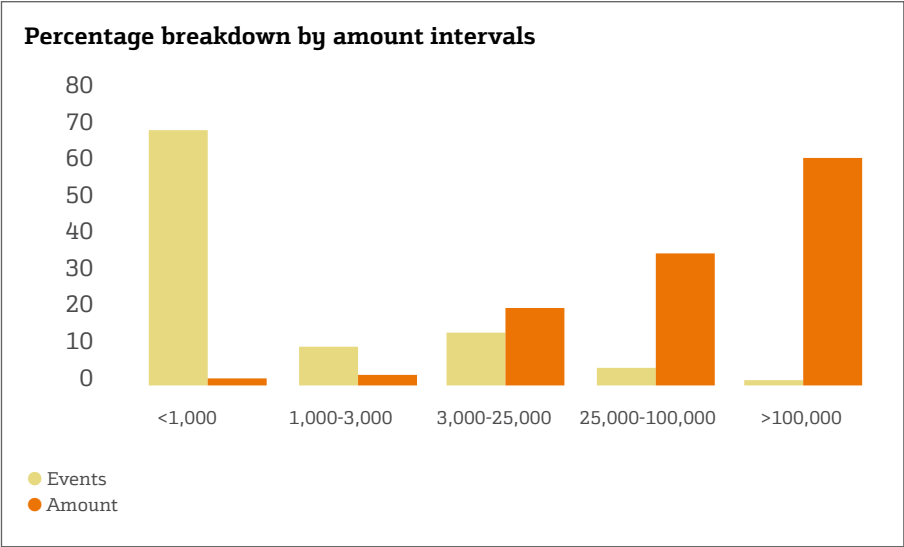
Operational risk is defined as the possibility of incurring losses due to failed processes or internal systems, mistakes by people, or due to external events, such as legal incidents or natural disasters, excluding strategic and reputational risks.

The operational risk management model that Bankinter follows is known as the standard method, in accordance with solvency regulations in force. Moreover, Bankinter ensures access to best sector management practices by participating in the Spanish Operational Risk Consortium, which is a private forum of financial institutions to exchange experiences regarding operational risk management.

These losses are concentrated mainly in the branch distribution network (72%). Although most transactions are performed using remote channels,

these barely represent 0.5% of the losses, which reveals the importance of the human factor as the trigger for operational errors and the strength of automation and Bankinter's distance network contracting procedures (Internet, telephone banking, Smart phone banking).

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



Reputational risk

Reputational risk is defined by the Bank of Spain as the risk stemming from actions taken by the Bank that may lead to negative publicity regarding its practices and business relationships, potentially causing a loss of trust in the institution and thus affecting its solvency. Reputational risk may also arise from actions attributed to the Bank, and may affect not only its solvency but also other aspects such as loss of customers, sanctions, difficulty in accessing funds, etc.; in short, the business itself.

Taking into account the various sources from which it may arise, the purpose of managing reputational risk consists of identifying and controlling these sources in order to reduce the probability of occurrence and mitigate any potential impact.

In order to manage its reputation, the Bank has a diagnostic and periodic measurement system to gauge the perception and expectations of its main stakeholders. Based on the RepTrak® methodology, this system identifies the key reputation drivers and actively influences those that are of most concern to the Bank.

Bankinter's reputational risk map is key for identifying the risks and establishing levels of prioritisation for these risks. The main risks are included in the corporate risk map, and action plans are designed to reduce their probability of occurrence and mitigate any potential impact.

One of the most important aspects in preventing reputational risks is to understand market and environment trends, and monitor what is being said about the Bank in the media and in social networks. Bankinter therefore has a measurement system that analyses all of this information and assesses its reputational impact.

The Bank's Products Committee identifies and assesses potential reputational risks prior to launching a new product or service.

A series of internal and external indicators that impact the Bank's reputational risk have also been identified, in accordance with the directives set by the European Banking Authority.

Lastly, it merits mention that the Bank's Corporate Reputation Department has developed a crisis management plan, for the purpose of establishing communication channels and action protocols for any emergency or crisis, in order to protect the Bank's reputation and ensure business continuity.



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Regulatory compliance and professional ethics

An instrument of change in a new reality

One of the Bankinter Group's essential corporate aspects and the basis of its organisation is strict compliance with all legal provisions. The attainment of business targets must be compatible at all times with compliance not only with the legislation in force but also with the best practices and standards required for its business activity. This issue therefore represents not only a legal obligation for Bankinter, but also an ethical commitment.

This commitment also serves as a reflection for Bankinter's transformation into a cutting-edge institution that has adapted to the new reality of the financial services industry. Bankinter assumes the responsibilities arising from regulatory compliance not only as an obligation but also as an instrument to change the way in which it relates to customers and bring the Bank's business model into line with new

financial consumption habits and the growing reporting requirements.

In recent years, as a result of the economic and financial crisis, the entry into force of several highly complex regulations and the launch of the new supervisory architecture have turned the Regulatory Compliance function into a strategic area and have obliged the Bank to strengthen its available resources.

In 2016, Bankinter completed the integration and coordination of the Regulatory Compliance function for the entire Group, in relation to the specific regulations applicable to the business activity of Bankinter, S.A., Bankinter Securities, Bankinter Gestión de Activos and Bankinter Luxembourg, as well as the Bankinter branch in Portugal. The purpose of the compliance function is to assess and provide guidelines for the banking group's lines of business that help define its strategy, ensuring compliance with applicable legislation at all times.

In 2016 the Bank therefore developed three basic areas of the compliance function: control and advisory services regarding regulatory compliance in relation to investment and banking products, and the prevention of money laundering and the financing of terrorism. In relation to the compliance control function, a methodology was implemented 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. With regard to the prevention of money laundering and the financing of terrorism, in 2016 Bankinter strengthened the computer tools used in this function and the training of its sales personnel in this connection, thus helping to consolidate the culture of regulatory compliance that characterises the Bank.

The regulatory compliance function is integrated in Bankinter through an internal institutional framework that is first formed by the Regulatory Compliance Committee, as the senior management body that monitors the Bank's policies in this regard. The Committee executes the policies regarding regulatory and compliance matters established by the Audit and Regulatory Compliance Committee of the Board of Directors.



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The regulatory compliance function is also rounded out with the following bodies:

- The Products Committee, which approves the launch, modification or cancellation of products and services offered to retail clients.
- The Internal Control Body, which establishes policies regarding the prevention of money laundering and the financing of terrorism, in accordance with Law 10/2010, and ensures compliance therewith.

This organisational structure enables the Bank to adequately manage the risk of failing to comply with regulations, which involves significant reputational risk, with a potential negative impact on the relationship with customers, markets, employees and the authorities. In particular, failure to comply with regulations may lead to sanctions, damages or cancellation of contracts, with the resulting damage to the Bank's image

Priority of regulatory changes

In 2017 the Regulatory Compliance area will continue to focus its efforts on the subsequent entry into force of the MiFID II Directive and its implementing regulations, the MIFIR Regulation (relating to markets in

financial instruments) and PRIIPs Regulation (relating to documents with key information relating to packaged retail and insurance-based investment products), given its cross-sector impact on the provision of investment services by the various Group companies. This regulation, the main purpose of which is to provide greater transparency in the provision of investment services and in financial markets, represents a challenge not only from a regulatory point of view but also from the perspective of the Group's strategy, given that it entails the professionalization of investment services and introduces significant changes to the structure of revenue arising from the provision of said services. Given the technical complexity involved in adapting to the new regulatory requirements, the impact analysis of the regulatory changes and certain preparatory work to adapt the Bank's infrastructure and procedures already began in 2016. In 2017 the adaptation to MiFID II, MIFIR and PRIIPs will become a priority, since the process must be completed in order to have everything ready for their entry into force in January 2018. Therefore, the Regulatory Compliance area will mainly focus its efforts on advising the Group on the adaptation work and on the analysis and decisions that need to be adopted as a result of European regulatory changes and how these changes will be transposed into Spanish law.



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Professional ethics

Over the years Bankinter, S.A. has demonstrated its commitment to a zero-tolerance policy regarding crime, having adopted all measures necessary to transmit this commitment and its obligation to prevent, detect and persecute crime in all its forms and in all its ramifications to all levels of the Bank's structure.

For the purpose of bringing the criminal risk prevention model into line with the changes implemented by the reform of the Criminal Code approved by Organic Law 1/2015, of 30 March, which entered into force on 1 July 2015, on 21 October 2015 the Board of Directors of Bankinter, S.A. approved the creation of the Criminal Prevention and Professional Ethics Committee, which is responsible for overseeing the functioning of and compliance with the prevention model implemented by Bankinter, S.A. The Committee is provided with autonomous powers of incentive and control, and is also entrusted with the functions that were previously given to the Code of Professional Ethics Monitoring Committee, as it is now necessary to unify the disciplinary powers regarding irregular conduct in a single body whose main function is to prevent this conduct and to

apply the corresponding penalties to all executives, employees and Group subsidiaries, as well as those, not having a relationship of dependence, that act for and on behalf of the company as agents.

This Committee reports directly to the Board of Directors on an annual basis through the Audit and Regulatory Compliance Committee.

In 2016 the Criminal Prevention and Professional Ethics Committee focused on the following activities:

- Preparation of an external expert report on the specific measures to be adopted in each area of activity to avoid irregular conduct.
- Definition of the whistleblowing channel.
- Implementation and coordination of the Criminal Prevention and Professional Ethics Subcommittee in Portugal.
- Face-to-face training on criminal liability of legal entities for the Board, the Management Committee, executives and managers.
- Review of the controls in place to prevent irregular conduct that may have criminal significance.

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Data protection

The Bankinter Group is known for its commitment to personal data protection and information confidentiality, and for offering its customers measures that ensure compliance at all times with Personal Data Protection Organic Law 15/1999 (LOPD) and its implementing regulations.

The Group's personal data protection policy rests on two basic pillars: legal and technical compliance.

All contracts that customers enter into with the Bankinter Group include a data protection clause, through which customers not only provide their consent for processing their data, but are also provided with detailed information on the identity and address of the data controller, the purpose of processing this data and the recipients of said information. When the contract is signed, customers also have the possibility of objecting to having their data processed for commercial purposes by checking a box that lets them indicate their wishes.

The data protection clause also notifies customers of their rights of access, correction, deletion and objection to the processing that are available thereto and the way in which these rights may be exercised, ensuring that they have the power to control their personal data. Simple

and fast communication channels have been enabled for this purpose, such as telephone banking, writing to the address provided for such purpose and the possibility of going to their branch.

With regard to data confidentiality and security, the Bankinter Group's security policy guarantees at all times that data is transmitted using suitable, reliable and secure channels, ensuring the integrity and confidentiality of the transactions executed by customers. The Bankinter Group has also made a commitment to supervise the security measures on a regular basis, conducting audits on its own systems and on the systems of those suppliers with which the bank has business relations and which may have access to customers' personal data.



In 2016 the Bankinter Group performed an internal audit on the 'Compliance with the LOPD security measures (Royal Decree 1720/2007)'. This audit reviewed the security and compliance measures of the Personal Data Protection Organic Law, included in Royal Decree 1720/2007, that are applicable to automated and non-automated (paper) files, with a medium and high level of protection. The audit report concluded that the Bankinter Group's information systems and facilities for processing and storing data reasonably comply with the security measures required under Royal Decree 1720/2007.

With regard to training, there is an online course that is mandatory for all employees.

In short, every year the Bankinter Group continues to fulfil its commitment of guaranteeing the protection, integrity and confidentiality of all customer data, strengthening and innovating the strict internal protection measures.

The Bankinter Group is currently working to implement the new European Data Protection Regulation, which entered into force on 25 May 2016 and will be applicable on 25 May 2018.

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Information security

Constantly evolving

Information security is a top priority of Bankinter, which aims to guarantee a high level of confidentiality, integrity and availability for its customers, employees, shareholders and suppliers. The various technological risks are therefore considered when the Bank begins any initiative and the security requirements are adapted thereto.

The controls are constantly evolving and combine the implementation of cutting-edge commercial technologies with its own developments and changes in search for the optimum combination of protection, usability and cost/profit.

The expert online fraud prevention and security monitoring systems are an example of this, which enable decisions on each of the connections and transactions to be made in real time and help ensure there is a very low level of incidents in transactions.

In 2016 a total of 34 of the 44 projects defined in the 2016-2018 Information Security Master Plan

were launched, following the current trend of renewing and adapting to new threats and attacks, which are increasingly more advanced and complex, and are aimed especially at the European and global financial sector.

One challenge for 2016 was the integration of the new Portuguese business, which resulted in the approval of a new Information Security Policy and Regulatory Security Framework, in order to bring the Group's technology and strategy into line with the integrated environment.

Recognition

Bankinter's information security and business continuity strategy and policies were recognised in 2016 by the prestigious British Standard Institute, which once again renewed the ISO/IEC 27001:2015 and ISO 22301:2012 certifications.

The Bank's work in this regard was also put to the test as it once again participated in the national CyberEx cyber exercises, organised by the National Cybersecurity Institute and the National Centre for Critical Infrastructure Protection.

Within the scope of its ambitious digital transformation process, the lines for Bankinter's new technological security architecture

have already been determined. The goal is to balance security and usability, enabling the principles of adaptive security to help offer customers robust and flexible financial services in the coming years, that fully comply with the new regulations.



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Business areas



Private banking

A long-term relationship

The main objective for Private Banking is to build a long-term relationship with customers that goes beyond the sale of specific products. The Bank therefore needs to be able to provide high quality services that can only be attained through the continuous manager training. The level of excellence in the customer service provided is measured through surveys taken on a regular basis, the results of which reveal the Bank's achievements and those areas that need to be improved.

Continuous training, which is especially necessary in times of political and economic uncertainty such as those experienced in 2016, is provided to managers in two ways. First, by ensuring they are up to date

regarding their knowledge of market trends. And second, through weekly meetings with the heads of Bankinter Gestión de Activos, whose experience and knowledge for these purposes is extremely useful.

This, together with the managers' independence of judgment and their high sense of personal responsibility, enables them to offer the best advice regarding investments and tax matters, which are two issues that usually most interest Private Banking customers. This is shown through the increased quality perceived by customers with regard to the service received, which is reflected in the surveys.

A wide range of funds

Together with customer service, another key factor is maintaining an open-ended fund structure, which allows customers to choose from a wide range of possibilities from different Spanish and foreign managers based on each risk profile.

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Private banking

	2016	2015	% Dif.
Acquisition (No. customers)	4,252	6,017	-29.3
Active customers (No. customers)	31,123	28,872	+7.8
Total resources (in mill€)	18,522	16,214	+14.2
Typical resources (in mill€)	8,915	7,178	+24.2
Investment (in mill€)	3,042	2,585	+17.6

To further develop this range of possibilities, imaginative investment vehicles have started to be designed specifically for Private Banking, and they have been very well received in general.

The more than 200 professional team members dedicated to this segment are considered to be among the best in Spain. Their work in 2016 translated into an 11.4% increase in assets managed, which totalled 31.2 billion euros at the end of the year. Bankinter also consolidated its number two position in the market in terms of equity investment companies (SICAVS), with a market share of nearly 14%.

The image of solvency transmitted by Bankinter, as well as the involvement of the Bank's senior management in achieving the target set, decisively contributed to these results. The Luxembourg office also played an important role, as it allowed customers to diversify their investments in one of the countries with the greatest legal certainty worldwide.

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Personal banking

Competing in quality of service

Personal Banking, an area dedicated to customers with income greater than 70,000 euros or with assets of between 75,000 euros and one million euros, is one of the Bank's naturally developing segments. Since 2014 it has been immersed in a transformation process that affects products, quality of service and manager training, on which all of its business activity is based.

In 2016 this segment faced a very difficult environment that was characterised by low interest rates and market uncertainties. In addition, virtually all institutions have independent personal banking lines, which means the competition is extraordinary and the Bank needs to make an extra effort to differentiate itself from the competition.

One of the driving forces in attracting customers was once again mortgages, which continues to bring customers to our offices following the vacuum created during the worst moments of the real estate crisis. Last year a total of 1.13 billion euros were granted in

mortgage loans to customers in this segment (up 27% on 2015) and total investment in 2016 increased by 490 million euros, after subtracting repayments.

However, mortgages are only the point of entry, a great chance to create and strengthen customers' connection with the bank through other products.

Along the same lines, Bankinter consolidated in 2016 products like the 'Non-Salary Account', targeted at self-employed people and employees with no fixed income; and guaranteed funds, which are quite attractive for investors with a more conservative profile, particularly in the present circumstances. It also launched the 'Account 22', with which young people can enjoy credit or debit cards, make domestic transfers, withdraw cash from ATMs or make payments via their mobile phone. All of this with no fees.

Contribution to balance sheet

The result of this effort was an increase of 1,588 million euros in the balances of current accounts, which increased to 18,000 million the contribution of Personal Banking to the total funds controlled by the bank.

However, Bankinter believes that all these value propositions are hollow if they are not developed within the framework of quality service that places the focus on the customer, above all when making decisions on matters ranging from covering their financing needs to the quest for greater profitability for their savings or planning for retirement.

The key figure in this strategy is the manager, to whom Bankinter provides specialised training through custom plans not only at the time of

hiring, but also throughout his professional career in the segment. To attain better performance, especially in commercial work, managers have a key tool, the CRM, which enables them to detect and anticipate any customer demand.

Personal banking

	2016	2015	% Dif.
Active customers (No. customers)	191,946	177,961	7.9
Total Resources (in mill€)	15,455	14,570	6.1
Typical Resources (in mill€)	10,017	9,147	9.5
Investment (in mill€)	8,063	7,573	6.5

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Retail and Foreigners

Ever more connected to the bank

Retail Banking

The objective of this segment is to increase the number of connected customers: that is, customers that think of Bankinter as their first choice when they plan to carry out a financial transaction. The first step in the connection usually occurs through salary accounts, a product that involves direct debiting of bill payments and holding of debit and/or credit cards. Hence the effort made not only by Bankinter, but by virtually the entire sector, to promote such products, although some competitors weakened in the last quarter of the year.

The Bank's premier customer acquisition tool is the '5% Salary Account', which offers a 5% interest rate on a maximum of 5,000 euros the first year and 2% the second. It is fee-exempt, including cash withdrawals in more than 8,000 ATMs throughout Spain, and it entitles the account holder to a free credit card. The 'No-Salary Account' also performed very well in 2016. It is especially aimed

at self-employed people or salary earnings without a regular income, and the 'You and I Account', which is targeted at couples who have separate economies.

'Account 22' was launched in 2016 for the children of bank customers. There are no conditions, it carries no obligations and it generates no fees. It allows the customer to have a credit card from the age of 18, make online domestic transfers free of charge and use the mobile phone payment service. This product is consistent with Bankinter's objective of offering an account for every customer type.

Credit activity

With regard to assets, it was a quite dynamic year in mortgages, as the previous year had been. This time, however, the strong competition did not result in a decrease in interest rates, which had virtually bottomed out, but rather in growing demand for innovative proposals. One of these, already experimented with by Bankinter in 2015 on a pioneering basis, was the mixed mortgage, which



Retail Banking

	2016	2015	% Dif.
Acquisition (No. customers)	33,872	32,047	5.7%
Active customers (No. customers)	323,490	320,117	1.1%
Total Resources (in mill€)	4,169	3,774	10.5%
Typical Resources (in mill€)	3,387	3,012	12.5%
Investment (in mill€)	13,609	14,016	-2.9%

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combines a temporary fixed rate term with a subsequent term at a variable rate. The Individuals segment saw new mortgages totalling 696 million euros, which represents 6% growth.

There was also significant increase in consumer loans, the active balance of which went from 269 to 302 million euros in 2016, which is a 12.3% increase on the year 2015. Particularly significant was the effort made in pre-authorised loans, which had previously been available to customers with high purchasing power, but which are now accessible to nearly all customers, although the price depends on each one's risk level.

Foreigners

Foreign customers are concentrated mostly in the Mediterranean coast and the Canary islands, and their point of entry to the bank tends to be housing finance. To provide them with the right service, Bankinter has employs in those regions highly qualified staff who know their specific needs and have extensive knowledge of foreign languages. The number of active foreign customers grew by 3.7% in 2016 to 26,005. Total results of such customers increased by 1.6%, and the balance in investment ended 2016 at 636 million euros.

The targets for 2017 in Retail and Foreigners are to continue placing the spotlight on products that generate connections; to fully capitalise on the facilities provided by the CRM (the model for customer relationship management) to ascertain what may be of most interest to a customer at any time in their life, and to exploit the digital channel as a tool for customer acquisition.



Foreigners

	2016	2015	% Dif.
Acquisition (No. customers)	3,412	2,863	19.2%
Active customers (No. customers)	26,005	25,075	3.7%
Total Resources (in mill€)	243	239	1.6%
Typical Resources (in mill€)	220	216	1.9%
Investment (in mill€)	636	641	-0.9%

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Corporate banking

Commitment to specialisation

Corporate Banking, the business line specialised in business groups with annual sales volume above 50 million euros, faced a challenging environment in 2016. Low interest rates, excessive liquidity, falling credit demand among large corporates and the trend towards disintermediation of their financing adversely affected the market situation.

In this difficult context, Corporate Banking managed to maintain its credit activity in 2016 (its credit stock grew by 4.9% on the previous year), increase its business share and defend its margins. To do so, it relied on a specialisation strategy

that emerged following a change in the structure of the enterprise banking business. In 2015, Bankinter segmented its enterprise activity into three independent areas (small companies, medium-sized companies and corporate), each with a different focus.

As a result of the change in approach, the Bank created a new distribution model based on a network of 22 corporate centres, three of which were exclusively devoted to company groups with more than 1,000 million euros in annual revenues. The new structure also made management of the business more efficient.

Larger contribution

Looking ahead to 2017, the objective of Corporate Banking is to regain the path of growth in contributing to the bank's gross operating income.

Bankinter is aware, therefore, that the future development of the

corporate banking business will not centre on pure financing, but will rather depend on advisory in external operations, on enhancing efficiency in collections and payments and in activities related to International Business, Investment Banking and Partnet Banking, with which there are many potential synergies.

Another objective this year is to consolidate the new distribution model and deepen the efficiency and cost-effectiveness improvements that were observed in 2016.

Corporate banking

	2016	2015	% Dif.
Active customers (No. customers)	5,510	5,519	-0.2
Total Resources (in mill€)	8,961	7,556	18.6
Typical Resources (in mill€)	8,797	7,292	20.7
Investment (in mill€)	10,949	10,439	4.9

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Medium-sized companies

A change that produces results

All medium-sized companies (those with 5 to 50 million euros in revenue a year) received differential treatment in their relationship with Bankinter at the end of 2016, after a pilot programme carried out in 2014 and a transformation that was implemented gradually over the past two years.

As a result of this process, nearly 400 professionals currently perform their commercial and management activity in this segment, distributed in 72 business centres in the main population areas. Each of these centres has a director, a comptroller and a number of sales personnel whose mission is to provide customers service that is both comprehensive and specialised.

The new service model for medium-sized companies (previously, service was provided in the bank's traditional branch offices), required changing the tutor in 75% of them. Even so, the change has been quite successful, as they now have highly qualified staff at their service who

know them well and are ready to address any need the bank is capable of meeting. The benefits of the transformation started to be received in 2016, the year in which medium-sized companies contributed 50% of the growth recorded by all of the business Bankinter obtains from legal persons.

Great potential

The objective in the medium-term is to double the size of this segment, which is a very good fit within the Bank's business model and offers great potential for growth outside of the price war that has started in the sector.

Although one third of medium-sized companies are already active Bankinter customers and maintain 12% of their investments with the Bank, the challenge is to continue improving acquisition figures and make Bankinter the first financial choice for each of them. To achieve this, the new structure has to be consolidated and collaboration with other areas of the bank strengthened.

Medium-sized enterprises

	2016	2015	% Dif.
Acquisition (No. customers)	4,011	3,383	18.6
Active customers (No. customers)	20,670	19,426	6.4
Total Resources (in mill€)	3,647	3,166	15.2
Typical Resources (in mill€)	3,433	2,889	18.8
Investment (in mill€)	5,321	4,654	14.3



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Small businesses

In constant contact with customers

Companies with less than 5 million euros in business volume continue to be attended to at Bankinter's universal branch offices. In order to provide a specialized quality service, a total of 243 specialists have been deployed, in addition to branch managers.

In an environment of strong competition, falling margins and stagnation of credit demand in 2016, this segment placed a focus on the larger SMEs (with at least one million euros in yearly revenue), with a relationship model based on short-term financing and the transactional business, with support for their day-to-day activity, with the aim of reinforcing their professional relationship with the bank. It launched new products, such as tax financing and advances on VAT refunds for exporters.

The small companies segment reflected 65,617 direct customers at the end of 2016.

This strategy, while not only helping to improve customer retention and acquisition, increased the volume of financing by 169 million euros, mainly in investment for working capital, which amounted to 4,976 million euros at 31 December. Transactions totalled 18,344 during the year, compared to the 16,600 seen in 2015.

In addition, the focus on customers' transactional business increased customer funds by 387 million euros, and reduced their cost to virtually zero. These are the reasons why gross operating income amounted to 142.5 million euros, 9.5 million more than the previous year. These better results were also boosted by significant improvement in the rate of non-performing loans, which decreased by 91.6 million euros in 2016, with their cost falling from 68.4

million euros in 2015 to 51.4 million euros in 2016.

The objective for the current year is to continue deepen the 2015 strategy by capitalising on the advantages of

the new business structure for legal persons implemented last year, which divided it into SMEs, medium-sized companies and Corporate Banking, in order to give them specific treatment in accordance with their size.



Small enterprises

	2016	2015	% Dif.
Acquisition (No. customers)	12,850	11,747	9.4
Active customers (No. customers)	65,617	62,833	4.4
Total Resources (in mill€)	3,484	3,135	11.1
Typical Resources (in mill€)	3,148	2,760	14.0
Investment (in mill€)	4,976	4,807	3.5

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Bankinter Portugal

Group commitment and spirit

The actual integration in Bankinter of its new business in Portugal was preceded by nearly seven months of intense preparatory work by many teams in both Portugal and Spain. A significant portion of this work consisted of making employees, customers, regulators, and broader Portuguese public opinion participants in the change and its related processes. Bankinter's corporate identity was also spread to every area of the new bank, from websites and customer apps to credit cards and cheques, and including marketing materials and the appearance of the 84 branch offices throughout the country, which opened their doors on 1 April 2016 with a brand image aligned with that of the rest of the Group.

Once the formal merger took place, the teams in Portugal started a communication process with their colleagues in Spain in order to align strategies, policies and working approaches. In order to facilitate the two-way exchange of knowledge, a series of change management initiatives were launched, including

frequent meetings and information exchanges in order to learn in greater depth about Bankinter, its operating and business model, its values and corporate culture.

As a result, the transition was carried out with no noticeable problems for customers, who can also enjoy a broad range of products making up Bankinter's new offer in Portugal, particularly services for enterprise banking market (which had severely contracted in the years prior to Bankinter's arrival), in home financing and in salary accounts.

Positive effects

Bankinter announced from the start its commitment to staying in Portugal for the long term, its ambition to become a leader in the Portuguese financial sector and its intention of supporting the recovery begun by the Portuguese economy by launching practical financial solutions for households and enterprises. This commitment translated into a sharp increase in loan activities: the money allocated to mortgages increased by 750% compared to the last 9 months of 2015, while consumer loans

increased by 240%. Both figures are far above the average in the market. Financing for companies also improved, with growth of 140 million in investment, up to 1,037 million, although the most notable item was the performance of deposited funds, which increased by 139%, surpassing 1,800 million. This was unquestionably enhanced by the bank's image of solvency, its high levels of capitalisation, its low risk profile and the investment grade credit rating given by the leading international rating agencies. The gradual loss in the total number of



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customers seen in previous years stopped in 2016, thus laying the basis for future growth.

Internally, the impact of the change was also very positive. A number of factors acted as catalysts of a new attitude among professionals in the branch offices and the central services: the effect of advertising campaigns, the competitiveness of the products launched, the greater availability for granting credit, the launching of an ambitious commercial activity, the enhancement of processes and the breath of fresh air that Bankinter brings. Together, these elements ultimately yield a greater capacity to strengthen customer relationships and boost business growth.

Challenges and opportunities

Obviously, the environment continues to be challenging. Such challenges, which are from negligible, include: low interest rates and their effects on margins; regulatory burdens; adjustments still being carried out in the Portuguese financial sector; new patterns of consumption through non-traditional channels, and the growing digital presence of operators that occupy a space previously allotted to banks (fintech).

Our response is to maintain a solid bank with healthy operations (both in terms of income and in risk policy), broaden the base of customers and

develop solutions that meet their needs not only in financial terms, but also with respect to accessibility and interactivity. All these elements require a good technology and digital base, a field in which Bankinter has always been a pioneer.

With respect to the year 2017, the objective is to continue to achieve balanced growth in every business line – credit, on and off-balance sheet funds – and in every segment, with the aim of ensuring its sustainability over the coming years. Investment in technology, enhancement of efficiency and effectiveness of processes, support for the commercial network and greater integration with the Group will be key elements in achieving this, on the basis of respect for the values of the organisation, such as agility, enthusiasm, integrity and originality.

One of the year's major milestones will be the inauguration of a new corporate headquarters in an emblematic building in the centrally-located square of Marques de Pombal in Lisbon. Inspired by the same principles as the Madrid headquarters, it will help to consolidate the Group's image in Portugal, drive convergence and integration between the two organisations and boost the sense of belonging of Bankinter professionals in Portugal.

Subject to required regulatory authorisation, the activity of

Bankinter Consumer Finance is expected to commence in Portugal during the year 2017, with the aim of boosting consumer credit and credit cards.



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Investment banking

Permanent quest for opportunities

The Investment Banking division has been in operation for barely five years, but it has become a leader in this business segment not only in Spain, but internationally as well.

Part of the bank's global strategy of providing comprehensive financial service to its customers, especially Enterprise and Private Banking customers, Bankinter's Investment Banking seeks to provide outstanding global advisory to customers who have to make major decisions on the future of their entrepreneurial projects. We aim to be a bridge between companies – especially family companies – entrepreneurs and investors who are potentially interested in supporting and financing their projects. With this purpose in mind, the bank's work is to constantly seek out opportunities, as it capitalises on the abundant liquidity and the appetite for the Spanish mid market.

In doing so, the bank has two important strengths. First, its reputation in risk management, which has allowed it to boast the lowest non-

performing loan rate in the sector. Second, it has developed a model in which Investment Banking is not walled off from commercial activity, but rather closely linked to it. This allows customers to simultaneously enjoy the familiarity of their usual manager and specialised corporate advisory.

This strategy demand greater effort from our commercial network, but it brings doubtless benefits because it generates substantial value in the long term, builds customer loyalty and strengthens Bankinter's position as its customers' global bank.

