

**2018  
Integrated  
Report**



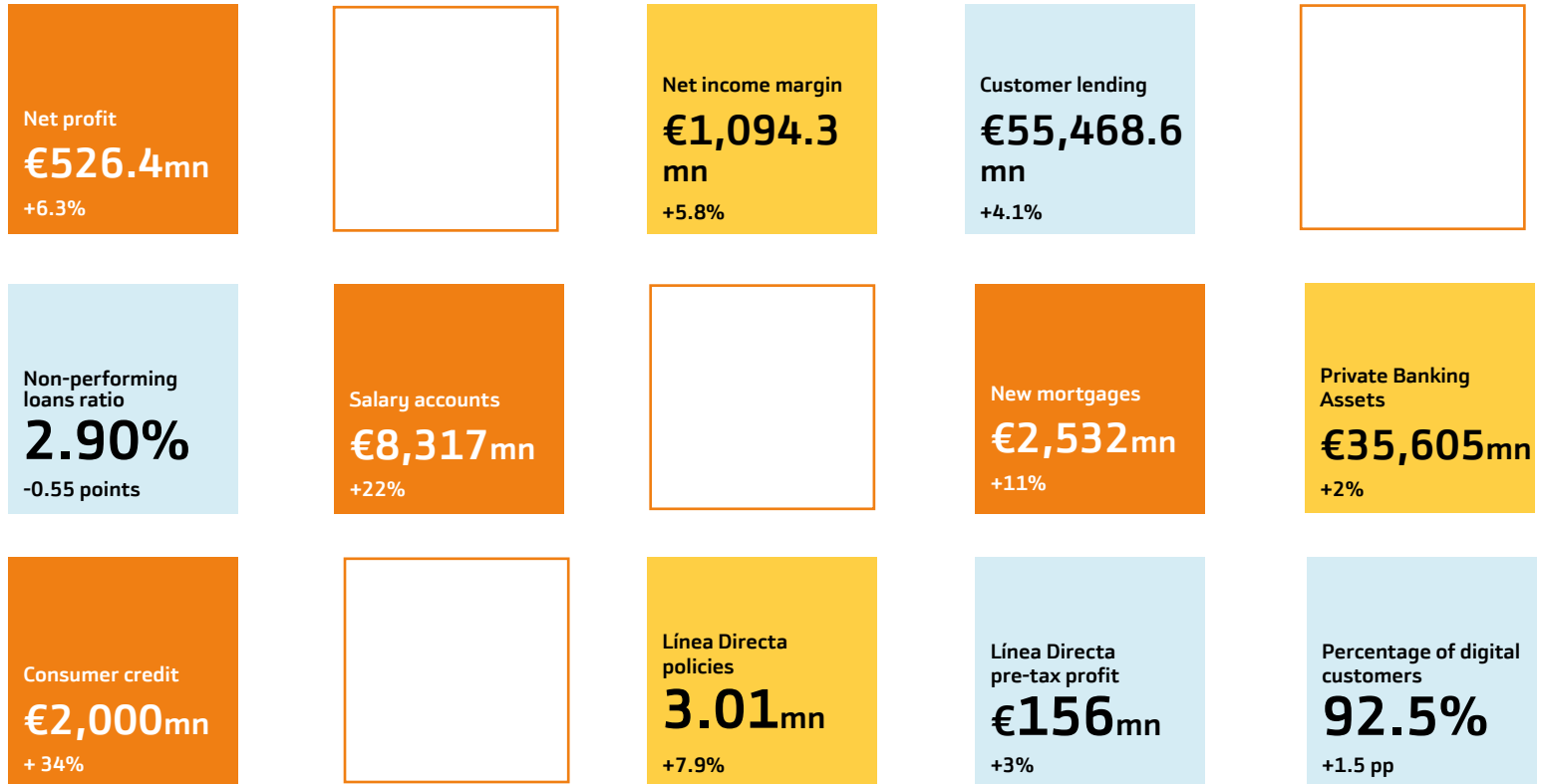
# Contents

Milestones	3
Introduction to the letters/interviews	4
Economic environment	5
Letter-Interview with the Chairman, Pedro Guerrero	8
Letter-Interview with the CEO, María Dolores Dancausa	11
Results	14
Corporate governance	34
Risks	41
Business areas	58
Other businesses	70
Networks and Channels	81
Customer relations	88
Marketing	89
CRM	91
Communication	93
Quality	94
Customer service (Customer Service Area)	96
Digital Banking and Channel Diversity	91
Bankinter Innovation Foundation	100
Human factor	106
Sustainability	118
Efficiency and transformation	144
Brand	146
Recognition and awards	148
Appendix	152

# Milestones of the year



More information in the 'Results' chapter



Bankinter beat its **record profit** in 2018 for the fourth year in a row.

The bank remains **in first place in terms of profitability** amongst listed Spanish banks.

Its **levels of solvency and capital** comfortably exceeded the regulators' and supervisors' requirements.

**The bank's strategy** was focused on the customer business to ensure solid, stable and recurring growth moving forwards.

**Bankinter's sustainable management** was recognised in 2018, with its inclusion in the Dow Jones World Sustainability Index.

The Corporate Governance Policy reinforced its **commitment to independence** and gender diversity on the Board of Directors.

The Bank announced its acquisition **of the banking operations of EVO Banco in Spain** as well as its consumer loan subsidiary in Ireland, Avantcard.

**The Bank made a big effort to adapt** to the introduction of new European regulations on investor and data protection.

# An Annual Report with advanced criteria

The content of the 2018 Annual Report is in line with the most rigorous of national and international recommendations. To this end, regulations including the Good Governance Code of Listed Companies of the CNMV, the main international references on the topic (notably, the version G4 of the Global Reporting Initiative), the analysis of customer and employee satisfaction surveys, and generally speaking the best practices of world leaders in the banking sector are all taken into consideration.

With these guides in mind, the report is not only focussed on what happened last year, but also on the projects and objectives for 2019, with the aim of sharing the Bank's future outlook with all its various stakeholders. Furthermore, the report offers detailed information on the strategy and business model, which are also considered essential in understanding the nature and likely evolution of Bankinter in depth.

The preamble to the report includes interviews with the Bank's Chairman and Chief Executive Officer. In this section, a global approach is taken to explaining the most important aspects of the Bank's results and business lines, and the main characteristics of the economic and financial environment on which its activities depend. 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, human resources and the sustainability strategy, among other chapters.

# Concerns about economic growth

In 2018, the first seeds of doubt concerning the solidity of the world's economic growth were sewn. The year represents the transition from synchronised expansion to an asymmetric slowdown.

This change of perspective introduced significant uncertainty that did not go unnoticed by the markets, increasing volatility and submitting stock markets to significant pressure. The global expansionary phase experienced a loss of momentum, the intensity of which varied depending on the region in question:

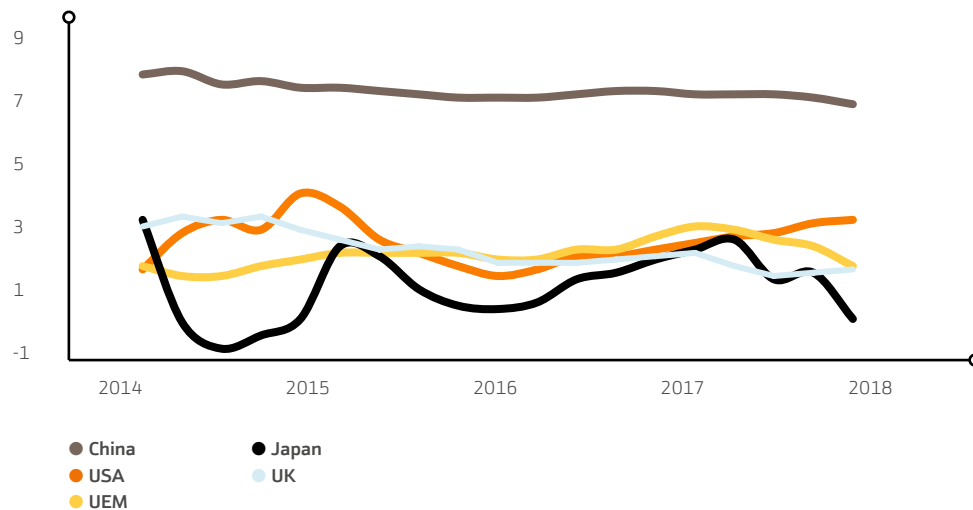
- **United States.** The US expansionary phase, which at one point experienced growth of almost 4%, extended through to mid-2018. Despite some loss of transitory traction in the second half of the year, the US maintained its leadership position

amongst developed economies with solid average growth of around 3% year-on-year. The expansionary tax measures adopted in terms of income, not expenditure, contributed to invigorating private consumption, prioritising the achievement of improvements in household disposable income, which ended up strengthening corporate investment and employment. The complex trade relationships between the US and the rest of the world, but in particular China, significantly reduced the expansionary impact of tax measures, but failed to completely override them. In fact, the idle capacity of the job market

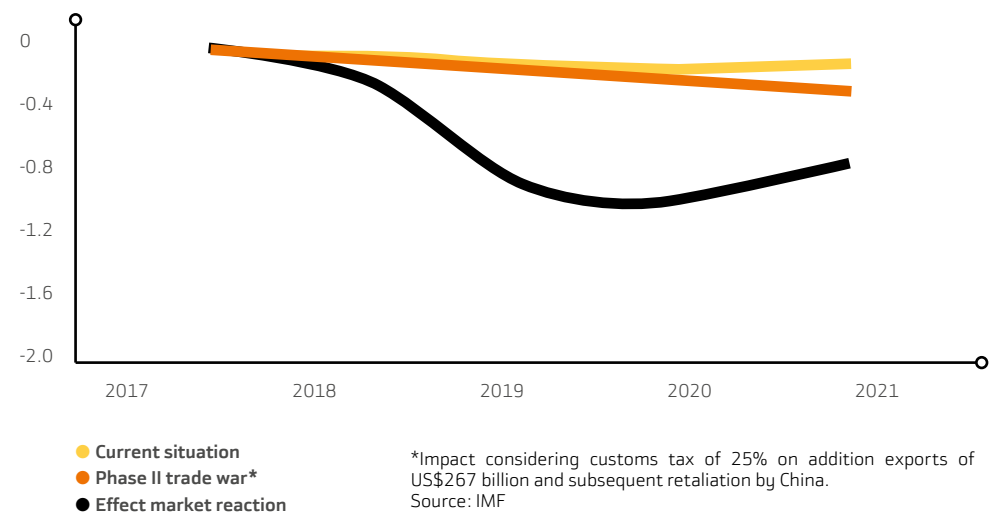
progressively dropped over the course of 2018 and the unemployment rate remained comfortably below 4%, lower than the structural rate (i.e., the long-term unemployment rate).

The comfortable position of the job market allowed the Federal Reserve to raise its benchmark rate progressively over the course of the year, ending at 2.25%-2.50%, without compromising economic growth.

GDP (%)



Estimated impact of the trade war on GDP (USA)

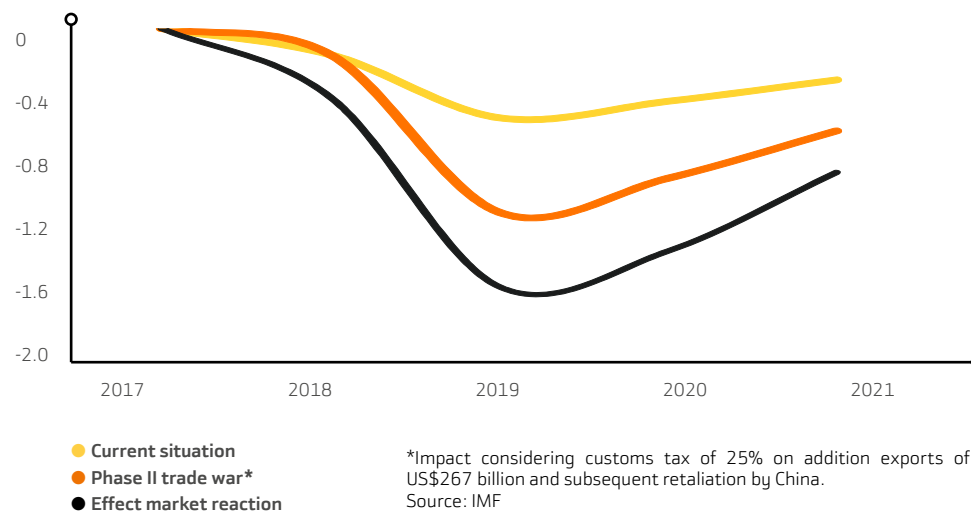


- Europe.** The European political and economic context became gradually more complex in 2018, both on account of Brexit negotiations, with the process in principle due to end at the end of the first quarter of 2019, and the gradual slowdown of the European cycle, with the measures adopted in response being both uncoordinated and insufficient. The weakening of tax discipline in different member states forced the European Commission to intervene to address the situation. Despite this, the risk premium of the most lax economies in terms of compliance with tax obligations increased and a sense of vulnerability was seen, leading to a slowdown in European economic growth. The political climate became more tense and uncertain in the main member states, projecting the same sensation about the direction and effectiveness of the main economic policies applied in the main European economies. The uncertain outcome of Brexit not only led to a dangerous escalation in political tension, but also in the risk of the British economic cycle drying up. This situation is unlikely to be resolved until well into 2019, provided that Brexit deal is reached. Otherwise, the outcome for the British economy, in particular, but for mainland Europe as well, would be much harsher. Consequently, from an overall perspective, economic growth and the creation of employment lost momentum in 2018, leaving challenging circumstances to be overcome in 2019.

- Japan.** Amongst the developed countries furthest away geographically, the loss of vitality in the Japanese economy placed its structural weaknesses in the spotlight once again (demography, high level of debt, low inflation, etc.). The worsening of forward-looking indicators, particularly in the second half of 2018 (consumer confidence and Tankan production capacity), the downturn in exports and the strength of the yen were signs of what is likely to be the end of the longest expansionary cycle Japan has seen over almost the past two decades.

- Emerging economies.** The environment was also hostile for developing countries in 2018, as they were also more vulnerable than developed countries (on account of their own economic models and internal imbalances) to the trade war and increase in interest rates in the US. As a result, for the large part, there was a general slowdown in activity indicators and a depreciation in currencies, in addition to local one-off crises (in particular, Turkey and Argentina). The progressive loss of momentum in China remained a serious cause for concern, which despite being expected was no less significant. The direct involvement of the Chinese economy in the realignment of US commercial interests significantly increased uncertainty, particularly in the technology sector.

Estimated impact of the trade war on GDP (China)



On a positive note, other emerging economies showed more promising signs. This was the case of India and Brazil, where the drop in fuel prices offered significant breathing space in terms of the reactivation of private consumption and corporate investment. In parallel, progress or expected progress with the implementation of structural reform was encouraging for both economies.

## Interest rates and foreign currencies

2018 was defined by an increase in interest rates in the US (four hikes, from 1.25% to 1.50%, from 2.25% to 2.50%), and one single increase in the UK despite Brexit (from 0.50% to 0.75%) and stability in the Eurozone and Japan.

The tightening of US monetary policy, combined with the excellent performance of its economy, resulted in a general appreciation of the dollar compared to the other main currencies, but in particular in comparison to the euro. The euro ended 2017 at 1.201/\$ and ended 2018 at 1.147/\$. This trend towards appreciation also saw the dollar act as a safe haven at times of greater uncertainty. The same applied to the Swiss Franc, which appreciated 3.9% compared to the euro (to 1.126/€). As an indirect result of the foregoing, the euro lost significant ground to the other main currencies.

## Stock exchanges and bonds market

The main trend in the securities markets in 2018 was the withdrawal of stock market exposures and the search for refuge in bonds. In the second half of the year, the debate was dominated by the scope of the economic slowdown, to the point at which there was significant contention as to proximity of the next recession.

Risks and uncertainties penalised risk assets (practically all the main stock indexes closed 2018 in the red), favouring the revaluation of other assets, such as bonds and currencies. For example, the IRR of the bund, or 10-year German bond, dropped from 0.43% to 0.24% over 2018, which means its market return was chopped almost in half and, therefore, it appreciated significantly, despite the expected withdrawal of monetary stimulus (asset purchase programme) by the European Central Bank (ECB).

However, gold, another safe-haven asset par excellence, saw 1.7% wiped from its worth over the past year, from \$1.303/ounce to \$1.281/ounce, against the odds considering the pursuit of safe havens that characterised 2018.

This contrast demonstrates that 2018 was an extremely uncertain and unpredictable year on many fronts, in particular in relation to the market's interpretation of the scope and consequences of the global economic slowdown.

