

We are  
looking  
ahead

2017

Integrated Annual Report

**bankinter.**

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# 2017 Milestones

- Bankinter created quality jobs for the fifth consecutive year, in line with its balanced growth strategy.
- The Bank strengthened its leadership in solvency and capital, and comfortably exceeded the regulators' requirements.
- The business strategy is focused on improving value proposition and in further attracting customers.

## Net profit

**€495.2<sub>mn</sub>**

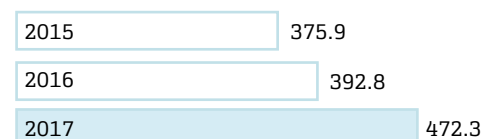
Total net profit of the Group rose 1%.



## Net profit (excl. Portugal)

**€472.3<sub>mn</sub>**

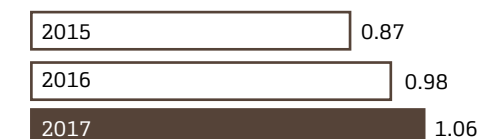
Excluding Portugal, profit was 20.2% higher.



## Net interest income

**€1.06<sub>bn</sub>**

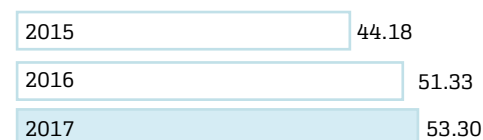
Net interest income increased by 8.5%.



## Loans and receivables

**€53.3<sub>bn</sub>**

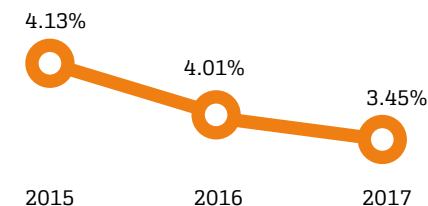
Loans increased by 3.8%



## Non-performing loan ratio

**3.45%**

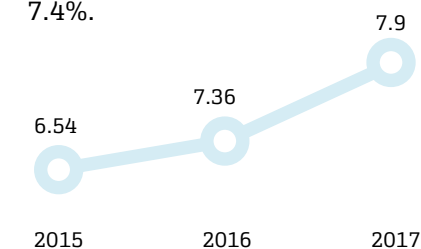
The non-performing loan ratio fell by 0.56 points.



## Share price

**7.90 €**

Bankinter's share price rose by 7.4%.



More information in the 'Results' chapter

- The Bank's sustainable management was recognised in 2017, with its inclusion in the Dow Jones Sustainability Index Europe.
- Bankinter's position in the markets improved after two of the most important credit rating agencies raised its rating.
- Popcoin was launched, the first online active investment management service, that offers new options for small savers.
- The Bank made a big effort to prepare for the introduction of new accounting, payments, data and investor protection standards.

#### Balances in payroll accounts

**€6.81bn**

Balances in payroll accounts increased by 21.8%.



#### Private banking assets

**€35bn**

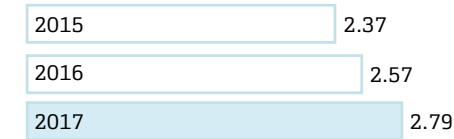
Private banking assets increased by 12%.



#### Línea Directa policies

**2.79million**

Línea Directa policies rose by 8.7%.



#### Consumer loans

**€1.5bn**

Consumer loans grew by 42%.



#### Línea Directa pre-tax profit

**€152mn**

Línea Directa profit grew 11.3%



# An Annual Report looking to the future

The preparation of the Bankinter 2017 Integrated Annual Report takes into consideration the most advanced criteria of transparency and corporate communication. In particular, the report meets the requirements that the new European directives establish in relation to non-financial reporting and disclosure of diversity information.

The directive, which was transposed into Spanish law in November 2017, requires large companies to disclose information on their social, labour and environmental management, particularly in relation to their diversity policy (especially with respect to corporate governance) with the aim of increasing the confidence of investors, customers and other stakeholders.

Bankinter has reported detailed information on the aspects covered by the directive for several years now, in anticipation of the new legal framework.

The content of the 2017 Integrated Annual Report is also in line with the most rigorous of international recommendations. With this in mind, its attention is not only focussed on what happened last year, but also on the projects and objectives for 2018, with the aim of sharing the Bank's future outlook and likely evolution with all its various stakeholders. In this regard, the report provides information on Bankinter's strategy and business model.

The report starts with individual interviews with the chairman and the chief executive officer, in which they take a global approach to explaining the most important aspects of the Bank's results and activities, and the main characteristics of the economic and financial environment. The rest of the content structure includes detailed descriptions of the main results for the financial year, the corporate governance policy, risk management, business activities, the human factor and the sustainability strategy, among other chapters.



## Interview with the chairman, Pedro Guerrero

# 'Bankinter ended 2017 more profitable and solvent than it started'



### **In what kind of macroeconomic environment did the Bank carry out its activity in 2017?**

Overall, 2017 was quite a good year from the viewpoint of economic activity. Last year we began to see the global and domestic economic cycle clearly change from contractionary to expansionary. The consolidation of this new and better environment is occurring despite the uncertainties that are affecting geostrategic and political stability.

In Spain, GDP growth was balanced and rose by over 3% for the third consecutive year, thanks to strong performances in consumption, investment and exports.

Central banks began, though tentatively, the slow process of removing monetary stimulus. In the United States the Fed raised interest rates three times in 2017 and the ECB began to reduce the size of its liquidity injections into the eurozone. This is an indication that there is an adequate process of economic stabilisation taking place, as it is clear that monetary stimulus is becoming less needed. In other words, the global economy is beginning to be able to function adequately without external help.

Perhaps the most positive aspect of this growth cycle is its high degree of geographic synchronisation. It is not easy to identify a major economy that is being left out of this process. This fact is especially important for the future performance of Spanish companies abroad and, in particular, it reinforces the long-term sustainability of the growth cycle. These factors taken together offer a hopeful starting point for 2018.

### **Will it be possible to maintain this growth trend?**

I think so. Economies have some strong inertias, both positive (expansion) and negative (contraction), which are not easy to break down in the short term. I think we can trust that, barring unexpected events, the positive inertia that is underway will extend into 2018 and even beyond. It is worth remembering that, in general, expansionary cycles last two or three times longer than contractionary ones. At least this is what economic history since the start of the twentieth century tells us, and there are currently no concrete arguments to cast doubt on this fact. What is more, now that we are in the twenty-first century, the ever faster advance in technology combined with

the more professional management of the economy, both public and private, should further reduce the likelihood of this trend reversing.

### How do you see the situation in the banking sector?

The banking industry is a survivor of a set of adverse conditions that occurred over a period of ten years (2007/2017). As a result, there are currently only a dozen banks remaining in Spain, when before the financial crisis there were more than sixty. The survivors among us are stronger and have more solid balance sheets than ever before. This puts us in a good position to take advantage of the improved climate that we believe will gradually be seen over the next few years.

On one side the recovery of activity volumes benefits us, combined with an improvement in credit quality thanks to the upturn in the economic cycle. On the other side, it is very difficult to see interest rates falling and it is most likely they will rise. This is not something we will see short term in the eurozone, at least during 2018, but it will eventually have to happen, as it already has done in the United States. This will also be a positive factor in sector results.

That said, we cannot forget the threats, which are many, mainly resulting from the competition of companies related with the latest technologies; excessive, at times suffocating, regulation; and even the possibility of bubbles forming due to excess liquidity.

### What role will digitalisation play in all this?

A very important role, as it is not only increasingly demanded by customers, but it is also vital to give the business scalability without the need to incur the costs that an extensive branch network requires.

Up to now Bankinter's digital channels have been directed towards transactional banking, in other words, to facilitate the self-service banking of our customers. This has enabled Bankinter to have a much smaller physical branch network than would correspond to its market share. However, today's technology allows us to give a new impulse to digital channels so that they support sales and attract new customers, giving them a much greater commercial orientation and not merely a transactional one. In this regard, in 2017 we introduced a new Individual Banking website with a much improved customer experience, and tools to attract customers, such as simulators, comparison tables and search engines, along with selling a bigger product range.

We feel particularly proud of the mass use our customers now make of virtual channels in their relationship with the Bank. 91% of our customers are digital, either pure (31%) or mixed.

From the viewpoint of internal digitalisation we are redesigning our processes and applying new technologies to them, such as facial recognition, OCR (Optical Character Recognition) and BPM (Business Process Management), to reduce the processing times and internal resources dedicated to administrative tasks. All of this will lead to

an improvement in the quality perceived by customers, of the productivity of commercial staff and finally in processes more adapted to the digital world.

Does that mean we should forget the way we have done banking before now? Absolutely not. In the highest segments, human relationships and advice remain a core part of our value proposition, in which the physical branch network will continue to play a central role, but it will dedicate more time to sales, to attracting customers and advisory services, and much less to operational tasks.

### What would you highlight about Bankinter in 2017?

The most important factor has been the strength of our commercial activity. In a market which, despite the economic boom, is still decreasing (loans, the Bank's main source of income, continue to decline), Bankinter alone has been able to grow and, therefore, gain market share in all segments, both for individuals and businesses. We have grown in individual retail banking, personal banking, private banking, in SMEs, in medium-sized enterprises and in corporate banking

We have also done so in those businesses which we consider strategic and which we have focussed on over the last few years. This has been the case with consumer finance which performed exceptionally well with growth of 42% in the year. International Business and Investment Banking also did well and made a significant contribution to the Bank's results.

'We can trust that the positive inertia of the economy that is underway will extend into 2018 and even beyond.'



Línea Directa Aseguradora has once again had a brilliant year. It has grown significantly, gaining market share in the car insurance and home insurance categories. It has launched a new line of business, health insurance, through the Vivaz brand. It also beat its record profits, which is a major achievement in a year in which it has invested heavily in growth.

Finally, I must highlight the fine performance of the business in Portugal. In the first full financial year since we acquired the branch network from Barclays in 2016, we have achieved significant in customer funds and loans and receivables and made a profit. The operational integration is also now practically complete.

In my view it is a very notable event, bearing in mind that this is the first significant overseas acquisition that Bankinter has undertaken in its history.

In summary, 2017 was once another record year for Bankinter, and one in which we also laid down solid foundations for our future growth.

The good performance in 2017 has been possible, thanks to the trust of our customers, and the professionalism, dedication and hard work of our employees.

The achievement comes from an exceptional human resources team, which is motivated, committed and has decisive leadership.

To everyone who forms part of that team, I want to congratulate and thank them.

### What about the Bank's results?

Although the chief executive officer will refer to the results later, I would like to highlight two things.

The first is the amount. Net profit reached 495 million, our highest ever, meaning that at Bankinter we have now beaten our record profits four years in a row. In addition, this year there were no extraordinary items, unlike last year when we had 145 million euros of EBT resulting from the badwill generated in the Portuguese acquisition, having bought it at a very favourable price. Stripping out this effect, net profit grew by 20.2% in the year.

The second factor I want to highlight is the quality of the results.

As I have said, there were no extraordinary items, but in addition they have come almost exclusively from business with customers.

EFTs (earnings from financial transactions) were 61 million euros, just 3.3% of gross operating income. The Bank's debt portfolio is less than 150% of our own funds, which is considered to be technically correct to cover interest rate risk.

These results have provided a RoE (return on equity) of 12.6%, the highest by some way among Spanish banks and one of the best in commercial retail banking in Europe.

If we add to this our solid capital and liquidity ratios, which our chief executive officer will comment on in more detail, and our low non-

performing loan and foreclosed assets ratio, we can conclude that we are in an enviable position to face the future.

In summary, Bankinter ended 2017 more profitable and solvent than it started.

### In what ways will shareholders notice these improvements?

Mainly in two ways.

The first is the share price. It went up by 7.4% in 2017. This increase is significant, if we put it in context. Our share is the bank stock that has increased the most in value in the IBEX 35 in each of the last four years. Also, in the entire five-year period from 2013 to 2017 (both included) our share price increased the most among the 40 banks listed on the STOXX® Europe 600 index.

The good results for the year, which were partially discounted by the market, have seen our share price rise by 17% in the month of January 2018.

The second way is through dividend yield. This year we are proposing to the annual general meeting of shareholders, the payment of a cash dividend totalling 247.6 million euros, an increase of 24%, in both the total dividend and dividend per share, compared with last year. We believe this is a reward to our shareholders that is line with results and at the same time ensures the conservation of capital and the maintenance of an appropriate level of capital adequacy.

**'The achievement comes from an exceptional human resources team, which is motivated, committed and has decisive leadership.'**



## What is new in Bankinter's commitment to sustainability?

It is a clear commitment, that comes from our belief that everyone, from all of our respective areas of activity and as far as is possible, must contribute to a better world. We are delighted that our efforts have been recognised, as was shown last year when Bankinter was included in the Dow Jones Sustainability Index Europe, the stock market index that includes those companies with the best social, environmental and corporate governance performance in Europe.

In 2017 we continued developing the objectives set in the 'Tres en raya' ('Three in a row') plan, which is so named because it aligns the three dimensions of Bankinter's sustainability policy: economic, social, and environmental. What is the aim of it? Basically to establish a balanced, transparent and clear relationship with our stakeholders (shareholders, customers, employees, suppliers and society in general); to assist with the financial integration of people with disabilities; to undertake the responsible management of people, as the Bank's primary asset; contribute to the development of the community; and reduce our impact on the environment to a minimum.

Elsewhere in this report there is a detailed description of the achievements of this plan. However, I will take this opportunity to emphasise the Bank's commitment to sustainability, which increasingly permeates all areas of our business. It is a commitment that has a clear effect on corporate governance, which is subject to the most demanding international practices and the planned requirements of the European Banking Union.

I would also like to express my recognition of the commendable work carried out by the Bankinter Innovation Foundation, which aims to find answers to our concerns, especially in relation to the key role of innovation and entrepreneurship in human progress. It has four programmes focused on achieving this. The Future Trends Forum, which is the top science and technology think tank in Spain and the 27th in the world, according to the University of Pennsylvania. The Akademia programme, which spreads the importance of business innovation in the major university centres and helps students to start-up new self-employment projects. The Entrepreneurs programme, which invests capital in the early stages of these projects. Cre100do which collaborates in the growth

and internationalisation of medium-sized companies, helping to make them bigger.

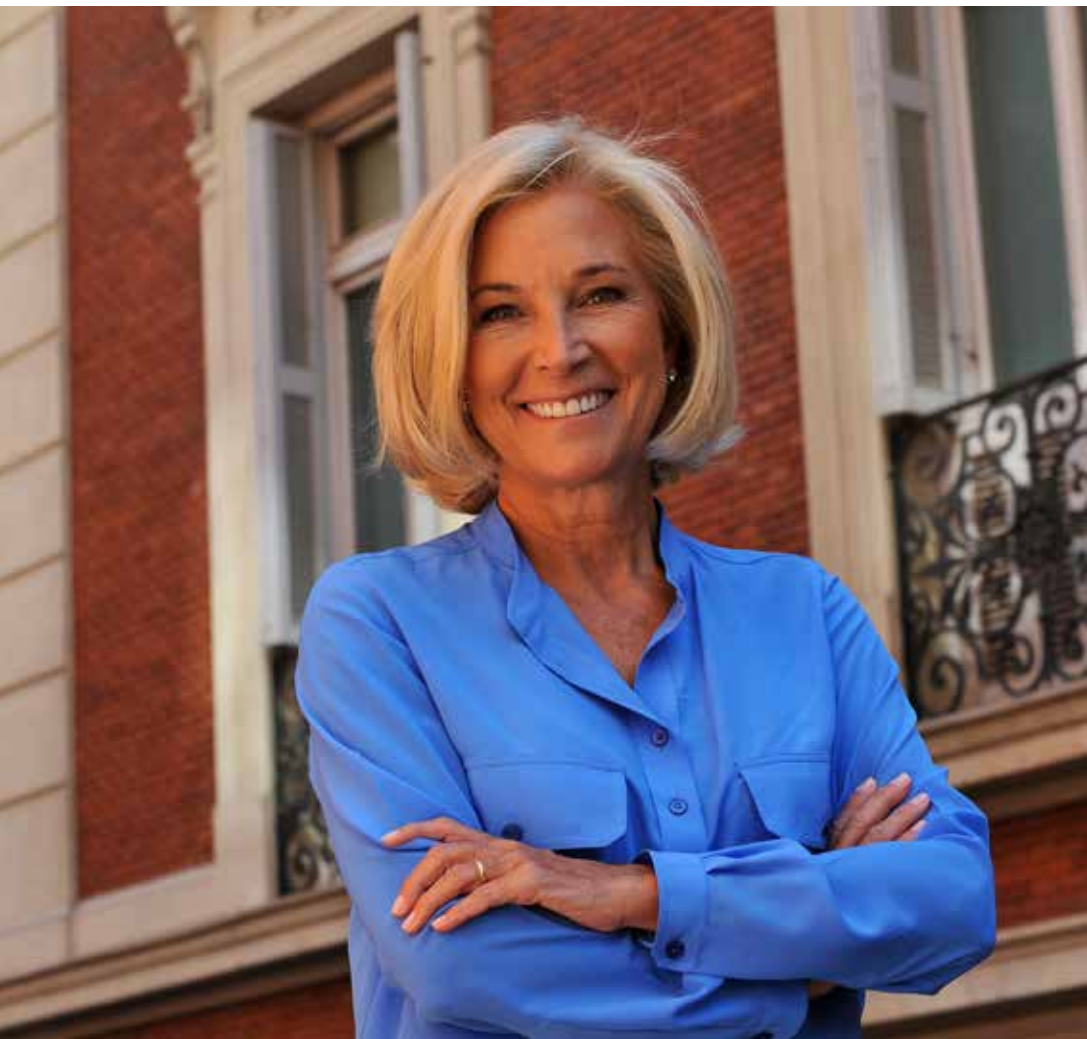
We believe that the fruits of these four programmes, along with the specific characteristics of our business, will occupy an important place in the Bank's legacy.

**'I want to emphasise the Bank's commitment to sustainability, which increasingly permeates all areas of our business.'**

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## Interview with the chief executive officer, María Dolores Dancausa

# '2017 was another year of record profits in the history of Bankinter'



**How would you assess Bankinter's results for 2017?**

I honestly believe that we can be very satisfied. From the viewpoint of the income statement, it was a somewhat unusual year, due to the influence of the inclusion of the Portuguese business in 2016, which put a negative slant on our earnings in 2017. Despite this effect, net profit grew by 1% to 495.2 million euros. The trend in pre-tax profit followed similar lines and increased to 677.1 million euros, around the same figure as last year. In like-for-like terms, in other words stripping out the effect of Portugal, gross and net profit increased by 19.1% and 20.2%, respectively, in line with previous years. This means that in year-on-year terms, the Bank's profits have maintained a double-digit annual growth rate over the last five years, with 2017 setting yet another record year for results in the Group's history.

**Apart from profits, what other financial indicators would you highlight this year?**

Both asset quality and solvency, profitability and efficiency levels have remained very positive. Non-performing loans fell to 3.45%, which is 56 basis points lower than in 2016, and which compares very favourably with the sector average of over 8%. 'At the same time, we maintained a CET1 capital ratio ('fully loaded', that is assuming in advance the Basel criteria that come into force in 2019) of 11.46%, considerably higher than regulatory requirements. Our profitability, measured in terms of RoE, was 12.6%, the highest among listed banks in Spain. We also improved in terms of the cost-to-income ratio, which closed the year at 46.8%, compared to 48.6% in 2016, and which is a very representative indicator of the sustainability of our results. In summary, we can say that 2017 was a very good year for Bankinter, full of achievements and good projects.

### How would you sum up these achievements and projects from the business's point of view?

We have five main business lines, very well oriented and complementing each other. Our main source of generating gross operating income is corporate banking, which is an inherent activity for us, since Bankinter began life as an industrial bank. In 2017, corporate banking maintained its moderate growth rate, with the increase in international business particularly standing out. In retail and commercial banking, the higher wealth segments performed well and we are also very happy with the ability of our new payroll account to attract customers. Bankinter Consumer Finance had yet another dynamic year and we are now one of the major operators in the consumer lending business. Portugal also performed well last year, the first full year with us, and experienced notable increases in retail funds and loans and receivables, partly as a result of the country's improved macroeconomic situation. Finally, our insurance company, Línea Directa, was one of our strongest businesses in 2017, recording growth rates above the market average, both in car and home insurance. In short, I believe that we have a set of very balanced business lines with plenty of room to continue growing.

**'There is a solid demand for loans from companies, especially in relation to overseas business activity.'**

### To what extent can these good results be maintained in 2018 and onwards?

We are working to ensure the growth rate is sustainable over time. As was said before, our cost-to-income ratio has improved. This indicator measures the relationship between costs and income and is very significant in guaranteeing the sustainability of our business model. Certainly, the results obtained in 2017 come from the traditional customer business, and that is the most stable base on which to continue to grow in the future. If we do things right and the economy evolves as forecast, I think we can be ambitious in our growth targets. This does not mean it is going to be easy, because the financial sector faces some major challenges.

#### What are these challenges?

First of all, regulation. Three new regulations come into force in 2018 that will have a very relevant and direct impact on our activity. On one side is the new IFRS 9 accounting standard, which modifies the treatment of non-performing loan provision and is likely to require us to make more provisions. Two European directives will also come into force, MiFID2, that is changing the way financial products are marketed, and PSD2, that regulates payment services and opens the way for the banks to share information on their customers with third parties, subject to them authorising it. I believe that in general terms the regulation is a good thing, because it requires banks to be disciplined and better organised, but only as long as it is developed within reasonable limits. I think that at the moment it is legitimate to ask if these limits have been exceeded. In any case,

at Bankinter we have worked hard in the last few months and we are adequately prepared to deal with these changes.

Another of our big challenges is interest rates. For over five years now, official interest rates in the eurozone have been below 1%, and are currently 0%, with little expectation of this changing, at least during 2018, despite the price of money starting to rise in the United States. That interest rate scenario narrows our margins extraordinarily and we have to overcome unfavourable monetary conditions with imagination and hard work. Our objective is to make further progress in the process of attracting new customers and offering them higher added value products, so that our business model does not become over-dependent on movements in official interest rates. To do this we must take advantage of the fact that currently, as a result of the recovery, there is a solid demand for loans, especially in relation to overseas business activities, as many companies are investing abroad and need financing.

The third big challenge we face is the impact of technology, both on the processes and services that we offer, and on the consumer behaviour of our customers. This global metamorphosis poses us with major dilemmas as an organisation. On one side we must be capable of combining the service demanded by our traditional customers, who want advisory services, with the needs of our digital customers, who require technology, immediacy and very little dialogue. We are aiming products such as our mortgage that can be arranged 100% online, launched from the Coinc digital platform at the end of 2017, to these digital customers. We must also

**'Our profitability, measured by RoE, is the highest among listed banks in Spain.'**

be careful when and how we adapt to the technological revolution, because the Bank does not always control the rate of change. At times you can implement a technology very quickly, but the customer may be slow to adapt to the changes and this complicates the process. Similarly, we must ensure we have suitably qualified professionals to cover our future needs, because the introduction of new technologies requires changes in that area too. To handle all the problems resulting from technological change in 2017, we strengthened Bankinter Global Services, which is the area responsible for providing the Bank's technology and operational services, and as such is a key part of our transformation and growth process.

#### **To what extent does the situation in Catalonia affect Bankinter?**

It affects us negatively, as it does all of the banking sector and the economy and the whole society in general. It cannot be said that a situation of social, political and economic tension benefits anyone, but it clearly does not benefit the banking sector, which works on the basis of the principles of trust, solidity and stability. Therefore, we cannot speak about banks that have benefited or been harmed by the events in Catalonia. At Bankinter, we always take a long-term view of business and hope that in 2018 common sense will prevail, that social harmony will be restored and that the rate of economic growth recovers so we can continue to increase our market share in Catalonia, as we have done in the last few years.

#### **What are Bankinter's future long-term objectives?**

First of all, we want to remain an independent bank. We have been so throughout our history and we aspire to being the same bank as always. Our track record supports this objective of stability, because we have never merged with anyone and we have not bought anyone in Spain. In such a volatile and fast-moving world as we live in today, we want to preserve our essence. This also means that we must be ambitious in our growth targets, but always be selective, remaining prudent in our risk policy and focusing on profitability. We also aim to preserve our commitment to doing things well and putting a seal of quality on all our products and processes. Our backing of innovation and respect for the customer are other characteristics that set us apart as a bank. All these traits, that historically form part of Bankinter's DNA, still exist today and will continue to do so in the future, if we adapt them to meet customer needs and market changes.


#### **What is your view of the current situation in the Spanish banking sector?**

I think the Spanish banking sector has overcome a serious crisis and can now work normally. The consolidation process which has reduced the number of banks from 60 to just 12, is practically completed, except for a few minor loose ends, and the capital adequacy level has increased considerably. What is more I believe that the sector has learnt from the mistakes of the past and is not going to repeat certain behaviour or management failures.

Naturally, there is still much to do, because, as we said before, the challenges in terms of regulation and supervision, the acceptance of technological change and the business model are of great importance and could cause problems for less solid banks. However, I think the restructuring of the sector is now complete and the crisis has been left behind. At times in Spain, we tend to undervalue what is our own, but I have no doubt that we have a solvent, dynamic and modern banking system, which is perfectly comparable with that of other European countries, and in which there is also a high degree of competition. This intense competitive pressure, as well as being paradoxical due to the reduction in the number of players, is very beneficial for customers and is also positive for the banks because it makes us improve and move out of our comfort zone. At European level, the Spanish banking sector is also very well placed in terms of efficiency, though this does not mean that we should not continue to try to improve our cost-to-income ratio.

**'We are ambitious in our growth targets, but we are always selective, prudent in our risk policy and focused on profitability.'**

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A person is shown from the chest down, sitting and writing in a notebook. They are wearing a light-colored button-down shirt and grey trousers. The scene is dimly lit, with a strong light source from the left creating a bright orange glow on the left side of the image and casting shadows on the right. Three white circular callout points are connected by thin white lines to text boxes on the right. The first point is on the person's hand holding the pen. The second point is on the open notebook. The third point is on the person's leg.

## Summary of the year

Low interest rates in the major economies.

Investment, consumption and exports, the main growth engines of European Union GDP.

Reduction of unemployment in the European Union to below 9%.





## Context analysis

# Economic environment

2017 was characterised by synchronised global growth: the rate of growth gained inertia in the major developed economies, whilst the economic environment improved significantly in emerging countries, which had experienced more adverse economic conditions in the last few years.

In 2017, the eurozone confirmed its growth acceleration trend, which became more established and extended to a greater number of countries and productive sectors. Investment, consumption and exports were the main engines driving GDP growth in the eurozone above rates of +2.5%. European Central Bank (ECB) monetary policy continued to play a very important role, setting very low interest rates that are stimulating the demand for borrowing. This improvement in the economic cycle was evident in the labour market, where the unemployment rate fell to below 9%, compared to the high of 12.1% in 2013.

Domestically, Spain once again stood out in a positive light, maintaining a growth rate of over +3% in 2017. The good performance of both domestic demand and exports, has led to more balanced growth, with the balance on current account remaining in surplus despite higher energy import prices. The labour market has evolved positively, with large increases in contributors to the Spanish social security system and a reduction in the unemployment rate down to 16.6%. Finally, the reduction in the public deficit remains on course, in compliance with EU fiscal consolidation targets.

The United Kingdom, on the other hand, has experienced a gradual economic slowdown. The uncertainty resulting from Brexit is acting as a brake on investment, while consumption has been hit by higher inflation due to the depreciation of sterling.

The US economy has shown fresh signs of its strength and has now grown for the last eight successive years. The dynamism of consumption continues to be the main factor driving economic growth, although both business and property investment have also performed positively. The continued high rate of job creation has also enabled the unemployment rate to be reduced to the 4% threshold. Finally, it is worth noting that the expected increase in disposable income and corporate profits resulting from the tax reform approved at the end of 2017 has generated a strong increase in confidence levels.

Japan is one of the countries that has performed surprisingly well in 2017, thanks to its return to growth. The Bank of Japan's expansionary monetary policy is beginning to bear fruit and the Japanese economy is awakening from a long period of very weak growth.

To end, we should highlight the improvement seen in the emerging economies. China has managed to put a brake on the slowdown in its economy and has maintained growth at levels around +7%, despite the persistence of certain imbalances, such as the high growth in lending. India recovered in the second half of 2017, after a first half which was somewhat disappointing; with growth losing impetus due to the difficulty experienced in adapting to certain structural reforms that will bring their rewards next year. Brazil came out of recession at the start of 2017 and the incipient growth has been accompanied by lower inflation, which has permitted looser monetary policy. Similarly, the general recovery in commodity prices is acting as a tailwind for other emerging economies like Russia and the countries of the Middle East.

## Interest rates and foreign currencies

Interest rates have remained at low levels in the major economies, despite the Federal Reserve continuing to apply a strategy of gradual normalisation to its monetary policy. Inflation stayed at very moderate levels during 2017, in spite of the spike in commodity prices in the last part of the year. Structural factors such as demography, globalisation and technology have meant that inflation has not reached the targets of the central banks, who have adopted clearly accommodating policies.

The ECB kept its rates unchanged in 2017. The benchmark interest rate remained at 0%, the deposit facility rate at 0.4% and the marginal lending facility rate at 0.25%. The ECB also continued to roll out its asset purchase programme for the amount of 80,000 million euros a month up to March and 60,000 million euros a month from April to December. The upturn in the eurozone cycle and forecasts of inflation closing in on its target of 2.0% in the medium term have led the ECB to announce a reduction in the asset purchase programme from 60,000 million euros a month to 30,000 million euros a month, from January 2018, an amount which will continue in force at least until September.

The Federal Reserve raised interest rates on three occasions in 2017, from 0.50%/0.75% to 1.25%/1.50%. The Fed also announced in September that it would start to reduce the size of its balance sheet and stop reinvesting some of the Treasury bonds and MBS that reach maturity. This strategy of gradual normalisation of monetary policy reflects the most advanced point that the US has found itself in during the current growth cycle; but

it has not implied a hardening of financing conditions.

The Bank of England felt the need to raise its base rate from 0.25% to 0.50%, with the aim of slowing down the rising inflation triggered by the depreciation of sterling. Meanwhile, the Bank of Japan has persisted with its very loose monetary policy, characterised by a major programme of asset purchases and a benchmark interest rate of -0.1%.

The most notable factor in the foreign exchange market in 2017 was the strength of the euro against all other currencies. Of particular note was the appreciation against the dollar, from \$1.05 to \$1.20 over the course of the year, due to the following reasons: (i) The economic growth in the eurozone has been a positive surprise and has had more weight than the Fed's interest rate hikes which were already discounted by the market. (ii) The geopolitical risks facing Europe at the start of 2017 have taken on less importance because of the outcome of the elections in Holland, France and Germany. The euro has also remained strong against a pound, penalised by the uncertainty surrounding Brexit, and a yen, weakened by the extremely expansive monetary policy of the Bank of Japan and slower economic growth in the first part of the year.

**The European Central Bank kept its interest rates unchanged in 2017.**





## Stock exchanges and bonds market

Stock exchanges performed well throughout 2017, with strong upside in the main markets. The improvement in the economic cycle, the growth of corporate profits and investors' search for higher returns than those offered by the fixed-income market were the main catalysts for equity markets. After a very good start to the year, European markets closed 2017 consolidating levels, without having recovered the highs reached in the first half of the year. The US, on the other hand, took the lead in the second half of the year and both the Dow Jones Industrials and the S&P500 achieved notable rises to reach record highs. The major spike in the shares of companies in the technology sector was one of the main factors driving this.

The gradual acceleration in domestic growth and the depreciation of the yen helped boost the Japanese stock market, while equities in emerging markets also performed well. The main emerging market indexes recovered strongly during the year, reflecting the improvement in the cycle in these countries and the gradual introduction of some structural reforms.

In the fixed-income market, the high volume of ECB purchases caused the German 10-year bond yield to be very reduced and below 0.50% for most of the year and peripheral countries' debt spreads to tighten. The process of fiscal consolidation carried out by these countries has also contributed to a reduction in risk premium. The ECB's expansionary monetary policy and the growing strength of company

balance sheets has led to corporate debt spreads continuing to tighten. In the US, the debt market was characterised in 2017 by a gradual flattening of the interest rate curve. Despite short-term rates gradually reflecting the interest rate hikes implemented by the Fed, the rate on the 10-year Treasury bond remained at levels close to, but lower than, 2.50% for most of the year, which was one of very little volatility.

The table below shows, in local currency, the trend in the main stock markets worldwide in 2016 and 2017.

Main stock markets worldwide in 2017 and 2016			
Geographical area	Index	Var. % 2017	Var. % 2016
Japan	Nikkei 225	19.1%	0.4%
United States	Nasdaq 100	31.5%	5.9%
United States	S&P 500	19.4%	9.5%
Germany	DAX	12.5%	6.9%
Spain	Ibex 35	7.4%	-2.0%
France	CAC 40	9.3%	4.9%
Eurozone	EuroStoxx 50	6.5%	0.7%
United Kingdom	FTSE 100	7.6%	14.4%
India	Sensex	27.9%	1.9%
China	CSI 300	21.8%	-11.3%
Brazil	Bovespa	26.9%	38.9%

### Ibex35 in 2017

**+7** Spain  
**4%**

# Results

Net profit in Spain  
increased by 20.2%.

Dividend per share rose  
by 18.5% in 2017.

Bankinter's share price  
increased by 7.4%.

## Bankinter Group. Consolidated balance sheets at 31 December 2017 and 2016 (Thousands of euros)

ASSETS	31-12-17	31-12-16 (*)
Cash, balances in cash in central banks and other demand deposits	5,594,779	3,556,750
<b>Financial assets held for trading</b>	<b>2,734,699</b>	<b>2,676,719</b>
Swaps	268,303	386,897
Equity instruments	87,942	62,901
Debt securities	888,154	1,042,163
Loans and advances	1,490,300	1,184,758
Banks	1,480,161	1,031,734
Customers	10,139	153,024
Memorandum items: Loaned or pledged	891,024	948,175
<b>Financial assets designated at fair value through profit or loss</b>	-	-
Memorandum items: Loaned or pledged	-	-
<b>Available-for-sale financial assets</b>	<b>4,575,214</b>	<b>4,140,057</b>
Equity instruments	187,102	178,550
Debt securities	4,388,112	3,961,507
Memorandum items: Loaned or pledged	464,028	112,207
<b>Outstanding loans and items</b>	<b>53,863,211</b>	<b>52,816,104</b>
Debt securities	357,056	499,004
Loans and advances	53,506,155	52,317,100
Banks	355,001	1,132,327
Customers	53,151,154	51,184,773
Memorandum items: Loaned or pledged	1,460,212	1,743,051
<b>Investments held to maturity</b>	<b>2,591,774</b>	<b>2,019,546</b>
Memorandum items: Loaned or pledged	658,144	118,132
<b>Changes to the fair value of items covered in a portfolio by hedging interest rate risk</b>	<b>(3,563)</b>	<b>(1,889)</b>
<b>Derivatives - hedge accounting</b>	<b>241,074</b>	<b>217,854</b>
<b>Investments in joint ventures and affiliated businesses</b>	<b>114,586</b>	<b>112,708</b>
a) Associates	94,993	93,156
b) Jointly controlled entities	19,593	19,552
<b>Assets covered by insurance and reinsurance contracts</b>	<b>6,361</b>	<b>3,124</b>
<b>Tangible assets</b>	<b>495,776</b>	<b>503,716</b>
Property, plant and equipment	420,996	428,671
For own use	387,428	391,509
Leased out under operating leases	33,568	37,162
Investment property	74,780	75,045
Of which: leased out under operating leases	74,780	75,045
Memorandum items: acquired under finance leases	-	-
<b>Intangible assets</b>	<b>255,878</b>	<b>245,063</b>
Goodwill	164,113	164,113
Other intangible assets	91,765	80,950
<b>Tax assets</b>	<b>422,450</b>	<b>384,861</b>
Current tax assets	234,272	219,615
Deferred tax assets	188,178	165,246
<b>Other assets</b>	<b>214,987</b>	<b>204,833</b>
Insurance contracts linked to pensions	-	93
Other assets	214,987	204,740
<b>Non-current assets and transferable groups of elements that have been classified as held for sale</b>	<b>225,425</b>	<b>303,021</b>
<b>TOTAL ASSETS</b>	<b>71,332,651</b>	<b>67,182,467</b>
MEMORANDUM ITEMS:		
Guarantees provided	4,009,695	3,934,041
Contingent commitments granted	13,486,842	12,175,148

(\*) Presented for comparison purposes only.

## Bankinter Group. Consolidated balance sheets at 31 December 2017 and 2016 (Thousands of euros)

LIABILITIES AND EQUITY	31-12-17	31-12-16 (*)
<b>LIABILITIES</b>	<b>66,975,511</b>	<b>63,085,091</b>
<b>Financial liabilities held for trading</b>	<b>1,993,190</b>	<b>2,195,816</b>
Swaps	321,625	461,494
Short positions	751,508	852,366
Deposits	920,057	881,956
Banks	65,877	63,687
Customers	854,180	818,269
<b>Financial liabilities designated at fair value through profit or loss with changes to the results</b>	-	-
Memorandum items: Subordinated debt	-	-
<b>Financial liabilities at amortised cost</b>	<b>63,274,666</b>	<b>59,338,635</b>
Deposits	53,135,951	48,788,810
Central banks	6,500,608	4,750,000
Banks	2,120,624	1,472,287
Customers	44,514,719	42,566,523
Debt securities issued	8,187,472	8,915,470
Other financial liabilities	1,951,243	1,634,355
Memorandum items: Subordinated debt	1,163,653	675,913
<b>Changes to the fair value of elements covered in one portfolio by hedging the interest rate</b>	<b>(9,736)</b>	-
<b>Derivatives - hedge accounting</b>	<b>45,986</b>	<b>109,154</b>
<b>Liabilities under insurance contracts</b>	<b>737,571</b>	<b>683,659</b>
<b>Provisions</b>	<b>205,771</b>	<b>153,707</b>
Pensions and other defined benefit post-employment obligations	494	13,935
Proceedings and lawsuits for outstanding taxes	98,228	95,029
Commitments and guarantees provided	21,511	28,541
Other provisions	85,538	16,202
<b>Tax liabilities</b>	<b>352,009</b>	<b>346,391</b>
Current tax liabilities	184,155	169,710
Deferred tax liabilities	167,854	176,681
<b>Share capital repayable on demand</b>	-	-
<b>Other liabilities</b>	<b>376,054</b>	<b>257,729</b>
Of which: welfare fund	-	-
<b>Liabilities included in transferable groups of elements that have been classified as held for sale</b>	-	-
<b>TOTAL LIABILITIES</b>	<b>66,975,511</b>	<b>63,085,091</b>
<b>SHAREHOLDERS' EQUITY</b>	<b>4,249,619</b>	<b>3,987,518</b>
<b>Share capital</b>	<b>269,660</b>	<b>269,660</b>
a) Paid-in capital	269,660	269,660
b) Unpaid capital required	-	-
Memorandum items: uncalled share capital	-	-
<b>Share premium</b>	<b>1,184,265</b>	<b>1,184,265</b>
<b>Equity instruments issued other than share capital</b>	-	-
a) Component of equity of compound financial instruments	-	-
b) Other equity instruments issued	-	-
<b>Other items of equity</b>	<b>10,161</b>	<b>6,462</b>
<b>Retained earnings</b>	<b>2,445,819</b>	<b>2,158,104</b>
<b>Revaluation reserves</b>	<b>15,312</b>	<b>23,198</b>
<b>Other reserves</b>	<b>(6,815)</b>	<b>(5,471)</b>
<b>(-) Treasury shares</b>	<b>(813)</b>	<b>(132)</b>
<b>Profit attributable to the owners of the Parent Company</b>	<b>495,207</b>	<b>490,109</b>
<b>(-) Interim dividends</b>	<b>(163,177)</b>	<b>(138,677)</b>
<b>OTHER CUMULATIVE COMPREHENSIVE INCOME</b>	<b>107,521</b>	<b>109,858</b>
<b>Items that will not be reclassified to profit or loss</b>	<b>30</b>	<b>1,347</b>
a) Actuarial gains or losses on defined benefit pension plans	30	1,347
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	-	-
<b>Items that may be reclassified to profit or loss</b>	<b>107,491</b>	<b>108,511</b>
a) Hedging of net investments in foreign operations (effective portion)	-	-
b) Currency conversion	108	590
c) Hedging derivatives. Cash flow hedges (effective portion)	1,320	(636)
d) Financial assets available for sale	101,099	103,864
i) Debt instruments	97,182	96,485
ii) Equity instruments	3,917	7,379
e) Non-current assets and transferable groups of elements that have been classified as held for sale	-	-
f) Share in other income and expense recognised in joint ventures and associates	4,964	4,693
<b>MINORITY INTERESTS (non-controlling interests)</b>	-	-
<b>Other cumulative global result</b>	-	-
<b>Other items</b>	-	-
<b>TOTAL EQUITY</b>	<b>4,357,140</b>	<b>4,097,376</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>71,332,651</b>	<b>67,182,467</b>

(\*) Presented for comparison purposes only.

## Bankinter Group. Consolidated income statements for the years ended 31 December 2017 and 2016 (Thousands of euros)

	(Debit)/Credit	
	31-12-17	31-12-16 (*)
(+) Interest income	1,288,805	1,271,458
(-) Interest expenses	(226,810)	(292,441)
(-) Expenses for share capital repayable on demand	-	-
<b>= A) NET INTEREST INCOME</b>	<b>1,061,995</b>	<b>979,017</b>
(+) Dividend income	6,993	10,253
(+/-) Share of profit or loss of companies accounted for using the equity method	25,186	22,093
(+) Fee and commission income	528,768	470,849
(-) Fee and commission expenses	(105,278)	(91,740)
(+/-) Gains or losses arising from the derecognition of financial assets and liabilities not measured at fair value with changes in profit or loss, net	38,111	55,770
(+/-) Gains or losses on financial assets and liabilities held for trading, net	21,439	15,085
(+/-) Gains or losses on financial assets and liabilities at fair value through profit or loss, net	-	1,357
(+/-) Gains or losses resulting from hedge accounting, net	(67)	(387)
(+/-) Exchange differences, net	2,097	(376)
(+) Other operating income	40,429	30,478
(-) Other operating expenses	(119,634)	(91,510)
(+) Income from assets under insurance and reinsurance contracts	776,784	715,976
(-) Expenses from liabilities under insurance and reinsurance contracts	(425,507)	(399,476)
<b>= B) GROSS OPERATING INCOME</b>	<b>1,851,316</b>	<b>1,717,389</b>
(-) Administrative expenses:	(883,526)	(843,353)
(-) a) Staff costs	(498,494)	(462,693)
(-) b) Other administrative expenses	(385,032)	(380,660)
(-) Depreciation and amortisation	(60,945)	(58,893)
(+/-) Provisions or reversals of provisions	(53,215)	(38,611)
(+/-) Impairment of value or reversal of impairment in value of financial assets not valued at fair value with changes in profit or loss	(148,571)	(168,875)
(+/-) a) Financial assets measured at cost	-	-
(+/-) b) Financial assets available for sale	(1,394)	(16,308)
(+/-) c) Loans and receivables	(147,177)	(152,567)
(+/-) d) Held-to-maturity investments	-	-
<b>= C) OPERATING PROFIT</b>	<b>705,059</b>	<b>607,657</b>
(+/-) Impairment or reversals of impairment of investments in joint ventures and associates	-	-
(+/-) Impairment or reversals of impairment of non-financial assets	275	(17,489)
(+/-) a) Tangible assets	929	-
(+/-) b) Intangible assets	-	(17,174)
(+/-) c) Other	(654)	(315)
(+/-) Gains or losses arising from the derecognition of non-financial assets and investments, net	(1,201)	(703)
(+) 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	(27,010)	(57,893)
<b>= D) PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS</b>	<b>677,123</b>	<b>676,712</b>
(+/-) Expenses or income from taxes on earnings from continuing operations	(181,916)	(186,603)
<b>E) PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS</b>	<b>495,207</b>	<b>490,109</b>
(+/-) Profit or loss after tax from discontinued operations	-	-
<b>PROFIT FOR THE YEAR</b>	<b>495,207</b>	<b>490,109</b>
Attributable to minority interests (non-controlling interests)	-	-
Attributable to the owners of the Parent	495,207	490,109
<b>EARNINGS PER SHARE:</b>		
Basic	0.54	0.54
Diluted	0.54	0.54

(\*) Presented for comparison purposes only.

## Bankinter Group. Consolidated statements of recognised income and expense for the years ended 31 December 2017 and 2016 (Thousands of euros)

	31-12-17	31-12-16 (*)
<b>A) PROFIT FOR THE YEAR</b>	<b>495,207</b>	<b>490,109</b>
<b>B) OTHER COMPREHENSIVE INCOME</b>	<b>(2,337)</b>	<b>1,117</b>
<b>Items that will not be reclassified to profit or loss</b>	<b>(1,317)</b>	<b>59</b>
a) Actuarial gains or losses on defined benefit pension plans	(1,862)	90
b) Non-current assets and disposal groups classified as held for sale	-	-
c) Other valuation adjustments	-	-
d) Tax on earnings related to items that will not be reclassified	545	(31)
<b>Items that may be reclassified to profit or loss</b>	<b>(1,020)</b>	<b>1,058</b>
<b>a) Hedging of net investments in foreign operations [effective portion]</b>	<b>-</b>	<b>-</b>
- Gains or losses recognised in equity	-	-
- Transferred to profit or loss	-	-
- Transferred to profit or loss	-	-
<b>b) Currency conversion</b>	<b>(688)</b>	<b>412</b>
- Foreign currency gains or losses recognised in equity	(410)	64
- Transferred to profit or loss	(278)	348
- Other reclassifications	-	-
<b>c) Cash flow hedges [effective portion]</b>	<b>2,794</b>	<b>4,289</b>
- Gains or losses recognised in equity	-	-
- Transferred to profit or loss	2,794	4,289
- Transferred to the initial carrying amount of the hedged items	-	-
- Other reclassifications	-	-
<b>d) Financial assets available for sale</b>	<b>(2,938)</b>	<b>(4,289)</b>
- Gains or losses recognised in equity	33,274	36,879
- Transferred to profit or loss	(36,212)	(41,168)
- Other reclassifications	-	-
<b>e) Non-current assets and disposal groups classified as held for sale</b>	<b>-</b>	<b>-</b>
- Gains or losses recognised in equity	-	-
- Transferred to profit or loss	-	-
- Other reclassifications	-	-
<b>f) Share in other recognised income and expense from investments in joint ventures and associates</b>	<b>271</b>	<b>987</b>
<b>g) Tax on earnings related to items that may be reclassified in profit or loss</b>	<b>(458)</b>	<b>(341)</b>
<b>C) TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>492,870</b>	<b>491,226</b>
Attributable to minority interests (non-controlling interests)	-	-
Attributable to the owners of the Parent	492,870	491,226

(\*) Presented for comparison purposes only.