Development of the four growth axes in Investment Banking in 2016 was as follows:

- **Mergers and acquisitions.** At a time of growth of the market for buying and selling companies, Bankinter was involved in six operations, mostly of industrial customers and mainly acting as adviser to the sellers. It has also worked on preparing *fairness opinions* for important customers of the bank.
- **Capital market.** The listing of Pangea on the Alternative Stock Market towards the end of the year, the inaugural issues of bonds of Aguas de Valencia, Teknia and Masmovil are examples of the bank's activity in this area, which includes private placements among institutional investors.

- **Structured and alternative financing.** In 2016, transactions amount to more than 1,200 million euros were signed, and the portfolio ended the year above 2,000 million, including a significant balance in syndicated corporate loans. The volume signed the year in Structured Financing transactions generated global returns of 325 bps. Bankinter is the only bank that, relying on alternative lenders, takes part in complex financing processes with structured proposals together with players such as Spanish or foreign funds or insurance companies, thus providing customers with substantial added value in terms of cost, flexibility and swiftness.

Property financing

Bankinter commenced this year its activity of advisory in property financial transactions, such as the sale of hotel or logistical assets, portfolios of property loans and so on, owing to the demand among customers. It achieved quite satisfactory results. We also note the launch at the end of the year of an investment company in the real estate market (SOCIMI) for the best Private Banking customers and certain institutional investors with which bank has a special relationship. This launch was a milestone in Private Banking, as the first time the bank is generating its own product in alternative investments for its customers. The

bank is working with the Sonae Sierra Group, one of the leading property managers at present, as manager of the project. The bank is committed to generating alternative products with a good risk-profitability ratio for its Private Banking customers, and Investment Banking is also working along these lines.

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International Banking

A strategic lever

International Banking, which provides services mainly to Spanish companies, has acquired great strategic importance for the bank in recent years. There are many reasons. First, the Spanish economy's process of international expansion, which intensified in the 2008-2014 period, has triggered sharp growth in demand for external financial services. As a partial consequence, the eight of non-resident assets in Spanish banking has doubled since the onset of the crisis, now accounting for 45% of the total, whereas it represented barely 20% of total system assets in 2008. In addition, International Banking is less exposed than other lines of business to low interest rates. Hence, it is a key area for protecting the bank's profitability. Moreover, external financing transactions are off balance-sheet exposures and carry a low capital cost, which favours capital planning and compliance with regulatory requirements.

Owing to these circumstances, Bankinter has made a significant investment in recent years in teams and resources to boost its international business. The results are plain to see.

The volume of brokered transactions in 2016 amounted to 52,945 million euros, with an investment of 3,440 million, which is 26.75% higher than in the previous year. International Banking now represents 20.4% of the gross margin of the Enterprise Banking area.

In its international activity, Bankinter is specialised in *trade & export finance*, and its principal customers are Spanish companies with interests in the international market. However, the bank also provides services to large foreign corporations that have subsidiaries in Spain. Its main products are as follows:

- **Guarantees.** The bank secures payment of commitments and obligations the company has undertaken with third parties abroad.

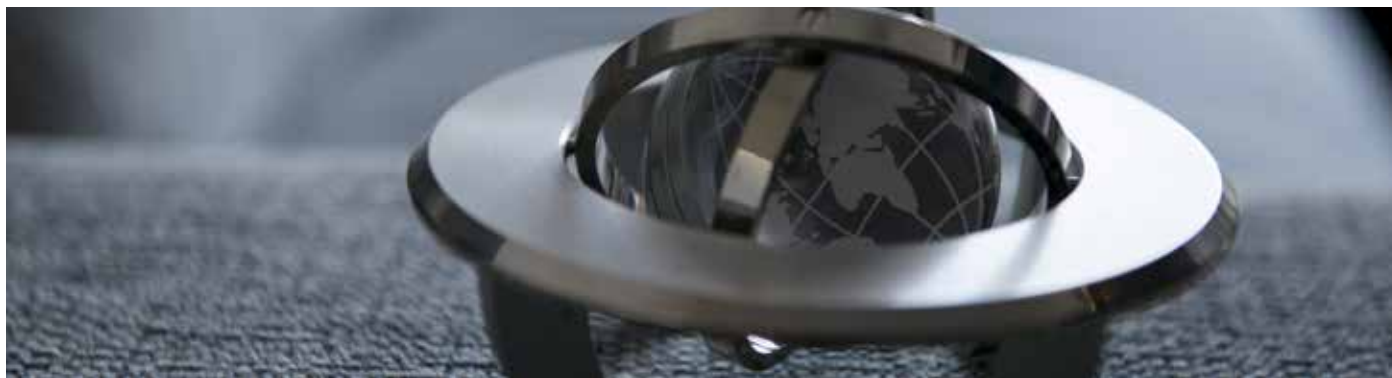
- **Import letters of credit.** This is a means of payment for importers in which Bankinter is the intermediary between the parties, and it commits to making agreed payments to the exporter if the latter meets the requirements specified by the importer.

- **Export letters of credit.** This is a means of collection in which a foreign bank, at its customer's order, undertakes to pay, accept or trade documents presented to it, via Bankinter, on behalf of one of its customers (the beneficiary).

- **Medium and long-term structured finance.** This includes financial solutions that enable Bankinter to work with its customers on their productive investments abroad. Buyer credit and supplier credit

The priority sectors in 2016 were infrastructure, railway transport, renewable energy and automobiles, and the regions with the most business were the Middle East, the Persian Gulf, Europe, USA, Canada and Latin America.

For 2017, the objective is to capitalise on the incorporation of the Portugal business to present Bankinter in international markets as an Iberian bank, so as to facilitate its presence in Latin America and other regions of interest to Spanish companies. The rise in interest rates in the United States in late 2016, and the subsequent widening of margins also improve the short and medium-term business outlook, as most brokered transactions are executed in dollars.



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Capital Markets

Enhanced liquidity position

The Capital Markets area manages the trading and distribution of cash products and it is also responsible for the management of the Bank's balance sheet. The environment in which it carried on its activity in 2016 was, on the whole, favourable. In Spain, the Treasury had no problems in meeting its funding needs for the year. In Europe, maintenance of the European Central Bank's monetary policy actions facilitated access to the market. As a result of these actions and of the low inflation outlook, interest rates in the eurozone remained at low levels, although a certain increase at the longest maturities was seen after the summer, as macroeconomic data pointed to a more solid recovery. In the United States, the markets were marked by the elections and the Federal Reserve's increase in the price of money, which caused medium and long-term dollar interest rates to noticeably rise.

In this landscape, the trading area was active in all its businesses, including currency, equities and, especially, fixed income markets, which benefited from the Bank's status as a market maker in government debt

and bills of exchange and a co-leader in syndicated issues of Spanish Treasuries.

Notable demand

The Bank's success in the Private Banking and Personal Banking segments, together with low interest rates, generated notable demand for the products designed by the distribution area. Also noteworthy was the work done in this area for access by our customers to foreign exchange and fixed income markets.

The improvement of Bankinter's liquidity position, in terms of the Bank's balance sheet management, continued in 2016 supported by an extraordinary year of inflows of resources from the network. This fact, along with the application for long-term funds from the European Central Bank under its TLTRO II programme of financing transactions, made it unnecessary to issue long-term debt. Further, all short-term debt issues (promissory notes) were redeemed and there were no securities of this kind sold in the wholesale market at year end.

The only public issue was for 200 million euros in contingent Additional Tier 1 capital (AT1), to be used to finance the purchase of Barclay's retail business in Portugal. The issue was paid on 10 May, and it was over-subscribed at five times the amount to be placed.

Moreover, wholesale finance maturities are distributed over time in a manner so as to minimise refinancing difficulties.

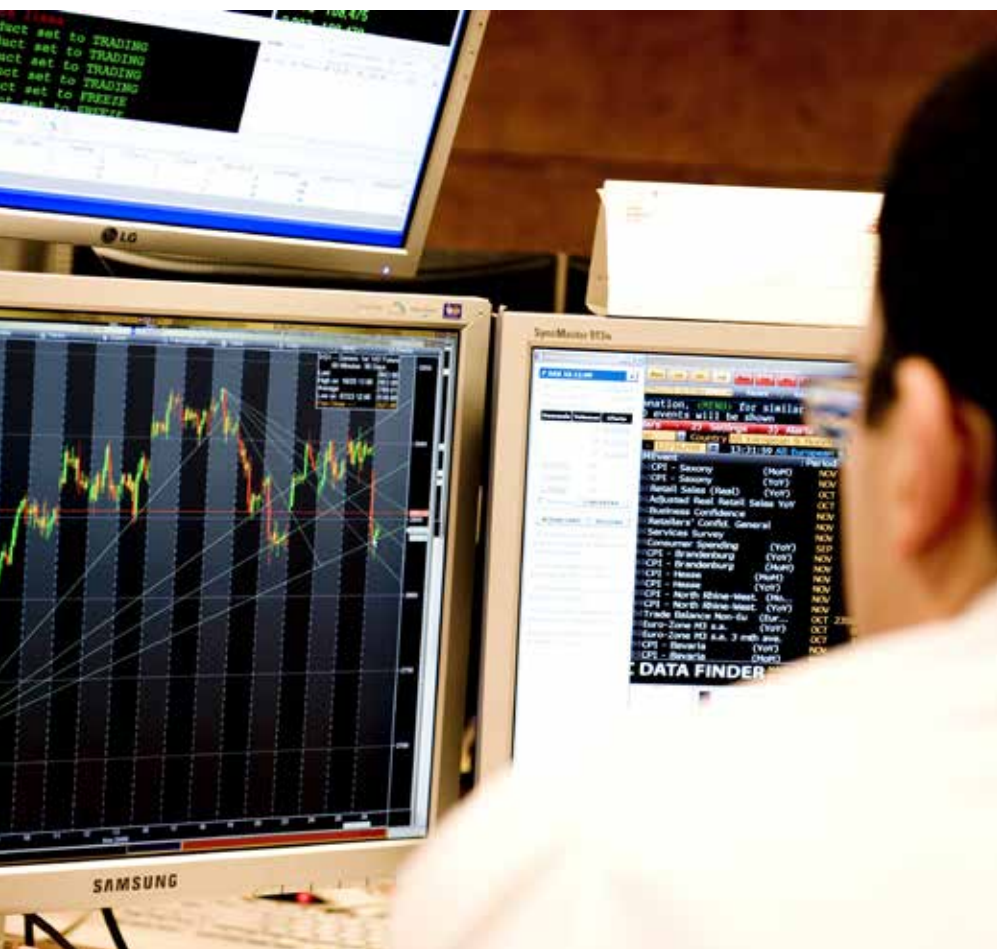
The bank's interest rate risk was also monitored and managed, and it was maintained at acceptable levels. Indeed, the positioning of the fixed income ALCO portfolio and the balance sheet hedges mitigated the adverse effect of the Euribor interest rates, to which the majority of the bank's investment is benchmarked.



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Other businesses



Bankinter Gestión de Activos

In the face of volatility, client proximity

Market volatility arising from both domestic and global political uncertainty prevented assets from yielding the expected returns in the first half of 2016. In turn, this caused many investors to exit funds or, in the best of cases, to abandon high-risk funds and take shelter in more conservative options. As a consequence, there was a concentration in funds that were guaranteed or benchmarked (to interest rates, for example), while equity funds saw a considerable setback.

In the final stretch of the year, once a new government had been formed in Spain and the presidential elections had been held in the United States, the markets began to return to normal. There was a return to equities, above all in combination with fixed income, and this led to an upturn in both mixed funds and pure equity funds that went in tandem with the market, at least in the case of Bankinter. The average fee, which had fallen continuously in the first six or seven months, began to recover gradually after the summer, thus closing the year with results that compare well with those of 2015.

For Bankinter Gestión de Activos - the Group's company specialised in collective investment - to succeed in a year this challenging, its strategy of ensuring greater customer proximity was to prove vital. We advised customers on the best way to achieve maximum preservation of their capital and to attain returns, even if small ones. The aim was, in short, to place loyalty above all other considerations.

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The detailed results were as follows:

▪ **Investment funds.** Assets under managed ended 2016 at 7,620 million euros, which is 2.73% higher than in 2015. At present, the management company is the ninth ranked Spanish asset manager, with a market share of 3.24%. The figure of assets under management amounts to 13,837 million if we include all the investment funds marketed, including those of international managers, which results in a yearly improvement of 1.9%. Especially strong was the performance of the fund 'Bankinter Sostenibilidad', which achieved profitability of 7.3%, one of the highest levels among the Group's equity funds. Clearly, a highlight again this year was the performance of the fund Bankinter Dividendo Europa, which outperformed the benchmark and attached 7.4% profitability during the year. It is undoubtedly one of the reference funds in the European equity market.

▪ **Sicavs.** At the end of 2016 the Bank managed 451 such funds in all, with 7,616 participants and equity totalling 2,865 million euros. During the year, proposals were made to customers to prepare for possible changes in the regulations that govern these investment vehicles.

▪ **Pension funds.** Bankinter offers a broad range of options, allowing the bank to attain a total of 2,222 million euros in retirement products. This represented an increase of 6.5% over the previous year.

▪ **Delegated management.** This service, which is offered not only to customers in the highest segment of Private Banking, but also to Personal Banking and Retail Banking, constitutes one of Bankinter's clear commitments. Assets managed under delegation amounted to 4,115 million euros at 31 December. Customers continue to show confidence in the expert, professional management Bankinter provides to all its customers, where preservation of capital at challenging times is one of the main objectives of its work.



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Equities

Strategy for tough times

In 2016 equities markets did not meet the favourable expectations that had been created due to the loss of the attractiveness of deposits in a zero interest rate environment. Geopolitical uncertainties fostered a high degree of volatility, which generated added difficulties in channelling investments and creating business. Even still, Bankinter was able to defend its cash share among retail customers, and even achieved growth in the number of new securities accounts and cash deposited.

These achievements were possible owing to the reinforcement of its team structure, driven by the constant quest for excellence; to a greater effort in advisory work, which is especially recommendable at a time of great disorientation among clients, and more intensive use of digital tools.

This allowed us to open 10,913 new securities accounts, and Equities was second ranked among the businesses capturing market share, with 1,102 million euros in individuals. Profit increased by 9.71%, amounting to 48 million.

Of particular importance was the effort to recover former customers, and the presentation of personalized offers through the Branch network. Our aim is to persevere in both lines of work throughout 2017.

Training

Bankinter also redoubled its initiatives to improve its customer's knowledge, as shown by the holding of the first 'Forum Bolsa' 100% online, which reached 1,832 participants throughout Spain, and 16 in-person sessions that took place in Murcia, Malaga, Madrid, Las Palmas, Vitoria, Logroño, León, Valencia, Barcelona, Bilbao, Puerto de Santamaria, Toledo and Lanzarote. At the same time, ongoing training of agents continued, as an element that is essential for

quality service. Novelties for 2017 include the implementation of the Bankinter 'Broker Academy'.

The Bank improved its digital platforms through its characteristic interactive graphics and it developed a powerful search engine that allows one to select from among 735 exchange traded funds (ETFs), replicating a specific benchmark index. The settlement scheme is aligned with European standards, following adaptation of the operation to the requirements set out in the latest reform of the securities market.



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Bankinter Consumer Finance

Strategic lever and outstanding growth

Bankinter Consumer Finance, the company specialising in credit cards and consumer loans, obtained excellent results in 2016 and it has become one of the major strategic levers for the Bank's growth. The investment in consumer loans totalled 1.05 billion euros, 46% more than

last year. The number of customers also showed positive development, up to 897,761 compared to 728,000 in 2015, i.e. 23% more. The average investment per customer was 1,164 euros, which represented an increase of 18% compared to the previous year. According to data supplied by Asnef, the association of credit establishments, Bankinter Consumer Finance was the financial company that grew the most in 2016, and it now has a market share of 8.4%.

These results are partly related to the recovery of Spanish consumer spending, which reached a notable growth rate for the second consecutive year. The real rate of increase of consumer spending was 3.4% during the year. In addition, these results

are also due to an ambitious growth plan involving teams and technology which, together with the Bank's traditional experience with risk management, facilitated the healthy expansion of the business.

Bankinter Consumer Finance comprises three areas:

- The area dedicated to consumer finance for Bankinter customers via a wide range of products and services both for individuals and for companies: personal loans and pre-authorised loans, credit cards, POS terminals and ATMs. To evaluate the last of these, it has a refined data analysis system that assesses the risk vs. profitability of a transaction and sets a specific price

according to the applicant's profile.

- Bankintercard (formerly Obsidiana). It is the business for the open market and strategic alliances with major credit card companies. In this area, Bankinter has a much larger market share than it should have for its size.
- Point-of-sale financing. This includes consumer loans through an intermediary to finance goods or services. It also encompasses automobile loans through arrangements with dealerships.



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The three areas saw significant growth in 2016. In consumer finance for customers, the product and marketing were improved, with the offer of value-added services such as Major Purchases, a service that can finance specific purchases at very competitive prices, or a cash transfer from the credit card to the account. Another significant milestone was the strategy for arrangements with other banking groups to provide customers free access to cash in more than 8,600 ATMs.

For its part, Bankintercard signed in September a strategic partnership with Air Europa to launch loyalty cards called Visa Air Europa Suma.

Lastly, Point-of-Sale Financing deployed its commercial network in 2016 to cover a majority of Spanish regions.

For 2017, Bankinter Consumer Finance intends to continue to benefit from the opportunities generated by the recovery of the economy. The objectives are as follows:

- Consolidate the launch of Point-of-Sale Financing.
- Continue exploring new strategic partnerships with large companies that are ready to use the financing products of Bankinter Consumer

Finance as loyalty tools, and exploit synergies with other Group companies.

- Continue development of loan offerings, especially pre-authorised loans, and facilitate access to them through new products like the employee advance.



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Insurance and pension plans

Innovation, rigour and transparency

Bankinter's insurance activity and pension plans developed in an increasingly professionalised market that knows customers' needs very well, and in which regulators demand an ever higher degree of transparency. Growing therein requires, therefore, a tireless capacity for innovation and the rigour necessary to convey the confidence that clients demand.

Based on these premises, Bankinter in 2016 launched new products to help bolster its offerings, taking full advantage of multi-channel banking to provide services to customers when and how they might need it most, and it bolstered its status as an global advisor in insurance.

In life insurance, where the bank launched a product on the market with very broad disability coverage to reach different market niches, the portfolio grew by 4.98% to more than 76.2 million euros at the end of 2016. The customer retention percentage (those that renew their policies) was 88.25%, the highest in the past few years and new production increased by 13% compared to the negative rates seen in 2015 and 2014.

In Pension Plans/voluntary social security (EPSV), cumulative assets reached 2,220 million euros, 6.5% more than the previous year; the number of participants increased by 6%, as against a market contraction of -1%, according to INVERCO data up to September. Noteworthy was the launch of a pension plan type that adapts investments' risk level to customers' life cycle.

Bankinter is the tenth largest bank in Spain in this category, and the third best in net activity in the year (incoming and outgoing transfers plus contributions and regular payments) according to VDOS data for the month of September.

Bankinter's main objectives for 2017 are:

- Continue increasing our proximity to customers via the facilities offered by the CRM in commercial agendas.
- Professionalise the task of customer retention, both with respect to individuals and legal persons.
- Win market share in enterprise insurance, managing the business, both of new production and of retention and loyalty of the portfolio mainly in Multi-Risk and Civil Liability insurance.
- Capitalise on the greater awareness among the public of the need to supplement the future pension provided by Social Security.
- Gain the maximum benefit from the strategic partnership signed in 2007 with MAPFRE for the commercialisation of exclusive products through branch offices of the bank.

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Bankinter in Luxembourg

The most efficient option for geographic diversification

Luxembourg remains one of the main financial centres of the world, and Bankinter is the only Spanish bank with a banking licence there. Despite the political-financial turbulence, Bankinter's subsidiary in Luxembourg consolidated itself in 2016 as the most efficient option for the geographic diversification of Private Banking customers.

At 31 December the resources held by Bankinter Luxembourg and its SICAV totalled 1.73 billion euros, which is 31% higher than at the end of last year. The improvement was even better with respect to the discretionary management of assets. 69% more than in 2015. These sharp increases coincided with the addition of ten new hires at the bank, as well as an expansion of its headquarters in the financial district in Luxembourg, which allowed for maintaining the quality levels that characterise Bankinter Group.

In 2017 Bankinter Luxembourg will start to operate as an investment manager for the SICAV and will

launch three new investment funds. Once the integration of the business in Portugal has been completed, the Luxembourg subsidiary will join that market to become a fundamental lever with respect to the rendering of services for Private Banking customers.



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Bankinter Global Service

Integrate Portugal and support growth in Spain

As a result of the strategy adopted last year, Bankinter's operating service and technology company was exclusively dedicated to internal functions in 2016. One of its primary challenges was to contribute to the integration of the Barclays retail business that was acquired in Portugal, aligning its infrastructure and organization with the rest of the Group.

From a technology point of view, Bankinter Global Services undertook

a significant deployment to ensure that on 1 April – the date of the change of ownership – every Portuguese branch office, and all other customer relationship channels, such as websites and mobile apps, and even stationery, would bear the corporate image of the bank.

The central computer, servers and other communication infrastructure were gradually moved from the United Kingdom to Spain.

With respect to operations, it was assured that from 1 April, support that had previously been provided from the UK would be done from Spain with no incidences, including market activity, international business, accounting and so on. Also, an initial review of the most important processes was made in order to assist in the launch of the business in Portugal, including mortgage

processing, customer registration, etc., in order to bring them into line with those of Spain, shorten waiting times and drive the business.

In addition to assisting in the integration of Portugal, the two major fields of specialisation of Bankinter Global Services continued to work to help different areas of the bank to provide services of ever higher quality:

- **Technology.** It made advances with respect to the automation of processes that allow for the issuance of all information required by regulators (Bank of Spain, CNMV); the creation of a new platform for financing purchases from the point of sale and the development of means of payment for small consumers. Private Banking was provided with specific support in the commercialisation

of its products through different channels.

- **Operations.** We undertook an analysis of the operational processes of the network and the central services in order to migrate them to a new tool in 2017 that will enable us to ensure efficiency and agility in administrative tasks, so as to relieve branch offices of such tasks and enable the branches to become genuine centres of business. The entire suppliers policy was reviewed, with a change in 60% of the outsourced services, where the improvements and savings will begin to materialise in 2017.

In 2017, Bankinter Global service plans to complete the integration of Portugal. To do so, it will complete the assumption by Spain of the technology infrastructure of Portugal; it will replace its obsolete personal computers and upgrade to those being used in Spain; it will continue to unify procedures and also apply there a stricter supplier policy.

As a general rule, the company will continue to provide support to strategic plans for consumer finance, Private Banking and Partnet Banking, while also fostering joint operations between Portugal and Spain.

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Línea Directa Aseguradora

Sound, healthy and very profitable

Línea Directa Aseguradora, which is wholly owned by Bankinter, saw strong growth in 2016, widening its margins and taking a step forward in innovation with the launch of its Digital Policy. This allowed it to consolidate its leading position among companies that operate via the telephone and online, with a 60% market share achieved through organic growth, and no mergers or acquisitions. It is ranked fifth among auto insurance companies and 17th with respect to homeowners insurance.

Its business model is based on the use of direct channels of distribution, which allows it to offer very competitive prices by cutting out intermediation costs that contribute no value to the final customer. This strategy, coupled with values like prudence in the selection of risks and its powerful commercial dynamism, make Línea Directa one of the most robust insurers in Spain.

Sales record

In 2016, the company attained net growth of more than 200,000 policies in its portfolio, bringing it to more than 2.5 million euros. The increase in auto insurance policies was 7.8%, compared to the sector average of 5.1% and the 14.8% increase in homeowners insurance was four times that seen in the rest of the sector (3.6%). The causes of these advances lie in the overall improvement in the economic situation, the recovery in the automobile market, the increase in home buying and, above all, a commercial strategy based on specialisation, flexibility and quality.

The revenue of Línea Directa also significantly increased (by 8.7%) up to 738.7 million euros, the highest level in its history. Special mention should be made of homeowners' insurance, whose volume of premiums surpassed 78 million, which amounts to 10.5% of the company's total income.

Earnings before taxes totalled 136.6 million euros, which is a figure in line with targets, which placed a priority on growth and portfolio volume in financial results in 2016. Return on equity (ROE) was 33.2%. The coverage of technical provisions was 134% and the solvency ratio was 231%. These figures make

Línea Directa a sound, healthy and extraordinarily profitable enterprise.

Línea Directa ended 2016 with a volume of issued premiums of 738.7 million euros, the highest in all its history.



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The best insurance margin

Another of Línea Directa's distinctive traits is its selection of risk and control of expense. In this regard, the combined ratio (one of the key indicators in any insurance company, comparing premium income with total accident and operating costs) was 88% in auto, some 11 points lower than the average for the sector as a whole.

The claims rate also performed in relative contained fashion (69.6%), in a quite critical context due to the increase in mobility, the rise in claims frequency and, above all, the entry into force of the new system for assessing damages in traffic accidents, which significantly increased indemnities, especially for major injuries.

Innovate to grow

In 2016, the Digital Policy was launched. It eliminates the sending of printed documentation to the customer, thus providing benefits with respect to both the environment and in costs. The policy, which has now been implemented in 65% of the new car insurance contracts, is expected to reach 80% of the total portfolio of private vehicles in 2017.

Last year also saw the launch of the 'Poliza Respira', which makes Línea Directa the first company offering specialised insurance for electric cars. It is an all-risk policy with an excess of 100 euros in the first year, with no mileage limit. With this product, the company is making a commitment to sustainable mobility and environmental protection.

Responsibility and reputation

Línea Directa was included in the Merca Empresas 2016 best reputation ranking at 50th, which is 17 rankings higher than in 2015. Also, it appeared in the monitors Merco Talento and Merco RSC at 37th and 85th, respectively.

Road Safety. Here and Now.

Under the slogan Road Safety. Here and Now, the Línea Directa Foundation aims to put an end to deaths on the road, a scourge that has taken the lives of nearly 80,000 people in Spain in the past 20 years. To combat this problem and raise awareness in society of the need for responsible behaviour behind the wheel, the Foundation centres its activity on four areas: education, research, training and social action.

In 2016, three studies of significant interest were carried out, and attracted significant attention in the media.

- Traffic fines: collection or re-education? Traffic fines in Spanish cities (2011-2014). The study analysed 675,000 fines levied by municipal authorities, with the aim of measuring their actual effectiveness as a tool for fighting against traffic accidents.
- Persons aged 65 and above at the wheel: real danger or societal myth? The study was conducted with two leading institutes: the Spanish Foundation for Road Safety (Fesvial) and the Centro Zaragoza. It focused on the aptitudes for driving of people above the age of 65, and on the general perception in society of these drivers.
- The influence of drugs in traffic accidents (2012-2015). Published jointly with the Spanish Foundation for Road Safety, it researched the drug and alcohol controls carried out between 2012 and 2015 by the Guardia Civil's traffic division, and also examined Spanish public opinion on the subject by means of a survey conducted among drivers throughout the country.

The Foundation also organised the 13th Journalism Prize of Road Safety, which recognises the importance of the media's work in preventing traffic accidents by encouraging the publication and dissemination of reporting on road safety. Nearly 2,000 works of journalism in the press, radio and television were received, thus consolidating this award as the most important in Spain in its field

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Bankinter Securities

Forward-looking investment in a rock-bottom market

Bankinter Securities, the Bank's securities company, reinforced its organizational structure in 2016 through the creation of the Fixed Income Desk and the strengthening of the Research Desk which, together with the Equities Desk, constitute the core operating activities. These decisions are a forward-looking investment to help Bankinter

Securities to best prepare for the expected upturn in the securities market, after underperformance of equities in 2016 in both Spain and Europe as a whole.

Traded volume during the year amounted to 28.47 billion euros, which represents a 2.18% market share after applications. Fee revenues totalled 9.65 million euros, and earnings before taxes amounted to 3.81 million euros.

International markets

In spite of the weakness of European securities markets, Bankinter Securities successfully maintained its strategy of orienting its activity towards international markets and

increased its presence in France, the United Kingdom, Switzerland and Belgium. In 2016, the international market accounted for 30% of its income, compared to 22% in 2015. The company also developed its portfolio of high-end specialised clients (professional equities investors that operate on their own with the support of Bankinter resources).

The reorientation of the securities business is part of the process begun in December 2013 to supplement our service offerings towards a format that is more global and more oriented towards asset management and specialised advisory, in accordance with the standards of quality and efficiency that are the hallmarks of Bankinter.

Looking forward to 2017, Bankinter Securities intends to take advantage of the Bank's presence in Portugal to reinforce its international focus, as well as to obtain value from its new operating capacities.



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7.3

Networks and Channels



Branch network

Commitment to efficiency and quality

The financial crisis has driven banks towards a conversion that is not yet complete, and which is still resulting in branch closings and personnel reductions. Bankinter has had no need to reduce its branch network, owing to the rigour of its business processes. The bank's branches are particularly efficient and focused on meeting commercial targets through the use of the most innovative digital tools.

These tools are relatively easy to implement because Bankinter is present, above all, in towns with more than 100,000 inhabitants, and focused on customers with an urban profile and a medium-high technology culture. Further, they also

relieve the branches of the burden of work relating to simple operations, and allow staff to focus on work that adds value to the bank and to the customer.

Personalised customer service

Functions that create value include personalised customer service, which is performed in accordance with a code of good practices, the application of which is periodically supervised by quality audits. This is how the strong points and areas for improvement in the branch network are identified, and the bank acts accordingly, always with a view to providing the best possible service.

At the end of 2016 Bankinter had 364 Universal Offices, 72 Business Centres, 47 Private Banking Centres and 22 Corporate Banking Centres. The Universal Offices are dedicated to individuals, Personal Banking customers and small companies. The Business Centres are dedicated

to medium-sized companies and Private Banking centres are devoted to asset management and personal investments, while Corporate Banking Centres are dedicated to companies with more than 50 million euros in annual revenues.

The objective for 2017 is for the offices to be progressively more complete digital business centres, except with respect to personal service, offering competitive products and services and attended by the best prepared professionals in the sector. This is a true leap forward, which matches Bankinter's innovative character and its commitment to quality.

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Agent Network

Network of private bankers

The Network of Bankinter Agents is a business model whereby the company is associated with highly qualified financial professionals, mainly from other banks, where they act as private bankers. Bankinter shares the profits generated by joint activity with these professionals, without incurring the costs of a traditional branch. In this way, the agents contribute their knowledge and their customers, whereas the bank provides its financial product portfolio, structural support and training.

The Network of Bankinter Agents, which has clearly become one of the most powerful in Spain, added 60 new agents in 2016, up to a total of 482. The total balance of customer funds managed (including funds, fixed income and equities) amounts to 8,978 million euros, with growth of 17.6% on 2015. The fund items that most developed were equities and investment funds, with increases of about 26% and 17.4%, respectively. In distribution by segments, there is an increasing focus on the balance of Private Banking, which accounts for 67% of the total of the Network.