Stock Markets			
Geographical area	Contents	Var. % 2018	Var. % 2017
Japan	Nikkei-225	-12.2%	+19.1%
United States	Nasdaq 100	-1.0%	+31.5%
United States	S&P 500	-6.2%	+19.4%
Germany	DAX	-18.3%	+12.5%
Spain	Ibex - 35	-15.0%	+7.4%
France	CAC-40	-12.4%	+10.4%
Italy	FTSE MIB	-17.2%	+15.0%
Eurozone	EuroStoxx-50	-14.3%	+6.5%
United Kingdom	FTSE 100	-12.5%	+7.6%
India	Sensex	+5.9%	+27.9%
China	CSI 300	-25.1%	+21.8%
Brazil	Bovespa	+15.0%	+26.9%

# 'Being recognised as one of the most sustainable banks in the world is a huge source of pride'



Pedro Guerrero, Chairman

How would you describe 2018 in general terms?

It was a year of great uncertainty and this always hampers decision-making, which requires clarity and stability. In Spain we had an unexpected change of government. In our immediate environment, Brexit and the budget dispute with Italy weakened the internal cohesion of the European Union. And globally the new wave of protectionism, fuelled by the Trump administration in the US, slowed growth and sowed doubts about the future development of global trade.

The effect of all this was felt by the Spanish economy, which lost momentum compared with previous years, with a slight downturn of the export sector coinciding with a slackening of domestic demand.

So, it has been a complicated year?

Yes, albeit with positive news too. Ultimately Spain still had the most buoyant economy in the European Union and job growth was strong. Inflation withstood the rise in oil prices and the persistence of expansionary monetary policy helped investment,

'We are in a sound position in terms of capital and our impressive capacity to adapt to the environment'.



**'The bank's strong progress would not be possible without the trust of our customers and shareholders'.**

especially in housing, with an activity as labour-intensive as construction boosted as a result.

This illustrates the vitality of the Spanish economy and its capacity to provide us with good news even in challenging times. At this juncture it is also necessary to mention the political instability. The dispute in Catalonia harms the perception of Spain overseas and hampers investment. And the current government has fragmented and heterogeneous parliamentary support, which makes it tougher to formulate coherent economic policy.

#### **What is the outlook for the near future?**

By nature I am an optimistic person and I remain hopeful that sooner rather than later common sense will prevail because we all need a dose of it. The Spanish economy has been put back on a sound

footing, is more competitive and simply needs a slightly smoother path. There are pending structural reforms that should not be delayed, though the tight electoral schedule ahead for Spain doesn't help. Those undertaken at the start of the current decade were key to recovery, and this should prompt reflection.

With regard to the threat that the resurgence of protectionism represents for the global economy, I would like to state that globalisation is irreversible and that there is no place for the obstacles to free trade imposed supposedly in national interests. These are movements which may temporarily enjoy popularity but, in the long term, will adversely affect people's wellbeing. In any event, I don't think that protectionism has much potential.

#### **And how has the financial sector performed against this backdrop?**

I would highlight two things in 2018. On the one hand, the persistence of a low interest rate environment, which obliges us to seek new sources of revenue to maintain margins. And, on the other, the reduction of losses due to asset impairment following the major restructuring efforts undertaken by banks. The former has resulted in the sector extending its value-added offering, with high-quality services based primarily on consultancy. The writedown of assets, in turn, explains the improvement in capital adequacy levels recognised in the

stress tests conducted over the year by the European Central Bank (ECB) and the European Banking Authority (EBA).

Bankinter obtained an excellent result in these tests, even better than those of the other Spanish financial institutions, which overall were very good. Even in the most adverse scenario, our bank would be one of those that cope best thanks to its robust position in terms of capital and its impressive capacity to adapt to the environment, which has already been showcased in the worst moments of the crisis. This result represents resounding recognition for the work done by Bankinter, whose two cornerstones have always been, and will remain, rigour and innovation.

**'Digitalisation is irreversible but this does not mean that there is no place for face-to-face dealings with the customer'.**

#### **What is your impression of the controversy over the mortgage tax?**

It isn't something that had or has anything to do with banks. After all, fiscal decisions are taken by parliaments and governments, not by us. The banking industry restricts itself to complying with the prevailing regulatory framework. That is what we did when the view was that this tax should be paid by customers, which has been longstanding, and this is what we have done since it was decided that it should fall on financial institutions. Which doesn't mean that we are comfortable with the legal uncertainty that some situations create. Nor, of course, with banks being blamed for something that isn't their responsibility. And, of course, deciding who pays what taxes certainly isn't.

#### **How would you assess Bankinter's results in 2018?**

In light of the difficult environment, which I mentioned earlier, I think our results are excellent. Our Chief Executive Officer explains them in great detail in the following pages, but I would like to take this opportunity to mention the sterling endeavours once again of our professionals. Thanks to these efforts, the main lines of business of Bankinter continued to grow, the quality of its assets improved and the capital adequacy level again comfortably surpassed regulatory requirements.

None of this would have been possible, however, without the trust of our customers and shareholders, to whom we are profoundly grateful and will continue to strive to warrant this trust. We remain committed to providing our customers with an excellent and ever more efficient service wherever they need it and by the means best suited to their particular circumstances. We can also assure shareholders that we will be unstinting in our efforts to create value, so that their investment is duly remunerated.

In this respect, the Board will propose to the annual general meeting distribution of a cash dividend of 263.2 million euros against 2018 earnings, a 6.3% year-on-year increase, equating to 0.29286115 euros per share. We believe this is a reward 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.

### **Is Bankinter a sustainable bank as well as a profitable bank?**

We must all contribute to a better world from our respective areas of activity and to the best of our abilities. At Bankinter we are striving to achieve this improvement through our multi-year 'Three-in-a-row' plan, the latest version of which spans the 2016-2020 period. The plan owes its name to the three cornerstones of Bankinter's Sustainability Policy: economic, social, and environmental. Its goals are numerous but I would sum them up in five. First, establishing a balanced, transparent and

clear relationship with our stakeholders (shareholders, customers, employees, suppliers and society in general). Second, facilitating the financial integration of people with a disability. Third, ensuring the responsible management of people, who are undoubtedly the bank's most important asset. Fourth, contributing to the development of the community. And fifth, minimising our impact on the environment.

In recognition of all these endeavours, last September Bankinter was included in the Dow Jones Sustainability World Index. This index ranks us as the 13th most sustainable bank in the world, which should be a source of pride for our entire workforce.

### **What role does the Bankinter Innovation Foundation play in this?**

A key role because it aims to find answers to our concerns, especially in relation to the influence of innovation and entrepreneurship in the progress of our society. It has four programmes focused on achieving this: 'Future Trends Forum', which according to the prestigious ranking compiled annually by the University of Pennsylvania is the number one think-tank in Spain and the 27th in the world dedicated to science and technology; Akademia, which fosters a spirit of innovation and entrepreneurship amongst university students; 'Entrepreneurs', a support programme for entrepreneurship as a source of sustainable wealth and

short-term job creation; and 'Cre100do', which helps SMEs to grow and expand internationally. Over time I am convinced that all this activity will be considered one of Bankinter's most important contributions to Spanish society.

### **How is the digital transformation progressing?**

It is a relentless process. We have been aware of its importance for many years and have been taking action to make significant progress. The result of these endeavours is that today the vast majority of our customers use digital channels and a third only communicate with the bank

digitally. In keeping with our commitment to digital banking, last year we announced the acquisition of EVO Banco in Spain: this is a highly technologically developed bank with a significant portfolio of customers in our country, most of whom are young savers with a pronounced digital profile. Its growth potential is huge and I am convinced that together we can get it to perform even better.

But the fact that digitalisation is irreversible does not mean that there is no place for face-to-face dealings in the financial world. Banking activity is based on trust, which is why the human factor is essential.

This has always been our view at Bankinter, where we are in the vanguard of innovation but never neglect the positive aspects of traditional banking. We have led the way in many areas, from telephone to digital banking, but have never lost sight of the fact that nothing makes sense unless it is rooted in values which can often only be transmitted face to face. That is why I would like to reiterate my conviction that people are our most important asset and to conclude by expressing my acknowledgement and gratitude to the extraordinary human team of Bankinter Group for their enthusiasm, their commitment and their brilliant performance in 2018.



**'The Bankinter Innovation Foundation aims to find answers to our concerns, especially in relation to the influence of innovation and entrepreneurship in the progress of our society'.**

# 'Bankinter had an excellent year across all its lines of business'



María Dolores Dancausa, Chief Executive Officer

## How were Bankinter's results in 2018?

The results for the year were undoubtedly very satisfactory. For the fourth consecutive year, the Group achieved the largest profit in its history, confirming the strength and sustainability of its activity. Net profit grew by 6.3% to 526.4 million euros. The trend in pre-tax profit followed similar lines and increased to 721.1 million euros, up 6.5% compared with last year. As a result, the Group's level of profitability, measured in terms of ROE, stood at 13.2%, one of the highest levels amongst listed banks in Spain. Our margins also continue to improve year on year. Net interest income totalled 1,094 million euros in 2018, up 5.8% year on year, and operating profit stood at 936.4 million euros, an increase of 6.5%.

'Our results are not only satisfactory; they are also robust and sustainable over time'

### And how was the year in terms of capital adequacy?

The capital adequacy indicators also performed very well. The fully-loaded CET1 capital adequacy ratio. (assuming a year in advance the Basel criteria for 2019, stood at 11.75%), a level comfortably higher than regulatory requirements. Equally noteworthy is the good result obtained by Bankinter in the stress tests conducted in 2018 by the European Central Bank, in parallel to those carried out by the European Banking Authority (EBA). In the adverse scenario posited, (in conditions of severe macroeconomic tension), Bankinter would have a healthy fully-loaded CET1 capital ratio of 10.61% at 31 December 2020, which represents a minimal impact compared with the current figure. This result is one of the best in the European banking sector and illustrates Bankinter's ability to cope in crisis situations.

### What other indicators stand out in 2018?

Asset quality, which is one of our traditional strengths, remains positive, with a non-performing loan ratio which continues to fall: it stood at 2.9% across all banking activity in Spain and Portugal and 2.84% when limited to lending activity in Spain, less than half of the sector average figures released. We are also making progress on the efficiency front, with the expense to revenue ratio improving by almost a percentage point to 46.8%.

### In short, how could we rate the year?

We can rate 2018 as an excellent year overall, which confirms the Group's strength in terms of profitability, capital adequacy, asset quality, resilience to adverse external environments and efficiency.

### Within this trend of improvement, which were the outstanding business segment areas?

All the business segment areas grew and made a positive contribution to our results. Both the most mature areas, such as Corporate Banking, Commercial Banking and Línea Directa, and the youngest areas, including Consumer Finance and Portugal, had a magnificent year; in particular the latter two units, which confirms the wisdom of the decision to launch them in 2013 and 2016. Furthermore, they all showed a balanced development underpinned by recurring revenues.

**'The acquisition of EVO Banco and Avantcard complements and diversifies our business structure'**

At Corporate Banking, which makes the biggest contribution to gross operating income, the loan portfolio grew by 3.2% in Spain, with support for the international business activities of companies faring especially well. We know this internally as International Trade Finance. Commercial Banking also made satisfactory progress, with excellent results for products such as payroll accounts, mortgages and investment funds. Línea Directa Aseguradora delivered another strong performance, posting above sector average premium growth. Bankinter Consumer

Finance continued with its extraordinary growth rate for customers and investment, while at the same time maintaining a strict and rigorous selection policy for credit risk granted.

I would like to make particular mention of the results of Bankinter Portugal, one of the lines doing most to drive the diversification of our revenues. Its activity is outperforming expectations and within a short space of time it has become a growth driver for the Group. In 2018, Portugal progressed in all business segment areas and its gross operating income increased by 14%. Furthermore, pre-tax profit followed totalled €60 million, almost doubling the figure from the previous year.

Also worthy of a particular mention is our digital activity, which is one of the cornerstones of our transformation process as a Group. 92.5% of our customers are now considered digital, either exclusively or occasionally. The success of our financial services portal COINC, whose users have grown by 17% in a year, is a reflection of this reality.

### The Group has posted record results for four years running. Is it possible to continue this trend in 2019 and thereafter?

That's our intention though we are aware that it won't be easy, especially in the current environment, which is so full of uncertainty and changes. But, in the past we have been able to rise to the challenges

**'The banking sector is at a crossroads and needs to take decisions that will shape its future'**

we have faced and to grow in adverse circumstances, I think that, with the good work, dedication and unwavering attention of everyone who works for the bank, we will achieve all the goals that we set, even in a new and undoubtedly complex environment in which technological, regulatory and legislative changes are multiplying and accelerating. We will need to be able to respond swiftly but above all effectively to all these challenges.

**How does the acquisition of several EVO Banco businesses fit into this future strategy?**

While working to ensure that our main lines of activity grow organically, we remain alert to the opportunities that arise in the market to complement and diversify our business structure. This is the rationale behind the agreement to purchase the banking business of EVO Banco in Spain and of Avantcard, its consumer credit subsidiary in the Republic of Ireland, which we announced in the final quarter of 2018. This transaction, which we expect to be approved by the regulators and competent authorities in the first quarter of 2019, is going to provide the Group with a significant boost.

We are strengthening and enhancing two of the pillars of our business: our activity

in digital banking and the growth capacity of Bankinter Consumer Finance, to which we are adding, while at the same time increasing our geographic diversification.

In summary, I think it is an acquisition that can and must enrich the offering of Bankinter while also diversifying our activity and preparing us for a future where technology is set to play an even more key role than it does at present.

**If we widen our focus to the sector as a whole, what are the expectations for the future?**

The banking sector in Spain and Europe is at a crossroads and needs to take key decisions for its future. It's true that this sector has strengthened its capital structures and, therefore, is better placed to cope with any adverse situations that may arise in the future. However, profitability levels need to be addressed and are far from attractive owing to low interest rates, the direct and indirect costs associated with the increase in regulatory obligations, which are very high, and the fierce competition. In addition, the digital transformation, and the changes in customer behaviour that it entails, oblige the entire sector to review its business model in an environment that is set to be more complex and open than

ever before.

And to this must be added the general problem of reputation, which is very difficult to deal with as it is partly due to the inherent characteristics of our activity and also to recent episodes such as the doubts caused by the mortgage tax ruling. These do not help to restore the credibility which I feel that the sector merits for its transformation, restructuring and modernisation endeavours in recent years. But it is necessary to persist and to clearly communicate that channelling saving, encouraging investment and facilitating relations between economic agents make a crucial contribution to economic growth, social progress and the prosperity of society.

2018 ANNUAL REPORT

# Results





# Bankinter Group. Consolidated Balance Sheets at 31 December 2018 and 2017 (Thousands of Euros)

ASSETS	31-12-2018
<b>Cash, balances in cash in central banks and other demand deposits</b>	<b>5,503,428</b>
<b>Financial assets held for trading</b>	<b>5,162,908</b>
Swaps	432,233
Equity instruments	107,024
Debt securities	2,623,615
Loans and advances	2,000,036
Central banks	-
Banks	2,000,036
Customers	-
Memorandum items: loaned or pledged	1,309,138
<b>Financial assets not held for trading and required at fair value through profit or loss</b>	<b>129,178</b>
Equity instruments	89,880
Debt securities	39,298
Loans and advances	-
Central banks	-
Banks	-
Customers	-
Memorandum items: loaned or pledged	-
<b>Financial assets at fair value through profit or loss</b>	<b>-</b>
Debt securities	-
Loans and advances	-
Central banks	-
Banks	-
Customers	-
Memorandum items: loaned or pledged	-
<b>Financial assets at fair value through other comprehensive income</b>	<b>4,839,963</b>
Equity instruments	78,463
Debt securities	4,761,500
Loans and advances	-
Central banks	-
Banks	-
Customers	-
Memorandum items: loaned or pledged	1,171,852
<b>Financial assets at amortised cost</b>	<b>58,844,761</b>
Debt securities	3,100,712
Loans and advances	55,744,049
Central banks	-
Banks	481,860
Customers	55,262,189
Memorandum items: loaned or pledged	1,231,566
<b>Derivatives - hedge accounting</b>	<b>170,197</b>
<b>Changes to the fair value of elements covered in one portfolio by hedging the interest rate</b>	<b>11,010</b>
<b>Investments in joint ventures and associates</b>	<b>110,563</b>
Joint arrangements	37,678
Associates	72,885
<b>Assets covered by insurance and reinsurance contracts</b>	<b>9,134</b>
<b>Tangible assets</b>	<b>473,411</b>
Property, plant and equipment	405,925
For own use	376,949
Leased out under operating leases	28,976
Assigned to welfare projects (savings banks and credit cooperatives)	-
Investment property	67,486
Of which: Leased out under operating leases	67,486
Memorandum items: Acquired under finance leases	-
<b>Intangible assets</b>	<b>294,077</b>
Goodwill	164,113
Other intangible assets	129,964
<b>Tax assets</b>	<b>547,502</b>
Current tax assets	255,640
Deferred tax assets	291,862
<b>Other assets</b>	<b>209,248</b>
Insurance contracts linked to pensions	-
Inventories	-
Other assets	209,248
<b>Non-current assets classified as held for sale</b>	<b>196,159</b>
<b>TOTAL ASSETS</b>	<b>76,501,539</b>

(\*) Presented for comparison purposes only. Presented in the format of valid Financial Statements on the indicated date.