## Bankinter Group. Consolidated statements of changes in total equity for the years ended 31 December 2017 and 2016 (Thousands of euros)

	Non-controlling interests													Total
	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 Company	(-) Interim dividends	Other cumulative comprehensive income	Other cumulative global result	Other items	
<b>Opening balance 31/12/2016 (*)</b>	<b>269,660</b>	<b>1,184,265</b>	-	<b>6,462</b>	<b>2,158,104</b>	<b>23,198</b>	<b>(5,471)</b>	<b>(132)</b>	<b>490,109</b>	<b>(138,677)</b>	<b>109,858</b>	-	-	<b>4,097,376</b>
Effects of correcting errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Opening balance 31/12/2016</b>	<b>269,660</b>	<b>1,184,265</b>	-	<b>6,462</b>	<b>2,158,104</b>	<b>23,198</b>	<b>(5,471)</b>	<b>(132)</b>	<b>490,109</b>	<b>(138,677)</b>	<b>109,858</b>	-	-	<b>4,097,376</b>
<b>Total comprehensive income for the year</b>	-	-	-	-	-	-	-	-	<b>495,207</b>	-	<b>(2,337)</b>	-	-	<b>492,870</b>
<b>Other changes in equity</b>	-	-	-	<b>3,699</b>	<b>287,715</b>	<b>(7,886)</b>	<b>(1,344)</b>	<b>(681)</b>	<b>(490,109)</b>	<b>(24,500)</b>	-	-	-	<b>(233,106)</b>
Issue of common 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)	-	-	-	-	-	-	-	-	-	(224,500)	-	-	-	(224,500)
Purchase of treasury shares	-	-	-	-	-	-	-	(57,141)	-	-	-	-	-	(57,453)
Sale or redemption of treasury shares	-	-	-	-	(312)	-	-	56,460	-	-	-	-	-	56,460
Reclassification of financial instruments from equity to liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liabilities to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between equity components	-	-	-	-	291,453	-	(1,344)	-	(490,109)	200,000	-	-	-	-
Increases or decreases in equity arising from business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	3,700	-	-	-	-	-	-	-	-	-	3,700
Other increases or decreases in equity	-	-	-	(1)	(3,426)	(7,886)	-	-	-	-	-	-	-	(11,313)
Of which: discretionary transfer to welfare funds (only savings banks and credit cooperatives)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Closing balance 31/12/2017</b>	<b>269,660</b>	<b>1,184,265</b>	-	<b>10,161</b>	<b>2,445,819</b>	<b>15,312</b>	<b>(6,815)</b>	<b>(813)</b>	<b>495,207</b>	<b>(163,177)</b>	<b>107,521</b>	-	-	<b>4,357,140</b>

(\*) Presented for comparison purposes only.

## Bankinter Group. Consolidated statements of changes in total equity for the years ended 31 December 2016 and 2015 (Thousands of euros)

	Non-controlling interests													Total
	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 Company	(-) Interim dividends	Other cumulative comprehensive income	Other cumulative global result	Other items	
<b>Opening balance 31/12/2015 (*)</b>	<b>269,660</b>	<b>1,184,268</b>	-	<b>1,339</b>	<b>1,964,596</b>	<b>31,087</b>	<b>738</b>	<b>(988)</b>	<b>375,920</b>	<b>(137,184)</b>	<b>108,741</b>	-	-	<b>3,798,177</b>
Effects of correcting errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Opening balance 31/12/2015 (*)</b>	<b>269,660</b>	<b>1,184,268</b>	-	<b>1,339</b>	<b>1,964,596</b>	<b>31,087</b>	<b>738</b>	<b>(988)</b>	<b>375,920</b>	<b>(137,184)</b>	<b>108,741</b>	-	-	<b>3,798,177</b>
<b>Total comprehensive income for the year</b>	-	-	-	-	-	-	-	-	<b>490,109</b>	-	<b>1,117</b>	-	-	<b>491,226</b>
<b>Other changes in equity</b>	-	<b>(3)</b>	-	<b>5,123</b>	<b>193,508</b>	<b>(7,889)</b>	<b>(6,209)</b>	<b>856</b>	<b>(375,920)</b>	<b>(1,493)</b>	-	-	-	<b>(192,027)</b>
Issue of common 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	-	<b>(3)</b>	-	-	<b>(471)</b>	<b>(7,889)</b>	-	-	-	-	-	-	-	<b>(8,363)</b>
Of which: discretionary transfer to welfare funds (only savings banks and credit cooperatives)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Closing balance 31/12/2016 (*)</b>	<b>269,660</b>	<b>1,184,265</b>	-	<b>6,462</b>	<b>2,158,104</b>	<b>23,198</b>	<b>(5,471)</b>	<b>(132)</b>	<b>490,109</b>	<b>(138,677)</b>	<b>109,858</b>	-	-	<b>4,097,376</b>

(\*) Presented for comparison purposes only.

## Bankinter Group. Consolidated statements of cash flows for the years ended 31 December 2017 and 2016 (Thousands of euros)

	31-12-17	31-12-16 (*)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>2,228,916</b>	<b>1,779,105</b>
<b>Profit for the year</b>	<b>495,207</b>	<b>490,109</b>
<b>Adjustments to obtain cash flows from operating activities</b>	<b>559,741</b>	<b>446,342</b>
Depreciation	60,945	58,893
Other adjustments	498,796	387,449
<b>Net increase/decrease in operating assets</b>	<b>1,921,229</b>	<b>2,639,562</b>
Financial assets held for trading	57,980	(1,796,920)
Financial assets designated at fair value through profit or loss	-	(57,209)
Available-for-sale financial assets	440,500	625,778
Outstanding loans and items	1,341,934	3,756,421
Other operating assets	80,815	111,492
<b>Net increase/decrease in operating liabilities</b>	<b>3,205,445</b>	<b>3,644,286</b>
Financial liabilities held for trading	(202,626)	(1,573,263)
Financial liabilities designated at fair value through profit or loss with changes to the results	-	-
Financial liabilities at amortised cost	3,361,303	5,078,413
Other operating liabilities	46,768	139,136
<b>Income tax recovered (paid)</b>	<b>(110,248)</b>	<b>(162,070)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(461,006)</b>	<b>431,484</b>
<b>Payments</b>	<b>(637,618)</b>	<b>(204,214)</b>
Tangible assets	(23,976)	(44,106)
Intangible assets	(40,251)	(23,796)
Investments in joint ventures and affiliated businesses	-	(74,752)
Subsidiaries and other business units	-	(61,560)
Non-current assets and liabilities classified as held for sale	-	-
Investments held to maturity	(573,391)	-
Other payments related to investing activities	-	-
<b>Collections</b>	<b>176,612</b>	<b>635,698</b>
Tangible assets	-	10,310
Intangible assets	-	-
Investments in joint ventures and affiliated businesses	301	556
Subsidiaries and other business units	-	-
Non-current assets and liabilities classified as held for sale	176,311	221,497
Held-to-maturity investments	-	383,835
Other collections related to investing activities	-	19,500
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>270,119</b>	<b>(102,721)</b>
<b>Payments</b>	<b>(286,341)</b>	<b>(359,621)</b>
Dividends	(224,500)	(189,453)
Subordinated debt	(4,700)	(114,124)
Depreciation of own equity instruments	-	-
Acquisition of own equity instruments	(57,141)	(56,044)
Other payments related to financing activities	-	-
<b>Collections</b>	<b>556,460</b>	<b>256,900</b>
Subordinated debt	500,000	200,000
Issue of own equity instruments	-	-
Disposal of own equity instruments	56,460	56,900
Other collections related to financing activities	-	-
<b>EFFECTS OF CHANGES IN FOREIGN EXCHANGE RATES</b>	<b>-</b>	<b>-</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>2,038,029</b>	<b>2,107,868</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>3,556,750</b>	<b>1,448,882</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>5,594,779</b>	<b>3,556,750</b>

(\*) Presented for comparison purposes only.



# Results

## Higher profit, highest return

Bankinter once again ended 2017 with record profit, beating the figures achieved in 2016, even after taking into account the extraordinary items of that year. The Bank has shown itself to be more profitable than its competitors and confirmed its traditional competitive edge in asset quality.

**Profit.** Net profit amounted to 495.2 million euros (+1%) and pre-tax profit was 677.1 million euros, a similar figure to that of last year. Bankinter organically offset, with the customer business, 2016 profit, which included the extraordinary items recognised as a result of the acquisition of Barclays Portugal. In like-for-like terms, taking into account only the figures for the business in Spain, net profit increased by 20.2% and pre-tax profit by 19.1%.

**Return.** Once again, Bankinter led the way in this item in 2017, with a return on equity (RoE) of 12.6%, the highest of Spain's listed banks.

**Capital adequacy.** The CET1 fully-loaded capital ratio ended the year at 11.46% and the CET1 phase-in ratio at 11.83%, six basis point more than in 2016 and well above the ECB requirement for Bankinter in 2018, which is 7.125%, the lowest in the Spanish banking sector. The liquidity gap was reduced by 200 million euros, standing at 5.2 billion euros at year-end 2017. The deposit-to-loan ratio reached 90.6%, 20 basis points higher than a year ago.

**Non-performing loans.** The NPL ratio fell to 3.45% down from 4.01% a year ago. If only the Spanish business is included, this ratio is even lower: 3.06%, less than half the sector average (8.08% in November). The foreclosed property asset portfolio was reduced significantly to 411.6 million euros (111.9 million less than in 2016), 44% of these assets were homes. The foreclosure coverage ratio stood at 45.2%.

Income statement margins grew strongly.

**Net interest income.** Increased by 8.5% to reach 1.062 billion euros.

**Gross operating income.** Amounted to 1.851 billion euros (+7.8%), thanks in large part to fees, the net amount of which increased by 11.7%, with the Asset Management business (+22.8%) particularly standing out.

**Operating profit.** This topped 900 million euros for the first time (906.8, million euros, up 11.3% on 2016). The 4.7% growth in operating costs (3% excluding Portugal) was offset by higher income, which led to an improvement in the cost-to-income ratio of the banking business, including depreciation and amortisation expense, fell from 48.6% to 46.8%.

Total assets on Bankinter's balance sheet at 31 December amounted to 71.333 billion euros, 6.2% more than on the same date in 2016.

**Customer loans and receivables.** This reached 53.3 billion euros (+3.8%), despite total sector lending being reduced by 1.7%, according to the data for November.

**Managed funds.** These amounted to 79.376 billion euros (+5.3%), of note among these were off-balance-sheet managed funds (investment funds, pension funds and wealth management) which increased by 12.9%.

The customer business was the main contributor to earnings. It is organised into five business lines, profitable and complementary to each other, which serve to diversify the Group's strategy.

**Corporate banking.** This area made the biggest contribution to the Bank's gross operating income, with 30%. The balance of the corporate loan book grew once again, reaching 22.9 billion euros (+5.2%). In the Spanish market it increased by 4.5% compared to the 3.4% fall recorded in the sector in November. The Bank has also attracted 18,600 new corporate banking customers in the year, 6% more than in 2016. Gross operating income from the international business was up 18.4% on the same period a year earlier.

**Retail and commercial banking.** Total private banking assets amounted to 35 billion euros at the end of December (+12%), with a growing proportion of it being in wealth management, which offers a better return. In personal banking, customer assets amounted to 21.2 billion euros, with 2.3 billion euros of net new assets obtained in the year. One of the star products in retail and commercial banking remains the 5% payroll account, which closed 2017 with a balance of 6.808 billion euros (+21.8%).

**Línea Directa.** Maintained the favourable trend of previous years, reaching a total of 2.79 million policies, with growth of 7.3% in car insurance and 13.5% in home insurance. Premiums increased by 8% to 797 million euros. The company had a RoE of 35% and a combined ratio of 86.9%.

**Bankinter Consumer Finance.** Now occupies one of the top positions in the consumer loan business in Spain and was one of the Bank's activities that grew the most in 2017. At the end of the year, it had 1.1 million customers (+28%) and loans of around 1.5 billion euros (+42%).

**Bankinter Portugal.** Improved under all the headings covered in its business plan, and in its first full financial year contributed 7% of Group income. Loans and receivables (4.8 billion euros) increased by 6%, with the performance of loans to companies being particularly impressive (+21%). Retail funds remained at the same level as last year (3.6 billion euros) and off-balance-sheet managed funds (investment and unit linked funds) rose by 25%. Gross operating income amounted to 133 million euros and pre-tax profit to 31.4 million euros.

### Customer loans and receivables

**+3.8%**

**53.3 billion euros**

### ROE

**12.6%**

### Managed funds

**+5.3%**

**79.376 billion euros**

## Share price

# An excellent stock market performance

After two consecutive years in the red, the Spanish stock market closed 2017 in positive territory, although the rise was smaller than those experienced in Milan, Frankfurt, Paris and even London. Thanks in particular to the push given to it by the financial sector, the Ibex 35 gained 7.4%, versus the 2% it had lost in 2016. The changes in European and US monetary policy, along with the positive performance of international trade, were key to this improvement.

Bankinter's share performed identically to the Ibex. Its price increased by 7.4% and it reached highs of 8.6 euros during the year. The Bank's market capitalisation at 31 December 2017 stood at 7.105 billion euros. Shareholder return, including the dividend, was above 10%, a figure which compares very favourably internationally.

Bankinter has one of the best stock market track records in European banking over the last few years, thanks to the confidence investors have in its management. Since the end of 2013, the share price has risen by 58.5%, while in the same four-year period, the Ibex did so by 1.3% and the STOXX Europe 600 Banks recorded a fall of 5.3%.

### Share capital

At year-end 2017, Bankinter, S.A.'s share capital was represented by 898,866,154 fully subscribed and paid shares with a par value of 0.30 euros each. All the shares are represented by book entries, are listed on the Madrid and Barcelona Stock Exchanges and are traded on the Spanish computerised trading system.

Bankinter had 54,911 shareholders at 31 December 2017. Residents held 53.5% of the share capital and the remaining 46.5% was in the hands of non-residents. Registered shareholders who hold more than 5% of the share capital are detailed in the table below. At 31 December 2017, there were 101,787 treasury shares.

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

Rise in Bankinter's share price

**+7.4%**

## Shareholders with significant holdings

Name	Total shares	%
Cartival, S.A.	205,596,084	22.87
Corporación Masaveu, S.A.	44,959,730	5.00

## Shareholder structure by number of shares

Tranches	No. of shareholders	%	No. of shares	%
From 1 to 100 shares	17,766	32.35	240,763	0.03
From 101 to 1.000 shares	16,478	30.01	8,043,272	0.89
From 1.001 to 10.000 shares	17,129	31.19	57,193,638	6.36
From 10.001 to 100.000 shares	3,261	5.94	76,498,577	8.51
More than 100.000 shares	277	0.51	756,889,904	84.21
<b>Total</b>	<b>54,911</b>		<b>898,866,154</b>	

## Summary by type of shareholder

Type	No. of shareholders	%	No. of shares	%
Residents	54,191	98.69	480,900,803	53.50
Non-residents	720	1.31	417,965,351	46.50
<b>Total</b>	<b>54,911</b>		<b>898,866,154</b>	

## Data per share for the period. at 31/12/2017 (euros),

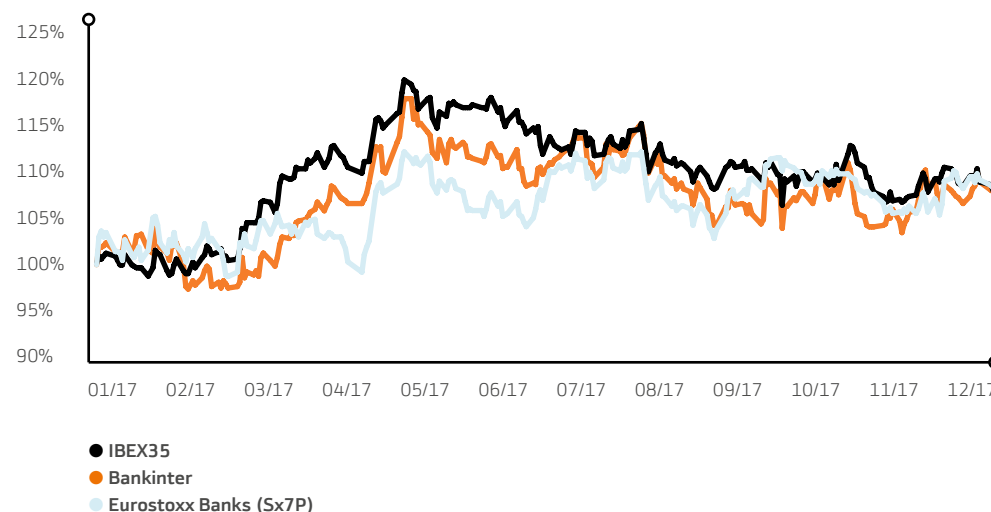
Earnings per share*	0.54
Dividend per share	0.25
Underlying book value per share	4.85
Share price at the start of the year	7.36
Minimum intraday share price	7.14
Maximum intraday share price	8.75
Last share price	7.90
Appreciation over the past 12 months (%)	7.39

## Stock market ratios at 31/12/2017

Price/Underlying book value (times)	1.63
PER (price/earnings ratio. times)	14.35
Dividend yield (%)	3.16
Number of shareholders	54,911
Number of shares	898,866,154
Number of shares of non-residents	417,965,351
Average daily trading (number of shares)	3,272,947
Average daily trading (thousands of euros)	25,724

\* Earnings per share is calculated by dividing the earnings attributable to the Group, adjusted by the after-tax amount for earnings recognised in equity of contingent convertible preference shares, by the weighted average number of ordinary shares in circulation during the period, excluding, where applicable, the treasury shares acquired by the Group.

## Share price. Relative change (%) last 12 months (Dec-16 base 100)





## Dividend policy

In 2017, Bankinter maintained its dividend policy, which is traditionally paid quarterly in cash. The good performance of the business and its accredited capital adequacy has enabled the Bank, over the past few years, to avoid the general restrictions imposed by regulators for the preservation of banks' capital.

Last year four cash dividends were distributed: a final dividend for 2016 and three interim dividends for 2017, which represented approximately 50% of ordinary profit obtained in the first three quarters. The fourth and final dividend to be paid out of full-year 2017 profit, will be approved by the shareholders at the 2018 annual general meeting of shareholders.

Dividend per share was 0.25 euros in 2017, up 18.5% on the 0.21 euros in 2016.

The distribution of dividends for the 2017 financial year, as of the date of publication of this report, is as follows:

## American Depositary Receipts (ADR)

Bankinter has a Level 1 programme managed by Bank of New York-Mellon, which had 143,749 ADRs outstanding at year-end 2017. This is a product that enables residents of the United States to invest in foreign companies' instruments denominated in US dollars with dividend payments also in the same currency.



### Distribution of dividends

Deposit date	Dividend per share (euros)	No. of shares	Treasury shares	Shares with voting rights	Amount (euros)	Corresponding year
Jun-17	0.05915037	898,866,154	75,000	898,791,154	53,164	2017
Sep-17	0.06068535	898,866,154	75,000	898,791,154	54,543	2017
Dec-17	0.06171597	898,866,154	75,000	898,791,154	55,470	2017
<b>Total</b>	<b>0.18155169</b>				<b>163,177</b>	

# Shareholders' Office

The relationship with shareholders is based on the '*Usted Primero*' (You First) project

## Preferential attention

The relationship with shareholders is based on the '*Usted Primero*' (You First) project, which uses physical and electronic media to ensure that these shareholders are the first to hear about of any news that may be of interest to them, such as dividend payments, quarterly results or material facts that the Bank notifies the CNMV of (capital increases, changes in the Board and so on).

In addition, the Shareholders' Office receives and passes on the suggestions of shareholders and clarifies any queries that they may have personally and directly. The most frequent queries relate to the current or historical share price, dividend amounts and payment dates, the content of the corporate report and details on the annual general meeting of shareholders.

The Shareholders' Office also reports internally and to supervisors on changes in the shareholder structure. It also ensures adherence to the Securities Market Code of Conduct, which Bankinter employees must observe with regard to the Bankinter share.

## Shareholder register and AGM

In 2017 the Bank successfully completed the work resulting from the Reform of the Securities Clearing, Settlement and Registration System in Spain, which harmonises post-trading processes with those of Europe. Ensuring continuity in the maintenance of the shareholders' register was one of the challenges that required most effort.

The annual general meeting, the Bank's maximum decision-making body, was held on 23 March 2017, with a quorum of 72.29%, which was in line with previous years and above the average among Ibex-listed companies (71.96% in 2017). The meeting approved payment of a gross final dividend of 0.0682 euros per share, which took total remuneration for 2017 to 0.25 euros per share.

During the year, the trend towards an increase in the number of foreign institutional shareholders in the shareholder structure continued and they now hold 46.5% of share capital.

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# Investor Relations

The role of the Investor Relations area is to provide information on the performance of the Bank's various businesses and activities, as well as its current and future strategy, guided by the principles of equality, fluidity and transparency required by regulators.

## A fair and transparent treatment

To achieve its aims, this area carries out, among others, the following activities:

- Once a quarter (January, April, July and October), it presents the Group's earnings through teleconference or *webcast*. Around 150 analysts and institutional investors usually connect to these communications in real time from around the world.
- It maintains direct contact with institutional investors, portfolio managers, analysts and private bankers, at the numerous international conferences that the main stock market and investment banking companies regularly hold in the United States and Europe.
- It welcomes more than 300 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.
- It organises several roadshows to visit investors or potential investors in various financial capitals around the world (including New York, London, Paris, Rome, Frankfurt, Zurich and Geneva) and lately also in the Nordic countries (Denmark, Finland, Sweden and Norway). The topics discussed on the roadshows include the economic and political outlook for Spain, the regulatory framework and the state of the property market.

At 31 December 2017, 46.5% of the Bank's shares were in the hands of non-resident investors, the majority of which are institutional investors, compared to the 46.1% recorded in 2016. Every year Bankinter explores new markets, with a view to expanding its geographical shareholder base.

## Among the top in the world for sustainability

The Investor Relations area maintains ever closer ties with the various agencies that specialise in sustainability, to respond to the growing sensitivity of international investors to non-financial aspects (good corporate governance, environmental protection and consideration of social issues).

These agencies, as well as proxy advisors (consulting firms that advise institutional investors on the decisions made at shareholders' meetings), produce rankings, reports and indexes, in which Bankinter always appears, such as the FTSE4Good Index.

Last year, the Bank was included in the Dow Jones Sustainability Index Europe (DJSI), of which it is one of the smallest-sized members among the banks and companies that comprise it, and, therefore, has a more limited budget and fewer resources available to comply with the requirements and carry out the reporting needed to be included in this index. This deserved inclusion recognises Bankinter's sustainability management, with the most highly rated aspects being its financial stability, customer relations management, anti-corruption policies and measures, labour practice indicators and human capital development.



# Rating: better grades every time

In 2017, Bankinter demonstrated a high capacity to meet the financial commitments it had acquired. This is shown by the improvement in the rating given by two of the world's most important credit rating agencies, which facilitates its deposit taking capacity and puts the Bank in a privileged position in the market in relation to its size.

The changes in the Bank's ratings in 2017 were as follows:

- In February, **Standard & Poor's** raised Bankinter's long-term credit rating by one notch, from BBB- to BBB, and raised the short-term rating from A3 to A2, maintaining the outlook of both ratings as 'positive'. The agency largely based these decisions on Bankinter's improved liquidity profile and its reduced reliance on short-term wholesale funding. The 'positive' outlook opens up the possibility of an improvement in the rating over the next 12 to 24 months, depending on the economic situation in Spain and the Bank consolidating its level of capital.

- In July, the credit rating agency, **DBRS Ratings Limited**, upgraded Bankinter's issuer rating and senior unsecured long-term debt and deposits rating from BBB (high) to A (low). It also confirmed the bank's short-term debt and deposit rating of R-1 (low). DBRS awarded these ratings a 'stable' outlook. In its view, Bankinter is 'well positioned to take advantage of the opportunities offered by the improving economic environment' and 'strengthen' its position in Spain, 'whilst at the same time maintaining its yield and good asset quality among Spanish banks'.

Ratings			
	Short term	Long term	Outlook
Moody's	P-2	Baa2	Stable
Standard & Poor's	A2	BBB	Positive
DBRS	R-1 (low)	A (low)	Stable

# Own funds

Bankinter's own funds management, its business model and its prudent risk policy allow it to operate with high levels of capital, of high quality and with a ratio far above that the requirements of the regulatory authorities and supervisors. It has been credited in this way year after year, which reinforces the Bank's capital adequacy position and gives it the freedom to make decisions on dividend payments to shareholders and its variable remuneration policy.

## Leader in capital

In 2017, Bankinter actively managed its own funds, in order to strengthen its leadership position in terms of capital adequacy in the Spanish banking sector and to ensure the highest quality of its capital. It strengthened its capital base and by the end of the financial year it had total capital of 4.475 billion euros, 15.6% more than the previous year. Common Equity Tier 1 (CET1 or highest quality capital) rose to 3.709 billion euros, an increase of 2.4% on 2016, and represented an 82.9% increase in own funds. The total capital ratio stood at 14.28%; and the CET1 ratio reached 11.83%.

The main changes in Bankinter's capital ratio (capital:risk-weighted assets) during the year resulted from the following factors:

- The organic generation of results, that improved for yet another year compared to the previous year and allowed the volume of capital to be raised.

- The growth in credit risk-weighted assets, as a result of the positive performance of the ordinary business. Operational risk-weighted assets also increased due to the bank's increased activity. The increase in risk-weighted assets demands extra effort in capital generation, which must increase in the same proportion to maintain the capital ratio.

- The issue of 500 million euros in subordinated debt which is recognised as tier 2 capital.

## Awaiting MREL

Looking ahead to 2018, Bankinter is waiting for the European Single Resolution Board to determine the conditions for the minimum requirement for own funds and eligible liabilities (MREL), a buffer of instruments with loss-absorption capacity that can be used in case of difficulties. The MREL requirements (both its level and the characteristics of the liabilities considered as eligible) are specific for each bank and will in part depend on the entity's own funds policy and issue of other

eligible instruments during the financial year. Likewise, the coming into force of the new IFRS 9 accounting standard, which came into force on 1 January, may affect Bankinter's capital ratio, though its impact will not be material.

## Examination passed with flying colours

In late 2017 the Single Supervisory Mechanism, part of the European Central Bank, notified European banks of the outcome of the Supervisory Review and Evaluation Process (SREP), the examination carried out by the supervisory authority to determine the minimum capital requirements with which they must operate from January 2018. According to the results of the exercise, Bankinter must have a minimum CET 1 capital ratio in phased-in terms (that is, taking into account current regulatory requirements) of 7.125%. This ratio is made up of 4.5% of the capital required by the so-called Pillar 1 of the regulation (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 (CCB) of 1.875%. This final layer automatically increases 0.625 points with respect to the previous year's examination, as a result of the application of the phase-in timeline established in the Basel III agreements.

The ratio required from Bankinter is the smallest of Spanish banks and among the lowest in Europe, where the average is 10.6%, including systemic buffers. In addition, the company has one of the highest CET 1 levels of Spanish banks (11.83% at the end of 2017), so it amply complies (almost five points difference) with regulatory requirements.

If the comparison is made in terms of total capital, which in addition to CET1 includes lower quality capital, the conclusion is equally favourable. The supervisor's requirement for 2018 is 10.625% phased-in, while Bankinter recorded a ratio of 14.28% at the end of 2017.

### Freedom in dividend payments

Ample compliance with capital levels required by the supervisor allows Bankinter to consolidate its position in terms of capital adequacy and asset quality, which is higher than that of comparable Spanish and European banks. In addition, as a result, the Bank can freely decide on dividend payments, variable remuneration or hybrid instrument coupons such as Additional Tier 1 (AT1) issues.

The ratio required from Bankinter is the smallest of Spanish banks and among the lowest in Europe.



Explanatory table of Bankinter's minimum capital requirements set by ECB for 2018.

	Situation at 31/12/2017		Minimum requirement							
	Phased-in	Fully loaded	Phased-in (2018)	of which Pillar 1	of which Pillar 2R	of which CCB	Fully loaded	of which Pillar 1	of which Pillar 2R	of which CCB
CET1	11.83%	11.46%	7.125%	4.50%	0.75%	1.875%	7.75%	4.50%	0.75%	2.500%
Total capital	14.28%	14.32%	10.625%	8.00%	0.75%	1.875%	11.25%	8.00%	0.75%	2.500%



# Strategy: overcoming challenges

In 2017 Bankinter's strategy was fundamentally focused on sustainable and balanced growth, with a business based on customers, who ensure a solid and recurring income base and guarantee returns maintained over time. These strategic objectives are being pursued in a macroeconomic environment with both light and shade. On the positive side, the improvement of the Spanish economy helped the business; on the negative side, the downward trend in interest rates continued and even accentuated, with the resulting unfavourable impact on banking business margins.

There was an additional challenge for 2017 growth targets: beat the previous year's profit, taking into account that to do this the need to be offset the extraordinary item for the badwill generated in the acquisition of the business in Portugal in 2016. The final net profit reached 495.2 million euros, 1.04% more than a year earlier. Measured in like-for-like terms, in other words, without taking into account these extraordinaries in the comparison and only including the figures for the business in Spain, Group net profit increased by 20.2% and pre-tax profit by 19.1%.

To achieve this, the Group focused even more closely on several of its strategic cornerstones, such as innovation, which is one of Bankinter's characteristic traits and allows it to have a differentiated offer of products and services in the market; and digitalisation, which responds to customers' demands and at the same time offers the possibility of improving the Bank's efficiency.

Another important dimension of its strategy was the diversification of revenue and profit, which enabled a balanced contribution between the various lines of business to be achieved. Although corporate banking remains the main area of activity, the notable growth of retail and commercial banking, Bankinter Consumer Finance, Portugal and Insurance enabled a more homogeneous business mix to be generated, in which the traditional lines, with less potential to expand, evolve solidly and are adequately complemented by the faster rate of growth of those areas with greater upside potential.

At the same time, the Bank has strengthened its business lines that are less dependent on net interest income, such as added value products and services for corporate banking (including transactional banking, international business and investment banking), wealth management for private banking customers and personal banking and other businesses less affected by low interest rates, such as Insurance.

Similarly, the Bank made a big marketing push to attract customers and increase its volume of activity, with the aim of ensuring the sustained flow of revenues, which in any case was combined with a prudent pricing policy and a rigorous and high-quality risk analysis.

The results in 2017 of these strategic guidelines on the main areas of work were as follows:

**Digital transformation.** The digitalisation process, which was supported in 2017 by the strengthening of the Bank's technological structure, was focussed on generating business, with particular attention to attracting customers and to sales. To do this, the new projects centre on tangible proposals, that should give results in the short term and the rate of application of which should be carefully measured, with the aim of adapting them to meet customers' needs and preferences. The development of COINC, the 100% digital financial services platform that Bankinter created in 2012,

is one of the pillars of the Bank's digital innovation.

**Portugal.** The results of the Portuguese business developed positively over the year. All aspects of the integration of the Barclays retail business, the acquisition of which was completed in 2016, have now virtually been concluded and the results of the loan book were very positive. It was also a very good year for attracting customer deposits (investment funds, unit linked and so on) and the business evolved towards a personal and private banking customer profile, in line with the model for Spain. The good performance of the Portuguese economy, which has now exited the EU excessive deficit procedure and has been awarded an improved credit rating, helped to achieve these excellent results.

**Private banking.** This business is one of Bankinter's identifying traits due to its ability to permanently reinvent itself with differentiated products and to compete in a very complex market. In 2017, the business grew significantly. The assets attracted were of high quality.

**Corporate banking.** It was a good year for this business segment area, thanks in particular to the SME business, whose contribution to earnings grew considerably. corporate banking, which focuses on the big companies, had more difficulty in growing, in an environment characterised by intense competition and in which these types of companies depend less on bank financing. The international business is a major driver of the area (generating 24% of its gross operating income), both for the financing of business projects and for the relationship

business (fees associated with payments and collections, guarantees, currency hedging and so on).

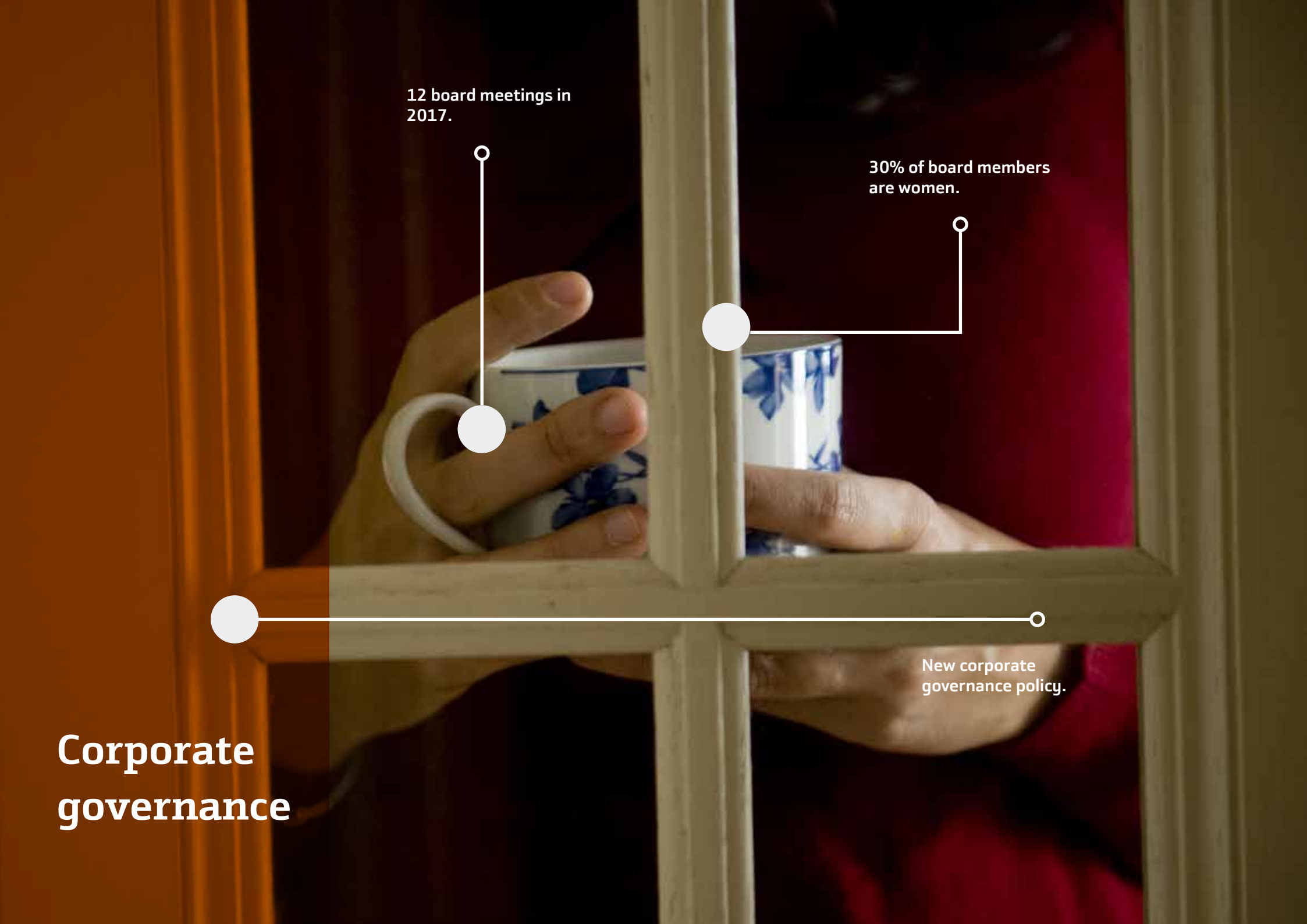
**Bankinter Consumer Finance.** This has been one of the most important drivers of growth over the last few years. The consumer loans market has much higher interest rates than other products and this enables to the boosting of net interest income, which was hit by the downward trend in the Euribor and its impact on mortgages. The area is supported by a very rigorous risk analysis team, which applies Big Data evaluation techniques to reduce risk exposure. Agreements with third parties (Vodafone and Air Europa) expanded the scope of the business and generated quality customers.

**Insurance.** The bancassurance activity, which is developed in partnership with Mapfre, was one of the business lines that most grew in fees, both in pension funds and life insurance, home and general insurance, as a result of a major sales drive. Línea Directa, which is an important complement to the banking business, also had another year with excellent results in terms of profitability and capital adequacy, and increased its product range with the launch of a promising new health insurance policy.

For 2018, the Bank is working on the assumption that official interest rates will continue at 0% and, therefore, that net interest income will also continue to find it difficult to grow, although there is no fear of credit spreads worsening. On the other hand, the macroeconomic environment is expected to be favourable. The performance of the main developed countries economies will be

good and synchronised, and there is also a positive outlook for Spain, with Catalonia the only uncertainty, although it seems that the worst part of the political conflict has now ended. In this scenario, it is key to further extend the strategy of attracting customers to increase the volume of activity.





12 board meetings in  
2017.

30% of board members  
are women.

New corporate  
governance policy.

**Corporate  
governance**

# Corporate governance

Capital adequacy regulations, the Good Governance Code of Listed Companies and international good governance guidelines and recommendations, all require Bankinter, as a bank and listed company, to have a corporate governance policy. On 25 October 2017, Bankinter's board of directors approved Bankinter Group's Corporate Governance Policy.

In accordance with the corporate by-laws, the board of directors of Bankinter S.A. is the competent body to approve the corporate policies of the Bank and its Group, excluding Linea Directa Aseguradora, which has its own regulations.

The approved Corporate Governance Policy contains the general principles that inform the specific corporate policies and internal rules and procedures in corporate governance matters, that form, together with it, the Group's internal corporate governance framework and are mandatory for all group entities and their respective governing bodies.

Furthermore, the Corporate Governance Policy contains the principles that define the corporate structure of Bankinter Group as well as the core rules of its internal operations, based on and for the implementation of applicable legislation and the best corporate governance practices.

The corporate governance policy is available on Bankinter's corporate website.

## Size and composition of the board

The board of directors of Bankinter, S.A. is formed by ten members, who are characterised by their professional capability, integrity and independent judgement. These conditions are reported on annually in the corporate governance report, which is approved by the board of directors.

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

## Changes in the composition of the board during 2017

On 4 April 2017, Ms Rosa María García García resigned from her position as a director of Bankinter as a result of assuming new responsibilities in the company where she was an executive director. To cover this vacancy, the appointments and corporate

governance committee began the selection process, in accordance with the board member selection and succession policy (described in the following sections) with the help of an external expert. On 7 November 2017, the board co-opted Ms Teresa Martín-Retortillo Rubio as an independent external director after the European Central Bank had received the positive suitability assessment of her proposed nomination. The ratification of this appointment will be proposed at the 2018 annual general meeting of shareholders (Ms Martín-Retortillo's profile can be found on Bankinter's corporate website).

The appointment of Ms Martín-Retortillo to board of directors increases the following ratios:

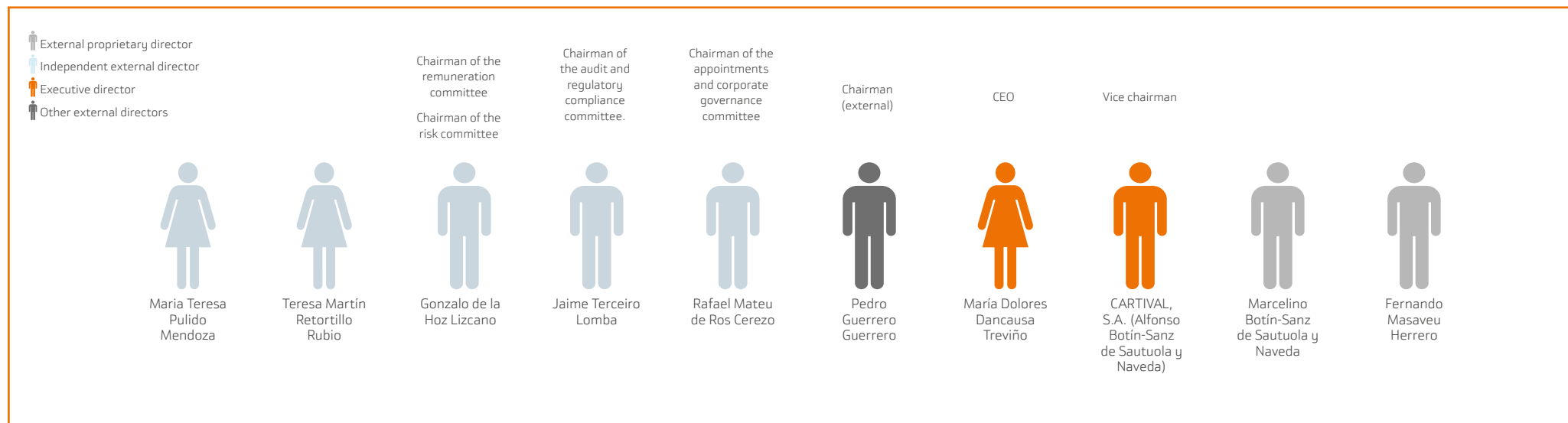
**more**

**diversity in knowledge and experience**

**% of independent directors**

**% gender diversity**





Directors

10

Term of office

4 years

Independent directors  
on the board of  
directors

50%

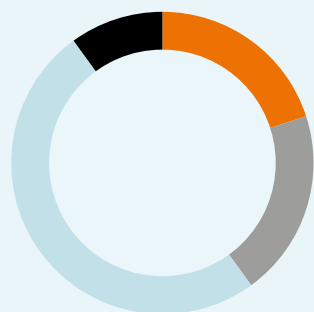
Number of meetings  
in 2017

12

Women on the board  
of directors

30%

### Current composition of the board



- Executive directors 20%
- External proprietary directors 20%
- Independent external directors 50%
- Other external directors 10%

Bankinter, in its firm belief in the importance of a balance of power in decision-making processes, has a **clear separation of functions between the non-executive chairman and the chief executive officer.**

The members of Bankinter's board of directors have a **wide range of knowledge and experience, and in terms of gender diversity, it should be noted** that 30% of board members are women.

The **attendance rate** at meetings of the board of directors is 100%, if we take into account attendance by proxy with voting instructions.

The **number of independent directors on board committees** is very high: The risk committee is composed entirely of independent directors (100%), the remuneration committee, the audit and regulatory compliance committee, and the appointments and corporate governance committee are all formed by a majority of independent directors (>75%) and all the committees are chaired by independent directors.

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

Although there is a separation of powers at Bankinter between the non-executive chairman and the chief executive officer, Bankinter's corporate by-laws envisage the possibility of appointing a **lead director** from among its independent directors, whose powers will similarly be established.

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



## Separation of functions

Bankinter, in its firm belief in the importance of a balance of power in decision-making processes, has established a clear separation of functions between the non-executive chairman and the chief executive officer.

Even though, Bankinter has separated the two functions, its corporate by-laws envisage the possibility of appointing a lead director from among its independent directors, whose powers will be similarly established.

## Board committees

The board has created an executive committee, with delegated powers. Furthermore, the board of directors has the following committees with supervisory, reporting, advisory and proposal powers: audit and regulatory compliance committee, risk committee, remuneration committee and the appointments and corporate governance committee. The Rules and 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:



## Selection of directors. Diversity in the composition of the Board

On 18 November 2015, Bankinter's board of directors approved the director selection and succession policy, according to which the processes of selection and succession of directors will adhere to the following general principles:

- i. They will guarantee compliance with applicable legislation and be carried out respecting the characteristics of the composition of the board of directors set out in the corporate by-laws and in the Rules and Regulations of the Board of Directors.
- iii. They will encourage there to be a clear majority of independent directors on the board of directors and the number of executive directors to be the minimum necessary taking into account the Group's complexity.
- iii. They will guarantee that there is an adequate balance between proprietary and independent directors, 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. They 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. They 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 director selection processes are based on an analysis of the needs of the Company and of the entities that make up its Group. The board of directors carries out such analysis with the advice of the appointments and corporate governance committee.

Additionally, and as a general rule, the candidates to become directors of the Company must be persons of integrity and suitability and have recognised solvency, skill, experience, qualification, training, availability and commitment to their duties.

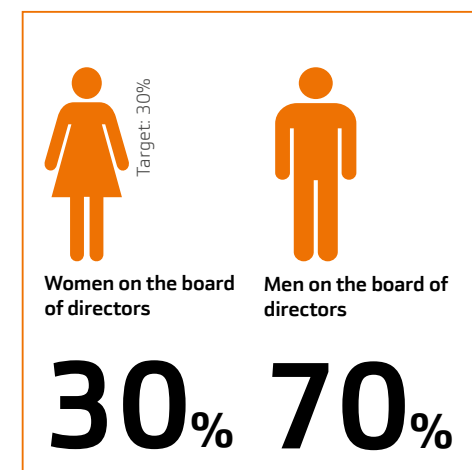
The appointments and corporate governance committee assesses the balance of powers, expertise, diversity and experience necessary for the board of directors. For this purpose, it defines the functions and aptitudes required of candidates for each vacancy; and assesses the time and dedication necessary for them to properly discharge their duties. During 2017, the committee initiated the selection process to fill the vacancy produced in the board of directors as a result of the resignation of Ms Rosa M<sup>a</sup> García, determining that the needs to be covered at that time, taking into account the profiles of the current directors and that which Ms García had, were: i) gender diversity, ii) business management experience, iii) international training and

experience, iv) strategy skills, v) technological and digital expertise, and vi) medium/long-term commitment.

In general, Bankinter uses external advisers to select candidates capable of forming part of the board of directors in the capacity of 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, a female member of the board of directors was appointed in 2010 as executive director and chief executive officer of the company, and since that date, all the independent directors appointed to the board have been women. As a result, the board of directors has a 30% female ratio, having achieved ahead of schedule the target internally agreed in its document entitled 'Representation target for the less represented gender on the board and guidance on how to achieve such target' adopted by the board of directors in 2014 and established for 2020 in the Good Governance Code of listed companies.



## 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 way, thus protecting the continuity of the business without any delays.

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.

## Training of board members

On 25 October 2017, the board of directors approved the policy on the training of board members. This policy aims to define the required principles and planning for guaranteeing that board members' qualifications are up to date through training, in order to ensure that they have, at all times, the abilities required to perform their supervisory duties objectively and with independent judgement. It sets out two training scenarios:

i) When board members are selected, in order to ensure that they have sufficient specialised skills in order to fulfil their duties efficiently; and to familiarise them with the organisational structure of Bankinter

and its Group, focusing especially on the regulations that apply to their business activity and on any topics considered important for new board members to know in order to perform their duties while serving on the board; and

ii) As part of a continued training plan, at the request of the board members themselves or following an analysis conducted by Bankinter itself, so that board members may access group and/or personalised training programmes based on their individual skill set and role on the board, bearing in mind the diverse profiles, training, experience and expertise that Bankinter may require.