With these results Bankinter considers the transformation of the Agent Network to be complete and the strategy has been refocused over the past few years on high net worth individuals. To strengthen this purpose, the Network works in close contact with the bank's Private Banking area, and the professionals in the network receive constant support so as to provide maximum quality service that will supply value to their customers.

The challenge of MIFID II

The objectives for 2017 include the challenge of adapting the processes and training of the agent network to MIFID II, the new European Directive, among other features, introduces stricter standards so that investors can be certain that the products in which they invest match their profile and that their assets are well protected.

In addition, the area aims to improve and automate the different control mechanisms of the Network, while also maintaining the pace of acquisition of new agents, driving

growth of current agents and increasing this Division's contribution to the bank's profit.



Agent network

	2016	2015	% Dif.
Active customers (No. customers)	36,078	35,600	1.3
Total Resources (in mill€)	5,999	5,121	17.1
Typical Resources (in mill€)	1,872	1,572	19.1
Investment (in mill€)	1,491	1,574	-5.2

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Banca Partnet

A new approach for growth

Banca Partnet is a network in parallel to the conventional office network based on alliances with large companies to develop financial services with them. The arrangement is based on a partnership with large companies, with the creation of virtual bank branches: that is, with no physical location, inside the company itself. The Bank provides the technology and knowledge, while the company promotes its services among employees, customers, associates and suppliers. The earnings of the partnership's common income statement are divided between the two.

This innovative business model, which no other bank has managed to imitate, was relaunched in 2016, with a deep transformation of the teams, processes and new technology resources, through a new three-year strategic plan. The objective is to make the partner network more efficient and increase the value contribution of this differential business offering, and grow its contribution to the bank's earnings. The new approach will adjust the capillarity of the

network and strengthen sector-based specialisation, concentrating on arrangements with companies that have the most potential. One of the priorities of the business will be to strengthen the structure and technology, and to service the different needs of each sector.

Adapted and exclusive service

In addition, the new orientation in this business area envisages a redefinition and optimisation of the portfolio of products offered to partners that will take into account the characteristics of their employees. The ultimate purpose is to provide better and exclusive service that adjusts to the needs of each company, with a significant role for specialised advisory (including training, if required) for their employees and members of senior management.

A significant aspect of the new strategy is the strong commitment to technology development, the plan for which is to be completed by the end of 2017. Once it has been fully implemented, customers of Partnet Banking will benefit from the latest innovations in digital technology and will be available to them mobile applications to subscribe to pre-authorised products and receive timely information on the benefits they are receiving, among other advantages.



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Remote network

Quality service and commercial operation

For years Bankinter has deployed a significant remote banking network that allows its customers to carry out transactions without travelling to branch offices. The bank's

commitment to innovation and to the application of new technologies to the financial sector made it a pioneer in the field, and it now holds a clear position of leadership.

Via the Remote Network, our customers can receive personalised service through different channels: telephone, e-mail or on the website, with extensive available hours.

The network has been evolving over time, and its result orientation is now consolidated, while maintaining its high standards for the quality

perceived by customers, working towards new ways of doing things and seeking to continuously improve the service provided.

As part of its commercial activity, in 2016 the Network implemented two new business retention activities for securities portfolios and pension plans.

The objectives for 2017 are to strengthen cross sales, grow proactive commercial activities and ensure that the telephone service continues to meet the needs of customers while

diverting its current functions as an operational channel towards the Internet.

Tutors

Owing to its pioneering efforts, Bankinter has many customers that were originally acquired over the telephone or over the Internet and, for that reason, have not been assigned a physical office. The relationship with these customers is handled by remote tutors that are ready to answer any query, assist them in carrying out any operation and offer, by telephone, products and services that match the customer's profile. Remote tutoring is also used with customers in any other of the bank's networks, and with no impairment of security.

The segments in which remote tutoring services are used include Individuals, Personal Banking, Partnet Banking and the Agent Network. The primary support is the CRM, which prepares predictive models of customer preferences and facilitates advisory service tasks.

Service

Assistance to Personal and Private Banking customers	8.00 to 22.00 h Monday to Saturday (except bank holidays)	
Retail Banking	9.00 to 18.00 h Monday to Friday (except bank holidays)	902 132 313
Insurance Specialists / Commercial Insurance	9.00 to 18.00 h Monday to Friday (except bank holidays)	
Asset Specialists	9.00 to 18.00 h Monday to Friday (except bank holidays)	901 810 440
Assistance in English:	9.00 to 18.00 h Monday to Friday (except bank holidays)	902 888 835
Customer Service support	9.00 to 18.00 h Monday to Friday (except bank holidays)	900 802 081
Website technical assistance (particulares.com)	8.00 to 22.00 h Monday to Friday and Saturdays 9.00 to 15.00 h (except bank holidays)	902 365 563
Investment and Stock Exchange Specialists	8.00 to 22.00 h Monday to Friday (including bank holidays if markets are operating)	902 131 114
International Business Specialists	8.00 to 17 h Monday to Friday (except bank holidays)	902 882 000
Enterprise Telephone banking	8.00 to 18.00 Monday to Thursday and Friday 8.00 to 17.00. August 8.00 to 15 h Monday to Friday (except bank holidays)	902 888 855
Website technical assistance (empresas.com)		902 365 656
Sign language video call-in service	9.00 to 14.00 h Monday to Friday (except bank holidays)	bankinter.com

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Social Networks

Roots in business and Digital Banking

The year 2016 saw a notable strengthening of all of Bankinter's social network activities, which have always been oriented towards the creation of business and the improvement of the bank's digital communications. In addition, the creation of the Digital Banking area has given rise to a favourable and more dynamic environment within the organisation for the development of action in social networks aimed at generating more income for the bank.

At first, work in 2016 first focused on identifying the social network projects that could have the biggest and quickest impact on the bank's income statement. Once these were identified, planning sought to boost them in collaboration with different departments of Digital Banking, with a view for 2017. Accordingly, ideas will be implemented for optimising business in Retail Banking (mainly through Facebook) and in Enterprise Banking (through LinkedIn) jointly with Communication, CRM or Digital Marketing, among other departments.

Hence, nearly a decade after the massive upsurge of social networks, it is clear that their contribution to the business of companies can occur through different avenues, all of which Bankinter is constantly exploiting and analysing. For example, they enable:

- 1) Discovering potential customers for acquisition.
- 2) Better profiling of products for each user.
- 3) Initiating and carrying on a more efficient relationship with executives of companies.
- 4) Assisting customers quickly, constantly and satisfactorily.
- 5) Optimising communication and marketing campaigns.
- 6) Attracting quality traffic to the website.
- 7) Promoting the bank's reputation and brand.
- 8) More completely monitoring all the information that arises on the bank.
- 9) Developing and creating a pride of belonging among employees.
- 10) Recruiting and retaining talent.

Social networks are an indispensable tool to be developed when one speaks, at present, of the digital transformation of any industry in general, and of banking, in particular.

Data

Bankinter internally monitors, on a permanent basis, everything happening on social networks and submits itself to a constant quantitative, qualitative and comparative analysis of its activity performed by Acceso, an external company specialised in the data measurement and analysis as a barometer of image and corporate reputation. According to the data examined by the company, the bank was, for the third consecutive year, the financial institution with the highest percentage of positive mentions in social networks (80.1% of the total).

One of the highlights of the year, and one of its most successful actions, was Bankinter's launch in spring of the first ever Twitter Banking Service in Spain. This milestone drew wide interest in the media and among users of social networks. It is a service that Bankinter makes available to both customers and non-customers, and which provides real-time information on their financial movements and on changes in the markets.



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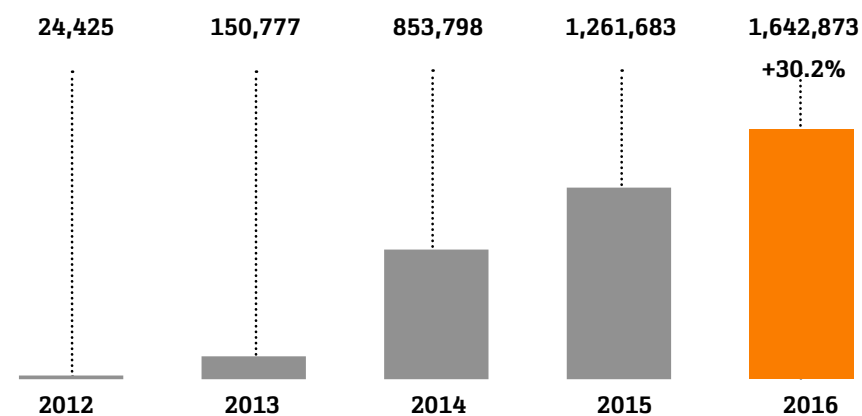
Quantitatively, at 31 December, Bankinter had 87,342 followers in Facebook (26.5% more than in 2015) and 50,986 in Twitter (+19.1 year on year). The monitoring firm Alto Analytics detected 93,394 digital appearances of the trademark during the year, including news and comments in the media or online forms.

Bankinter's blog

Again, Bankinter's blog merits a special mention due to its great significance and the changes it has undergone in recent years. In April, it launched a new design that also met the requirements and demands of users, who are consuming ever more contents via their mobile devices. With a responsive design (it is adaptable to different devices), users were provided with a new digital space that is more complete, accessible and technologically advanced. Also, advertising spaces were made available to promote the bank's products and capitalise on the blog's large readership.

The redesign was welcomed by the audience, and in 2016 the blog received 1,642,873 visits, which is 30.2% more than a year ago, according to Google Analytics data. Hence, the Bankinter Blog has grown its audience sixty seven-fold in the last four years, and since it changed its strategy.

Visits to Bankinter Blog



Source: Google Analytics

The blog continues to be read and acknowledged and one of Spain's most interesting corporate spaces. For example, the economics website BolsaTV, the first 100% digital economics television and the channel for the popular portal bolsa.com, prepared a ranking in September of the 10 most interesting economics blogs, and it included the Bankinter Blog. It was also the only corporate blog on the list.

Thus, the Bankinter Blog is increasing its prestige and audience as a centre of financial information for both customers and potential customers on their personal economy (investment, housing, tax and saving, among other subjects).

For 2017, the bank will renew its commitment to social networks as part of its digital strategy, making the most of their potential and analysing every possibility they offer, as they grow on a daily basis.

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Marketing



Marketing

Personalisation and support for commercial network

The Marketing area leads the strategy and execution of marketing in different formats (advertising, direct marketing, digital marketing or commercial events) to generate demand in a broad sense, with the aim of acquiring new customers and connecting, retaining and creating loyalty among those who are already customers.

With this aim in mind, in 2016 a number of marketing campaigns were actively carried out in both mass and direct media, thus ensuring a constant presence throughout the year in digital media and making the most of every last marketing opportunity. Also, active support was provided to the commercial network:

new tools for offer generation were developed, communication materials were distributed and commercial events held in order to make a decisive contribution to attaining commercial objectives. It was also the year in which the bank's advertising positioned itself as the point of contact with the bank that had the best visibility among the general public, according to the RepTrack® study by the Reputation Institute.

The main novelties in 2016 were as follows:

- Internationalisation of marketing actions in the successful launch of the Bankinter brand in Portugal.
- Launch of new advertising campaigns. As part of the advertising strategy called 'Decidedly personal', the bank is seeking to position itself as the bank that places a personalised treatment over and above massive actions.

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- Implementation of project for transformation and acceleration of digital marketing. The plan is part of the Digital Banking area, with three main lines of action: giving the bank's advertising campaigns the intelligence and technology to complete in today's digital market; digitally equip websites and apps to orient them towards the attainment of commercial objectives, and help the bank make customer-oriented and data-based business decisions.

- Creation of new tool of customisable offers. It allows the sales force to simply and quickly generate customised commercial offers of products and services.

- Redefinition of the map of contacts with the customer. The objective is to boost growth in the Partnet Banking network by building a new relational model via communications that take into account not only what product the customer needs, but also aspects of their life and person (what they see, hear, feel or say). The objective is to gain an in-depth understanding of the customer, so as to send them communications that are personalised in both form and content, so as to offer them what they need when they need it.

Digital marketing

In the digital area, initiatives were launched that consolidate the advances of previous years in search engines, affiliation marketing and retargeting, and programmatic advertising campaigns that automate audience purchases via real time bids. Also, campaigns with influencers in social networks for COINC were explored, and the commitment to video and mobile devices was reinforced in all campaigns.

In technology, steps were taken to augment the traceability of online contracting, and be able to better optimise campaigns and, in short, make the digital advertising investment more effective.

Mass media

In January 2016, Bankinter launched its most ambitious advertising campaign in recent years, not only in terms of the amount invested, but also in its duration, design and objectives. The bank returned to the mass media with the objective of supporting commercial activity and continue gaining in notoriety, consideration and brand preference, and to build a clearly differentiated positioning in order to acquire customers.



The campaign was a continuation of the strategic line initiated in 2015, when a communication campaign was launched for several products, and when Bankinter was on the air non-stop for nearly six months, with television, press and, of course, a wide variety of digital media.

The slogan 'For Bankinter, you are not an account number', was the creative umbrella under which the campaign was organised. On this basis, the public was shown real, human stores in order to reveal the deep catalogue of accounts that can offer personalised solutions for the customer's most diverse needs, with an emphasis on the 'Decidedly personal' advertising positioning.

In October 2016, we launched a new advertising campaign based on the idea of 'Today, give yourself a salary rise', which summarises the benefit of the 5% payroll account in a noticeable and attractive way. The campaign was visible in a number of digital media, press, the branch network and on pay TV channels, and it ran until mid-December. Just like the wave at the beginning of the year, it built the brand via the product, with an advertising positioning of personalisation.

Marketing of Commercial Banking

One notable aspect during the year was the renewal of the Private Banking identity and the redesign of the marketing strategy for the

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Equities business, with the objective of giving a renewed impulse to these two businesses of vital importance in the bank's income statement.

With the aim of generating greater business momentum and loyalty, the new #Account22 was launched, aimed at the children of the bank's customers, the mobile payment service Bizum and the programme 'Just for a customer, just for you', to communicate exclusive products and services available to special customers.

Also, different types of events were held to support commercial work. The most significant was the 'Bankinter Annual Tour', a classic that now goes back seven years, and which again achieved great public success. This year, they visited 12 cities with the 'Bankinter Musical of Musicals Tour', in which a single show performed the most outstanding works in Broadway musicals. For the first time, the tour travelled outside Spain, to Oporto and Lisbon in Portugal.

Other commercial events held during the year included:

- Exclusive meals with Private Banking customers. Some 500 current and potential customers participated.
- Financial workshops in different cities, with the aim of bringing advisory closer to high-income

customers and publicising the bank's investment fund offerings in an original and innovative format.

- Relational events of Private Banking in different organisations: four opera suites, with the soprano Pilar Jurado, and six nights of jazz, with the crooner Javier Botella and his band Copa Ilustrada.

Marketing of Enterprise Banking

The main activity of Enterprise Banking was the holding commercial events of interest to companies, bringing together more than 800 executives and entrepreneurs.

Specifically, 14 master classes were held in different cities, under the theme 'Blue Ocean Strategy', a methodology of innovation in business models that seeks to help companies achieve success by focusing on new market segments and opportunities not being exploited by competitors, and which served as an inspiration to executives and entrepreneurs, including both current and potential customers, who attended the talks.

The bank was also present in the leading foreign trade fairs in Spain (Imex Madrid, Imex Ciudad Real, Imex Barcelona and Imex Seville), where it met with a large number of current and potential customers.



Operations

In 2016, econometric models of advertising attribution continued to evolve. These models can measure customer acquisitions that arise from each of the advertising campaigns launched during the year, and thus learn for future marketing actions.

At a more tactical level of control of advertising effectiveness, the bank measured the return on television spots (by channels, days of the week, time slots, etc.) with models of direct response attribution, which enables preparation of an optimal proposal for a media mix and maximising the ROI of advertising campaigns.

With regard to communication on transactions, product regulation or institutional communications, Bankinter continued with its work of communication campaigns for customers, ensuring its commitment to quality and seeking to boost e-mail as the medium of communication owing to its effectiveness and efficiency. In 2016, a large number of web mail actions were launched, and e-mail contact data for customers obtained, which allowed for saving in post costs.

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CRM



Customer Relationship Management (CRM)

Key element for business

The CRM area is responsible for having the best possible knowledge and a unique vision of the customer, so as to optimise its relationship with the latter. Its task consists of identifying what must be offered in each interaction, based on the channel and moment, using behavioural patterns and the analysis of results. It is a strategic item for the bank's different business, to whom CRM provides the necessary tools for the launch and prioritisation of commercial actions and for the adoption of any decisions that contribute to more comprehensive management.

CRM's work in Commercial Banking continued to be focused on customer connection in 2016, facilitating the advisory service tasks that may lead to a decision to have Bankinter manage part of the customer's assets. CRM also helps with 'connection' accounts (the salary account, the non-salary account, the youth account, the You and I account), designed to offer the conditions and services that best suit each customer, and its contribution is fundamental in consumer finance, with pre-authorised loans linked to different profiles.

In Enterprise Banking, CRM continued to identify opportunities to increase quality loan investments and to achieve growth within customers' day-to-day business. Personalised amounts were developed for short-term payment of tax, and operations and financing were improved of companies that have international operations, and specific needs in relation to that fact.

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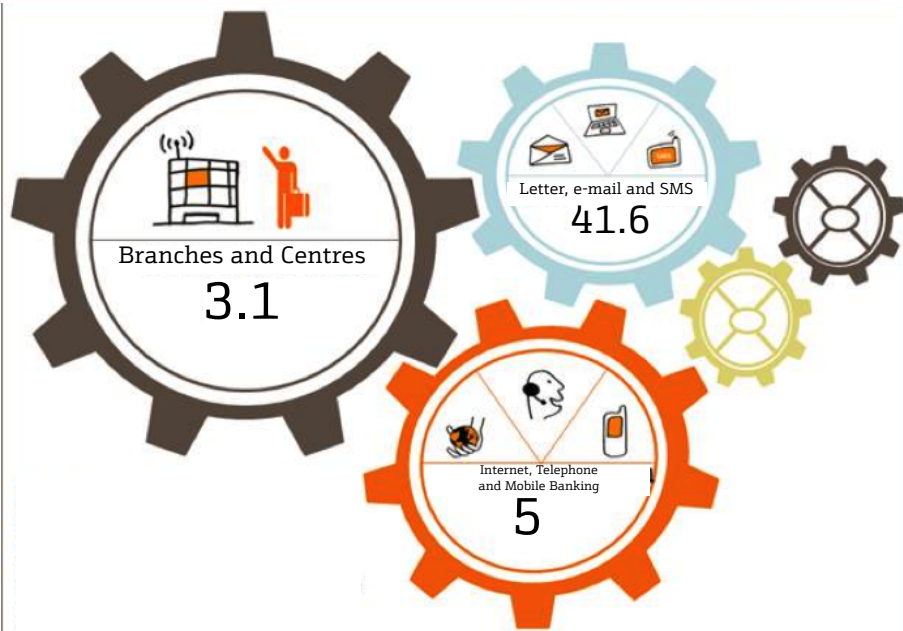
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Digital transformation

In 2016, CRM led a new and important advance in digital transformation. Although the bank has been interacting with customers through remote channels for years, the growing use of the mobile and of tablets meant that Bankinter needed to make its products and services available to the public through these devices. Accordingly, CRM's contact system (the push notifications channel) was integrated in the multi-channel structure, which allows for communicating in real time offers and events that may affect the operations the customer had intended to carry out at the branch office.

Further, the new bank app grew in commercial intelligence by personalising its messages according to timing, the customer's personal situation or even location. Jointly with Consumers, new models for contracting propensity were developed in order to be more efficient in commercial contact. Recourse to Big Data technology also increased Over the course of the year 49.8 million CRM actions were carried out with customers, which represents 24% growth compared to 2015.



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Support for commercial
planning

The bank's CRM, with its knowledge of the market and of customers' background, coordinates the commercial planning of the different business segments and of the distribution networks. It participates both in devising the annual plans of Commercial Banking and Enterprise Banking, and in the distribution of targets to each of the channels, territories, regions and centres. Then, over the course of the year, it contributes to their monitoring.

In 2016, there was a significant improvement in reporting, which allows for quickly and easily tracking achievement of targets at all levels. This saves valuable time for management of businesses, which receives lots of data without even having to ask for them, owing to CRM's advances in proactivity.

As a centrepiece of the organisation and an unquestionable competitive edge, work is proceeding on the transfer of CRM capabilities to Bankinter Portugal, with the aim of significantly increasing its commercial activity.



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7.6 Quality



Quality

Permanent quest for excellence

The function of the Quality area is to measure customer satisfaction and the quality of internal processes, with the objective of launching initiatives to promote excellence in the service and strengthen customers' commitment to the bank.

The Quality area focused its efforts in 2016 on enhancing the efficiency of its measurements, expanding the information for the commercial network and central services, incorporating new customer experience measurement tools into digital banking and homogenising the measurement method of Bankinter Portugal.

Higher recommendation rate

The performance of the quality perceived by customers in 2016 was positive, as the Net Promoter Score (NPS) increased from 22.9% to 24.7% as a result of the increase in the number of customers with very good experiences in their relationships with the Bank. The following contributed to this result:

- The high quality of service customers perceive in the branch network, telephone banking and personal managers.
- Improvement of online platforms, with offerings of services and operations constantly evolving to adapt it to customer needs and preferences.
- Progress in internal processes, which increased their score by the commercial network compared

to 2015, owing to their positive effects on service, the development of products and services and effectiveness in treatment of operations.

The results of the latest financial sector customer satisfaction benchmarking performed by the specialised independent measurement company Stiga, shows that Bankinter maintains a stable quality level that is significantly higher than the average, with an NPS edge of 9.6 points.

With respect to the commercial network, the Stiga Equos RCB study, which analyses more than 3,600 branches in the sector, again ranked Bankinter as one of the leading banks in quality of services. Of particular significance were the enhancements in swiftness of service and time devoted to the customer, the explanation of products and the documentation provided.

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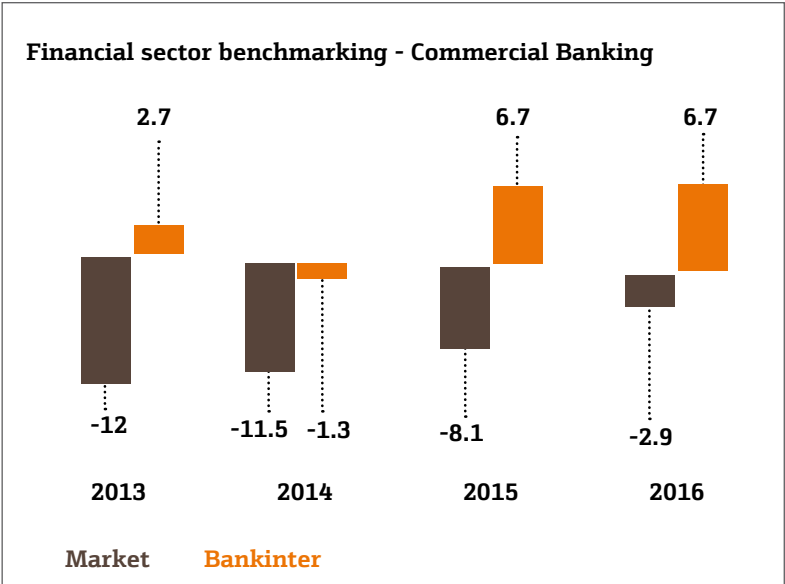
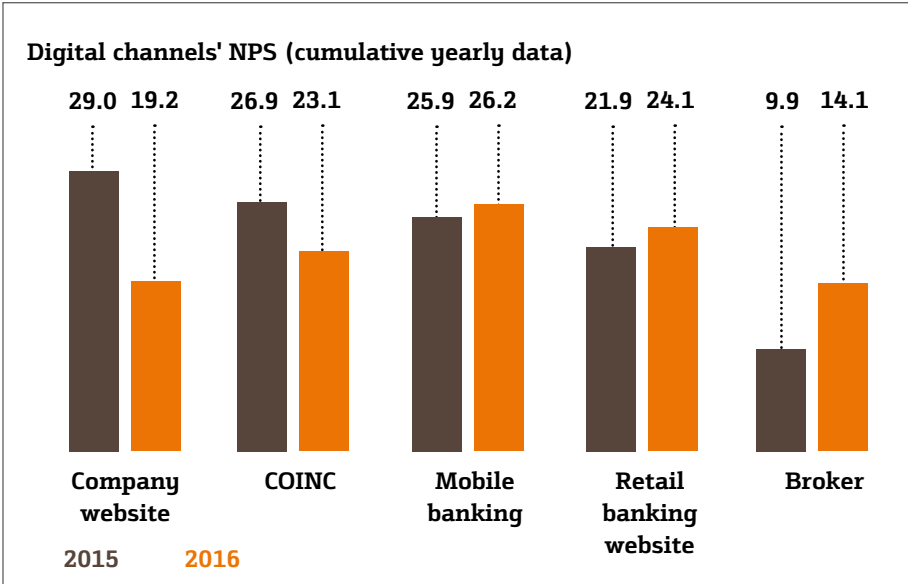
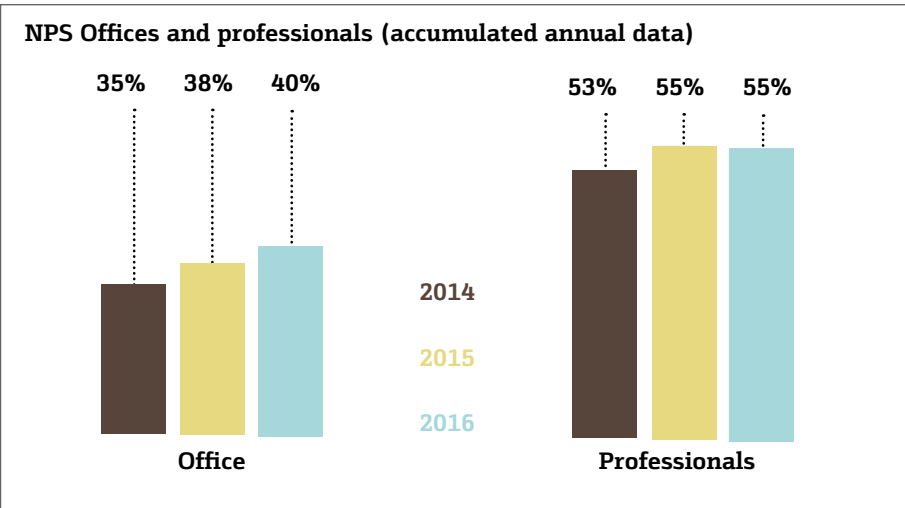
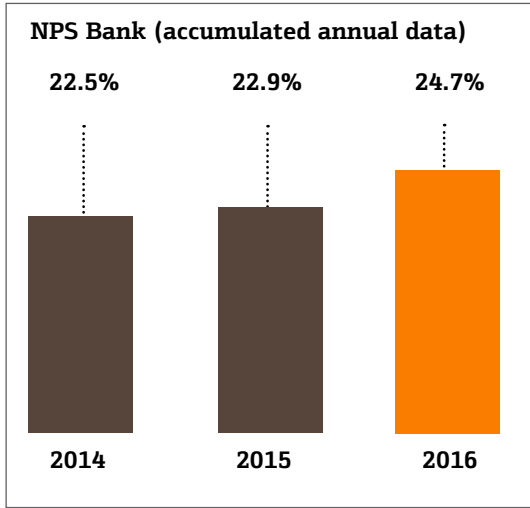
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7.7

Customer Service

Customer Service

Effective management of claims

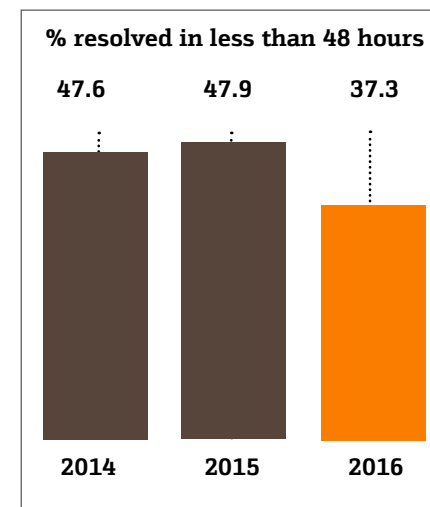
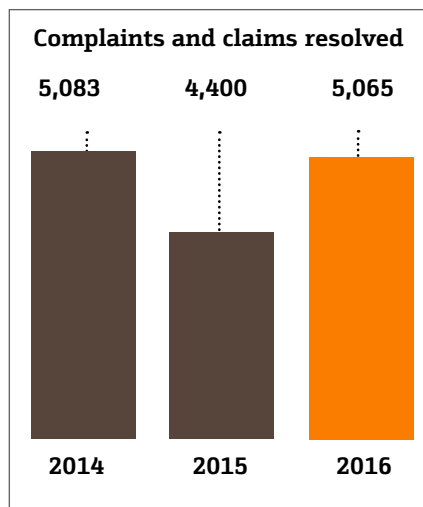
The Customer Service examines and solves complaints and claims received through any channel relating to transactions or banking and financial services, provided they affect legally recognised interests and rights.

In 2016, 5,065 complaints and claims were handled, 15.11% more than the previous year. Resolutions were obtained in less than 48 hours in 37.3% of those cases. These claims represented 1.59 per million bank transactions compared with 1.52 in 2015. Of these, 4,316 were financial claims and one-third were resolved in favour of the customer.

For the recording and control of complaints and claims, the customer service department has a specific tool for control of the subject matter, reasons and response times.

Customer Service resolutions may take up to a maximum of two months. In the event of non-acceptance, customers may turn to the Bank's Ombudsman, or the pertinent services of the Bank of Spain, the National Securities Market Commission or the Directorate General of Insurance and Pension Funds.

The service introduced improvements and modifications in its applications in 2016, made advances in digitalisation and adapted to regulatory requirements relating to its reporting.



Customer service

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A wooden desk with a laptop, pens, a cup, and a tablet. The laptop is on the left, with its keyboard and trackpad visible. Several pens (orange, blue, and black) are scattered on the desk. A small black cup is in the upper center. A tablet is on the right. The background is a light-colored wooden surface.

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Digital Banking and Channel Diversity



Digital banking

Good for the customer, good for the bank

In 2016, Bankinter created its Digital Banking Division to respond to the unprecedented speed of technological change and to satisfy the growing demands of customers in this area. At the same time, the process of digitalisation offers the bank the opportunity to make gains in efficiency and complete in business segments where the traditional model demands greater capillarity.

The new Division's activity in 2016 focused on the following areas:

- Development of Coinc. The digital savings platform, which is primarily directed towards young customers, expanded and improved its services.