ASSETS	31-12-2017(*)
<b>Cash, balances in cash in central banks and other demand deposits</b>	<b>5,594,779</b>
<b>Financial assets held for trading</b>	<b>2,734,699</b>
Swaps	268,303
Equity instruments	87,942
Debt securities	888,154
Loans and advances	1,490,300
Banks	1,480,161
Customers	10,139
Memorandum items: Loaned or pledged	891,024
<b>Financial assets at fair value through profit or loss</b>	<b>-</b>
Memorandum items: Loaned or pledged	-
<b>Available-for-sale financial assets</b>	<b>4,575,214</b>
Equity instruments	187,102
Debt securities	4,388,112
Memorandum items: Loaned or pledged	464,028
<b>Outstanding loans and items</b>	<b>53,863,211</b>
Debt securities	357,056
Loans and advances	53,506,155
Banks	355,001
Customers	53,151,154
Memorandum items: Loaned or pledged	1,460,212
<b>Investments held to maturity</b>	<b>2,591,774</b>
Memorandum items: Loaned or pledged	658,144
<b>Changes to the fair value of elements covered in one portfolio by hedging the interest rate</b>	<b>(3,563)</b>
<b>Derivatives - hedge accounting</b>	<b>241,074</b>
<b>Investments in joint ventures and associates</b>	<b>114,586</b>
a) Associates	94,993
b) Jointly controlled entities	19,593
<b>Assets covered by insurance and reinsurance contracts</b>	<b>6,361</b>
<b>Tangible assets</b>	<b>495,776</b>
Property, plant and equipment	420,996
For own use	387,428
Leased out under operating leases	33,568
Investment property	74,780
Of which: leased out under operating leases	74,780
Memorandum items: acquired under finance leases	-
<b>Intangible assets</b>	<b>255,878</b>
Goodwill	164,113
Other intangible assets	91,765
<b>Tax assets</b>	<b>422,450</b>
Current tax assets	234,272
Deferred tax assets	188,178
<b>Other assets</b>	<b>214,987</b>
Insurance contracts linked to pensions	-
Other assets	214,987
<b>Non-current assets classified as held for sale</b>	<b>225,425</b>
<b>TOTAL ASSETS</b>	<b>71,332,651</b>
<b>MEMORANDUM ITEMS:</b>	
Guarantees provided	4,009,695
Contingent commitments granted	13,486,842

# Bankinter Group. Consolidated Balance Sheets at 31 December 2018 and 2017 (Thousands of Euros)

LIABILITIES AND EQUITY	31-12-2018
<b>LIABILITIES</b>	<b>72,015,687</b>
<b>Financial liabilities held for trading</b>	<b>3,798,092</b>
Swaps	499,813
Short positions	1,833,893
Deposits	1,464,386
Central banks	-
Banks	173,870
Customers	1,290,516
Debt securities issued	-
Other financial liabilities	-
<b>Financial liabilities at fair value through profit or loss</b>	<b>-</b>
Deposits	-
Central banks	-
Banks	-
Customers	-
Debt securities issued	-
Other financial liabilities	-
Memorandum items: subordinated debt	-
<b>Financial liabilities at amortised cost</b>	<b>66,361,761</b>
Deposits	56,925,312
Central banks	6,506,663
Banks	1,950,146
Customers	48,468,503
Debt securities issued	7,772,126
Other financial liabilities	1,664,323
Memorandum items: subordinated debt	1,158,791
<b>Derivatives – hedge accounting</b>	<b>86,845</b>
<b>Changes to the fair value of elements covered in one portfolio by hedging the interest rate</b>	<b>19,748</b>
<b>Liabilities covered by insurance and reinsurance contracts</b>	<b>749,563</b>
<b>Provisions</b>	<b>301,925</b>
Pensions and other defined benefit post-employment obligations	807
Other long-term employee remuneration	-
Proceedings and lawsuits for outstanding taxes	97,752
Commitments and guarantees provided	18,575
Other provisions	184,791
<b>Tax liabilities</b>	<b>425,515</b>
Current tax liabilities	220,581
Deferred tax liabilities	204,934
<b>Share capital repayable on demand</b>	<b>-</b>
<b>Other liabilities</b>	<b>272,238</b>
Of which: welfare fund (savings banks and credit cooperatives only)	-
<b>Liabilities classified as held for sale</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>72,015,687</b>

EQUITY AND LIABILITIES (continued)	31-12-2018
<b>Shareholders' equity</b>	<b>4,344,186</b>
<b>Share capital</b>	<b>269,660</b>
a) Paid-in capital	269,660
b) Unpaid capital required	-
Memorandum items: uncalled share capital	-
<b>Risk premium</b>	<b>1,184,265</b>
<b>Equity instruments issued other than share capital</b>	<b>-</b>
a) Component of equity of compound financial instruments	-
b) Other equity instruments issued	-
<b>Other equity items</b>	<b>18,151</b>
<b>Retained earnings</b>	<b>2,523,867</b>
<b>Revaluation reserves</b>	<b>7,425</b>
<b>Other reserves</b>	<b>(10,907)</b>
<b>Accumulated reserves or losses from investments in joint ventures and associates</b>	<b>(10,907)</b>
<b>Other</b>	<b>-</b>
<b>(-) Treasury shares</b>	<b>(693)</b>
<b>Profit attributable to the owners of the parent company</b>	<b>526,398</b>
<b>(-) Interim dividends</b>	<b>(173,980)</b>
<b>Other cumulative global result</b>	<b>141,666</b>
<b>Items that will not be reclassified in profit and loss</b>	<b>(7,586)</b>
a) Actuarial gains or losses on defined benefit pension plans	(1,456)
b) Non-current assets classified as held for sale	-
c) Share in other recognised income and expense from investments in joint ventures and associates	-
d) Changes in the fair value of equity instruments valued through profit or loss, and fair value through other comprehensive income	(6,130)
d) Inefficiency of the fair value hedges of equity instruments measured through profit or loss, and fair value through other comprehensive income	-
Changes in the fair value of equity instruments measured at fair value through other comprehensive income [hedged item]	-
Changed in the fair value of equity instruments measured at fair value through other comprehensive income [hedging instrument]	-
f) Changes in the fair value of financial liabilities measured at fair value through profit or loss attributable to changes in credit risk	-
<b>Items that may be reclassified in profit and loss</b>	<b>149,252</b>
a) Hedging of net investments in foreign operations [effective part]	-
b) Currency conversion	-
c) Hedging derivatives. Cash flow hedges [effective part]	108
d) Changes in the fair value of debt instruments valued through profit or loss, and fair value through other comprehensive income	146,502
e) Hedging instruments [elements not designated]	-
f) Non-current assets and transferable groups of elements that have been classified as held for sale	-
g) Share in other recognised income and expenses from investments in joint ventures and associates	2,642
<b>Minority interests [non-controlling interests]</b>	<b>-</b>
<b>Other cumulative global result</b>	<b>-</b>
<b>Other items</b>	<b>-</b>
<b>TOTAL EQUITY</b>	<b>4,485,852</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>76,501,539</b>
<b>MEMORANDUM ITEMS: OFF-BALANCE SHEET EXPOSURES</b>	<b>-</b>
Loan commitments granted	13,023,015
Financial guarantees granted	1,612,459
Other commitments granted	4,509,690

(\*) Presented for comparison purposes only. Presented in the format of valid Financial Statements on the indicated date.



# Bankinter Group. Consolidated Balance Sheets at 31 December 2018 and 2017 (Thousands of Euros)

LIABILITIES AND EQUITY	31-12-2017(*)
<b>LIABILITIES</b>	<b>66,975,511</b>
<b>Financial liabilities held for trading</b>	<b>1,993,191</b>
Swaps	321,625
Short positions	751,508
Deposits	920,057
Banks	65,877
Customers	854,180
<b>Financial liabilities at fair value through profit or loss</b>	<b>-</b>
Memorandum items: Subordinated debt	-
<b>Financial liabilities at amortised cost</b>	<b>63,274,666</b>
Deposits	53,135,951
Central banks	6,500,608
Banks	2,120,624
Customers	44,514,719
Debt securities issued	8,187,472
Other financial liabilities	1,951,243
Memorandum items: Subordinated debt	1,163,653
<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>Liabilities under insurance contracts</b>	<b>737,571</b>
<b>Provisions</b>	<b>205,771</b>
Pensions and other defined benefit post-employment obligations	494
Proceedings and lawsuits for outstanding taxes	98,228
Commitments and guarantees provided	21,511
Other provisions	85,538
<b>Tax liabilities</b>	<b>352,009</b>
Current tax liabilities	184,155
Deferred tax liabilities	167,854
<b>Share capital repayable on demand</b>	<b>-</b>
<b>Other liabilities</b>	<b>376,054</b>
Of which: welfare fund	-
<b>Liabilities included in transferable groups of elements that have been classified as held for sale</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>66,975,511</b>

EQUITY AND LIABILITIES (continued)	31-12-2017(*)
<b>SHAREHOLDER'S EQUITY</b>	<b>4,249,619</b>
<b>Share capital</b>	<b>269,660</b>
a) Paid-in capital	269,660
b) Unpaid capital required	-
Memorandum items: uncalled share capital	-
<b>Risk premium</b>	<b>1,184,265</b>
<b>Equity instruments issued other than share capital</b>	<b>-</b>
a) Component of equity of compound financial instruments	-
b) Other equity instruments issued	-
<b>Other equity items</b>	<b>10,161</b>
<b>Retained earnings</b>	<b>2,445,819</b>
<b>Revaluation reserves</b>	<b>15,312</b>
<b>Other reserves</b>	<b>(6,815)</b>
<b>(-) Treasury shares</b>	<b>(813)</b>
<b>Profit attributable to the owners of the parent company</b>	<b>495,207</b>
<b>(-) Interim dividends</b>	<b>(163,177)</b>
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME</b>	<b>107,521</b>
<b>Items that will not be reclassified in profit and loss</b>	<b>30</b>
a) Actuarial gains or losses on defined benefit pension plans	30
b) Non-current assets 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 in profit and loss</b>	<b>107,491</b>
a) Hedging of net investments in foreign operations (effective portion)	-
b) Currency conversion	108
c) Hedging derivatives. Cash flow hedges (effective portion)	1,320
d) Financial assets available-for-sale	101,099
i) Debt instruments	97,182
ii) Equity instruments	3,917
e) Non-current assets classified as held for sale	-
f) Share in other income and expense recognised in joint ventures and associates	4,964
<b>MINORITY INTERESTS (non-controlling interests)</b>	<b>-</b>
Other cumulative global result	-
Other items	-
<b>TOTAL EQUITY</b>	<b>4,357,140</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>71,332,651</b>

(\*) Presented for comparison purposes only. Presented in the format of valid Financial Statements on the indicated date.

# Bankinter Group. Consolidated income statements for the years ended 31 December 2018 and 2017

(Thousands of euros)

	(Debit)/Credit
	<b>31-12-2018</b>
Interest income	1,320,454
Financial assets at fair value through other comprehensive income	130,485
Financial assets at amortised cost	1,110,902
Remaining interest income	79,067
Interest expenses	(226,173)
Expenses for share capital repayable on demand	-
<b>A) NET INTEREST INCOME</b>	<b>1,094,281</b>
Dividend income	12,584
Share of profit or loss of equity-accounted institutions	27,984
Fee and commission income	556,492
Fee and commission expenses	(106,812)
Gains or losses when closing financial asset and liability accounts not measured at fair value through profit or loss, net	38,294
Financial assets at amortised cost	2,509
Remaining financial assets and liabilities	35,785
Gains or losses for financial assets and liabilities held for trading, net	12,679
Reclassification of financial assets from fair value through other comprehensive income	-
Reclassification of financial assets from amortised cost	-
Other gains or losses	12,679
Gains or losses on financial assets not held for trading and required at fair value through profit or loss, net	(3,137)
Reclassification of financial assets from fair value through other comprehensive income	-
Reclassification of financial assets from amortised cost	-
Other gains or losses	(3,137)
Gains or losses for financial asset and liabilities accounts at fair value, net	-
Gains or losses resulting from hedge accounting, net	(71)
Foreign exchange differences [gains or losses], net	5,051
Other operating income	47,403
Other operating costs	(134,820)
Of which: compulsory transfers to welfare funds (only savings banks and credit cooperatives)	-
Gains from assets covered by insurance and reinsurance contracts	839,602
Expenses from liabilities covered by insurance and reinsurance contracts	(449,697)
<b>B) GROSS INCOME</b>	<b>1,939,833</b>
Administrative expenses	(941,602)
a) Staff costs	(537,651)
b) Other administrative expenses	(403,951)
Depreciation	(61,794)
Provisions or provision reversion	(143,579)
Impairment of value or reversal of impairment in value or gains or losses on changes in cash flows of financial assets not valued at fair value with changes in profit or loss and net losses or gains per change	(62,971)
a) Financial assets at fair value through other comprehensive income	211
b) Financial assets at amortised cost	(63,182)
Impairment in value or reversal of impairment in value of investments in joint ventures and associates	-
Impairment in value or reversal of impairment in value for non-financial assets	-
Tangible assets	-
Intangible assets	-
Other	-
Gains or losses when closing non-financial accounts	1,349
Negative goodwill recognised in results	-
Gains or losses from non-current assets classified as held for sale not admissible as discontinued operations	(10,143)
<b>C) PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS</b>	<b>721,093</b>
Expenses or income from taxes on earnings from continuing operations	(194,695)
<b>D) PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS</b>	<b>526,398</b>
After-tax earnings or losses from discontinued operations	-
<b>E) PROFIT FOR THE YEAR</b>	<b>526,398</b>
Attributable to minority interests (non-controlling interests)	-
Attributable to the owners of the parent company	526,398
<b>EARNINGS PER SHARE:</b>	
Basic	0,57
Diluted	0,57

	(Debit)/Credit
	<b>31-12-2017 (*)</b>
Interest income	1,288,805
Interest expenses	(226,810)
Expenses for share capital repayable on demand	-
<b>A) NET INTEREST INCOME</b>	<b>1,061,995</b>
Dividend income	6,993
Share of profit or loss of equity-accounted institutions	25,186
Fee and commission income	528,768
Fee and commission expenses	(105,278)
Gains or losses when closing financial asset and liability accounts not measured at fair value through profit or loss, net	38,111
Gains or losses for financial assets and liabilities held for trading, net	21,439
Gains or losses for financial asset and liabilities accounts at fair value through profit or loss, net	-
Gains or losses resulting from hedge accounting, net	(67)
Foreign exchange differences, net	2,097
Other operating income	40,429
Other operating costs	(119,634)
Earnings from assets covered by insurance and reinsurance contracts	776,784
Expenses from liabilities covered by insurance and reinsurance contracts	(425,507)
<b>B) GROSS INCOME</b>	<b>1,851,316</b>
Administrative expenses:	(883,526)
a) Staff costs	(498,494)
b) Other administrative expenses	(385,032)
Depreciation	(60,945)
Provisions or provision reversion	(53,215)
Impairment of value or reversal of impairment in value of financial assets not measured at fair value through profit or loss	(148,572)
a) Financial assets measured at cost	-
b) Financial assets available for sale	(1,394)
c) Loans and receivables	(147,178)
d) Held-to-maturity investments	-
Impairment in value or reversal of impairment in value of investments in joint ventures and associates	-
Impairment in value or reversal of impairment in value for non-financial assets	275
a) Tangible assets	929
b) Intangible assets	-
c) Other	(654)
Gains or losses when closing non-financial accounts and units, net	(1,201)
Negative goodwill recognised in results	-
Gains or losses from non-current assets classified as held for sale not admissible as discontinued operations	(27,010)
<b>C) PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS</b>	<b>677,123</b>
Expenses or income from taxes on earnings from continuing operations	(181,916)
<b>D) PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS</b>	<b>495,207</b>
After-tax earnings or losses from discontinued operations	-
<b>E) PROFIT FOR THE YEAR</b>	<b>495,207</b>
Attributable to minority interests (non-controlling interests)	-
Attributable to the owners of the parent company	495,207
<b>EARNINGS PER SHARE:</b>	
Basic	0,54
Diluted	0,54

(\*) Presented for comparison purposes only. Presented in the format of valid Financial Statements on the indicated date.