The policy on the training of board members is available on Bankinter's corporate website.

In 2017, the initial training programme for newly appointed board members and the continued training programme for the full board were put into practice.

The initial training programme commenced after Ms Martín-Retortillo had joined the board of directors, thus guaranteeing her deep understanding of Bankinter, its Group and organisational structure, its business activities and regulations that apply to it, with special focus on risk control in the primary stage of the programme. This training, which is still being provided, is carried out internally and will complement the new director's skills and experience.

In regard to the continued training programme, board members have received specific training on crime prevention

(liabilities of legal entities and money laundering prevention).

## Secretary of the board

The Rules and Regulations of the Board of Directors contain an article describing the functions of the secretary of the board, attributing them all the functions that correspond to them under the Spanish Corporate Enterprises Act and in line 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 preparation of meetings of the board and its committees, attributing to the secretary of the board, among others, those 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.

### More information on the corporate website

→ Policy on the training of board members.

→ Policy on board member selection and succession.



## Functioning of the board

In accordance with the Rules and Regulations of the Board of Directors, before the start of each financial year, the board will approve the meeting schedule for the following year and the expected agenda for them. The 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).

The board of directors of Bankinter met 12 times in 2017.

### Preparation of the meetings

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:

- Meetings calendar of the board and its committees.
- Method and place where meetings will be held.

- Call notice and agenda for each meeting.
- Time and means for making available the documentation to be analysed and discussed at each meeting.
- Means of communicating with the directors responsible for compliance with this procedure.

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 2017. It was kept well informed of the progress and activity of Bankinter Group's various business areas and of general matters within the scope of its supervisory functions, and, most prominently, the board has continued to monitor the Bank's strategic objectives defined in 2015, which have been periodically discussed in specific items in 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 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 members of Bankinter's board of directors, with an attendance rate of 96.15%, (100%, if attendance via proxy with specific instructions 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.

Number of meetings  
in 2017

12

## Assessment of the board and its delegated 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 decided that this assessment will be carried out by external advisors at least every three years. In 2016, the assessment was carried out by an independent external expert, Russell Reynolds, whose findings were submitted in January 2017.

The 2017 assessment was conducted internally and presented to the board in January 2018.

Both the 2016 assessment by Russell Reynolds and the internal assessment for 2017 covered such aspects as the operations of the board of directors and its committees, as well as the performance of its chairman and executive directors.

Neither assessment found any weaknesses that necessitated the implementation of a corrective action plan in any of the areas that were analysed: i) quality and efficiency in the board's functions; ii) the functions and the composition of board committees; iii) diversity in the composition and the authority of the board of directors; iv) the performance of the chairman of the board and the chief executive officer of Bankinter; and v) the performance and contribution of each director, with a special focus on committee chairs.

Nonetheless, the analysis of the findings of both assessments led to some suggestions for improvement, which will be examined by the appointments and corporate governance committee.

The 2017 assessment was conducted internally and was presented at the board meeting held in January 2018.

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## Remuneration and incentives

The principles and components of director remuneration are detailed in the directors' remuneration policy which will be voted on at the annual general meeting of shareholders to be held in March 2018, and in the annual report on directors' remuneration which is subject to an advisory vote at the annual general meeting.

### Description of the remuneration system

The principles and components of director remuneration are detailed in the directors' remuneration policy which is voted on at the annual general meeting of shareholders, 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 2008, 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 annual general meeting of shareholders as a separate item on the agenda, subject to an advisory vote, which is also a requirement included in the Spanish Corporate Enterprises Act.

The annual general meeting of shareholders 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 the annual general meeting of shareholders agrees to change it, although the board may reduce its amount.

The specific amount that corresponds to each of the directors for the concepts established in the corporate by-laws 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 on and attendance at the various committees will be taken into account.

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

The directors are entitled to remuneration (salaries, incentives, variable remuneration, 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. Currently, only two executive directors receive variable remuneration.

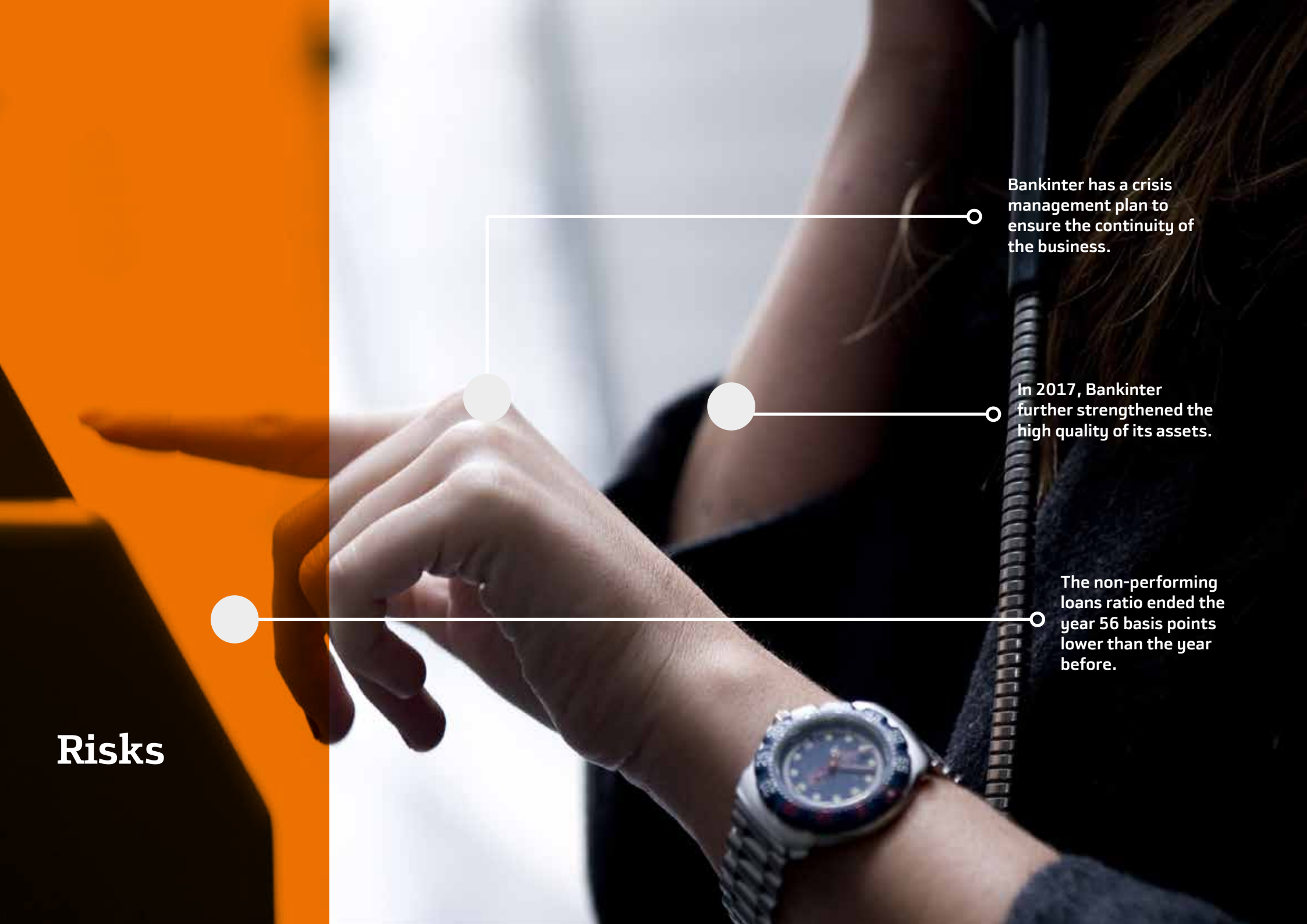
The variable components of remuneration will be set so that an appropriate ratio results between the fixed and variable components of the total remuneration and so that they do not exceed 100% of the fixed components of each director's total remuneration, unless the annual general meeting of shareholders approves a higher ratio, which may not, under any circumstances, exceed 200% of the fixed components of their total remuneration, in the terms established by law.

- External directors do not receive variable remuneration.
- The variable remuneration at Bankinter is limited, and defined in absolute amounts.
- There is a deferral period for variable remuneration of more than three years.
- Bankinter has established recovery and reduction mechanisms (malus and clawback clauses) for variable remuneration.
- There are no severance packages.
- Bankinter has approved a long-term incentive plan with quantifiable targets which provide a long-term vision of the bank to the beneficiaries of the plan, in order to promote a culture of sustainability.

## Transparency

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

# Risks



Bankinter has a crisis management plan to ensure the continuity of the business.

In 2017, Bankinter further strengthened the high quality of its assets.

The non-performing loans ratio ended the year 56 basis points lower than the year before.

## Risk management

# Healthy assets and moderate growth

In 2017, Bankinter further strengthened the high quality of its assets, which is one of its main hallmarks in relation to risks, and maintained its trend of moderate growth in loans against a favourable economic backdrop.

Risk management is one of the central 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 rests with 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 thresholds are established for each metric which, if reached, trigger the adoption of corrective measures.

The risk strategy is divided into categories:

- **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.
- **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 adjusted to the size, environment and complexity of Bankinter's activities, based on quality banking practices.
  - The Bank's actions respect and are in line with established requirements, thresholds 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 problem assets.
- Appropriate return on capital invested to ensure minimum return on the risk-free rate throughout the cycle.
- Maintenance of a low level of market risk, so that losses incurred in stress scenarios have a limited impact on Bankinter's income statement.
- Growth in the priority strategic segments of medium-sized and large enterprises.
- Balance of the loan book of individuals and legal entities.
- Balanced growth in retail funds.



- Diversification of wholesale funding sources, from the viewpoint of both instruments and markets, and the maintenance of a balanced maturity profile.
- Optimisation of retail funding costs, maintaining a balance between the loan book yield and market interest rates.
- Use of a risk diversification policy to avoid excessive concentration levels that might translate into difficulties for Bankinter.
- 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.
- Strengthened control of the Bank's reputational position (for example, good corporate governance and systemic risks).
- Desire to round out the level of service that Bankinter offers its customers, both in private banking and corporate banking, offering limited-risk investment banking services.
- Optimisation of the cost-to-income ratio.
- Maximisation of the creation of shareholder value across the economic cycle, through both dividends and increases in share price, built on a strong capital and liquidity base.
- Maintenance of 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.

## Regulation and supervision

It was a very intense year for regulation and supervision, and required a major commitment of resources, as new regulations came into force, preparation was made for the introduction of others and major transversal supervision exercises were carried out. Among the projects undertaken, the following are of particular note:

**Adaptation to the new IFRS 9 accounting standard.** This was the project in 2017 with the greatest scope and the one which required the greatest effort. It involved the updating of all provisions models, the development of new models and procedures for the determination of the significant increase in risk and the projection of expected losses over the lifetime horizon of the transactions under different macroeconomic scenarios. This also translated into the construction of new IT systems for the classification of exposures, calculation of coverage and its accounting recognition. The adaptation will be in full operation from 1 January 2018.

**Review of internal models.** An assessment was made during the year of the governance and management of Bankinter's internal models, within the framework of the ECB's TRIM (Targeted Review of Internal Models), the objective of which was to ensure compliance with the regulations and to harmonise their interpretation and the supervisory practices in relation to models. The results of the review were satisfactory and enabled lines of improvement to be identified and embarked upon, to a large extent linked to the standardised interpretation of the regulations.

**Compliance with data aggregation standards.** Bankinter made a major effort to adapt its IT infrastructure in order to satisfy the principles of risk data aggregation (RDA), full compliance with which is required before the end of 2018. RDA is the standard approved by the BCBS to improve the capacity of banks in the treatment and reporting of risks, with the final aim of improving their decision-making and management.

# 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.

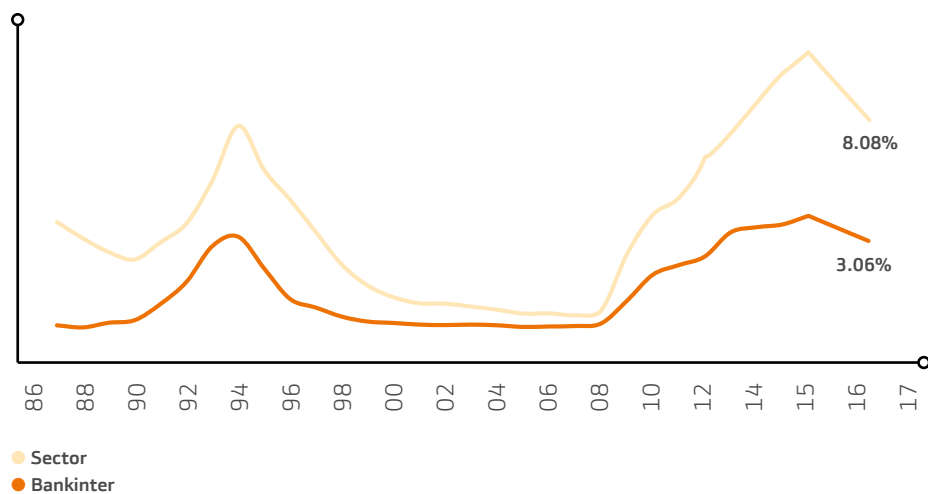
2017 was characterised by significant economic growth in Spain, despite ongoing financial deleveraging and stagnant lending across the financial system to households and non-financial entities with respect to the previous year, according to the Bank of Spain Statistical Bulletin. Within this scenario, Bankinter's trend towards moderate growth remained for another year. Lending to customers was up by 3.8% whilst computable risk (including off-balance-sheet risk) grew by 2.7%.

## Non-performing loans

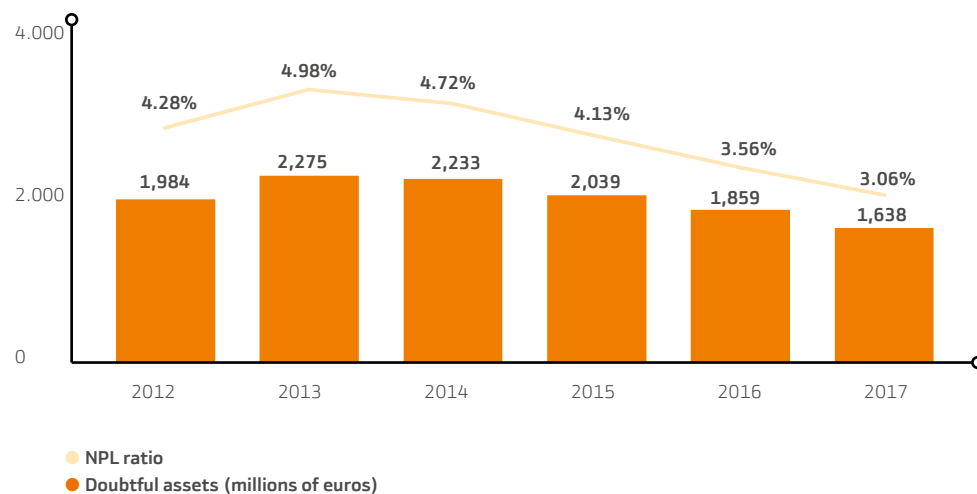
The non-performing loan ratio ended the year at 3.45%, a 56 basis-point or 14% decrease with respect to 2016. The non-performing loan ratio in Spain at year-end (3.06%) is 38% of the median for the industry (8.08% according to Bank of Spain data from November 2017). At year-end 2017, the foreclosed asset portfolio was 412 million euros, which was 0.7% of the total credit risk, a reduction of 21% in the financial year.

Asset quality				
Thousands of euros	31-12-17	31-12-16	Variation	%
Computable risk	58,824,461	57,308,266	1,516,195	2.65
Doubtful risk (includes contingent risk)	2,029,908	2,296,743	-266,835	-11.62
Credit risk provisions	903,865	1,130,626	-226,761	-20.06
NPL ratio (%)	3.45	4.01	-0.56	-13.97
Coverage ratio (%)	44.53	49.23	-4.70	-9.55
Foreclosed assets	411,556	523,453	-111,898	-21.38
Provision for foreclosures	186,130	220,433	-34,302	-15.56
Foreclosed asset coverage (%)	45.23	42.11	3.11	7.41

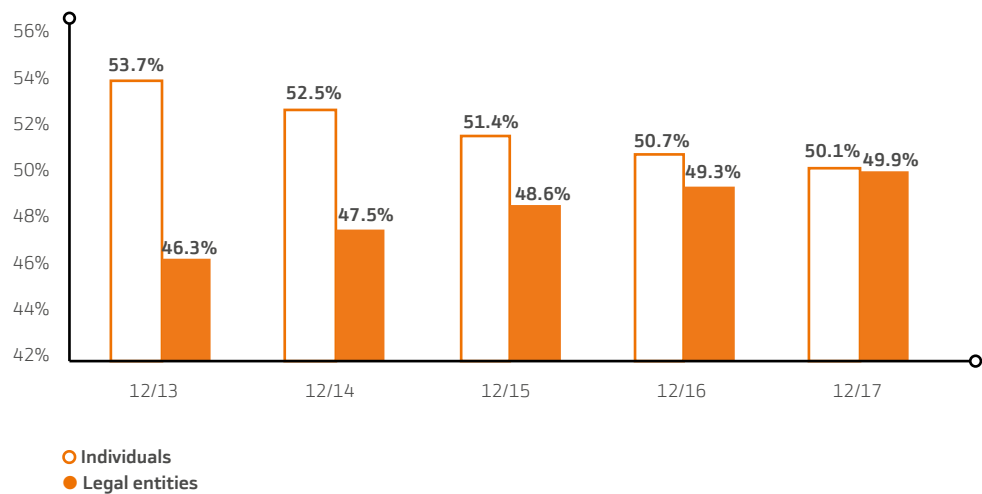
## Evolution of NPL ratio (%) - Spain



## Evolution of doubtful assets and NPL ratio - Spain



## Evolution of the loan book



NPL ratio

**-14%**

## Distribution of the portfolio

Over the years, Bankinter has tried to balance the distribution of its loan book between individuals and legal entities. Computable risk for individuals was 50.1% of the total, and that for legal entities was 49.9%. The most important characteristics are described below by segments:

**Individuals.** In 2017, the housing market and the financial situation of households continued to improve thanks to the good macroeconomic environment and, in particular, the trend in employment. Against this backdrop, lending to individuals grew by 1.0%, driven in particular by the growing momentum of consumer finance. The individual loan book amounted to 25.57 billion euros at year-end, with a non-performing loan ratio of 2.7%.

The residential mortgage loan book for individuals showed a loan-to-value (LTV) ratio of 61% at 2017 year-end and 87% of these loans are secured by the primary residence of the owners. The non-performing loan ratio of this portfolio was 2.5% at year-end. The average effort (measured as the proportion of income that the customer allocates to paying mortgage loan instalments) remained at very low levels (22%).

**Corporate banking.** The computable risk in corporate banking grew by 3.1% to 14,588 million euros, with a non-performing loans ratio of 1.2%. Bankinter pays close 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 specialisation, knowing the customer, flexibility and quality of service.

**Small and medium enterprises.** The small and medium enterprises segment recorded growth of 2.4%, its loan book stood at 11.127 billion euros with a non-performing loan ratio of 6.1%. The Bank applies automated decision-making models for managing this segment, along with teams of highly-experienced risk analysts.

**Consumer finance.** This business, operated through Bankinter Consumer Finance, had an excellent performance in the financial year, with growth of 38% up to 1.43 billion euros, 2.4% of credit risk. The risk-adjusted margin, and the non-performing loans ratios and costs, are controlled and are in line with the typical levels in this type of business.

**Developers.** Bankinter maintains a very limited risk appetite in this segment, which enables the Bank to be very selective in its operations, which focus on first-class projects, in established areas, undertaken by solid development companies with a long history. Developer lending was 1.31 billion euros, representing 2.2% of the Bank's credit risk, which is well below the average exposure of the Spanish banking system.

**Portugal.** The Portuguese loan book contributed a risk of 5.274 billion euros to the balance sheet at year-end, with a non-performing loan ratio of 7.4%, and with provisions recognised for 79.7% of doubtful assets. In carrying out the business in Portugal, the Bank's usual high lending standards are applied.

Over the years, the Bank has tried to balance the distribution of its loan book between individuals and legal entities.





## 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 loan books, support recovery and facilitate active management of the loan books' risk profile.

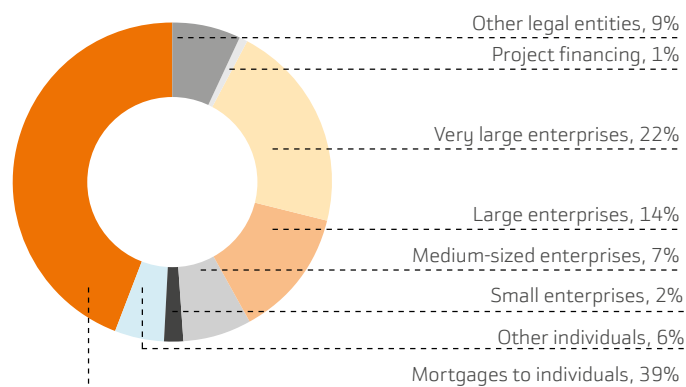
The internal rating models provide homogeneous classes of solvency or internal ratings that group together customers/transactions with comparable credit risk. These models are also calibrated to assess

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 and so on) and wholesale segments, such as corporate banking. These statistical models are developed using customer, operational and macroeconomic information, combined in the wholesale segment with expert analysis. 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 internal rating models provide homogeneous classes of solvency or internal ratings that group together customers/transactions with comparable credit risk.

### Exposure at default distribution according to internal categories





# Structural and market risks

From the viewpoint of structural and market risks, last year 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 triggered a reduction in market depth.

## Structural interest rate risk

Structural interest risk is defined as the Bank's exposure to changes in market interest rates, deriving from the different timing structure of maturities and repricing of global balance sheet items.

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

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

The interest rate risk exposure of net interest income of parallel changes of  $\pm 100$  basis points in market interest rates is +10.9/-11.7%, for a 12-month horizon.

The sensitivity of the economic value to parallel increases of 100 basis points was +13.0% of its own funds at year-end 2017. Given the current level of interest rates, the limit for parallel downward shifts was set at 25 basis points and the change in the economic value would be around -2.9% of own funds.

The Bank's working assumption is used to calculate both measures, which considers negative interest rates, except for those items with a Euribor floor.

**Interest rate risk exposure  
(12 months)**

**+ 10.9/ -11.7%**

# Liquidity risk

Structural liquidity risk is associated with the Bank's ability to meet its payment obligations and fund its lending activities. The Bank actively monitors liquidity and its forecasts, as well as anticipating the measures to be taken in both normal and exceptional market situations resulting from internal causes or market behaviour.

The measures used for liquidity risk control include monitoring changes in the liquidity gap or map, and specific information and analysis 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 or simulating different scenarios of liquidity needs that could stem from different business conditions or market variations.

In 2017 the commercial gap (the difference between customer loans and deposits) remained at similar levels to the previous year, increasing slightly by 55 million euros. The percentage of loans and receivables financed by customer funds at year-end stood at 90.6%. With regard to wholesale funding, the maturity dates in 2017 were partially replaced, thus reducing dependence on wholesale markets by 600 million euros.



The measures used for liquidity risk control are the monitoring of changes in the liquidity gap or map.

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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 year-end 2017.

Moreover, the VaR of the portfolio positions of the subsidiary Línea Directa Aseguradora are monitored on a monthly basis using historical simulation methodologies. The VaR of the Línea Directa Aseguradora portfolio at 31 December was 1.8 million euros. The risk that may be incurred by the subsidiary Bankinter Luxembourg is also monitored. Using this same methodology, the VaR for 2017 was estimated at 0.1 million euros.

Stress testing is a complementary test to VaR. Stress test estimates quantify the potential loss that extreme changes in risk factors

2017 VaR trading	
million euros	Latest
Interest rate VaR	0.57
Equity VaR	0.44
Exchange rate VaR	0.03
Volatility rate VaR	0.44
Credit VaR	0.00
<b>Total VaR</b>	<b>0.61</b>

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) in historical situations and simulating their impact. The changes observed in major historical 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 2017, performed under a scenario of extreme changes in the different risk variables.

Stress testing 2017		
million euros	Medium	Latest
Interest rate stress	2.85	5.00
Equity stress	3.36	0.99
Exchange rate stress	0.57	1.02
Volatility stress	6.35	11.90
Credit stress	0.00	0.00
Relative credit stress	3.34	5.20
<b>Total stress</b>	<b>16.48</b>	<b>24.11</b>

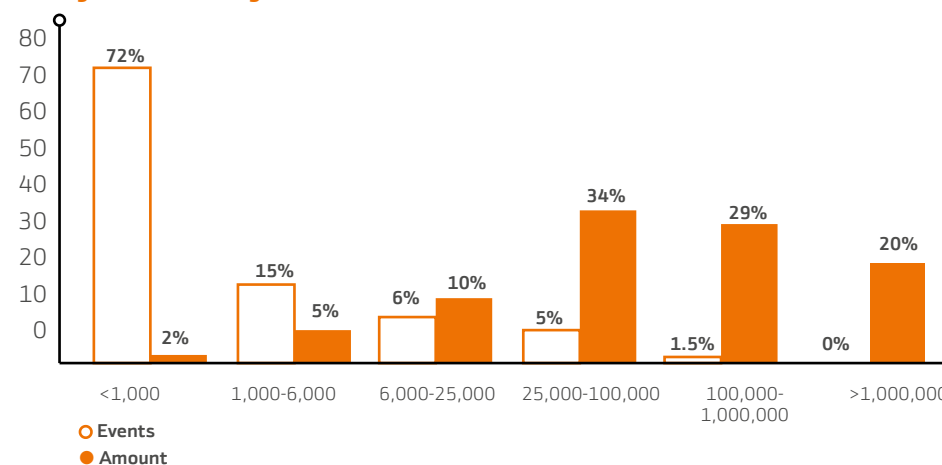
# Operational risk

Operational risk is the risk of incurring losses due to failures of processes, people or internal systems; or due to external events (such as natural disasters), including legal risks.

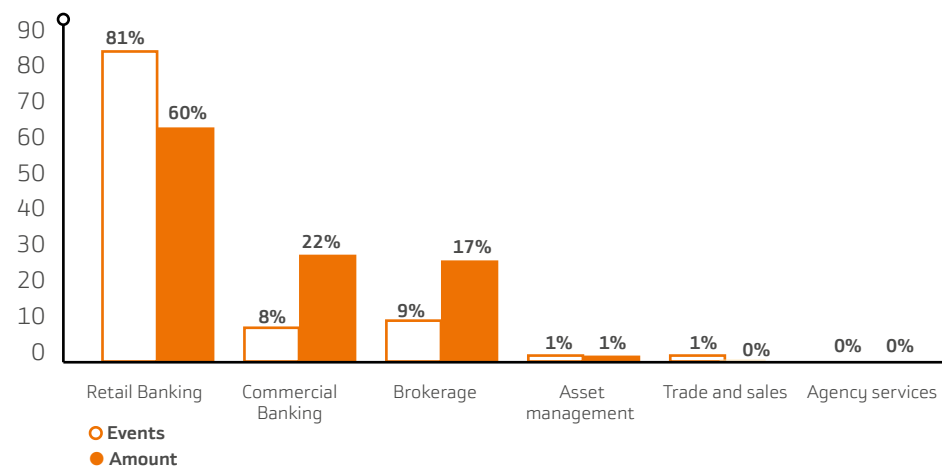
Bankinter's operational risk management model is known as the standard method in accordance with solvency regulations in force. This method requires the existence of systems for identifying, measuring and managing operational risks, prior authorisation from the Bank of Spain and an annual audit. Bankinter ensures access to best sector management practices by participating in the Spanish Operational Risk Consortium, which is a forum of financial institutions to exchange experiences regarding operational risk management.

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

Percentage breakdown by amount intervals



Percentage breakdown by line of business





# Reputational risk

The purpose of managing reputational risks consists in its identification and control in such a way as to reduce its likelihood and mitigate its potential impact and the Bank has various tools available to do this.

Since 2009, the Bank has used a system to diagnose and regularly measure its main stakeholders' perceptions and expectations. This system, based on the RepTrak® methodology, enables Bankinter to identify its key reputation drivers and actively influence those which most concern it.

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 mass media and on social networks. Bankinter therefore has a comprehensive system for monitoring, analysing and assessing its reputational impact.

In addition, the information obtained through these reports is used to identify a reputational risk map for prioritising these risks. These risks are prioritised based on two variables: the impact on the perception of its stakeholders and the probability of occurrence.

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

In accordance with the directives set by the European Banking Authority, this risk is monitored on a quarterly basis using a series of internal and external indicators with reputational impact.

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.



More detailed information on the Group's risks can be found in the consolidated legal report, the Pillar III report and the annual corporate governance report for the year.



# 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.

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 2017 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 developed 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 2017 Bankinter strengthened the software 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 in relation to the regulatory and regulatory compliance matters that are established by the audit and regulatory compliance committee of the board of directors.

The regulatory compliance function is also completed by the following bodies:

**The products committee.** Approves the launch, modification or cancellation of products and services offered to retail customers.

**The internal control body.** Establishes policies regarding the prevention of money laundering and the financing of terrorism, in accordance with Law 10/2010, and ensures compliance with them.



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 2018 the regulatory compliance area will continue to focus its efforts on the subsequent entry into force of the MiFID 2 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 professionalisation of investment services and introduces significant changes to the structure of revenue arising from the provision of said services. In 2018, the adaptation to MiFID 2, MIFIR and PRIIPs becomes a priority and 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.

### 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 pursue crime in all its forms and in all its ramifications to all levels of the Bank's structure.

On 21 October 2015, the board of directors of Bankinter, S.A., in accordance with the reform of the Criminal Code, approved by Organic Law 1/2015, of 30 March, which entered into force on 1 July 2015, approved the creation of a Crime Prevention and Professional Ethics Committee, which is responsible for overseeing the functioning of and compliance with the criminal risk prevention model and has autonomous powers of initiative and control.

This committee reports directly to the board of directors on an annual basis through the audit and regulatory compliance committee.

In 2017 the Crime Prevention and Professional Ethics Committee focused on the following activities:

- Approval of the Code of Professional Ethics for Bankinter Group employees.
- Approval of the Code of Professional Ethics for agents.
- Promoting the existence of the whistleblowing channel as much as possible and encouraging its use to notify the CP&PEC of irregular conduct.
- Final implementation of the Criminal Prevention and Professional Ethics Subcommittee in Portugal.
- Advances in the risk map: update of existing controls





## Data protection

# Total guarantee for customers

Bankinter Group guarantees its customers personal data protection and confidentiality of information.

### Data protection

All contracts obtain the consent of customers to process their data; they give details of the identity and address of the data controller, the purpose and the recipients of this data and offer the opportunity of objecting to the use and sharing of their data with other Group entities for commercial purposes.

The data protection clause notifies customers of the rights they have available to them in relation to access, correction, deletion and objection to processing and how to exercise these rights through quick and simple communication procedures, including telephone banking.

### Confidentiality

Bankinter guarantees that data is transmitted using suitable, reliable and secure channels, in the interest of integrity and confidentiality of the transactions carried out by customers. The security measures are reviewed on a regular basis, through audits on its own systems and on those of the Bank's providers who may have access to personal data.

To help ensure these commitments are met, there is a mandatory online training course for all Group employees. The Bank's services are immersed in a continuous process of strengthening and innovation in relation to the strict internal data protection measures concerning its customers' data.

At the close of 2017, the Bank had only received two sanctions from the Data Protection Agency for processing data without the consent of the owner, which involved fines totalling 46,000 euros.

The Bankinter Group is currently working to implement the new EU General Data Protection Regulation, which is due to enter into force on 25 May 2018.

## Information security

# New model to combat cybercrime

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. With this objective, in 2017 the Bank carried out certain organisational adjustments and planned a new strategy to strengthen the security structure. The security masterplan was reorganised in order to implement these changes and its duration was extended until 2019.

The model for combatting cybercriminals is based on three lines of defence, the first line is technology, business, operations and so on; the second line is risk control and regulatory compliance; and the third line is the audit department which monitors that the first and second lines act independently and are focused on continuous improvement.

From an organisational viewpoint, three management areas have been created within the data security department:

**Technological risks:** Focussed on regulatory compliance, policies, business continuity plan and risk analysis, among others.

**Cybersecurity:** Its priority is the protection of customer data, simulation of constant attacks on our systems and continuous improvement in combatting cyberattacks.

**Security monitoring and e-fraud prevention:** Where communications and transactions are monitored and the security of applications is analysed.

With this new structure, in 2017 Bankinter began a protection strategy with various phases. Firstly, the basis of the new strategy was created, optimising procedures such as network access control and data protection to prevent data leaks.

After this phase, which is expected to last until the first quarter of 2018, a series of processes will be rolled out, which include: attacks against our infrastructure, forensic data analysis or advanced intrusion detection systems, among others. Finally, more complex projects will be undertaken, with more advanced technology, and a review made of the complex external subcontracting regime in relation to cybersecurity.

One of the most important objectives for 2018, is the implementation of an adaptive security system, which offers customers the possibility of deciding how to manage their own security (whether or not to make overseas transfers, restrict their credit card activity and so on), depending on their risk sensitivity.



## Awareness plans

The activity of the information security department is completed by the development of awareness plans for users, who are the weakest link in the security chain. The Bank provides online training programmes and carries out simulations to obtain confidential information (passwords, personal details and so on) through emails, text messages or telephone calls. The aim is to discover people's reaction in situations that can be exploited by cybercriminals.

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

The theft of confidential big data from companies, the denial-of-service attacks and phishing (using the identity of companies or public bodies in order to obtain confidential information from the victim) are the main strategies used by cybercriminals. Financial institutions are particularly exposed to this kind of manipulation and fraud as a result of their permanent contact with the public and the nature of their business, part of which involves payment systems.




One of the key objectives for 2018 is the implementation of an adaptive security system.


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# Businesses



Our objective: to keep growing our market share.



Five main business lines, very well oriented and complementing each other.



Major growth in strategic business activities.

## Private banking

# An excellent service and increasingly global

Bankinter's efforts to build a long-term relationship with its customers, based on the excellence of the service it provides and an increasingly global offer, once again saw the private banking segment obtain very good results.

The assets it manages grew by 12%, to reach 35 billion euros, consolidating Bankinter's position as the sector leader in this regard.

Special mention should be made of the performance of investment funds, whose assets increased by 1.8 billion euros, thanks to an open architecture which allows customers to choose from a wide range of domestic and foreign fund managers. In 2017, the Bank has taken a substantial leap forward in the high net worth segment, which provides personalised services that are unique to each customer, with an increase in assets of 1.38 billion.

One of the main new developments in private banking in 2017 was the launch of the Helia Renovables venture capital fund from *PleniumPartners*, an international group specialising in these types of energy assets, in which our customers invested 222 million euros.

The initiative, which was well received by customers, falls within the framework of Bankinter's strategy of offering alternative investments, with a significant coupon, where the Bank co-invests with customers, in a climate characterised by low interest rates.

Also during the year, a new high-quality and simple reporting system was designed for our customers, which is fundamental to providing an excellent service. Investment has been made in improving the tools used in Bankinter asset management and in the Bank for better customer management, which is more agile and enables us to automatically control risks relating to the portfolios.

Similarly, and in anticipation of the new MiFID 2 regulations, a provision of timely advice has been made available to the entire private banking team for our high net worth customers.

### The importance of the team

Another of the pillars of private banking is the financial and tax advisory service, provided by highly-qualified professionals who are subject to a process of continuous training, which has made Bankinter a benchmark entity in this business.

The objectives for 2018 include continuing to make use of digital technology to improve the tools for optimising service quality, devising new investment vehicles that satisfy customer demand and extending the financing product range.

This, along with the high-level of qualifications and commitment of our teams, allows us to keep growing our market share and become an increasingly established sector benchmark, offering our customers a high-value service.

	2017	2016	% Dif.
Acquisition (No of customers)	4,843	4,238	+14.3%
Active customers (No of customers)	33,496	31,033	+7.9%
Total customer funds (€ bn)	21.594	18.396	+17.4%
Customer deposits (€ bn)	8.947	8.791	+1.8%
Customer loans (€ bn)	3.366	3.028	+10.6%

# Personal banking

## Quality to take on the competition

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. At the same time, however, it is a very attractive segment for all banks, which means the competition to attract customers is intense, which requires Bankinter private banking to make an extra effort to differentiate itself from the competition.

Bankinter's strategy for this medium-high income segment is to offer the best quality service, extend the product range and adapt it to the customers' financial needs, which are affected by current low interest rates and the poor return on bank deposits.

In this line of work, the Bank improved its range of investment funds, which are the main alternatives to bank deposits. This included the launch of new guaranteed products and the adaptation of others from private banking, such as premium funds or

profiled funds based on the customer's risk profile, which were very positively received by the market. Improvements were also made to the delegated investment service, through which the customer delegates the management of their investments to a team of experts, after first choosing the type of management they want.

The Bank has also maintained and improved its offer in traditional entry-level products, such as the payroll account and mortgage arrangement. The payroll account once again remained one of our most successful products, due to the competitive edge it has over similar products. The Bank has continued to market variable-rate mortgages, but has also improved its fixed- and mixed-rate mortgage offer, because of the strong interest that these types of mortgages arouse in the current interest rate environment. The Bank's mortgage range is very broad, which enables it to adapt to the customer's personal circumstances and preferences.

### Training

During the year, Bankinter also strengthened its training programmes, with the aim of providing an excellent quality of service. All branch network professionals were trained in savings products, especially those related to retirement, and the groups involved in investment services complied with the certification requirements resulting from the entry into force of the European directive, MIFID 2.

The results of the service improvement policy were positive. The quality perceived by the customer increased significantly, along with the figure for attracting new customers (+24%) and for net new assets (+94%, a rise of 1.098 billion on the previous year in absolute terms).

The objective in 2018 is to maintain a consistent growth rate in all areas of activity, supported by the power of the brand and the provision of a high-quality service. As part of that strategy, Bankinter plans to increase its capacity to distribute products through digital channels (apps, web) and to actively participate in the digitalisation process so as to pass on the benefits of new technologies, like biometric or remote signatures, to customers.

	2017	2016	% Dif.
Active customers (No of customers)	211,967	191,789	10.5%
Total customer funds (€ bn)	17.917	15.623	14.7%
Customer deposits (€ bn)	11.484	10.127	13.4%
Customer loans (€ bn)	8.400	8.125	3.4%

bankinter.

Opere desde aquí  
en bolsa con el  
Servicio Broker  
de Bankinter

Su asesor personal  
le atiende desde  
aquí con el Servicio  
de Videollamada

## Individual retail banking and foreign customers

# The payroll account is the way in

The individual retail banking market, the largest customer segment for financial institutions, is highly competitive. In 2017 there was especially fierce competition for attracting customers, both through traditional channels and, in particular, through the website and other digital tools. The payroll account was consolidated as the main factor in attracting customers and, therefore, the number of active individual customers grew by 3.8%, reaching a total of 335,775. The main features for the year were as follows:

**Assets.** Consumer loans were one of the Bankinter's star products, and throughout the year the Bank made a significant effort in terms of resources and technology to attract individual customers, achieving a 20% increase in new personal loans, despite the growing presence of competitors. However, Bankinter adopted a more reactive rather than proactive position with regard to granting mortgage loans, given the strong competition. Given the challenging

market circumstances, both in terms of price (with record low interest rates) and the conditions for granting mortgages, it has become more difficult to make these types of loan transactions more profitable without increasing the level of risk. The Individuals segment saw new mortgages arranged for a total of 673 million euros.

**Liabilities.** The market shifted with regard to payroll accounts, a product that involves direct debiting of bill payments and holding of debit and/or credit cards, and was confirmed to be the main entry point to the bank. In 2017 many entities, which in previous years had fiercely competed to attract customers through payroll accounts, reduced their profit associated with these accounts. However, Bankinter's 5% payroll account kept its beneficial conditions (which included 5% interest up to 5,000 euros for the first year and 2% interest in the second year) and it consolidated its position as a very competitive product. Consequently, in 2017 a total of 31,002 payroll accounts were opened

and 45,371 customers were attracted, up 34% on the previous year. 'Account 22', which was launched in 2016 and aimed at the children of the Bank's customers, also cemented its place during the year. 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 part of Bankinter's aim of offering an account for every type of customer.

The Bank also met its goal of increasing the quality of its service in the individual retail banking segment. The increase in the number of new customers and the improvement in its customer satisfaction indexes are indicators that reflect this trend.

	2017	2016	% Dif.
Acquisition (No of customers)	45,731	33,872	33.9%
Active customers (No of customers)	335,775	323,359	3.8%
Total customer funds (€ bn)	4.703	4.042	16.4%
Customer deposits (€ bn)	3.841	3.300	16.4%
Customer loans (€ bn)	12.958	13.572	-4.5%



## Foreign customers

Foreign customers are concentrated mostly in the Mediterranean coast and the Canary islands, and their entry point to the Bank tends to be the financing of home purchases. To provide them with the appropriate service, Bankinter has highly qualified staff in these regions who know their specific needs and have extensive knowledge of foreign languages.

In 2017, the foreign customers business gained traction at the end of the year, especially as a result of the recovery of the real estate market for non-residents, which posted significant growth, especially in the Canary Islands. This circumstance gave rise to an increase in the Bank's mortgage

loans to foreigners, although with relatively moderate growth due to its policy of prudence in analysing risks.

The number of active foreign customers grew by 4.7% in 2017. Total foreign customer funds increased by 5.2% and the related loan book amounted to 633 million euros.

With regard to 2018, the objectives for the individual retail banking and foreigner customer segment focus on enhancing its strategy of achieving maximum customer loyalty in the shortest time possible. The Bank therefore plans to develop digital tools that help in activating the customer's account from the very beginning, such as facilitating the switch of banks.

	2017	2016	% Dif.
Acquisition (No of customers)	3,641	3,412	6.7%
Active customers (No of customers)	27,219	26,001	4.7%
Total customer funds (€ mn)	259	247	5.2%
Customer deposits (€ mn)	234	225	4.0%
Customer loans (€ mn)	633	631	0.3%





## Corporate banking

# A profitable speciality

Corporate banking, which specialises in business groups with an annual turnover of more than 50 million euros, once again faced a challenging environment last year. Low interest rates, surplus liquidity, the fall in the demand for credit and the gradual disintermediation of its financing continue to characterise this segment of the market.

Nevertheless, in 2017 Bankinter's loans and receivables in corporate banking grew by 2.4% and new lending rose by almost 30%. At 31 December, the volume of financing amounted to 11.455 billion euros and customer funds stood at 8.412 billion euros, with a net return on assets (net ROA) of 1.87%.

The reason behind this excellent performance stems from the specialisation strategy undertaken in 2015, which represents a significant change in the distribution model

with regard to legal entities. Large companies can now be served at 22 corporate centres, three of which are dedicated to those companies that generate over 1 billion euros in annual income.

### Balance

The 160 professionals that work at these centres are guided basically by sector-based criteria and by an appropriate balance between return and risk. In 2017 they contributed a total of 262 million euros to Bankinter's gross operating income and 209 million euros to pre-tax profit, thus making corporate banking the segment with the greatest weight in these two key items of the bank's income statement.

The 2018 objectives include the following: to improve return for customers; to acquire greater in-depth knowledge of the various

sectors and their variants with regard to transactional and international business, capital markets and securities market; and to ensure greater adaptation to the organisational structure of the companies.

The Bank plans to open two new corporate centres in Madrid and hire highly specialised personnel.

	2017	2016	% Dif.
Active customers (No of customers)	5,667	5,487	3.3%
Total customer funds (€ bn)	8.412	9.119	-7.8%
Customer deposits (€ bn)	8.182	8.939	-8.5%
Customer loans (€ bn)	11.455	11.185	2.4%

## Medium-sized enterprises

# Objective: to make their lives easier

Since Bankinter restructured its business for legal entities, companies with between 5 million and 50 million euros in annual turnover receive special treatment in their relationship with the Bank. There are 72 business centres for this purpose, covering the main population areas and have corresponding managers, controllers and commercial staff.

These teams, which include a total of almost 400 professionals, were consolidated in 2017 after the reassignment of customers carried out in 2015 and 2016, which affected 75% of the portfolio. As a result of this reassignment, managers now know their customers better than ever and are therefore in a position to offer them services tailored to fit their needs.

The main objective is for medium-sized enterprises to be global Bankinter customers, not just occasional customers, and for them to trust in the Bank not only to

cover their occasional financing needs, but for everything that makes their lives easier, from daily collection and payment operations to guarantees or underwriting insurance.

In 2017 this effort translated into a significant increase in income from fees, which contributed to improving the business's gross operating income by 6.4%, along with the collection of interest.

During the implementation of this new type of relationship with medium-sized enterprises, the Bank continued to attract new customers at a good rate, attracting 4,393 customers last year, to reach a total of 23,306 active customers.

Despite the downturn in the banking market as a whole, Bankinter's loans to medium-sized enterprises rose significantly in 2017, from 5.331 billion to 5.974 billion euros.

The challenges for 2018 are to continue improving customer management, to hit the market share targets for each company and centre, and to achieve the most balanced composition possible between, among others, term loans and working capital financing.

	2017	2016	% Dif.
Acquisition (No of customers)	4,393	3,934	11.7%
Active customers (No of customers)	23,306	20,628	13.0%
Total customer funds (€ bn)	4.415	3.759	17.5%
Customer deposits (€ bn)	4.155	3.553	17.0%
Customer loans (€ bn)	5.974	5.331	12.1%

## SMEs

# An ever closer relationship

Bankinter's business for legal entities is structured into three segments: SMEs (up to 5 million euros in annual turnover), medium-sized enterprises (between 5 and 50 million euros) and corporate banking (more than 50 million euros), for the purpose of providing the appropriate service for each of their needs.

With regard to SMEs, in 2017 the business stepped up its rate of growth compared to the previous year, despite growing pressure from the competition and the drop in prices, especially in short-term financing. All of the key figures for this segment improved, most notably the number of customers (+5.1%), total customer loans (+3.9%) and the volume of customer deposits (+14.2%).

The contribution of SMEs to the Bank's gross operating income amounted to 148.1 million euros in 2017, an increase of 10%, and

which, together with the 40% reduction in the cost of non-performing loans and cost savings, enabled it to reach a profit of 41.5 million euros, up 292% on 2016.

The main milestone for 2017 was the consolidation of the tax payment loan, of which a total of 199.6 million euros were arranged, an increase of 618% on the previous year. This was underpinned by the launch of online pre-authorisations for this product, which enabled companies to have immediate access to the loan, 100% digitally and without any red-tape.

### Accompanying customers in their day-to-day business

All of this fits into the Bank's strategy, of not only increasing the number of customers, but also forming a closer professional relationship with them, strengthening transactional

banking and accompanying them in their day-to-day business.

To achieve this goal, Bankinter has a professional team of 258 managers, who carry out their work in universal branches and which assisted a total of 68,581 customers distributed throughout Spain as of 31 December 2017.