It launched a service for expense management, direct debiting of bills and consolidated its offerings of pre-authorised loans. In line with this enhancements to increase value, 2016 was a record year in customer acquisition. At year end, the balance of the platform amounted to 1,297 million euros, a 30% increase, and the number of customers increased to 111,179, which amounts to an increase of 34%. The platform is consolidating itself as a digital service aimed at acquisition of customers with a profile that is different than that of the bank, where two thirds of the acquired customers were below the age of 44.

- New online banking for individuals. In December, access was opened up to customers on a trial basis. The new online banking platform maintains the operating capabilities of the classic version, but presents a more up-to-date design, introduces significant improvements in the

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user experience while substantially increasing its commercial capacity in terms of acquiring new customers and sales.

- Enhancing the user experience in digital channels and providing an increasingly multi-channel service is one of its most important priorities. Usability improvements have been implemented in the platforms, with the introduction of adaptive security capabilities

according to transactions' risk level, making life easier for customers while maintaining high security levels intact. Improvements have also been made in the notification service, to attain better adaptation to the customers' needs and profile, and the first steps have been taken to enable a multi-channel signature that will allow a customer to initiate a transaction in one channel and complete it remotely at their convenience.

- Initiate the redesign of critical business processes in order to reduce their complexity for customers, enhance the experience, reduce waiting times and, lastly, gain in efficiency and scalability.
- Initiate the technological renewal that accompanies digitalisation in both the business and process areas to allow the our platform to be more efficient and to reduce response times.

All these projects will have continuity over time, in which 2017 will be a key year in the transformation, with the spotlight placed on the development of a broader offering of products and services for Coinc and in transforming digital processes and platforms to enhance their usability, features and commercial capabilities. And, above all, provide an answer to the growing needs of both individual and legal person customers.

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Bankinter Innovation Foundation

Helping to build the future

The Bankinter Innovation Foundation, created in 2003, converts innovation and entrepreneurship into critical tools to create value in the Spanish economy and society. It has an international think tank, Future Trends Forum, and the programmes Akademia Project, Emprendedores and Cre100do. Its great challenge in 2016 was the entry into Portugal, where the Foundation will also carry out all of its activities. The former initiative, an event called Technology, Science and the Human, saw the participation of Antonio Damasio, one of the most foremost neuro-scientists in the world.



Future Trends Forum

The Foundation's think tank is made up of an exclusive group of 484 multidisciplinary and international experts whose objective is to provide insight into what may lie ahead of us in the future. The Future Trends Forum identifies, analyses, debates and disseminates the main innovation trends (social, economic, scientific and technological) that will affect business models and the company in the medium or long-term. They are the following:

- **The machine revolution.** How the new generation of machines has achieved a startling level of development and are capable of acquiring skills through learning and to follow complex

patterns of behaviour. Work on this subject began in 2015 and continued into 2016. <https://www.fundacionbankinter.org/web/bankinter/larevolucion-de-las-maquinas>

- **Cybersecurity.** Debate on threats to security in the new digital age and proposals for strengthening it. Discussion of the subject began in December 2015, but its dissemination occurred in 2016. <https://www.fundacionbankinter.org/ciberseguridad1>
- **Technology and inequality.** What can be done so that the benefits of technology innovation will improve the prosperity of society as a whole and alleviate inequality in the world. <https://www.fundacionbankinter.org/tecnologiaydesigualdad>
- **Digital health.** how the adoption of new technologies in the health care

sector is digitalising processes of patient care, medical development, the structure of the sector or the costs and benefits of the new services transformed by these technologies. The conclusions will be published in 2017.

All of the content generated on each trend is published on the Foundation's website (www.fundacionbankinter.org/es) and disseminated through conferences. Those that took place in 2016 were held in Madrid, Barcelona, Malaga, Valencia and Bilbao with more than 3,000 attendees.

The work performed by the Future Trends Forum has been recognized for five years by the Go to Think Tank prepared by the University of Pennsylvania, where it appears as the only one dedicated to science and technology in Spain and one of the 30 best in the world in its specialty area.



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Akademia

The mission of Akademia Project, which was founded in 2008, is to influence education and provide knowledge to encourage innovative attitudes in future leaders, motivating university students to assume the challenge of facing a constantly changing environment. Most innovative ideas are not only the result of a sudden flash of insight, but rather they are due to a learning process and the analysis of the environment that Akademia Project makes available to young people.

Worthy of mention was the cloister Akademia, comprising 55 prestigious professionals involved in the programme, allowing for transmission of all knowledge.

It has three modular areas:



- **Akademia You Project.** Course on innovation in leading Spanish universities. In 2016, it was given in eleven universities, with a total of 265 students and a recommendation rate of 94%. It is devoted to knowledge and debate of future trends in innovation, digital technologies, non-digital technologies and the market, based on contents created by the Future Trends Forum.
- **Akademia Open Project.** Free, online, and modular courses freely accessible to all interested persons. Two were carried out last year, focused on innovation as applied to medicine, and on the future of money, with more than 16,000 students registered and a high completion rate.
- **Akademia Business Project.** Business training focused on innovation. This modality was launched in 2016, with a pilot project in Línea Directa Aseguradora, where 24 selected staff members took part in a course on key trends in innovation.



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Entrepreneurs

This involves joint action between the Bankinter Innovation Foundation and Bankinter Venture Capital to support high-potential Spanish entrepreneurship during the start-up phases. Over the past year 399 projects were presented, of which 2% received financing. These include:

- **Regalador.** E-commerce company focused on the segment of gifts for any occasion: birthdays, anniversaries, weddings, etc.). <https://regalador.com/>
- **Hooks.** Mobile application for selecting notification channels of interest. <http://www.gethooksapp.com/>
- **Waynabox.** New way of travelling, with getaways at a fixed price of €150, including flights and accommodation at a surprise destination. <https://waynabox.com/es/>
- **Wazypark.** Use of mobile phone to find parking places on the street, in real time and free of charge. <https://www.wazypark.com>
- **HelloUmi.** Service for companies that can bring together different conversations with customers in a single platform. <https://www.helloumi.com/es/>

- **Paack.** Home deliveries for e-commerce purchases in less than two hours. <https://paack.co>

The complete list of the foundation's investees is found at: <https://www.fundacionbankinter.org/web/bankinter/participadas>. The requirements of the projects, and the characteristics of the investment, are at www.fundacionbankinter.org/emprendedores.



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This is a country-programme launched in 2013 by the Bankinter Innovation Foundation, the Circulo de Empresarios and the Foreign Trade Institute (ICEX) that is intended to contribute to the transformation of the Spanish production sector. Over five years, the program will select 100 Spanish companies that have revenues of between 25 million euros and 250 million euros to help them gain in size and to open the path for many others. At the end of 2016 fifty had already been selected.

Cre100do assists them with rethinking strategies, the organization, the position in the value chain, the development of inorganic growth models, etc., with the clear objective of obtaining growth based on excellence. It works with the assistance of 14 leading companies as well as other collaborators and independent experts.

This work allows a conceptual framework to be developed that analyses key aspects to ensure company growth that should be on the CEO's agenda:

- **Outward-looking.** We must pay attention to the macro-trends that will influence the future.
- **Develop a strong position in the ecosystem.** Analysis must be made of changes in the business model, operations, and the technology transformation.
- **Having a twenty-first century organisation.** It must be open, outward-looking, flexible, horizontal, transversal and project-oriented.
- **Manage talent well.**
- **Effectively develop the brand.**

This was the conceptual framework for the development of the activity of Cre100do in 2016, which included workshops with companies, public events to elaborate on this knowledge and the generation of articles and videos that can be seen on the programme's website, www.cre100do.es.



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Chairman of Pharmamar, S.A.



Vice-chairman
Rafael Mateu de Ros
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General secretary
Rafael Mateu de Ros
Founding partner at
Ramón y Cajal



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Emilio Méndez
Director of Energy Science at
Brookhaven National Labora-
tory in the United States



Rosa García
Chair of Siemens Spain



Gloria Ortiz
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Bankinter



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Partner in Aleph



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Temasek Management
Services and Global
Fusion Capital



Stephen Trachtenberg
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ge Washington University



Wilfried R. Vanhonacker
Professor of marketing
at the Olayan School of
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People

Another year creating jobs

Bankinter, in line with its ambition to grow in resources and business volume, added 379 people to its staff in 2016. For another year, this is a trend that runs against the current, as the Spanish financial industry is still immersed in a process of consolidation and restructuring of its capacity, with the subsequent adverse impact on employment. According to Bank of Spain data, between 2008, the year of the sector's peak in headcount, and 2015, more than 75,000 jobs were lost: that is, 27% of the total. In contrast, Bankinter has generated quality jobs in the last four years, and it now has 5,486 employees, including 909 people in Portugal. The creation of jobs is a substantial part of Bankinter's contribution to

the Spanish economy, one of whose weak spots happens to be the high unemployment levels. In addition, the bank adds stability to the labour market, as the vast majority of its employees (97.4%) have permanent contracts and work full time (99.4%).

Digital profiles

In the employment created in 2016, an outstanding role was played by digital profiles, in order to respond to the growing demand for specialists in new technologies and to satisfy the new needs of customers. In distribution by area, the areas of Regulatory Risks and of Compliance were reinforced with new members due to the increase in regulatory and supervisory requirements, as were other key areas for the Bank's strategy such as Bankinter Consumer Finance and Private Banking.

The increase in the bank's workforce is commensurate with the strong performance of the

business, and it is also consistent with the projects for expansion of the business. But Bankinter's people management policy goes far beyond this purpose. The quest for excellence, due consideration of merit and the commitment to equality of opportunities are some of its hallmarks. The ultimate objective is to build a comprehensive framework for action based on the idea that employees are the bank's main asset. To preserve this asset, the bank implements professional recruitment programs, provides training and achieves improvements in the working environment, stimulates motivation and promotes professional development. The following is a summary of this series of activities.

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New hires: processes and candidates

No. recruitment processes	No. candidates
414	2,300

Internal rotation

No. published vacancies	No. candidates
142	690

No. training activities, hours of training and people trained

No. of training activities	People trained	Hours of training
520	5,378	282,173

Contract type

	Men	Women	Total
Indefinite	2,611	2,730	5,341
Temporary	70	75	145

Contract type

	Men	Women	Total
Full time	2,665	2,514	5,179
Part time	16	291	307

Staff distribution by professional category

	Men	Women	Total
Administrative	215	423	638
Agents/Technicians	1,463	1,790	3,253
Directors	1,003	592	1,595
Total	2,681	2,805	5,486

Staff distribution by age

	Men	Women	Total
< 25	13	8	21
From 25 to 30	160	222	382
From 31 to 35	403	579	982
From 36 to 40	674	755	1,429
From 41 to 45	507	577	1,084
From 46 to 55	669	571	1,240
> 55	255	93	348
Total	2,681	2,805	5,486

Staff distribution by time with the company

	Men	Women	Total
Up to 5%	591	476	1,067
From 6 to 15	1,279	1,487	2,766
From 16 to 25	343	641	984
> 25	468	201	669
Total	2,681	2,805	5,486

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Staff distribution by region

	Men	Women	Total
Andalucia	185	166	351
Aragon	68	57	125
Asturias	43	28	71
Balearic Islands	29	29	58
Valencia	188	153	341
Canary Islands	43	80	123
Cantabria	24	28	52
Castile-La Mancha	35	33	68
Castile-Leon	72	53	125
Catalonia	162	185	347
Extremadura	28	11	39
Galicia	40	41	81
La Rioja	15	14	29
Madrid	1,147	1,269	2,416
Murcia	45	29	74
Navarre	15	15	30
Basque Country	97	122	219
Spain Total	2,236	2,313	4,549
Luxembourg	17	11	28
Bankinter Portugal	428	481	909
Group Total	2,681	2,805	5,486

Staff distribution by nationality

	No.
Germany	12
Angola	30
Algeria	1
Argentina	7
Belgium	6
Bolivia	1
Brazil	5
Bulgaria	1
Canada	4
Chile	3
Colombia	5
Cuba	5
Denmark	1
Ecuador	2
Spain	4,453
United States	1
Russian Federation	1
Finland	1
France	24
Guinea Bissau	1

India	1
Italy	3
Luxembourg	1
Morocco	4
Mexico	3
Mozambique	12
Netherlands	5
Pakistan	1
Panama	1
Peru	7
Bankinter Portugal	839
United Kingdom	4
Dem. Rep. Congo	2
Republic of Zimbabwe	1
Romania	2
São Tomé and Príncipe	1
South Africa	1
Switzerland	10
Venezuela	13
Not given	11
Group Total	5,486

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Days of absence (Spain)

	2016	2015
Non-occupational illness	21,419	19,879
Female	15,359	14,695
Male	6,060	5,184
Maternity	11,223	12,098
Female	10,376	11,911
Male	847	187
Paternity	982	1,170
Female	0	0
Male	982	1,170
Work-related accidents	1,159	703
Female	320	512
Male	839	191

Absentee rate (Spain)

	Men	Women
Total	0.6730	1.5295

Days of absence due to non-occupational illness and work-related accident for every 100 hours worked

Accident rate (Spain)

	Men	Women
Total	0.001365710	0.002048562

Total no. accidents with absence for every 100 hours worked

Days of absence (Portugal)

	2016
Non-occupational illness	2,450
Female	1,483
Male	967
Maternity	3,529
Female	3,529
Male	0
Paternity	569
Female	0
Male	569
Work-related accidents	4
Female	4
Male	0

Absentee rate (Portugal)

	Men	Women
Total	0.8900	1.2200

Days of absence due to non-occupational illness and work-related accident for every 100 hours worked

Accident rate (Portugal)

	Men	Women
Total	0	0.0009134

Total no. accidents with absence for every 100 hours worked

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	Men	Women	Total
People who used parental leave in 2016	98	148	246
% return to work after leave and continue in organisation at end of year	99%	97%	98%

Attracting talent

Bankinter's reputation as an innovative company that is concerned for its people is an attraction for sector professionals who wish to work in the bank, and it facilitates the bank's talent recruitment policy. This positive image has been built over time, and was validated in 2016 with new recognition. The talent recruitment strategy is carried out on two levels:

- **Senior incorporations.** These are professionals with prior experience in other banks or companies. Their addition to the bank provides different points of view that enrich the knowledge of staff and serve as a positive contrast to internal values.
- **Identifying junior talent.** Bankinter has an internship program for students that is reserved for recent graduates and those in the last year of studies, what might be called the bank's recruiting pool. In 2016, 223 young people participated in the program, of which about 2.7% ended up joining the bank's workforce, and the rest are taken into consideration for subsequent years. In addition, Bankinter makes arrangements with universities and business schools to continue graduates' education.

Training and development

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The nucleus of training is the Bankinter Corporate University and in 2016 it was reinforced as a strategic initiative that not only supplements and develops skills and professional competencies of employees but also represents a tool for instilling Bankinter's corporate values. Its ultimate objective is to provide a space for development for a majority of the Group's professionals.

The Corporate University was created in 2013 as a strategic tool for value creation and knowledge exchange within the organisation. In its nearly four years of life, it has consolidated its role as a meeting place of ideas that fosters cooperation and provides mechanisms for sharing knowledge. At present, a significant share of learning does not come from conventional teaching, but rather from participation in collaborative environments such as that which the Corporate University Aims to be.

Its function operates in two areas: the physical campus, which is located in the town of Tres Cantos, Madrid, and which has facilities and rooms of different formats and capacities, and the virtual campus, which is ever more important due to the development of new technologies, which enables all employees access via the internal website.

The Corporate University is divided into schools:

- **School of Commercial Excellence.** It conveys the knowledge teams need to become more knowledgeable of their products and processes of interaction with customers. This was a priority in 2016. During the year, 50 professionals took the first edition of the advanced Sales programme, and a coaching programme was given for 18 branch office directors.
- **Technical Schools.** These ensure that bank professionals possess up-to-date technical knowledge relating to the sector and the function of each employee. In 2016, digital training was reinforced for executives and employees of areas related to the functions of new technologies.
- **Talent School.** The bank has different development programmes that aim to strengthen skills and support the professional career and growth of its employees. Some are targetted at young, high-potential employees who may occupy positions of great responsibility in the future (the 'Horizonte' programme, which is explained in talent promotion actions), and others that support functional mobility. The Talent School also provides the 'Gladiux' programme for sales directors, who receive a 360° evaluation and an individual development plan along with a coaching process. The programme helps them define development targets and design action plans as appropriate for each case.
- **Summer School.** Allows bank employees to voluntarily access any training in which they have an interest: language learning, team management, use of tools, sales and communication techniques, and other novel and current subjects that are not offered during the year. These are provided in Madrid and, in some subjects, online.



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Talent promotion

The third edition of the 'Horizonte' programme was carried out in 2016, with the participation of 25 people. It is a cornerstone of the bank's policy of talent identification and promotion. It has two objectives:

- Identify people in the organisation with the best potential to stand out in the future due to their ability to develop the company's values and assume leadership.
- Provide them with the training tools and experience to help that potential develop as quickly as possible, especially to support improvement in their personal skills and leadership of teams.

Bankinter has another important lever in promoting talent: its rotation or internal mobility policy. New responsibilities were assigned to 18% of employees in 2016. It is a very

encouraging percentage, as tackling new and different challenges is a stimulus for professional development.

The Bank is also defining a new integral leadership model that will be completed over the course of 2017 to ensure that all team managers are aligned with the management style and connect with the Bank's culture and values.

The talent management process is also supported by the new Bankinter employee website, a tool that is easy to use on a single digital platform that contains all information and procedures regarding hiring, training, talent, evaluation and performance and, in the next phase, remuneration. The new website brings efficiency improvements in control, enables the use of metrics and, in short, facilitates analysis of the organisation's human resource model.

Bkcrece

Bankinter's performance evaluation programme evolved in 2016 through the programme 'Bkcrece', the purpose of which is to foster a development and growth culture, talent management and continuous improvement. The objectives in 2016 were to ensure the quality of evaluations on the basis of a sound methodology, consolidate feedback as a development tool and boost the role of the employee in their own development.

First, each employee conducts a self-evaluation of their degree of attainment of targets and the level of

development of competencies. Then, the manager evaluates the employee in terms of attainment of targets, level of development of competencies and commitment. In addition, people managers with teams of three or more people are evaluated by team members within the leadership framework sought by the bank, in a process that is confidential and anonymous. These processes culminate with a conversation of constructive feedback, after which each employee can design their own individual development plan with the help of the tools and supporting guidelines developed by the bank.



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Remuneration and compensation

As the basis of its remuneration policy, Bankinter upholds the principles of non-discrimination on grounds of gender, race or any other factor, valuing competitiveness results obtained as its highest standards. Accordingly, taking as a reference the base salary and excluding additional pay for length of service, welfare or other benefits, the male/female pay ratio is 1.

The bank applies a remuneration structure composed of two levels:

- **Fixed remuneration.** This is influenced by factors such as the function performed, the responsibilities taken on, experience in the position and the ongoing individual performance in the position
- **Variable remuneration.** It is designed to be compatible with appropriate and effective risk management and aligned with the agreed business strategy. It is applied to the whole workforce, differentiating by functional areas. Groups of employees with a direct business relationship with the customer or with differential activities have specific bonuses. The rest of employees have variable incentives, which are granted individually based on the function performed and the responsibilities assumed, but, unlike the fixed portion, its purpose is to ensure an appropriate correlation between the remuneration levels and the results attained. The amount finally received by each employee, which is capped at a certain maximum amount, depends on attainment of the objectives established for each area. The performance of Earnings Before Tax (EBT) of banking activities has an impact on the variable incentives of all groups.

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Corporate employee benefits

Bankinter offers social benefits that go beyond legal requirements and which apply to all employees.

These include:

- Assistance in the education of employees' children.
- Medical insurance.
- Life insurance.
- Advances against monthly salary.
- Banking services and products with special conditions for employees.

Bankinter also offers its employees meal subsidies, depending on their working hours, which can be taken as an addition to salary or on the form of restaurant vouchers.

Employees also have right to the following benefits:

- Mortgage loans (including novation).
- Housing construction loans.
- Revision of mortgage interest rates.
- Housing loans.

- Loans for other purposes (no proof is required).
- Advances. Those included in the banking collective bargaining agreement and those for the purchase of a computer, to pay for language courses abroad, or postgraduate studies relating to the employee's professional activity.
- Simulator of pensions.

There is also a flexible remuneration system, of a voluntary character, whereby the bank and the employee can agree to modify the composition (not the amount) of the remuneration package, partially substituting financial remuneration for non-financial remuneration, such as with nursery vouchers, shares, medical insurance, training, contributions to pension plans, transport card or restaurant vouchers). In this way, the employee maximises remuneration in two main ways: through the Bank's bargaining power to optimise the price and through the tax advantages accruing to certain products or services contracted through this system. Currently 48% of employees use this flexible compensation option.

As long-term remuneration designed to cover certain contingencies, the bank offers the following benefits:

- Certain supplementary cover is provided for all employees as regards the benefits paid by the Social Security system in the following circumstances: widowhood, orphanhood, permanent occupational disability, absolute permanent disability or severe disability.
- Employees in service since before 1 March 1980 have their pension commitments covered as established in the collective agreement for the sector.
- Annual contribution of 300 euros to the pension plan of all employees, pursuant to the provisions of the banking collective agreement, who have more than two years' service in the industry and whose pension commitments are not covered by any other scheme.

Furthermore, Bankinter forms part of the Plan Familia for Employees. Promoted by the Adecco Foundation, this programme provides any of the Bank's employees with a disability, and/or family members in a similar situation, with assistance of various kinds to help them achieve real employment and social integration, or to help them perform various activities, including those related to leisure.

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Human capital	2012	2013	2014	2015	2016
Descriptive indicators					
No. of employees	4,068	4,088	4,185	4,405	5,486
Average age (years)	39.58	40.30	40.93	41.19	41.40
Personnel costs (thousands of €)	243.35	263.31	271.76	296.44	348.20
Experience					
Average years of service (years)	12	13	13.26	12.97	12.54
Average years of service (years)/40 years (career) (%)	30.00	32.50	33.15	32.43	31.35
Diversity					
Breakdown by gender					
Men (%)	48.80	49.17	49.41	49.35	48.87
Women (%)	51.20	50.83	50.59	50.65	51.13
University graduates (%)	76.72	77.05	77.90	80.09	79.80
No. of nationalities	29	27	28	30	39
Capacity and development					
People who have received training (%)	96.06	95.35	94.00	97.64	97.83
Average no. of hours of training per person trained	38.85	35.81	47.31	58.86	58.54
Training investments over total wages (%)	0.6	0.5	0.8	1.2	1.1
Training investment per person trained (euros)	246	207	381	553	500
Commitment and motivation					
External rotation index (calculated with average staff headcount)	5.59	4.09	3.52	4.40	4.45
People with flexible remuneration (%) (*)	35.15	39.92	45.07	47.79	41.16
New hires in last year/total staff (%)	2.19	4.33	5.81	9.28	6.91
Productivity (thousands of euros)					
EBIT/No. employees	37.90	63.87	93.87	118.12	113.91
Customer funds per employee	6,159	6,915	7,243	7,856	9,259
Credit investment per employee	10,339	10,077	10,143	10,030	9,330

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* Percentage calculated in 2016 over total headcount, including Portugal

Structural capital	2012	2013	2014	2015	2016
Removal of hierarchy and Transparency					
People participating in assessing competencies, performance and commitment	NDA	3,990	4,016	4,222	5,194
Flexibility %					
Internal rotation	19.80	16.72	19.00	27.74	17.97
People with business tablets and laptops (%)	27.88	26.22	25.50	26.17	36.35
People with business mobile (%)	63.74	63.92	76.30	67.04	71.51
Relational capital	2012	2013	2014	2015	2016
Customer relations					
Number of universal branches and foreign branches	367	360	360	361	447
No. of virtual branches	353	369	398	431	315
No. of Bankinter agents	478	432	424	505	432
No. of Business management centres	76	75	78	78	73
No. Corporate management centres	48	48	46	22	22
No. of private banking centres	38	38	42	48	49
People per branch or management centre	7.69	7.85	7.96	8.65	9.28
Staff linked directly to the business (%)	76.72	77.62	77.30	74.96	72.48
% of new active customer (*)	-	3.68	6.73	9.45	10.32
New active customers per employee (*)	-	9	17	24	24

(*) Performance is modified due to change of criterion in classification of active customers

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 Adolfo Murillo Martínez
 Agustí Solé Guardia
 Agustín Angulo Ruiz
 Aitor Javier Alvear San Alejo
 Alberto Muñoz Cuesta
 Alejandro García Pérez
 Alipio Conde Herrero
 Ana Jaque García
 Ana María de la Tajada Gómez
 Ana Nieto Alonso
 Ana Ramírez Cogollor
 Ander Arcarazo Zuazua
 Andrés Aroca Roca
 Andrés Manuel Linares Cervera
 Ángel Alonso Piñeiro
 Anna Meliá Casademunt
 Antonio Francisco Fernández López
 Arantzazu Sánchez Janáriz
 Aranzazu García Mata
 Ascensión Cuadra Pérez-Santana
 Aurora María Mateo Delgado
 Bárbara Obradors Sans
 Beatriz de Mendoza Rodríguez
 Beatriz Del Río Tomé
 Belén Ruiz de la Hermosa González
 Carlos Díaz Díaz
 Carlos Javier Marcos Pinazo
 Carlos Lejo Turiel
 Carlos Luis Molinuevo Rascón
 Carlos Mendiburu Bastida
 Carlos Mocholi Mocholi
 Carmen Carbonell Sevillano
 Carmen Escauriaza Leal
 Carmen Sánchez Ameneiro
 Carolina Sánchez Soriano
 Clara Asenjo Candelas
 Cristina Reyes Sánchez
 Cristina Alonso González
 Cristina Alonso Sánchez
 Daniel Andrés Pérez
 Daniel Crespo Muñoz
 Daniel J. Faci González
 David Cuadrado Gómez
 David Santiago Pérez Barrasus
 Diana González Ventura
 Dimple Sham Melwani Balani

Eduardo Revuelta Martínez
 Elena María Sierra Bonilla
 Elena Prieto Gil
 Emilia Romero Barragán
 Emilio José Mena Cebrián
 Enrique Abellán Rodríguez
 Enrique Delgado Gómez
 Enrique López Gago
 Esther Colmenarejo Serrano
 Esther Rísquez Susi
 Esther Vegas Coello
 Eva del Barrio Arranz
 Federico Tombelle De Lorenzo
 Fernando Antonio Serrano González
 Fernando de Pablo Martínez
 Fernando Gómez Bastida
 Fernando Orduna Martínez
 Fernando Rey Navarro
 Francisco Javier Casillas Díaz
 Francisco Javier Hontanar González
 Francisco Javier Martín Calvo
 Francisco Javier Martín Cuenca
 Francisco José Galiana de la Rosa
 Francisco José García Casas
 Francisco Ubaldo Rodríguez Jiménez
 Gemma Rodríguez Alier
 Gerardo Martínez Mallorquín
 Gregorio V. Esteban Delgado
 Heliodoro Díaz González
 Ignacio Llorente Utande
 Ignacio Núñez Núñez
 Inés Reyes Hernández
 Inmaculada Muñoz De la Fuente
 Íñigo de la Peña Berraondo
 Íñigo Esparza Lacasa
 Irene Ceballos Bretón
 Isabel Cajal Carmona
 Isabel María Osuna Braña
 Isabel Martín del Río
 Isabel Mínguez Pérez
 Itziar Sagarna Comenge
 Iván Morales Olivar
 Javier Gari Vinaixa
 Javier Ruiz Guerrero
 Javier Sáez Martos
 Joaquín Calvo-Sotelo Hergueta
 Jokín López de Arbina Martínez

Jordi Bellmunt Mancebo
 Jordi Campmany Badía
 Jordi Rusiñol Sánchez
 Jorge Banacloy Pardo
 Jorge Rodríguez Basanta
 José Antonio Arenere Morales
 José Antonio Barberá García
 José Antonio Canto Bañal
 José Antonio Martínez Carramiñana
 José Antonio Rodríguez Quintana
 José Bernardo Zaldúa Larzábal
 José Enrique Carretero Campos
 José Luis Castro Bellido
 José Luis Neira Bermúdez
 José Luis Piqueras Fernández
 José Manuel Castaño Taboas
 José Manuel Cortés Estévez
 José Manuel Martínez García
 José María Gómez-Orihuela López
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 José María Obeo Valiente
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 Juan Fernando Alegría Lacosta
 Juan Vallejo Guerrero
 Julián María Crespo De Francisco
 Lara García de Vinuesa Bazaga
 Laura Bruno García
 Laura Cermeño Simón
 Laura Moreno Hermoso
 Lorena Morote Soriano
 Lourdes Noemi Salamanca Oviedo
 Lourdes Quintana Requibatiz
 Lucas Noguera Oliver
 Luis Alfonso Muñoz Sanchidrián
 Luis Castillejo Garrido
 Luis Núñez Aguado
 Luis Sáenz de Tejada López

M. Ángeles de las Heras Rubio
 M. Gabriela Castillejo Cano
 M. Mercedes López Socías
 M^a Arantzazu León Reverón
 M^a Cristina Lastra García
 M^a De La Blanca Gutiérrez-Alviz Tejera
 M^a Trinidad González Aroca
 Manuel Luis Ayala Del Valle
 Manuel Ocaña Rubia
 María Belén Francés Foz
 María Carmen García Martínez
 María Carmen Gil Moreno
 María Carmen Martín Crespo
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 María Irene Martínez Rubio
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 María Isabel Lorente Domínguez
 María Isabel Sánchez Canosa
 María Jesús Sánchez Miguel
 María José Martín Rodríguez
 María José Moreno Maldonado
 María José Ponce Sánchez
 María Luisa de Guzmán Redondo
 María Plaza De la Vega
 María Soledad Jiménez Fernández
 María Teresa Delgado Canalejo
 Mariana Romero Campero
 Mariano C. Alcázar Cano
 Mario Romero Caamaño
 Marta Capitán Obregón
 Marta González Martínez
 Marta Rueda Maure
 Martina Collar Díaz
 Matías Ximelis Fernández
 Mercedes Peñas Lorenzo
 Miguel Ángel Muñoz Molina
 Miguel Ángel Rubio García
 Miguel Eduard Miranda Tierno
 Mikel Aguirre Novoa
 Milagros Santos Sarabia
 Miriam Fernández Ortal
 Mónica Gutiérrez López
 Mónica Mejía Fernández
 Narquis Pérez Ramos
 Nilko Gómez Lipiz

Noelia Ramos García
 Norberto Gandarillas Ugarte
 Nuria Agustín García
 Olga Díaz Muñoz
 Paloma González Quesada
 Paola María Sánchez Garagorri
 Patricia Fernández Llorente
 Patricia García Sánchez
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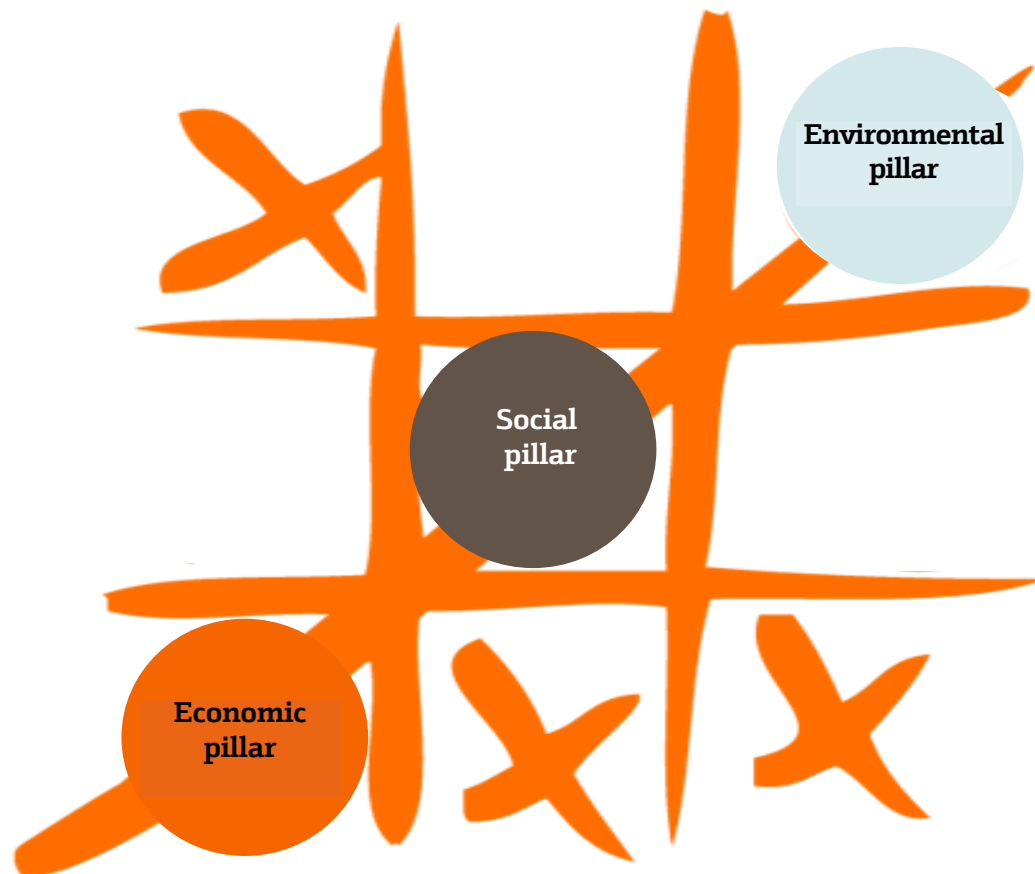


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A more transversal plan

Bankinter launched in 2016 its new 'Tic Tac Toe' plan, a multi-year programme of sustainability management for the 2016-2020 period. The plan takes its name from the treble dimension – economic, social and environmental – of the bank's strategic sustainability model. The new plan has the same structure as the previous plan, but expands its strategic lines and the programs are deeper.