# Bankinter Group. Consolidated statement of recognised income and expense for the years ended 31 December 2018 and 2017 (Thousands of euros)

	31-12-2018
<b>A) PROFIT FOR THE YEAR</b>	<b>526,398</b>
<b>B) OTHER COMPREHENSIVE INCOME</b>	<b>(122,114)</b>
<b>Items that will not be reclassified in profit and loss</b>	<b>(9,463)</b>
a) Actuarial gains or losses on defined benefit pension plans	(2,096)
b) Non-current assets and disposal groups classified as held for sale	-
c) Share in other recognised income and expenses from investments in joint ventures and associates	-
d) Changes in the fair value of equity instruments valued through profit or loss, and fair value through other comprehensive income	(10,658)
e) Gains or (-) losses resulting from the hedge accounting of equity instruments valued through profit or loss, and fair value through other comprehensive income, net	-
f) Changes in the fair value of equity instruments valued through profit or loss, and fair value through other comprehensive income (hedged element)	-
g) Changed in the fair value of equity instruments valued through profit or loss, and fair value through other comprehensive income (hedging instrument)	-
h) Changes in the fair value of financial liabilities valued through profit or loss attributable to changes in credit risk	-
i) Tax on earnings related to items that will not be reclassified	3,291
<b>Items that may be reclassified in profit and loss</b>	<b>(112,651)</b>
<b>a) Hedging of net investments in foreign operations [effective portion]</b>	<b>-</b>
Gains or (-) losses recognised in equity	-
Transferred to profit and loss	-
Other reclassifications	-
<b>b) Currency conversion</b>	<b>-</b>
Foreign currency gains or (-) losses recognised in equity	-
Transferred to profit and loss	-
Other reclassifications	-
<b>c) Cash flow hedges [effective portion]</b>	<b>(1,731)</b>
Gains or (-) losses recognised in equity	(1,731)
Transferred to profit and loss	-
Transferred to the initial carrying amount of the hedged items	-
Other reclassifications	-
<b>d) Hedging instruments [elements not designated]</b>	<b>-</b>
Gains or (-) losses recognised in equity	-
Transferred to profit and loss	-
Other reclassifications	-
<b>e) Debt instruments at fair value through other comprehensive income</b>	<b>(153,623)</b>
Gains or (-) losses recognised in equity	(118,449)
Transferred to profit and loss	(35,174)
Other reclassifications	-
<b>f) Non-current assets and disposal groups classified as held for sale</b>	<b>-</b>
Gains or (-) losses recognised in equity	-
Transferred to profit and loss	-
Other reclassifications	-
<b>g) Share in other recognised income and expenses from investments in joint ventures and associates</b>	<b>(2,323)</b>
<b>h) Tax on earnings related to items that may be reclassified in gains or (-) losses</b>	<b>45,026</b>
<b>C) TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>404,284</b>
Attributable to minority interests (non-controlling interests)	-
Attributable to the owners of the parent company	404,284

	31-12-2017 (*)
<b>A) PROFIT FOR THE YEAR</b>	<b>495,207</b>
<b>B) OTHER COMPREHENSIVE INCOME</b>	<b>(2,337)</b>
<b>Items that will not be reclassified in profit and loss</b>	<b>(1,317)</b>
a) Actuarial gains or losses on defined benefit pension plans	(1,862)
b) Non-current assets classified as held for sale	-
c) Other valuation adjustments	-
d) Tax on earnings related to items that will not be reclassified	545
<b>Items that may be reclassified in profit and loss</b>	<b>(1,020)</b>
<b>a) Hedging of net investments in foreign operations [effective portion]</b>	<b>-</b>
- Gains or losses recognised in equity	-
- Transferred to profit and loss	-
- Transferred to profit and loss	-
<b>b) Currency conversion</b>	<b>(688)</b>
- Foreign currency gains or losses recognised in equity	(410)
- Transferred to profit and loss	(278)
- Other reclassifications	-
<b>c) Cash flow hedges [effective portion]</b>	<b>2,794</b>
- Gains or losses recognised in equity	-
- Transferred to profit and loss	2,794
- Transferred to the initial carrying amount of the hedged items	-
- Other reclassifications	-
<b>d) Financial assets available-for-sale</b>	<b>(2,938)</b>
- Gains or losses recognised in equity	33,274
- Transferred to profit and loss	(36,212)
- Other reclassifications	-
<b>e) Non-current assets and disposal groups classified as held for sale</b>	<b>-</b>
- Gains or losses recognised in equity	-
- Transferred to profit and loss	-
- Other reclassifications	-
<b>f) Share in other recognised income and expenses from investments in joint ventures and associates</b>	<b>271</b>
<b>g) Tax on earnings related to items that may be reclassified in profit and loss</b>	<b>(458)</b>
<b>C) TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>492,870</b>
Attributable to minority interests (non-controlling interests)	-
Attributable to the owners of the parent company	492,870

(\*) Presented for comparison purposes only. Presented in the format of valid Financial Statements on the indicated date.

## Bankinter Group. Consolidated statement of total changes in equity for the years ended 31 December 2018 and 2017 (Thousands of euros)

	Non-controlling interests												Total	
	Share capital	Share premium	Equity instruments issued other than share capital	Other equity items	Retained earnings	Revaluation reserves	Other (-) reserves	Treasury shares	Profit attributable to the owners of the parent company	(-) Interim dividends	Other cumulative global result	Other cumulative global result		Other items
<b>Closing balance 31/12/2017</b>	269,660	1,184,265	-	10,161	2,445,819	15,312	(6,815)	(813)	495,207	(163,177)	107,521	-	-	4,357,140
Effects of correcting errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	(172,032)	-	-	-	-	-	156,259	-	-	(15,773)
<b>Opening balance 01/01/2018</b>	269,660	1,184,265	-	10,161	2,273,787	15,312	(6,815)	(813)	495,207	(163,177)	263,780	-	-	4,341,367
Total comprehensive income for the year	-	-	-	-	-	-	-	-	526,398	-	(122,114)	-	-	404,284
<b>Other changes in equity</b>	-	-	-	7,990	250,080	(7,887)	(4,092)	120	(495,207)	(10,803)	-	-	-	(259,799)
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)	-	-	-	-	-	-	-	-	-	(258,406)	-	-	-	(258,406)
Purchase of treasury shares	-	-	-	-	(508)	-	-	(83,575)	-	-	-	-	-	(84,083)
Sale or redemption of treasury shares	-	-	-	-	-	-	-	83,695	-	-	-	-	-	83,695
Reclassification of financial instruments from equity to liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liabilities to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between equity components	-	-	-	-	247,603	-	-	-	(495,207)	247,603	-	-	-	-
Increases or decreases in equity arising from business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	7,990	-	-	-	-	-	-	-	-	-	7,990
Other increases or decreases in equity	-	-	-	-	2,984	(7,887)	(4,092)	-	-	-	-	-	-	(8,995)
Of which: discretionary transfer to welfare funds (only savings banks and credit cooperatives)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Closing balance 31/12/2018</b>	269,660	1,184,265	-	18,151	2,523,867	7,425	(10,907)	(693)	526,398	(173,980)	141,666	-	-	4,485,852

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

	Non-controlling interests													
	Share capital	Share premium	Equity instruments issued other than share capital	Other equity items	Retained earnings	Revaluation reserves	Other reserves (-)	Treasury shares	Profit attributable to the owners of the parent company	(-) Interim dividends	Accumulated other comprehensive income	Other cumulative global result	Other items	Total
<b>Closing balance 31/12/2016 (*)</b>	269,660	1,184,265	-	6,462	2,158,104	23,198	(5,471)	(132)	490,109	(138,677)	109,858	-	-	4,097,376
Effects of correcting errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Opening balance 01/01/2017</b>	269,660	1,184,265	-	6,462	2,158,104	23,198	(5,471)	(132)	490,109	(138,677)	109,858	-	-	4,097,376
Total comprehensive income for the year	-	-	-	-	-	-	-	-	495,207	-	(2,337)	-	-	492,870
<b>Other changes in equity</b>	-	-	-	3,699	287,715	(7,886)	(1,344)	(681)	(490,109)	(24,500)	-	-	-	(233,106)
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)	-	-	-	-	-	(57,141)
Sale or redemption of treasury shares	-	-	-	-	(312)	-	-	56,460	-	-	-	-	-	56,148
Reclassification of financial instruments from equity to liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liabilities to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between equity components	-	-	-	-	290,109	-	-	-	(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)	(2,081)	(7,886)	(1,344)	-	-	-	-	-	-	(11,313)
Of which: discretionary transfer to welfare funds (only savings banks and credit cooperatives)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Closing balance 31/12/2017 (*)</b>	269,660	1,184,265	-	10,161	2,445,819	15,312	(6,815)	(813)	495,207	(163,177)	107,521	-	-	4,357,140

(\*) Presented for comparison purposes only. Presented in the format of valid Financial Statements on the indicated date.

# Bankinter Group. Consolidated statements of cash flows for the years ended 31 December 2018 and 2017

(Thousands of euros)

	31/12/2018		31/12/2017(*)
<b>A) CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>175,726</b>	<b>A) CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>2,228,916</b>
Result for the year	526,398	Result for the year	495,207
Adjustments to obtain cash flows from operating activities	532,511	Adjustments to obtain cash flows from operating activities	559,741
Depreciation	61,794	Depreciation	60,945
Other adjustments	470,717	Other adjustments	498,796
<b>Net increase/decrease in operating assets</b>	<b>5,465,906</b>	<b>Net increase/decrease in operating assets</b>	<b>1,921,229</b>
Financial assets held for trading	2,428,209	Financial assets held for trading	57,980
Financial assets not held for trading and required at fair value through profit or loss	15,804	Financial assets at fair value through profit or loss	-
Financial assets at fair value through profit or loss	-	Available-for-sale financial assets	440,500
Financial assets at fair value through other comprehensive income	(607,128)	Outstanding loans and items	1,341,934
Financial assets at amortised cost	3,711,939	Other operating assets	80,815
Other operating assets	(82,918)	<b>Net increase/decrease in operating liabilities</b>	<b>3,205,445</b>
<b>Net increase/decrease in operating liabilities</b>	<b>4,677,952</b>	Financial liabilities held for trading	(202,626)
Financial liabilities held for trading	1,804,902	Financial liabilities at fair value through profit or loss	-
Financial liabilities at fair value through profit or loss	-	Financial liabilities at amortised cost	3,361,303
Financial liabilities at amortised cost	2,974,587	Other operating liabilities	46,768
Other operating liabilities	(101,537)	<b>Income tax recovered (paid)</b>	<b>(110,248)</b>
<b>Income tax collections/payments</b>	<b>(95,229)</b>	<b>B) CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(461,006)</b>
<b>B) CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(8,791)</b>	<b>Payments</b>	<b>(637,618)</b>
Payments	(107,102)	Tangible assets	(23,976)
Tangible assets	(19,725)	Intangible assets	(40,251)
Intangible assets	(69,347)	Investments in joint ventures and associates	-
Investments in joint ventures and associates	(18,030)	Subsidiaries and other business units	-
Subsidiaries and other business units	-	Non-current assets and liabilities classified as held for sale	-
Non-current assets and liabilities classified as held for sale	-	Investments held to maturity	(573,391)
Other payments related to investment activities	-	Other payments related to investment activities	-
<b>Collections</b>	<b>98,311</b>	<b>Collections</b>	<b>176,612</b>
Tangible assets	10,865	Tangible assets	-
Intangible assets	282	Intangible assets	-
Investments in joint ventures and associates	18,153	Investments in joint ventures and associates	301
Subsidiaries and other business units	-	Subsidiaries and other business units	-
Non-current assets and liabilities classified as held for sale	69,010	Non-current assets and liabilities classified as held for sale	176,311
Other collections related to investment activities	-	Investments held to maturity	-
<b>C) CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>(258,287)</b>	Other collections related to investment activities	-
Payments	(341,982)	<b>C) CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>270,119</b>
Dividends	(258,406)	<b>Payments</b>	<b>(286,341)</b>
Subordinated debt	-	Dividends	(224,500)
Depreciation of own equity instruments	-	Subordinated debt	(4,700)
Acquisition of own equity instruments	(83,576)	Depreciation of own equity instruments	-
Other payments related to financing activities	-	Acquisition of own equity instruments	(57,141)
<b>Collections</b>	<b>83,695</b>	Other payments related to financing activities	-
Subordinated debt	-	<b>Collections</b>	<b>556,460</b>
Issue of own equity instruments	-	Subordinated debt	500,000
Sale of own equity instruments	83,695	Issue of own equity instruments	-
Other collections related to financing activities	-	Sale of own equity instruments	56,460
<b>D) EFFECTS OF CHANGES IN EXCHANGE RATES</b>	<b>-</b>	Other collections related to financing activities	-
<b>E) NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)</b>	<b>(91,352)</b>	<b>D) EFFECTS OF CHANGES IN EXCHANGE RATES</b>	<b>-</b>
<b>F) CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>5,594,779</b>	<b>E) NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>2,038,029</b>
<b>G) CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>5,503,428</b>	<b>F) CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>3,556,750</b>
		<b>G) CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>5,594,779</b>

(\*) Presented for comparison purposes only. Presented in the format of valid Financial Statements on the indicated date.

# Solid and profitable growth

Bankinter Group closed 2018 with record profits. Net profit stood at €526.4 million and pre-tax profit at €721.1 million, up 6.3% and 6.5% year on year, respectively. One of the most notable aspects of the year was the RoE, which came to 13.2%, making Bankinter the most profitable listed bank in Spain.

## Quality assets

The quality of its assets is also worth particular mention, with the total NPL ratio below 3% (specifically, 2.90%, less than half the sector average). This percentage drops to 2.84% in the case of Spanish businesses.

The foreclosed property asset portfolio dropped to €348.2 million in 2018, compared to the €411.6 recognised at the end of 2017. Average coverage at 31 December was 44.4%.

Total Group assets at the end of the year came to €76,501.5 million, 8.7% up on 2017, with loans and receivables of €55,469 million (+4.1%) and customer retail funds of €50,583 million (8.9%).

Capital adequacy (measured in terms of fully loaded CET1, or maximum quality capital) improved by 29 basis points compared to 2017, to 11.75%, which compares well with the rest of the bank and is comfortably above the ECB's regulatory requirements for Bankinter.

## High liquidity

In terms of liquidity, at the end of 2018, the commercial gap came to €4,000 million, with a deposit-to-loan ratio of 93.8%, i.e. 320 basis points up on 2017.

Outstanding wholesale issues maturing in 2019 and 2020 come to €800 million in each year. To meet these maturities, the Bank has liquid assets of €10,900 million and can issue up to €6,500 million in covered bonds.

## Growing margins

All margins grew in 2018. Net interest income came to €1,094.3 million (+5.0%); gross operating income to €1,940 million (6.4%); and operating income to €936.4 million (+6.5%). Fee revenues totalled €450 million (+6.2%).

Net profit  
**€526.4mn**  
+6.3%

Earnings before tax  
**€721.1mn**  
+6.5%

The performance of the main lines of business was as follows:

- **Corporate Banking.** This is the business line that contributed the most to the Group's gross operating income in 2018 (30%). The loan book, at 31 December, came to €24,000 million, of which €22,600 million corresponded to Spain (+3.2%). Thanks to the growing weight of transactional and relationship activities, fee revenues increased by 18%. The International Business now generates 27% of the gross operating income from the entire Corporate segment.
- **Commercial Banking.** Contributed 28% of total gross operating income. Payroll accounts at 31 December came to €8,317 million (+22%), whilst the residential mortgage portfolio totalled €2,532 million (+11%). Assets under management in the Private Banking segment totalled €35.6 million (+2%) and €21,600 million (also +2%) in Personal Banking, despite the adverse market conditions.
- **Línea Directa.** Contributing 22% of

the Group's gross operating income, this company owned fully by Bankinter surpassed three million policies for the first time (+7.9%). Premiums issued contributed €853.1 million (+7%). The combined ratio at year-end came to 87.3% and RoE was 38%.

- **Consumer lending.** The number of customers at Bankinter Consumer Finance surpassed 1.3 million (+18%). Consumer commercial activities maintained a good pace throughout the year, with a balance of €632 million in new loans (+46%). The loan book at year-end 2018 was €2,000 million (+34%).
- **Bankinter Portugal.** Achieved double digit growth both in terms of funds (+17%) and loans and receivables (+12%); worth particular mention was the increase in loans to companies (+42%). All its margins also increased: net interest income by 13%, gross operating income by 14% and operating income by 73%. Pre-tax profit jumped to €60 million (+92%).

All margins grew in 2018.





## Share price

# A difficult year on the stock market

Following a strong 2017, the Spanish stock market returned to the red last year, on account of delays in the change to European monetary policy, US pressure on trade relations (in particular with China) and the loss of momentum in some emerging economies, in addition to other factors. One of the sectors most affected by this high volatility and that was responsible for the 15% contraction of the Ibex 35 was the financial sector, which also performed poorly in Europe, with the SX7P banks index falling 28% over the course of the year.

In this testing context, Bankinter's performance was acceptable, to some extent in line with the performance of the selective Spanish index and appreciably better than European bank indexes. Its share price dropped by 11.2%, although in February it reached historic highs of €9.4 per share. The Bank's market capitalisation at 31 December 2018 stood at €6,308 million. Shareholder return, including the dividend, did not come to more than -7,5%, which, although is a loss, compares very favourably nationally and internationally.

Bankinter still has one of the best stock market track records in European banking over the last three, five and ten years, demonstrating the confidence investors have in its management and business model. Since the end of 2013, the share price has risen by 41%, while in the same period, the Ibex fell by 14% and the STOXX Europe 600 Banks recorded a fall of 32%.