The objectives set for 2018 focus on continuing to increase market share and maintaining the high growth rates of the previous year in terms of customers, the balance sheet and profits.

	2017	2016	% Dif.
Acquisition (No of customers)	13,485	12,830	5.1%
Active customers (No of customers)	68,581	65,585	4.6%
Total customer funds (€ bn)	3.754	3.296	13.9%
Customer deposits (€ bn)	3.407	2.982	14.2%
Customer loans (€ bn)	4.906	4.724	3.9%

## Investment Banking

# The bridge between companies and investors

In the last few years, the Investment Banking area has become a benchmark in this business segment, not only in Spain, but internationally as well. Its objective is to provide a comprehensive financial service to its customers, especially corporate banking and private banking customers. To do this, it aims to provide an outstanding global advisory service to those customers who have to make major decisions on the future of their business projects and act as a bridge between companies, especially family companies, and investors who are potentially interested in supporting and financing their projects.

With this purpose in mind, the work of the Bank involves constantly seeking out opportunities, to take advantage of abundant liquidity and the current appetite for Spanish mid-market.

In doing so, the bank has two important strengths. First, its reputation in risk management, which allows it to boast the sector's lowest non-performing loan ratio. 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 benefit from both the proximity of their usual manager and of a specialist corporate advisory service.

This strategy demand greater effort from the commercial branch network, but it creates substantial value in the long term, builds customer loyalty and strengthens Bankinter's position as a global banker.

The performance of the four Investment Banking growth axes in 2017 was as follows:

**Mergers and acquisitions.** At a time of growth in the market for buying and selling companies, Bankinter was involved in around ten operations, mostly of industrial customers and mainly acting as adviser to the sellers.

**Capital markets.** It was a year of intense activity. The listing of Netex on the Alternative Stock Market; capital increases such as Oryzon; stock market flotations like Prosegur Cash and Neinor Homes; the bond issues of Audax and Masmovil; or the promissory note issues of Teknia, Tubacex and Abertis, are examples of operations within this scope, which are completed by private placements among institutional investors.

**Structured and alternative financing.** In 2017, transactions were agreed for over 1 billion euros, and the loan book ended the year above 2 billion euros, including syndicated corporate loans. Overall

profitability was close to 350 basis points. Bankinter is the only bank that, relying on alternative lenders, takes part in complex financing processes with structured proposals, be they Spanish or foreign funds or insurance companies, providing customers with substantial added value in terms of cost, flexibility and swiftness.

This year Bankinter continued to develop its advisory services activity in financial-property transactions, such as the sale of hotel and logistical assets or property loan books, which had a notable demand from customers and very satisfactory results.



## Alternative investments

Another of last year's innovations was the launch of Helia, an investment fund with almost 250 million euros in renewable energy assets, for the best private banking customers and certain institutional investors with which bank has a special relationship.

The operation, which along with that of Ores Socimi at the end of 2016, was one more step in the project to create value-added products which offer a good risk/return trade-off for its private banking customers. The Plenium Partners Group, one of the leading renewable energy asset managers in the Spanish market, is to manage the project.

With this launch and that of Atom Socimi, a specialist hotels vehicle, Bankinter brought the capital it manages for customers in alternative investments up to 700 million euros. The Bank's objective is to continue creating alternative products for its private banking customers.

**In the last few years, the Investment Banking area has become a benchmark in this business segment, not only in Spain, but internationally as well.**

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## International Banking

# The growing importance of overseas trade

The strong focus of Spanish companies on overseas markets, that were their salvation during the worst years of the crisis, has become a structural element of the country's economy. Thousands of these companies now obtain more revenue from abroad than domestically, and they demand a series of services that Bankinter provides through its International Banking business.

These services include guarantees for the obligations assumed with third parties abroad; import and export letters of credit, through which payments and collections are secured in accordance with the agreed terms; and the medium and long-term structured finance for investment projects. The basic international payments and collections business is managed on digital platforms that ensure maximum agility for customers.

The priority sectors for the Bank in 2017 were infrastructure, railway transportation, renewable energy, automobiles and commodities. The regions with the greatest activity were South-East Asia, the Middle East, the Persian Gulf, Europe, United States, Canada and Latin America.

International Banking has a very established specialist team, whose work last year

translated into a volume of transactions worth 57.443 billion euros (+8.5%) and loans of 4.049 billion euros (+17.4%) in the Corporate area, where its gross operating income now represents 23.6% of total gross operating income.

### Participation in events

The Bank's presence in major global sector events contributed to the positive performance of International Banking in 2017. These events include those organised by the Federation of Latin American Banks (Federación Latinoamericana de Bancos or Felaban) and the Inter American Development Bank (Banco Interamericano de Desarrollo or BID). In Spain, Bankinter had a strong presence at IMEX, the leading international trade fair held in the country, and other regional events.

International Banking plans to consolidate its policies and procedures in 2018, as well as giving impetus to the technological development necessary for its activities and, to comply with the new European legislation, the digital transformation of payments.

This will help, Bankinter to take advantage of the opportunities offered by the improving

economy, both in developed and emerging countries, and make a qualitative leap with its participation in benchmark operations together with other big banks.

# Bankinter Portugal

## Above forecast growth

Bankinter Portugal's business was carried out in 2017, within a context of economic growth, that was largely driven by investment and private consumption. Thanks to this, the high rate of job creation continued, reducing the unemployment rate to 8.5%, far from the 17.5% recorded in 2013.

The write-down process in the financial sector, has led to a fall in the level of risk of its assets and in a reduction in the financial institutions' installed capacity, which are now showing higher levels of efficiency and productivity. After being absent for the last few years, profit returned to the income statement in 2017.

It was an excellent year for Bankinter Portugal and its results beat forecasts, especially in attracting new customers. The retail and commercial banking segment attracted 13,768 customers, an increase of 71% on 2016, as a result of increased brand awareness and improved satisfaction indexes. The obtaining of 331 million euros in net new assets, 105% more than the year before, saw the portfolio reach 4.73 billion euros. As a result of the 598 million euros in new loan approvals, 159% more than in 2016, the loan book reached 3.954 billion euros.

The corporate banking segment also saw a 104% rise in the number of new loans compared with last year, despite the market still contracting. At 31 December, the loan book amounted to 1.27 billion euros, with a large contribution coming from the 3,228 new customers (twice as many as last year).

Other notable successes in 2017 were:

- New mortgage loans rose considerably (+198%), increasing the market share in a market where the subsidiary initially had a very small weighting. Bankinter Portugal's share of new lending increased from around 3% in 2016 to 5.7% in 2017.
- Bankinter Consumer Finance began operating in Portugal, and contributed to a large extent to the growth of 115% recorded in consumer lending.
- Bankinter Asset Management had the fastest growth in its sector (+157%) and stood in fourth place for net purchases.

In addition, Bankinter Seguros de Vida is now among the insurance companies with the biggest growth in Portugal.

In its second year of operations in Portugal, it doubled its new lending (341 million euros), recording the second largest growth in absolute value and becoming Portugal's eighth biggest insurance company.

**New mortgage loans**

# +198%

## First place in the *Mystery Shopping* survey

Bankinter obtained first place in the '*Mystery Shopping*' survey of banks in Portugal. It achieved an overall score of 91.3%, which was above the market average of 83.4%.

Customer service, with a score of 78%, was once again the area in which Bankinter most stood out against the rest of the market, where the average score was 61.5% (+18.5 pp vs the market).

## Bankinter's '*Conta Mais Ordenado*' given the '*Premio Cinco Estrellas*'

Bankinter's '*Conta Mais Ordenado*' was given the '*Premio Cinco Estrellas*' (Five Star Award) as the best payroll account, with an overall satisfaction rating of 74.1% in a survey of 1,350 consumers.

The 3 areas where the account most stood out were customer satisfaction (after testing), price-quality relationship and the likelihood of recommendation.

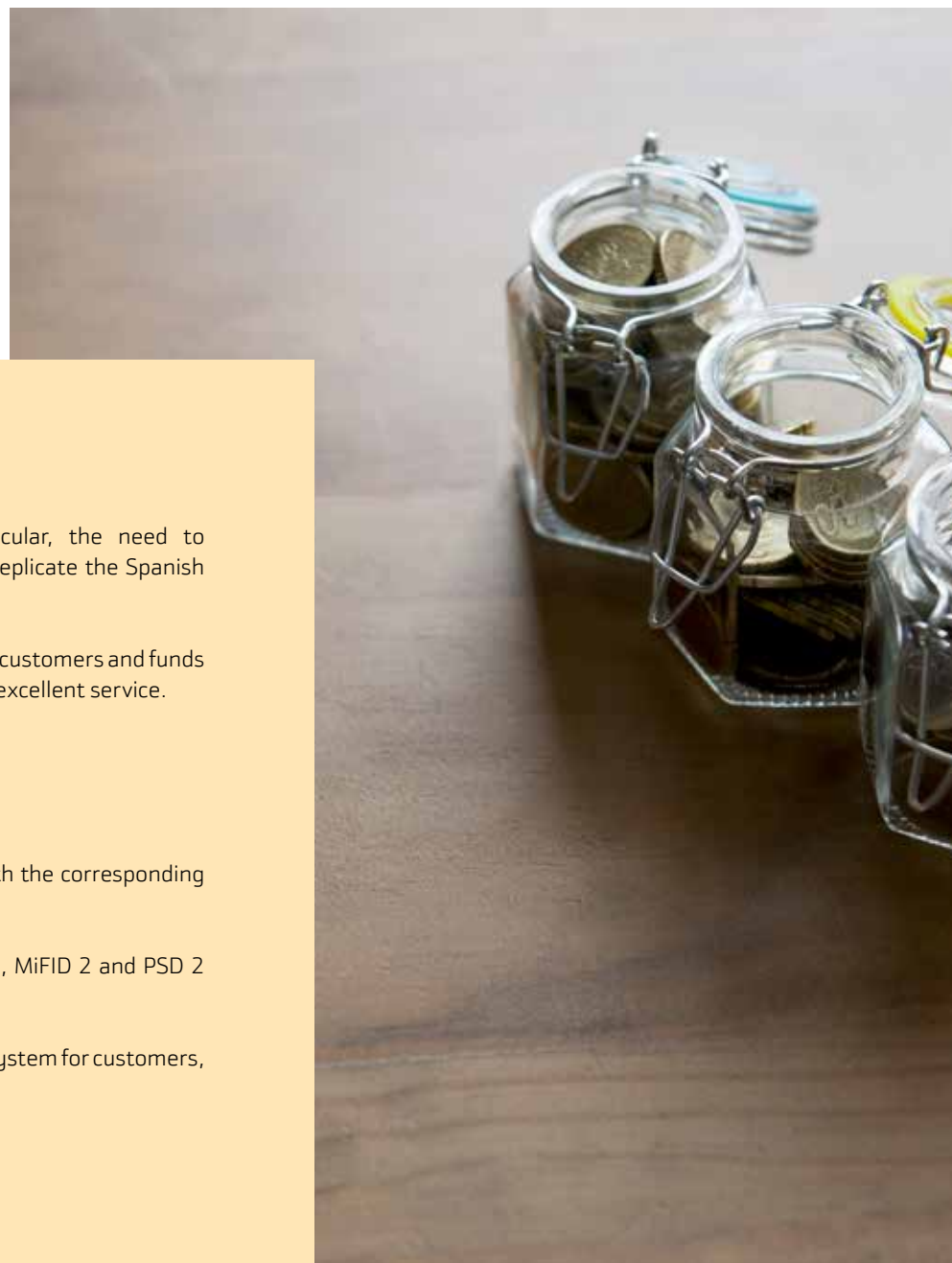
## 'Linha Bankinter' wins Trofeo Call Center 2017

The 'Trofeo Call Center 2017' (Call Centre Trophy 2017) was won by Linha Bankinter, in partnership with Teleperformance Portugal, in the quality of service in telephone helplines category - 50 positions - an initiative of Call Center Magazine and IFE Portugal.

### The challenges

The challenges for 2018 involve, in particular, the need to consolidate the progress made in 2017 and replicate the Spanish business model. Specifically they are:

- Maintain the rate of growth in the number of customers and funds attracted, at the same time as providing an excellent service.
- Increase loans to companies.
- Improve the consumer finance business.
- Create new channels and develop them, with the corresponding investment in technology.
- Complete the adaptation to the new IFRS 9, MiFID 2 and PSD 2 regulations.
- Be a benchmark in the Portuguese financial system for customers, employees and the sector as a whole.



## Capital Markets

# A growing activity

The Capital Markets area, which manages the trading and distribution of treasury products and the Bank's balance sheet, carried out its activity in a general favourable environment in 2017.

- In Spain, the Treasury had no problems in meeting its funding needs for the year. Although with a certain spike in Autumn as a result of the political situation in Catalonia, the risk premium versus the benchmark German bond ended the year at practically the same level as it started it.
- In Europe, the maintenance of ECB monetary policy continued to determine the direction of interest rates, which reached record lows (the Euribor closed the year at -0.2%). Certain tensions were seen in the first half of the year in the liquidity levels of some peripheral countries due to the elections in France and the Netherlands, but the situation normalised once these were held.
- In the United States, the situation of the markets was marked by the first anniversary of the Trump administration and the Federal Reserve's increase in the price of money, which caused medium and long-term dollar interest rates to rise, especially in the final part of the year.

In this scenario, the trading area was active in the foreign exchange, equities and fixed income markets. Bankinter benefited from its status as a market maker in government debt and bills of exchange and a co-leader in syndicated issues of Spanish Treasuries.

The Bank's growing activity in the private banking segment generated notable demand for the products designed by the distribution area, whose work in helping customers to access foreign exchange markets, interest rate hedges and fixed income is also worthy of note.

### Greater liquidity

The Bank's balance sheet continued the sustained improvement in its liquidity position. The major increase in lending was offset by an even larger growth in customer funds. This fact, along with the application for long-term funds from the ECB under its TLTRO II programme of funding operations, made it unnecessary to issue long-term debt. The only public issue was for 500 million euros of Tier 2 subordinated debt to improve the capital base, paid out on 6 April, which was oversubscribed by almost 5 times the amount to be placed.

Wholesale funding maturities are distributed over time in a manner so as to minimise problems refinancing, and the Bank's interest rate risk is also kept 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 loans are referenced.

In relation to foreign currency, the Bankinter's policy was to hedge all structural positions, thanks to which its income statement was not affected by the fluctuations in major currencies in 2017.





We continue to lead the stockbroking business.

Bankinter Consumer Finance achieved record results in 2017.

Other  
businesses



## Bankinter Asset Management

# A positive turning point

The market experienced a turning point and some products, such as investment funds, returned to pre-crisis levels. The lack of investment alternatives, due to the poor returns on bank deposits, even saw some customers who had never acquired these products before drawn towards them.

With the tailwind being felt in the markets, Bankinter Asset Management, the Group company specialising in collective investment, based its offer in 2017 on the following initiatives:

**Development of a new range of profiled investment funds** to adapt to each investor's risk level. The take up was excellent, in part as a result of the transfer of money from money market funds, which saw their returns hit by the zero interest rate policy. New classes of funds were launched for intermediate amounts in funds that were initially aimed at high net-worth investors.

**Update of the investment funds website**, in line with the information and transparency requirements established by the new MiFID 2 directive of the European Union.

The details of the results by product and management type were as follows:

**Investment funds.** The Bank's asset management area controlled wealth amounting to 8.418 billion euros at the end of 2017, 10.4% higher than in 2016, and is ranked ninth in Spain, with a market share of 3.2%. The amount of assets under management increases to 17.35 billion if we include the investment funds of those international fund managers that the Bank makes available to its customers. Overall, the funds offered by the Bank grew 22.8%. The performance of the Bankinter Bolsa España (Spanish stock market) fund, with a return of 11.14%, particularly stood out.

**SICAVs.** At the end of 2017, the Bank managed a total of 371 SICAVs, with assets of 2.637 billion 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 increased its range of options, allowing the bank to attain a total of 2.457 billion euros in retirement products. This was a rise of 10.6% on 2016.

**Delegated management.** Bankinter is strongly committed to this service, which is offered not only to customers in the top private banking segment, but also to those of personal banking and individual retail banking. Assets managed under delegation amounted to 2.991 billion euros at 31 December.

The priority for 2018 is to complete the product range, both in (actively and passively managed) investment funds and in advisory services (an area which we particularly want to strengthen) and in delegated management. Bankinter also hopes to develop profiled funds in Luxembourg to increase its offer in the Portuguese market, which showed promising signs in 2017.

## Equities

# Leaders in stockbroking

In the first half of 2017, equities markets were characterised by a notable increase in trading and a strong buying pressure, which saw them hit record highs in May. The second half of the year, on the other hand, was defined by political uncertainty, with a subsequent drop in trading volumes and prices.

Against this backdrop, Bankinter's cash trading grew by 4% on last year, after opening almost 10,500 new securities accounts. The deposit portfolio increased by 12.69% up to 15.287 billion euros at the end of December and generated fees of 74 million euros, growth of 8.8%. As a result, in 2017 the Bank continued as leader in the stockbroking business, created new and improved relationships with their customers and ended the year in a very healthy state.

This was all possible thanks to the adaptation of working methods to changes in consumer behaviour and technology, and the team structure that was created in 2016 becoming fully operational, which enabled it to be closer to the business and its customers in all Spanish cities. Other positive influences were the strong backing of educational programmes, for all types of investors, and the success of the 'súper tarifa', a special low rate charged for trades of a small amount.

The Equities business was particularly proactive in 2017 at keeping its customers informed. Of note in this regard were:

- The creation of the Bankinter Broker Academy (Academia Bróker Bankinter), which delivered four continuous training modules to over 2,600 people, with almost 200 courses being held in the major cities.
- The launch of a trading laboratory for those customers who are most expert in using Traderlab, in which 1,710 advanced traders participated.
- The stock market forum roadshow (Gira Fórum Bolsa), with its focus on the securities markets, with both in-person and, for the first time, online events, which enabled it to reach over 5,600 existing and potential customers.

Bankinter's training events are a benchmark for the Spanish financial sector, offering training that is free and differentiated by level.

### Broker account

Last year Bankinter created the first broker account (cuenta bróker), which pays interest on the basis of customers' trading activity, and communication with them was improved through the highly original digital campaigns on the recently updated website.

The launch of the new graphic broker (bróker gráfico) tool is planned for 2018, and this will make trading more agile in all available markets and products. The Bank will also continue its commitment to customer training through the Bankinter Broker Academy.

## Bankinter Consumer Finance

# Leaders in growth

Bankinter Consumer Finance, a company specialising in consumer loans and credit cards, consolidated its position as one of the main drivers of growth for the bank, thanks to its exceptional results in 2017.

Despite a climate of fierce competition and taking advantage of the improved economic activity in Spain and Portugal, this business segment area delivered record results in 2017, with a 41.8% increase in loans to consumers and a 27.5% increase in the number of customers, which already total 1,145,000 including Portugal. In May, the company also began operations in Portugal with very important business expectations and with the aim of revitalising the consumer market in this neighbouring country through a commercial offer already proven in Spain. The volume of loans now stands at 51.9 million euros.

As a result of this drive, Bankinter Consumer Finance was once again the bank with the highest market growth, and it is now in fourth place in the ranking of specialist entities, according to the data of the Spanish Association of Financial Credit Establishments (ASNEF).

Two factors played a decisive role in the progress made by Bankinter Consumer Finance: the Bank's traditional experience in risk management and the implementation of an ambitious plan to improve equipment and technology.

The Bank's three biggest lines of business, which performed positively in 2017, benefited from both factors:

**Consumer finance for Bankinter customers.** It offers products and services, both to individuals and companies. The most important of these products are the pre-authorised loans, which are available to virtually all customers and priced in accordance with the risk profile of each customer. The market penetration of consumer finance was helped by new digital tools, which make the loan agreement process faster and simpler. Also, new products were created and campaigns launched in 2017, to meet customers' needs and at those times of year when there is a greater propensity to use consumer financing, and the results were excellent. Online registration for credit cards was introduced and special offers were launched for those that allow deferred payment.

**Bankintercard.** In the consumer loan segment for the open market (not customers of the bank), Bankinter's market share is significantly higher than corresponds for a bank of its size. It is based on two fundamental pillars: ease of access, taking

advantage of the possibilities provided by the digital world, and strategic alliances with large companies. If 2016 was notable for the agreement with Air Europa, then 2017 stands out for Bankinter launching a loyalty card with the electricity company Viesgo, which shows very promising signs.

**Point-of-sale financing.** This consists of granting loans to purchase goods or services from a company acting as an agent. Also of note in 2017 was the start up of an online system for arranging loans specifically to buy cars.

The challenges for 2018 are to continue with the digitalisation process in all areas of the company, to increase the credit card business among Bankinter customers through added value products and services, and to continue exploring new strategic alliances with important partners of major sectors of activity.

## Insurance and pension plans

# A good year in a competitive market

The insurance and pension plans market evolved in 2017 within a mature and highly competitive environment. In general terms, public opinion moved in favour of the possibility of arranging pension plans and other alternative products to complement state pensions, though this trend was tempered to some extent by the competition from investment funds, which attracted many savers as a result of the improvement in stock markets.

In this environment, Bankinter developed a strategy centred on specific factors:

- Improve information on retirement and pension plans.
- Marketing drive in systematic individual savings plans (PIAS).
- Strengthen the companies insurance business, particularly in the Multi-Risk and Civil Liability segments.
- Strong support of the Customer Relationship Management (CRM) and Marketing departments.
- Increase training, both in-person and distance learning, of branch network employees.

As a result of this strategy the area ended 2017 with a set of very favourable results.

In life insurance, the portfolio grew by 5.4% to over 80.4 million euros at the end of 2017. The customer retention rate (those who renew their policies), which is a key loyalty indicator, was 89.1%, the highest of the last few years.

In pension plans, the Bank increased its market share. Accumulated wealth reached 2.457 billion euros, 10.6% more than the previous year, when the sector average grew by 3%. The number of unit holders also increased, by 8.6%, compared with a drop of 3% in the market as a whole, according to Inverco data up to September.

In the companies insurance business segments of Multi-Risk and Civil Liability, the portfolio grew by 10%.

### Pension plans

**+10.6%**



## Challenges for 2018

In preparation for 2018, Bankinter has had to adapt to forthcoming new regulatory requirements, which chiefly involve the planned entry into force of the Real Estate Credit Act and the Private Insurance and Reinsurance Distribution Act.

In the case of the mortgage regulation, its introduction has very little impact, as the Bank already complies in general terms with the new requirements. As for the Private Insurance and Reinsurance Distribution Act, its application will involve a major extra effort, especially from the viewpoint of customer information. Other objectives are as follows:

- Make potential pension plan customers aware of the need for them to make early and seasonally-adjusted contributions and improve the information they receive on the consequences of their savings decisions.
- Increase the sale of alternative products to pension plans, such as PIAS, and others linked to retirement, such as life annuities.
- Increase the commitment to developing the companies insurance business, adding loan insurance to the range.

Our objective: making potential pension plan customers aware of the need for them to make early and seasonally-adjusted contributions and to improve the information they receive on the consequences of their savings decisions, is a challenge for 2018.

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## Bankinter in Luxembourg

# Security, diversification and quality

Bankinter remains the only Spanish financial institution with its own banking licence in Luxembourg, which is the leading EU country in private banking and distribution of investment funds. Its motto is: 'offering customers security, diversification and quality'.

In February 2017, Bankinter Luxembourg obtained the necessary authorisation to act as the investment manager for the Bankinter International Fund Sicav, the investment company that the Bank has there.

Another important new development was the launch of three new sub-funds, which extend the range of funds available to be marketed in both Spain and Portugal.

The Bank also strengthened and consolidated its team, in order to provide an excellent quality of customer service and respond to growing regulatory demands. This acted as a strong drive for the marketing and sales activities in those countries where the Group is present, especially in Portugal.

### Increase in activity

As a result, the assets under management of Bankinter Luxembourg totalled 2.651 billion euros as of December, which is a 53% increase on the end of 2016; meanwhile lending activity practically doubled.

The figures for discretionary management and advisory services were equally as positive, reaching 1.184 billion euros, 26% more than at the close of 2016.

In 2018, Bankinter Luxembourg has the challenge of carrying out a major technological transformation in order to maintain the high standards of quality service and to consolidate itself as one of the main players in the Iberian market.

**Assets under management of Bankinter Luxembourg**

**+53%**

## Bankinter Global Services

# A leap forward in response to the latest challenges

Bankinter Global Services is the area responsible for providing the Bank's technology and operational services, and as such is a key part of its transformation and growth process.

With the aim of responding to the latest challenges facing the Bank, the Technological Transformation Division was created and other management areas were strengthened. By geographic area, these were the main activities in 2017:

**Portugal.** The substitution of all of the previous owner's systems was made in the business acquired in 2016. Similarly, the technology platform, that was in a precarious state, was improved, with investment being made to bring it up to the latest market requirements.

**Luxembourg.** Heavy investment was made in infrastructure and systems were unified with the aim of reducing operational risk and manual work.

**Spain.** The set of applications was simplified and a major sweep to delete the least useful and increase the system's efficiency. In addition, work was also undertaken on the adaptation of applications for their export to the Portugal division.

In transversal terms, the area's most important work was its support for the digital transformation process, with an active participation in the launch of the new online banking and Bankinter Broker websites, along with the Coinc digital platform. Another important new development was the automatisation of tax payments.

The new regulations require additional work, with special attention to compliance with the principles of risk data aggregation (RDA) and the preparation for the entry into force of the new IFRS 9 accounting standard as of 1 January 2018.

Certain experimental initiatives were also undertaken in the field of robotics to improve the cost-to-income ratio in the area of operations and processes.

In 2018, Bankinter Global Services plans to complete the structural improvement projects for the systems in Portugal and Luxembourg, collaborate in the creation of a single risk system and, from a general viewpoint, consolidate the quality of operational services to the branch network, improve the cost-to-income ratio, invest in automatisisation technology and find new cost saving methods.



## Línea Directa Aseguradora

# Another record year

Línea Directa Aseguradora, a company that directly sells insurance and that is wholly owned by Bankinter, once again posted record high figures in terms of turnover, profit and portfolio. The volume of premiums issued in 2017 totalled 797 million euros, up 7.9% on 2016. The strong performance of the auto insurance segment (+7.3%) contributed to this increase, which consolidated Línea Directa's position as one of the fastest-growing companies in the sector. The home insurance business also significantly increased its turnover (+13.5%), which is also well above the sector average.

This commercial strength made it possible to end the year with a portfolio of 2.79 million customers, which, together with its risk management policy, enabled it to obtain a pre-tax profit of 152 million euros: a new record for the company. Línea Directa is also one of the most efficient and profitable companies in the auto insurance sector, with a return on equity (ROE) of more than 35% and a combined ratio (which relates expenses and premiums) of 86.9%.

Since its creation in 1995, Línea Directa has maintained one of the highest growth rates in the sector, thanks to a large extent to maximising the advantages of its business model, which, after dispensing with the brokerage fees and branch networks, is able to offer a high quality product at very competitive prices, since a portion of its savings in operating costs is transferred to the end customer.

Línea Directa Aseguradora is the leading company in direct insurance sales in Spain, with a market share of almost 60% among disintermediated companies. Furthermore, it is ranked fifth among auto insurance companies in terms of volume of premiums and sixteenth in home insurance.

### Commitment to health

Línea Directa's major development for the year was the launch of its new health insurance brand, Vivaz, in September. This new product was launched with the aim of becoming a benchmark in simplicity, efficiency and quality, focusing on providing comprehensive health care for people. To help achieve this, it has a medical team of over 30,000 professionals and 1,000 medical facilities, with a wide range of cover, such as diagnostics, hospitalisation, surgery or psychology sessions. The insurance costs up to 400 euros less than the market average.

### Customer portfolio

**2.79** million

The new brand clearly has a digital focus and its priority is to make the customer's life easier. It therefore reduces the number of tests that require pre-authorisation by up to 60%. It also allows the insured party to manage their policy through an app that has several functionalities: digital health insurance card, search for specialists by symptom or geolocation, possibility of speaking to a doctor 24 hours a day, and online bill payment, among many other advantages.

### Improved reputation

Twenty-two years after its creation, Línea Directa is one of the most solid, responsible and recognised companies in the country. In 2017, it was ranked 40th on the Merco Empresas list, one of the most important reputation rankings in the business world, which represents an improvement of 10 places from a year earlier. It was also ranked 41st on the Merco Talento ranking, which analyses the best brands used in Spain, and ranked 69th on the Merco RSC ranking, which assesses the various corporate social responsibility policies.

**Línea Directa Aseguradora ended the year with a pre-tax profit of 152 million euros, the highest in its history.**



### A busy year for the Línea Directa Foundation

The Línea Directa Foundation, which centres its activity on promoting road safety, carried out three surveys in 2017, along with the Spanish Foundation for Road Safety. These reports, which gained widespread coverage in the media, dealt with road crime in Spain, the influence of sleepiness on accidents and the impact of those people injured by traffic accidents on road safety.

The Foundation also organised the 14th Road Safety Journalism Prize, a contest that recognises the importance of the media's work in preventing traffic accidents, in which almost 2,000 entries were received, which makes it one of Spain's major journalism prizes.

The Ministry of the Interior and the Directorate General of Traffic (DGT) awarded the Línea Directa Foundation the Road Safety Medal of Merit, an award which recognises commitment to preventing traffic accidents, and the dedication and professionalism of the various State bodies and security forces.





## Bankinter Securities

# Managing the new MiFID environment

For the Bank's securities company, 2017 was marked by the implementation of the MiFID 2 Directive and the MIFIR Regulation, which fully impacted on its activities by requiring it to review a large part of its processes.

Likewise, pre- and post-trading transparency occupied a great deal of the activity of the areas of the Bank, which culminated in the successful implementation of tools and processes for notifying executed orders, both to the market (Order Record Keeping -ORK-) and the supervisor (Transaction Reporting).

Another major challenge during the year was the incorporation of the changes introduced in the provision of investment analysis services, with the aim of ensuring total independence by separating the charge made for it from the volume executed by the Bank.

Traded volume during 2017 amounted to 28.244 billion euros, which represents a 2.2% market share after third-market trading. Pre-tax profit amounted to 4.9 million euros, a very commendable growth of 30% due to cost savings.

### International markets


In spite of the problems in European securities markets, Bankinter Securities successfully maintained its strategy of orienting its activity towards them, and they now contribute 30% of its revenue. It also increased its presence in France, United Kingdom, Switzerland and Belgium. The company continued to extend its specialist portfolio of high net worth customers, professional equities investors that operate on their own behalf with the backing of Bankinter resources.

The reorientation of the securities business is part of the process begun in December 2013 to improve our services offer. The aim is to develop towards a format that is more global and oriented towards asset management and specialised advisory services, in line with the standards of quality and efficiency which are hallmarks of Bankinter.

Looking towards 2018, Bankinter Securities intends to take advantage of the opportunities offered by the regulatory environment, as well as increasing the international business base and becoming a benchmark domestic broker for international investors.



## Networks and channels



Bankinter's branches,  
increasingly digitalised.

Bankinter Blog, 2.2  
million visits, a 34.1%  
increase on last year.

Notable improvement  
in the results of the  
agent network.

## Branch network

# We continue to grow

At the end of 2017 Bankinter had 364 universal offices, 72 business centres, 48 private banking centres and 22 corporate banking management centres.

The universal offices distribute and manage customer business for the segments of individual retail banking, personal banking and SMEs. The private banking centres provide management and advisory services to high net worth customers, who are included in this segment of private banking.

Medium-sized enterprises are distributed among the business centres and corporate banking customers among the specialist management centres.

There was a significant increase in the attraction of new customers in 2017, which took place at the same time as the rise in customer satisfaction resulting from the excellent service provided in branches and the support of remote advisers.

Bankinter's branches are becoming increasingly digitalised, where the use of remote signatures or of advanced management tools by managers, are increasingly common. The use of these new systems and devices makes operations with customers quicker and easier, avoiding unnecessary visits to the branch for routine matters, and at the same time freeing up managers' time which can then be spent on those tasks which provide greater added value for customers.

The branch network staff made a major effort in 2017, to ensure they complied with the training requirements of the Financial Services Advice Certificate (CAF) and the Financial Services Information Certificate (CIF).

### The help of the internet

The work of the branches also benefits from the growing use of the internet among customers, who have shown their satisfaction with the launch of the Bank's new transactional website and the improvements in its operation during 2017.

In this area, Bankinter has a traditional advantage over the rest of the banks operating in the Spanish market, which is the high percentage of digitalisation of its customers, who are used to dealing with the Bank through the different channels available to them, especially the digital ones. 91% of customers use both digital and traditional 'in-person' channels interchangeably for their transactions and interaction with the Bank, with only 9% of customers wanting to be served exclusively by these more traditional channels.

The objective in 2018 is to maintain the branch network structure in Spain and further develop the strategy of converting the branch into a point of sale, whose professionals are among the most skilled and best trained in the sector, so as to improve the customer experience.

## Agent network

# Notable improvement in results

The agent network has confirmed itself as a benchmark business model in the sector. It comprises professionals with their own office that work with Bankinter to provide private banking services. The agents provide their knowledge and their customers, while the Bank contributes its product portfolio, structure and brand. Generated profits are shared in accordance with the provisions of the corresponding commercial agreements.

At the end of 2017, the network was formed by 400 agents, who were highly qualified and focused on the wealth management of high net worth customers. All of them are fully qualified to provide the functions of the advisory services they carry out and have received the training required by the MiFID 2 directive, that tightens up the protection of customers in financial transactions.

The balance sheet of the agent network totalled 11.801 billion euros at 31 December, which is practically triple the amount of six years ago. The average balance managed per agent is 29 million euros, compared to 21 million euros at the same date in 2016, with a rise of almost 40% in just 12 months.

### New customers

The commercial activity and the attraction of new professionals (34 in 2017) saw 1,241 new private banking customers join Bankinter in 2017 through the agent network, 26% of the total, with the resulting impact on sales volume and fee income.

The agent network contributed 41.4 million euros to the Bank's gross operating income and 21 million euros in pre-tax profit, up 14% and 38% on 2016, respectively. Just three years ago, in 2015, this business had EBT of 10.7 million euros; in other words, a little over half that of 2017.

Alongside this improvement in earnings, in 2017 two major challenges were undertaken: the construction of a training database and the adaptation of all the agent's agreements to the new regulations, the Internal Code of Conduct and a Code of Ethics specific to the agent network.

In 2018, it is planned to carry on with the adaptation of MiFID 2, improve the control environment, make further progress with digitalisation, maintain the rate of attracting new agents and increase the contribution of profit to the Bank.

	2017	2016	% Dif.
Active customers (No of customers)	37,368	36,053	3.6%
Total customer funds (€ bn)	7.541	5.999	26%
Customer deposits (€ bn)	1.912	1.872	2%
Customer loans (€ bn)	1.463	1.491	-2%

## Banca Partnet

# 25 years making the difference

Banca Partnet is a network based on partnership agreements with large companies to develop customised financial products and services with them. The project enables 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 and suppliers. The profits from the common income statement are distributed between the two parties.

This innovative business model, which is practically unique in the market, will have been in existence for 25 years in 2018.

In 2017, Banca Partnet made further progress in carrying out its new strategic plan, the objective of which is to make the partner network more efficient, offer customers a better service and grow its contribution to the Bank's profits. The results for 2017, the first year of the plan, were as follows:

- An increase of almost 60% in attracting new customers, reversing the trend of previous years.
- The targets set for profits, customer base and the rest of the indicators in the business plan were comfortably met.
- The capillarity of the network itself was adjusted to adapt it to the new strategic lines.

- A major investment was made to update the technological developments, with special attention being paid to improving information to the end customer.

### Consolidation projects

The projects for 2018 include strengthening the attraction of new customers, completing the transformation of technological resources and opening new branches in the sectors considered as strategic (consulting, auditing and large law firms, technology companies and pharmaceutical cooperatives), concentrating agreements on those companies with the greatest potential. The aim is, in short, to consolidate the initiatives started in 2017 and move towards an increasingly profitable business model. The Bank also proposes to open the first Banca Partnet branch in Portugal, together with Accenture, the Bank's main partner.



## Remote network

# Quality of service

Bankinter has a significant remote banking network, centred on managing, attending to and advising those customers who have begun their relationship with the Bank through the website or telephone banking. The remote network allows them to carry out transactions without going to branch offices, and they can also receive personalised service through different channels: telephone, e-mail or on the website, which offer long customer service hours.

The network platform has been developed and enhanced with the aim of improving the quality of service. After this vital objective, the next step is to direct its activity towards achieving commercial results, both through telephone banking and remote advisers, who are professionals that manage customers of the Bank's various remote networks and segments, offering them products and services that match their profile.

### Personal banking advisory service

Within the framework of these objectives, in 2017 the remote network worked on improving personal banking advisory procedures in order to help customers do things like make direct payroll deposits or make changes to bill payments and adapt the Bank's guidelines to their life cycle. Other areas that received special treatment were the retention of company insurance policies

and the monitoring of suppliers of customers in China and India by the team of international business specialists.

In addition, further communication was made with those people who carry out website simulations for mortgages or personal loans and more resources were made available for customer service through social networks.

The basic objective for 2018 is to focus on increasing the efficiency of the telephone platform, which is the remote network's main channel, with the aim of increasing its contribution to earnings. The Bank also plans to roll out a project, already outlined in 2017, to create a help centre for franchisees of corporate customers. The initiative enables service and support to be provided in such matters as registering customers, financing, installation of point-of-sale terminals and so on.

## Social networks

# Another generator of business

Social networks have gone from being something of a novelty in any company to becoming a department which supports, invigorates and generates business for the most advanced companies with the clearest ideas.

At Bankinter, this evolution took place a long time ago, and its presence in social networks provides frequent and transversal assistance to different areas and departments, including Communication, CRM, corporate banking, Marketing and the Customer Service.

The Social Networks department's chief responsibility is to be the guarantor of the Bank's digital communication. However, the multidisciplinary character of its team allows it to explore and engage in a whole host of other projects in which the business is always at the centre of the activity.

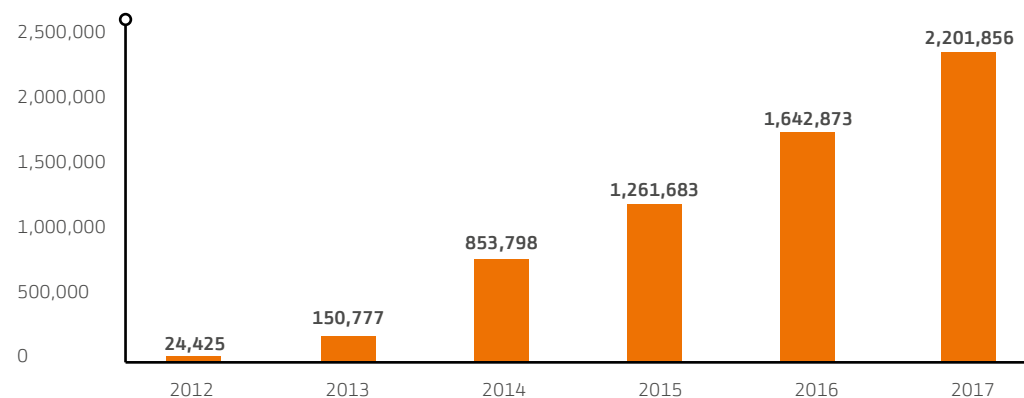
As part of its main task of looking after and boosting the Bank's good image and reputation, Bankinter closed 2017, for the fifth year running, as the best Spanish bank in this channel, with 74.4% positive mentions, according to independent measurements by Acceso.

### Bankinter blog

A decisive contribution to this was Bankinter's commitment to its own digital content, as a support tool for existing and potential customers and to increase the Bank's positive presence on social networks.

The large majority of this content was distributed through the Bankinter blog, a digital space that regularly provides information on loans, homes, finances and taxation. In 2017, the blog received 2.2 million visits, 34.1% more than the year before, according to data from Google Analytics.

Annual evolution of Bankinter blog's audience (visits)



More than half of them (53.0%) came via search engines, compared to 32.7% in 2016, reflecting the growing weight in the Bank's SEO positioning. The blog also allows audience segmentation on the basis of their reading interests, which is key data for the CRM and digital marketing activities.

Since 2017, the Social Networks department has been in charge of editing all of the Bank's own digital content. These include, the blog for Coinc (Bankinter's savings platform) and the magazine for Popcoin (the new investment funds management platform).

The department also participates in more strategic tasks. This is the case with the plans to increase sales in corporate banking and other areas through social selling via social networks, and employee and departmental training with the aim of optimising sales. It is also involved in the roll out of a digital brand promotion campaign and communication of the Bank's activities through employees' social profiles.

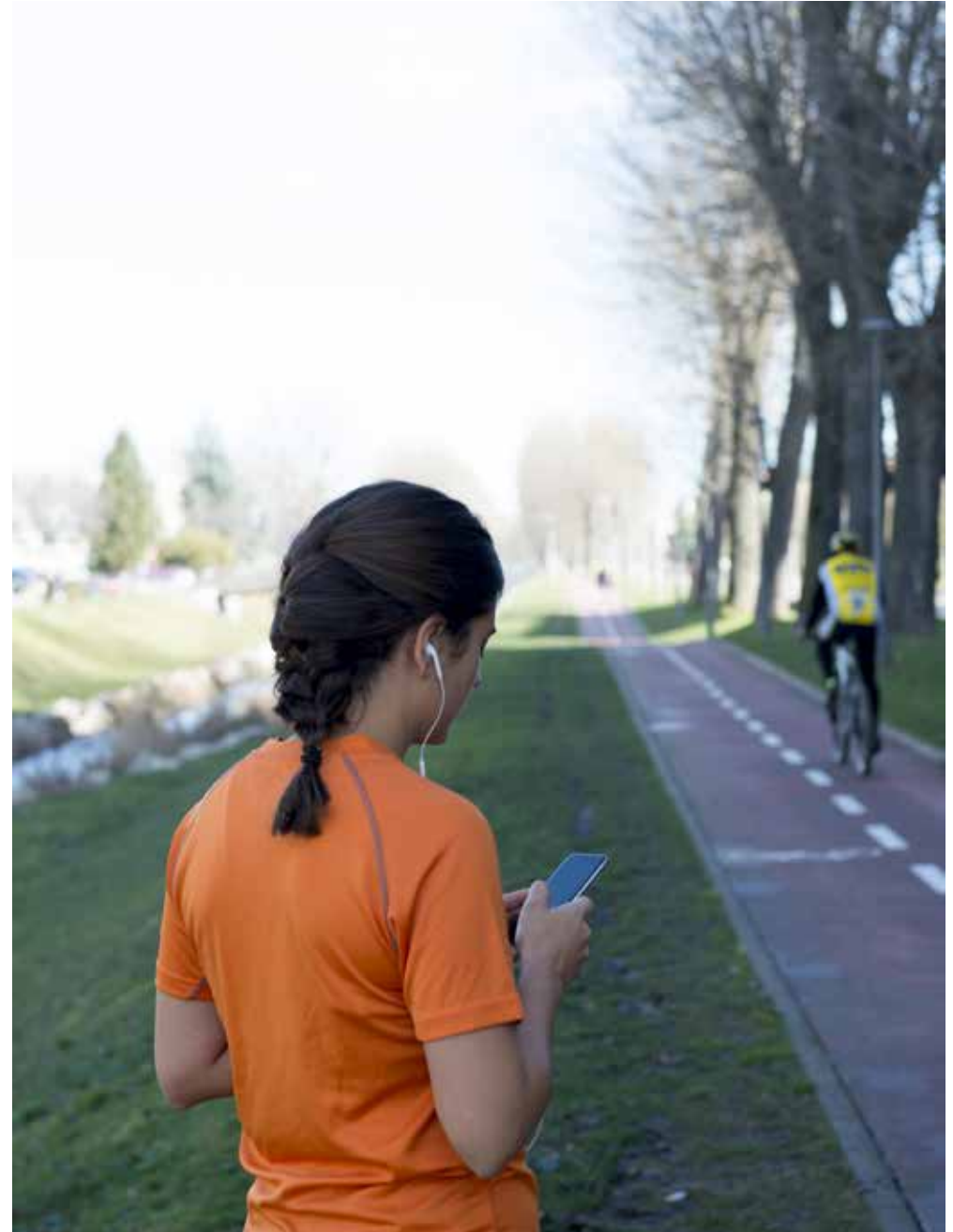
At 31 December, Bankinter became the fifth Spanish bank with over 100,000 fans (likes) on Facebook and was the leader on Twitter, with 57,597 followers.

Facebook

**>100,000**  
fans

Leader on Twitter

**57,597**  
followers



## Customer relations

We discover the views of our employees and customers in real time.

91% of customers interact with the Bank digitally.



# Marketing: Decisive support for commercial action

The Marketing area has the mission of developing and implementing the Bank's marketing plan, through the design and launch of advertising campaigns, direct marketing and commercial events, with the aim of acquiring new customers and creating loyalty among existing ones.

The main actions in 2017 were as follows:

- Launch of new advertising campaigns in Portugal, aimed at raising brand awareness and recognition levels in that market.
- The advertising strategy, 'Decididamente personal' ('Undeniably personal'), continued to be rolled out in the media, which involves a balanced combination of the commercial offer and the brand values, with the aim of positioning Bankinter as a bank that prioritises the treatment of people as individuals over mass actions.
- Implement new tools that help optimise both advertising actions and the taking of customer-oriented business decisions.
- New functionalities were added to the customisable offers tool, which was first introduced last year and has become a key element of support in attracting new customers.
- The appearance of the advertising leaflets used in the branch network in the sale of the Bank's products and services was updated.
- A strategic marketing plan was implemented for the equities business, designed with the heads of the business. It includes a full training programme, with free sessions at national level, where both customers and non-customers can receive an update on their trading knowledge and investment strategies.
- All of the commercial content of the new web was generated, together with the Digital area, writing the texts, selecting the images and designing the landing pages for the advertising campaigns in digital media.



## Digital and mass media

There were notable advances made in the control and optimisation of advertising campaigns in digital media in 2017. Their analysis can now be made in much more detail and be oriented to the business. In addition, the initial steps were taken on the utilisation of information on the digital behaviour of existing and potential customers, with the first segmentation in the planning of campaigns being made based on customers' previous behaviour when using the Bank's website.

In January 2017, Bankinter launched an ambitious advertising campaign in terms of investment, duration and objectives. With a major presence in the mass media, it had the objective of continuing to support

commercial activity and increasing brand awareness, consideration and preference, so as to make Bankinter's positioning clearly differentiated from that of its competitors.

A creative campaign, 'Súbete el sueldo' ('Give yourself a pay rise'), was rolled out in the first quarter, which continued the 'Undeniably personal' strategy of previous years.

As of May, the second wave of communication of the 'Give yourself a pay rise' campaign appeared, this time under the claim 'No está pagado' ('They don't pay me for that') which was shown on television before and after the summer.