The objective is to provide a more ambitious response to the three major challenges crisis identified 2012 (economic due to the change in model, social due to the demographic change and environmental due to

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climate change) that persist in 2016, in both Spain and Portugal.

The new plan is based on the new Sustainability Policy that was approved by the Board of Directors in January 2016. This policy has 10 principles whose objectives are to contribute to the sustainable development of the environment based on the three strategic pillars of quality, innovation and technology, in line with Bankinter's corporate values. The principles are as follows:

1. The promotion of best practices of corporate governance in management, ensuring compliance with the legislation, responsible finances, transparency, ethics in business and suitable risk management.
2. The development of products and services aimed at our customers and the establishment of a balanced, transparent and clear relationship.
3. Taking into consideration the economic, social and environmental impacts in the design of its products and services.
4. The financial integration of people with disabilities, guaranteeing them access to Bankinter's services on equal terms, ensuring there is no discrimination for this reason through the "A Bank for All" project.

5. The advanced management of people as the bank's most important capital, promoting their wellbeing and motivation through conciliation measures, personal and professional development and health promotion.

6. Contribution to the social development of the community in which the bank operates, both through its own activity and through initiatives aimed at the citizenry, through the Bankinter Foundation for Innovation, for collaboration with the third sector and the corporate voluntary work programme.

7. Carry out its business in the manner that most respects the environment, involving its main stakeholders.

8. The responsible management of the chain of suppliers, fostering a positive mutual influence society for the improvement of the social, ethical and environmental fulfilment

9. The incorporation of ESG (environmental, social and governance) criteria in the analysis of investment and financing.

10. The acceptance of the collected commitments contained in international protocols and standards, implementing their best practices.

This policy is supplemented by the other internal policies reflecting the guidelines set out by the bank.

To ensure compliance with the recommendations of the Sustainability Policy, a new plan was designed in accordance with the principles for corporate social responsibility set out in the Good Governance Code of Listed Companies published by the CNMV in February 2015. During this process, a system of management of dialogue with stakeholders was launched in order to ascertain their expectations and motivations. The following activities were highlights:

- Analysis of new regulations, such as the Good Governance Code of Listed Companies of the CNMV, and their application in Bankinter.
- Analysis of the results of evaluations of the most prominent sustainability indices: DJSI, FTSE4Good, Sustainalytics, etc.
- Monitoring of international trends and standards such as the GRI G4, IIRC, ISO 26000, SGE 21, new version of ISO 14001, etc.
- Best practices of worldwide sector leaders.
- Customer satisfaction surveys.
- Surveys conducted among employees in 2014 and 2015.
- Analysis of Reptrack results.

(G4-26)

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The 2016-2020 Plan establishes 18 strategic lines of an economic, social and environmental nature.

Economic axis

- Good governance
- Responsible finances
- Customer-oriented services
- Socially responsible investment
- Sustainable products
- Responsible management of suppliers
- Corporate/brand culture
- Structure

Social axis

- Financial inclusion
- Advanced management of people
- Bankinter Innovation Foundation
- Volunteering
- Citizens
- Social footprint management
- Structure

Environmental axis

- Climate change strategy (carbon footprint)
- Environmental management system
- Structure

In addition, the process for the implementation of the Sustainability Plan was initiated in Bankinter Portugal in 2016.

Governance in sustainability

The Board of Directors is the body responsible for establishing and overseeing compliance of the Sustainability Policy and its instruments of implementation, and to decided on any modifications that should prove necessary.

The Board's Appointments and Corporate Governance Committee is responsible for monitoring implementation of this Policy.

The Sustainability Committee, which is chaired by the Chairman of the bank, and comprises the heads of areas related to management of sustainability, is the body responsible for proposing and executing the 'Three in a row' plan by planning and implementing the initiatives set out in the plan, and integrating in each area of the bank the principles set out in the Sustainability Plan in a manner that is aligned with and integrated in the bank's global strategy.

The Sustainability Division is responsible for coordinating actions defined in the Lines and Programmes of the Strategic Plan and monitoring thereof, for verification of the degree of compliance of the objectives flowing therefrom, and for identifying areas of improvement, in accordance with recognised ethics and sustainability standards and indices.

Lastly, the Internal Audit is responsible for supervision of non-financial information that is reported at least once a year by the Sustainability Committee to the Board, via the Appointments and Corporate Governance Committee.



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Most significant indicators of 2016

Significant data	2016	2015
Compliance with Unified Good Governance Code recommendations (no.) ¹	61	61
Women in managerial positions (%)	37.2	35.7
No. of reports received on the confidential channel for employees	5	4
Corporate reputation index (general public) - Reptrak (no.) ²	52.8	51.8
Inclusion in sustainable stock market indices	Yes	Yes
Carbon footprint (Ton CO ₂ ranges I and II per employee) ³	2.01	2.11
Employees covered by UNE-EN-ISO Environmental Management System 14001 (%)	39.14	35.28
Employees covered by Accessibility Management System UNE 170001 (%)	6.75	6.54
Employee participation in the corporate volunteering programme (no.)	685	620
Employees with disability out of total staff (%) ⁴	1.03	0.97
Branches accessible for people with reduced mobility (%)	99.5	99.5

1 61 were fulfilled, 2 are not applicable to the bank and 1 is explained pursuant to the code approved in February 2015.

2 The 2015 data has been recalculated based on the new measurement methodology Reptrak Banca 2015.

3 Data of Spain are used for comparability. The 2015 figure has been recalculated in accordance with the latest version of the emission factors of the MAPAMA

4 The 2016 figure includes the workforce of Spain. If the Portugal workforce is also included, the percentage would be 0.86%



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Materiality analysis

A relationship of priorities

Bankinter identifies what aspects of its activity have a greater influence on the environment by launching a system for the management of dialogue with its stakeholders. The model is defined in accordance with the guidelines set out by the standard of non-financial reporting, Global Reporting Initiative (G4). The following are the main mechanisms of dialogue used for this purpose:

Stakeholders	Dialogue channels	Parties responsible for management
Shareholders	Shareholders office General Shareholders' Meeting	Manager of Shareholder Office
Investors and analysts	Road shows Meetings Questionnaires	Director of Investor Relations Director of Sustainability
Customers	Quality surveys Customer Service External ombudsman Bank of Spain Multi-channel banking	Director of Quality Director of Legal Advice
Regulatory bodies (Banco de España, CNMV)	Circulars	Director of Regulatory Compliance
Employees	Global surveys Evaluation Confidential channel for reporting irregularities Queries mailbox	Director of Personnel Management Director of Audit Director of Quality Director of Internal Communication Director of Sustainability
Suppliers	Procurement portal Follow-up meetings Questionnaires	Director of Efficiency and Transformation
Shareholders Universities and Business Schools	Meetings Forums Workshops	Director of Foundation Director of Communication and CSR

Stakeholders	Dialogue channels	Parties responsible for management
Third sector	Social involvement mailbox Meetings	Director of Sustainability
Media	Press conferences Press releases Social networks	Director of Communication and CSR
Society (rest not included above)	Social networks. Corporate website Reprack survey	Director of Communication and CSR Head of Reputation
(G4-18, G4-19, G4-20, G4-21, G4-24, G4-25, G4-26, G4-27)		

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In 2016, the bank's materiality analysis was updated to determine what significant aspects are reflecting the economic, environmental, and social effects of the organisation. This allowed for detecting changes in the surroundings and in the expectations of different stakeholder groups, and to prioritize efforts in programmes that generate the greatest shared value.

This mechanism has improved the effectiveness of the channels of dialogue with social actors. The analysis can specify the priority items in accordance with two parameters: the significance and maturity of aspects related to the financial activity, and the importance assigned to them by the bank's stakeholders (customers, employees, shareholders, analysts of sustainability and ESG investors, social and sector opinion leaders, the media and society at large).

Bankinter plans its activities while taking into account these results and compares them with the internal analysis carried out by the areas of the bank that are more directly involved in this process of active listening.

The result of this quantitative and qualitative analysis is the materiality matrix, which graphically organises factors of the bank's business according to two aforementioned criteria.

(G4-18, G4-19, G4-20, G4-21, G4-24, G4-25, G4-26, G4-27)



Economic dimension

- 1 Service quality and customer satisfaction.
- 2 Transparency in Board remuneration.
- 3 Control mechanisms and risk management (financial)
- 4 Regulatory compliance
- 5 CSR policy and supervision thereof
- 6 Prevention of corruption and money laundering.
- 7 Control mechanisms and risk management (non-financial)
- 8 Transparency in commercial relations.

Social dimension

- 9 Talent recruitment and retention
- 10 Dialogue channels with stakeholders
- 11 Employment creation and stability.
- 12 Equal opportunities
- 13 Code of conduct
- 14 Conciliation policy
- 15 Investment in the community
- 16 Remuneration equality
- 17 Training
- 18 Evaluation of employee performance.
- 19 Working environment

Environmental dimension

- 20 Energy management in facilities
- 21 Environmental policy

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Economic axis

Bankinter understands sustainability to mean a business model based on the quality factor that makes business targets compatible with social development and respect for nature.

The bank's sustainability was recognised in 2016, both by socially responsible investment indices like the FTSE4Good, publications such as the *Sustainability Yearbook* published by RobecoSAM, and by environmental management rankings such as the Carbon Disclosure Project, which

includes the largest international companies by capitalisation.

Bankinter is also a member of the United Nations Global Compact Network Spain. As such, it assumes the commitment to incorporate Global Compact's ten conduct and action principles into its activity on human rights --the bank has an online course on this subject available to employees--, labour rights, environment and combating corruption.

Also, the bank has become a member, along with another 32

large Spanish companies, of the **Cluster of Transparency, Good Governance and Integrity**, a platform of companies coordinated by Forética, the leading association of companies and professionals of CSR in Spain. The Cluster transfers to Spain the main business principles and transparency, good governance and integrity, and it contributes to the generation of knowledge and collaborates with public authorities and opinion leaders, thus assuming a leadership position in this area.

In December 2016, the bank adhered to the **Ecuador Principles**, a leading international initiative in the financial sector with the objective of evaluating and managing the environmental and social risks of the projects to be financed. These voluntary guidelines are applicable in *project finance* transactions that have an amount equal to or higher than 10 million dollars and in corporate loans linked to projects with a total amount above 100 million dollars. From 2017, Bankinter undertakes the obligation to annually report on the processes of implementation and monitoring of the principles.

The promotion of energy sources that are sustainable, competitive and safe is a key objective for Bankinter's financing. Over the course of 2016, the bank took part in 30 renewable energy projects (photovoltaic and wind energy, among other

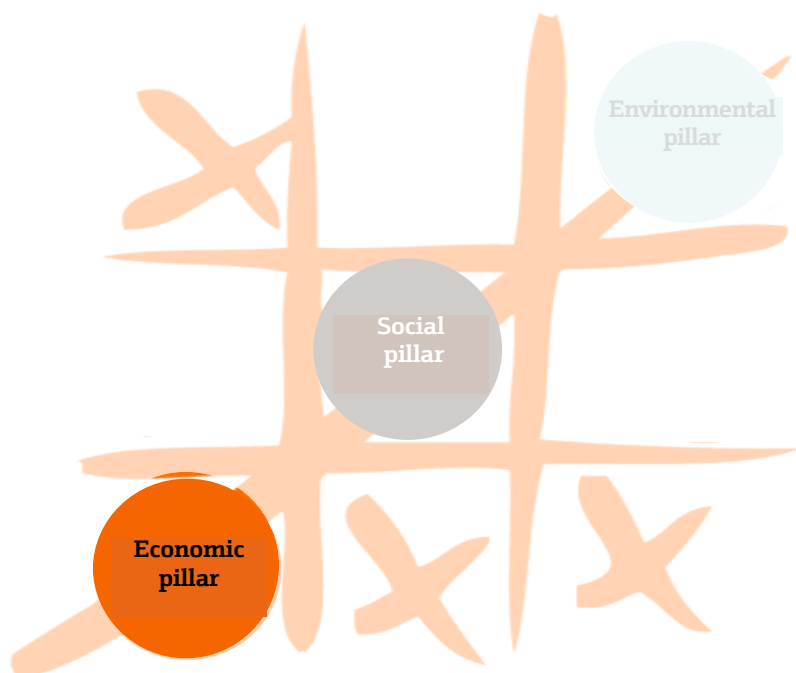
technologies), with total financing amounting to 84 million euros.

The main novelties in sustainable products and investments were as follows:

- **Bankinter Sustainability Fund.** It invests in equities that are on the main social and environmental responsibility indices. It is notable that this is a fund rated at five Morningstar planets, and it stands in the 91st percentile of its sustainability category. It increased its assets by 0.5 million and ended 2016 with a total of 76.7 million euros. It attained a profit of 7.3%.

- **Responsible investment funds.** The bank makes available to its customers 79 funds of international prestige that invest with responsible criteria. Their investment strategies centre on companies dedicated to renewable energies, innovation and technology, and reduction of the impact of climate change, or that are present in sustainability indices.

- **Investments in venture capital funds or companies that invest in sustainable products.** The bank held stakes such as the following: 4.3% and 4.5% in YsiosBiofund I and II (biotechnology and life sciences), 10% in Going Green (electric automotion) and 2.5% in Private Change Capital Private Equity Fund (clean technologies).



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▪ Bankinter Solidarity Visa Card.

In 2016, the conditions of the card were modified. The percentage donation from purchases made with deferred payment changes from 3% to 5%. Also, the Bankinter Solidarity Card donates 0.25% of purchases paid at the end of the month. At 31 December 2016, there were 1,382 solidarity card holders. The income generated were used for the financing of social action projects presented in the 2016 'Involvement and Solidarity 2016' event, and which were selected in a vote of all bank employees.

▪ **SME Initiative.** In the last quarter of 2015 Bankinter and the European Investment Fund signed their third agreement. The bank provides financing of up to 300,000 euros to companies that are eligible, under highly advantageous conditions, thanks to the guarantee under which it will receive 50% of the transaction from the European Investment Fund. In addition to this new agreement, there is still 145 million euros available in Innovfin 2014, within the scope of Horizon 2020. Its aim is to support the financing of Spanish companies with fewer than 500 workers that conduct research and innovation activities and projects.

▪ **Hal-Cash.** The system, which enable customers to send money to any person's mobile phone so they can

withdraw it from a cash machine without using a credit card, was used in 2016 by 14,809 customers, who placed 183,070 orders for the amount of 40,267,420 euros. Hal-Cash provides access to financial services to groups that do not have bank accounts.



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'Tic Tac Toe' plan Economic Dimension 2016-2017

Strategic lines	2016 Milestones	Compliance	2017 Challenges
Good governance	Establishment of new Sustainability Policy by Board. Assignment of implementation monitoring functions to Appointments and Corporate Governance Committee. Adhesion to Cluster of Transparency, Good Governance and Integrity.		Monitoring of implementation of Sustainability Policy by Appointments and Corporate Governance Committee.
Responsible finances	Redefinition of the whistleblowing channel. Implementation of the Criminal Prevention and Professional Ethics Subcommittee in Portugal. Face-to-face training on criminal liability of legal entities for the Board, Management and the organisation.		Drafting and dissemination of the Code of Ethics Training programme in MIFID II
Customer-oriented services	Bank NPS above 23% Establishment of improvement plans in centres with low NPS Integration of measurement in branches of Portugal. Development of new adapted customer service protocol.		Bank NPS above 25%. Establishment of improvement plans in centres with low NPS Measurement of customer experience in digital banking.
Socially responsible investment	Adhesion to Ecuador Principles. Monitoring of Bankinter Sustainability Fund. Investment funds with responsible criteria available to customers.		Management and reporting of transactions subject to Ecuador Principles.
Sustainable products	Relaunch of Bankinter Visa Solidarity Card. Development of products with a social and environmental impact.		A 100% increase in number of Bankinter Solidarity cards. Design of a product with social and/or environmental impact.
Responsible management of suppliers	Definition of ESG criteria for supplier certification process. Elaboration of a applicable procedures.		Incorporation of ESG criteria defined in supplier certification process. ESG weighting of main suppliers
Corporate/brand culture	Rebranding of Portugal branch offices to Bankinter Brand. Harmonisation of group image in its digital activity.		Definition and development of Brand indicator.
Structure	Development of the 2016 training plan. Development of the 2016 communication plan. Implantation of 'Tic Tac Toe' plan in Portugal.		Correlation model between the Sustainable Development Objectives and the Plan's strategic lines. Development of the 2017 training plan. Development of the 2017 communication plan.

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Social dimension

The institution's social commitment is materialised in the implementation of a large number of programmes in which the participation of the stakeholders is sought.

Accessibility and financial inclusion

Bankinter is firmly committed to ensuring the accessibility of all its relationship channels with its stakeholders, and it particularly takes account of the needs of disabled and elderly people by offering quality adapted service.

To ensure continuous improvement in management of its physical accessibility, Bankinter has implemented a Universal Access Management System (UAM). The system has been certified by AENOR pursuant to the standard UNE 170001 and it has been implemented in the bank's headquarters (Paseo de la Castellana, 29, Madrid) and in seven branches. In addition, the accessibility criteria incorporated in the work manual have been applied in both the remodelled and new branch offices. They have also been incorporated in the remodelling project of the new singular Bankinter building in Alcobendas, Madrid.

Given the high percentage of banking transactions that Bankinter customers execute on remote channels, equipping these remote channels with utmost accessibility has been considered a priority.

In terms of digital accessibility, the website bankinter.com has the certification of ICT of AENOR, pursuant to the standards UNE 139803.

Meriting mention among the accessible services started up are the Braille coordinates card for phone transactions, monthly statements in audio and large print formats, an accessible video player, and the advisory service by video-calls in sign language, which is accessible from all branches.

With respect to cognitive accessibility, the bank makes available to its customers a Clear Finance Dictionary, which was developed by Bankinter in collaboration with the Instituto de Empresa, and which adapts the definitions of the most common banking terms to make them more easily understood by all.

The new Commercial Protocol for bank employees includes service guidelines for differently-abled people for each phase of commercial activity.

Advanced employee management.

In 2016, the bank renewed its certification as a family-responsible company, and improved on its previous score (EFR).

The bank's advanced people management was recognised in 2016 in studies conducted by Top Employer, Actualidad Económica and Merco Talento (see more information in Human Factor chapter).

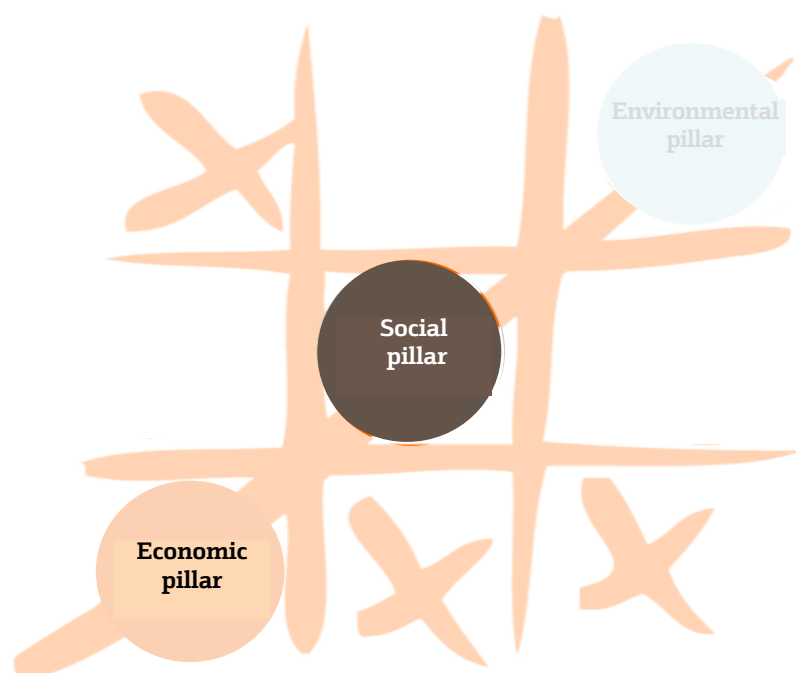
Bankinter Innovation Foundation

The Future Trends Forum has been recognised as the best technology think tank in Spain, according to the University of Pennsylvania.

In 2016, the programmes of the Foundation in Portugal were presented (see more information in the Bankinter Innovation Foundation).

Corporate volunteering

Participation of the bank's employees in the social actions of the 'Tic Tac Toe' plan was facilitated through the corporate volunteer management programme Mueve.te. Via this platform, there were 685 volunteers (634 in Spain and 51 in Portugal) in a total of 72 technical, environmental and social activities (64 in Spain and 8 in Portugal) in 2016, reaching a total of 2,548 direct beneficiaries.



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The number of employees that participated in volunteer days in 2016 increased by 14%.

In financial education, the following initiatives were noteworthy:

- Participation in the second edition of the 'Your Finances, Your Future' project. Promoted by the Spanish Banking Association (AEB) and the Junior Achievement Foundation, its mission is to develop the skills and knowledge of secondary school and baccalaureate students on managing domestic economy. The programme was given by 51 bank volunteers in three one-hour sessions, ultimately teaching a total of 592 students from 22 schools throughout Spain.
- Financial training programme for students with mental disability. Taught by 11 volunteers from the bank to students of: the Estudiantes Foundation, the Gil Gayarre Foundation and the Integra Foundation, with 34 beneficiaries. It was given in two sessions, in which basic banking concepts were taught, in addition to how to make a balanced household budget.
- Financial training programme for young people in a situation of social risk. Given by 24 volunteers from the bank in Portugal to 33 beneficiaries of the organisations "Ajuda de Mãe" and "Estabelecimento Prisional de Caxias".

- Financial training programme for deaf people. Taught in person to 103 people at LSE in different federations of the CNSE (Spanish federation of deaf people) and through knowledge pills on its website, with the aim of providing basic financial knowledge to deaf people, which is available in the digital channels of the CNSE and in RRSS.
- Mentoring programme. Carried out by 10 volunteers from the bank who have been trained in the European Coaching School, and targeted at students with mental disability in the Campus Project of the Carmen Pardo Valcarce Foundation in order to facilitate their social and occupational integration. It was begun in December 2014, and it will continue until June 2017.

Such initiatives are also highly valued by staff, as they oblige them to develop specific skills to adapt communications to any interlocutor, independently of their skills and abilities.

Partnerships with the third sector

Collaborations with the third sector are a formula to establish valuable relationships between the bank and the community.

Given that they are a significant stakeholder, Bankinter strengthened its support for **entrepreneurs**, in so

far as they are considered the engine for revitalising the economy and a long-term source of job creation and wealth. In addition to the programme developed by the Foundation, the bank supported the following initiatives:

- Collaboration with SECOT (Spanish Seniors for Technical Cooperation) on a platform for both retired and active executives to enable them to convey their knowledge on a voluntary and altruistic basis to innovative entrepreneurs and micro-enterprises.
- Participation in the eleventh edition of the Mashumano awards for young entrepreneurs, with contributions in processes of recruitment, training and financing,
- Collaboration and financing for workshops in support of young green entrepreneurs organized by the start-up Greenweekend.
- Sponsorship of projects of young entrepreneurs of the Junior Achievement Foundation in Portugal.

Also, strategic partnerships were established with associations related to **people with disabilities**, such as that entered into with COCEMFE to foster the workforce integration of women with disabilities and the installation of a adapted technology

room in the Ilunion residence in the Madrid town of Parla.

Bankinter is a promoting partner of the Lealtad Foundation, a not-for-profit institution whose objective is to foster confidence of Spanish society in NGOs by means of transparency.

Citizens

The following are some of the solidarity actions carried out in 2016:

- Fifth edition of the Involvement and Solidarity programme. A 360° initiative through which ten social projects are being financed, at a total amount of 50,000 euros. It involves different stakeholders of the bank: customers, who use the Bankinter Solidarity Visa; employees, who submitted 136 social projects; society, which participates in and disseminates the project in the social networks; and the bank's executives, who act as godfather to the projects.
- Fourth edition of the Innovation, Sustainability and Network award organised by Bankinter with Expansión and Viesgo, and with the technical advisory of the IE Business School. The award recognises the most outstanding projects by large and medium-sized companies and institutions that meet criteria for social and environmental criteria, and for networked collaboration.

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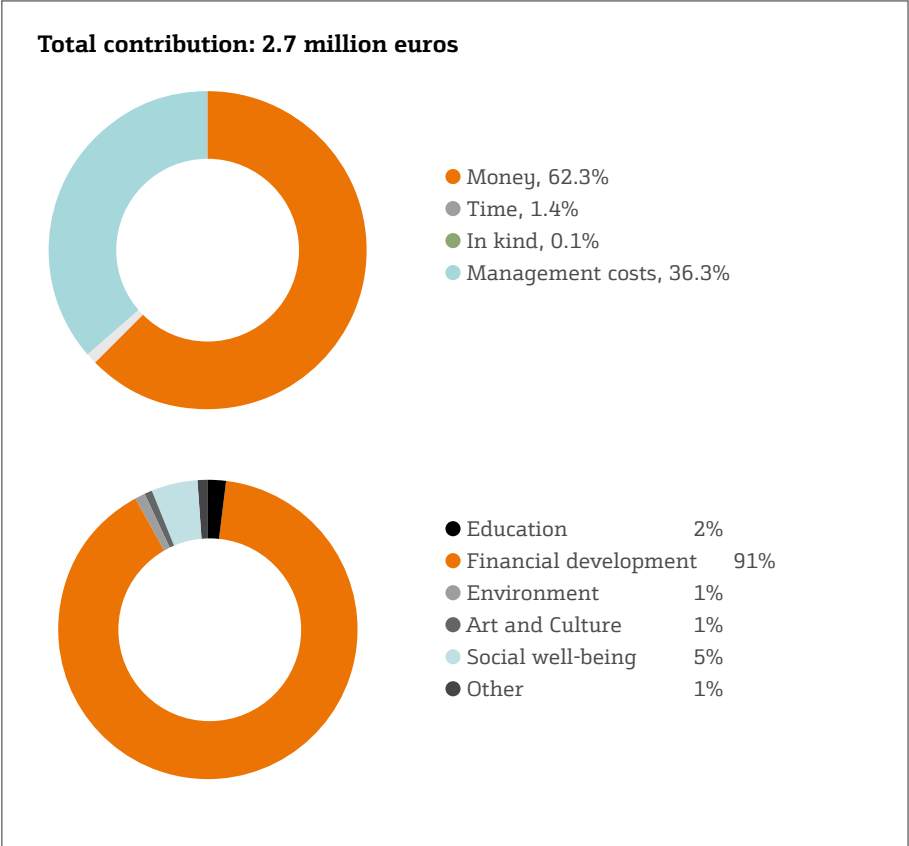
- New toy collection campaign. Organised in December with the collaboration of the Valora Foundation. Some 1,286 toys for 1,214 children were collected for institutions and associations of disadvantaged families throughout Spain. In Portugal, 982 toys were delivered to the beneficiaries of the AMI Foundation.
- Virtual campaign of food donations, with the participation of the bank's employees in benefit of reception centres of the food bank both in Spain and in Portugal.
- Patronage of Alento Charity Gala. Organised by the Gmp Foundation with the National Ballet of Spain and Danza Down. The entire proceeds - which amounted to 18,000 euros - were allocated to the project 'Emociones' of Down Spain, for the social integration of this group of people.

- Bankinter Madrid-Lisbon Challenge. A charity race for all Bankinter employees, in which a mobile application is used to count all the kilometres accumulated in a weekend. Based on the number of kilometres covered, Bankinter a donation of 6,000 euros to the Junior Foundation.








Social Investment Distribution Platform




The entity has adopted the methodology developed by the London Benchmarking Group (LBG) which measures, manages, assesses and disseminates the contributions, achievements and impact of social action in the community and in the environment.