Since the end of 2013, the share price has increased by 41%.

## Share capital

At year-end 2018, Bankinter, S.A.'s share capital was represented by 898,866,154 fully subscribed and paid shares with a par value of €0.30 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. Residents held 54% of the share capital and the remaining 46% was in the hands of non-residents. Registered shareholders who hold more than 5% of the share capital are detailed in the table below. Treasury shares included 99,110 shares.

The most significant figures regarding the Bankinter share in 2018 are detailed in the following tables:

#### Shareholders with significant holdings. 31/12/2018

AUDIT AND COMPLIANCE COMMITTEE 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	17,159	31.13	246,885	0.03
From 101 to 1,000 shares	17,120	31.06	8,348,349	0.93
From 1,001 to 10,000 shares	17,350	31.47	57,553,670	6.40
From 10,001 to 100,000 shares	3,207	5.82	75,110,364	8.35
More than 100,000 shares	286	0.52	757,606,886	84.29
<b>Total</b>	<b>55,122</b>		<b>898,866,154</b>	

#### Summary by type of shareholder

Type	No. of shareholders	%	No. of shares	%
Residents	54,423	98.73	487,438,679	54.23
Non-residents	699	1.27	411,427,475	45.77
<b>Total</b>	<b>55,122</b>		<b>898,866,154</b>	

#### Data per share for the period, at 31/12/2018 (euros).

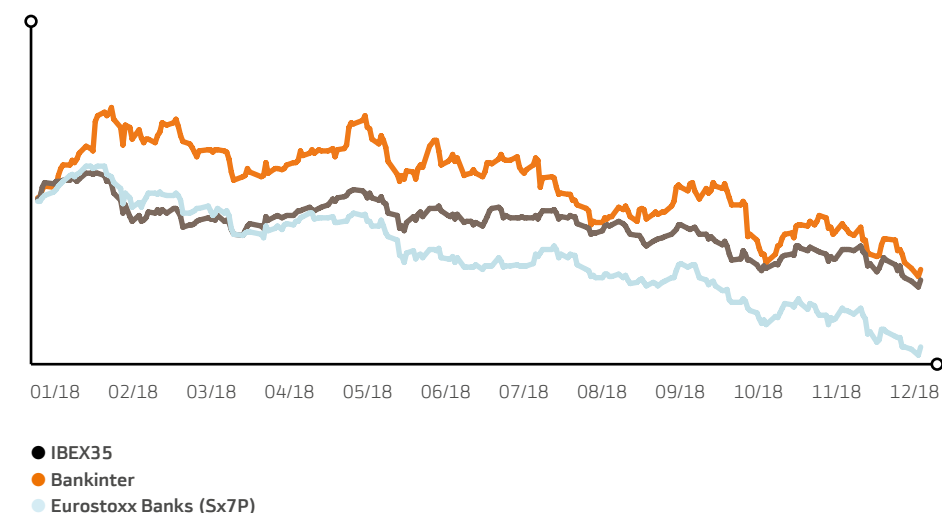
Earnings per share	0.59
Dividend per share	0.29
Book value per share	4.99
Share price at the start of the year	7.90
Minimum intraday share price	6.70
Maximum intraday share price	9.42
Last share price	7.02
Appreciation over the past 12 months (%)	-11.21

#### Stock market ratios at 31/12/2018

Price/Book value (times)	1.41
PER (price/earnings, times)	11.98
Dividend yield (%)	4.10
Number of shareholders	55,122
Number of shares	898,866,154
Number of shares of non-residents	411,427,475
Average daily trading (number of shares)	2,518,627
Average daily trading (thousands of euros)	20,791

**Market capitalisation (thousands of euros) 6,308,243**

#### Share price. Relative change (%) last 12 months (Dec-17 base 100)



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

## Dividend policy

Once again, Bankinter maintained its very stable and distinctive dividend policy, which is traditionally paid quarterly in cash. Both the strong evolution of the business and its high capital adequacy have made it possible to consolidate the high payout (percentage of earnings dedicated to dividends) in recent years, within the recommendations generally released by regulators for the adequate preservation of the banks' capital.

In 2018, as is usually the case, four cash dividends were distributed: a final dividend for 2017 and three interim dividends for 2018, 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 2018 profit, will be approved at the 2019 Annual General Meeting of shareholders.

The distribution of dividends for 2018, as of the date of publication of this report, is as follows:

## American Depositary Receipts (ADR)

Bankinter has a Level 1 ADRs programme managed by Bank of New York-Mellon, which had 106,644 outstanding at 2018 year-end. This enables residents of the United States to invest in foreign companies in a dollar-denominated product and to receive dividend payments in their own currency.



### Distribution of dividends

Deposit date	Dividend per share (euros)	No. of shares	Treasury shares	Shares with voting rights	Amount (euros)	Corresponding year
Jun-18	0.06506541	898,866,154	150,000	898,716,154	58,475,335	2018
Sep-18	0.06371962	898,866,154	150,000	898,716,154	57,265,852	2018
Dec-18	0.06480177	898,866,154	150,000	898,716,154	58,238,398	2018
<b>Total</b>	<b>0.19358680</b>				<b>173,979,585</b>	

## You First

News, such as dividend payments, quarterly results or Material Facts of which the Bank notifies the CNMV are provided to Bankinter shareholders before anybody thanks to the You First project, rolled out two years ago and that uses both physical and electronic media.



Quorum at the 2018  
General Meeting

**74.75 %**

Proposals and clarifications about the current share price or share history, dividend amounts and payment dates, the content of the corporate report and details on General Shareholders' Meetings, amongst other aspects, are resolved directly and in a personal way by the Shareholders' Office.

This Office has two other fundamental missions: informing internal stakeholders and supervisors about shareholder composition and ensuring adherence to the Securities Market Code of Conduct, which Bankinter employees must observe with regard to the Bank's actions.

The Bank operates in harmony with other European markets in terms of contracting and reporting processes, following the successful culmination of work resulting from the Reform of the Securities Clearing, Settlement and Registration System in Spain.

### 2018 General Meeting

On 22 March 2018, this meeting was held with a quorum of 74.75%, which was in line with previous years and above the average among Ibex-listed companies (72.78% in 2018). The Meeting approved the payment of a gross final dividend of €0.0939 per share, which took total remuneration for 2017 to €0.2755 per share.

# Transparency and commitment

Bankinter's commitment to providing relevant information on its performance and activities, as well as the Group's current and future business strategies, remains a key role of the Investor Relations area, which is guided by the principles of equality, fluidity and transparency required by regulators.

To maintain this commitment, each year, this area carries out, among others, the following activities:

- Quarterly presentation (January, April, July and October) of the Group's results by teleconference or webcast, at which more than 150 financial analysts and different institutional investors and managers from around the world are usually in attendance.
- Attendance at conferences, seminars or meetings held by the main stock markets and national and international investment banking companies in different regions (United States, Europe, Asia). At this forum, direct contact is made or one-on-one meetings are held with different stakeholders (institutional investors, portfolio managers, financial analysts, private bankers, etc.).
- More than 300 meetings a year held with institutional investors and qualified investors at Bankinter's head office on Paseo de la Castellana, either in individual sessions or in small groups organised by brokers or more directly with the Corporate Access departments at each institution.

- Roadshows to visit investors or potential investors in the main financial capitals around the world (including New York, London, Paris, Rome, Frankfurt, Zurich and Geneva) and lately in the Nordic countries again (Denmark, Finland and Sweden). The topics discussed on the roadshows include the economic and political outlook for Spain, the European regulatory framework and the state of the local property market.

At 31 December 2018, 46% of the Bank's shares were held by non-resident, mostly institutional, investors, with a high proportion maintained year after year. With a view to expanding the geographical base of shareholders, Bankinter is constantly researching new markets and has recently looked at Poland and Ireland.

## Sustainability

The Investor Relations area occupies a relevant and necessary position in the growing relationship that the bank maintains with the different agencies specialising in sustainability, to respond to the growing demand and sensitivity of international investors to aspects other than financial matters, such as good corporate

governance, environmental protection or respecting social issues in all our activities.

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 as one of the most sustainable companies in our market.

Following the successful inclusion of Bankinter on the Dow Jones Sustainability Index Europe (DJSI) in 2017, last year, and in recognition of the Bank's strong sustainability management, we were included for the first time on the Dow Jones World Sustainability Index, occupying a well-deserved thirteenth position from amongst the 27 banks on the list. Once again, Bankinter's financial stability, customer relations management, anti-corruption policies and measures, labour practices indicators and human capital development were its most highly rated attributes.

Bankinter has been included for the first time on the Dow Jones World Sustainability Index, occupying a well-deserved thirteenth position from amongst the 27 banks on the list

## Better outlook

In 2018, Bankinter once again demonstrated its solid ability to improve the most relevant capital adequacy, liquidity, asset quality and profitability financial ratios.

This can be seen in the improved rating or outlook assigned by two of the most important credit rating agencies in the world: S&P Global and Moody's. This facilitates its deposit taking and financing capacity on the markets and preserves the privileged position of the Bank with respect to its size.

The changes in relation to the Bank's rating in 2018 were as follows:

- In April, S&P Global Ratings raised Bankinter's long-term credit rating by one notch, from BBB to BBB+, preserving the short-term rating at A2 and defining the outlook of both ratings as 'stable'. The agency largely based these decisions on Bankinter's improved liquidity profile and its reduced reliance on short-term wholesale funding.
- In October, Moody's Ratings Limited ratified Bankinter's long-term issuer rating as Baa2 and the short-term rating as P-2, whilst improving the outlook from 'stable' to 'positive'. According to the agency, this improvement is attributable to the 'solid quality of Bankinter's assets, and the agency's expectations of an additional improvement in the coming 12-18 months, particularly in terms of its capital adequacy after the successful implementation of the new IFRS9 requirements, and the recent acquisition of EVO Banco'.



# A good year in a complex environment

The 2018 results confirmed the strength of Bankinter's strategy, which is focussed on five complementary lines of activity (Corporate Banking, Commercial Banking, Consumer Finance, Línea Directa and Portugal) and focussed on the customer business to ensure stable, sustained growth over time.

All business lines performed positively over the course of the year, despite the complicated backdrop, which was worse than expected. Interest rates remained very low, or negative, putting a squeeze on margins, whilst securities markets evolved poorly, affecting the asset management business. The macroeconomic scenario also deteriorated, due to growing political instability (Brexit, Italy, Germany), the loss of momentum in the main European economies and trade tensions.

Despite this general climate of mistrust and uncertainty, results for the year demonstrated that the strategic model works. Traditional business lines, like Corporate Banking and Commercial Banking, maintained steady and stable growth rates (around 5%), while less mature lines registered very significant increases in income (in Consumer Finance, for example, they increased by 32%); as a result, their weight as a whole at the entity is steadily increasing and their composition is being realigned.

Results for the year demonstrated that the strategic model works.

## Customer orientation

The orientation towards recurring business has also borne fruit. Both the customer margin and its weight in activities at the bank as a whole performed positively during 2018. These excellent results were supported by the strong management of volumes (based on active commercial management) and prices, which decreased on account of pressure from the competition, although not quite as much as expected. The contribution of digital transformation processes was also decisive in the improvement of results, both in Corporate Banking and Individual Retail Banking.

Meanwhile, generally speaking, costs were contained, although there were more significant increases in the insurance business and in Consumer Finance, which, based on their nature, required relevant investments in terms of attracting customers and marketing to continue growing.

Other characteristics of the year were as follows:

- **Commercial banking.** In 2018, this business line closed the gap to Corporate Banking and in 2019, it is foreseeable that it will end as the main contributor to the Group's business thanks to the contribution of its two star products: payroll accounts and mortgages.
- **International business.** Despite the impairment of international commercial activity, growth remained strong, thanks both to the financing of business projects and the relationship business (fees associated with payments and collections, guarantees, currency hedging and so on).
- **Portugal.** Ended the year strongly. Its results were better than expected, with balanced growth in different lines of the business (worth note are the stimulus provided by Corporate Banking and the contribution of Bankinter Consumer Finance in its first year) and the significant increase in new customers.

- **Private banking.** This strategic business to the Bankinter Group was affected in 2018 by the contraction of the securities markets and the subsequent loss of investor confidence. However, the high capacity of professionals and the traditional service quality offered to customers, made it possible to retain Bankinter's position as a point of reference in a very competitive market.

- **Investment banking.** Had a good year in terms of its ordinary advice activities and financing of business transactions. Furthermore, it actively collaborated in the placement of alternative investment funds in the Private Banking sector; this exclusive product helped to overcome volatility on the stock market and the bonds market.

- **Insurance.** It was another excellent year in this segment. Bancassurance activities, performed in collaboration with Mapfre, continued to perform well. In turn, Línea Directa, which is an important complement to the banking business, also had another year with excellent, despite price competition in the automotive market intensifying during the year.

- **Mortgages.** Mortgage production performed at a notable pace, with an increase in sums conceded of almost 20%, despite the controversy caused by the Supreme Court ruling, which distorted the market for weeks.

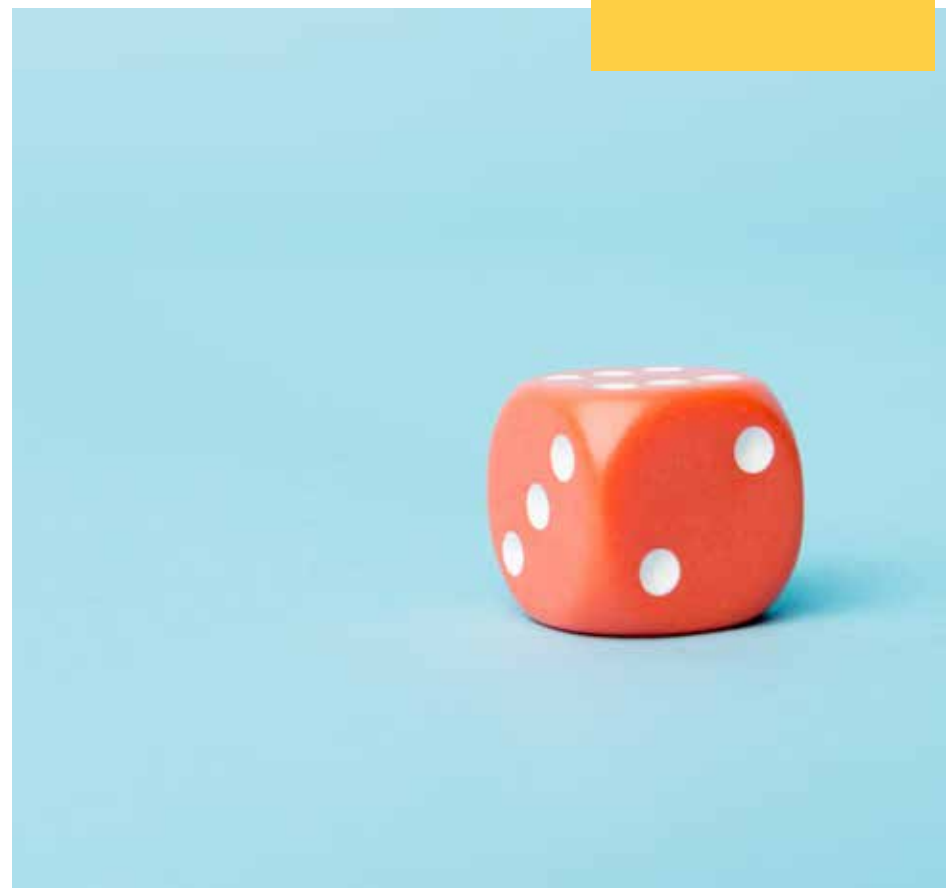
- **Payroll Account.** The star product in Individual Retail Banking had another spectacular year, partly as a result of the downgrading of conditions of similar offers made by the competition. The arrival of new customers through the Payroll Account division generated added value, thanks to the possibility of cross sales and greater productivity.

### The great unknown in 2019

Expectations about the near future are still plagued by uncertainty. Problems in the macroeconomic scenario (trade tensions, loss of dynamism in the economy, Brexit) look unlikely to be resolved in the near future. There is also a question mark over the securities markets; although they should react positively following significant losses in 2018. In terms of the price of money, it is likely that the Euribor will progressively rise to around 0%, although given the slowdown of the European economy, official rates are not expected to be increased by the European Central Bank in 2019.

Special mention should also be made of acquisition of the banking business of EVO Banco in Spain and Avantcard, its consumer loan subsidiary in Ireland, which is expected to materialise in the first quarter of the year. The transaction has a strategic element. In terms of the banking business of EVO Banco in Spain, which is very focussed on digital customers, its integration will help Bankinter to improve its position in the young audience with a self-service profile,

which is attracted by the model employed by fintech companies. Therefore, in terms of Avantcard, its acquisition will complement the range of Consumer Finance products and enhance the geographic diversification of the entity.