As a result of its media planning and strategy, in 2017 Bankinter was ranked third among financial sector advertisers in investment in television GRPs 20'.

## Retail and commercial banking

In addition to the equities training events, the updating of the commercial leaflets and the improvements to the customisable offers tool, other actions were undertaken aimed at existing and potential high net worth customers. Once again this year, the most significant of these was the 'Bankinter Tour', which in 2017 starred Raphael and Luz Casal and was a great success with the public.

The following were organised for existing and potential private banking customers:

**Exclusive lunches**, with around 500 people in attendance.

**Financial workshops**, the aim of which is bringing advisory services closer to high net worth customers and publicising the Bank's investment funds range in an original and innovative format.

**Public relations events**, such as four opera suites with the soprano Pilar Jurado and six nights of jazz with the crooner Javier Botella and his band Copa Ilustrada.





## Corporate banking

The territorial and sectoral marketing actions model was maintained. This is aimed at contributing to the loyalty of existing corporate customers and the attraction of potential new ones in the geographical locations and sectors with the most business organisations.

The following were among the training events which served as an inspiration to over 700 executives and entrepreneurs:

**Business model innovation masterclasses**, including the Business Model Canvas and the Blue Ocean Strategy masterclasses.

**Training workshops**, led by the experts from Cre100do and the Bankinter Foundation, which cover topics of interest to companies.

Sector meetings were also held, bringing together various players from the public, hotel and infrastructure sectors, with whom the Bankinter research department shared its vision of the Spanish and international economies.

In 2017, Bankinter took part in the Cepyme500 initiative, which aims to identify and promote the 500 companies that lead business growth in Spain.

Contacts were strengthened with customers in the international business, through breakfast meetings to discuss currency market issues. Bankinter was also present in the leading foreign trade fairs in Spain (Imex Madrid, Imex Gijón, Imex Ciudad Real and Imex Málaga), which brought together a large number of existing and potential customers.

## Operations

The Bank continued to develop econometric models of advertising attribution. These enable the customer acquisitions that arise from each of the advertising campaigns launched during the year to be measured, and this helps us learn and improve future marketing actions.

At a more tactical level of control of advertising effectiveness, through these models the Bank also measured the return on television spots (by channels, days of the week and time slots) and the campaigns launched during the year, which has helped produce an optimal media mix plan, maximising the return on investment of advertising campaigns.

With regard to operational, product regulation and institutional communications, Bankinter continued with the task of managing customer communication campaigns, ensuring its commitment to quality and promoting e-mail as the main medium of communication because of its efficiency.



# Customer Relationship Management (CRM)

Bankinter's customer management strategy remains focused on continued growth and being the benchmark bank for companies and households.

CRM, as the area responsible for knowing the customer and developing the relationship with them, is in the currently in the process of making the best use possible of the digital transformation of Bankinter and of customer behaviour. The main objective is to encourage the use of new tools to establish a closer, more personalised and more efficient relationship, and to turn the data into commercial opportunities.

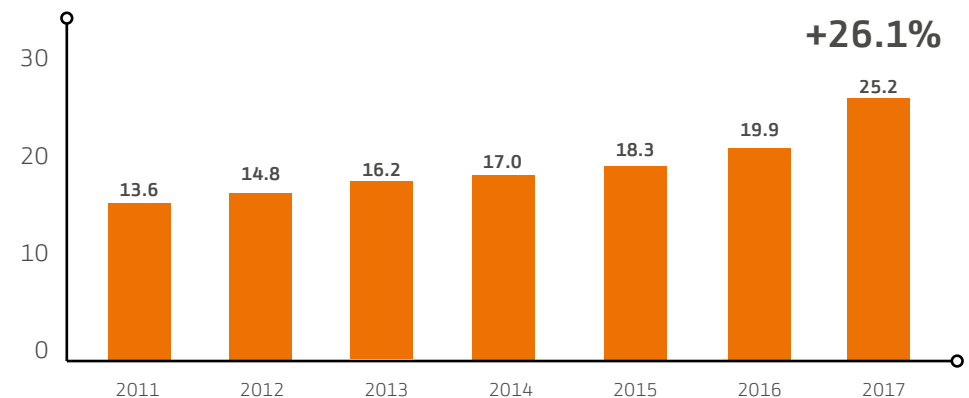
From an internal viewpoint, propensity models are being developed using Big Data technology to discover customer needs before they express them. From the customer viewpoint, it involves digitalising things as much as possible, with messaging campaigns and reactive actions when they call telephone banking or visit a branch, along with other actions driven by Web Mail.

At the close of 2017, 91% of active customers when interacting with Bankinter as individuals, did so digitally, either in combination with other channels (60%) or exclusively by digital means (30%).

This enables quicker contact with customers and a reorientation of the channels through which Bankinter addresses them, without stopping the growth in contacts through their personal manager. Over 10 million CRM

actions impacted on customers in 2017. 25 million notices without product offers were also sent by mail, containing market reports and invitations to training sessions.

Total notices sent (millions)





Other achievements in 2017 were as follows:

**Retail and commercial banking.** Actions aimed at attracting part of the wealth of high net worth customers over to the management of Bankinter were increased.

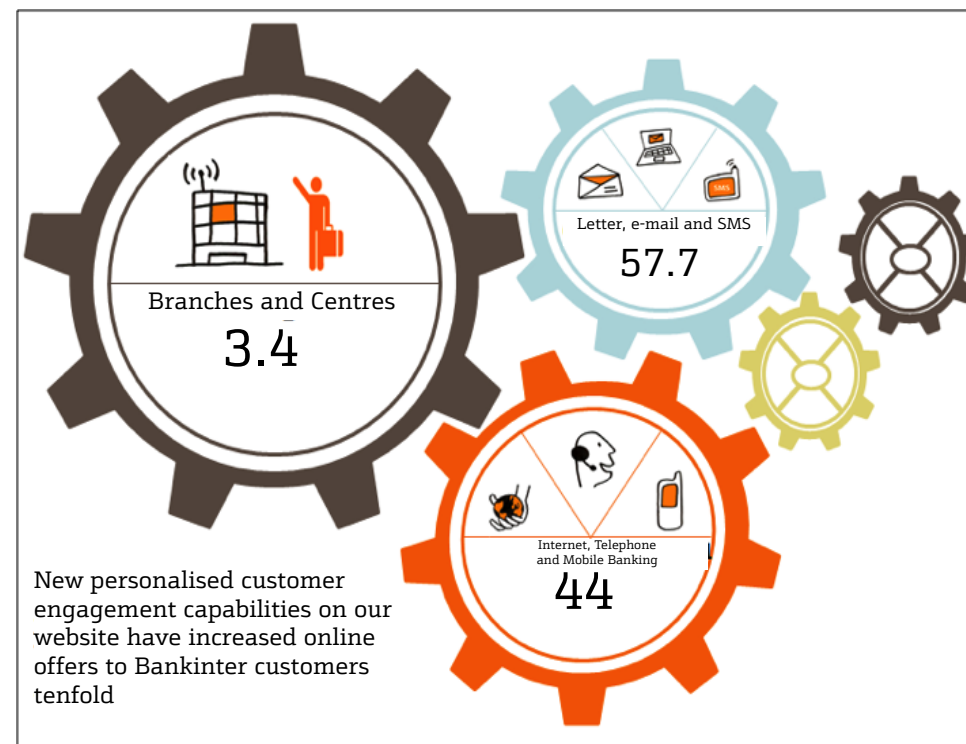
**Individual retail banking.** The personalisation of consumer finance offers with pre-authorised amounts in function of the customer's profile and status was improved.

**Corporate banking.** The focus remains on spotting opportunities to increase quality loans and receivables and be involved in companies' day-to-day activities, such as short-term financing of tax payments, available through the website in just a couple of clicks.

In 2017, the Bank's commercial intelligence was directed towards a greater personalisation of the website and digital media. An example of this are the push notifications that the companies who authorise them receive on their personal computers, always at the time most suitable for them and without needing to be connected to the Bank's website.

Also in relation to individuals, the website commercial offer has been increased, with personalised designs and contents available according to the device from which the customer connects, and customers receiving the latest updates via alerts, which they can store with the other notifications they get from the Bank.

In summary, CRM's remit was to obtain a greater number of contacts, more personalised on the basis of better commercial intelligence, and more digital in line with the changes in the behaviour of consumers and the Bank.



Notices sent by e-mail

97%

Notices sent by letter

1.8%

Notices sent by sms

1.2%



# Quality

As the internal climate surveys show, historically quality is an indispensable asset in the Bank's culture. Doing things well is essential. The goal every year is to continue in the spirit of permanently seeking excellence and increasing the links with the Bank's customers.

The function of the Quality area is to measure, assess and improve the Bank's services at two levels:

**Customer satisfaction.** Systematic quality assessments are carried out both of personal attention (physical and telephone banking) and digital (websites and apps) channels.

**The quality of internal processes.** The branch network employees' opinions were particularly analysed to discover how well the interrelationship between central services and the network works. The views of the employee in these surveys are considered as being those of the 'internal customer'.

The goal every year is to continue in the spirit of permanently seeking excellence and increasing the links with the Bank's customers.

In 2017, the area was centred on the digital transformation process, which is considered key to the Bank's strategy. The customer experience in digital banking was especially analysed, with two main objectives: improve the less favourable opinions and change the favourable ones into recommendation drivers.

Similarly, Quality also worked on consolidating the measurement processes of the Portuguese business, after its inclusion in the Group structure in 2016.

## Positive results

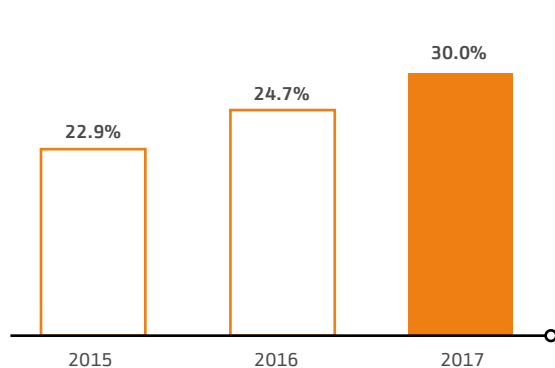
The results of these actions were very positive. The Net Promoter Score (NPS), the index measures how likely customers are to recommend the services of the Bank, improved from 24.7% in 2016 to 30.0 % in 2017. The partial measurements of digital channels and personal attention were also favourable.

Similarly, the Bank's high score was maintained in the objective quality in commercial banking networks index, which analyses over 4,000 branches in the sector. In this survey, produced by the company Stiga using the mystery shopping technique, Bankinter received a score of 7.8/10, making it the leading bank from the Ibex 35 in quality of service. The average sector score was 7.0

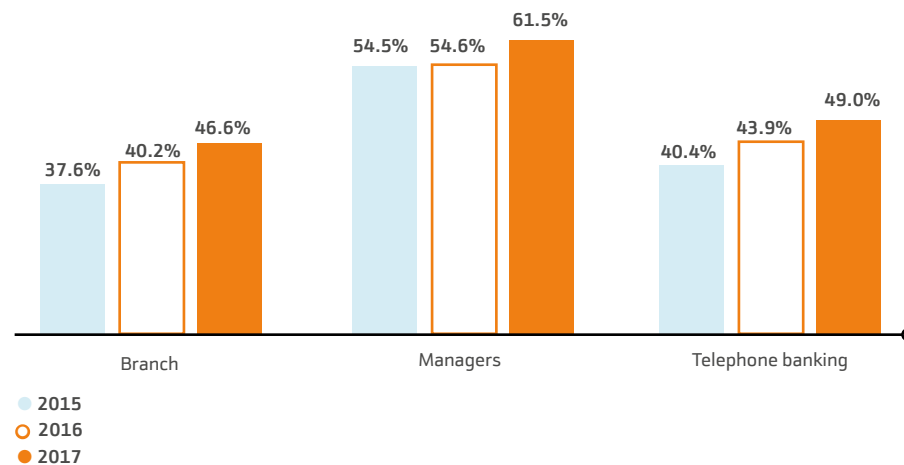
Looking to 2018, the department will continue to concentrate on measuring the new developments more and better, but its particular priority is to identify best practices and increase customer satisfaction levels and recommendation in the most advanced areas. The latest technology enables the services offered to be compared with the opinions of employees and customers in real time, which reduces the Bank's reaction time in correcting any shortcomings that may be observed.



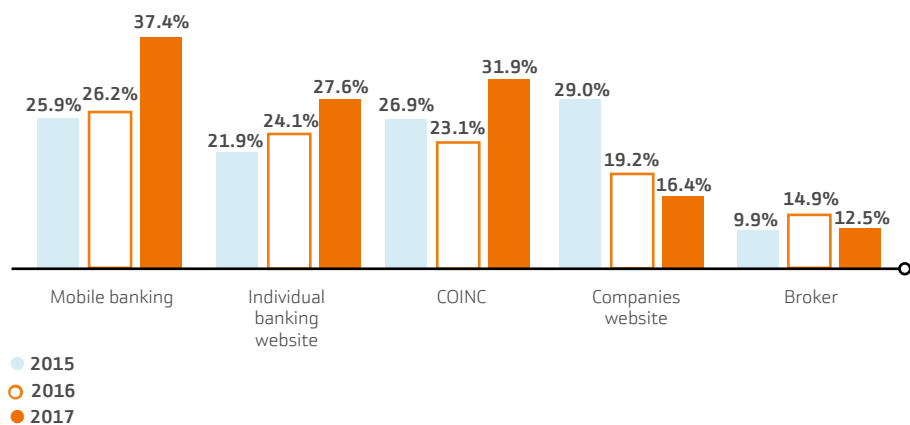
## NPS bank (cumulative annual data)



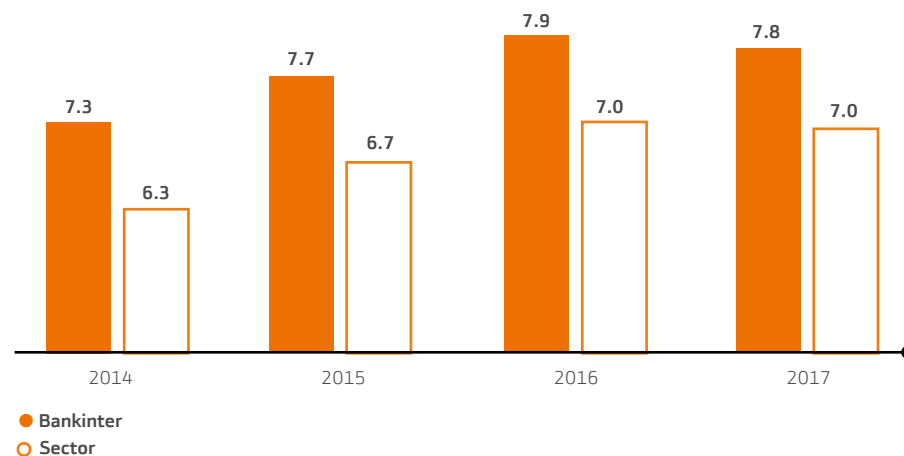
## NPS branches and manager (cumulative annual data)



## NPS digital channels (cumulative annual data)



## Evolution objective quality in commercial banking networks vs objective quality financial sector



# Customer Service Area

Bankinter's customers can contact the Customer Service Area through any channel with their complaints and claims in relation to banking and financial transactions or services, provided that these derive from agreements and prevailing legislation or from good practices and financial uses.

In 2017, a total of 26,329 cases were handled: 1,626 complaints (6.2%) and 24,703 claims (93.8%). 91.3% of these claims were decided in favour of Bankinter and the remaining 8.7% in favour of the customer. 40.2% of these events were resolved in less than seven days, well below the legal maximum period of two months.

In compliance with the recommendation of the regulators, during last year an ambitious training plan was prepared for all employees that form part of the department. The purpose of this plan was to expand the team's legal and regulatory knowledge, and to take a more in-depth look at practical aspects of banking management.

The optimisation process of the apps that are used also continued, in order to further develop digitalisation and improve customer service. The Customer Service Area has a specific tool to control complaint and claim subject matter, reasons and response times.

## Other authorities

If customers do not accept a decision of the Customer Service Area, they can contact the Bank's Ombudsman, or, depending on the case, the pertinent services of the Bank of Spain, the Spanish National Securities Market Commission or the Directorate General of Insurance and Pension Funds.

The Ombudsman processed 626 claims during 2017. In 122 it found in favour of the customer (19.5%) and in 456, in favour of the Bank (72.8%). At 31 December there were 48 cases pending resolution.

Resolution in less than  
7 days

40.2%

Claims in favour of  
Bankinter

91.3%





# Digital Banking and omnichannel banking

Launch in Q1 17 of a new individual retail banking website.

In the month of December 2017, Bankinter launched, as part of the COINC ecosystem, the first 100% digital mortgage with no tying whatsoever.



## Digital banking

# Customer service technology

This Bankinter division, created in 2016 to provide better service and greater efficiency to the digital processes that the Bank is developing, last year had four key lines of work.

### Digital transformation

Focused on the digitalisation of the traditional business and with the aim of providing support to sales and customer acquisition, and to allow customers to be able to carry out transactions in a user-friendly and simple way, when and where they want to. Of note within this line of work were:

- The launch of a new individual retail banking website in the first quarter of 2017, which is customer-centric and has an essentially commercial focus. The new website has a public area aimed at potential customers which contains ample information on the Bank's products, along with simulators, search engines and other value-added tools which help create sales and customer acquisition opportunities. In addition, the product range that is available fully digitally has been broadened and has a much improved user experience. Integration with CRM in real time has taken place, which allows a greater personalisation of the offers we can make to our customers and a corresponding improvement in commercial success rates.
- Likewise, the Bankinter broker service was substantially improved and now

has its own public website aimed at non-customers on which stock market information can be obtained, along with financial training services and Bankinter's Research department's market valuations. To increase the capacity of the website to attract new customers, the broker account was launched, which allows users who are not customers of the Bank can trade without having to change bank. Finally, the tools were adapted to the different customer profiles, opening up the possibility of trading directly from the interactive charts, among other options.

- With regard to legal entities, improvements have been made to the Companies website with the intention of making its functionalities more user-friendly, including direct debit payments, queries, downloads of information and so on. Another of the Bank's objectives is to facilitate the mobility of this type of customer and, within this framework, an app aimed at company finance directors and authorised representatives was launched in the first quarter of 2017, which enables them to do things like check the position of and movements in their accounts, authorise transactions and make simple payments. Finally, in the last quarter of the year, the

first pre-authorised loan for companies was introduced. This allows them to get one-click financing for tax and social security payments on the website.

- Major advances have also been made in the world of mobile payments, with the launch in February 2017 of the Wallet app. It is a free, easy to use service and offers complete security.
- Finally, notable progress was made in omnichannel banking. An example is the remote signature, which allows the customer to start the process of contracting a product in branch and to sign the contract digitally wherever and whenever they want from their phone or computer. This functionality is currently available for all transactions relating to investment funds, pension funds, deposits, current accounts, brokerage accounts and direct debits.

## New digital businesses

- The aim of this line of work is to develop financial services verticals on the internet that can compete with fintech and the Bank itself. Within this group of initiatives, the launch of Popcoin in the fourth quarter of 2017 stands out. Popcoin is an automated investment manager designed for savers with a digital profile and for investments from 100 euros to 100,000 euros.
- In the month of December 2017, Bankinter launched, as part of the COINC ecosystem, the first 100% digital mortgage with no tying whatsoever.

## Process transformation

With this initiative, the Bank aims to reduce processing times to improve the quality perceived by the customer and reduce operating costs. The 2017 projects programme consisted of:

- Change of the operations portal in branches and central services and redesign of operational processes. With this project here has been a move from a task view to a process view orchestrated in a fully automated way. As a result, processing times, errors and returns were reduced; monitoring information on ongoing operations radically improved; better management of workloads became possible and, finally, management information was made available on basic processes to preserve the culture of continuous improvement. At the end of 2017, 40% of operational requests between branches and central services had been migrated.

- Design of an omnichannel and universal customer activation process that will be different from anything else in the sector. The new process is being successfully piloted and it is planned to roll it out in the first quarter of 2018.
- Lastly, work is taking place on the redesign of the processes of manual approval of risk in legal entities, where it is hoped to achieve very substantial reductions in processing time and resource use.

## Technological transformation

Technological transformation has twin objectives. On one hand, to provide the necessary technological support to the digital and process transformation projects and on the other, to make the current platform more efficient to reduce response and development times, and costs.

In 2017, a thorough review was carried out of the channel and host architecture, after they incorporated new technologies that enable the platform to perform better and a substantially improved user experience, both for employees and customers.

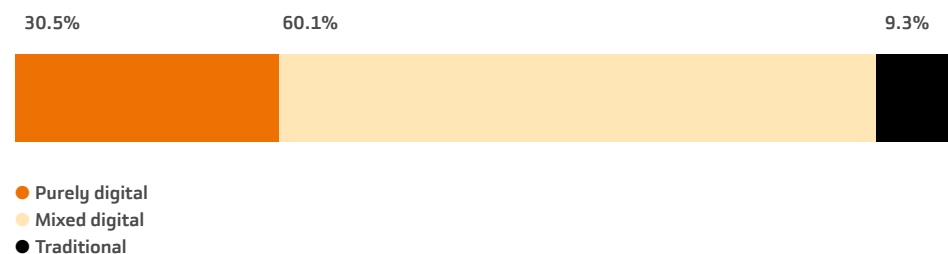
- One of the lines of work undertaken to increase systems efficiency is the modularisation, parameterisation and deletion of obsolete items. The latter aspect was completed in 2017 and has permitted the size of the platform to be reduced by 25%.

Other projects that were started in 2017 in relation to technological transformation and which will extend over a number of years, are:

- The integration of corporate modules on the Portuguese platform and the modernisation and update of the platform's local modules.
- Update of infrastructures and substitution of parts of the platform in Luxembourg.
- Redesign and update of the products catalogue and workshop in order to improve response times and reduce development costs of new products and services.
- Redesign of central modules of the platform to facilitate omnichannel banking and the digitalisation of operations.
- Redesign of the corporate information architecture to bring it into line with the latest regulations and to allow a more efficient exploitation of data.

## 91% of our customers use digital and traditional 'in-person' channels interchangeably

### Distribution of customers by relationship channel with the Bank.



# Bankinter Innovation Foundation

The Bankinter Innovation Foundation leverages the best institutions, experts and professionals, who collaborate *pro bono*.

The Foundation has had a redesigned website ([www.fundacionbankinter.org](http://www.fundacionbankinter.org)) since April last year.

Propósitos



# Bankinter Innovation Foundation

## Supporting the creation of sustainable wealth

The Bankinter Innovation Foundation promotes innovation and entrepreneurship as the drivers of sustainable wealth creation in Spain and, since 2016, in Portugal too.

In order to carry out this mission, it works in all key areas to promote innovation:

**Knowledge.** It anticipates and analyses upcoming trends that will set the challenges for the near future, through the Future Trends Forum.

**Education.** It strengthens the tools presented by innovation and entrepreneurship for the future, through the Akademia programme.

**Entrepreneurship.** It promotes and supports these types of initiatives in Spain and Portugal, thanks to the Entrepreneurs programme, with the collaboration of Bankinter Venture Capital.

**Companies.** It encourages the growth of medium-sized Spanish companies as a driver of employment and wealth, through the Cre100do programme.

The Bankinter Innovation Foundation leverages the best institutions, experts and professionals, who collaborate *pro bono*. Of particular note among these groups is the board of trustees, formed by 22 high-level personalities, chosen for their links with

innovation and who are part of the business community, both public and private sectors. During 2017 the following members joined the board of trustees:



**Antonio Damasio.** University professor and David Dornsife chair in Neuroscience at the University of Southern California. He is considered to be one of the best neuroscientists in the world. He has received numerous prizes, including the Asturias Prize in Science and Technology, 2005, which he shared with his wife Hanna Damasio.



**Charles F. Bolden.** President of The Bolden Consulting Group LLC. He was the 12th Administrator of NASA. During his tenure, Bolden oversaw the transition from the use of space shuttle missions to a new era of exploration focused on full utilisation of the International Space Station and space aeronautics technology development.

The Foundation has had a redesigned website ([www.fundacionbankinter.org](http://www.fundacionbankinter.org)) since April last year to show all its content and activities. It is also available through the following social network profiles:



<https://www.facebook.com/FundacionBankinter>



<https://twitter.com/FundacionBKT>



<https://www.instagram.com/fibankinter/>



<https://www.linkedin.com/company/fundacioninnovaci%C3%B3n-bankinter/>



<https://www.youtube.com/user/FundacionBankinter>



## Future Trends Forum



This is the only multidisciplinary and international think tank focused on innovation. Comprising 519 experts, it anticipates and detects innovation trends, analysing their impact on society and business models. In 2017, the following trends were addressed:

**Digital health.** The experts analysed the technological revolution to develop a new digital health map, with its barriers and benefits, and to identify the agents involved (patients, health professionals, public services) in the acceleration of digital health.

**Business model disruption.** Disruptive innovation, very rare until the appearance of the latest technological developments, is creating new business models, like digitalisation, the platform economy or the collaborative economy. This trend analyses these models and their socio-economic impact.

**Longevity.** This focuses on the consequences of the ageing population: the biological, labour, social and economic implications of longevity; business management with ageing workers; the new forms of public health, social security and pensions systems, and, in particular, the innovation opportunities in the near future. Their conclusions will be presented in 2018.

All of the content generated by each trend is published on the Foundation's website and is

presented at the conferences held throughout Spain, with the main objective of anticipating the future and encouraging innovation in our society. Last year, these conferences were held in the following locations: Madrid, Barcelona, Seville, Valencia, Bilbao and Lisbon. Over 3,000 people attended.

The work of analysis and communication performed by the Future Trends Forum has been recognised by the University of Pennsylvania's Global Go To Think Tank index, where it is listed as Spain's best (and only) science and technology think tank and is in the world's top 30 for the fifth year running.



## Akademia

Created in 2008 by the Bankinter Innovation Foundation, this programme aims to influence education to encourage an innovative attitude in future leaders, taking into account that most innovative ideas are not the result of a sudden flash of insight, but rather they are due to a learning process and analysis of the environment.

Akademia would not be possible without its cloister, made up of 56 eminent professionals involved in the programme, transmitting the knowledge and passion for innovation and entrepreneurship to their students.

In 2017, Akademia launched its three categories:



**Akademia You Project.** Course on innovation in leading Spanish universities. It was taught in ten of them last year, with a total of 176 students and a recommendation rate of 93%.



**Akademia Open Project.** Online, modular courses which are free of charge and freely accessible to anyone interested. 3,287 students registered for the second year of the course on 'The Future of Money' and there was a completion rate of over 38%.



**Akademia Business Project.** Business training focused on innovation. In 2017 a course was held for 25 employees from 25 different areas of Bankinter central services. It involved both theory and practical sessions and was one of the Bank's most highly valued training courses, with quality ratings of over 85%.





## Entrepreneurs



This involves a joint programme between the Bankinter Innovation Foundation and Bankinter Venture Capital to support high-potential Spanish entrepreneurship during the start-up phases. Since it started in April 2013, 1,969 projects have been presented, with investment being made in 1.5% of them.



During 2017, Entrepreneurs supported the following start ups:



**Photoslurp.** A visual commerce platform which allows brands to leverage user generated content (UGC) created by their and followers. It automatically collects photos and videos that users share on social networks.



**3Ants.** One of the leading companies in the world in the protection and fight against piracy in media and digital portals. Works for the main film producers and distributors in countries like Spain, USA, Argentina, Mexico and United Kingdom.



**Iristrace.** A platform providing forms to control all of a service's information in real time and to enable the design of inspections, audits, orders, and parts of work in just a few minutes. The aim is to involve all staff in ensuring quality and excellence through a single integrated cloud tool.



## Cre100do

This is a programme of the Bankinter Innovation Foundation along with the Business Roundtable (Círculo de Empresarios) and the Foreign Trade Institute (ICEX) that contributes to the development of a productive model based on companies that are bigger, more innovative, more internationalised and add more value. Over five years, Cre100do will accompany 100 Spanish companies, with sales of between 25 million euros and 300 million euros, along the road to becoming big businesses. At the moment 75 have been chosen. A full list can be seen at: <https://www.cre100do.es/es/quienes-somos>

The activities of Cre100do are part of a conceptual framework where the key points are analysed that every company should follow if it wants to grow bigger:

**Growth potential.** Work was done on producing a road map so that all companies (whether or not they are part of Cre100do) can start to use the tools they have available to help them reach this goal.

**CEO's agenda.** Contains the key points that CEO's should have on their agendas, such as the general trends that will influence the company's immediate future, the ecosystem within which the company is developing, the organisation, the talent and the brand. In relation to these factors, Cre100do organised the following activities in 2017:

- 20 workshops on the details of the CEO's agenda with directors and executives of participating companies.
- 2 training days with all of the companies that form part of the Cre100do ecosystem.
- 4 open public events in Vigo, Madrid and Seville.
- 8 Cre100do talks, that aim to present aspects of the programme's conceptual framework and cover the development and implementation of solutions to the specific or sectoral problems presented.
- Publications and videos that can be found on its website.



# People

● Increase in headcount for the fifth year running.

● At Bankinter we manage the proximity to our employees.

● Bankinter: one of the best companies to work for in Spain.

## People

# More quality jobs to underpin growth

Bankinter closed 2017 with a headcount of 5,578, an increase of 1.7% on the 5,486 employees in 2016. This was the fifth successive year it had risen and was in line with the Bank's balanced growth strategy. The Bank believes that it is making a contribution, as far as it can, to job creation, one of the weak spots of the Spanish labour market. In this sense, the Bank is committed to stable and quality employment, as the vast majority of its employees have permanent contracts (98.3%) and work full time (94.3%).

The growth in the Bank's headcount contrasts with the trend in the Spanish financial sector in general, which lost over 84,000 jobs between 2008 and 2016 (30.2% of the total), according to Bank of Spain data.

### Technological profiles

In the employment created in 2017, technological profiles once again played an important role, with the purpose of meeting the growing need for specialists to work on the strategic projects of technological transformation and digital banking processes.

The Regulatory Risks and Compliance area was also strengthened, with an eye to the entry into force in 2018 of various different regulations, such as the new EU directives on investor protection (MiFID 2) and payment systems (PSD2), and the new accounting standard (IFRS 9). MiFID

2, also requires a major training effort to ensure that all the Bank's professionals that report or advise on investment services can obtain the certification required by the directive. In 2017, 93% of those on the various information and advisory services certification programmes had been certified.

By line of business, the processes of selection and attraction of employees are focused on the key areas of the Bank's expansion strategy, such as Bankinter Consumer Finance, which continues to grow at a good rate, and the commercial branch network for individuals in Spain.

As a result, the increase in headcount in 2017 matched the process of business growth. But Bankinter's people management policy goes beyond this purpose. The quest for excellence, due consideration of merit and the commitment to equality of opportunities are some of its hallmarks. The Bank has

begun working with a people management model that allows it to be closer to the employee, with the intention of promoting a favourable environment for professional development and innovation.

The ultimate objective is to construct a comprehensive framework for action based on the fact that the Bank's employees are its main asset, for which reason their satisfaction and involvement in the project is vital to the Bank's success and has a direct impact on the income statement.

To achieve these objectives, the Bank implements professional recruitment programmes, provides training and achieves improvements in the working environment, stimulates motivation and promotes professional development. The following is a summary of these activities.



**New employees: processes and candidates**

No. recruitment processes	No. candidates
465	1,244

**Internal rotation**

No. published vacancies	No. candidates
155	553

**Contract type**

Contract type	Men	Women	Total
Indefinite	2,692	2,790	5,482
Temporary	52	44	96

**Contract type**

Contract type	Men	Women	Total
Full time	2,726	2,532	5,258
Part time	18	302	320

**No of training activities. hours of training and people trained**

No. of training activities	People trained	Training hours
563	5,481	341,572

**Average training hours per employee**

Job category	Men	Women	Total
Administrative	68.62	61.89	64.22
Agents/Technicians	62.26	61.45	61.82
Managers	57.49	61.54	59.01
<b>Total</b>	<b>60.92</b>	<b>61.54</b>	<b>61.24</b>

**Staff distribution by professional category**

	Men	Women	Total
Administrative	232	438	670
Agents/Technicians	1,432	1,745	3,177
Managers	1,080	651	1,731
<b>Total</b>	<b>2,744</b>	<b>2,834</b>	<b>5,578</b>

**Staff distribution by age**

	Men	Women	Total
Less than 25	10	6	16
From 25 to 30	168	212	380
From 31 to 35	351	509	860
From 36 to 40	687	781	1,468
From 41 to 45	562	580	1,142
From 46 to 55	694	648	1,342
> 55	272	98	370
<b>Total</b>	<b>2,744</b>	<b>2,834</b>	<b>5,578</b>

**Staff distribution by time with the company**

	Men	Women	Total
Up to 5	726	539	1,265
From 6 to 15	1,218	1,428	2,646
From 16 to 25	298	624	922
> 25	502	243	745
<b>Total</b>	<b>2,744</b>	<b>2,834</b>	<b>5,578</b>

## Staff distribution by Spanish autonomous region

	Men	Women	Total
Andalusia	186	167	353
Aragon	68	57	125
Asturias	26	19	45
Balearic Islands	28	32	60
Valencian Community	191	155	346
Canary Islands	41	85	126
Cantabria	23	26	49
Castile-La Mancha	45	38	83
Castile-Leon	83	64	147
Catalonia	164	187	351
Extremadura	16	9	25
Galicia	40	42	82
La Rioja	13	13	26
Madrid	1,239	1,322	2,561
Murcia	44	28	72
Navarre	17	17	34
Basque Country	99	124	223
<b>Spain Total</b>	<b>2,323</b>	<b>2,385</b>	<b>4,708</b>
Luxembourg	17	10	27
Portugal	404	439	843
<b>Group Total</b>	<b>2,744</b>	<b>2,834</b>	<b>5,578</b>

## Staff distribution by nationality

Nationality	No. of people	Nationality	No. of people
Germany	12	Italy	2
Angola	26	Luxembourg	2
Algeria	1	Morocco	4
Argentina	6	Mexico	1
Belgium	5	Mozambique	11
Brazil	5	Norway	1
Bulgaria	1	Netherlands	3
Canada	3	Pakistan	1
Chile	3	Panama	1
Colombia	5	Peru	1
Cuba	4	Portugal	789
Denmark	1	United Kingdom	5
Ecuador	1	Dem. Rep. Congo	2
Spain	4,635	Republic of Zimbabwe	1
United States	1	Romania	1
Russian Federation	2	São Tomé and Príncipe	1
Finland	1	South Africa	1
France	20	Sweden	1
Guinea Bissau	1	Switzerland	8
India	1	Venezuela	7
England	1	<b>Total</b>	<b>5,578</b>

	No. hires	Closing headcount	Recruitment rate
Spain	345	4,708	7%
Luxembourg	8	27	30%
Portugal	8	843	1%
<b>Total</b>	<b>361</b>	<b>5,578</b>	<b>6%</b>

	No. hires	Closing headcount	Recruitment rate
Men	213	2,744	8%
Women	148	2,834	5%
<b>Total</b>	<b>361</b>	<b>5,578</b>	<b>6%</b>

	No. hires	Closing headcount	Recruitment rate
Less than 25	12	16	75%
From 25 to 30	110	380	29%
From 31 to 35	77	860	9%
From 36 to 40	93	1,468	6%
From 41 to 45	44	1,142	4%
From 46 to 55	25	1,342	2%
> 55	0	370	0%
<b>Total</b>	<b>361</b>	<b>5,578</b>	<b>6%</b>

	No. departures	Closing headcount	Turnover rate
Spain	196	4,708	4%
Luxembourg	10	27	37%
Portugal	63	843	7%
<b>Total</b>	<b>269</b>	<b>5,578</b>	<b>5%</b>

	No. departures	Closing headcount	Turnover rate
Men	150	2,744	5%
Women	119	2,834	4%
<b>Total</b>	<b>269</b>	<b>5,578</b>	<b>5%</b>

	No. departures	Closing headcount	Turnover rate
Less than 25	0	16	0%
From 25 to 30	39	380	10%
From 31 to 35	33	860	4%
From 36 to 40	54	1,468	4%
From 41 to 45	36	1,142	3%
From 46 to 55	38	1,342	3%
> 55	65	370	18%
Not reported	4		
<b>Total</b>	<b>269</b>	<b>5,578</b>	<b>5%</b>

Absence days (Spain)		
	2017	2016
<b>Non-occupational illness</b>	22,324	21,419
Female	16,052	15,359
Male	6,272	6,060
<b>Maternity</b>	10,741	11,223
Female	10,741	10,376
Male	0	847
<b>Paternity</b>	2,202	982
Female	0	0
Male	2,202	982
<b>Occupational accident</b>	453	1,159
Female	226	363
Male	227	796

Absentee rate (Spain)		
	Men	Women
Total	0.64	1.61

Accident rate (Spain)		
	Men	Women
Total	0.0006	0.0022

Absence days (Portugal)		
	2017	2016
<b>Non-occupational illness</b>	2,542	2,450
Female	1,498	1,483
Male	1,044	967
<b>Maternity</b>	2,966	3,529
Female	2,966	3,520
Male	0	0
<b>Paternity</b>	776	569
Female	0	0
Male	776	569
<b>Occupational accident</b>	71	4
Female	45	4
Male	26	0

Absentee rate (Portugal)		
	Men	Women
Total	1.15	1.50

Accident rate (Portugal)		
	Men	Women
Total	0.03	0.04

	Male (**)	Female (**)	Total (**)
People with the right to parental leave in 2017	148	177	325
People who used parental leave in 2017 (*)	138	190	328
% return to work after leave and continue in organisation at end of year	0.99	0.98	0.98
% return to work after leave and continue in organisation 12 months later	0.96	0.98	0.97

(\*) Includes people who started their parental leave in 2016

(\*\*) Information related to Spain is included



## Attracting talent

Bankinter's policy for attracting talent is based on its reputation as an innovative bank and as one of the best companies to work for in Spain. This positive image, that helps to attract professionals, has been built over time, and was further strengthened in 2017 with new recognition. The Bank was placed in 25th position in the ranking of the best companies to work for in Spain by the magazine, *Actualidad Económica* (up 12 places on 2016) and was also awarded, for the eleventh successive year, the Top Employers seal.

The talent recruitment strategy is carried out on two levels:

**Bankinter: one of the best companies to work for in Spain**

**Senior incorporations.** These are professionals with prior experience in other banks or companies. Their arrival at the Bank contributes alternative viewpoints that enrich the workforce's knowledge and serve as a positive contrast to internal values.

**Identification of junior talent.** In 2017, 23.5% of hiring processes in the branch network were for junior profiles, and 13.1% of those chosen in the central services selection process were for remote network (which functions as a pool of young talent within the Bank) profiles. Bankinter also has an internship programme, which acts as its recruiting pool for professionals and is aimed at recent graduates and students in the final year of their degree. Agreements with universities and business schools to complete graduates' training are also actively encouraged.

The Bank was placed in 25th position in the ranking of the best companies to work for in Spain by the magazine, *Actualidad Económica* (up 12 places on 2016).



## Training and development

The Bankinter Corporate University, which celebrated its fifth anniversary in 2018, has consolidated its position as a strategic tool to create value and exchange knowledge within the Bank. It offers employees the chance to develop their professional skills and qualifications within a collaborative environment that facilitates learning.

The Corporate University carries out its function in two areas: the physical campus, which is in 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 is available to all employees through the intranet.

Its training offer continued to diversify during last year and ended it as follows:

**Commercial Excellence School.** Exclusive space for the training and development of commercial teams, with a clear customer-centred focus. It had 3,244 participants in 2017. Involves technical training programmes (including certification for MiFID 2 or promotion to branch or centre manager) and commercial skills development programmes (such as the Advanced Sales Programme aimed at commercial executives and the Commercial Coaching Programme for branch and centre managers, among others).

**Technical Schools.** Their purpose is to train central services professionals in specialist content, through mainly practical programmes and courses, which are very useful when carrying out their job. Included in these is a large new technologies element. 1,286 employees studied at these schools last year.

**Language School.** Is a basic pillar for Bankinter, as its growing internationalisation makes it increasingly more important to be able to speak different languages fluently. English, Spanish and Portuguese are taught there.

**Leadership School.** The school's mission is the development of Bankinter's people managers, who receive the necessary tools to help them reach their maximum potential, within the framework of the transformational leadership and development of the Bank's personnel. In 2017, Bankinter launched 'B-Líder' ('B-Leader'), an innovative leadership development programme for people managers, with a solid methodology based on 360° feedback, developing strengths and supported through coaching and mentoring. 165 people undertook this programme in 2017.

**Talent School.** Bankinter makes development programmes available to its employees for their professional growth, some of which are focused on skills, and others which are targeted at the identification and development of high-potential employees, such as the 'Horizon' ('Horizonte') programme, which is aimed at young talent (see more detailed information in the section on talent promotion).

**Summer School.** A variety of experiential learning courses are available on-site and online in such areas as wellbeing, health, family, latest trends and languages. Both originality and the possibility of applying the skills and knowledge acquired to day-to-day professional and personal life are of prime importance. Last year 673 people participated.

**Digital School.** This is Bankinter's commitment to improving the digital skills of its employees, making specific benchmark programmes available to them to support digital transformation and improve customer service. 1,256 professionals took part in these programmes in 2017.

**Corporate training.** This is aimed at all Bankinter Group people. It is concerned with values, corporate culture and regulatory compliance in the various areas where this is mandatory. Also included in this chapter is a Welcome Programme for new staff at the Bank and which comprises various training and integration activities, such as an induction course, 'The office day' (aimed at new central services employees), a 4-month mentoring process and a warm welcome.

No of training hours  
per employee

**61.24**  
hours

## Talent promotion

The 'Horizon' programme, one of the pillars on which talent identification and promotion policy is based, consolidated its position as it celebrated its fourth year in operation in 2017, with 25 professionals taking part. The programme has twin objectives:

**To identify the people in the organisation with the most ability** and potential to carry out leadership functions in the future and to transmit the Bank's values.

**To provide them with the knowledge,** experience and training tools necessary to develop their potential as quickly as possible, through a robust executive development programme in a prestigious school and with a mentoring process in which the mentors are the Bank's senior executives.

Bankinter has another important lever in promoting talent: its rotation or internal mobility policy. In 2017, 18.15% of employees were given a new responsibility, which enabled them to take on new challenges and develop professionally. The inclusion of the Portuguese business in the organisational structure has broadened the range of options for international mobility, on which Bankinter has placed a great deal of focus with the aim of learning from each other, ensuring cultural integration and promoting international professional development. In 2017, 14 of the Bank's professionals were involved in this process of international mobility.

The talent management policy is also supported by the new Bankinter people website, a user-friendly tool that improves efficiency in control, enables the use of metrics and facilitates analysis of the organisation's human resources model.

Employees with new responsibilities in 2017

**18.15%**



## Performance evaluation

Bankinter's performance evaluation programme was consolidated in 2017 through the **BKcrece** programme, the purpose of which is to foster a culture of development and growth, talent management and continuous improvement, in which the employee has an important role to play. The programme is based on a sound methodology and is rolled out in various successive phases:

- At the start of the year, each people manager sets the annual performance targets for each member of their team and notifies them of this.
- Although the Bank has a culture of continuous feedback, after six-months a monitoring meeting is held, with the aim of reviewing the progress made in the targets set, and providing feedback on and support for the individual development plan.
- At the end of the year, the annual evaluation performance process begins, which involves the following phases:
  - Each employee self assesses to what extent they have met their targets and their level of skills development.
  - The head of team evaluates whether their team members have achieved the targets set for them, their level of skills development and engagement.
  - People managers with teams with at least three members are evaluated by them under the Bank's leadership model and through an anonymous and confidential process.
  - The process culminates in a conversation of constructive feedback, after which each employee can design their own individual development plan, with the help of the Bank's various tools and guidelines and with the support of their head of team.

People that receive  
performance assessment

97%

## Remuneration and compensation

Bankinter bases its remuneration policy on the principle of non-discrimination on grounds of gender, race or any other factor, and places a higher value on criteria of competitiveness and performance. If the base salary is taken as a benchmark and additional remuneration for length of service, welfare or other benefits is excluded, the male/female pay ratio is 1.

The remuneration structure is based on two levels:

- **Fixed remuneration.** This is determined by factors such as the function performed, the responsibilities taken on, experience in the position and the ongoing individual performance in the job.
- **Variable remuneration.** This is designed to be compatible with appropriate and effective risk management and aligned with the business strategy. It is applied to the whole workforce, differentiating by functional areas. Groups of employees with a direct commercial relationship with the customer or with distinct activities have specific bonuses. All other employees receive a variable incentive, which is individually assigned and the purpose of which is to ensure an appropriate correlation between the remuneration levels and the results attained. The amount each employee finally receives, which is capped at a certain maximum amount, depends on the performance of pre-tax profit of the banking business (which has an impact on all groups) and for the achievement of the targets established for each area.

Base salary ratio  
men/women

1



## 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 loan (including renewal).
- Home construction loans.
- Mortgage interest rate review.
- Home loan.
- 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.
- Pension simulator.

Employees can also opt into a flexible remuneration system, whereby they can agree to partially substitute monetary remuneration for non-monetary remuneration (such as nursery vouchers, shares, medical insurance, training, pension plan contributions, travel card or restaurant vouchers).

In this way, the employee increases their remuneration in two ways: through the Bank's bargaining power to get the best price possible and through the tax advantages accruing to certain products or services contracted through this system. Currently 48% of employees use this flexible remuneration system.

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

- Supplementary cover additional to the benefits paid by the Social Security system in the case of widowhood, orphanhood, permanent occupational disability, absolute permanent disability or severe disability. It is provided for the entire workforce.

- Coverage off pension commitments for employees in service since before 1 March 1980, as established in the sector collective bargaining agreement.
- Annual contribution of 400 euros, pursuant to the provisions of the banking sector collective agreement, to the pension plan of employees who have more than two years' service in banking and whose pension commitments are not covered by any other scheme.

Bankinter is also a member of the Employee Family Plan. This programme, promoted by the Adecco Foundation, provides a variety of assistance to employees with a disability, and/or family members in a similar situation, to help them achieve real employment and social integration, or to help them perform various activities, including those related to leisure.

## Employee relations

Thanks to the combined efforts of companies and workers, Bankinter benefits from a good working environment, as is clear from the regular surveys that are carried out to monitor it. Contributing to this work environment is one of the main goals of the people management team, and therefore all policies, programmes and incentives that are put into practice focus on achieving this goal.

Far from limiting itself to complying with the legal requirements in risk prevention and occupational health, Bankinter has also launched a series of initiatives to ensure the wellbeing of its employees, not only as professionals but as people.

Of particular note among these initiatives is **Health Week**, which includes everything from ergonomics and nutrition courses to advice for getting the most out of physical exercise; and the **Summer School**, where both training and purely recreational courses are delivered, aimed at promoting wellbeing.