Indicators for 2016 are as follows:



Plan 'Tic Tac Toe' Environmental Axis 2016-2017

Strategic lines	2016 Milestones	Compliance	Challenges 2017
Financial inclusion	Renovation of certificate of universal physical accessibility. Inclusion of accessibility criteria in the remodelling of the new building in Alcobendas. Protocol of commercial attention adapted for people with disabilities. Financial education programs		Extension of the scope of the Universal Physical Accessibility Management System. Development of a pilot project on cognitive accessibility
Advanced employee management.	Renewal of EFR certificate and improvement of punctuation. Adhesion to Luxembourg Declaration of Healthy Companies. Bankinter Portugal workforce integration plan.		Development of healthy company programmes
Bankinter Innovation Foundation	Development of Innovation Foundation's four programmes in Spain. Start of Foundation activities in Portugal.		Development of Innovation Foundation's four programmes in Spain and Portugal.
Volunteering.	14% of staff involved in volunteering.		Deployment of new volunteering management tool. 17% of staff involved in volunteering.
Citizenship.	Collaboration in More Human Entrepreneurs Awards Patronage of "Alento" Charity Gala Solidarity Challenge Madrid - Lisbon Development of other strategic alliances with the Third Sector.		Development of a programme to support entrepreneurship in educational centres. Monitoring of programmes, alliances and collaborations with the Third Sector.
Social footprint management	Definition of social footprint indicators.		Measurement and regular management of the entity's social footprint.
Structure	Development of the 2016 training plan. Development of the 2016 communication plan. Implantation of 'Tic Tac Toe' plan in Portugal.		Correlation model between the Sustainable Development Objectives and the Plan's strategic lines. Definition of a Human Rights policy. Development of the 2017 training plan. Development of the 2017 communication plan.

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Environmental Axis.

Bankinter addresses environmental management by assuming the challenge and responsibility to operate in the most respectful way with the environment, taking the necessary measures to mitigate its direct and indirect environmental impact.

This commitment to environmental responsibility is set out in its Environmental Policy, aimed at enhancing the positive impacts and minimising the negative effects of its activity on the environment.

The Sustainability area is responsible for ensuring compliance with the policy's principles and ensuring the bank's commitment to protecting the environment. The area coordinates the Sustainability Committee, established in 2009 and chaired by the Bankinter Chairman. This body is responsible for guiding the entity's environmental policy and programmes. It has also set up an Environmental working group with the most involved areas which periodically monitors progress.

The main environmental programme of Plan 'Tic Tac Toe' is the Carbon Footprint project, through which the direct and indirect environmental impacts generated by the bank's activity are identified, measured and controlled.

Responsible environmental management also extends to our suppliers and subcontractors and includes environmental certification criteria and environmental clauses in contracts where risk is considered to be greatest.

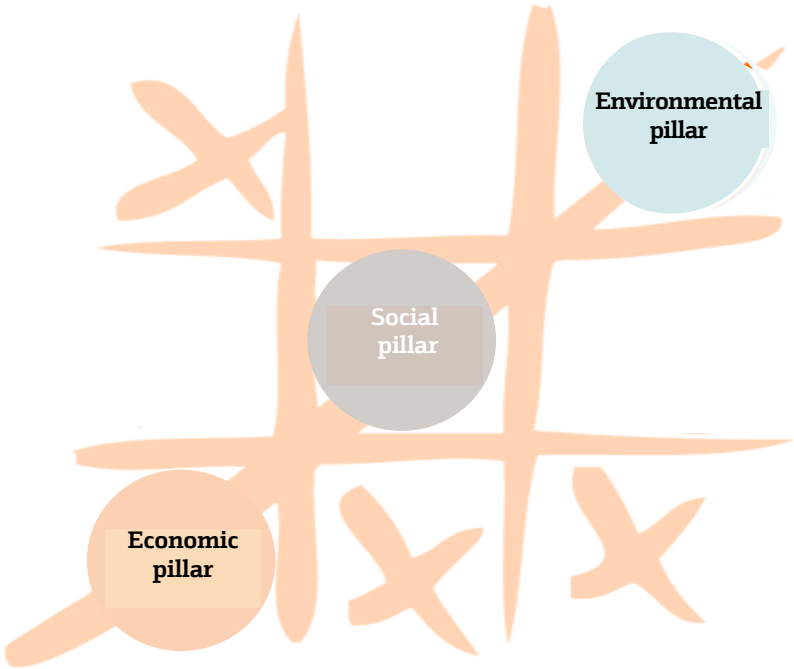
The entity's Financing and Investment Policies also include environmental criteria. In addition, as mentioned in the chapter on the economic axis, in 2016 Bankinter adhered to the Equator Principles whereby environmental and social analyses will be carried out on all project finance projects which require them.

Similarly the bank collaborates with leading organisations which assess and evaluate its environmental performance, such as the Carbon Disclosure Project (CDP), of which Bankinter has been a signatory company from the beginning. The entity is also a member of the CDP Water and CDP Forest Disclosure projects.

Environmental management system.

Bankinter has an Environmental Management System (EMS), certified according to the UNE EN ISO 14001 standard to guarantee the continuous improvement of its environmental performance. This system includes three buildings in Madrid and a branch. The Internal Audit area participates in the annual verification process required for certification. In Spain, 38% of the bank's staff is covered by this environmental certification. Portugal also has a certified Environmental Management System at its headquarters in Lisbon, which covers 45% of the workforce.

In its Annual Program of Environmental Management, Bankinter includes a series of objectives and goals aimed at optimizing consumption and correct waste management; The reduction of emissions to the atmosphere and the programming of communication campaigns, awareness-raising and training of employees on good environmental practices. These are detailed below:



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Objective 1: Reduce our direct emissions

What did we do in 2016?

Exhaustive control of possible air conditioning leaks.
Control of consumption by the bank's properties through remote management.

KPI	2016	2016 Target	2017 Target
Tonne CO ₂ e / employee	0.089	✓ (-1%)	(-1%)

* Emissions have been reduced by 1.6% per employee.

Objective 2: Reduce our electricity consumption

What did we do in 2016?

Projects to replace equipment with more efficient ones
(ACS equipment in Alcobendas) Improvements in automation and control of consumption in our buildings

KPI	2016	2016 Target	2017 Target
MWh / employee	5.07	✓ (-2%)	(-2%)

* Electricity consumption has been reduced by 4.8% per employee.

Objective 3: Reduce our induced emissions

What did we do in 2016?

Promotion of alternative communication platforms (conference calls for internal meetings, video calls with clients), awareness campaigns, good environmental practices, webmail campaigns.

KPI	2016	2016 Target	2017 Target
Tonne CO ₂ e / employee	2.15	✗ (-1%)	(-1%)

* Emissions from corporate travel have increased due to increased commercial activity and the Portugal project. Overall they have increased by 0.11% per employee.

Objective 4: Offset our direct emissions

What did we do in 2016?

Bankinter has offset its 2015 direct annual emissions and those of the sustainable branch by participating in the 'Conservation of the Amazon in Madre de Dios in Peru' project as part of the Ecology and Development Foundation's Zero CO2 initiative.

KPI	2016	2016 Target	2017 Target
Tonne CO ₂ and offset	414	✓ (Direct Emissions)	Carbon Neutrality

Objective 5: Reduce our paper consumption

What did we do in 2016?

Awareness campaigns and good environmental practices, web mail campaigns for customers, implementation of user access for printers.

KPI	2016	2016 Target	2017 Target
Tonne of paper / employee	0.08	✓ (-2%)	(-2%)

* Paper consumption was reduced by 23.7% per employee in 2016.

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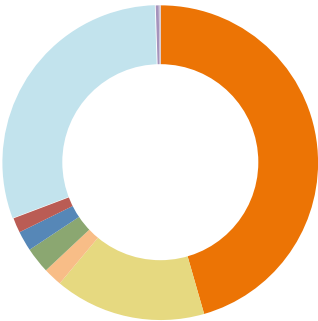
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Carbon Footprint

Bankinter has been calculating its integral carbon footprint since 2009 in its three emission ranges: direct (consumption of fossil fuels and possible leakage of refrigerant gases), indirect (electricity consumption) and induced (travel and paper consumption, among other impacts). In 2016, for the fourth consecutive year, Bankinter's calculation of its organizational carbon footprint was verified by an external company, SGS, in accordance with the Greenhouse Gas Protocol and in line with the requirements of the Intergovernmental Panel on Climate Change.

In 2016, Bankinter was also awarded the Reduzco seal from the Carbon Footprint Registry of the Ministry of the Environment, as it has reduced the intensity of its emissions in recent years.



Total emissions in Spain 2016 (TCO ₂ E)	Direct	Indirect	Induced	Totals	%
Company transport			2,941.20	2,941.20	15%
Commuting			5,622.16	5,622.16	30%
Paper and toner consumption			355.15	355.15	1.9%
IT equipment			515.32	515.32	2.7%
Furniture			65.48	65.48	0.3%
Electricity consumption		8,812.85		8,812.85	46.3%
Customer electricity consumption			295.83	295.83	1.6%
Heating consumption	395.60			395.60	2.1%
Refrigerating gases	0.00			0.00	0.0%
Generators	11.43			11.43	0.1%
Waste			12.45	12.45	0.1%
Cleaning products			1.05	1.05	0.0%
Water consumption			14.60	14.60	0.1%
TOTAL	407.03	8,812.85	9,823.40	19,043.28	100%

1. Bankinter's carbon footprint in Spain for 2015 has been recalculated following the update of the information regarding employee travel. Total emissions for 2015 were 18,752.7 tn CO₂ (4.31 tn CO₂ / employee).

(G4-22)

In 2016, Bankinter emitted a total of 19,043 tonnes of CO₂equivalent in Spain, 4.16 tonnes CO₂/employee (down 2.2% on 2015).

Scope 1 (direct) emissions totalled 407.3 tonnes of CO₂ in Spain. This is a 2.2% increase on 2015 in absolute terms. However, these emissions declined by 1.6% in terms of emissions per employee.

In scope 2 (indirect emissions), there was a decrease of 1.1% (4.8% in emissions per employee) compared to the previous year in the case of Spain. Total emissions in this scope are 8,813 tonnes of CO₂ equivalent (-1.93 tonnes CO₂ per employee).

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Total scope 1 and 2 emissions fell by 1% (by 4.7% in emissions per employee), thanks to the various energy efficiency measures implemented in recent years, such as the shift to LED lighting, improvements in automation and HVAC and the replacement of equipment with more eco-efficient designs.

Scope 3 emissions (induced emissions) increased by 4% (0.1% per employee), mainly due to the rise in business trips due to increased commercial activity, in line with the financial results presented by the entity in 2016.

Direct CO₂ emissions (Tn)

	2015	2016	% 2015-2016
Gas/diesel consumption and gas refills	398.21	407.03	2.2%
Emissions per employee	0.09	0.09	-1.6%

Source: Mapama, 2016

* Emissions for 2015 were updated with the data from the last bills received

(G4-22)

Indirect CO₂ emissions (Tn)

	2015	2016	% 2015-2016
By Electricity consumption	8,910.87	8,812.85	-1.1%
Emissions per employee	2.02	1.93	-4.8%

Source: Mapama, 2016

*Emissions for 2015 were recalculated based on the emission factors updated by the Spanish Office of Climate Change

(G4-22)

Induced CO₂ emissions (Tn)

	2015	2016	% 2015-2016
Business travel	2,776.74	2,941.20	5.9%
Business trips	5,410.88	5,622.16	3.9%
Water	13.40	14.60	8.9%
Paper	404.57	320.90	-20.7%
Toner	64.33	34.26	-46.7%
Waste	11.52	12.45	8.0%
IT equipment	423.65	515.32	21.6%
Furniture	63.81	65.48	2.6%
Customer electricity consumption	270.41	295.83	9.4%
Cleaning products	4.31	1.05	-75.6%
Total	9,443.62	9,823.40	4.02%
Emissions per employee	2.14	2.15	0.11%

Source: Mapama, 2016

* Business travel emissions for both periods (2015 and 2016) have been recalculated based on the most recent DEFRA emission factor.

* Emissions reported in 2015 regarding business travel have been recalculated due to the updating of the staff mobility survey.

* Emissions reported in 2015 for customer electricity and toners have been recalculated due to the updating of the emission factors.

* IT equipment, furniture and cleaning products: estimates made taking into account the purchase of these materials

*Customer electricity consumption: Estimate made taking into account registered connections of clients to Bankinter website, the average duration of the same and the average consumption of a computer.

(G4-22)

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Eco efficiency and sustainable use of resources

The company has identified the main eco-efficiency indicators of its activity to be measured and controlled so as to implement all necessary measures to ensure optimum environmental performance. This means minimizing its carbon footprint and mitigating climate change.

Indirect energy consumption by the bank is mainly electricity consumption. This is the main source used by Bankinter (93% of total energy consumed) and its consumption has gradually been reduced in recent years as a result of the savings measures adopted.

In addition, in 2016, energy audits were carried out at the entity's buildings as required under prevailing legislation to assess the energy management carried out so far (upgrade of equipment to more efficient models, replacement of lightbulbs with LEDs, remote management of consumption, etc.) and establish continuous improvement plans for the future.

The distribution of electricity consumption by energy sources has been determined according to the structure of energy sources in Spain, and is calculated according to the Spanish electricity mix published by Red Eléctrica de España for 2015.

In terms of consumption of natural gas and gas oil, overall increases (11%) have been identified in relation to 2015, due in large part to the increase in staff in the main buildings of the bank. However, it should be noted that the consumption of these fossil fuels only represents 7% of the total energy consumed by the entity in Spain.

In absolute terms, the energy consumption of the entity has decreased by 0.3%. However, this has meant a 4% reduction in energy consumption per employee, which gives an idea of the efforts being made in eco-efficiency improvements.

The tables show the comparison of consumption data of Bankinter in Spain in relation to 2015.

Evolution of energy consumption (GJ)

	2015	2016	% 2015-2016
Electricity	84,419	83,490	-1.1%
Diesel consumption.	1,793	1,869	4.2%
Natural gas consumption.	4,210	4,789	13.7%
Total	90,423	90,148	-0.3%
Total per employee	20.53	19.70	-4.0%

* When all consumer bills of the year have not been available at the time of the information collection, an annualization has been made to 365 days to obtain the data for the full year. The consumption data for 2015 has been updated based on the final invoice data.

Energy sources

	2015	2016
Renewable	31,573	33,146
Cogeneration	8,948	8,433
Natural gas consumption.	8,442	8,683
Coal	17,137	11,438
Nuclear	18,319	18,368
Other	0	3,423
Total	84,419	83,490

Indirect energy consumption is calculated according to electricity consumption. Electricity consumption distribution is determined according to the structure of energy sources in Spain and is calculated according to the production mix in the Spanish electricity system estimated by REE 2015.

Growth of water consumption (m³)

	2015	2016	% 2015-2016
Total	41,757	45,488	8.9%
Total per employee	9.48	9.94	4.8%

* The calculation of water consumption in the branch network is estimated by extrapolating the ratio per employee of a sample of six branches with independent and non-community accountants.

Growth of paper consumption (Tn)

	2015	2016	% 2015-2016
Total	485	385	-20.7%
% recycled paper	100	100	-
Total per employee (%)	0.11	0.08	-23.7%

* The paper consumption data refers to the consumption of DIN A4, DIN A3 and envelopes.

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Bankinter acquires paper according to demanding environmental criteria. It is 100% recycled and bears the ecological stamps of Angel Azul and Cisne Nórdico.

At Bankinter Portugal, in 2016 a total of 50.4 tons of paper (0.06 tons per employee) were consumed.

Among the outstanding measures that the Bank has been implementing for the reduction of paper consumption (among other objectives), is the biometric signature solution, which was implemented in fixed office posts and has been extended in recent years to operations related to investment funds. Tablets have been distributed among office employees so that clients can subscribe, reimburse or transfer investment funds with a digital signature. Work is currently underway on the implementation of the biometric signature for other transactions.

In addition, customer information campaigns have been maintained to replace paper correspondence receipt with the web correspondence model.

Thanks to these measures and the awareness of employees there has been a year on year decline of 20% in paper consumption in Spain (23.7% in the case of paper consumption per employee).

In the case of electronic waste, the replacement of old with more efficient

equipment, the management of confidential information equipment and the start of activity in Portugal have influenced the management of a large quantity of this type of waste at the end of the year, which has been considered as a punctual action.

In 2016, Bankinter offset its annual direct emissions of 2015 (398 tonnes of CO2) and those derived from the Sustainable Office (16 tonnes of CO2) with its participation in the Zero CO2 initiative of the Ecology and Development Foundation in the Conservation of the Amazon project in Madre de Dios in Peru.



1st Prize. Water – Environmental reflection. Author: Jose Proença
XII Edition of Bankinter Environmental Photography Prize

Growth in waste management (kg)

	2015	2016	% 2015-2016
Confidential paper	153,740	146,147	-4.9%
Toner	510.65	304.95	-40.0%
Electronic equipment	2,142	36,191	1,589.6%

* Hazardous waste is properly handled by authorized managers.
* In Portugal, 33,027 kg of confidential paper and 90 kg of toners were managed.

No. of connections

	2015	2016	% 2015-2016
Video calls	28,546	22,413	-21.5%
Audioconference	478	532	11.3%
Dataconference	2,547	2,465	-3.2%

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Influence on stakeholders

The Bank has different communication channels, both internal and external, for the dissemination of its various social and environmental initiatives, thus promoting the participation of all its stakeholders. In addition to this Annual Report, the Environmental Portal and the internal blog 'Let it be known' are also available. They are internal tools (on the corporate Intranet) and are open to opinion, reflection and debate from all employees. Among the awareness-raising actions targeted at employees are the following:

- Environmental Web. It provides the entity's staff with news about activities of environmental interest, both internal and external to the bank. It also provides the employee with a suggestion box. In 2016 the video 10 years of Environmental Care at Bankinter was published, where the achievements in environmental management are described.
- Sustainability section in Bankinter blog. It is an independent section whose publications are also disseminated through the bank's social networks (Facebook, Twitter, LinkedIn and Google+).
- XII edition of Environmental Photography Prize. The event, which was held in 2016 under the slogan 'The Hydrosphere', attracted

612 entries including, for the first time, employees from branches in Portugal.

- Support for "The Planet Hour" campaign. This is a WWF initiative to reduce CO2 emissions. To support it, the lighting of all the properties of the bank was turned off and different devices were disconnected. Likewise, the participation of employees and clients was encouraged.

On the other hand, Bankinter participated in the launch of the Climate Change Cluster that promotes

WBCSD (World Business Council for Sustainable Development).

They form part of the cluster of 36 companies from various sectors. The Group has deepened the concept, application and implications of carbon pricing, analysed the link between biodiversity and climate change, fostered dialogue with key opinion leaders at the corporate and institutional levels and promoted training in climate change.



2nd Prize. Relaxation Author: Gema González Yagüe
XII Edition of Bankinter Environmental Photography Prize

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Plan 'Tic Tac Toe' Environmental Axis 2016-2017

Strategic lines	2016 Milestones	Compliance	Challenges 2017
Strategy for climate change	Reduction of the intensity of the emissions in relation to the activity of the entity. MAPAMA Reduce seal obtained. Regular energy and installation audits Support of domestic and international campaigns Stakeholder awareness raising campaigns. Replacement of old with more efficient equipment.	●	Implantations derived from energy audits. Reduction of the intensity of the carbon footprint by 1% relation to the activity of the entity. LEED certificate for new building in Alcobendas (Madrid).
Environmental management system.	Renewal of ISO14001 certificate for SGA in Spain. Maintenance of ISO14001 certificate for SGA in Portugal. Reduction of energy/employee consumption in Spain by 2%. Reduction of paper/employee consumption in Spain by 2%.	●	Increased scope of SGA. ISO 14001:2015 certification. Reduction of energy/employee consumption in Spain by 2%. Reduction of paper/employee consumption in Spain by 2%.
Structure	Inclusion in Climate Change Cluster. Collaboration and financing of support days for young green entrepreneurs. Development of the 2016 training plan. Development of the 2016 communication plan. Implantation of "3 en Raya" plan in Portugal.	●	New online environmental course for employees. Correlation model between the Sustainable Development Objectives and the Plan's strategic lines. Development of the 2017 training plan. Development of the 2017 communication plan.

- Completed
- In development
- To be commenced



3rd Prize. Misterio Blanco. Author: Sonia Vega Cachón
XII Edition of Bankinter Environmental Photography Prize

Suppliers

Efficiency and commitment

Bankinter has a provider relationship model based on collaboration, clarity, transparency and access to complete and accurate information. The entity establishes a single procurement procedure for all Group companies and incorporates its commitment to the fulfilment of human and labour rights and the prevention of corruption.

The contracting of suppliers by the Purchasing department, guarantees transparency, free competition, equality, guarantees and savings in all actions.

Digital transformation consumes a large part of the resources of this department, which means it specializes in keeping the technological architecture of Bankinter, one of its great sources of competitive advantage, in constant development. This requires robust systems with maximum usability. To this end, important and rigorous procurement processes were carried out in 2016,.

Outsourcing policy

The increasingly competitive banking environment requires constant improvements in efficiency, obliging entities to dedicate their internal resources to providing extra added value, which constitute the essential core of their activities, while transferring others to outside experts.

This trend towards outsourcing brings important benefits to financial institutions, such as a significant reduction in costs and an increase in the quality of the services offered. At the same time, it requires a good control and risk evaluation system. In 2016 Bankinter's purchasing department continued to work on the policy approved by the entity with regard to this, in accordance with corporate governance requirements, European regulations and good practice references.



€87M

Volume of purchases
negotiated in 2016



+320

No. of tenders

In our suppliers we are looking for:

- The ability to innovate and reinvent.
- Constant improvement.
- Proactivity.
- Responsibility.
- Sustainability.
- Company ethics.
- Area of activity Spain/Portugal.

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Brand

An identity adapted to the new era

From the point of view of the brand, Bankinter's corporate identity had evolved greatly over the past few years in the traditional environment and not so much in the digital environment which continued under the parameters established in the 2005 rebranding process. Precisely because of this, last year the Group's image was harmonised in all areas of its digital activity, providing it with a greater level of coherence to make the online and off-line experience received by customers to be homogeneous and consistent.

The advances attained in this respect required prior work to make the bank's applications uniform as they had been created without a clear

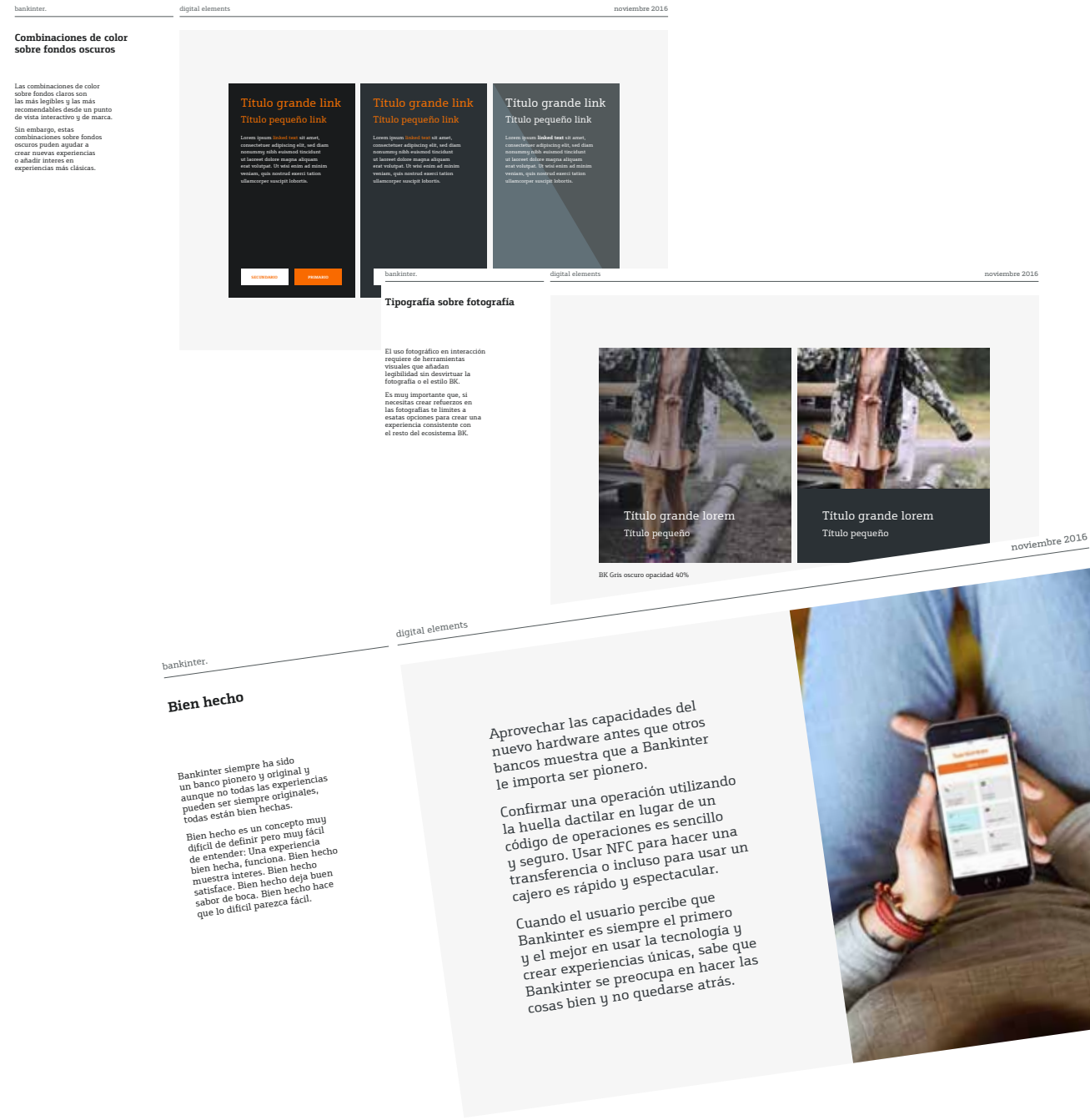
structural template in accordance with the requirements imposed by the business. One of the main challenges was to define a common decision tree using three parameters, each with a different colour, such that the customer could easily become familiar with them. Movements within the applications were also unified, making them more gradual.

The persons responsible for the Brand proposed a broader colour palette for visual identity that was susceptible to being operated in all environments and always being available. Naturally, the change had to be subtle so that there was no disruption and so that the style distinguishing Bankinter from a corporate point of view for more than 10 years continued to be present.

An important lever within Bankinter's corporate identity is its own distinguished font that was developed together with the rest of its identity elements to adapt it to new mobile devices. Some changes were

made although the essential traits were maintained. The most notable item was the elimination of the small adornments that accompanied the letters (serifs), that acquired more rounded shapes to allow for better legibility.

The changes will be progressively implemented in all areas from applications to the signs on facilities and, of course, the offices in Portugal. A large part of the Brand efforts were concentrated in the Portuguese market in 2016 given the need to replace the previous corporate identity.



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Companies with the
best reputation #25

Merco empresas

Best CEO Spanish
banking sector

Forbes

The most thrilling
Ibex Bank

Emo Insight

Companies with
the most talent in
Spain #18

Merco talento

Best company
to work for
9th consecutive year

Top employer

Best company
to work at
#37

Actualidad Económica

Best Spanish
brands
#26

Interbrand

100 most valuable
brands
#42

Brand finance

Leader in
innovation and
technology

Euromoney Private
Bankink Survey

Family responsible
company
7th consecutive year

EFR Certificate

Best think tank in
Spain in Science
and Technology
Bankinter Innovation
Foundation

Ranking Go to think

With Ilunion for
accessibility

Ilunion

Best consensus
portfolio 2015

The Economist

Best Spanish
equities and mixed
pension plan
product

Morningstar

Bankinter Asset
Management, a
consistent manager

Funds People

Most sustainable
companies in the
world

Sustainability
yearbook

Stock market
index most socially
responsible
companies

FTSE4Good

Strategy for climate
change

Carbon Disclosure
Project



The background of the slide features two white bowls. The top bowl is filled with clear water and contains several large, translucent bubbles. The bottom bowl is filled with a dark brown liquid, possibly a soup or broth, and contains several large, translucent brown bubbles. A large, white, stylized letter 'A' is positioned on the right side of the slide, partially overlapping the bottom bowl.

Appendix



A

Appendix



Information for shareholders and investors

The Bankinter S.A. Annual Report is presented at the annual Ordinary General Shareholders' Meeting and is available to all shareholders of the Company. The information contained includes the period from January 1, 2016 to December 31, 2016, unless otherwise specified. The previous Report, referring to the year 2015, was published on February 16, 2016.

This document, coordinated by the External Communication area of the bank, was prepared with information collected from the different areas of the entity through interviews, questionnaires addressed to those responsible and requests for accurate information.

(G4-18)

The Bankinter Annual Report has followed a process of pooling, review, correction and audit.

The sustainability information of the 2016 Annual Report has been prepared in accordance with the G4 Global Reporting Initiative and all its principles. This information has been externally verified by independent firm PWC, which has also audited the financial statements.

In addition to the Annual Report, the bank publishes consolidated quarterly results in January, April, July and October. Both reports are available on the Bankinter Corporate Website.