# Leaders in capital adequacy

The capital management system at Bankinter, its business model and prudent risk profile have helped the entity to retain a leadership position in terms of capital adequacy once again. The results of stress tests performed in 2018 confirm that the entity is one of the most resistant in Europe. Bankinter obtained the best result of banks traded on the Ibex 35 in stress tests run by the ECB on entities under its direct supervision. In comparison with the data made public by the 48 entities analysed by the EBA, Bankinter places second across Europe for the lowest impact on capital adequacy under the stress scenario.

The results obtained in the exercise reflect the strong position of Bankinter in terms of capital and its resilience to the severe scenarios proposed. This solid position is also reflected in the capital decision by the European Central Bank (ECB). The CET1 ratio (greatest quality capital) required from Bankinter for 2018 was 7.125%, the smallest of Spanish banks and among the lowest in Europe.

In addition, the company has one of the highest CET 1 levels and best quality of Spanish banks (11.75% at the end of 2018), so it amply complies (almost five points difference) with regulatory requirements. As a result, the Bank can freely decide on dividend payments, variable remuneration or hybrid instrument coupons such as Additional Tier 1 (AT1) issues.

## New accounting regulations

On the other hand, in 2018, the new IFRS 9 accounting regulation came into force, which represents a significant change in the classification and assessment of specific balance sheet items. Despite this, the impact in terms of capital adequacy was positive, with the CET1 ratio improving by 42 basis points. Bankinter has chosen not to apply the transitional adjustments available that mitigate the impact on capital of the increase in provisions caused by the adoption of this measure.

Looking ahead to 2019, Bankinter is waiting for the European Single Resolution Board to communicate its decision regarding 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 capital policy and issue of other eligible instruments during the financial year.

The banking sector is also awaiting the approval and publication of amendments to the capital adequacy and resolution regulation in the European Union. This new regulation seeks to implement the most recent international standards published by the Basel Banking Supervision Committee and address a number of shortcomings in current regulations to contribute to the stability of the financial sector.

Against this backdrop, Bankinter's goal for 2019 is to continue actively managing its own funds, in order to strengthen its leading position in terms of capital adequacy in the Spanish banking sector and ensure the highest quality of its capital.

2018 ANNUAL REPORT

# Corporate governance



# Applying best practices

Bankinter's Corporate Governance Policy, approved in 2017 by the Board of Directors, strictly complies with solvency regulations and the provisions of the Good Governance Code of Listed Companies and international guidelines and recommendations on this subject.

In accordance with the Corporate By-Laws, the Board of Directors is the competent body to approve the corporate policies of the Bank and its Group, excluding Linea Directa Aseguradora, which has its own regulations.

Bankinter's Corporate Governance Policy contains the general principles that underpin the specific corporate policies and internal procedure rules regarding corporate governance. Together, these policies and rules form Bankinter Group's internal corporate governance framework and are mandatory for all group entities as well as their respective governing bodies. Furthermore, it contains the principles that define the Group's corporate structure, as well as the core rules of its internal operations for the implementation of current regulations and the best corporate governance practices.

The details of the Corporate Governance Policy, in addition to the associated policies (Director Selection and Succession, Suitability and Training Assessment) can be found on the Bank's website.

## Size and composition of the board

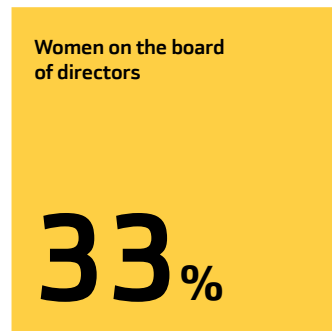
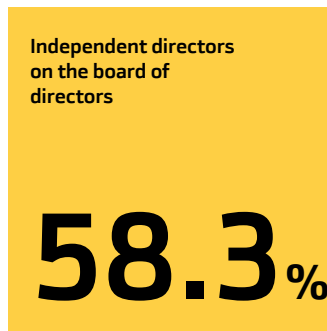
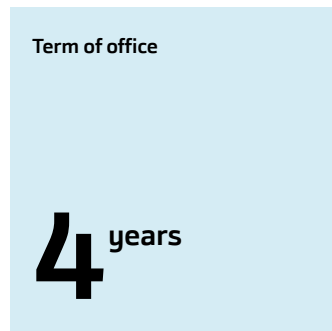
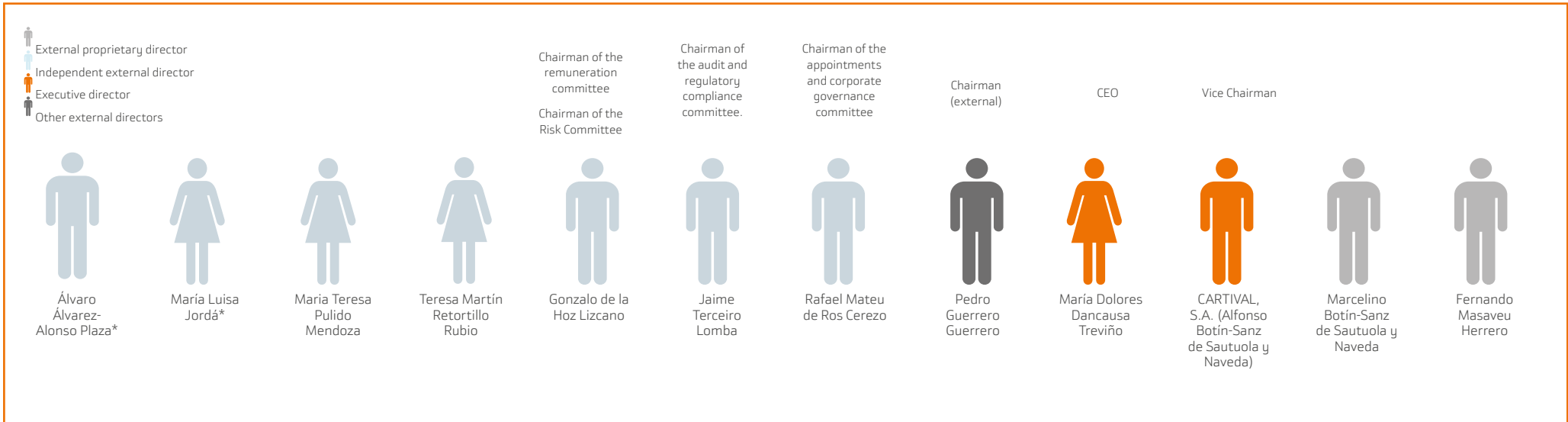
The members of the Board of Directors of Bankinter are characterised by their professional capability, integrity and independent judgement. These conditions are reported on annually in the corporate governance report, which is approved by the Board of Directors. At the time of writing this report, the Board is made up of ten members. However the General Meeting of Shareholders held on 22 March 2018 approved increasing this number to 12. Therefore, at the proposal of the Appointments and Corporate Governance Committee, Bankinter's Board of Directors, having received a positive assessment of suitability from the competent authority, will submit the appointment of two new independent external Directors to a vote at the General Meeting of Shareholders in March 2019; the profiles of these new members have been made available to shareholders on the corporate website.

The incorporation of the two candidates (Álvaro Álvarez-Alonso and María Luisa Jordá) represents huge added value for the Board, enriching its composition and

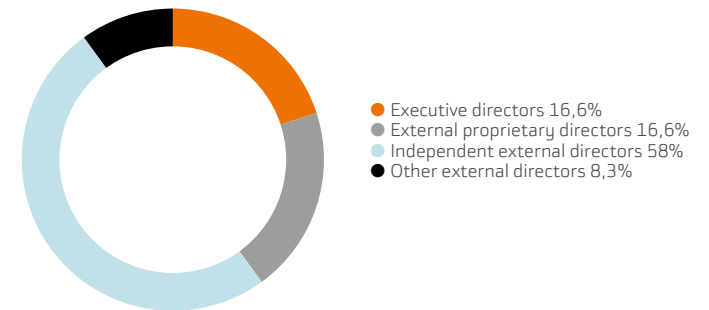
diversity. In addition to their excellent academic background, they different profiles and experience. Álvarez-Alonso has extensive management experience in the highest level of the financial, banking and strategic sector, at a national and international level, in addition to the implementation of new businesses. Jordá, in turn, has audit experience, strengthening the Board's analysis and supervision of management decisions from all perspective, thanks to her experience as a member of other Boards of Directors.

Following these additions, subject to approval by the Shareholders' Meeting, the degree of independence on the Board will increase, with the proportion of independent directors coming to 58%. This also contributes to the diversity of knowledge and experience, in addition to gender diversity, as 33% of directors are female.

In short, of its twelve members, two are executive directors and ten are non-executive directors. Seven of the latter are independent, two are proprietary and the last, in the opinion of the Board, is neither proprietary nor independent.



Current composition of the board



\*Note: Pending approval at the General Meeting of Shareholders.

Furthermore, Bankinter staunchly defends the importance of a balance of power in decision-making processes and, to this end, has established a clear separation of functions between the Non-Executive Chairman and the Chief Executive Officer. In addition to this separation, Bankinter's Corporate By-Laws envisage the possibility of appointing a lead director from among its independent directors.

## Board committees

The Board of Directors has created an Executive Committee with delegated authority. Furthermore, It has a range of committees with supervisory, reporting, advisory and proposal powers. They are the following:

- Audit and Regulatory Compliance Committee
- Risks Committee
- Remuneration Committee
- Appointments and Corporate Governance Committee.

The Rules and Regulations of the Board of Directors defines the functions and powers designated to each committee. The composition of each committee can be consulted on the bank's website.



Furthermore, the Board of Directors recently approved a specific regulation for the Audit and Regulatory Compliance Committee, following the recommendations defined by the regulator and to equip it with greater functional independence.

## Selection and diversity

In November 2015, the Board of Directors of Bankinter approved the Director Selection and Succession Policy, which defines the general principles of such processes:

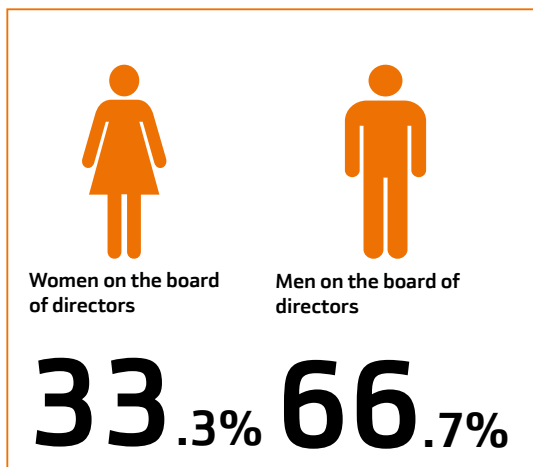
- They will guarantee compliance with applicable legislation and be carried out respecting the characteristics of the composition of the board of directors set out in the corporate by-laws and in the Rules and Regulations of the Board of Directors.
- They will encourage there to be a clear majority of 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.
- 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.
- 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.

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

In addition, the Board of Directors, applying the joint ESMA and EBA Guidelines, which came into force on 30 June 2018, approved a Policy on Assessing the Suitability of Members of the Board and those appointed to key positions at Bankinter. As a result of this, the Board also approved a number of amendments to the Selection and Succession Policy, which are complemented with the expected succession of the Chairpersons of the Board's committees.

The director selection processes are based on an analysis of the needs of Bankinter and of the institutions 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 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. In 2018, the Committee embarked upon the selection process to cover the two new posts approved by the General Meeting of Shareholders. Considering the needs to be covered at the time and the profile of existing directors, the decision was made that the candidates would have to satisfy most of the following characteristics:

- Gender diversity (at least one would have to be a woman)

- Experience in company administration and management
- Training and/or experience in banking/ financial services at a national and/or international level
- Training and/or experience in Investment Banking
- Strategy skills
- Technology and digital environment skills
- Experience in corporate governance or, alternatively, an appropriate level of dialogue in terms of their integration
- Lack of conflicts of interest or other obstacles that would compromise their appointment
- Maximum level of commitment and high level of motivation
- Sufficient experience in the exercise of his/ her role.

External advisers were involved in the selection process, as generally established for the selection of candidates capable of forming part of the Board of Directors in the capacity of independent directors.

In terms of gender diversity, Bankinter has been committed to the quality of opportunities for men and women for years. The selection processes it organises are objective and refrain from using conditions

or bias that would limit the ability of women to be appointed as directors, assessing the independence of candidates on a case-by-case basis, in addition to their professional worth, their capacity and their experience in the sector. The candidate selection process procures that the analysed candidates always include women.

As a result of this commitment, in 2010, the first woman became a member of the Board of Directors as executive director and chief executive of the company. At the time of writing and provided that the General Meeting of Shareholders approves the new appointments, the ratio of female directors will be 33.3%, meaning the Bank will have achieved the target of 30% representation set out in the Good Governance Code of Listed Companies for 2020 earlier than required.

### Succession plans

Pursuant to the policy approved by the Board, the processes for Board Member succession ensure that it will be carried out in a planned and coordinated manner, protecting the continuity of the business with no delay.

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.

Likewise, the Selection and Succession Policy for members of the Board of Directors contains the expected succession of the Chairpersons of the Board's committees.

### Training

On 25 October 2017, the Board of Directors approved the Training Policy for members of the Board, which defines the planning and principles required to guaranteed the up-to-date qualification of members of the Board of Directors through training. The aim is to ensure that the Board has the skills required for its supervision functions to be performed objectively and independently at all times. It sets out two training scenarios:

1. Initial training plan. When board members are selected, it is necessary to ensure that candidates have sufficient specialised skills in order to fulfil their duties efficiently; and to familiarise them with the organisational structure of Bankinter, focusing especially on the regulations that apply to their business activity and on any topics considered important for new directors to know in order to perform their duties while serving on the board; with a particular focus on risk control.
2. Continuous training plan, at the request of the board members themselves or following an analysis conducted by

Bankinter. The aim is for board members to access group and/or personalised training programmes based on their individual skill set and role on the board, bearing in mind the diverse profiles that Bankinter may require. In 2018, members of the Board received specific risk training.

## 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.

In 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.

## Operation

In line with its Rules and Regulations, before each financial year begins, the Board of Directors shall approve the programme of meetings for the following year in addition to the likely agenda. Directors are entitled to propose additional agenda items. The calendar and the agenda may be amended by virtue of a resolution of the Board itself or if the Chairman so decides, who shall communicate any such amendments to directors with as much notice as possible, emergencies aside. 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 11 times in 2018.

▪ Preparation of the meetings. Except in cases of urgency or necessity, meetings must be convened sufficiently in advance of its scheduled date. The procedure for preparing the meetings of the Board and its committees includes but is not limited to the following aspects:

- Meetings calendar of the board and its committees.
- The method and site for holding meetings.
- The convening and agenda of each meeting.
- The time and media for making the documentation available that will be the subject of analysis and debate for each meeting.

- Means of communicating with the directors responsible for compliance with the 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 2018. It was kept well informed of the progress and activity of the Bankinter Group's various business areas and of general matters within the scope of its supervisory functions, and, most prominently, the Board has monitored the Bank's strategic objectives defined in 2015, which have been periodically discussed in specific items on the respective agendas. Similarly, board members were 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 of Directors to which

they may belong. 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 directors, with an attendance rate of 97.27% at Board meetings and 95.56% at Board meetings and Committee meetings (100%, if attendance via proxy with specific instructions is included), demonstrating full commitment to the analysis and discussion of the issues proposed through the study of the supporting documentation and any other information required for such purpose.

## Assessment

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 conducted by an independent external expert (Russell Reynolds), whilst in 2017 and 2018, it was conducted internally. As part of all these assessments, aspects covered included the operations of the Board of Directors and its committees and the performance of its Chairman and executive directors.

In conclusion, during the assessments performed, no shortcomings were detected that required the implementation of an action plan to correct any of the areas analysed (quality and efficiency in the Board's functions; the functions and the composition of its committees; diversity in the composition and the authority of the Board; performance of the Chairman of the Board CEO; and performance and contribution of each director, with a special focus on committee chairs).

Nonetheless, the analysis of the findings of both assessments led to suggestions for improvement, which will be examined by the Appointments and Corporate Governance Committee.

## Remuneration and incentives

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

As part of its Good Governance policy, Bankinter has implemented, since 2008, the recommendation of the then Unified Good Governance Code of Listed Companies, later included as a requirement in the Spanish Corporate Enterprises Act, in relation to submitting its report on the directors' remuneration policy to the General Meeting of Shareholders as a separate item on the agenda, subject to an advisory vote.

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 remains in force until the 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 to and attendance at the various committees will be taken into account.

- 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.
- 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.

This remuneration currently has two components: an annual fixed amount, and 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 Bank, 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 executive directors receive variable remuneration.

The variable components will be defined in a way that generates an appropriate ratio between fixed and variable components of total remuneration and shall not exceed one hundred per cent of the fixed components, unless the general shareholders' meeting approves a higher ratio, although it may not, under any circumstances, exceed two hundred per cent of the fixed components of their total remuneration, in the terms established by law.