Bankinter is particularly proud of having being recognised as a family-responsible company and that its rating as such increased in 2017.

The Bank rolled out a total of 155 activities in this area, including some where the beneficiaries are workers who have a degree of disability equal or greater than 33% themselves or have direct family members who do (financial assistance, permits, loans).

Encouraging participation in these activities is one of the objectives for 2018.

**Human capital**

	2013	2014	2015	2016	2017
<b>Descriptive indicators</b>					
No. of employees	4,088	4,185	4,405	5,486	5,578
Average age (years)	40.30	40.93	41.19	41.40	41.82
Personnel costs (thousands of €)	263.31	271.76	303.56	365.78	395.63

**Experience**

Average service (years)	13	13.26	12.97	12.54	12.71
Average service (years)/40 years (career) (%)	32.50	33.15	32.43	31.35	31.77

**Diversity**

Breakdown by gender					
Men (%)	49.17	49.41	49.35	48.87	49.19
Women (%)	50.83	50.59	50.65	51.13	50.81
University graduates (%)	77.05	77.90	80.09	79.80	79.90
No. of nationalities	27	28	30	39	41

**Capacity and development**

People who have received training (%)	95.35	94.00	97.64	98.03	98.26
Average no. of hours of training per person trained	35.81	47.31	58.86	52.47	61.24
Training investment over total wages (%)	0.5	0.8	1.2	1.1	1.1
Training investment per person trained (euros)	207	381	553	500	501

**Commitment and motivation**

External rotation index (calculated with average headcount)	4.09	3.52	4.40	4.45	4.82
People with flexible remuneration (%)	39.92	45.07	47.79	41.16	42.72
Additions in last year/total staff (%)	4.33	5.81	9.28	6.91	6.47

**Productivity (thousands of euros)**

EBT/No. employees	63.87	93.87	90.91	79.54	98.01
Customer funds per employee	6,915	7,243	7,856	8,044	8,324
Loans and receivables per employee	10,077	10,143	10,030	9,357	9,555

**Structural capital**

	2013	2014	2015	2016	2017
<b>Delaying and transparency</b>					
People participating in the evaluation of skills, performance and engagement	3,990	4,016	4,222	5,274	5,427
<b>Flexibility (%)</b>					
Internal rotation	16.72	19.00	27.74	17.97	18.15
People with corporate tablets and laptops (%)	26.22	25.50	26.17	36.35	40.66
People with corporate mobile (%)	63.92	76.30	67.04	71.51	71.35

**Relational capital**

	2013	2014	2015	2016	2017
<b>Customer relations</b>					
No. of universal and foreign branches	360	360	361	447	445
No. of virtual branches	369	398	431	315	251
No. of Bankinter agents	432	424	505	432	400
No. of Business management centres	75	78	78	73	72
No. Corporate management centres	48	46	22	22	24
No. of private banking centres	38	42	48	49	48
People per branch or management centre	7.85	7.96	8.65	9.28	9.47
Staff linked directly to the business (%)	77.62	77.30	74.96	72.48	71.37
New active customers (%)	3.68	6.73	9.45	10.32	9.82
New active customers per employee	9	17	24	24	25

## Recognised

Abilia Blanco Hernández  
Agustín Soto González  
Aitor Javier Alvear San Alejo  
Alejandro Vázquez Agustí  
Alexandra Valdivieso Valcárcel  
Alicia Jaén Bielsa  
Almudena Santaolalla Bolland  
Álvaro Valencia Marín  
Álvaro Vélez Rey  
Amaya Chocán Ruiz  
Ana García Orden  
Ana María Vázquez González  
Ana Paula Mendes  
Ana Soriano Díaz  
Andrés Elcoro-Irribé Muñoz  
Ángel González Miragaya  
Ángel Matías Díaz Gómez  
Antonio Fco. Fernández López  
Antonio José García Hernández  
Aranzazu García Mata  
Beatriz de Caso Alegre  
Beatriz Del Río Tomé  
Beatriz Sánchez Gordo  
Belén Bárcena Vidal  
Benjamín Gutiérrez Del Pozo  
Borja Ruiz Albillo  
Borja Uriarte Villalonga  
Carla Martínón Moreno  
Carlos A. García Gómez  
Carlos Caminero García  
Carlos Díe López  
Carlos Lejo Turiel  
Carmen Carbonell Sevillano  
Carmen Carretero Rivas  
Carmen Escauriaza Leal  
Carmen Mónica Gárate Dorado  
Carolina Sánchez Soriano  
César Enrique Leal Puertas  
Cibrián Carnicero Suárez  
Concepción Gil García  
Cristina Alonso González  
Cristina Andrade García  
Cristina de Fátima Carrillo  
Cristina Flores Carrión  
Cristina Rodríguez Urcelay  
Daniel Castro Cañadilla  
Daniel Guzmán López  
Daniel Montero López  
David Candela Barceló  
David De Ancos Cid  
David Pozo Ramos

David Rodríguez Cepero  
David Santiag Pérez Barrasus  
Diana Cuadrado Duró  
Diana Sanjuan Blasco  
Diego Baños Díez  
Dolores Ledo Gómez  
Donato García Alegre  
Eduardo Hernández Hernández  
Eduardo Revuelta Martínez  
Elisabet Gurgui Cabrejas  
Eloísa Ortiz López  
Eloy López Hernández  
Elvira Bizcarrondo Ruiz  
Emilia Romero Barragán  
Emma Montserrat Rodríguez  
Ernesto Anastasio Maraver  
Ernesto Vicente Lahoz  
Esperanza Arrabal Blanco  
Eva Arroyo González  
Fco. Javier Benedicto Giro  
Fco. Javier Canales Almendros  
Fco. Javier Corral Rodríguez  
Fco. Javier Estacio Arcos  
Fco. Javier Fradejas Lapeña  
Felipe Vicente Najas  
Fernando Castellanos  
Fernando Nicolás Orue  
Francisco Arca Delgado  
Francisco Cruz García  
Gabriel Martínez Romero  
Gema Rebollo Guerrero  
Gema Robledo Moronta  
Gustavo Iglesias Coll  
Inmaculada Sánchez Pérez  
Ion Arrieta Beitzegui  
Isabel Cajal Carmona  
Isabel María Osuna Braña  
Israel Prieto Vega  
Jaime García Díaz de Sons  
Jaime Ostal Martínez  
Jaime Rillo Marco  
Javier del Moral Arias  
Javier María Cerquella Rodríguez  
Javier Martín Vaquero  
Javier Prieto Vargas-Machu  
Javier Sánchez-Girón Fornies  
Jéssica Pulgar Garrido  
Jesús Amador Castrillo  
Jesús Javier Hernández Bermejo  
Jorge López Galán  
José Antonio Ales Muñoz

José Antonio Arenere Morales  
José Antonio Rodríguez Quintana  
José Luis Solís Matesanz  
José Manuel Casals Carro  
José Manuel Castro Quevedo  
José María Cantos Pons  
José María Ordejón Rontomé  
José Miguel Hurtado González  
José Miguel Villarroel García  
José Pablo Redondo Pita  
Juan Alberto Leal Lizcano  
Juan Alfredo Pinna Cuéllar  
Juan Carlos Guillén Suñer  
Juan Gilberto Herrera Ortega  
Juan Miguel Herreros Chinarro  
Juan Sánchez Sánchez  
Juan Santiago Sanjuán Ramírez  
Juan Serrano Sánchez  
Julia Vicario Zubizarreta  
Julio José Sánchez Virues de Segovia  
Julio Luis Otero Comesaña  
Julio Urcola López  
Leire Pradera Zugasti  
Leticia Aparicio Martín-Romo  
Leticia Viciano Salvador  
Lidia Olea Guerrero  
Luca Gurrieri  
Lucas G. Fernández Kelly  
Luis Alberto Bleda Giraldo  
Luis Alejandro Aybar  
Luis Anselmo Gallego Hernández  
Luis Jesús Melero García  
M. Alejandra Quevedo Valenzuela  
Mª Cristina Gil Soria  
Mª de la Blanca Gutiérrez-Alviz  
Mª Del Carmen Aldaz Goñi  
Mª Pilar Caramés Agudo  
Manuel Cerezo Díez  
Manuel José Ballester Cecilia  
Marcos Rodríguez Juárez  
Margarita M. Álvarez González  
María Antonia Granados Rizos  
María del Mar Ortiz Far  
María Elena Dosuna Encinas  
María Hernández Martín  
María Isabel Armisen Pedrejón  
María Isabel Corchero Jiménez  
María Isabel Hidalgo Calvo  
María José Vera Sáez  
María Josefa Llaveró Herrera  
María Nieves Alcocer Ballester

María Nieves Mayorga Expósito  
María Orellana Rodríguez  
María Pilar García Pérez  
María Plaza De la Vega  
María Victori Domínguez Garrido  
Mariana Romero Campero  
Mario Arnáiz Abad  
Marta Capitán Obregón  
Marta Muñoz Martínez  
Martín Atxera Cerda  
Martina Collar Díaz  
Mercedes Bergua Barrerna  
Michaela Dewever  
Miguel Ángel Andreu Alquézar  
Miguel Ángel Landaburu Palacio  
Miguel Ángel Lozano Bravo  
Miguel Juste Raya  
Mónica Moar Beiras  
Mónica Pascual Guevara  
Natalia Lucía Melero Bermejo  
Nuria Molla Sanchís  
Olga María Díaz Ramos  
Óscar Ricoy Trasancos  
Pablo Jiménez Jiménez  
Pablo Manski Viqueira  
Paola María Sánchez Garagorri  
Patricia Alandi Tártalo  
Patricia Galán Madrid  
Patricia Llamazares Yuste  
Pedro Barrio Vizán  
Rafael Arjona García  
Rafael Serrano Tomás  
Ramón Vallés Martín  
Raquel Alonso Del Cerro  
Raquel Puente Iglesias  
Roberto Carrasco Truchado  
Rocío Fernández-Pello De la Sierra  
Rosa María Nardiz Arrarte  
Rubén Villanueva Hermida  
Sabine Bataille  
Salvador D. Arago Martínez  
Sandra Blanco Martín  
Sebastián Ojeda Gartner  
Sergio Gómez Gil  
Silvia Rodríguez Hernández  
Susana Domínguez Yáñez  
Trinidad de Miguel Pérez Perceç  
Vicente Fernández Guijarro  
Víctor de Haro Antón  
Yolanda Fernández Rodríguez





# Sustainability



Bankinter included in the Dow Jones Sustainability Index Europe.

Extension of the scope of the environmental management and accessibility systems.

Consideration of the sustainable development objectives and the 'Tres en raya' ('Three in a row') plan.

## Sustainability

# Triple management to generate triple value

In 2016 Bankinter launched the 'Three in a row' Plan, which is a multi-year programme for managing sustainability that will end in 2020. The plan takes its name from the three dimensions that form part of the Bank's sustainability model (economic, social and environmental).

The objective of the 'Three in a row' Plan is to provide a response to the three major challenges (economic due to the change in model, social due to demographic change and environmental due to climate change) identified in Spain and Portugal, countries in which the Bank carries out its main activity.

The plan is based on the Sustainability Policy that was approved by the Bank's board of directors in January 2016. This policy has 10 principles whose objectives are to contribute to the sustainable development of the environment and the prosperity of society, based on Bankinter's three strategic pillars of quality, innovation and technology, and in line with its corporate values.

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



Go to the sustainability policy

With respect to Royal Decree Law 18/2017, which transposed the European directive on the disclosure of non-financial and diversity information into Spanish law, over the last few years Bankinter has reported information on its social, employment and environmental management, matters relating to anti-corruption and bribery, diversity in governing bodies, and management with regard to respecting human rights, in anticipation of this new legal framework.

During the preparation of the plan, a dialogue management system was put in place with stakeholders in order to discover their expectations and motivations, and to be able to involve them in sustainability management.

As part of the sustainability strategy, a number of actions are developed including:

- The analysis of the results of the assessments of the most prominent sustainability indexes, such as DJSI, FTSE4Good, MSCI and Sustainalytics.
- The monitoring of international trends and reporting frameworks such as the GRI G4, IIRC, ISO 26000, SGE 21 and the new version of ISO 1400.
- The consideration of the best practices of global sector leaders.
- The analysis of the results of customer satisfaction surveys.
- The analysis of the results of employee satisfaction surveys.
- The analysis of RepTrack results.
- Inclusion of the United Nations Sustainable Development Goals as part of sustainability management.
- The consideration of new regulations, such as the Good Governance Code of Listed Companies of the CNMV, and their application in Bankinter.

# Materiality analysis

## Dialogue and priorities

Bankinter is identifying which aspects of its activity have the biggest impact on the environment by setting up a dialogue management system with its stakeholders.

The model is defined according to the guidelines set by the international framework for non-financial reporting, Global Reporting Initiative (G4). The main dialogue mechanisms used for this purpose are shown below.

Stakeholders	Dialogue channels	Parties responsible for management
Shareholders	Shareholders Office General meeting of shareholders	Head of Shareholders Office
Investors and analysts	Roadshows Meetings Questionnaires	Director of Investor Relations Director of Sustainability
Customers	Quality surveys Customer Service Area External ombudsman Bank of Spain Multi-channel banking	Director of Quality Director of Legal Counsel
Regulatory bodies (Bank of Spain, CNMV)	Circulars	Director of Regulatory Compliance
Employees	Global surveys Evaluation Whistleblowing channel Queries mailbox	Director of People 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 Director of Sustainability
Partners Universities and Business Schools	Meetings Forums Workshops	Foundation Director Director of Communication and CSR
Third (voluntary) sector	Social engagement mailbox Meetings	Director of Sustainability
Media	Press conferences Press releases Social networks	Director of Communication and CSR
Society (others not previously included)	Social networks. Corporate website RepTrack survey	Director of Communication and CSR Head of Reputation

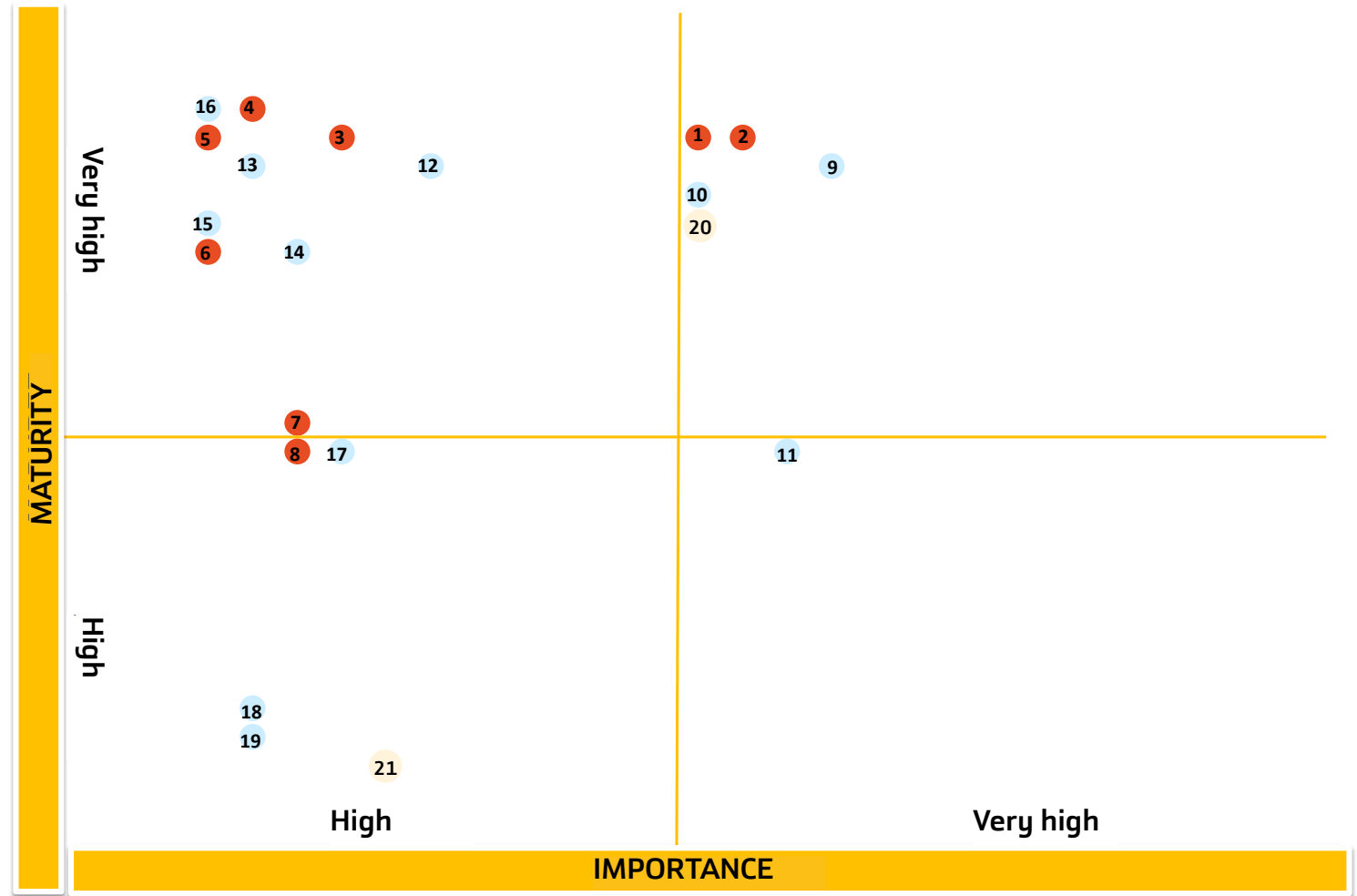
The materiality survey carried out by the Bank to identify the most significant aspects of the organisation's economic, environmental and social impact, was updated in 2017 to include the UN's Sustainable Development Goals, as a focus of interest and action within its strategy.

This survey has improved the effectiveness of the dialogue channels with stakeholders and detailed the main priorities in accordance with two parameters: the importance and maturity of aspects related to the financial activity, and the importance assigned to it by the bank's main stakeholders (customers, employees, shareholders, sustainability analysts and ESG investors, social and sector opinion leaders, the media and society in general).

Bankinter plans its activities while taking into account these results, and also 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 the two criteria referred to above.

(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 its supervision
- 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 Equality of remuneration
- 17 Training
- 18 Employee performance evaluation.
- 19 Working environment




#### Environmental dimension

- 20 Energy management in facilities
- 21 Environmental policy



As a member of the United Nations Global Compact Network Spain, the Bank has identified the Sustainable Development Goals to which it can make the greatest contribution, and, therefore, has incorporated those relating to Decent Work and Economic Growth (SDG 8), Reduced Inequalities (SDG 10), and Climate Action (SDG 13) into its strategy.

(G4-18, G4-20, G4-21, G4-27)

Target	Targets	Initiatives undertaken	Challenges
	<ul style="list-style-type: none"> <li>Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services.</li> <li>Achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.</li> <li>Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.</li> </ul>	<ol style="list-style-type: none"> <li>Initiatives related to business. <ul style="list-style-type: none"> <li>Lending and financing policy.</li> <li>Sustainable products.</li> <li>Training and awareness aimed at promoting entrepreneurship.</li> </ul> </li> <li>Bankinter Innovation Foundation initiatives. <ul style="list-style-type: none"> <li>Entrepreneurs programme.</li> <li>Akademia.</li> <li>FTF.</li> <li>Cre100do.</li> </ul> </li> <li>Initiatives related to people management. <ul style="list-style-type: none"> <li>Family responsible company.</li> <li>Saludable-mente programme (for healthy workplaces).</li> <li>Human capital development.</li> <li>Talent recruitment and retention.</li> <li>Workplace accessibility.</li> </ul> </li> </ol>	<ul style="list-style-type: none"> <li>Establishment of specific financing policies for controversial sectors.</li> <li>Training staff from the risks and asset management areas in the application of environmental, social and good governance criteria.</li> <li>Development of monitoring methodology and control of the Human Rights policy.</li> <li>Saludable-mente programme.</li> <li>Continue developing the Foundation's programmes: entrepreneurship.</li> <li>Extension of the scope of the universal accessibility management system.</li> </ul>
	<ul style="list-style-type: none"> <li>Empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.</li> </ul>	<ol style="list-style-type: none"> <li>Initiatives related to inclusion. <ul style="list-style-type: none"> <li>Physical accessibility.</li> <li>Digital accessibility.</li> <li>Cognitive accessibility.</li> <li>Training and awareness of the workforce aimed at financial integration.</li> <li>Sustainable products.</li> </ul> </li> <li>Financial education and education for entrepreneurship (technical volunteering).</li> <li>Social volunteering.</li> <li>Social action and citizenship.</li> <li>Family responsible company.</li> <li>Equality plans.</li> <li>Whistleblowing channel.</li> </ol>	<ul style="list-style-type: none"> <li>Development of monitoring methodology and control of the Human Rights policy.</li> <li>Extension of the scope of the accessibility systems to other workplaces.</li> <li>Development of products with a high social impact.</li> <li>Development of family responsible company (EFR) in Portugal.</li> <li>Development of Foundation programmes.</li> <li>Development of the Adaptive II project at the National Hospital for Paraplegics in Toledo.</li> <li>Development of financial education programmes adapted to various groups.</li> <li>Training and awareness aimed at integration.</li> </ul>
	<ul style="list-style-type: none"> <li>Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.</li> <li>Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.</li> </ul>	<ol style="list-style-type: none"> <li>Initiatives related to business. <ul style="list-style-type: none"> <li>Lending and financing policy.</li> <li>Inclusion of environmental criteria in procurement policy.</li> <li>Support for employees, customers and suppliers to implement eco-efficiency in their homes/companies.</li> <li>Sustainable products.</li> <li>Green line of credit.</li> </ul> </li> <li>Initiatives related to the Bank's environmental impact (direct impact). <ul style="list-style-type: none"> <li>Emissions management: measurement, reduction and offset.</li> <li>Eco-efficiency programmes in the organisation.</li> <li>Actions with environmental and social impact.</li> <li>Disclosure of sustainability information.</li> <li>Establishment of environmental training and awareness workshops.</li> <li>Implementation of stakeholder communication channel on environmental matters.</li> <li>Environmental mailbox</li> </ul> </li> </ol>	<ul style="list-style-type: none"> <li>Development of products with a high environmental impact.</li> <li>Development of Foundation programmes.</li> <li>Identification of the impact of lending and financing operations on natural capital.</li> <li>Buying energy from renewable sources.</li> <li>Neutralise CO<sub>2</sub> emissions.</li> <li>Training employees and raising awareness of customers.</li> </ul>

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

**Economic dimension**

- Good governance
- Sustainable practices
- Customer-oriented services
- Socially responsible investment
- Sustainable products
- Responsible supplier management
- Corporate culture/brand
- Structure

**Social dimension**

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

**Environmental dimension.**

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

# Economic dimension

The Bank's sustainability management was recognised in 2017, with its inclusion on the Dow Jones Sustainability Index Europe, as one of the top ten European banks in terms of corporate governance and environmental and social performance.

The Bank also appears in the rest of the sustainability indexes, including the FTSE4Good, MSCI and Carbon Disclosure Project, and it appears in the Sustainability Yearbook published by RobecoSAM, which was presented at the World Economic Forum in Davos.

In addition to exercising direct control over social action and environmental management, the Sustainability Division also acts as an observatory of trends and risks based on the dialogue it holds with stakeholders. This allows it to discover their expectations and identify the needs of an ever changing environment, and, where appropriate, to consider or integrate them into the sustainability strategy.

Similarly, it promotes the coordinated action of the business areas to develop initiatives focused on responding to these needs; proposing and monitoring the programmes contained in the strategic plan, verifying the degree of compliance with the objectives set for them and identifying areas for improvement, according to recognised ethics and sustainability standards and indexes.

## Good governance

The chapter on corporate governance includes considerable information on the size and composition of the board, selection of members and diversity, succession plans and so on.

Of particular note in 2017 was the establishment of a corporate governance policy which contains the general principles that underpin the specific corporate policies and internal rules and procedures in relation to corporate governance, which together form the Group's internal corporate governance framework.

Bankinter Group also circulated its Human Rights policy, which includes its commitment to respecting, supporting and protecting human rights when carrying out its activities and in relation to its stakeholders in the environment in which it operates: employees, customers, suppliers and other commercial partners, under the UN motto 'protect, respect and remedy'.

The bank has also become a member, along with other large Spanish companies, of the Cluster of Transparency, Good Governance and Integrity, a platform of companies coordinated by Forética, the leading association of CSR companies and professionals in Spain.

In relation to the management of non-financial aspects of the Bank, the board of directors is the competent body for establishing and overseeing compliance with the sustainability policy and its instruments of implementation, and to decide on any modifications that should prove necessary.

The board's appointments and corporate governance committee is responsible for monitoring the implementation of this policy.

The sustainability committee is the body responsible for proposing and implementing the 'Three in a row' plan. It is headed by the Bank's chairman and comprises the executives from those areas directly involved in the development of the plan's strategic lines, who are responsible for implementing them in a way that is coherent and integrated with the Bank's global strategy.



More information in the  
Corporate Governance Report.

The Internal Audit area is responsible for supervision of non-financial information that is reported, including that which is presented, at least once a year, to the board of directors.

### Sustainable practices

In 2017, the Bankinter Group's Code of Professional Ethics was renewed and a new Code of Professional Ethics for the Bank's agent network was introduced.



More information in the chapter 'Regulatory Compliance' and 'Professional Ethics'

### Customer-oriented services

This line includes service quality and customer satisfaction management. The main indicator that measures this management, the NPS, comfortably beat the target set for 2017, reaching 30%.



More information in the chapter 'Quality'

### Socially responsible investment

This line covers the investment that incorporates environmental, social and governance criteria to those which are strictly financial.

The Bank adhered to the Equator 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. In 2017, no project subject to these principles was financed.

Bankinter undertakes to evaluate the practices in environmental, social and human rights issues, and to act in accordance with the principles established in its policies, in the due diligence processes carried out prior to entering into financing agreements or any other type of contract and within the framework of the Equator Principles and the environmental and social risk management policies.

The promotion of energy sources that are sustainable, competitive and safe is a key objective for Bankinter's financing. Over the course of 2017, the Bank took part in renewable energy projects (photovoltaic and wind energy, among others), with total financing amounting to 228.5 million euros.

### Sustainable products

These are products that incorporate various attributes of sustainability in their design.

The main sustainable products and investments were as follows:

**Bankinter Sustainability Fund.** It invests in equities that are on the main social and environmental responsibility indexes. It provided a yield in 2017 of 6.2% and had assets of 86.3 million euros (76.7 million euros in 2016)

**Responsible investment funds.** The Bank makes available to its customers 100 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 the main sustainability indices.

**Investments in venture capital funds or companies that invest in sustainable products.** Stakes were held such as the 4.3% and 4.6% in Ysios Biofund I and II (biotechnology and life sciences), 10% in Going Green (electric automotion) and 2.5% in CPE Private Equity LP (clean technologies).

**SME Initiative.** In the last quarter of 2015 Bankinter and the European Investment Fund signed their third agreement, of which 64 million euros are still available. 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 are still 20 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 an automatic teller machine without using a credit card, was used in 2017 by 16,469 customers, who placed 207,601 orders for the amount of 46.7 million euros. Hal-Cash provides access to financial services to groups that do not have bank accounts.



## Responsible supplier management

As part of the supplier certification process, a procedure has been established to categorise the main suppliers according to environmental and social criteria, which have been added to the traditional ones of the price and quality of the product, the supplier's solvency, labour risks, and security.

In addition, an environmental clause has been added, a social clause in the framework agreement that all suppliers sign.

It should also be pointed out that Bankinter's average payment period to its suppliers is 20 days.



More information in the chapter 'Suppliers'

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## Corporate culture/brand management

The efficient brand strategy helps the Company to achieve a better positioning in the market, which also means an improved reputation and higher valuation by stakeholders.

In 2017, the Bankinter Brand development project was launched. Accessibility criteria were considered in the digital environment and the font and colour contrasts were adapted.














More information in the chapter 'Brand'

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### 'Three in a row' plan Economic Dimension – 2017

Strategic lines	Objectives 2017	Compliance	Objectives 2018
Good governance	Definition of a Human Rights policy.		Development of monitoring mechanisms of the Human Rights policy.
Sustainable practices	Publication of a new code of ethics. MiFID 2 training.		Training in the new directives associated with regulatory changes.
Customer-oriented services	Bank NPS > 25%. Establishment of improvement plans in centres with low NPS Measurement of customer experience in digital banking.		Bank NPS > 30%.
Socially responsible investment	Management and reporting of transactions subject to Equator Principles.		Development of processes for the application of environmental, social and governance criteria in financing.
Sustainable products	Design of a product with a high social/environmental impact.		Launch of new sustainable products Measurement of social/environmental impact of products.
Responsible management of suppliers	Incorporation of ESG criteria defined in supplier certification process. ESG weighting of main suppliers.		Development of procedures for the application of ESG criteria in the supplier certification process. ESG weighting of main suppliers.
Corporate culture/brand	Definition and development of the brand indicator.		
Structure	Correlation model between the sustainable development objectives and the plan's strategic lines.		New alignment actions with the sustainable development objectives.

 Completed  
 Underway  
 Not started

# Social dimension

The Bank has established a continuous dialogue with internal and external stakeholders in order to find out their needs and expectations, seeking to respond to them with the most innovative solutions and the use of the best technologies available.

The institution's social commitment is established in seven lines of action with a large number of programmes in which the participation of the main internal and external stakeholders is sought to carry them out.

## Accessibility and financial inclusion

This is behind the 'A bank for all' project, that develops the Bank's inclusive strategy, with its firm commitment to making all its relationship channels with its stakeholders accessible. Bankinter particularly takes into consideration disabled and elderly people by aiming to offer them a quality service adapted to their needs.

This includes physical, digital and cognitive accessibility.

To ensure continuous improvement in management of its physical accessibility, Bankinter has implemented a Universal Access Management System (UAM), certified by AENOR under standard UNE 170001 and it has been implemented in the Bank's headquarters (Paseo de la Castellana, 29, Madrid) and in seven branches located in various different organisations.

**Physical accessibility:** Certification of the building in Alcobendas, Madrid according to standard UNE 170001 in universal accessibility.

**Digital accessibility:** establishment of the basis for continuing to develop websites of the new online banking with accessibility criteria, meeting standard WACG2.0 (Web Content Accessibility Guidelines)

**Cognitive accessibility:** development of the pilot project to promote the use of clear language in the pre-agreement document.

In 2017, the scope of this certification was extended to include the new landmark Bankinter building in Alcobendas, Madrid. In addition, the accessibility criteria included in the works manual have been applied in both the remodelled and new branch offices in Spain and Portugal.

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

In terms of digital accessibility, the objective set is that both the contents and the services offered through the Bankinter websites are accessible for all its customers, in line with the recommendations of the World Wide Web Consortium (W3C) through its WACG 2.0 guidelines.

Among the accessible services provided by the Bank 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.

With respect to cognitive accessibility, the bank has made a Clear Finance Dictionary available to customers. Developed by Bankinter in collaboration with the Instituto de Empresa, it has tried to explain the meanings of the most commonly used banking terms to make them easier for everyone to understand.

The new Commercial Protocol used by Bank employees includes service guidelines for differently abled people for each phase of commercial activity.

### Advanced employee management

This line covers the voluntary adoption of internal social responsibility policies, that go beyond mere compliance with the law, seeking to attend to employees' needs as a strategic stakeholder group.

In addition to complying with regulations on risk prevention and occupational health, the Bank has a health and safety at work management system certified under OHSAS 18001 in work centres in Portugal.

Bankinter has also launched a series of initiatives to strengthen the wellbeing of its employees, in terms of their professional and personal life, such as Health Week, which includes ergonomics and nutrition courses, advice for optimising physical exercise, and the Summer School, where training and recreational courses aimed at promoting health and wellbeing are given.

In 2017, the Bank was once again awarded the family-responsible company (FRC) seal.

The bank's advanced people management was highlighted in 2017, in surveys conducted by Top Employer, and Merco Talento.



More information in the chapter 'People'

In 2017, the Bank was once again awarded the family-responsible company (FRC) certification.







## Corporate volunteering

In 2017 Bankinter has introduced the new corporate volunteering portal, Mueve.te with the assistance of the Fundación Hazlo Posible (Make it Possible Foundation), with the aim of obtaining the engagement and involvement of the workforce, and of undertaking activities which have a major social impact; strengthening the Bank's organisational culture and developing new skills among volunteers.

In 2017, the proportion of the workforce involved in volunteer days remained at 14%. Participation was recorded of over 1,000 employees and their family members in a total of 84 technical, environmental and social activities, reaching a total of 1,617 direct beneficiaries.

Bankinter also wants to ensure financial integration through technical volunteering activities providing financial education programmes aimed at various different groups, with learning disabilities and/or sensory impairment, secondary school students, young entrepreneurs and people in risk of social exclusion. Such initiatives also helps to develop specific employee skills, such as having the ability to adapt so that they can communicate with anyone, regardless of their abilities and knowledge.

The following activities stood out in 2017:

**Participation in the third edition of the 'Your Finances, Your Future' project**, promoted by the Spanish Banking Association (AEB) with the collaboration of the Junior Achievement Foundation, its mission is to develop the skills and knowledge of secondary school students on managing personal finances.

**Bankinter customised financial education programme.** During 2017 this programme was delivered to groups from the Estudiantes/ Grupo Amás, Integra, Prodis, Ajuda de Mãe, Associação Novo Futuro foundations and Centro Educativo Caxias.

**Financial education programme in sign language**, together with CNSE (Spanish National Confederation of Deaf People). with the aim of providing accessible education and knowledge to deaf people through sign language, helping them to maintain their independence in relation to the use of banking terminology and transactions.

**Mentoring programme.** targeted at students with learning disabilities in the CAMPUS Project of the Carmen Pardo-Valcarce Foundation, in order to develop their skills and facilitate their social and occupational integration.

**Mentoring project 'I've got potential'**, with the Portuguese Cadin Foundation, to help the integration into the workforce of young people with Asperger syndrome.

**Company programme** with the Junior Achievement Portugal Foundation, considered an example of good practice by the European Commission. This initiative aims to encourage the entrepreneurial spirit in secondary schools students.

**'Brazo Directo' programme** with the Junior Achievement Portugal Foundation, initiative which allows young people to experience the real business world by taking them to a workplace for a day.

**Innovation Challenge programme** with the Junior Achievement Portugal Foundation. An initiative which asks students to solve a problem based on a real situation from the business world.

**Participation as the jury in the first Financial Innovation Camp** organised by Junior Achievement Foundation and the AEB for third and fourth year secondary school students, who produce designs of apps that help with financial decision making.

## Partnerships with the third (or voluntary) sector

The Bank establishes continuous dialogue with the communities in which it operates, whereby it identifies and attempts to respond to their needs, expectations and motivations. In order to establish valuable relationships with these communities, it enters into strategic alliances with local third-sector organisations.

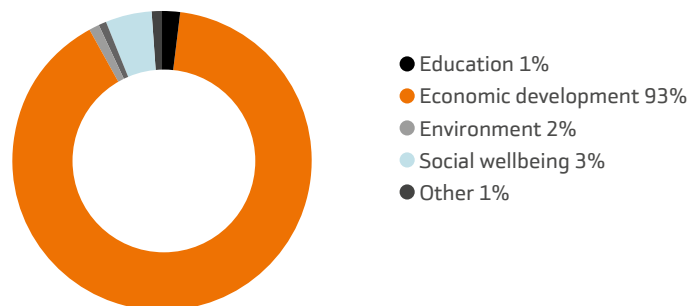
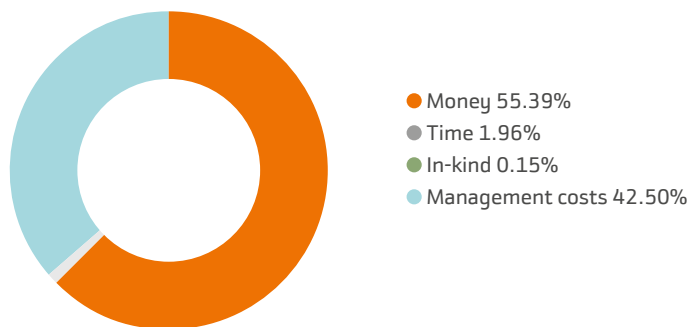
In order to efficiently manage its relationship with the third sector, the Bank has adopted the methodology developed by the London Benchmarking Group (LBG), which measures, manages, assesses and disseminates the

contributions, achievements and impact of social action in the community and in the environment.

As a member of the United Nations Global Compact Network Spain, Bankinter assumes the commitment to incorporate its ten principles into the Bank's business activities.

In addition, as a promoting partner of the Lealtad Foundation, a non-profit institution whose objective is to provide accreditation for associations and foundations involved in social action, development cooperation and humanitarian action that comply with the nine transparency and good practice

Given that they are a significant stakeholder, Bankinter strengthened its support for entrepreneurs, as the engine for revitalising the economy and a long-term source of job creation and wealth.



principles.

The Bank is a sponsor of Forética, an association of companies that promotes corporate social responsibility and sustainability in Spain and Latin America. It is also a member of the executive committee of its governing board.

The Bank also encourages dialogue with associations and foundations through the development of products and services for charitable purposes that it makes available to the third sector, such as the Bankinter Solidarity Card (the fees from which are given to social projects included in the Involvement and Solidarity programme).

The Bank has also been a pioneer in presenting Bizum Solidario, a service that facilitates micro-donations made using mobile phones without the need for an IBAN. To date the organisations that are part to this service are Cruz Roja Española, Cáritas, Acnur, Banco de Alimentos, Niños con Cáncer, Cooperación Internacional, Amigos de los Mayores and Aspanion Valencia.

Given that they are a significant stakeholder, Bankinter strengthened its support for entrepreneurs, as the engine for revitalising the economy and a long-term source of job creation and wealth. In addition to the Entrepreneurs programme developed by the Foundation, the bank supported the following initiatives:

**Collaboration programme** 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 through training programmes.

**Collaboration agreement** with the Integra Foundation to provide workshops on financial education and social and occupational inclusion.

**Involvement in the organisation twelfth edition of the Mashumano Youth Awards**, recognising those entrepreneurs who provide innovative, sustainable and socially responsible solutions. The Bank sponsored this year's event in the category, 'Best solution for helping to integrate differently abled people', taking part in the processes of selection, training and financing of the winner.

**Financing of support workshops for young entrepreneurs** with environmental impact initiatives, organised by the start-up Greenweekend, with five events held in 2017, as meeting points for green entrepreneurship.

**Sponsorship of the young entrepreneur projects** of the Junior Achievement Foundation in Portugal.

The following are some of the other solidarity initiatives carried out in 2017:

**Holding of the sixth edition of the Involvement and Solidarity programme.** A 360° initiative through which ten social projects are being financed, at a total amount of 55,000 euros. It involves various of the Bank's stakeholder groups: customers, who use the Bankinter Solidarity Visa; employees, who submitted 200 social projects; society, which participates in and disseminates the

project in the social networks; and the Bank's executives, who act as sponsor or 'godfather' to the projects.

**Financing of the COCEMFE employee portal** which in 2017 enabled the integration of women with disabilities into the workforce.

**Organisation of the Bankinter Portugal Social Awards** to recognise initiatives with a high social impact.

**The fourth edition of the Innovation, Sustainability and Network Awards** organised with Expansión and Viesgo, and with the technical advice of the IE Business School. Recognising the most outstanding projects by large and medium-sized companies and institutions that contain aspects of social and environmental responsibility.

**Rollout of the Christmas campaigns:** 'A Smile for Christmas' toy collection among employees, organised by Cooperación Internacional, a NGO providing for over 900 children in centres and associations for poor families throughout Spain. Campaign to provide leisure activities and visits for the elderly at the Terra dos Sonhos Foundation in Portugal. Campaign of food collections with food banks in Portugal.

**Second edition of the Bankinter Madrid-Lisbon Solidarity Challenge.** A virtual race in which the employees, families and friends run for a charitable cause, accumulating a total of 7,903 km. As a result of this initiative, a donation was made for a social mentoring project to the Junior Achievement Foundation.

## Bankinter Innovation Foundation




The Bank is sponsor of the Bankinter Innovation Foundation, an organisation that promotes innovation and entrepreneurship as the driving forces in creating sustainable wealth in Spain and Portugal.



More information in the chapter 'Bankinter Innovation Foundation'

## 'Three in a row' plan Social dimension – 2017

Strategic lines	Objectives 2017	Compliance	Objectives 2018
Financial inclusion	Extension of the scope of the universal physical accessibility management system to the new building in Alcobendas. Development of a cognitive accessibility pilot project.		Development of digital accessibility. Extension of the universal physical accessibility system to the Bankinter Corporate University.
Advanced employee management.	Development of healthy company programmes I.		Development of healthy company programmes II.
Bankinter Innovation Foundation	Development of Innovation Foundation's four programmes in Spain and Portugal.		Development of Foundation programmes in Spain and Portugal. Implementation of an impact measurement system.
Volunteering	17% of the workforce is involved in volunteering activities. Deployment of a new volunteering management tool.		Corporate volunteering consolidation programme. Development of technical volunteering programmes for financial and entrepreneurship education.
Citizens	Development of programmes, alliances and collaborations with the third sector.		Development of dialogue with the third sector. Start up of Adaptive II project.
Social footprint management	Periodic measurement of the Bank's social footprint.		Redefinition of social footprint indicators.
Structure	Correlation model between the sustainable development objectives and the plan's strategic lines.		New alignment actions with the sustainable development objectives.

 Completed  
 Underway  
 Not started



# Environmental dimension

Bankinter maintains the firm commitment to address its 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.

The Bank has an Environmental Policy in which it assumes responsibility for carrying out its operations in the manner most respectful to the environment and that focuses on strengthening positive impacts and minimising any negative impacts on the environment that may arise from its activities.

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, which is the body responsible for guiding the Bank's environmental policy and programmes. All the areas involved in the development of a sustainable management model are represented on this committee. It has also set up an Environmental working group with the areas most involved, which periodically monitors the progress of the environmental indicators and the implementation and development of the environmental management system.

The environmental dimension includes the Climate change strategy and its 'Carbon footprint' project, through which the direct and indirect environmental impacts generated by the Bank's activity are identified, measured and controlled.

Similarly, the Bank's financing and lending policies also include environmental criteria. In addition, as mentioned in the chapter on the economic axis, at the end of 2016 Bankinter adhered to the Equator Principles whereby environmental and social analyses are carried out on all financing projects which, due to their classification, require them.

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.

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 since its launch. The Bank is also a member of the CDP Water and CDP Forest Disclosure projects.

**Objective:**  
Minimise negative impacts.  
Maximise positive impacts.

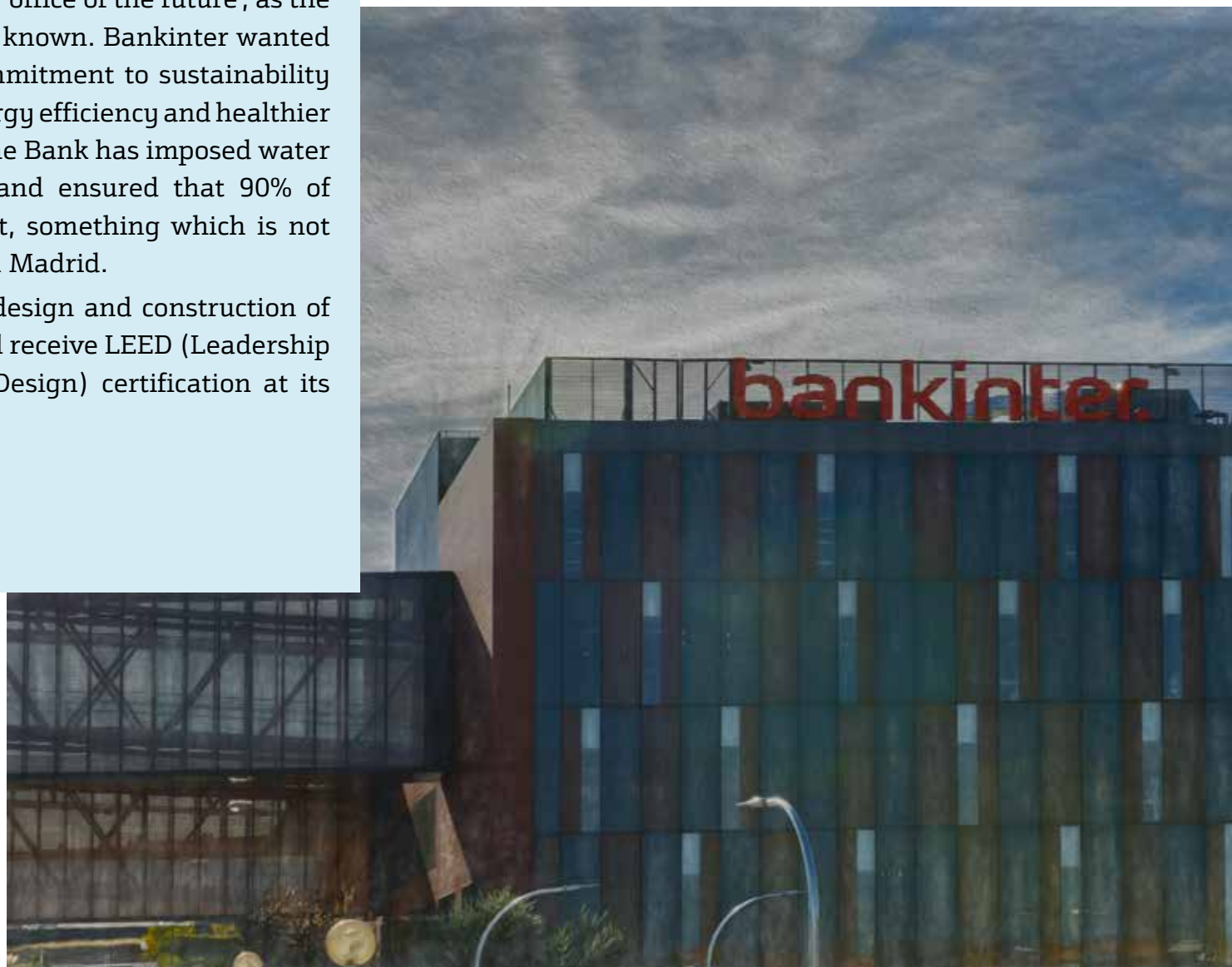
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[Go to the Environmental Policy](#)

In July 2017, Bankinter opened a new, sustainable, innovative and eco-efficient building in Alcobendas, Madrid, following the latest trends in the 'office of the future', as the most innovative workspaces are known. Bankinter wanted this building to adapt to its commitment to sustainability and it meets strict criteria for energy efficiency and healthier work environments. To do this the Bank has imposed water and energy saving measures, and ensured that 90% of work stations have natural light, something which is not commonplace in big buildings in Madrid.