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Shareholders office

Alfonso Martínez Vaquero
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28108 Alcobendas (Madrid)
Tel.: 913398330-913397500
Fax: 913397445

Email: ofiaccionista@bankinter.com

Investor relations

Alfonso Alfaro Llovera
David López Finistrosa
Pº de la Castellana, 29
28046 Madrid
Tel.: 91 339 75 00

Email:
Investor_Relations@bankinter.com

Customer service

Eloy Antonio López Hernández
Avda. de Bruselas, 12
28108 Alcobendas (Madrid)
Tel.: 900 802 081
Fax: 91 623 44 21

e-mail:
incidencias_sac.bankinter@bankinter.es

External communication

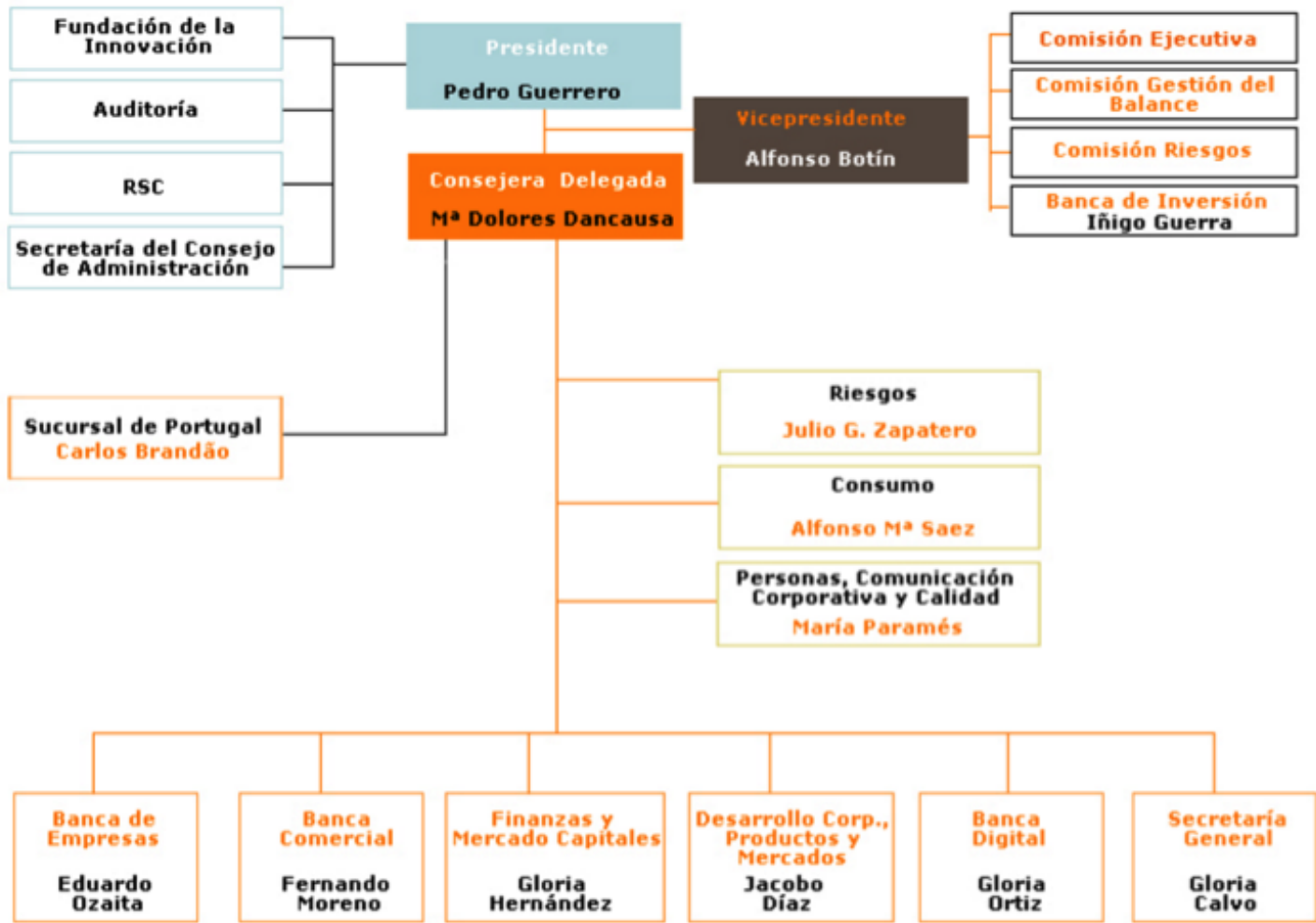
Inés García Paine
Paseo de la Castellana, 29
28046 Madrid
Tel. 91 339 83 38

E-mail: comunicación@bankinter.es

Service

Assistance to Personal and Private Banking customers.	8.00 to 22.00 h Monday to Saturday (except bank holidays)	
Retail Banking	9.00 to 18.00 h Monday to Friday (except bank holidays)	902 132 313
Insurance Specialists / Commercial Insurance	9.00 to 18.00 h Monday to Friday (except bank holidays)	
Asset Specialists	9.00 to 18.00 h Monday to Friday (except bank holidays)	901 810 440
Assistance in English	9.00 to 18.00 h Monday to Friday (except bank holidays)	902 888 835
Customer Service support	9.00 to 18.00 h Monday to Friday (except bank holidays)	900 802 081
Technical web assistance (particulares.com)	8.00 to 22.00 h Monday to Friday and Saturdays 9.00 to 15.00 h (except bank holidays)	902 365 563
Investment and stock Exchange Specialists	8.00 to 22.00 h Monday to Friday (including bank holidays if markets are operating)	902 131 114
International Business Specialists	8.00 to 17 h Monday to Friday (except bank holidays)	902 882 000
Enterprise Telephone banking	8.00 to 18.00 Monday to Thursday and Friday 8.00 to 17.00. August 8.00 to 15 h Monday to Friday (except bank holidays)	902 888 855
Technical web assistance (empresas.com)		902 365 656
Video call in sign language	9.00 to 14.00 h Monday to Friday (except bank holidays)	bankinter.com

Management structure



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Board of directors

Position	Name / Company
Chairman	Pedro Guerrero Guerrero
Deputy Chair	Cartival, S.A.
The chief executive officer	María Dolores Dancausa Treviño
Board Member	Jaime Terceiro Lomba
Board Member	Marcelino Botín-Sanz de Sautuola y Naveda*
Board Member	Fernando Masaveu Herrero
Board Member	Gonzalo de la Hoz Lizcano
Board Member	María Teresa Pulido Mendoza
Board Member	Rafael Mateu de Ros Cerezo
Board Member	Rosa María García García
Secretary (non directive)	Gloria Calvo Díaz

- Cartival, S.A.: A company represented on the Board by Alfonso Botin-Sanz de Sautuola y Naveda, where Jaime Botin-Sanz de Sautuola is the significant shareholder that controls this company.
- Marcelino Botín-Sanz de Sautuola y Naveda: Linked to the significant shareholders Cartival S.A.

Organisation Managers

Juan Carlos Barbero Maeso	Andalucía
Juan Manuel Castaño Escudero	Canary Islands
Jacobo Cañellas Colmenares	Castilla-La Mancha-Extremadura
Eduard Gallart Sulla	Catalonia
Antonio Berdiel Bitrián	East Coast and Balearics
Enrique Becerril Atienza	Madrid Corporate banking
Ignacio Lozano Egea	Madrid East
Juan Villasante Cerro	Madrid West
Lucas Peinado Mataix	Navarra-Aragón-Rioja-Soria
Joaquín Da Silva Castaño	Northwest
Juan Manuel Astigarraga Capa	North

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GRI

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Bankinter 2016				
BASIC GENERAL CONTENT OF GRI G4				
		Localization in report	Omission	External verification
STRATEGY AND ANALYSIS				
G4-1	Include a statement from the chief decision-maker of the organization (the person holding the position of executive director, president or the like) on the relevance of sustainability to the organization and the strategy of the organization with a view to addressing the issue.	- Page 6-12	-	Report PwC (page 178)
G4-2	Describe the main effects, risks and opportunities	- Page 34-37, 47-62, 124-146	-	Report PwC (page 178)
COMPANY PROFILE				
G4-3	Name of Company	Report Cover	-	Report PwC (page 178)
G4-4	The organization's most important brands, products and services.	- Page 63-87	-	Report PwC (page 178)
G4-5	Company headquarters	- Paseo De La Castellana, 29 - 28046 Madrid	-	Report PwC (page 178)
G4-6	Indicate in how many countries the organization operates and name the countries where the organization carries out significant transactions or that have a specific relevance to the sustainability issues that are the subject of the report	Bankinter operates in Spain and from 1 April 2016, also in Portugal.	-	Report PwC (page 178)
G4-7	Nature of property regime and its legal form	Bankinter, S.A.	-	Report PwC (page 178)
G4-8	Indicate which markets are served (with geographical breakdown, by sectors and types of customers and recipients)	- Page 63-87	-	Report PwC (page 178)
G4-9	Determine the scale of the organization, indicating: - the number of employees; - number of transactions; - net sales and income; - capitalization, in terms of debt and assets (for private sector companies); and quantity of products and services offered.	- Page 18-37, 63-105, 112-122	-	Report PwC (page 178)
G4-10	a. Number of employees according to contract and gender. b. Number of permanent employees according to type of contract and gender. b. Size of the workforce by employees, contract workers and gender d. Size of the workforce by region and gender e. Indicate whether a substantial part of the work of the organization is carried out by legally recognised self-employed persons or persons who are not employees or contract workers, such as employees and employees subcontracted by contractors. f. Report any significant change in the number of workers.	- Page 113-114, 121.	-	Report PwC (page 178)
G4-11	Percentage of employees covered by collective bargaining agreements	100% of the workforce in Spain is covered by a collective agreement. The applicable agreements, all of them of a sectoral nature, vary according to the company of the group where services are provided (Banking, Offices and Offices, Contact Center and Consultants, etc.) and are available to all employees on the Persons Web. In Portugal, 99.89% of the workforce is covered by the 'Banking Sector Collective Labour Agreement'. The rest are covered by the "General labour law".	-	Report PwC (page 178)
G4-12	Describe the organization's supply chain	- Page 147	-	Report PwC (page 178)
G4-13	Report any significant change that occurred during the reporting period in the size, structure, ownership or supply chain of the organization	- Page 35-37	-	Report PwC (page 178)

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		Localization in report	Omission	External verification
Participation in externa initiatives				
G4-14	Indicate how the organization addresses, where appropriate, the precautionary principle.	- Page 47-49 - IAGC 2016 E.1 and E.2	-	Report PwC (page 178)
G4-15	Make a list of the charters, principles or other external economic, environmental and social initiatives that the organization subscribes to or has adopted	- Page 58-61, 125-130, 132-133, 135-137, 139	-	Report PwC (page 178)
G4-16	Establish a list of associations and national or international promotion organizations to which the organization belongs and in which: - holds a position in the governing body - participates in projects or committees; - make a substantial contribution, in addition to the mandatory membership fees; - consider that membership is a strategic decision.	- Page 106-110, 132-133, 146	-	Report PwC (page 178)
MATERIAL ASPECTS AND COVERAGE				
G4-17	a. Make a list of entities in the organization's consolidated financial statements and other equivalent documents. b. Indicate if any of the entities in the organization's consolidated financial statements and other equivalent documents do not figure in the report.	- Consolidated Financial Statements Notes 13 and 43 (Participations and Fiscal Situation) - Except the indicators that explicitly indicate the scope of the report is Grupo Bankinter (except LDA)	-	Report PwC (page 178)
G4-18	a. Describe the process that has been followed to determine the content of the report and the coverage of each Aspect. b. Explain how the organization has applied the Principles of report development to determine the Content of the report.	- Page 130-131, 154	-	Report PwC (page 178)
G4-19	Make a list of material Aspects that were identified during the process of defining the content of the report.	- Page 131	-	Report PwC (page 178)
G4-20	Indicate the coverage within the organization of each material Aspect.	- Page 130-131. The GRI tables (Page 159-177) indicate material aspects, associated indicators and their coverage.	-	Report PwC (page 178)
G4-21	Indicate the Coverage outside the organization of each material aspect	- Page 130-131 The GRI tables (Page 159-177) indicate the material aspects, the associated indicators and their coverage.	-	Report PwC (page 178)
G4-22	Describe the consequences of the reformulations of the information provided in previous reports and their causes.	- Page 141-143 - Consolidated Financial Statements Note 2 (Accounting Criteria applied)	-	Report PwC (page 178)
G4-23	Indicate any significant changes in the Scope and Coverage of each Aspect with respect to previous reports	The Scope and Coverage of each aspect is indicated in the GRI Tables (page 159-177). The main change has been the inclusion of Bankinter's activities in Portugal in 2016.	-	Report PwC (page 178)
STAKEHOLDER PARTICIPATION				
G4-24	Make a list of stakeholders linked to the organization	- Page 130-131	-	Report PwC (page 178)
G4-25	Indicate the basis of the choice of the stakeholders with whom you work	- Page 130-131	-	Report PwC (page 178)
G4-26	Describe the organization's approach to stakeholder engagement, including how often it collaborates with different stakeholder types and groups or whether the participation of a group was specifically made in the process of developing the report.	- Page 127, 130-131	-	Report PwC (page 178)
G4-27	State what key issues and problems have arisen as a result of stakeholder engagement and describe the organization's assessment, including that detailed in its report. Specify which stakeholder groups raised each of the key issues and issues.	- Page 130-131	-	Report PwC (page 178)
REPORT PROFILE				
G4-28	Period covered by the report (for example, fiscal year or calendar year)	- Page 154	-	Report PwC (page 178)
G4-29	Date of last report (if applicable).	- Page 154	-	Report PwC (page 178)
G4-30	Periodicity of report presentation (annual, biennial, etc.).	- Page 154	-	Report PwC (page 178)

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	Localization in report	Omission	External verification
G4-31 Provide a contact to resolve any doubts that may arise regarding the contents of the report.	- Page 155	-	Report PwC (page 178)
GRI INDEX			
G4-32 a. Indicate which option 'in accordance' with the Guide the organization has chosen. b. Provide the GRI index of the selected option. c. Provide reference to the External Verification report if the report has been subjected to such verification.	Comprehensive Compliance Option	-	Report PwC (page 178)
VERIFICATION			
G4-33 a. Describe the organization's current policy and practice regarding external report verification. b. If they are not mentioned in the verification report attached to the sustainability report, indicate the scope and rationale of the external verification. c. Describe the relationship between the organization and verification providers. d. Indicate whether the senior governing body or top management have been involved in the request for external verification of the organization's sustainability report.	Bankinter's practice is to submit the Sustainability Information to an Independent Auditor for review. In fiscal year 2016, this review was carried out by PricewaterhouseCoopers Auditores, S.L.	-	Report PwC (page 178)
GOVERNMENT			
G4-34 Describe the governing structure of the organization, including the superior governing body committees. Indicate which committees are responsible for decision-making on economic, environmental and social issues.	- Page 39-41, 128- IAGC: Committees, Board Of Directors: Company Management Structure	-	Report PwC (page 178)
G4-35 Describe the process by which the senior governing body delegates its authority to senior management and to certain employees in matters of economic, environmental and social nature.	- Page 41, 128, 134	-	Report PwC (page 178)
G4-36 Indicate whether there are executive or responsible positions in economic, environmental and social matters in the organization and whether their holders report directly to the superior governing body.	- Page 41, 128, 134	-	Report PwC (page 178)
G4-37 Describe the processes of consultation between stakeholders and the governing body on economic, environmental and social issues. If such consultation is delegated, indicate to whom and describe the processes of information exchange with the senior governing body	- Page 30-32, 128 - IAGC 2016 F.1.2.	-	Report PwC (page 178)
G4-38 Describe the composition of the superior governing body and its committees.	- Page 39-41 - IAGC: Committees, Board Of Directors: Company Management Structure	-	Report PwC (page 178)
G4-39 Indicate whether the person who presides over the senior governing body also holds an executive position. If so, describe their executive functions and the reasons for this provision	- Page 39-41 - IAGC 2016 C.1.2 y C.1.3.	-	Report PwC (page 178)
G4-40 Describe the processes of appointment and selection of the supreme governing body and its committees, as well as the criteria on which the appointment and selection of the first	- Page 42-43 - IAGC 2016 C.1.19	-	Report PwC (page 178)
G4-41 Describe the processes by which the senior governing body prevents and manages potential conflicts of interest. Indicate whether conflicts of interest are communicated to stakeholders	- IAGC 2016 D.6	-	Report PwC (page 178)
ROLE OF THE SUPERIOR GOVERNING BODY AT THE TIME OF ESTABLISHING THE PURPOSES, VALUES AND STRATEGY OF THE ORGANIZATION			
G4-42 Describe the functions of the senior governing body and senior management in developing, approving and updating the purpose, values or mission statements, strategies, policies and objectives relating to economic, environmental and social impacts of the organization.	- Page 39, 43-44, 128	-	Report PwC (page 178)
EVALUATION OF THE COMPETENCES AND PERFORMANCE OF THE SUPERIOR GOVERNING BODY			
G4-43 Indicate what measures have been taken to develop and improve the collective knowledge of the governing body in relation to economic, environmental and social affairs.	- Page 128, 131-133, 140	-	Report PwC (page 178)
G4-44 a. Describe the performance evaluation processes of the senior governing body in relation to the governance of economic, environmental and social affairs. Indicate whether the evaluation is independent and how often it is carried out. Indicate if it is an autoevaluation. b. Describe the measures taken as a result of the evaluation of the performance of the senior governing body in relation to the direction of economic, environmental and social affairs; among other things, indicate at least whether there have been changes in members or organizational practices.	- IAGC 2016 C.1.20 y C.1.20.bis - Page 44-45	-	Report PwC (page 178)
FUNCTIONS OF THE SUPERIOR GOVERNANCE BODY IN RISK MANAGEMENT			
G4-45 a. Describe the role of the senior governing body in identifying and managing economic, environmental and social impacts, risks and opportunities. Also indicate the role of the senior governing body in the implementation of due diligence processes. b. Indicate whether stakeholder consultations are to be used in the work of the senior governing body in the identification and management of economic, environmental and social impacts, risks and opportunities.	- Page 58-60, 125-128, 131-132 - IAGC 2016 E.1 y E.2	-	Report PwC (page 178)
G4-46 Describe the role of the senior governing body in analysing the effectiveness of the organization's risk management processes in economic, environmental and social matters.	- Page 128 - IAGC 2016 E.1 and E.2	-	Report PwC (page 178)

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G4-47	Indicate how often the senior governing body analyses economic, environmental and social impacts, risks and opportunities.	- Page 58-60, 125-128, 131-132 - IAGC 2016 E.1 and E.2	-	Report PwC (page 178)	Interview with the CEO
ROLE OF THE SUPERIOR GOVERNMENT BODY IN THE DEVELOPMENT OF THE SUSTAINABILITY REPORT					
G4-48	Indicate which committee or position is the most when reviewing and approving the organization's sustainability report and ensuring that all material aspects are reflected.	- Sustainability information is submitted to the Appointments and Corporate Governance Committee, which has competence in matters of corporate responsibility.	-	Report PwC (page 178)	Summary of the year
FUNCTIONS OF THE SUPERIOR GOVERNING BODY IN THE EVALUATION OF ECONOMIC, ENVIRONMENTAL AND SOCIAL PERFORMANCE					
G4-49	Describe the process to convey important concerns to the senior governing body.	- Page 128, 130-131 - IAGC 2016 F.1.2.	-	Report PwC (page 178)	Results
G4-50	Describe the nature and number of important concerns that were transmitted to the senior governing body and the mechanisms used to address and evaluate them.	- Page 128, 131-132 - IAGC 2016 F.1.2.	-	Report PwC (page 178)	
REMUNERATION AND INCENTIVES					
G4-51	a. Describe the remuneration policies for the senior governing body and top management b. Describe the performance criteria that affect the remuneration policy and the economic, environmental and social objectives of the highest governance body and senior management.	- Page 45 - Remuneration Policy - IAGC Remuneration Committee	-	Report PwC (page 178)	Corporate Governance
G4-52	Describe the processes by which remuneration is determined. Indicate whether consultants are used to determine remuneration and whether they are independent of management. Point out any other type of relationship that such remuneration consultants may have with the organization.	- Page 45 - Remuneration Policy - IAGC Remuneration Committee	-	Report PwC (page 178)	Risks
G4-53	Explain how stakeholder opinion is sought and taken into account with respect to remuneration, including, where appropriate, the results of voting on policies and proposals related to this question.	- IAGC 2016 F.1.2. - Page 30-32, 45, 131-132.	-	Report PwC (page 178)	Business
G4-54	Calculate the ratio between the total annual compensation of the highest paid person in the organization in each country where significant transactions are carried out with the average annual total remuneration of the entire staff (not counting the highest paid person) in the corresponding country.	The ratio between the fixed remuneration of the highest paid person and the average fixed remuneration of the entire workforce in Spain is 17.50.	No information is available with regard to Portugal and Luxembourg. Systems are being adjusted to provide the information in the 2017 Report.	Report PwC (page 178)	Digital Banking and Channel Diversity
G4-55	Calculate the ratio between the percentage increase in the total annual remuneration of the highest paid person in the organization in each country where significant transactions are carried out with the percentage increase in the average annual total remuneration of the entire workforce (excluding the highest paid individual) of the corresponding country.		Information unavailable. Systems are being adjusted to provide the information in the 2017 Report.	Report PwC (page 178)	
ETHICS AND INTEGRATION					
G4-56	Describe the values, principles, standards and norms of the organization, such as codes of conduct and ethical codes	- Page 58-61.	-	Report PwC (page 178)	Human factor
G4-57	Describe internal and external counselling mechanisms for ethical and lawful conduct and to consult matters relating to the integrity of the organization, such as telephone helplines or counselling.	- Page 58-61.	-	Report PwC (page 178)	Sustainability
G4-58	Describe the internal and external mechanisms for reporting unethical or unlawful conduct and matters relating to the integrity of the organization, such as staggered notification to managers, irregularity reporting mechanisms and telephone helplines.	- Page 58-61.	-	Report PwC (page 178)	

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BASIC SPECIFIC CONTENT GRI G4 (G4-20, G4-21 and G4-23)

Identified Material Aspects	Coverage of material aspects	Indicator	Localization in report	Scope	Omission	External verification			
Economic dimension									
Economic development									
<div>-Transparency in business relationships</div> <div>-Mechanisms and control of risks (financial and non-financial)</div> <div>- Conciliation policy</div>	Mixed	G4-DMA	Management focus	- Page 23-29	Bankinter Group	-	Report PwC (page 178)		
		EC1	Direct economic value generated and distributed	BANKINTER (1) Thousand € Economic Value Generated (2) Gross income Gains (losses) in the disposal of assets not classified as non-current assets held for sale Gains (losses) on non-current assets held for sale not classified as discontinued transactions Economic Value Distributed Staff Costs Other Administration (except Contributions and tax) Tax on profits and contributions and tax (3) Dividends charged to annual results (4) Social Investment Retained Economic Value (Economic value generated less that distributed) (1) Refers to Grupo Bankinter companies (2) Gross income plus net gains / losses in disposal of assets (3) Includes exclusively the expense for Tax on Profits and the contributions and taxes recorded in the year (4) Includes both distributed dividends and outstanding distributions charged to the income account	2016 1,658,793 1,717,389 -703 -57893 1,231,456 462,693 374,883 192,380 200,000 1,500 427,337	2015 1,496,381 1,568,815 -2,001 -70,433 1,033,270 393,459 299,499 150,852 187,960 1,500 463,111	Bankinter Group	-	Report PwC (page 178)
				EC2	Economic consequences and other risks and opportunities for the organization's activity arising from climate change	- Page 141-142 - Risk and Opportunities module of Questionnaire CDP 2016.	Grupo Bankinter (except LDA)	-	Report PwC (page 178)
				EC3	Coverage of the organization's obligations under its benefit plan	- Consolidated Financial Statements Note 28 (Staff costs)	Bankinter Group	-	Report PwC (page 178)
				EC4	Economic aid granted by government entities	No significant assistance has been received from the Public Administrations (see section F of the Annual Banking Report). Tax rebates and deductions are detailed in notes 17 and 43 of the Consolidated Financial Accounts.	Bankinter Group	-	Report PwC (page 178)
				Market presence (p)					
<div>- Creation and stability of employment</div> <div>- Attraction and retention of talent</div> <div>- Transparency of Board remuneration</div>	Internal	G4-DMA	Management focus	- Page 34-37, 72-73	Grupo Bankinter (except LDA)	-	Report PwC (page 178)		
		EC5	Relationship between the initial salary broken down by gender and local minimum salary in places where significant transactions are carried out.	The initial salary applied in the entity for the lower level of the sectoral agreement (for both men and women) exceeds by 295% the minimum interprofessional salary in Spain, approved by the State Administration for the year.	Grupo Bankinter (except LDA) in Spain.	Information for other countries unavailable. Work is under way on the compilation of the same for the 2017 Report	Report PwC (page 178)		
		EC6	Percentage of senior managers from the local community where significant transactions are carried out.	100% of top managers come from the local community.	Grupo Bankinter (except LDA)	-	Report PwC (page 178)		
Indirect economic consequences (p)									

Identified Material Aspects	Coverage of material aspects	Indicator	Localization in report	Scope	Omission	External verification	
- Investment in the community	External	G4-DMA	Management focus	- Page 106-110	Grupo Bankinter (except LDA)	-	Report PwC (page 178)
		EC7	Development and Impact of investment in infrastructure and types of services	- Page 106-110, 135-137. - The Innovation Foundation is working on the development of indicators to quantify the return on investment in its programs.	Grupo Bankinter (except LDA)	-	Report PwC (page 178)
		EC8	Significant indirect economic impacts and their scope	- Page 106-110.	Grupo Bankinter (except LDA)	-	Report PwC (page 178)
Contracting criteria (p)							
Employment creation and stability.	External	G4-DMA	Management focus	- Page 147	Grupo Bankinter (except LDA)	-	Report PwC (page 178)
		EC9	Proportion of expenditure on local providers in places where significant transactions are carried out.		Grupo Bankinter (except LDA)	Information unavailable. Work is under way on the integration of the systems for the 2017 Report	Report PwC (page 178)
ENVIRONMENTAL DIMENSION*							
Materials (p)							
- Environmental Policy	Internal	G4-DMA	Management focus	- Page 143	Grupo Bankinter (except LDA)	-	Report PwC (page 178)
		EN1	Materials used by weight and volume.	- Page 143	Grupo Bankinter (except LDA)	The information regarding to Luxembourg is unavailable. Work is under way on the integration of the systems for the 2017 Report	Report PwC (page 178)
		EN2	Percentage of materials used that are recycled materials.	- Page 143	Grupo Bankinter (except LDA)		Report PwC (page 178)
Energy (p)							
- Environmental policy - Energy management at facilities	Internal	G4-DMA	Management focus	- Page 143	Grupo Bankinter (except LDA) in Spain.	-	Report PwC (page 178)
		EN3	Internal energy consumption	- Page 143	Grupo Bankinter (except LDA) in Spain.	The information regarding Portugal and Luxembourg is unavailable. Work is under way on the integration of the systems for the 2017 Report	Report PwC (page 178)
		EN4	External energy consumption	- Page 142. External energy consumption is associated with information on the scope of carbon footprint related to business trips, in-situ travel and the estimation of electricity consumption by customers (in the latter case, consumption in 2016 was estimated to be 778,500 kWh in connection with the different Bankinter websites and video calls)	Grupo Bankinter (except LDA) in Spain.		Report PwC (page 178)
		EN5	Energy Intensity	- Page 143	Grupo Bankinter (except LDA) in Spain.		Report PwC (page 178)
		EN6	Reduction of energy consumption	- Page 140, 143	Grupo Bankinter (except LDA) in Spain.		Report PwC (page 178)
		EN7	Reduction in energy required by products and services.	- Page 143	Grupo Bankinter (except LDA) in Spain.		Report PwC (page 178)

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Identified Material Aspects	Coverage of material aspects	Indicator	Localization in report	Scope	Omission	External verification	
Water							
- Environmental Policy	Internal	G4-DMA	Management focus	- Page 143	Grupo Bankinter (except LDA) in Spain.	-	Report PwC (page 178)
		EN8	Total water intake by source	- Page 143. All water used by Bankinter comes from municipal sources.	Grupo Bankinter (except LDA) in Spain.	The information regarding Portugal and Luxembourg is unavailable. Work is under way on the integration of the systems for the 2017 Report	Report PwC (page 178)
		EN9	Water sources that have been significantly affected by water intake		Grupo Bankinter (except LDA) in Spain.	Bankinter has its headquarters in urban land, so water is both consumed and expelled	Report PwC (page 178)
		EN10	Percentage and total volume of water recycled and reused.		Grupo Bankinter (except LDA) in Spain.	are via the urban network.	Report PwC (page 178)
Biodiversity (Aspects not considered as priority so there are no specific management approaches)							
Non material	Does not apply	EN11	Owned, leased, managed operating facilities that are adjacent, contain or are located in protected areas and unprotected areas of great value for biodiversity	Bankinter has its headquarters in urban land, so it has no impact on protected natural spaces or biodiversity.	Grupo Bankinter (except LDA)	-	NA
		EN12	Description of the most significant impacts on biodiversity in protected natural areas or in areas of high biodiversity that are not protected, derived from activities, products and services.		Grupo Bankinter (except LDA)	-	NA
		EN13	Protected or Restored Habitats		Grupo Bankinter (except LDA)	-	NA
		EN14	Number of red list species in IUCN and national conservation lists whose habitats are in areas affected by transactions, according to the extinction risk of the species		Grupo Bankinter (except LDA)	-	NA

Identified Material Aspects	Coverage of material aspects	Indicator	Localization in report	Scope	Omission	External verification	
Emissions(p)							
- Environmental policy - Energy management at facilities	Mixed	G4-DMA	Management focus	- Page 140-142	Grupo Bankinter (except LDA) in Spain.	- Report PwC (page 178)	
		EN15	Direct Greenhouse Gas Emissions (Scope 1)	- Page 140-142	Grupo Bankinter (except LDA) in Spain.	Report PwC (page 178)	
		EN16	Indirect Greenhouse Gas Emissions (Scope 2)	- Page 140-142	Grupo Bankinter (except LDA) in Spain.	The information regarding Portugal and Luxembourg is unavailable. Work is under way on the integration of the systems for the 2017 Report	Report PwC (page 178)
		EN17	Other Indirect Greenhouse Gas Emissions (Scope 3)	- Page 140-142	Grupo Bankinter (except LDA) in Spain.		Report PwC (page 178)
		EN18	Intensity of Greenhouse Gas Emissions	- Page 140-142	Grupo Bankinter (except LDA) in Spain.		Report PwC (page 178)
		EN19	Reduction of Greenhouse Gas Emissions	- Page 140-142	Grupo Bankinter (except LDA) in Spain.	Report PwC (page 178)	
		EN20	Emission of substances that deplete the ozone layer.		Grupo Bankinter (except LDA) in Spain.	Indicator EN20 is defined as ozone-depleting substances as set out in Annexes A, B, C and E to the Montreal Protocol. These substances do not occur in the normal activity of Bankinter.	Report PwC (page 178)
		EN21	NOx, SOx and other significant atmospheric emissions.		Grupo Bankinter (except LDA) in Spain.	Given the financial activity of the Bank, no significant emissions of this kind are produced.	Report PwC (page 178)
Effluents and Waste (p)							

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Identified Material Aspects	Coverage of material aspects	Indicator	Localization in report	Scope	Omission	External verification	
- Environmental Policy	Internal	G4-DMA	Management focus	- Page 144	Grupo Bankinter (except LDA)	-	Report PwC (page 178)
		EN22	Total water expelled	Bankinter consumes and expels water through the urban network. It are estimated that the quantity of water expelled is similar to that consumed, as there are no other waste generation processes.	Grupo Bankinter (except LDA)	The information regarding Portugal and Luxembourg is unavailable. Work is under way on the integration of the systems for the 2017 Report	Report PwC (page 178)
		EN23	Total weight of waste, according to type and method of treatment	- Page 144. Waste is managed and valued by authorised managers.	Grupo Bankinter (except LDA)		Report PwC (page 178)
		EN24	Total number and volume of significant spillages		Grupo Bankinter (except LDA)	Bankinter has its headquarters in urban land, so its activity has not generated significant spillages in 2016.	Report PwC (page 178)
		EN25	Weight of transported, imported, exported or treated waste considered to be hazardous pursuant to ANNEXES I, II, III and VIII of the Basel2 Convention and percentage of waste transported internationally.		Grupo Bankinter (except LDA)	Bankinter does not transport waste. The transport of waste produced at Bankinter's premises is carried out by authorised operators and transporters.	Report PwC (page 178)
		EN26	Identification, size, protection status and biodiversity value of water bodies and related habitats significantly affected by discharges and run-off from the organization		Grupo Bankinter (except LDA)	Bankinter has its headquarters in urban land, so it has no impact on protected natural spaces or biodiversity.	Report PwC (page 178)
Degradation, contamination and recovery of land							
Products and services (p)							
- Environmental Policy - CSR Policy	Internal	G4-DMA	Management focus	- Page 143	Grupo Bankinter (except LDA)	-	Report PwC (page 178)
		EN27	Degree of mitigation of the environmental impact of products and services	- Page 140, 143	Grupo Bankinter (except LDA) in Spain.	The information regarding Portugal and Luxembourg is unavailable. Work is under way on the integration of the systems for the 2017 Report	Report PwC (page 178)
		EN28	Percentage of products sold and packaging materials that are recovered at the end of their useful life, by product category.		Grupo Bankinter (except LDA)	Not applicable to the activity carried out by Bankinter	Report PwC (page 178)
Regulatory Compliance (p)							
- Environmental policy - Regulatory compliance	Mixed	G4-DMA	Management focus	- Page 139	Grupo Bankinter (except LDA)	-	Report PwC (page 178)
		EN29	Monetary value of significant fines and number of non-monetary sanctions for non-compliance with legislation and environmental regulations	No type of penalty or significant environmental penalty has been received. Consolidated Financial Statements Note 38 (Environmental Information)	Grupo Bankinter (except LDA)	-	Report PwC (page 178)