## 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.



2018 ANNUAL REPORT

# Risks



# More loans and receivables and high asset quality

Once again, Bankinter grew in terms of loans and receivables above the sector average and at the same time, maintained the high quality of its assets, which is its main hallmarks, and its rates of return.

Risk management is one of the central cornerstones of Bankinter's competitive strategy. The Bank has a 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. This tool establishes the type of different risks that the Bank considers reasonable to take on in developing its business strategy. Furthermore, it defines a series of metrics and key indicators to be monitored and managed, covering variables such as risk levels and cost, returns, liquidity and capital, amongst other variables. A tolerance level and thresholds are established for each metric which, if reached, lead to the adoption of corrective measures.

Ultimate responsibility  
for risk management  
lies with the Board of  
Directors.

The risk strategy rests on two pillars:

▪ **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 Bank assumes rest on 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 respect for and conformance to established requirements, limits and regulatory restrictions, in addition to proper compliance with current regulatory documents.

- Maintenance of a low or moderate exposure to credit risk with a non-performing loan ratio in the lowest range of the Spanish financial system.

- Appropriate hedging of problematic assets.

- Appropriate return on invested capital, ensuring a minimum level of profitability over the risk-free rate throughout the cycle.

- Maintenance of a low level of market risk, so that losses incurred in stress scenarios have a reduced impact on the Bank's earnings.

- Growth in the priority strategic segments of medium-sized and large enterprises.

- Balance of the lending portfolio of individuals and legal entities.

- Balanced growth in retail financing resources.

- Sources of wholesale funding are diversified from the viewpoint of both instruments and markets, and maintenance of a balanced maturity profile.

- Optimised retail financing costs, ensuring a balance between loan book returns and market interest rates.
- Use of a risk diversification policy to avoid excessive concentration levels that might translate into difficulties for the Bank.
- Limited activities in sensitive industries that might pose a risk to Bankinter's sustainability, such as those associated with property development or construction, or that might have a negative impact on its reputation and/or respectability.
- Moderate appetite for interest rate risk.
- Very small structural position in foreign currencies.
- Strengthened control of the Bank's reputational position (Good Corporate Governance and systemic risks, etc.).
- Desire to round out the level of service that Bankinter offers its customers, both in Private Banking and Enterprise Banking, offering limited-risk investment banking services.

- Optimisation of the efficiency ratio.
- Maximisation of the creation of value for shareholders throughout the cycles through both dividends and increases in share price, all on a strong base of capital and liquidity.
- Common Equity Tier 1 (CET1) kept within the fluctuation band set by Bankinter, above 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.

### Adaptation to regulations

Once again, 2018 was a very intense year in terms of the processes for adapting to new supervision criteria and regulations, the development of which has compromised significant resources. Some of these processes began in previous years and require efforts that can extend for several years. Among the projects undertaken, the following are of particular note:

- Adaptation to the new IFRS 9 accounting standard. On 1 January 2018, the calculation of provisions adapted to IFRS 9 criteria was fully functional. Over the course of 2018, management, expected loss calculation and monitoring procedures were all consolidated.

- Internal models. As the Targeted Review of Internal Models (TRIM) project of the European Central Bank is at an advanced stage of development, the supervisor unified the criteria for standardising the interpretation of regulations. Furthermore, the technical standards and guidelines of the European Banking Authority (EBA) require significant work in terms of adaptation, which is recognised implicitly in the deadlines for their entry into force.

- Data aggregates (RDA): Efforts to adapt to the risk data aggregation principles continued in 2019. Furthermore, over the course of the year, a new information infrastructure was rolled out, the objective of which is to construct a common environment that responds to global information needs for management, reporting and analysis, including Big Data techniques.

- Capital and liquidity self-assessment: The European Central Bank published new guidelines, in force since January 2019, for institutions to have a general overview of their capital and liquidity needs in order to cover all material, financial and non-financial risks. In turn, the EBA approved guidelines for the development of stress test exercises, which have also been in force since January 2019. These publications represent an essential element in the capital self-assessment process.

In addition to the above, other specific developments must be added, including the quantification of interest rate risk based on the new regulatory guidelines or the revision of the general risk management and control framework, adapting to the criteria set out in the new guidelines issued by the EBA on internal governance.

Bankinter continues dedicating significant funds to compliance with these regulatory developments and their application in risk management.

More detailed information on these risks can be found in the Prudential Relevance Report, in the Group's Consolidated Legal Report and the Annual Corporate Governance Report.

# Increasingly healthier assets

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.

During 2018, the Spanish economy continued in the expansionary phase, although growth slowed down over the course of the year. Internationally, trade tension was evident, there was an increase in political uncertainty in Europe and the dollar appreciated against emerging currencies, causing financial tensions in certain countries. In Spain, the indebtedness of companies and families continued to fall

and, in aggregate terms, lending to the private sector was lethargic for the large part. Against this backdrop, Bankinter's trend towards moderate growth remained for another year. Lending to customers grew by 4.1% whilst computable risk (including off-balance-sheet risk) grew by 4.6%. Asset quality continued to improve. Once again, the ratio of problem assets dropped, as can be seen in the following table.

Loans to customers

**+4.1%**

### Asset quality

Thousands of €	31-12-2018	31-12-2017	Amount	%
Computable risk	61,508,726	58,824,461	2,684,265	4.56
Doubtful risk (includes contingent risk)	1,785,160	2,029,908	(244,747)	-12.06
Provisions for credit risk	881,088	903,865	(22,777)	-2.52
NPL ratio (%)	2.90	3.45	-0.55	-15.94
Coverage ratio (%)	49.36	44.53	4.83	10.85
Foreclosed assets	348,201	411,555	(63,355)	-15.39
Provision for foreclosures	154,522	186,130	(31,608)	-16.98
Foreclosure coverage (%)	44.38	45.23	-0.85	-1.88

## Non-performing loan coverage

The non-performing loan ratio ended the year at 2.90%, a 55 basis-point or 16% decrease year-on-year. The non-performing loans ratio in Spain at year-end was 2.84%, 47% of the median for the industry (6.08% according to Banco de España data from November 2018). At the end of December 2018, the foreclosed asset portfolio was €348 million which was 0.6% of the total credit risk, following a reduction of 15% in the year.

## Balance in the portfolio

Over the years, Bankinter has tried to balance the distribution of its loan book between individuals and legal entities. At year-end 2018, the computable risk for individuals was 49.9% of the total, and that for legal entities was 50.1%. The most important characteristics are described below by segments:

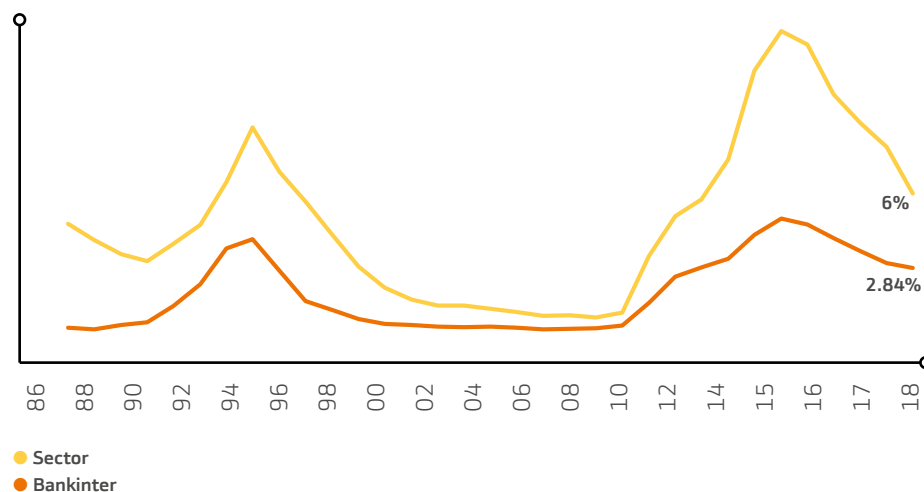
- **Individuals.** In 2018, the housing market and the financial situation of households continued to improve. Lending to individuals grew by 3.8% and the most

dynamic segments were consumer finance, personal banking and private banking. The individual lending portfolio amounted to €27,330 million at year-end, with a non-performing loans ratio of 2.7%.

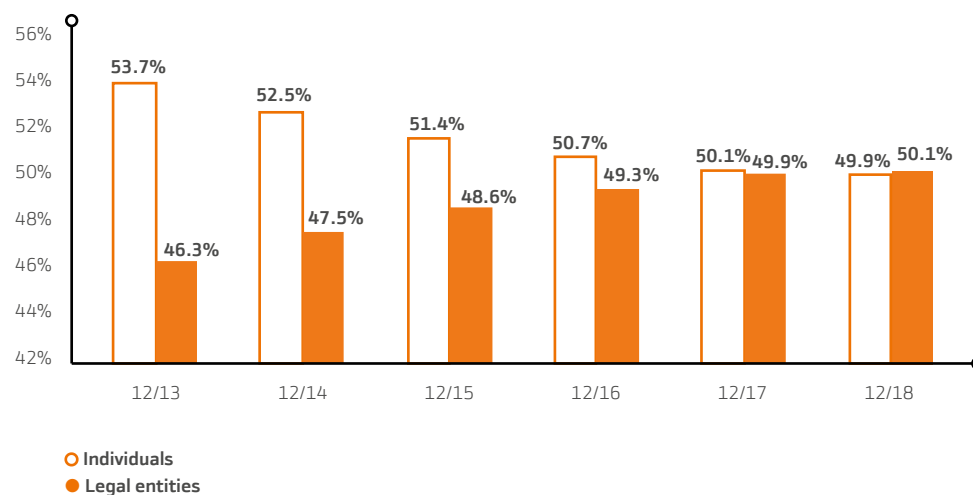
The residential mortgage loan portfolio for individuals showed a loan-to-value (LTV) ratio of 59% at 2018 year-end and 87% are secured by the primary residence of the owners. The average effort (measured as the proportion of income that the customer allocates to paying mortgage loan instalments) remained at very low levels (21%).

- **Corporate Banking.** Credit risk in Corporate Banking grew by 3.9% to €15,245 million with a non-performing loans ratio of 0.9%. 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, understanding the customer, flexibility and quality of service.

Evolution of NPL ratio (%) - Spain



Loan portfolio performance



- **Small and medium enterprises.** The small and medium enterprises segment grew by 6.0% during the year and its loan book stood at €11,792 million 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, grew by 29% up to €1,842 million 3.0% of credit risk. The risk-adjusted margin, and the non-performing loans ratios and costs, are controlled and remain in line with the typical levels in this type of business.

- **Portugal.** The loan book contributed a risk of €5,789 million to the balance sheet, with a significant reduction in the non-performing loan ratio to 3.5%, and with provisions recognised for 81.8% of doubtful assets. In carrying out the business in Portugal, the Bank's usual high lending standards are applied.

### Internal Risk Management 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, providing quantitative measurements of its credit risk. These models are mainly used to support approvals, set prices, quantify the coverage for impairment or provisions,

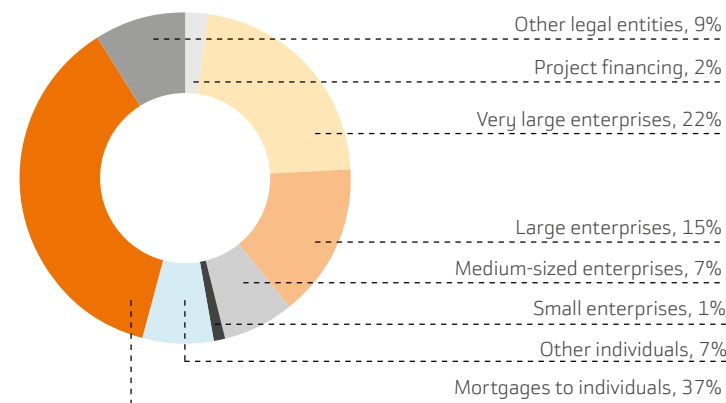
estimating regulatory capital, monitor loan books, support recovery and facilitate active management of the loan books' risk profile.

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

The Bank 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 distribution of Exposure at Default (EAD) by internal segments or categories is shown in the following graph.

Exposure at default distribution according to internal categories



## Increase in volatility

From the viewpoint of structural and market risks, last year was once again 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.

During the last months of 2018, the equities markets experienced a significant increase in volatility, with all indexes registering losses, generally speaking. This downward trend can be traced to different uncertainties, such as the weakening of the economy, the Federal Reserve interest hikes and the renegotiation of trade agreements demanded by the United States. Emerging markets were affected significantly.



## **Actions to protect the margin**

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 +/- 100 basis points in market interest rates is +9.9/-11.4%, for a 12-month horizon.

The sensitivity of the economic value to parallel increases of 100 basis points was +2.1% of its own funds at year-end 2018. 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 -0,5% 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.





## A comfortable buffer

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 situations resulting from internal causes or market behaviour.

The instruments used for liquidity risk control include monitoring changes in the liquidity gap or map, and the specific 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 conditions or simulating different scenarios of liquidity needs depending on the different business conditions or market variations.

With regard to wholesale funding, the maturity dates in 2018 were partially replaced, thus reducing dependence on wholesale markets by €320 million. Over the course of the year, the liquidity buffer made it possible to maintain the liquidity coverage ratio (LCR) at levels comfortably above 100%, coming to 144.2% at year-end 2018.

In 2018, the commercial gap (the difference between customer loans and deposits) dropped by €1,700 million, given the increase in customer funds was much higher than the growth of investment. Therefore, 93.8% of loans and receivables were financed by customer deposits at year-end.

Wholesale financing

144.2%



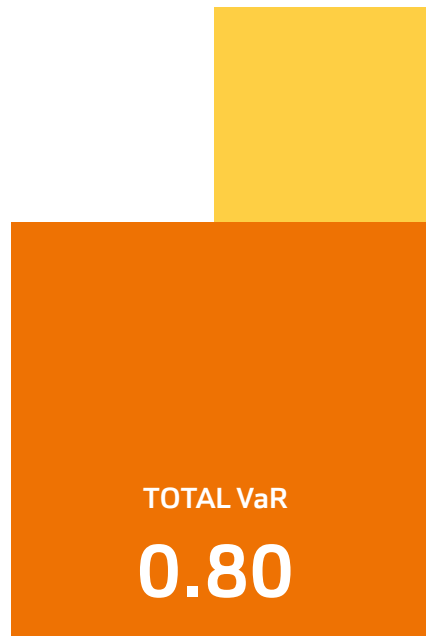
# Measuring instability

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 has maintained the VaR limits from the previous year.

Moreover, the VaR of the portfolio positions of the subsidiary Línea Directa Aseguradora are monitored each month using historical simulation methodologies. The VaR of the insurance company's portfolio at 31 December was €1.25 million. The risk that may be incurred by the subsidiary Bankinter Luxembourg is also monitored. Using this same methodology, the VaR for 2018 was estimated at €0.43 million.

The following chart details the VaR values of the trading positions at 2017 year-end.



## VaR 2018 TRADING

million euros	Latest
Interest rate VaR	0.64
Equity VaR	0.36
Exchange rate VaR	0.03
Volatility rate VaR	0.30
TOTAL VaR	0.80

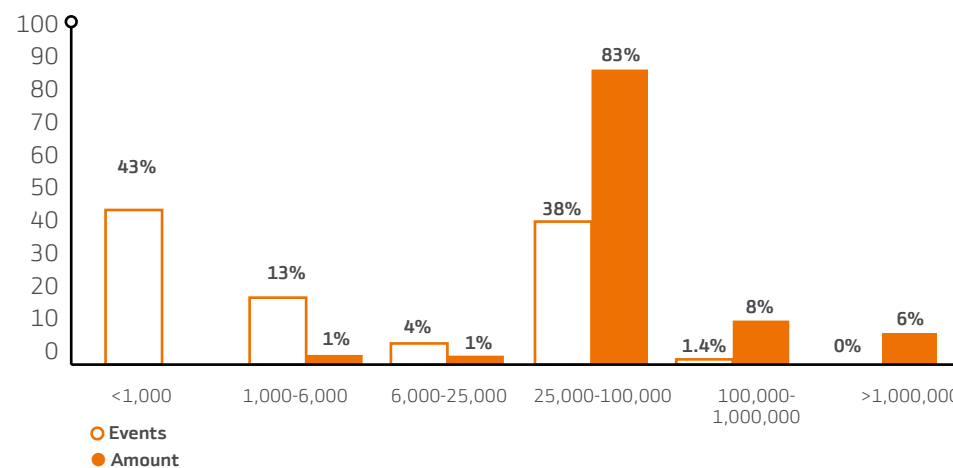
# Access to best practices

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.