All the work carried out in the design and construction of the Bank's new headquarters will receive LEED (Leadership in Energy and Environmental Design) certification at its maximum rating of platinum.



## Strategy for climate change

Bankinter has a good rating in the sustainability indexes with regard to its climate change strategy, although it is aware that the expectations of its stakeholders are increasing. Also, in 2018 the new Climate Change Law will be published and there are recommendations of the Financial Stability Board which indicate that financial institutions need to manage climate change risks and opportunities in the short, medium and long term.

In the challenge that climate change raises, every actor must identify their role. And although the financial sector is not a carbon-intensive industry, the financial institutions have a major role in the transition to a low-carbon economy.

Therefore, the Bank's responsibility to the environment does not rest so much in managing the direct impact of its activity on its surroundings (something which it has been managing for over a decade), but rather in its identification and management of its indirect impact, in other words, that which is created by the application of its financing and lending policies.

Bankinter has defined a road map for itself to become carbon neutral that includes formulas both for the reduction of emissions through eco-efficiency programmes, and for neutralisation (green energy purchase), and offsetting (indirect purchase of carbon rights for reforestation and conservation projects).



First prize in the XIII edition of the Environmental Photography Awards. Nuno Salvador - Seine fishing (Arte Xávega)

At the same time it is working on identifying its indirect impacts, that is, in ascertaining its actual contribution to climate change and the loss of biodiversity.

In this regard, Bankinter is leading the pilot project in Spain together with the Natural Capital Coalition (an initiative driven by the United Nations Environment Programme), to develop a specific guide for the financial sector to help the impacts on natural capital to be identified and managed: the 'Natural Capital Protocol guide for the financial sector'. This project will show:

- What the environmental impact of their investment policies is in relation to natural capital, not only in terms of emissions, but also of the impact on terrestrial and marine biodiversity, and on natural resources (such as water and land use).
- What the weight and risk of each of the sectors in which it invests is, with respect to future regulations.

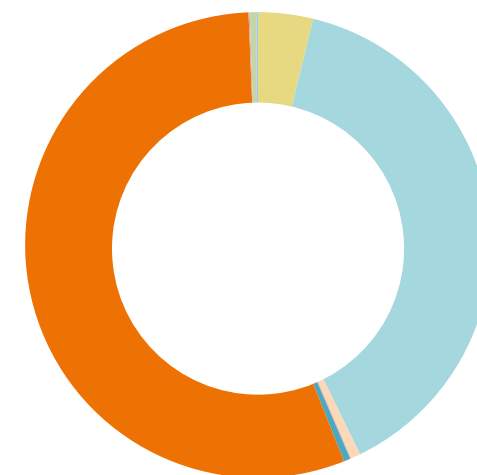
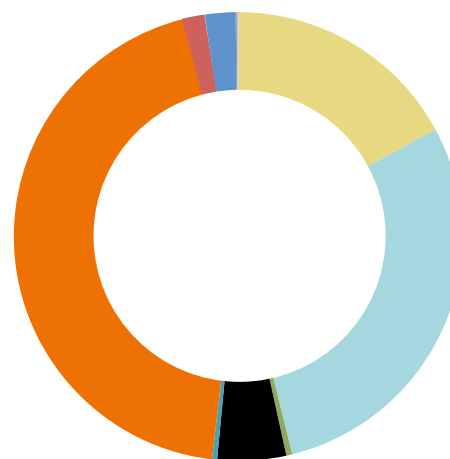


## Carbon Footprint

Bankinter has been calculating its overall 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 2017, Bankinter's calculation of its organisational carbon footprint, this time including the Bank's business in Portugal, 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.

Bankinter once again registered its carbon footprint (the one calculated for 2016) in the Ministry of the Environment's Carbon Footprint Registry, once again being awarded the 'Reduzco' seal for having reduced the intensity of its emissions in recent years.



Spain						Portugal				
Total emissions 2017 (TCO <sub>2</sub> E)	Direct	Indirect	Induced	Totals	%	Direct	Indirect	Induced	Totals	%
Company transport			3,044.28	3,044.28	17.1%			125.06	125.06	4.9%
Commuting			5,174.96	5,174.96	29.0%			974.12	974.12	38.4%
Paper and toner consumption			76.68	76.68	0.4%			11.44	11.44	0.5%
IT equipment			880.77	880.77	4.9%					
Furniture			65.48	65.48	0.4%			11.35	11.35	0.4%
Electricity consumption		7,877.49		7,877.49	44.2%		1,395.91		1,395.91	55.0%
Customer electricity consumption			272.05	272.05	1.5%					
Heating consumption	392.80			392.80	2.2%					
Refrigerant gases	0.00			0.00	0.0%	1.93			1.93	0.1%
Generators	13.56			13.56	0.1%	0.40			0.40	0.0%
Waste			3.63	3.63	0.0%			0.63	0.63	0.0%
Cleaning products			1.05	1.05	0.0%					
Maintenance travel								13.20	13.20	0.5%
Water consumption			15.05	15.05	0.1%			2.83	2.83	0.1%
<b>TOTAL</b>	<b>406.37</b>	<b>7,877.49</b>	<b>9,533.95</b>	<b>17,817.80</b>	<b>100%</b>	<b>2.33</b>	<b>1,395.91</b>	<b>1,138.63</b>	<b>2,536.88</b>	<b>100%</b>



In 2017, Bankinter's business in Spain produced a total of 17,817.80 tonnes of CO<sub>2</sub> equivalent, 3.8 tonnes CO<sub>2</sub>/per employee (down 0.2% on 2016).

Scope 1 (direct) emissions totalled 406.4 tonnes of CO<sub>2</sub> in Spain. This is a 2.5% reduction on 2016 in absolute terms. These emissions declined by 5.8% in terms of emissions per employee.

Scope 2 (indirect) emissions increased slightly by 0.7% in absolute terms. However, emissions per employee fell by 2.7%. Total emissions in this scope are 7.887,5 tonnes of CO<sub>2</sub> equivalent (1.7 tonnes CO<sub>2</sub> per employee).

Total scope 1 and 2 emissions per employee fell by 2.8% with respect to 2016, 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 (induced) emissions increased by 5.7% (2.2% per employee), mainly due to the acquisitions of IT equipment and business trips due to increased commercial activity, in line with the financial results presented by the entity in 2017.

In the case of the Bank's activity in Portugal, the direct emissions totalled 2,33 tonnes of CO<sub>2</sub> (0.02 tonnes of CO<sub>2</sub> per employee), a total of 1,395.91 tonnes of CO<sub>2</sub> (1.6 tonnes per employee) in indirect emissions and a total of 1.138,63 tonnes of CO<sub>2</sub> (1.3 tonnes per employee) in induced emissions. NB. These data are not comparable with those for 2016, as the banking business in Portugal only began in 2Q 16.

Spain				Portugal
Direct CO <sub>2</sub> emissions (Tn)				
	2016	2017	% 2016-2017	2017
Gas/diesel consumption and gas refills	416.88	406.37	-2.52%	2.33
Emissions per employee	0.09	0.09	-5.81%	0.002

Source: MAPAMA 2016

\* Emissions for 2016 were updated with the data from the last bills received. (G4-22)

Spain				Portugal
Indirect CO <sub>2</sub> emissions (Tn)				
	2016	2017	% 2016-2017	2017
By Electricity consumption	7,819.56	7,877.49	0.74%	1,395.91
Emissions per employee	1.72	1.67	-2.66%	1.66

Source: MAPAMA 2016

\* Emissions for 2016 were updated with the data from the last bills received. (G4-22)

	Spain			Portugal
Induced CO <sub>2</sub> emissions (Tn)				
	2016	2017	% 2016-2017	2017
Business travel	2,943.63	3,044.28	3.42%	125.06
Business trips	5,114.87	5,174.96	1.17%	974.12
Water	14.60	15.05	3.04%	2.83
Paper	49.93	47.02	-5.84%	8.51
Toner	34.26	29.66	-13.42%	2.93
Waste	12.60	3.63	-71.22%	0.63
IT equipment	515.32	880.77	70.92%	-
Furniture	65.47	65.47	0.00%	11.35
Customer electricity consumption	264.69	272.05	2.78%	-
Cleaning products	1.05	1.05	0.00%	-
Maintenance travel	-	-	-	13.20
Total	9,016.44	9,533.95	5.74%	1,138.63
Emissions per employee	1.98	2.03	2.17%	1.35

Source: MAPAMA 2016

\* 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 this and the average consumption of a computer.

\* Portugal. IT equipment is recognised in the emissions for Spain.

## Indicators of 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 minimising its carbon footprint and in the strategy for mitigating climate change.

Two important milestones occurred in 2017 which had an effect on the trends shown in environmental indicators: the inauguration of the new corporate headquarters in Alcobendas, Madrid and the transfer of most of central services in Portugal to the headquarters in Marques de Pombal, Lisbon. It is expected that in 2018, when both headquarters are both fully operational, there will be a return to the normal downward trend of all the environmental indicators.

Indirect energy consumption by the Bank is from 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, which have enabled a fall of 2.1% in consumption per employee with respect to 2016.

At the end of 2016, energy audits were carried out at the Bank's buildings as required under prevailing legislation to assess the energy management carried out so far (such as the upgrade of equipment to more efficient models, replacement of lightbulbs with LEDs and smart meters for consumption) and established continuous improvement plans for the future, which have started.

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 2016.

In terms of consumption of natural gas and diesel, increases (2%) have been identified in absolute terms in relation to 2016, due, in large part to the increase in staff in the Bank's main buildings (there has been a fall of 1.4% in consumption per employee in relative terms).

However, it should be noted that the consumption of these fossil fuels represents only 7% of the total energy consumed by Bankinter in Spain.

In absolute terms, the Bank's energy consumption in Spain has increased by 0.8%. However, this has meant a 2.6% 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 for Bankinter in Spain in relation to 2016, and data on the activity of Bankinter in Portugal for 2017.

Spain				Portugal <sup>(1)</sup>
Evolution of energy consumption (GJ)				
	2016	2017	% 2016-2017	2017
Electricity	82,795	83,409	0.7%	13,234
Diesel consumption,	1,869	1,248	-33.2%	6
Natural gas consumption,	4,789	5,547	15.8%	0
<b>Total</b>	<b>89,454</b>	<b>90,204</b>	<b>0.8%</b>	<b>13,240</b>
<b>Total per employee</b>	<b>19.66</b>	<b>19.16</b>	<b>-2.6%</b>	<b>15.70</b>

\* 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 2016 has been updated based on the final invoice data, (G4-22).

\*In Portugal there are no teams that consume natural gas and the only consumption of diesel is due to testing of generators.

Spain				Portugal <sup>(1)</sup>
Growth of water consumption (m³)				
	2016	2017	% 2016-2017	2017
Total	45,488	46,871	3,0%	8,828
Total per employee	10.00	9.96	-0.4%	10.47

\* 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 water meters.

Spain				Portugal <sup>(1)</sup>
Growth of paper consumption (Tn)				
	2016	2017	% 2016-2017	2017
Total	385	376	-2.3%	75
% recycled A4 and A3 paper	100	100		100
Total per employee (%)	0.02	0.02	-3.4%	0.08

\* The paper consumption data refers to the consumption of DIN A4, DIN A3 and envelopes.

<b>Energy sources</b>			
	2016	2017	% 2016-2017
Renewable	32,870	33,113	39.7%
Cogeneration	8,362	8,424	10.1%
Natural gas consumption,	8,611	8,675	10.4%
Coal	11,343	11,427	13.7%
Nuclear	18,215	18,350	22.0%
Other	3,395	3,420	4.1%
<b>Total</b>	<b>82,795</b>	<b>83,409</b>	<b>100.0%</b>

(1) Comparative data with 2016 is not shown, as 2017 was the first year they were externally assured.

Bankinter acquires paper according to demanding environmental criteria. It is 100% recycled and bears the Blue Angel and Nordic Swan ecolabels.

Among the measures that the Bank has implemented for the reduction of paper consumption, one of the most notable is the biometric signature solution, which was set up in fixed positions in branch offices and which has been extended in recent years to various operations and products, such as: investment fund agreements, current accounts, deposits, pension plans and so on. Tablets have been distributed among office employees so that clients can carry out operations with a digital signature.

Another important milestone in 2017, related to this aspect was the digitalisation of the process of hiring employees. As well as the digital signature of the contract, all the documentation associated with each employee goes to forms part of a personal digital archive, thereby reducing the paper requirements.

In addition, customer information campaigns have been maintained to replace paper correspondence receipt with the web correspondence model.

Thanks to these savings measures, there has been a year on year decline of 2.3% in paper consumption in Spain compared with 2016 (3.4% per employee).

In the case of electronic waste, the replacement of existing with more efficient equipment, the management of confidential information equipment and the start of activity in Portugal influenced the large quantity of this type of waste managed in 2016. In 2017, these levels returned to normal.

In 2017, Bankinter offset its annual direct emissions of 2016 from its business activity in Spain and Portugal (441 tonnes of CO2) through the Zero CO2 initiative of the Ecology and Development Foundation in the Conservation of the Amazon project in Madre de Dios in Peru.

Table with 5 columns: Category, Spain 2016, Spain 2017, % 2016-2017, Portugal 2017. Rows include Paper and cardboard, Toner, and Electronic equipment.

\*The electronic equipment of both countries are recognised in Spain, because they have been managed by the same authorised company.



Second prize in the XIII edition of the Environmental Photography Awards. Luis Anselmo Gallego - Enjoying Ha-Long Bay, Vietnam, in kayak.

## 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. During 2017, this system was adapted to the new version of the standard published in 2015 and the scope was extended to include the new building in Alcobendas. This means that the management system currently includes the Banks four landmark buildings in Madrid (Paseo de la Castellana, Tres Cantos, the two buildings in Alcobendas), and a branch office.

The Internal Audit area participates in the annual verification process required for certification.

In Spain, 42% of the bank's staff is covered by this environmental certification. Portugal too has a certified environmental management system, which in 2017 saw its scope extended to include the new headquarters in Marqués de Pombal, Lisbon (it also includes the Torre Oriente building) and covers 49% of the workforce. In total, 43% of the bank's workforce is covered by this certification.

In its annual environmental management programme, Bankinter includes a series of objectives and goals aimed at optimising 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:

### Objective 1: Reduce direct emissions (Spain)

#### What did we do in 2017?

Exhaustive control of possible leaks of refrigerant gases.  
Control of consumption at the bank's properties through smart meters.

KPI	2017	2017 Target	2018 Target
Tonne CO <sub>2</sub> e / employee	0.09	✓ (-1%)	(-1%)

\* Direct emissions have been reduced by 5.8% per employee in Spain.

### Objective 2: Reduce electricity consumption (Spain)

#### What did we do in 2017?

Substitution of existing by more efficient equipment.  
Improvements in automation

KPI	2017	2017 Target	2018 Target
MWh/employee	4.92	✓ (-2%)	(-2%)

\* Electricity consumption has been reduced by 2.1% per employee in Spain.

### Objective 3: Reduce our induced emissions (Spain)

#### What did we do in 2017?

Use of digital communication platforms.  
Awareness campaigns and good environmental practices, web mail campaigns.

KPI	2017	2017 Target	2018 Target
Tonne CO <sub>2</sub> e / employee	2.03	× (-1%)	(-1%)

\* Emissions from business trips have increased significantly due to increased commercial activity and the acquisition of IT equipment (increase of 2% in tn/employee).

### Objective 4: Offset emissions

#### What did we do in 2017?

Offset direct emissions

KPI	2017	2017 Target	2020 Target
Tonne CO <sub>2</sub> offset	441	✓ Direct emissions	Carbon neutrality

### Objective 5: Reduce paper consumption (Spain)

#### What did we do in 2017?

Awareness campaigns and good environmental practices, web mail campaigns for customers. user access for printers.

KPI	2017	2017 Target	2020 Target
Tonne of paper/employee	0.02	✓ (-2%)	(-2%)

\* Paper consumption was reduced by 3.4% per employee in Spain.

### Bankinter Portugal 2018 objectives

#### What did we do in 2017?

Development of various initiatives to improve eco-efficiency.

KPI	2017	2018 target
Tonne of paper/employee	0.08	(-2%)
Mwh electricity/employee	4.36	(-1%)



## Influence on stakeholders

The Bank has different communication channels, both internal and external, for the circulation 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 blog, which offers opinion, reflection and debate between all employees, are also available.

The awareness-raising actions targeted at employees include the following:

**Environmental website.** Provides the Bank's workforce with news about activities of both internal and external environmental interest. Employees also have a suggestion box available to them.

**Sustainability section in the Bankinter blog.** This is an independent section whose publications are also disseminated through the Bank's social networks (Facebook, Twitter, LinkedIn and Google+).

**Collaboration in and financing of workshops in support of young green entrepreneurs,** organised by the start-up Greenweekend. In 2017, Bankinter collaborated in five events.

**XIII edition of the Environmental Photography Awards.** The event, which was held in 2017 under the slogan 'Sustainable Tourism', attracted entries from employees from Spain and Portugal.

**Environmental Photography Awards in social networks.** For the first time, an environmental photography competition was held for the Bank's followers on social networks with the slogan 'Sustainable Tourism'. The competition was well received and over 800 photographs were sent in.

**Support for 'Earth Hour' campaign.** This is a WWF initiative to reduce CO2 emissions. To support it, the lighting of all Bank properties was turned off and various other devices were disconnected. The participation of employees and customers was also encouraged.




**Eco-efficiency Prize in Portugal,** a competition where employees suggest their ideas for internal eco-efficiency.




Bankinter has continued participating in the Climate Change Cluster promoted by WBCSD (World Business Council for Sustainable Development). It forms part of the cluster of 50 companies from various sectors. Throughout 2017, the group has focused in particular on the impact of climate change on cities, the upcoming Climate Change Law in Spain and the role that companies will play in that, along with the possible ways companies can adapt to climate change.



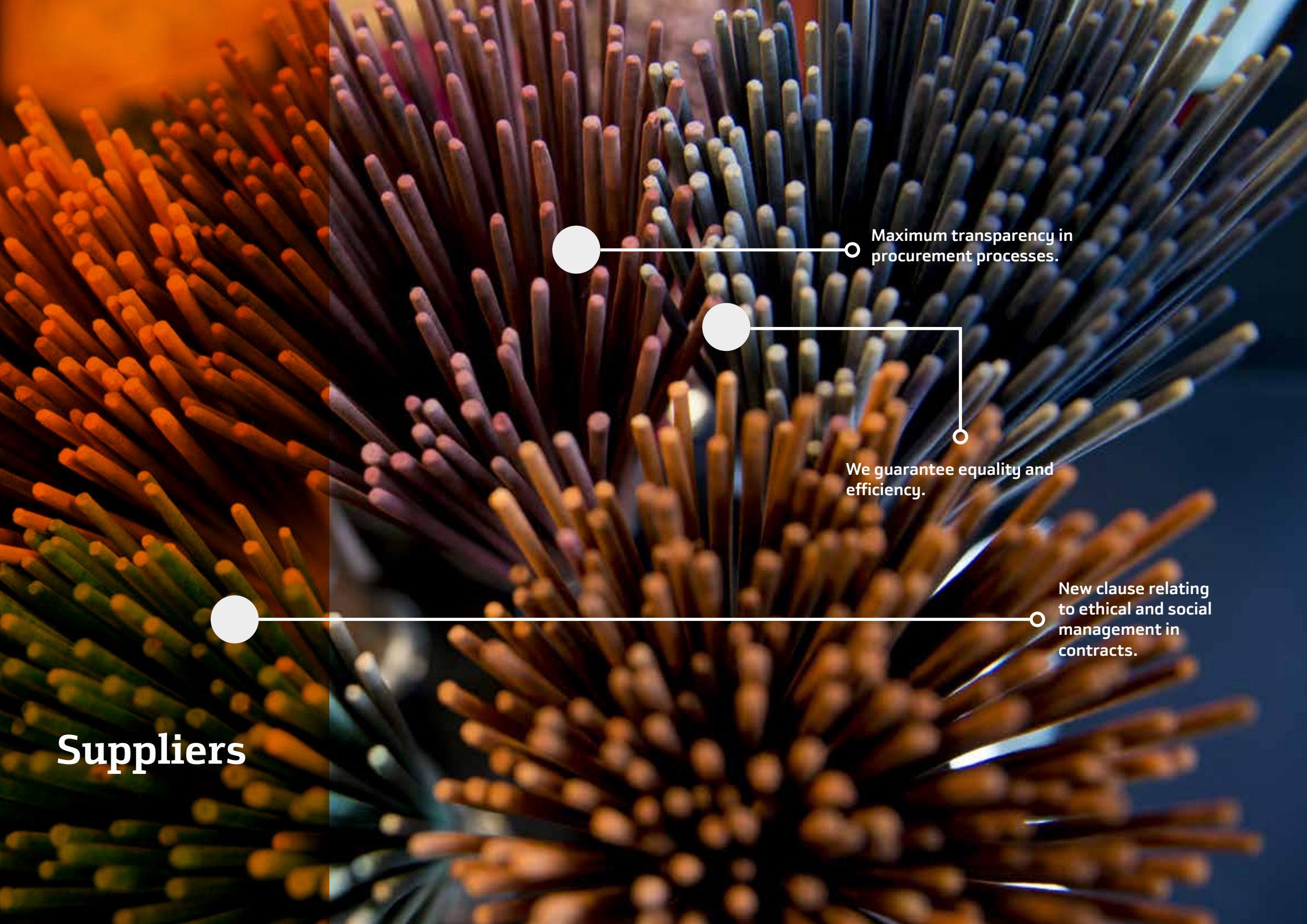
Third prize in the XIII edition of the Environmental Photography Awards. Mireia Romero - Orchha, India

**'Three in a row' plan Environmental dimension – 2017**

Strategic lines	Objectives 2017	Compliance	Objectives 2018
Strategy for climate change	Implementation of actions resulting from energy audits. Reduction of the intensity of the carbon footprint per employee by 1%. LEED certification for new building in Alcobendas, Madrid.		Identification of the impact of the Bank's loan book and financing on natural capital.
Environmental management system.	Increased scope of SGA. ISO 14001:2015 certification. Reduction of energy consumption per employee by 2%. Reduction of paper consumption per employee by 2%.		Buying green energy as a mechanism for offsetting emissions. Campaign to reduce paper consumption. Improvement of eco-efficiency per employee indicators by 2%.
Structure	New online environmental course for employees. Correlation model between the sustainable development objectives and the plan's strategic lines.		New online environmental course. New alignment actions with the sustainable development objectives.

-  Completed
-  Underway
-  Not started





Maximum transparency in procurement processes.



We guarantee equality and efficiency.



New clause relating to ethical and social management in contracts.



Suppliers

## Suppliers

# A stronger policy, looking towards Europe

Bankinter has a supplier relationship model based on collaboration, clarity, transparency and access to complete and accurate information. The Bank has established a single procurement procedure for all Group companies and guarantees transparency, free competition, equality and efficiency in all actions.

This policy was strengthened in 2017, partially as a consequence of European Central Bank and European Banking Authority recommendations to standardise, rationalise and order the processes for outsourcing of services. The new model includes the review of policies and procedures, the definition of the Bank's critical services, the setting up of a service inventory and a data repository, and the design of a communication procedure for both European regulators and supervisors and Bankinter's Internal Audit and Risks departments.

Another new development this year was the new procurement tool. It is a platform that enables procurement processes to be managed with maximum transparency, agility and robustness, and effectively complements the management of budgets and purchase order requests.

In 2017, the traditional procurement activity has notably increased due to the purchase

requests received during the merger of the business in Portugal and those resulting from the major transformation projects that Bankinter is undertaking. This is a situation that will continue in 2018 and one which will also require the fulfilment of the Bank's new policies.

**Volume of purchases negotiated**

**108** €mn

**Bidding processes**

**425**



## New code, same old values

Bankinter's board of directors approved the new Suppliers Code of Conduct at the start of 2018. This forms the set of basic principles of practice and rules of professional conduct that ought to govern the actions of all its suppliers and establishes the ethical values that have traditionally existed in relations with them.

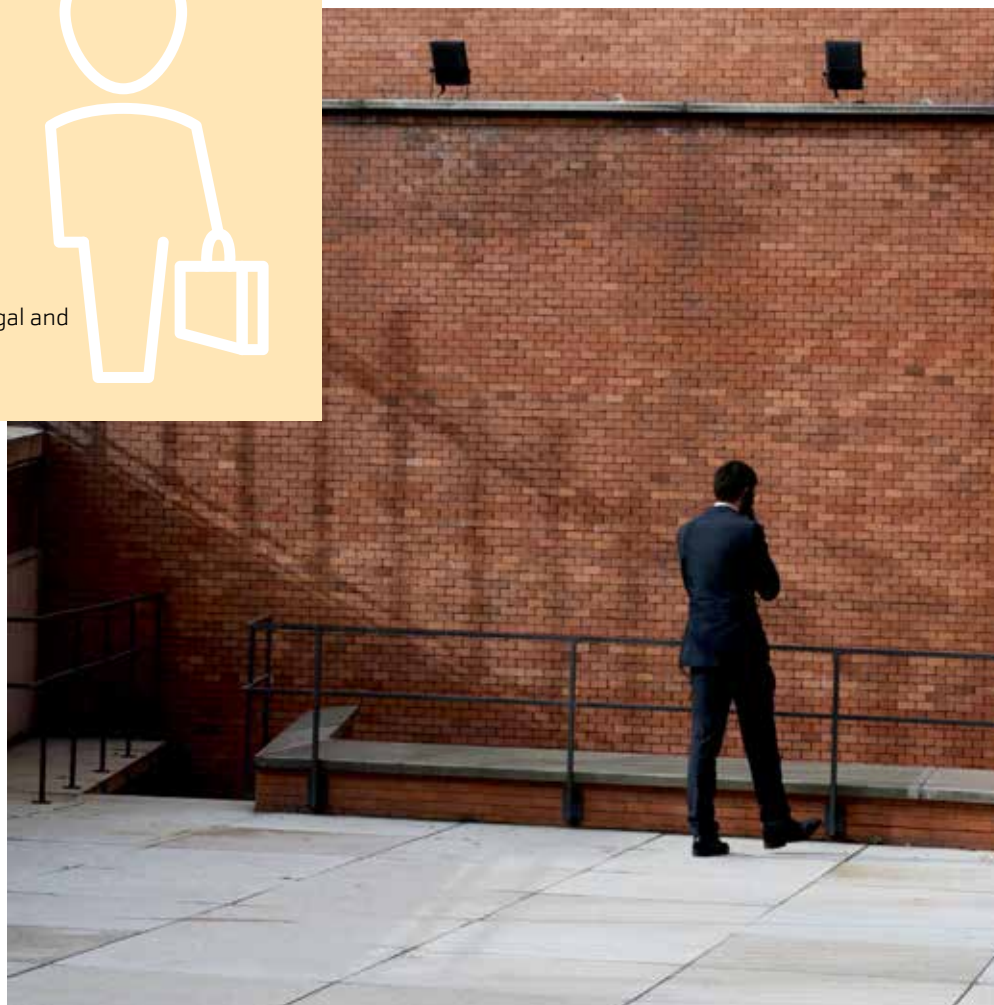
The purpose of the code is to ensure that all suppliers and subcontracted companies comply with the stipulations of the United Nations Global Compact, encourage sustainable development, ensure human rights, observe employment regulations and promote environmental protection, among other things. In short, it aims to make sure that suppliers share and respect the ethical values that guide the conduct of the Group and its employees.

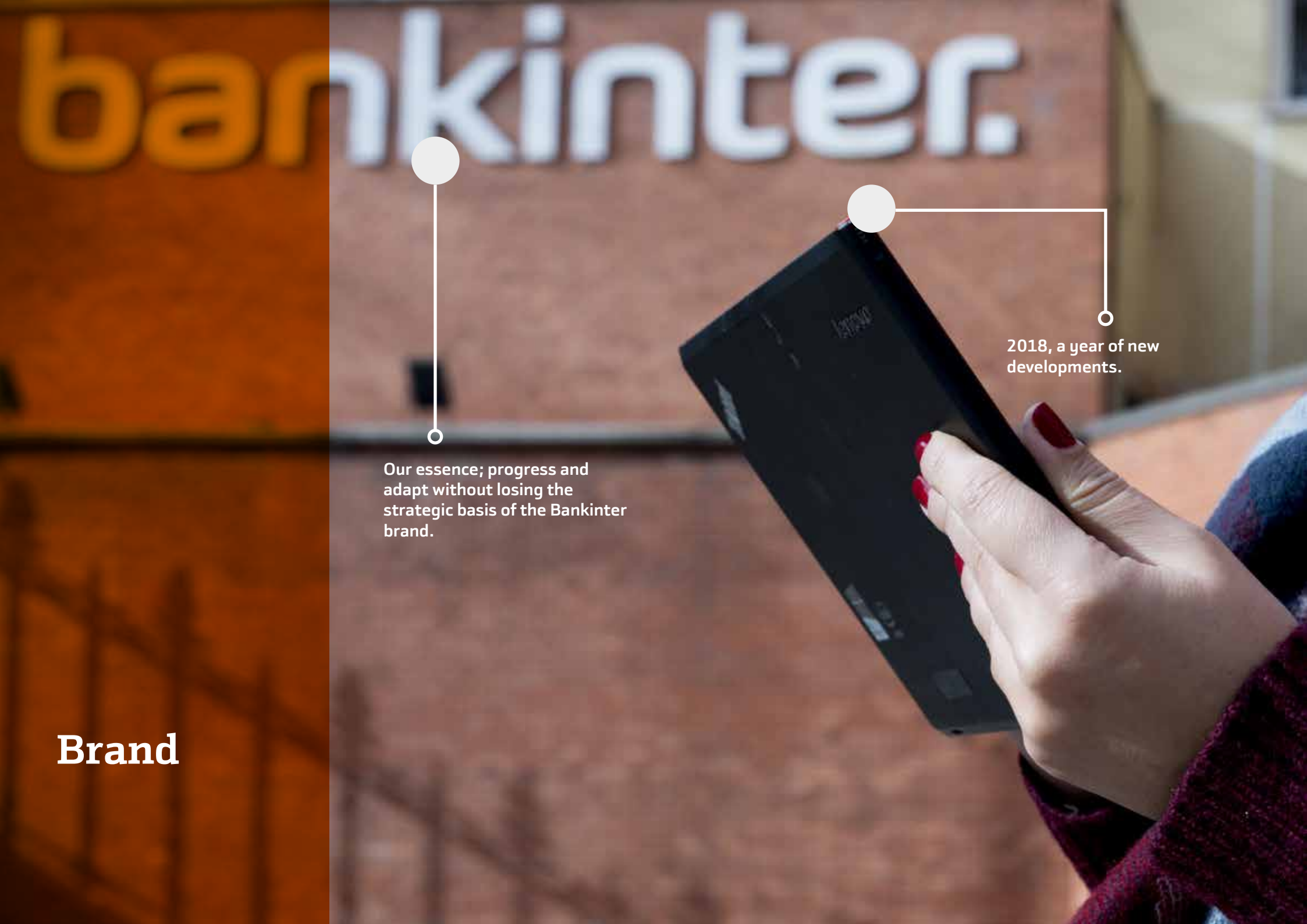
The principles described in this code of conduct are an important component in the selection and assessment of suppliers, and failure to meet them could lead to the termination of their contracts.

Bankinter has also included a clause in its contracts with suppliers relating to ethical and social management, which commits them to such things as preventing corruption, ensuring data protection, not using child labour and guaranteeing stability of employment.

### In our suppliers we look for:

- The ability to innovate and reinvent.
- Constant improvement.
- Proactivity.
- Responsibility.
- Sustainability.
- Company ethics.
- Area of activity Spain/Portugal and Luxembourg.





Our essence; progress and adapt without losing the strategic basis of the Bankinter brand.



2018, a year of new developments.

**Brand**

## Brand

# The same image: online and offline

During 2017, the heads of Brand laid the foundations for the harmonisation of Bankinter's offline image with its online image, which the year before had been subject to an in-depth treatment, with the aim of aligning it with the requirements demanded by the new digital era and the brand's DNA.

Throughout 2016 and 2017, the principles and tools were established that permit Bankinter to create an authentic and singular digital experience. As part of this, a structural template was introduced that standardises the brand in all the areas where it is present.

To organise and offer a single image, in 2016 a common decision tree was defined, for creation of apps, in three parameters, each with a different colour. In this way, a visual system was created for Bankinter that enables the customer to intuitively identify the apps. To that was added a specific visual movement that was created for these apps, which was more subtle and elegant than with the first redesign. At the same time, some of the elements of the corporate identity were updated, such as the use of colour.

The logic of the Bankinter colour palette can be summarised in these four basic types of colour use: backgrounds, texts, secondary and interaction. In this way the brand is created both visually and in terms of interactive experience, maintaining orange as the predominate colour.

Likewise, a new digital font was designed that, without losing the structure of the current one, maintains the same personality as the original and adapts perfectly to the new digital environments. The change was made without any disruptions that might disorientate customers and maintaining the style that has characterised Bankinter for the last dozen years.

Bankinter

Lenguaje digital

mayo 2017

Paleta principal

El color es un elemento identitario esencial, por eso, su correcto uso es fundamental para el éxito y la coherencia visual de nuestra marca.

El naranja principalmente, pero también los grises y el blanco son los colores que predominan en la identidad visual de bankinter y por lo tanto unos protagonistas gráficos.

<b>Bankinter naranja</b> #F79000 R255 G115 B0  Bankinter naranja accesible #F86A00 R249 G106 B0	<b>Bankinter turquesa ligero</b> #C8E6F1 R193 G229 B225	<b>Bankinter turquesa</b> #10BDE8 R18 G229 B213	<b>Bankinter alerta</b> #D62A21 R219 G42 B33
<b>Bankinter negro</b> #19191C R25 G27 B28	<b>Bankinter gris ligero</b> #EAE6EF R234 G239 B239	<b>Bankinter verde</b> #2DCE73 #44 G222 B115	<b>Bankinter marrón</b> #8C5635 R140 G51 B53
<b>Bankinter gris oscuro</b> #2D3135 R43 G49 B53	<b>Bankinter gris muy ligero</b> #F3F3F5 R243 G245 B245	<b>Bankinter oro</b> #BAA060 R186 G160 B96	<b>Bankinter amarillo</b> #FED9A0 R254 G212 B48
<b>Bankinter gris</b> #52595B R82 G89 B91	<b>Bankinter gris frío</b> #617077 #97 G112 B119	<b>Bankinter oro ligero</b> #C0B274 R204 G178 B118	<b>Bankinter amarillo ligero</b> #F0797A R255 G231 B84

Traditional environment

The next challenge, which was embarked on in 2017, was to transfer the changes made in the digital corporate identity to the traditional environment (posters, stationery, signage and so on), so as to clearly express the positioning of the brand and its consistency across all environments.

To help do this, a set of brand principles were developed within which a new visual and verbal language was created to offer a single and homogeneous experience, adapted to the modern day. The essence underlying the entire process centres on progressing and adapting to modern times, but without losing the strategic basis of the Bankinter brand.

After a long year's work, the new developments are expected to be implemented during 2018.

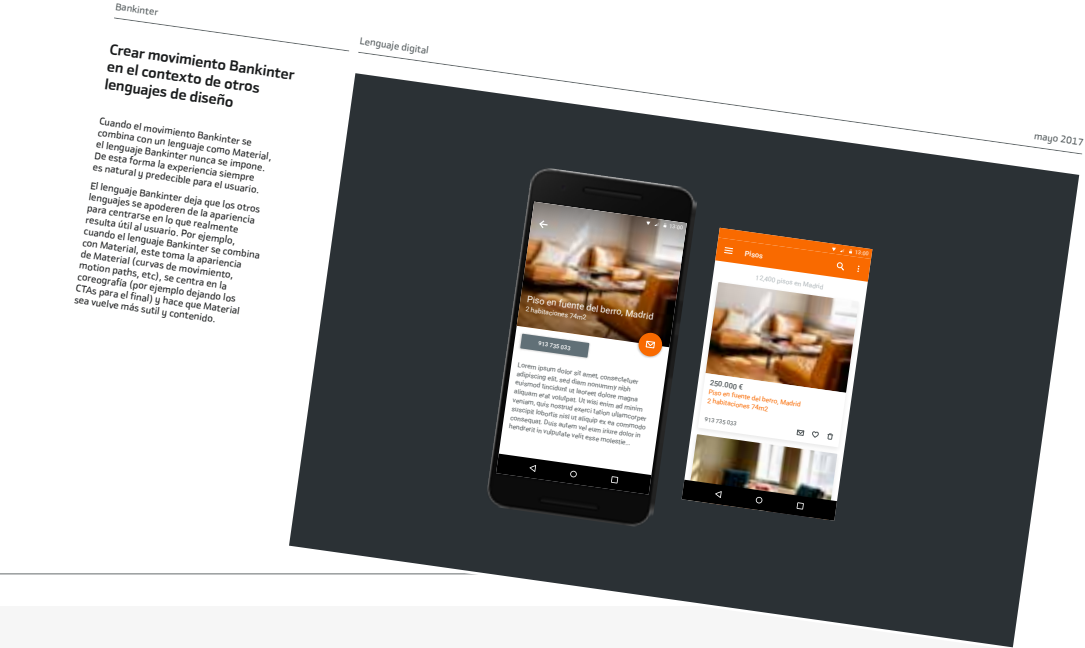
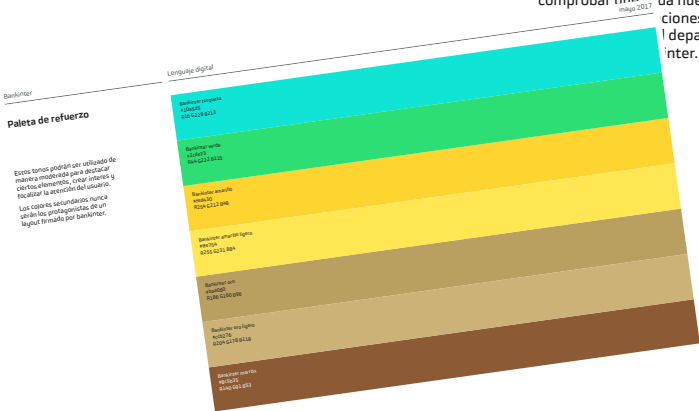
A new measurement metric for the Bankinter brand

The brand is one of the Company's assets, and as such needs to have a metric that reflects with tangible data, the major importance that this intangible asset has. A new measurement system has been introduced that allows better management of the changes to Bankinter's brand and its impact on the business.

Bankinter
Lenguaje digital

Combinaciones de color sobre fondos claros

El sistema de uso de color Bankinter está diseñado para ser accesible AA. Es esencial ser consistente no solo en color si no en combinaciones de color. Para mantener la accesibilidad AA recomendamos restringir las combinaciones de color a las que puedes ver en este documento. Sin embargo, en caso de crear nuevas combinaciones, es esencial no crear nuevos colores y comprobar que se da nueva combinación ciones AA y los l departamento inter.



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SECUNDARIO PRIMARIO

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SECUNDARIO PRIMARIO

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SECUNDARIO PRIMARIO



# Awards and Recognition



# Awards and recognition

Merco 2017



Among the Top 30 most reputable companies

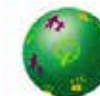
BrandZ Top 30 Most Valuable Spanish Brands



Among the 30 most valuable Spanish brands

MEMBER OF  
**Dow Jones Sustainability Indices**  
In Collaboration with RobecoSAM

Member of the Dow Jones Sustainability Index



FTSE4Good

Reappearance in the FTSE4Good index

Másfamilia Foundation



FRC certificate (family-responsible company)

University of Pennsylvania's Global Go To Think Tank Index.

Best Spanish technology think tank

ILUNION

Committed to accessibility

Equileap 2017 Gender Equality Global Report & Ranking

Bankinter, among the world's most equal companies

Actualidad Económica

Payroll account, one of the 100 best business ideas

Emotions in the Spanish banking sector. EMO Insights.

The most trusted bank in the IBEX 35

Benchmark NPS Accenture

The most valued bank by customers

Rankia Awards



Mortgage of the year



Spanish Accounting and Business Administration Association (AECA)

First bank to be ECA® certified

M<sup>a</sup> Dolores Dancausa, chief executive officer of Bankinter

One of the best CEO in Spain 2017 (Forbes)  
One of the most influential personalities of 2017 (ABC)  
Merco Líderes 2017 leadership ranking  
2017 Tintero Awards (runner up)

Interbrand

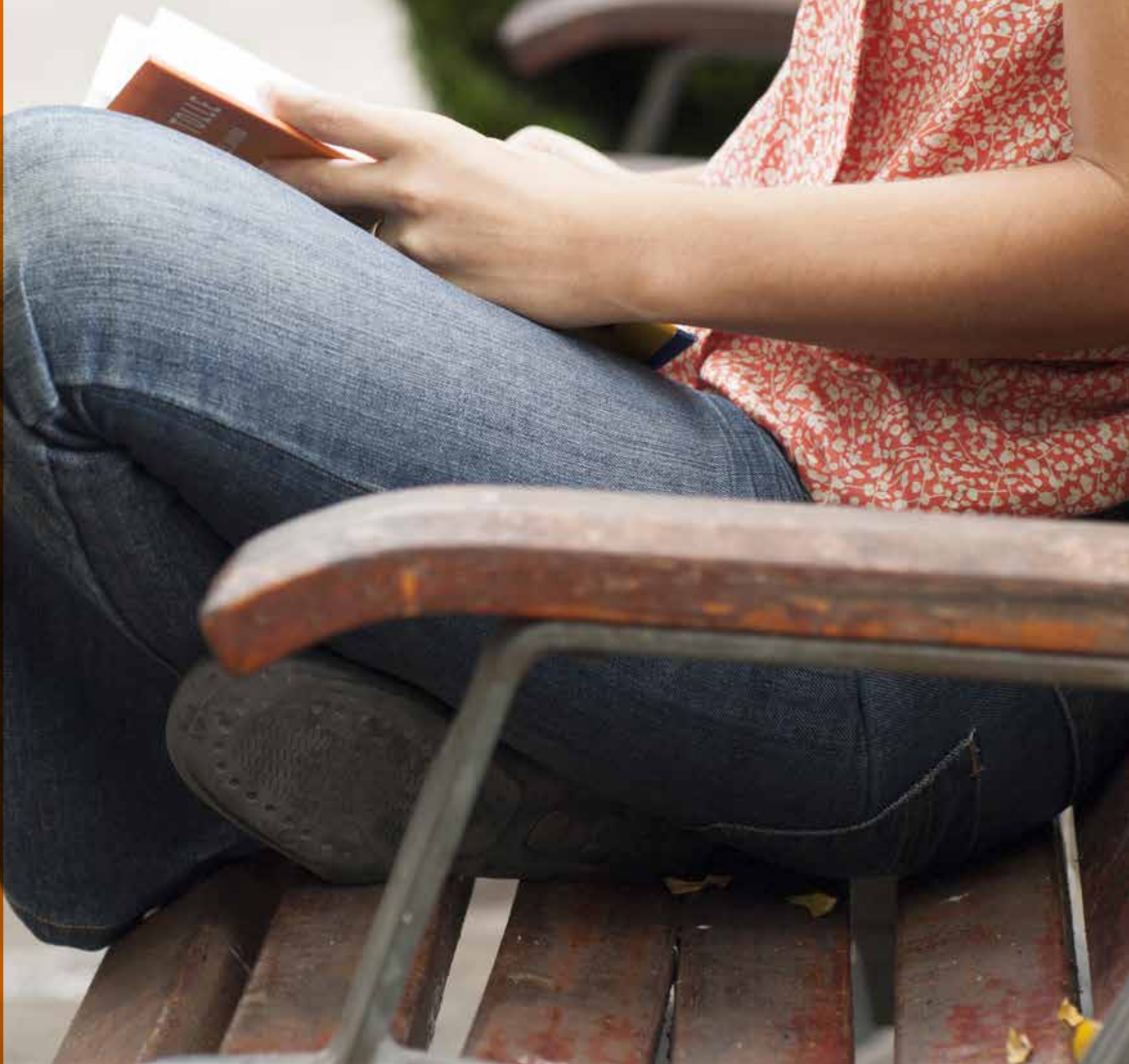
Best Spanish brands

Top Employer



One of the best companies to work for

# Appendix





# Information for shareholders and investors

The Bankinter S.A. Annual Report is presented at this year's annual general meeting of shareholders and is available to all of the Company's shareholders. The information contained includes the period from 1 January 2017 to 31 December 2017, unless otherwise specified. The previous Report, referring to the year 2016, was published on February 22, 2017.

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.

The Bankinter Annual Report has followed a process of pooling, review, correction and audit.

The sustainability information of the 2017 integrated annual report has been prepared in accordance with the international framework, 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.