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Transport							
- Environmental policy - Energy management at facilities	Mixed	G4-DMA	Management focus	- Page 142	Grupo Bankinter (except LDA)	-	Report PwC (page 178)
		EN30	Significant environmental impacts of transporting products and other goods and materials used for the activities of the organization and the transportation of personnel	- Page 142	Grupo Bankinter (except LDA) in Spain.	The information regarding Portugal and Luxembourg is unavailable. Work is under way on the integration of the systems for the 2017 Report	Report PwC (page 178)
General							
Non material	Does not apply	EN31	Breakdown of environmental expenditures and investments	There have been no significant environmental investments and expenditures. Consolidated Financial Statements Note 38 (Environmental Information)	Grupo Bankinter (except LDA)	-	NA
General							
Non material	Does not apply	EN32	Percentage of new providers that were examined according to environmental criteria	There has been no analysis of environmental criteria in providers, as no significant risk has been identified.	Grupo Bankinter (except LDA)	-	NA
		EN33	Significant, actual and potential negative environmental impacts in the supply chain and measures with regard to this	Given the type of provider, an environmental impact analysis has not been carried out.	Grupo Bankinter (except LDA)	-	NA
Mechanisms in environmental claim							
- Dialogue Channels with Stakeholders - Regulatory Compliance - Environmental Policy	Mixed	G4-DMA	Management focus	- Page 139, 145	Grupo Bankinter (except LDA)	-	Report PwC (page 178)
		EN34	Number of environmental claims that have been submitted, addressed and resolved through formal complaint mechanisms	No environmental claims have been received through the channels established by the Bank	Grupo Bankinter (except LDA)	-	Report PwC (page 178)
SOCIAL DIMENSION: Labour practices and ethics at work							
Employment (p)							
- Creation and stability of employment - Conciliation policy - Labour climate	Internal	G4-DMA	Management focus	- Page 112	Grupo Bankinter (except LDA)	-	Report PwC (page 178)
		LA1	Number and rate of hirings and average turnover of employees, broken down by group, gender and region.	- Page 112, 121.	Grupo Bankinter (except LDA)	Breakdowns by group, gender and region are unavailable. Work is under way on the integration of the systems to report on this in coming years	Report PwC (page 178)
		LA2	Social benefits for full-time employees not offered to temporary or part-time employees, broken down by significant locations of activity.	- Page 119, 120.	Grupo Bankinter (except LDA)	-	Report PwC (page 178)
		LA3	Return to work and retention rates after maternity or paternity leave, broken down by gender.	- Page 115	Grupo Bankinter (except LDA)	The information regarding Portugal and Luxembourg and the breakdowns required by the indicator are unavailable. Work is under way on the integration of the systems for the 2017 Report	Report PwC (page 178)

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Company/Employee Relations (p)						
- Creation and stability of employment - Channels of dialogue with Stakeholders	Internal	G4-DMA	Management focus	- LA4	Grupo Bankinter (except LDA)	- Report PwC (page 178)
		LA4	Minimum notice periods of operational changes and possible inclusion of these in collective bargaining agreements	The organizational changes that occur in the entity, are analysed in each case, in order to avoid or mitigate the negative impacts they might have on employees. In all cases, the reporting of organizational changes will respect the legislation in force in this matter, Workers' Statutes and the Banking Employees' Agreement.	Grupo Bankinter (except LDA) in Spain.	The information regarding Portugal and Luxembourg is unavailable. Work is under way on the integration of the systems for the 2017 Report Report PwC (page 178)
PRL						
- Attraction and retention of talent - Stakeholder dialogue channels - Labour climate	Internal	G4-DMA	Management focus	- Page 115	Bankinter Group	- Report PwC (page 178)
		LA5	Percentage of workers represented in formal joint health and safety committees for management and employees established to help control and advise on occupational safety and health programs	At Bankinter, there are currently 4 Health and Safety Health Committees, in Madrid (branches), in Barcelona (branches), in the Barcelona Branch Office building and in Valencia (branches), which meet quarterly (4 times per year). In addition, there are Prevention Delegates in Zaragoza and Guipúzcoa, whose members belong to the Works Committee that is constituted there. At Bankinter Global Services a Security and Health Committee is constituted to represent 100% of the company staff. In Portugal, Bankinter has a Health and Safety at work Management System certified in OHSAS 18001.	Grupo Bankinter (except LDA)	The information regarding to Luxembourg is unavailable. Work is under way on the integration of the systems for the 2017 Report Report PwC (page 178)
		LA6	Type and rate of injuries, occupational diseases, days lost, absenteeism and number of fatalities related to work by region and by gender.	- Page 115 The number of deaths in 2016 was 0.	Grupo Bankinter (except LDA)	The information regarding Luxembourg and the type and number of injuries is unavailable. Work is under way on the integration of the systems for the 2017 Report PwC Report (page 177) (1)
		LA7	Workers whose profession has a high incidence or risk of disease	No occupations with an elevated risk of disease have been identified.	Grupo Bankinter (except LDA)	- Report PwC (page 178)
		LA8	Health and safety issues covered in formal agreements with trade unions.	In 2016 health and safety issues were addressed in two formal agreements with trade unions.	Grupo Bankinter (except LDA)	- Report PwC (page 178)

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Education and training							
<div>- Training</div> <div>- Evaluation of employee's performance</div> <div>- Labour climate</div>	Internal	G4-DMA	Management focus	- Page 117-118	Grupo Bankinter (except LDA)	-	Report PwC (page 178)
		LA9	Average annual training hours per employee, broken down by gender and job category	There were 267,973 training hours in Spain for 4,478 attendees.	Grupo Bankinter (except LDA) in Spain.	The information regarding Luxembourg and Portugal and the type and number of injuries is unavailable. Work is under way on the integration of the systems for the 2017 Report	Report PwC (page 178)
		LA10	Skills management and continuing education programs that promote the employability of workers and help them manage the end of their professional careers.	- Page 117-118	Grupo Bankinter (except LDA)	-	Report PwC (page 178)
		LA11	Percentage of employees receiving regular performance and professional development assessments broken down by gender and professional category.	- Page 118, 122	Grupo Bankinter (except LDA)	The information regarding Portugal and Luxembourg and the breakdowns by gender and category are unavailable. Work is under way on the integration of the systems for the 2017 Report	Report PwC (page 178)
Diversity and equal opportunities (p)							
<div>-Diversity and equal opportunities</div> <div>- Work climate</div>	Internal	G4-DMA	Management focus	- Page 39-41	Grupo Bankinter (except LDA)	-	Report PwC (page 178)
		LA12	Composition of governing bodies and breakdown of staff by professional category and gender, age, minority membership and other indicators of diversity	- IAGC Board of Directors A.3, C. - Page 39-41, 113, 129.	Grupo Bankinter (except LDA)	-	Report PwC (page 178)
Equality of remuneration for men and women							
<div>- Equality of opportunities</div> <div>- Equality of remuneration</div>	Internal	G4-DMA	Management focus	- Page 119	Grupo Bankinter (except LDA)	-	Report PwC (page 178)
		LA13	Relation of base salary to male and female remunerations, broken down by professional category and by significant locations	- Page 119	Grupo Bankinter (except LDA)	The information for Portugal and Luxembourg is unavailable. Work is proceeding on the integration of the Information systems in order to include them in the report for 2017	Report PwC (page 178)
Evaluation of providers' labour practices							
Non material	Does not apply	LA14	Percentage of new providers that were examined according to labour practice criteria	There has been no analysis of labour practice criteria in providers, as no significant risk has been identified.	Grupo Bankinter (except LDA)	-	NA
		LA15	Significant, actual and potential negative labour practice impacts in the supply chain and measures with regard to this	Given the type of provider, a labour practice impact analysis has not been carried out.	Grupo Bankinter (except LDA)	-	NA

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Identified Material Aspects	Coverage of material aspects	Indicator	Localization in report	Scope	Omission	External verification
Mechanisms for claims regarding labour practices						
- Dialogue Channels with Stakeholders - Regulatory Compliance	Mixed	G4-DMA	Management focus	- Page 60, 130	Grupo Bankinter (except LDA)	- Report PwC (page 178)
		LA16	Number of labour practice claims that have been submitted, addressed and resolved through formal complaint mechanisms	Three communications regarding labour practices have been received through the Confidential Denunciation Channel, which have been managed by the Personnel Management department.	Grupo Bankinter (except LDA)	- Report PwC (page 178)
SOCIAL DIMENSION: Human rights						
Investment Practices and Procurement (p)						
- Training - Equality of opportunities - Code of conduct	Mixed	G4-DMA	Management focus	- Page 132	Grupo Bankinter (except LDA)	- Report PwC (page 178)
		HR1	Number and percentage of significant contracts and investment agreements that include human rights clauses or that have been subject to human rights analysis.	Bankinter operates mainly in Spain and Portugal (OECD countries) and no significant risks have been identified in terms of Human Rights. Bankinter is also a member of the United Nations Global Compact. In 2016 there has been no significant investment contract or agreement that includes clauses of this type.	Grupo Bankinter (except LDA)	- Report PwC (page 178)
		HR2	Employee training hours on policies and procedures related to those aspects of human rights relevant to their activities, including the percentage of trained employees.	- Page 132	Grupo Bankinter (except LDA)	Quantitative information unavailable. Work is under way on the integration of the information systems to report on this in coming years Report PwC (page 178)
Human Rights						
- Regulatory Compliance	Mixed	G4-DMA	Management focus	- HR3	Grupo Bankinter (except LDA)	- Report PwC (page 178)
		HR3	Total number of incidents of discrimination and measures taken.	There have been no significant incidents involving discrimination.	Grupo Bankinter (except LDA)	- Report PwC (page 178)
Freedom of Association and Collective Agreements (p)						
Non material	Does not apply	HR4	Identification of significant centres and providers where freedom of association and the right to benefit from collective agreements may be infringed or threatened and measures taken to defend these rights.	The Bank's transactions are limited to the Iberian geographical scope and no significant risks related to these aspects have been detected.	Grupo Bankinter (except LDA)	- NA
Child Labour						
Non material	Does not apply	HR5	Identification of centres and providers with a significant risk of child exploitation cases and measures taken to contribute to the abolition of child exploitation.	The Bank's transactions are limited to the Iberian geographical scope and no significant risks related to these aspects have been detected.	Grupo Bankinter (except LDA)	- NA
Forced Labour						
Non material	Does not apply	HR6	Centres and providers with a significant risk of forced labour episodes and measures taken to contribute to their elimination of all forms of forced labour.		Grupo Bankinter (except LDA)	- NA

Identified Material Aspects	Coverage of material aspects	Indicator		Localization in report	Scope	Omission	External verification
Security Measures							
- Training - Code of conduct	Mixed	G4-DMA	Management focus	- HR7	Grupo Bankinter (except LDA)	-	Report PwC (page 178)
		HR7	Percentage of security personnel who have been trained in the organization's human rights policies or procedures relevant to transactions	As confirmed by the Security company, 100% of its staff is accredited by the Ministry of the Interior to practice this profession, the latter guaranteeing the training, requirements, quality and formulas for hiring these professionals and services. Among the courses required are those of deontology and fundamental rights.	Grupo Bankinter (except LDA) in Spain.	The information regarding Portugal and Luxembourg is unavailable. Work is under way on the integration of the systems for the 2017 Report	Report PwC (page 178)
Indigenous population rights							
Non material	Does not apply	HR8	Number of cases of violation of the rights of indigenous peoples and measures adopted	The Bank's transactions are limited to the Iberian geographical scope and no significant risks related to these aspects have been detected.	Grupo Bankinter (except LDA)	-	NA
Evaluation							
Non material	Does not apply	HR9	Number and percentage of centres that have been subject to human rights impact tests or assessments	The Bank's transactions are limited to the Iberian geographical scope and no significant risks related to these aspects have been detected.	Grupo Bankinter (except LDA)	-	NA
Evaluation of providers' human rights record							
Non material	Does not apply	HR10	Percentage of new providers that were examined according to human rights criteria	There has been no analysis of human rights criteria in providers, as no significant risk has been identified.	Grupo Bankinter (except LDA)	-	NA
		HR11	Significant negative impacts on human rights, real and potential, in the supply chain and measures taken	Given the type of provider, a labour practice impact analysis has not been carried out.	Grupo Bankinter (except LDA)	-	NA
Human Rights claim mechanisms							
- Dialogue Channels with Stakeholders - Regulatory Compliance	Mixed	G4-DMA	Management focus	- HR12	Grupo Bankinter (except LDA)	-	Report PwC (page 178)
		HR12	Number of human rights claims that have been submitted, addressed and resolved through formal complaint mechanisms	No human rights claims have been received through the channels established by the Bank	Grupo Bankinter (except LDA)	-	Report PwC (page 178)
SOCIAL DIMENSION: Company							
Local communities							
- Community investment - Dialogue Channels with Stakeholders	Mixed	G4-DMA	Management focus	- Page 135-136.	Grupo Bankinter (except LDA)	-	Report PwC (page 178)
		SO1	Percentage of centres where development programs, impact assessments and local community participation have been implemented	- Page 129, 135, 139. Centres where environmental management and accessibility systems have been implemented.	Grupo Bankinter (except LDA)	-	Report PwC (page 178)
		SO2	Operations centres with significant negative or potential effects on local communities.	No significant negative effects on local communities have been identified. In 2016, 3 new branches were opened and 1 was closed in Spain. 84 new branches were incorporated in Portugal.	Grupo Bankinter (except LDA)	-	Report PwC (page 178)

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- Equality of opportunities - Community investment - Stakeholder dialogue channels	Mixed	FS13	Access points by type in low population density and economically disadvantaged areas.	- Page 135-136.	Grupo Bankinter (except LDA)	-	Report PwC (page 178)	Interview with the CEO
		FS14	Initiatives to improve access to financial services for disadvantaged people.	- Page 135-136.	Grupo Bankinter (except LDA)	-	Report PwC (page 178)	Summary of the year
Fight against corruption								
- Regulatory compliance - Prevention of money laundering - Transparency in commercial relations	Mixed	G4-DMA	Management focus	- Page 58-60	Grupo Bankinter (except LDA)	-	Report PwC (page 178)	Results
		S03	Number and percentage of centres in which risks related to corruption have been assessed and significant risks detected.	- In Spain, 100% of the centres have been analysed using the automatic auditing and alert system. Internal audit has audited and reviewed control procedures in 61 business units of the Branch Network, equivalent to approximately 13.2% of the total. In Portugal, 100% of the centres have been analysed with the programs of alert generation on detection of significant risks. Internal Audit has audited and reviewed control procedures in 52 Branches of the Network, approximately 58% of the total.	Grupo Bankinter (except LDA)	-	Report PwC (page 178)	Corporate Governance
		S04	Policies and procedures for communication and training on the fight against corruption	Page 58-60 In 2016, a total of 1,269 employees took the PBC (Prevention of Money Laundering) course available on the bank's training website.	Grupo Bankinter (except LDA)	-	Report PwC (page 178)	Risks
		S05	Confirmed cases of corruption and measures taken	During the fiscal year 2016, 35 cases were processed by the Committee on Criminal Prevention and Professional Ethics, of which 7 have been resolved with dismissal and 2 with the termination of contract, as disciplinary penalties for breach of internal regulations.	Grupo Bankinter (except LDA)	-	Report PwC (page 178)	Business
Public Policy (p)								
- Transparency in commercial relations	Mixed	G4-DMA	Management focus	Code of Professional Ethics	Grupo Bankinter (except LDA)	-	Report PwC (page 178)	Digital Banking and Channel Diversity
		S06	Value of political contributions by country and recipient.	Bankinter does not contribute to any political party. (Article 5.2 of Ethical Code)	Grupo Bankinter (except LDA)	-	Report PwC (page 178)	
Unfair competition practices								
- Regulatory Compliance	Mixed	G4-DMA	Management focus	- Page 58-60	Grupo Bankinter (except LDA)	-	Report PwC (page 178)	Human factor
		S07	Number of claims for unfair competition, monopolistic practices or against free competition and result thereof.	There is no procedure open against Bankinter for monopolistic practices or against free competition	Grupo Bankinter (except LDA)	-	Report PwC (page 178)	Sustainability
Regulatory Compliance								
- Regulatory Compliance	Mixed	G4-DMA	Management focus	- Page 58-60	Grupo Bankinter (except LDA)	-	Report PwC (page 178)	Brand
		S08	Monetary value of significant fines and number of non-monetary sanctions for non-compliance with legislation and regulations.	Sanction of 100,000 euros imposed by the CNMV on issues related to the marketing of products. The entity has been notified in 2016 of other sanctions in relation to the marketing of products, which are not yet firm because they are appealed to the courts, but which, in any case, are for amounts not relevant to the Annual Accounts.	Grupo Bankinter (except LDA)	-	Report PwC (page 178)	Recognition and awards
Evaluation of social repercussion of providers								
Non material	Does not apply	S09	Percentage of new providers that were examined and function of criteria related to social repercussion	There has been no analysis of criteria related to social repercussion by providers, as no significant risk has been identified.	Grupo Bankinter (except LDA)	-	NA	Appendix
		S010	Significant, actual and potential negative environmental impacts for the company in the supply chain and measures adopted	Given the type of provider, a social repercussion impact analysis has not been carried out.	Grupo Bankinter (except LDA)	-	NA	GRI content index

Identified Material Aspects	Coverage of material aspects	Indicator	Localization in report	Scope	Omission	External verification	
Social impact claim mechanisms							
- Dialogue Channels with Stakeholders - Regulatory Compliance	Mixed	G4-DMA	Management focus	- SO11	Bankinter Group	-	Report PwC (page 178)
		SO11	Number of social impact claims that have been submitted, addressed and resolved through formal complaint mechanisms.	No social impact claims have been received through the channels established by the Bank.	Grupo Bankinter (except LDA)	-	Report PwC (page 178)
SOCIAL DIMENSION: Product responsibility							
Health and Safety of customer (p)							
- Regulatory Compliance - Transparency in commercial relations	Mixed	G4-DMA	Management focus	- Page 58-62	Grupo Bankinter (except LDA)	-	Report PwC (page 178)
		PR1	Percentage of significant product and service categories whose health and safety impact has been evaluated to promote improvements.	- Work risk assessments have been carried out in all of the bank's positions, which include potential client risks in the bank's branches. - Page 58-62 Processes of regulatory compliance, professional ethics, data protection and IT security.	Grupo Bankinter (except LDA)	-	Report PwC (page 178)
		PR2	Number of incidents of non-compliance with regulations or voluntary codes relating to the health and life-cycle impacts of products and services, broken down by type of outcome of such incidents.	Bankinter has not had any significant incidents with regard to this matter.	Grupo Bankinter (except LDA)	-	Report PwC (page 178)
Labelling of products and services							
- Service quality and customer satisfaction - Regulatory compliance - Transparency in commercial relations - Risk control and management systems	Mixed	G4-DMA	Management approach Description of policies for the correct design and delivery of financial services and products. Initiatives to improve literacy and financial education according to the type of beneficiary.	- Page 47-49, 57-60, 100-101, 136	Grupo Bankinter (except LDA)	-	Report PwC (page 178)
		PR3	Type of information about the organization's procedures relating to the information and labelling of its products and services and percentage of significant categories of products and services that are subject to such requirements.	- Page 58-60. The Product Committee reviews and approves the launch of all products and services offered to retailers. In addition, the bank is preparing for the entry into force of the new MIFID II regulations.	Grupo Bankinter (except LDA)	-	Report PwC (page 178)
		PR4	Number of incidents of non-compliance with regulations or voluntary codes relating to information and labelling of products and services, broken down by type of outcome of such incidents.	Sanction of 100,000 euros imposed by the CNMV on issues related to the marketing of products. The entity has been notified in 2016 of other sanctions in relation to the marketing of products, which are not yet firm because they are appealed to the courts, but which, in any case, are for amounts not relevant to the Annual Accounts.	Grupo Bankinter (except LDA)	-	Report PwC (page 178)
		PR5	Results of surveys to measure customer satisfaction	- Page 100-101	Grupo Bankinter (except LDA)	-	Report PwC (page 178)

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Marketing communications(p)							
<ul style="list-style-type: none">- Service quality and customer satisfaction- Regulatory compliance- Transparency in commercial relations- Stakeholder dialogue channels	Mixed	G4-DMA	Management focus	- Page 58-60	Grupo Bankinter (except LDA)	-	Report PwC (page 178)
		PR6	Sale of prohibited or disputed products	See S08 Page 58-60.	Grupo Bankinter (except LDA)	-	Report PwC (page 178)
		PR7	Number of cases of non-compliance with regulations or voluntary codes relating to marketing communications, such as advertising, promotion and sponsorship, broken down by type of outcome	Bankinter has not had any significant incidents with regard to this matter.	Grupo Bankinter (except LDA)	-	Report PwC (page 178)
Customer privacy							
<ul style="list-style-type: none">- Regulatory Compliance	Mixed	G4-DMA	Management focus	- Page 61	Grupo Bankinter (except LDA)	-	Report PwC (page 178)
		PR8	Number of substantiated claims for breach of privacy and customer data leakage	- Page 61. At the close of 2016, the Bankinter Group has received two firm sanctions from the Data Protection Agency imposing fines totalling 100,000 euros.	Grupo Bankinter (except LDA)	-	Report PwC (page 178)
Regulatory Compliance (p)							
<ul style="list-style-type: none">- Regulatory Compliance	Mixed	G4-DMA	Management focus	- Page 58-60	Grupo Bankinter (except LDA)	-	Report PwC (page 178)
		PR9	Cost of significant fines resulting from non-compliance with the regulations in relation to the supply and use of products and services of the organization.	Sanction of 100,000 euros imposed by the CNMV on issues related to the marketing of products. The entity has been notified in 2016 of other sanctions in relation to the marketing of products, which are not yet firm because they are appealed to the courts, but which, in any case, are for amounts not relevant to the Annual Accounts.	Grupo Bankinter (except LDA)	-	Report PwC (page 178)

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FINANCIAL SUPPLEMENT						
PRODUCT PORTFOLIO						
<div>- Risk control and management systems</div> <div>- CSR Policy</div> <div>- Training</div> <div>- Service quality and customer satisfaction</div>	Mixed	<div>G4-DMA</div> <div>Policies with specific environmental and social aspects applied to business lines.</div>	<div>- Page 125, 134, 135.</div>	<div>Grupo Bankinter (except LDA)</div>	<div>-</div>	<div>Report PwC (page 178)</div>
		<div>Procedures for the evaluation and control of social and environmental risks in the lines of business.</div>	<div>Risk analysis procedures include all those that are significant from the point of view of credit risk.</div> <div>- Page 140</div>	<div>Grupo Bankinter (except LDA)</div>	<div>-</div>	<div>Report PwC (page 178)</div>
		<div>Processes to monitor the implementation by customers of the social and environmental requirements included in contracts or transactions.</div>	<div>No significant environmental and social requirements have been identified in agreements and transactions</div>	<div>Grupo Bankinter (except LDA)</div>	<div>-</div>	<div>Report PwC (page 178)</div>
		<div>Process(s) to improve the competence of employees to implement environmental and social policies and procedures applied to business lines.</div>	<div>- Page 117-118, 134-136, 139</div>	<div>Grupo Bankinter (except LDA)</div>	<div>-</div>	<div>Report PwC (page 178)</div>
		<div>Interactions with clients/investee companies/business partners in relation to environmental and social risks and opportunities</div>	<div>- Page 126-146</div>	<div>Grupo Bankinter (except LDA)</div>	<div>-</div>	<div>Report PwC (page 178)</div>
		<div>FS6</div> <div>Percentage of the portfolio by lines of business by region, size (ex: large/micro companies/SMEs and sector of activity)</div>	<div>- Page 64-87</div>	<div>Bankinter Group</div>	<div>-</div>	<div>Report PwC (page 178)</div>
		<div>FS7</div> <div>Monetary value of products and services designed to provide a specific social benefit for each line of business broken down according to purpose.</div>	<div>- Page 132-133</div>	<div>Grupo Bankinter (except LDA)</div>	<div>Quantitative information unavailable. Work is under way to report on this in coming years</div>	<div>Report PwC (page 178)</div>
		<div>FS8</div> <div>Monetary value of products and services designed to provide a specific environmental benefit for each line of business broken down by purpose.</div>	<div>- Page 132-133</div>	<div>Grupo Bankinter (except LDA)</div>	<div>Quantitative information unavailable. Work is under way to report on this in coming years</div>	<div>Report PwC (page 178)</div>
AUDIT						
<div>- Regulatory compliance</div> <div>- Risk control and management systems</div> <div>- CSR policy</div>	Internal	<div>G4-DMA</div> <div>Management focus</div>	<div>- The internal audit area participates annually in the audits carried out to evaluate the entity's Environmental Management and Accessibility Systems. In addition, it performs an annual audit on the Annual Report, which reports all information related to the Sustainability Plan, Sustainability Policy and management of environmental and social aspects of the entity.</div>	<div>Grupo Bankinter (except LDA)</div>	<div>-</div>	<div>Report PwC (page 178)</div>
SHAREHOLDER ACTIVISM						

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- CSR Policy - Risk control and management systems (financial and non financial)	Internal	G4-DMA Management Approach Policy(s) on environmental or social matters in shares over which the reporting organization has the right to vote or recommend a vote.	- Page 132-134 There is no established voting policy regarding social or environmental matters for entities over which the organization has the right to vote or advise on the vote.	Grupo Bankinter (except LDA)	-	Report PwC (page 178)
		FS10 Percentage and number of companies in the entity's portfolio with which the reporting organization has interacted on environmental and social issues.	- Page 132-133	Grupo Bankinter (except LDA)	Quantitative information will be reported in coming years.	Report PwC (page 178)
		FS11 Percentage of assets subject to positive or negative environmental or social controls.	- Page 132-133	Grupo Bankinter (except LDA)	Quantitative information will be reported in coming years.	Report PwC (page 178)
Notes: The omissions of information relating to Luxembourg are due to the fact that it has been considered as insignificant because it is a single office The omissions of information regarding Portugal are due to the recent acquisition of these branches and that the systems are being integrated to be able to report the information in the 2017 Report. (1) Only the information related to Spain has been verified. (G4-20, G4-21 and G4-23)						



Free translation from the original in Spanish, in the event of a discrepancy, the Spanish language version prevails.

REPORT ON INDEPENDENT LIMITED ASSURANCE OF SUSTAINABILITY INDICATORS CONTAINED IN THE INTEGRATED REPORT

To the Management of Bankinter, S.A.:

We have carried out a limited assurance engagement on the sustainability indicators contained in the "GRI content index" of the Integrated Report 2016 (hereinafter sustainability indicators) of Bankinter, S.A. and subsidiary companies, that composed Bankinter Group (hereinafter Bankinter) except Línea Directa Aseguradora S.A., for the financial year ended 31st December 2016, prepared in accordance with the general and specific content proposed in the "Guidelines for the Preparation of Sustainability Reports" of the Global Reporting Initiative (GRI) version 4 (G4) (hereinafter referred to as G4 GRI Guidelines) and its Sector Supplement of Financial Services.

Responsibility of Management

The Management of Bankinter is responsible for the preparation, contents and presentation of the Integrated Report 2016 "in accordance" with the Comprehensive option of the G4 GRI Guidelines and its Sector Supplement of Financial Services. Management's responsibility includes establishing, implementing and maintaining the internal controls required to ensure that the sustainability indicators are free from any material misstatement due to fraud or error.

The Management of Bankinter is also responsible for defining, implementing, adapting and maintaining the management systems from which the information required to prepare the sustainability indicators is obtained.

Our responsibility

Our responsibility is to issue a limited assurance report based on the procedures that we have carried out and the evidence obtained. Our limited assurance engagement was done in accordance with the International Standard on Assurance Engagements 3000 (Reviewed) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC).

The scope of a limited assurance engagement is substantially less extensive than that of a reasonable assurance engagement and thus, less security is provided.

The procedures that we have carried out are based on our professional judgment and have included consultations, observation of processes, document inspection, analytical procedures and random sampling tests. The general procedures employed are described below:

- Meetings with personnel of Bankinter from various departments who have been involved in the preparation of the Integrated Report 2016 of Bankinter.
- Analysis of the procedures used for obtaining and validating the data presented in the sustainability indicators.

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- Analysis of Bankinter's sustainability indicators adaptation to the requirements established by the G4 GRI Guidelines for the preparation of reports and its Sector Supplement of Financial Services.

- Verification, through random sampling tests revisions, internal control tests and substantive tests on the information used to determine Bankinter's sustainability indicators. We have also verified whether they have been appropriately compiled from the data provided by the sources of information of Bankinter.

Our Independence and Quality Control

We have fulfilled our work in accordance with the independence requirements and other ethical requirements of the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants (IESBA), which are based on basic principles of integrity, objectivity, professional competence and diligence, confidentiality and professional conduct.

Our firm applies the International Standard on Quality Control 1 (ISQC 1) and thus employs an exhaustive quality control system which includes documented policies and procedures on the compliance of ethical requirements, professional standards, statutory laws and applicable regulations.

Limited Assurance Conclusions

As a result of the procedures carried out and the evidence obtained, no matters have come to our attention which may lead us to believe that Bankinter's sustainability indicators, for the financial year ended 31st December 2016, contain significant errors or have not been prepared, in all of their significant matters, in accordance with the general and specific content of the G4 GRI Guidelines and its Sector Supplement of Financial Services.

Use and distribution

Our report is only issued to the Management of Bankinter in accordance with the terms and conditions of our engagement letter. We do not assume any liability to third parties other than the Management of Bankinter.

PricewaterhouseCoopers Auditores S.L.

Mª Luz Castilla

22nd February, 2017

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