(G4-18)





## Shareholders office

Alfonso Martínez Vaquero  
Avda. de Bruselas, 12  
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  
Email:  
incidencias\_sac.bankinter@bankinter.com

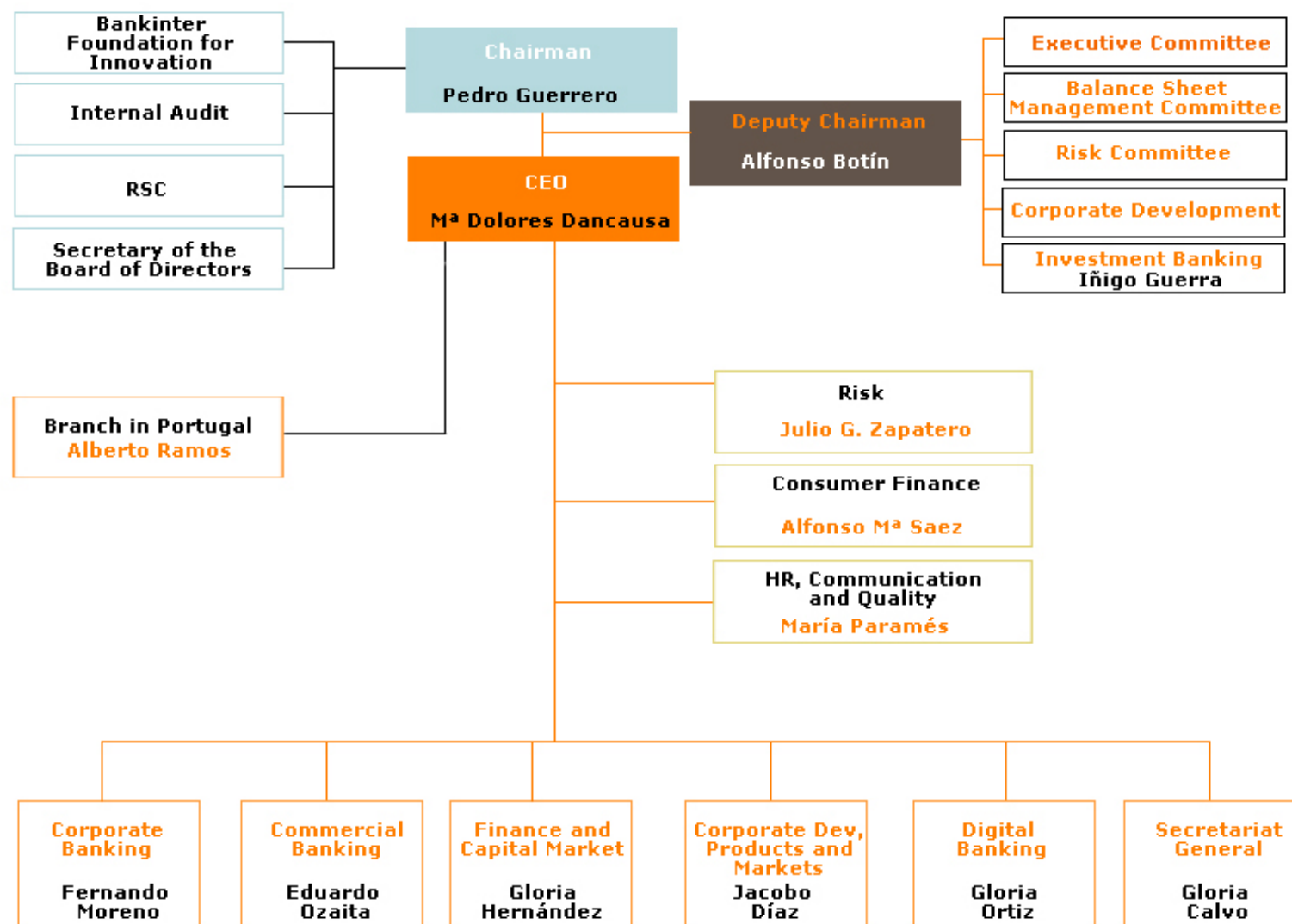
## External communication

Inés García Paine  
Paseo de la Castellana, 29  
28046 Madrid  
Tel. 91 339 83 38  
Email:  
comunicacion@bankinter.com

### Service

Customer assistance to personal and private banking customers.	8.00 to 22.00 h Monday to Saturday ( except bank holidays)	
Individual retail banking	9.00 to 18.00 h Monday to Friday ( except bank holidays)	902 132 313
Insurance specialists / Commercial insurance	09.00 to 18.00 Monday to Friday (except bank holidays)	
Asset specialists	09.00 to 18.00 Monday to Friday (except bank holidays)	901 810 440
Assistance in English	09.00 to 18.00 Monday to Friday (except bank holidays)	902 888 835
Customer service support	09.00 to 18.00 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 17.00 h Monday to Friday ( except bank holidays)	902 882 000
Company telephone banking	8.00 to 18.00 Monday to Thursday and Friday 8.00 to 17.00. August 08.00 to 15.00 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



## Board of Directors

Does the	Name / Company
Chairman	Pedro Guerrero Guerrero
Vice chairman	Cartival, S.A.
Chief executive officer	María Dolores Dancausa Treviño
Director	Jaime Terceiro Lomba
Director	Marcelino Botín-Sanz de Sautuola y Naveda*
Director	Fernando Masaveu Herrero
Director	Gonzalo de la Hoz Lizcano
Director	María Teresa Pulido Mendoza
Director	Rafael Mateu de Ros Cerezo
Director	Teresa Martín-Retortillo Rubio
Secretary (non director)	Gloria Calvo Díaz

- Cartival, S.A.: A company represented on the Board by Alfonso Botín-Sanz de Sautuola y Naveda, where Jaime Botín-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	Andalusia
Juan Manuel Castaño Escudero	Canary Islands
Jacobo Cañellas Colmenares	Castilla-La Mancha-Extremadura
Eduard Gallart Sullà	Catalonia
Antonio Berdiel Bitrián	Levante y Baleares
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



## GRI Content Index



Bankinter 2017				
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	-	PwC report (page 182)
G4-2	Provide a description of key impacts, risks, and opportunities.	- Pages 33-34, 46-61, 128-152	-	PwC report (page 182)
COMPANY PROFILE				
G4-3	Name of Company	Report Cover	-	PwC report (page 182)
G4-4	The organization's most important brands, products and services.	- Page 63-86	-	PwC report (page 182)
G4-5	Company headquarters	- Paseo De La Castellana, 29 – 28046 Madrid	-	PwC report (page 182)
G4-6	Indicate in how many countries the organization operates and name the countries where the organization carries out significant operations or that have a specific relevance to the sustainability issues that are the subject of the report	Bankinter's significant operations take place in Spain and Portugal.	-	PwC report (page 182)
G4-7	Nature of property regime and its legal form	Bankinter, S.A.	-	PwC report (page 182)
G4-8	Indicate which markets are served (with geographical breakdown, by sectors and types of customers and recipients)	- Page 63-86	-	PwC report (page 182)
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.	- Pages 18-34, 63-105, 114-125.	-	PwC report (page 182)
G4-10	a. Number of employees according to contract and gender. b. Number of permanent employees according to type of contract and gender. c. 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.	- Pages 115-116, 124.	-	PwC report (page 182)
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. In Luxembourg 100% are covered by a collective bargaining agreement. In Luxembourg, the 'Collective Bargaining Agreement for Bank Employees' applies to the entire workforce	-	PwC report (page 182)
G4-12	Describe the organization's supply chain	- Page 154-155	-	PwC report (page 182)
G4-13	Report any significant change that occurred during the reporting period in the size, structure, ownership, or supply chain of the organization	There were no significant changes during 2017	-	PwC report (page 182)
Participation in external initiatives				
G4-14	Report whether and how the precautionary approach or principle is addressed by the organisation.	- Page 46-47 - ACGR 2017 E.1 and E.2	-	PwC report (page 182)
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses.	- Pages 57-59, 128, 131-152	-	PwC report (page 182)
G4-16	. List memberships of associations (such as industry associations) and national or international advocacy organisations in which the organisation: : - holds a position on the governance body - participates in projects or committees; - provides substantive funding beyond routine membership dues; - views membership as strategic.	- Pages 131, 134, 140-141, 143, 145, 151	-	PwC report (page 182)

		Localization in report	Omission	External verification
MATERIAL ASPECTS AND BOUNDARIES				
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 (Minority interests and Tax Position) - Unless the indicators explicitly indicate otherwise, the scope of the report is Bankinter Group (except LDA)	-	PwC report (page 182)
G4-18	a. Describe the process that has been followed to determine the content of the memory and the boundaries of each aspect. b. Explain how the organisation has implemented the reporting principles for defining report content.	- Pages 129-131, 162	-	PwC report (page 182)
G4-19	Make a list of material Aspects that were identified during the process of defining the content of the report.	- Page 129-131	-	PwC report (page 182)
G4-20	Indicate the boundaries within the organisation of each material aspect.	- Pages 129-131 GRI Content Index (pages 167-181) reports the material aspects, the associated indicators and their boundaries.	-	PwC report (page 182)
G4-21	Report the aspect boundary outside the organisation for each material aspect	- Pages 129-131 GRI Content Index (pages 167-181) reports the material aspects, the associated indicators and their boundaries.	-	PwC report (page 182)
G4-22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements..	- Pages 147-148 - Consolidated Financial Statements Note 2 (Accounting Criteria applied)	-	PwC report (page 182)
G4-23	Report any significant changes in the scope and boundaries of each aspect with respect to previous reports	The scope and boundaries of each aspect are indicated in the GRI Content Index (pages 167-181). There were no significant changes with respect to previous years.	-	PwC report (page 182)
STAKEHOLDER AWARENESS RAISING CAMPAIGNS				
G4-24	Provide a list of stakeholders engaged by the organisation	- Page 129-131	-	PwC report (page 182)
G4-25	Report the basis for identification and selection of stakeholders with whom to engage	- Page 129-131	-	PwC report (page 182)
G4-26	Report the organisation's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	- Page 128-131	-	PwC report (page 182)
G4-27	Report key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns.	- Page 130, 131	-	PwC report (page 182)
REPORT PROFILE				
G4-28	Reporting period (such as fiscal or calendar year) for information provided.	- Page 162	-	PwC report (page 182)
G4-29	Date of most recent previous report (if any).	- Page 162	-	PwC report (page 182)
G4-30	Reporting cycle (such as annual, biennial).	- Page 162	-	PwC report (page 182)
G4-31	Provide the contact point for questions regarding the report or its contents.	- Page 163	-	PwC report (page 182)
GRI INDEX				
G4-32	a. Indicate which option 'in accordance' with the Guide the organization has chosen. b. Report the GRI Content Index for the chosen option (see tables below). c. Report the reference to the External Assurance Report, if the report has been externally assured.	Comprehensive Compliance Option	-	PwC report (page 182)
ASSURANCE				
G4-33	a. Report the organisation's policy and current practice with regard to seeking external assurance for the report. b. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided. c. Report the relationship between the organization and the assurance providers. d. Report whether the highest governance body or senior executives are involved in seeking assurance for the organisation's sustainability report.	Bankinter's practice is to submit the Sustainability Information to an Independent Auditor for review. In fiscal year 2017, this review was carried out by PricewaterhouseCoopers Auditores, S.L.	-	PwC report (page 182)

		Localization in report	Omission	External verification
GOVERNANCE				
G4-34	Report the governance structure of the organisation, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.	- Pages 36-39, 133 - ACGR: committees, board of directors: Company management structure	-	PwC report (page 182)
G4-35	Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees.	- Pages 39, 133	-	PwC report (page 182)
G4-36	Report whether the organisation has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body.	- Pages 39, 133	-	PwC report (page 182)
G4-37	Report processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics. If consultation is delegated, describe to whom and any feedback processes to the highest governance body.	- Pages 28-30, 133 - ACGR 2017 F.1.2.	-	PwC report (page 182)
G4-38	Report the composition of the highest governance body and its committees	- Page 36-39 - ACGR 2017: committees, board of directors: Company management structure	-	PwC report (page 182)
G4-39	Report whether the chair of the highest governance body is also an executive officer. If so, report their function within the organisation's management and the reasons for this arrangement.	- Page 36-39 - ACGR 2017 C.1.2 and C.1.3.	-	PwC report (page 182)
G4-40	Report the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members	- Page 40-42 - ACGR 2017 C.1.19	-	PwC report (page 182)
G4-41	Report processes for the highest governance body to ensure conflicts of interest are avoided and managed. Report whether conflicts of interest are disclosed to stakeholders	- ACGR 2017 D.6	-	PwC report (page 182)
ROLE OF THE SUPERIOR GOVERNING BODY AT THE TIME OF ESTABLISHING THE PURPOSES, VALUES AND STRATEGY OF THE ORGANISATION				
G4-42	Report the highest governance body's and senior executives' roles in the development, approval, and updating of the organisation's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts.	- Pages 36-37, 41-43, 133	-	PwC report (page 182)
EVALUATION OF THE COMPETENCES AND PERFORMANCE OF THE SUPERIOR GOVERNING BODY				
G4-43	Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics	- Page 128, 133-134	-	PwC report (page 182)
G4-44	a. Report the processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics. Report whether such evaluation is independent or not, and its frequency. Report whether such evaluation is a self-assessment. b. Report actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics, including, as a minimum, changes in membership and organisational practice.	- ACGR 2017 C.1.20 and C.1.20.bis - Page 43	-	PwC report (page 182)
HIGHEST GOVERNANCE BODY'S ROLE IN RISK MANAGEMENT				
G4-45	a. Report the highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities. Include the highest governance body's role in the implementation of due diligence processes. b. Report whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental and social impacts, risks, and opportunities.	- Pages 57-58, 128, 132-134 - ACGR 2017 E.1 and E.2	-	PwC report (page 182)
G4-46	Report the highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics.	- Page 133-134 - ACGR 2017 E.1 and E.2	-	PwC report (page 182)
G4-47	Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities.	- Pages 57-58, 128, 132-134 - ACGR 2017 E.1 and E.2	-	PwC report (page 182)
HIGHEST GOVERNANCE BODY'S ROLE IN SUSTAINABILITY REPORTING				
G4-48	Report the highest committee or position that formally reviews and approves the organisation's sustainability report and ensures that all material aspects are covered.	- Sustainability information is submitted to the appointments and corporate governance committee, which has competence in matters of corporate responsibility.	-	PwC report (page 182)
HIGHEST GOVERNANCE BODY'S ROLE IN EVALUATING ECONOMIC, ENVIRONMENTAL AND SOCIAL PERFORMANCE				
G4-49	Report the process for communicating critical concerns to the highest governance body.	- Pages 129-131, 133-134 - ACGR 2017 F.1.2.	-	PwC report (page 182)
G4-50	Report the nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them.	- Pages 129-131, 133-134 - ACGR 2017 F.1.2.	-	PwC report (page 182)

		Localization in report	Omission	External verification
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 44 - Remuneration policy - ACGR Remuneration committee	-	PwC report (page 182)
G4-52	Report the process for determining remuneration. Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management. Report any other relationships which the remuneration consultants have with the organisation.	- Page 44 - Remuneration policy - ACGR Remuneration committee	-	PwC report (page 182)
G4-53	Report how stakeholder's views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable.	- ACGR 2017 F.1.2. - Pages 28-30, 44, 129-130.	-	PwC report (page 182)
G4-54	Calculate the ratio between the total annual compensation of the highest paid person in the organisation in each country where significant transactions are carried out with the median annual total remuneration for all employees (excluding the highest paid person) in the corresponding country.	The ratio between the fixed remuneration of the highest paid person and the median annual total fixed remuneration for all employees, by country, is: Spain 17.92 Portugal 6.11 Luxembourg 2.34	-	PwC report (page 182)
G4-55	Calculate the ratio between the percentage increase in the total annual remuneration of the highest paid person in the organisation in each country where significant operations are carried out with the median percentage increase in the annual total remuneration for all employees (excluding the highest-paid individual) in the same country.	The ratio between the percentage increase in the fixed remuneration of the highest paid person and the percentage increase in the median annual total fixed remuneration for all employees, by country, is: Spain: 1.71 Portugal: 0	The information on Luxembourg is unavailable. Work is under way to report on this in the 2018 Report.	PwC report (page 182)
ETHICS AND INTEGRITY				
G4-56	Describe the values, principles, standards and norms of the organisation, such as codes of conduct and ethical codes	- Pages 57-59	-	PwC report (page 182)
G4-57	Report the internal and external mechanisms for seeking advice on ethical and lawful behaviour, and matters related to organisational integrity, such as helplines or advice lines	- Pages 57-59	-	PwC report (page 182)
G4-58	Report the internal and external mechanisms for reporting concerns about unethical or unlawful behaviour, and matters related to organisational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines.	- Pages 57-59	-	PwC report (page 182)



## BASIC SPECIFIC CONTENT GRI G4 (G4-20, G4-21 and G4-23)

Identified material aspects	Material aspect boundaries	Indicator	Location 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 approach	- Page 23-27	Bankinter Group	-	PwC report (page 182)		
		EC1	Direct economic value generated and distributed	BANKINTER (1)			Bankinter Group	-	PwC report (page 182)
				€ thousand	2017	2016			
				Economic value generated (2)	1,823,105	1,658,793			
				Gross operating income	1,851,316	1,717,389			
				Gains (losses) in the disposal of assets not classified as non-current assets held for sale	-1,201	-703			
				Gains (losses) on non-current assets held for sale not classified as discontinued operations	-27,010	-57893			
				Economic value distributed	1,314,660	1,231,456			
Staff Costs	498,494			462,693					
EC2	Economic consequences and other risks and opportunities for the organisation's activity arising from climate change	Other administration costs (except contributions and tax)	379,767	374,883	Bankinter Group	-	PwC report (page 182)		
		Tax on profits and contributions and tax (3)	187,181	192,380					
		Dividends charged to profit for the year (4)	247,603	200,000					
		Social investment	1,615	1,500					
		Retained economic value (economic value generated less that distributed)	508,445	427,337					
		(1) Refers to Bankinter Group 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							
EC3	Coverage of the organisation's defined benefit plan obligations	(4) Includes both distributed dividends and outstanding distributions charged to the income account		Bankinter Group	-	PwC report (page 182)			
EC4	Financial assistance received from government	- Page 145-147		Bankinter Group (except LDA)	-	PwC report (page 182)			
		- Risk and opportunities module of CDP Questionnaire 2017.							
EC5	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 statements.	- Consolidated financial statements Note 28 (Staff costs)		Bankinter Group	-	PwC report (page 182)			
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 approach	- Page 33-34, 73-74, 82	Bankinter Group (except LDA)	-	PwC report (page 182)		
		EC5	Ratio of standard entry level wage by gender compared to local minimum wage at significant locations of operations.	The ratio between the standard entry level wage in the Bank for the lower level of the banking sector collective agreement (for both men and women) and the local minimum wage, by country, is: Spain: 2.31 / Portugal: 1.55 / Luxembourg: 1,26	Bankinter Group (except LDA)	-	PwC report (page 182)		
				100% of senior executives come from the local community.	Bankinter Group (except LDA)	-	PwC report (page 182)		
Indirect economic impacts (p)									
<div>- Investment in the community</div>	External	G4-DMA	Management approach	- Page 107-112	Bankinter Group (except LDA)	-	PwC report (page 182)		
		EC7	Development and Impact of investment in infrastructure and types of services	- Pages 107-112, 137-142. - The Innovation Foundation is developing indicators to quantify the return on investment of its programmes.	Bankinter Group (except LDA)	-	PwC report (page 182) (1)		
				- Page 107-112	Bankinter Group (except LDA)	-	PwC report (page 182)		

Identified material aspects	Material aspect boundaries	Indicator		Location in report	Scope	Omission	External verification
Procurement practices (p)							
- Employment creation and stability	External	G4-DMA	Management approach	- Page 154-155	Bankinter Group (except LDA)	-	PwC report (page 182)
		EC9	Proportion of spending on local suppliers at significant locations of operations.		Bankinter Group (except LDA)	Quantitative information unavailable. Work is under way to report on this in the 2018 Report.	PwC report (page 182) (1)
ENVIRONMENTAL DIMENSION*							
Materials (p )							
- Environmental policy	Internal	G4-DMA	Management approach	- Page 148	Bankinter Group (except LDA)	-	PwC report (page 182)
		EN1	Materials used by weight and volume.	- Page 148	Bankinter Group (except LDA)	The information regarding Luxembourg is unavailable, however, it is not considered as significant in relation to this report. Work is under way to report on this in the 2018 Report.	PwC report (page 182)
		EN2	Percentage of materials used that are recycled input materials.	- Page 148	Bankinter Group (except LDA)		PwC report (page 182)
Energy (p)							
- Environmental policy - Energy management at facilities	Internal	G4-DMA	Management approach	- Page 148	Bankinter Group (except LDA)	-	PwC report (page 182)
		EN3	Internal energy consumption	- Page 148	Bankinter Group (except LDA)	The information regarding Luxembourg is unavailable, however, it is not considered as significant in relation to this report. Work is under way to report on this in the 2018 Report. In the case of EN6 and EN7, comparative information for Portugal is not available for 2016. It will be reported in 2018.	PwC report (page 182)
		EN4	External energy consumption	- Pages 146-147 External energy consumption is associated with information on scope 3 of the carbon footprint related to business trips, in-situ travel and the estimation of electricity consumption by customers.	Bankinter Group (except LDA)		PwC report (page 182)
		EN5	Energy intensity	- Page 148	Bankinter Group (except LDA)		PwC report (page 182)
		EN6	Reduction of energy consumption	- Page 148, 150	Bankinter Group (except LDA)		PwC report (page 182)
		EN7	Reduction in energy required by products and services.	- Page 148, 150	Bankinter Group (except LDA)		PwC report (page 182)
Water							
- Environmental policy	Internal	G4-DMA	Management approach	- Page 148	Bankinter Group (except LDA)	-	PwC report (page 182)
		EN8	Total water intake by source	- Page 148. All water used by Bankinter comes from municipal sources.	Bankinter Group (except LDA)	The information regarding Luxembourg is unavailable, however, it is not considered as significant in relation to this report. Work is under way to report on this in the 2018 Report.	PwC report (page 182)
		EN9	Water sources significantly affected by withdrawal of water	Bankinter has its headquarters in urban areas, so its water is both withdrawn and expelled via the municipal water network.	Bankinter Group (except LDA)	-	PwC report (page 182)
		EN10	Percentage and total volume of water recycled and reused.		Bankinter Group (except LDA)	PwC report (page 182)	

Identified material aspects	Material aspect boundaries	Indicator	Location in report	Scope	Omission	External verification	
Biodiversity (Aspects not considered as priority so there are no specific management approaches)							
Non material	Not applicable	EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside unprotected areas	Bankinter has its headquarters in urban land, so it has no impact on protected natural spaces or biodiversity.	Bankinter Group (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.		Bankinter Group (except LDA)	-	NA
		EN13	Protected or Restored Habitats		Bankinter Group (except LDA)	-	NA
		EN14	Number of IUCN red list species and national conservation list species with habitats in areas affected by operations, by level of extinction risk		Bankinter Group (except LDA)	-	NA
Emissions(p)							
- Environmental policy - Energy management at facilities	Mixed	G4-DMA	Management approach	- Page 145-147, 150	Bankinter Group (except LDA)	-	PwC report (page 182)
		EN15	Direct greenhouse gas emissions (Scope 1)	- Page 145-147, 150	Bankinter Group (except LDA)	The information regarding Luxembourg is unavailable, however, it is not considered as significant in relation to this report. Work is under way to report on this in the 2018 Report. In the case of EN19, comparative information for Portugal is not available for 2016. It will be reported in 2018.	PwC report (page 182)
		EN16	Indirect greenhouse gas emissions (Scope 2)	- Page 145-147, 150	Bankinter Group (except LDA)		PwC report (page 182)
		EN17	Other indirect greenhouse gas emissions (Scope 3)	- Page 145-147, 150	Bankinter Group (except LDA)		PwC report (page 182)
		EN18	Intensity of Greenhouse Gas Emissions	- Page 145-147, 150	Bankinter Group (except LDA)		PwC report (page 182)
		EN19	Reduction of Greenhouse Gas Emissions	- Page 145-147, 150	Bankinter Group (except LDA)		PwC report (page 182)
		EN20	Emission of substances that deplete the ozone layer.		Bankinter Group (except LDA)	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.	PwC report (page 182)
		EN21	NOx, SOx and other significant atmospheric emissions.		Bankinter Group (except LDA)	Given the financial activity of the Bank, no significant emissions of this kind are produced.	PwC report (page 182)

Identified material aspects	Material aspect boundaries	Indicator		Location in report	Scope	Omission	External verification
Effluents and Waste (p)							
- Environmental policy	Internal	G4-DMA	Management approach	- Page 149	Bankinter Group (except LDA)	-	PwC report (page 182)
		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.	Bankinter Group (except LDA)	The information regarding Luxembourg is unavailable, however, it is not considered as significant in relation to this report. Work is under way to report on this in the 2018 Report.	PwC report (page 182)
		EN23	Total weight of waste, according to type and method of treatment	- Page 149. Waste is managed and valued by authorised managers.	Bankinter Group (except LDA)		PwC report (page 182)
		EN24	Total number and volume of significant spillages	Bankinter has its headquarters in urban land, so its activity has not generated significant spillages in 2017.	Bankinter Group (except LDA)		-
		EN25	Weight of transported, imported, exported or treated waste considered to be hazardous pursuant to ANNEXES I, II, III and VIII of the Basel II Convention and percentage of waste transported internationally.	Bankinter does not transport waste. The transport of waste produced at Bankinter's premises is carried out by authorised operators and transporters.	Bankinter Group (except LDA)	-	PwC report (page 182)
		EN26	Identification, size, protection status and biodiversity value of water bodies and related habitats significantly affected by discharges and run-off from the organisation	Bankinter has its headquarters in urban land, so it has no impact on protected natural spaces or biodiversity.	Bankinter Group (except LDA)	-	PwC report (page 182)
Degradation, contamination and recovery of land							
Products and services (p)							
- Environmental Policy - CSR Policy	Internal	G4-DMA	Management approach	- Page 145-147, 150	Bankinter Group (except LDA)	-	PwC report (page 182)
		EN27	Degree of mitigation of the environmental impact of products and services	- Page 146-147, 150	Bankinter Group (except LDA)	The information regarding Luxembourg is unavailable, however, it is not considered as significant in relation to this report. Work is under way to report on this in the 2018 Report.	PwC report (page 182)
		EN28	Percentage of products sold and their packaging materials that are reclaimed at the end of their useful life, by product category.	Not applicable to the activity carried out by Bankinter.	Bankinter Group (except LDA)		-
Regulatory compliance (p)							
- Environmental policy - Regulatory compliance	Mixed	G4-DMA	Management approach	- Page 143, 150	Bankinter Group (except LDA)	-	PwC report (page 182)
		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 (Information on sustainability management)	Bankinter Group (except LDA)	-	PwC report (page 182) (3)
Transport							
- Environmental policy - Energy management at facilities	Mixed	G4-DMA	Management approach	- Page 147	Bankinter Group (except LDA)	-	PwC report (page 182)
		EN30	Significant environmental impacts of transporting products and other goods and materials used for the activities of the organisation and the transportation of personnel	- Page 147	Bankinter Group (except LDA)	The information regarding Luxembourg is unavailable, however, it is not considered as significant in relation to this report. Work is under way to report on this in the 2018 Report.	PwC report (page 182)
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)	Bankinter Group (except LDA)	-	NA



Identified material aspects	Material aspect boundaries	Indicator		Location in report	Scope	Omission	External verification
General							
Non material	Not applicable	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.	Bankinter Group (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.	Bankinter Group (except LDA)	-	NA
Environmental grievance mechanisms							
- Stakeholder dialogue channels - Regulatory compliance - Environmental policy	Mixed	G4-DMA	Management approach	- Page 143, 150-151	Bankinter Group (except LDA)	-	PwC report (page 182)
		EN34	Number of environmental claims that have been filed, addressed and resolved through formal grievance mechanisms	No environmental claims have been received through the channels established by the Bank	Bankinter Group (except LDA)	-	PwC report (page 182) (4)
SOCIAL DIMENSION: Labour practices and ethics at work							
Employment (p)							
- Creation and stability of employment - Conciliation policy -Working environment	Internal	G4-DMA	Management approach	- Page 114	Bankinter Group (except LDA)	-	PwC report (page 182)
		LA1	Number and rate of hirings and average turnover of employees, broken down by group, gender and region.	- Page 114, 117	Bankinter Group (except LDA)	-	PwC report (page 182)
		LA2	Social benefits for full-time employees not offered to temporary or part-time employees, broken down by significant locations of activity.	- Page 122-123	Bankinter Group (except LDA)	-	PwC report (page 182)
		LA3	Return to work and retention rates after maternity or paternity leave, broken down by gender.	- Page 118	Bankinter Group (except LDA)	The information regarding Portugal and Luxembourg is unavailable. Work is under way to report on this in the 2018 Report.	PwC report (page 182)
Company/Employee Relations (p)							
- Creation and stability of employment - Channels of dialogue with Stakeholders	Internal	G4-DMA	Management approach	- LA4	Bankinter Group (except LDA)	-	PwC report (page 182)
		LA4	Minimum notice periods of operational changes and possible inclusion of these in collective bargaining agreements	The organisational 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 organisational changes will respect the legislation in force in this matter: Workers' Statutes and the Banking Collective Bargaining Agreement (Spain), the Banking Sector Collective Labour Agreement and the General Labour Law (Portugal) and the 'Collective Bargaining Agreement for Bank Employees' (Luxembourg).	Bankinter Group (except LDA)	-	PwC report (page 182)

Identified material aspects	Material aspect boundaries	Indicator		Location in report	Scope	Omission	External verification
PRL							
<div>- Attraction and retention of talent</div> <div>- Stakeholder dialogue channels</div> <div>- Working environment</div>	Internal	G4-DMA	Management approach	- Page 123	Bankinter Group	-	PwC report (page 182)
		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 health and safety committees in Madrid, Barcelona and Valencia, which meet quarterly (4 times a year). In addition, there are Prevention Delegations in Gerona and Guipúzcoa, whose members belong to the works council that is constituted there. At Bankinter Global Services a health and safety 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.	Bankinter Group (except LDA)	The information regarding Luxembourg is unavailable, however, it is not considered as significant in relation to this report. Work is under way to report on this in the 2018 Report.	PwC report (page 182)
		LA6	Type and rate of injuries, occupational diseases, days lost, absenteeism and number of fatalities related to work by region and by gender.	- Page 118 The number of deaths in 2017 was 0.	Bankinter Group (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 2018 Report	PwC Report (page 182) (1)
		LA7	Workers whose profession has a high incidence or risk of disease	No occupations with an elevated risk of disease have been identified.	Bankinter Group (except LDA)	-	PwC report (page 182)
		LA8	Health and safety issues covered in formal agreements with trade unions.	In 2017 health and safety issues were addressed in a formal agreement with trade unions.	Bankinter Group (except LDA)	-	PwC report (page 182)
		Education and training					
<div>- Training</div> <div>- Evaluation of employee's performance</div> <div>- Working environment</div>	Internal	G4-DMA	Management approach	- Page 120-122	Bankinter Group (except LDA)	-	PwC report (page 182)
		LA9	Average annual training hours per employee, broken down by gender and job category	- Page 115, 120	Bankinter Group (except LDA)	-	PwC report (page 182)
		LA10	Skills management and continuing education programs that promote the employability of workers and help them manage the end of their professional careers.	- Page 120-122	Bankinter Group (except LDA)	-	PwC report (page 182)
		LA11	Percentage of employees receiving regular performance and professional development assessments broken down by gender and professional category.	- Page 122	Bankinter Group (except LDA)	The breakdowns by gender and professional category are not available and will be reported on in future years.	PwC report (page 182)
Diversity and equal opportunities (p)							
<div>-Diversity and equal opportunities</div> <div>- Working environment</div>	Internal	G4-DMA	Management approach	- Page 36-39	Bankinter Group (except LDA)	-	PwC report (page 182)
		LA12	Composition of governing bodies and breakdown of staff by professional category and gender, age, minority membership and other indicators of diversity	- ACGR Board of Directors A.3, C. - Pages 36-40, 115 - Employees with disability out of total workforce: 1.1%	Bankinter Group (except LDA)	-	PwC report (page 182)
Equality of remuneration for men and women							
<div>- Equality of opportunities</div> <div>- Equality of remuneration</div>	Internal	G4-DMA	Management approach	- Page 122	Bankinter Group (except LDA)	-	PwC report (page 182)
		LA13	Relation of base salary to male and female remunerations, broken down by professional category and by significant locations	- Page 122	Bankinter Group (except LDA)	-	PwC report (page 182)
Evaluation of providers' labour practices							
Non material	Not applicable	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.	Bankinter Group (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.	Bankinter Group (except LDA)	-	NA

Identified material aspects	Material aspect boundaries	Indicator		Location in report	Scope	Omission	External verification
Labour practices grievance mechanisms							
- Stakeholder dialogue channels - Regulatory compliance	Mixed	G4-DMA	Management approach	- Page 58, 129	Bankinter Group (except LDA)	-	PwC report (page 182)
		LA16	Number of grievances about labour practice that have been filed, addressed and resolved through formal grievance mechanisms	No grievances were filed in 2017 regarding labour practice through the confidential whistleblowing channel.	Bankinter Group (except LDA)	-	PwC report (page 182) (4)
SOCIAL DIMENSION: Human rights							
Investment practices and procurement (p )							
- Training - Equality of opportunities - Code of conduct	Mixed	G4-DMA	Management approach	- Page 133-134	Bankinter Group (except LDA)	-	PwC report (page 182)
		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 2017 there has been no significant investment contract or agreement that includes clauses of this type.	Bankinter Group (except LDA)	-	PwC report (page 182)
		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.	Bankinter is a member of the Global Compact Network Spain of the United Nations. 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.	Bankinter Group (except LDA)	Quantitative information unavailable. Work is under way on the integration of the information systems to report on this in future years	PwC report (page 182) (1)
Human rights							
- Regulatory compliance	Mixed	G4-DMA	Management approach	- HR3	Bankinter Group (except LDA)	-	PwC report (page 182)
		HR3	Total number of incidents of discrimination and measures taken.	There have been no significant incidents involving discrimination.	Bankinter Group (except LDA)	-	PwC report (page 182)
Freedom of association and collective agreements (p)							
Non material	NA	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.	Bankinter Group (except LDA)	-	NA
Child labour							
Non material	NA	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.	Bankinter Group (except LDA)	-	NA
Forced labour							
Non material	NA	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.	The Bank's transactions are limited to the Iberian geographical scope and no significant risks related to these aspects have been detected.	Bankinter Group (except LDA)	-	NA
Security measures							
- Training - Code of conduct	Mixed	G4-DMA	Management approach	- HR7	Bankinter Group (except LDA)	-	PwC report (page 182)
		HR7	Percentage of security personnel who have been trained in the organisation's human rights policies or procedures concerning aspects of human rights that are relevant to operations	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.	Bankinter Group (except LDA)	The information on Luxembourg and Portugal is unavailable. Work is under way on the integration of the systems so as to be able to report it in the 2018 Report	PwC report (page 182)
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.	Bankinter Group (except LDA)	-	NA

Identified material aspects	Material aspect boundaries		Indicator	Location in report	Scope	Omission	External verification
Evaluation							
Non material	Not applicable	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.	Bankinter Group (except LDA)	-	NA
Evaluation of suppliers' human rights record							
Non material	Not applicable	HR10	Percentage of new suppliers that were examined according to human rights criteria	There has been no analysis of human rights criteria in suppliers, as no significant risk has been identified.	Bankinter Group (except LDA)	-	NA
		HR11	Significant negative impacts on human rights, real and potential, in the supply chain and measures taken	Given the type of supplier, a labour practice impact analysis has not been carried out. However, as social clause has been included in agreements with suppliers.	Bankinter Group (except LDA)	-	NA
Human rights grievance mechanisms							
- Stakeholder dialogue channels - Regulatory compliance	Mixed	G4-DMA	Management approach	- HR12	Bankinter Group (except LDA)	-	PwC report (page 182)
		HR12	Number of human rights grievances that have been filed, addressed and resolved through formal grievance mechanisms	No human rights grievances have been received through the channels established by the Bank	Bankinter Group (except LDA)	-	PwC report (page 182) (4)
SOCIAL DIMENSION: Company							
Local communities							
- Community investment - Stakeholder dialogue channels	Mixed	G4-DMA	Management approach	- Pages 137-141, 150	Bankinter Group (except LDA)	-	PwC report (page 182)
		SO1	Percentage of centres where development programs, impact assessments and local community participation have been implemented	- Pág. 137, 150. Centres where environmental management and accessibility systems have been implemented.	Bankinter Group (except LDA)	-	PwC report (page 182)
		SO2	Centres of operations with significant negative or potential effects on local communities.	No significant negative effects on local communities have been identified. During 2017, 2 universal branches, 1 business centre and 1 private banking centre were closed.	Bankinter Group (except LDA)	-	PwC report (page 182)
- Equality of opportunities - Community investment - Stakeholder dialogue channels	Mixed	FS13	Access points by type in low population density and economically disadvantaged areas.	- Pages 137, 139-141	Bankinter Group (except LDA)	-	PwC report (page 182)
		FS14	Initiatives to improve access to financial services for disadvantaged people.	- Pages 137, 139-141	Bankinter Group (except LDA)	-	PwC report (page 182)
Anti-corruption							
- Regulatory compliance - Anti-corruption and anti-money laundering - Transparency in commercial relations	Mixed	G4-DMA	Management approach	- Pages 57-58	Bankinter Group (except LDA)	-	PwC report (page 182)
		SO3	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 19 business units in the branch network, which is approximately 4.3% of the total. In Portugal, Internal Audit has carried out face-to-face audits and reviews of control procedures in 69 centres of the branch network, which is approximately 78% of the total. Similarly, we monitored part of the activity of all of the centres through the alert generation programmes for the detection of significant risks.	Bankinter Group (except LDA)	-	PwC report (page 182)
		SO4	Policies and procedures for communication and training to combat corruption	Page 57-58 In 2017, a total of 4,288 employees undertook the anti-money laundering (AML) course on the Bank's training website; which involved a total of 25,478 training hours.	Bankinter Group (except LDA)	-	PwC report (page 182)
		SO5	Confirmed cases of corruption and measures taken	During the 2017 financial year, 33 disciplinary cases related to breaches of internal regulations were processed by the Crime Prevention and Professional Ethics Committee, of which 7 ended in dismissal.	Bankinter Group (except LDA)	-	PwC report (page 182)



Identified material aspects	Material aspect boundaries	Indicator		Location in report	Scope	Omission	External verification
Public policy (p)							
- Transparency in commercial relations	Mixed	G4-DMA	Management approach	Code of Professional Ethics	Bankinter Group (except LDA)	-	PwC report (page 182)
		SO6	Value of political contributions by country and recipient.	Bankinter does not contribute to any political party. (Article 17.2 of Ethical Code)	Bankinter Group (except LDA)	-	PwC report (page 182)
Anti-competitive behaviour							
- Regulatory compliance	Mixed	G4-DMA	Management approach	- Pages 57-58	Bankinter Group (except LDA)	-	PwC report (page 182)
		SO7	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes.	There is no procedure open against Bankinter for anti-competitive behaviour, anti-trust or monopoly practices	Bankinter Group (except LDA)	-	PwC report (page 182) (3)
Regulatory compliance							
- Regulatory compliance	Mixed	G4-DMA	Management approach	- Page 57-59	Bankinter Group (except LDA)	-	PwC report (page 182)
		SO8	Monetary value of significant fines and number of non-monetary sanctions for non-compliance with legislation and regulations.	No significant sanctions were received in 2017. - Page 59	Bankinter Group (except LDA)	-	PwC report (page 182) (3)
Supplier assessment for impacts on society							
Non material	Not applicable	SO9	Percentage of new suppliers that were screened using criteria for impacts on society	No analysis of criteria related to suppliers' impacts on society, as no significant risk has been identified.	Bankinter Group (except LDA)	-	NA
		SO10	Significant actual and potential negative impacts on society in the supply chain and actions taken.	Given the type of provider, a social repercussion impact analysis has not been carried out.	Bankinter Group (except LDA)	-	NA
Social impact grievance mechanisms							
- Stakeholder dialogue channels - Regulatory compliance	Mixed	G4-DMA	Management approach	- SO11	Bankinter Group	-	PwC report (page 182)
		SO11	Number of social impact grievances that have been filed, addressed and resolved through formal grievance mechanisms.	No social impact grievances have been received through the channels established by the Bank.	Bankinter Group (except LDA)	-	PwC report (page 182) (4)
SOCIAL DIMENSION: Product responsibility							
Customer health and safety (p)							
- Regulatory Compliance - Transparency in commercial relations	Mixed	G4-DMA	Management approach	- Page 57-61	Bankinter Group (except LDA)	-	PwC report (page 182)
		PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement.	- Work risk assessments have been carried out in all of the bank's positions, which include potential client risks in the bank's branches. - Pages 57-61. Processes of regulatory compliance, professional ethics, data protection and IT security.	Bankinter Group (except LDA)	-	PwC report (page 182) (1)
		PR2	Number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, broken down by type of outcome of such incidents.	Bankinter has not had any significant incidents with regard to this matter.	Bankinter Group (except LDA)	-	PwC report (page 182) (3)

Identified material aspects	Material aspect boundaries	Indicator	Location in report	Scope	Omission	External verification	
Product and service labelling							
<ul style="list-style-type: none"><li>- Service quality and customer satisfaction</li><li>- Regulatory compliance</li><li>- Transparency in commercial relations</li><li>- Risk control and management systems</li></ul>	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.	- Pages 46-47, 56-58, 100-101, 139	Bankinter Group (except LDA)	-	PwC report (page 182)
		PR3	Type of product and service information required by the organisation's procedures for product and service information and labelling, and percentage of significant product and service categories subject to such information requirements.	- Page 57-59. 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 2 and PRIIPs regulations.	Bankinter Group (except LDA)	-	PwC report (page 182) (2)
		PR4	Number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, broken down by type of outcome.	In the 2017 financial year, Bankinter was fined 1,920 euros by the Bank of Spain for having requested new property appraisal valuations as it considered that the existing ones contained irregularities. The cost of this was passed onto the customer, in breach of article 3 bis. I of Act 2/1981, of 25 March, on the Mortgage Market. No significant sanctions were received in 2017. - Page 59	Bankinter Group (except LDA)	-	PwC report (page 182) (3)
		PR5	Results of surveys measuring customer satisfaction	- Page 100-101	Bankinter Group (except LDA)	-	PwC report (page 182)
Marketing communications (p)							
<ul style="list-style-type: none"><li>- Service quality and customer satisfaction</li><li>- Regulatory compliance</li><li>- Transparency in commercial relations</li><li>- Stakeholder dialogue channels</li></ul>	Mixed	G4-DMA	Management approach	- Page 57-59	Bankinter Group (except LDA)	-	PwC report (page 182)
		PR6	Sale of banned or disputed products	No significant sanctions were received in 2017. Page 57-59	Bankinter Group (except LDA)	-	PwC report (page 182)
		PR7	Number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcome	Bankinter has not had any significant incidents with regard to this matter.	Bankinter Group (except LDA)	-	PwC report (page 182) (3)
Customer privacy							
<ul style="list-style-type: none"><li>- Regulatory compliance</li></ul>	Mixed	G4-DMA	Management approach	- Page 59	Bankinter Group (except LDA)	-	PwC report (page 182)
		PR8	Number of substantiated complaints regarding breaches of customer privacy and losses of customer data	- Page 59	Bankinter Group (except LDA)	-	PwC report (page 182) (3)
Regulatory compliance (p)							
<ul style="list-style-type: none"><li>- Regulatory compliance</li></ul>	Mixed	G4-DMA	Management approach	- Page 57-58	Bankinter Group (except LDA)	-	PwC report (page 182)
		PR9	Monetary cost of significant fines for non-compliance with regulations concerning the provision and use of the organisation's products and services.	No significant sanctions were received in 2017.	Bankinter Group (except LDA)	-	PwC report (page 182) (3)

Identified material aspects	Material aspect boundaries	Indicator	Location in report	Scope	Omission	External verification
FINANCIAL SUPPLEMENT						
PRODUCT PORTFOLIO						
- Control mechanisms and risk management - CSR Policy - Training - Service quality and customer satisfaction	Mixed	Policies with specific environmental and social aspects applied to business lines.	- Page 128, 134.	Bankinter Group (except LDA)	-	PwC report (page 182)
		Procedures for assessing and screening environmental and social risks in business lines.	Risk analysis procedures include all those that are significant from the credit risk viewpoint. - Page 150	Bankinter Group (except LDA)	-	PwC report (page 182)
		Processes for monitoring customers' implementation of and compliance with environmental and social requirements included in agreements or transactions.	No significant environmental and social requirements have been identified in agreements and transactions	Bankinter Group (except LDA)	-	PwC report (page 182)
		Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to lines of business.	- Page 120, 133-143	Bankinter Group (except LDA)	-	PwC report (page 182)
		Interactions with customers/investees/business partners regarding environmental and social risks and opportunities	- Page 128-152	Bankinter Group (except LDA)	-	PwC report (page 182)
		FS6 Percentage of the portfolio for lines of business by region, size (for example: large/micro companies/SMEs and sector of activity)	- Page 63-86	Bankinter Group	-	PwC report (page 182)
		FS7 Monetary value of products and services designed to deliver a specific social benefit for each line of business broken down by purpose.	- Page 134	Bankinter Group (except LDA)	Quantitative information unavailable. Work is under way to report on this in future years	PwC report (page 182) (1)
		FS8 Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose.	- Page 134	Bankinter Group (except LDA)	Quantitative information unavailable. Work is under way to report on this in future years	PwC report (page 182) (1)
ACTIVE OWNERSHIP						
- CSR Policy - Control mechanisms and risk management (financial and non financial)	Internal	G4-DMA Management approach Voting polic(ies) applied to environmental or social issues for shares over which the reporting organisation holds the right to vote or advise on voting.	- Page 134	Bankinter Group (except LDA)	-	PwC report (page 182)
		FS10 Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental or social issues.	- Page 134	Bankinter Group (except LDA)	Quantitative information unavailable. Work is under way to report on this in future years	PwC report (page 182) (1)
		FS11 Percentage of assets subject to positive or negative environmental or social screening.	- Page 134	Bankinter Group (except LDA)	Quantitative information unavailable. Work is under way to report on this in future years	PwC report (page 182) (1)
		FS12 Voting polic(ies) applied to environmental or social issues for shares over which the reporting organisation holds the right to vote or advise on voting.	There is no established voting policy regarding social or environmental matters for entities over which the organisation has the right to vote or advise on the vote.	Bankinter Group (except LDA)	-	PwC report (page 182)

## Notes:

Information relating to Luxembourg was omitted as it was not considered significant due to being a single branch office (G4-20, G4-21 and G4-23)

Include below the sentence that are there the following notes (each one in a single line):

1. Only reported qualitatively.
2. Detailed information is not provided on each type of product and service.
3. Accounting provisions for claims of whatever kind, and above the 50,000 euros threshold, are reported.
4. Accounting provisions for claims of whatever kind, and above the 30,000 euros threshold, are reported.



**Free translation from the original in Spanish.  
In the event of a discrepancy, the Spanish language version prevails**

#### **INDEPENDENT LIMITED ASSURANCE REPORT ON THE SUSTAINABILITY INDICATORS**

To the Management of Bankinter S.A.:

We have carried out our work to provide limited assurance on the sustainability indicators contained in "GRI Content Index" of the 2017 Integrated Annual Report (hereinafter "sustainability indicators") of Bankinter S.A. and subsidiary companies, that composed Bankinter Group (hereinafter Bankinter) except Línea Directa Aseguradora S.A., for the year ended 31 December 2017, prepared in accordance with the content proposed in the Guidelines for the Preparation of Sustainability Reports of the Global Reporting Initiative (GRI) version G4 (hereinafter G4 GRI Guidelines) and Financial Services Sector Disclosures.

#### **Responsibility of the Management**

The Management of Bankinter is responsible for the preparation, content and presentation of the Integrated Annual Report in accordance with the Comprehensive option of the G4 GRI Guidelines and Financial Services Sector Disclosures. Management's responsibility includes establishing, implementing and maintaining the internal control 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 the scope 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 Bankinter's personnel from various departments who have been involved in the preparation of the Integrated Annual Report.
- Analysis of the procedures used for obtaining and validating the data presented in the sustainability indicators.

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- Analysis of the Bankinter's sustainability indicators adaptation to the requirements established by the G4 GRI Guidelines for the preparation of sustainability reports and to the Financial Services Sector Disclosures.
- 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 Bankinter's sources of information.

#### **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 conclusion**

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 ending 31<sup>st</sup> December 2017, contain significant errors or have not been prepared, in all of their significant matters, in accordance with the G4 GRI Guidelines and Financial Services Sector Disclosures.

#### **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 Management of Bankinter.

PricewaterhouseCoopers Auditores S.L.

Mª Luz Castilla  
22<sup>nd</sup> February, 2017

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