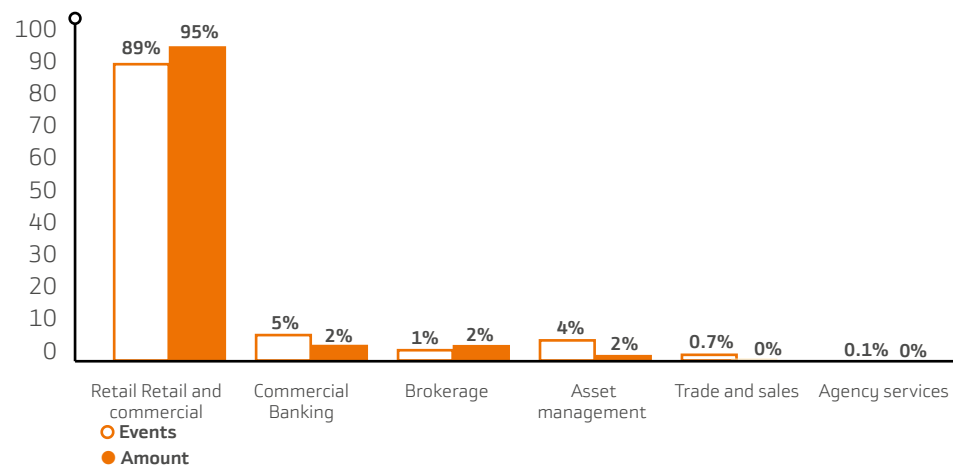
Bankinter's operational risk management model is known as the standard method in accordance with solvency regulations in force. This method requires the existence of systems for identifying, measuring and managing operational risks, prior authorisation from the Banco de España and an annual audit. Bankinter 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



# A specific prevention model

Reputation risks are risks arising from a negative perception by customers, counterparties, shareholders, investors or regulators that can unfavourably affect a bank's capacity to remain in existence or establish new business relations and continue accessing sources of financing.

Given the wide variety of reasons that can lead to this type of risk, it must be managed under a single model, separate from other risks, although within the thresholds established in the Bank's risk appetite framework.

The purpose of managing these risks consists in their prevention, identification and control in such a way as to reduce the likelihood that they will occur and mitigate their potential impact and the Bank has various tools available to do this.

For example, the perceptions and expectations of the Bank's main stakeholders are diagnosed and measured on a regular basis. This system, based on the RepTrak® methodology, enables Bankinter to identify its key reputation drivers and actively influence them.

One of the most important aspects in preventing reputational risks is to understand market and environment trends.

## Trend monitoring

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.

Furthermore, 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 event indicators with reputational impact.

In addition, 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.

Bankinter also provides employees with different professional conduct and ethics manuals, with a view to raising awareness about the importance of this risk, in order for them to act as the first line of defence to protect the Bank's reputation.

# A legal and ethical commitment

The attainment of business targets has been compatible at all times not only with Regulatory Compliance but also with the development of 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 an opportunity to reflect, for Bankinter to become a leading institution adapted to the new reality of the finance industry, which is subject to the need to change relationships with customers and adjust the Bank's business model in line with new financial consumption habits and multiple reporting requirements.

The growing importance of Regulatory Compliance has been underscored with the entry into force, as a result of the economic and financial crisis, of several highly complex regulations and the launch of the new supervisory architecture, obliging the Bank to strengthen its available resources.

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

The purpose of the compliance function is to assess and provide guidelines for the lines of business that help define its strategy

## Institutional framework

The Regulatory Compliance at Bankinter is subject to an internal institutional framework. The head of Regulatory Compliance, Regulation and Corporate Governance hierarchically reports to the Audit and Regulatory Committee under Bankinter's Board of Directors and functionally reports to the General Secretary of the Bank, through which it forms part of the Organisation as a whole, ensuring close cooperating with the other areas of Senior Management, particularly Risks and Legal Counsel in all areas for which they are responsible.

In particular it sits on the following Bodies at the institution:

- **The Regulatory Compliance Committee.** The Senior Management body responsible for monitoring the bank's policies within this scope. 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 Products Committee.** which approves the launch, modification or cancellation of products and services offered to customers. During 2018, the product and service governance procedures were consolidated, adapting the institution's practice to their design and the roll-out of standards required by regulators, in particular those in relation to establishing the target customer.

- **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 Regulatory non-Compliance which involves significant reputational risk, with a potential negative impact on the relationship with customers, markets, employees and the authorities. In particular, Regulatory non-Compliance may lead to sanctions, damages or cancellation of contracts, with the resulting damage to the Bank's image.

## Regulatory changes

In 2018, the Regulatory Compliance area focussed its efforts on the entry into force of the MiFID II Directive and its implementing regulations, the MIFIR Regulation (relating to markets in financial instruments) and PRIIPs Regulation (relating to documents with key information relating to packaged retail and insurance-based investment products), given its cross-sector impact on the provision of investment services by the Group.

The new regulation represents a challenge not only from a regulatory point of view but also strategically, given that it requires the professionalisation of investment services and introduces significant changes to the structure of revenue arising from the provision of them. In 2018, the adaptation to MiFID II, MIFIR and PRIIPs has become a priority and the Regulatory Compliance area advised 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 their transposition into Spanish law.

Another important regulatory change was the entry into force of the General Data Protection Regulation. The Regulatory Compliance area actively participated in the adaptation of Bankinter's policies and processes to these new regulations.

Furthermore, the Bankinter Group assigned the management of regulatory change competencies to the Regulatory Compliance Division through the Regulation area. Thus, the function was made stronger, providing it with greater consistency and unity, facilitating the early detection of the possible impact of regulatory changes and reducing the corresponding risks. This assignment of competencies is related to the EBA guidelines (EBA/GL/2017/11), which strengthen the internal governance systems, procedures and mechanisms that credit institutions and investment service firms must implement to guarantee effective and prudent management.

## Basic areas

Under this regulatory and institutional framework, the Bank developed the basic areas of the compliance function in 2018: 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, Bankinter implemented a methodology based on the risk approach that enables the risk of default in each area of activity to be assessed in relation to the provision of investment and banking services.

In terms of the prevention of money laundering and the financing of terrorism, 2018 was marked by the international strengthening of the control framework, both in the customer scope of knowledge and the controls applicable to international financial sanctions and correspondent banking.

In Spain, Royal Decree Law 11/2018 of 31 August was published, containing the amendments resulting from the transposition of Directive (EU) 2015/849 of the European Parliament and the Council, of 20 May 2015, on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing.

At Group Bankinter, the prevention of these activities represents a strategic objective and an ethical commitment to society as a whole and to compliance with control standards in this area. With this objective in mind, in 2018 Bankinter bolstered the IT tools dedicated to this function.

## Outlook for 2019

In 2019, work at the institution to adapt to the regulation of investment services will conclude, following the completion of the transposition of MiFID II rules. Furthermore, it will be necessary to promote the institution's adaptation to the regulatory framework of reporting transparency in the provision of banking services, in particular in relation to mortgage lending, to the framework deriving from the transposition of Directive 2014/828 in terms of the promotion of the long-term involvement of shareholders, and Directive 2015/849 on the prevention of money laundering and terrorist financing.

Furthermore, the area will oversee compliance with the new regulatory requirements set out in the Payment Services Directive (PSD2) and the Insurance Distribution Directive (IDD). Finally, the institution will closely monitor the regulatory aspects related to the Action Plan of the European Union on sustainable finances, which shall be reflected in amendments of the MiFID and IDD regulations.

## Security and confidentiality

Over the past two years, Bankinter has worked on the implementation of the General Data Protection Regulation 2016/679 (GDPR) and the new Organic Law 3/2018 on Personal Data Protection and Digital Right Guarantees, as part of its commitment to the privacy of its customers, employees and suppliers and with transactional confidentiality.

In compliance with the new requirements under these regulations, a Data Protection delegate has been appointed, for both Bankinter and its subsidiaries that process personal data. Furthermore, internal procedures have been updated to adapt them to the requirements of the new European Regulation, which must be adhered to by all individuals providing services at the Group.

### Customer control

So that its customers receive more details and have greater control over their data, in 2018, Bankinter designed a procedure to request their consent once again, as part of which customers can choose the types of processing that they are willing to authorise.

Customers are informed about what their personal data is used for; who receives this data; the legitimate bases for the different types of processing; where and how they can exercise their rights of access, amendment, deletion, opposition, portability and limitation, and how to make contact with the Data Protection delegate.

At year-end 2018, Bankinter had not received any significant data protection penalties.

The Group guarantees at all times that personal and transactional data is transmitted using suitable, reliable and secure channels, preserving their integrity and confidentiality.



# A protection strategy against a growing threat

Information security is a great priority at Bankinter. The objective is to always guarantee high levels of confidentiality, integrity and availability for customers, employees, shareholders and suppliers. In this connection, during 2018, projects set out in the Information Security Master Plan were undertaken; additionally, the duration of this Plan has now been extended to 2020.

The model for the fight against cybercriminals is based around 3 lines of defence: the first line is technology, business, operations and so on; the second line is made up of risk control and Regulatory Compliance bodies; and the third line is the Internal Audit department, which monitors that the first and second lines act independently and are focused on continuous improvement.

From an organisational viewpoint, a new model has been implemented in the first line within the Data Security Department consisting of three management areas:

- **Technological risks.** Focussed on Regulatory Compliance, policies, business continuity plan and risk analysis, etc.
- **Cybersecurity.** Its priority is the protection of customer data, simulation of constant attacks on the Group's systems and continuous improvement in combatting cyberattacks.

- **Security monitoring and e-fraud prevention.** Overseeing communications and transactions in addition to analysing the security of applications.

With this new structure, in 2018 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.

Following this phase, which was extended to the first half of 2018, a series of processes will be rolled out, including attacks against the bank's infrastructure, forensic data analysis or advanced intrusion detection systems, amongst others. Finally, more complex projects will be undertaken, with more advanced technology, and a review performed on the complex external subcontracting regime in relation to cybersecurity.

One of the most important objectives for 2019, 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.

One of the key objectives for 2019 is the implementation of an adaptive security system, which will offer customers the option of deciding how to manage their security.



## Training programmes

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 to employees 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.

**The Bank provides online training programmes to employees via the Intranet and carries out simulations to discover the reaction of employees.**



2018 ANNUAL REPORT

# Business areas



# The best professionals for an excellent service

For years, Bankinter has been a point of reference in the Private Banking segment, thanks to its strategy of building a long-term relationship with its customers, based on specialisation and the excellence of the service provided.

To this end, having a highly qualified team that receives constant training, as is the case at Bankinter is essential; this team comprises 223 professionals, who are amongst the best in the industry.

The vast majority of these professionals have taken the Expert in Private Banking course, approved by the CNMV and who must taken 30-hours of refresher training each year.

This has made it possible, for example, to launch an independent assessment service for customers with the most property assets, which will globally managed by Bankinter.

These initiatives contributed to Private Banking meeting the targets set in 2018, despite the adverse circumstances that affected its activities, such as market volatility, political instability, growing regulations and low margins in the finance sector.

At 31 December, property assets under management came to €35,650 million, increasing by €3,110 million during the year.

The Helia Renovables II capital fund is also worth particular mention, launched by Bankinter 2018 in collaboration with Plenum Partners, with investment over the past year coming to €251 million, in addition

to the Vstudent Venture Capital Fund in collaboration with Valeo, which came to €153 million.

## Great uptake

In addition to strong results, in 2018 Private Banking achieved a high level of acceptance: set the target of 39%. this business segment obtained a score of 41.6% from its customers and its staff received a score of 65.5%, according to data for December.

Amongst the means provided most recently to private bankers, worth special mention is the new reporting system, which was launched in 2017 and consolidated in 2018, and an advice tool that ensures homogeneity and high quality in investment proposals.

One of the challenges in 2019 will be to continue making progress, making the most of the opportunities offered by digital technology.

In addition to strong results, in 2018 Private Banking achieved a high level of acceptance: set the target of 39%. this business segment obtained a score of 41.6% from its customers.

### Private banking

	2018	2017	% Dif.
Acquisition (No. customers)	3,968	4,843	-18.1
Active customers (No. customers)	35,971	33,357	+7.8
Total customer funds (millions of euros)	22,662	21,733	+4.3
Customer deposits (millions of euros)	10,216	9,031	+13.1
Customer loans (millions of euros)	3,712	3,366	+10.3

# Maximum quality in the face of intense competition

Personal Banking had to react to strong competition in 2018, forcing the division to intensify its efforts to offer distinguished products and services of the highest quality.

This segment, which included customers with annual net income greater than €70,000 or with assets of between €75,000 and €1 million, also suffered as a result of market volatility and the regulatory changes introduced during the year.

In spite of all of this, Personal Banking achieved strong results, as can be seen in the acquisition of 31,713 new customers, which has made it possible for us to reach 230,519 active customers. Active customers have grown by 8.8% during the year.

Once again, one of the main points of access to the bank was the Payroll Account, which has become one of the most successful products launched by Bankinter in recent years.

Mortgage activity also experienced significant growth, offsetting the fluctuations seen in the second half of the year on account of the legislation applicable to taxation. New production in this type of loan increased by 8.9% to €1,255 million.

The strategy to diversify the range of investment funds as an alternative for the lower spreads on deposits, generated very strong results for the second successive year. Property assets in investment funds came to €4,648 million, thanks in large part to the range of profiled funds launched in 2018, which adapts to all customer types, from the most conservative to the most dynamic customers.

## Leap in quality

However, Personal Banking not only experienced an improvement in its business figures in 2018; there was also a notable increase in quality, in line with Bankinter's aim of offering a progressively better service.

In this respect, the training acquired by Personal Banking managers and branch directors in consultancy proved to be a significant help, which was essential in obtaining the certifications required by MiFID II.

The challenge for 2019 will be to continue improving the figures in terms of customer acquisition, mortgage production and new property assets under management.

### Personal banking

	2018	2017	% Dif.
Acquisition (No. customers)	31,713	32,277	-1.7%
Active customers (No. customers)	230,519	211,785	8.8%
Total customer funds (millions of euros)	18,696	17,998	3.9%
Customer deposits (millions of euros)	12,485	11,550	8.1%
Customer loans (millions of euros)	9,019	8,441	6.9%

## Individuals and foreign residents

The fact that now, banks must assume Stamp Duty subjects margins to further pressure, the effects of which will be seen in full force in the coming years.

However, despite the legal ups and downs that preceded the Government's decision to rule in favour of customers, mortgage production figures were very strong for Bankinter in 2018: the amount loaned grew by 18% in Individual Retail Banking and 17% in Foreigners. These figures are very high compared to other years and the growth of the real-estate market, although the latter is very high.

In terms of mortgages, fixed and mixed rate mortgages continue to gain strength, in particular amongst Foreigners, now representing 47% of the total, although the Individual Retail Banking division is not far behind: (39%).

The figures for personal loans were also spectacular, with the outstanding balance growing by 18% in Individual Retail Banking thanks to activity growth and campaigns undertaken by the bank in terms of

# Strong results in a difficult year

The change in regulations on tax applicable to mortgages was one of the challenges faced by the Individual Retail Banking and Foreigners division in 2018, as its main source of income is from this type of loan.

consumer finance. In total, this business segment granted personal loans worth €254 million in 2018, 41% higher than in 2017.

## Payroll Account

When it comes to customer funds, the Payroll Account was once again the main engine for acquiring customer deposits, as a result of its advantageous conditions: balance remuneration of 5% up to €5,000 in the first year and 2% in the second year, with no maintenance fee. This account, which involves direct debiting of bill payments and the use of credit cards, registered a 10% increase in uptake year-on-year, demonstrating its potential. It is the most competitive on the market based on its characteristics.

The challenges for 2019 include: placing a greater emphasis on mortgage production and attracting young customers, strengthening the digital relationship and omnichannel banking, keeping the focus on consumption and liquidity management and improving the customer retention rate.

### Individual Retail Banking

	2018	2017	% Dif.
Acquisition (No. customers)	51,638	45,371	13.8%
Active customers (No. customers)	353,062	335,641	5.2%
Total customer funds (millions of euros)	5,117	4,564	12.1%
Customer deposits (millions of euros)	4,326	3,750	15.4%
Customer loans (millions of euros)	12,629	12,925	-2.3%

### Foreigners

	2018	2017	% Dif.
Acquisition (No. customers)	4,163	3,641	14.3%
Active customers (No. customers)	28,893	27,214	6.2%
Total customer funds (millions of euros)	285	253	12.7%
Customer deposits (millions of euros)	263	229	14.5%
Customer loans (millions of euros)	649	626	3.7%

## One of the bank's main pillars

Despite its activities being undertaken in a complex environment, the Corporate banking business, which serves companies with annual billing of more than €50 million, remains one of the main pillars in Bankinter's income statement in 2018.

The presence of factors of instability, with the threat that they pose to growth; the difficulty in term investment transactions, due to the increase in risk profiles and the increase in competition, did not prevent Corporate Banking from contributing €260.6 million to the Bank's gross operating income last year, and €211 million in pre-tax profit.

One of the most important figures last year was the 14.1% increase in new production, which came to €5,086 million, attributable, in large part, to the specialisation strategy embarked upon in 2015 with a view to managers having a better understanding of companies and being in a position to offer

them a service that is increasingly tailor-made to their needs.

### Specialisation

In 2018, the specialisation strategy resulted in the opening of two new Corporate Banking centres, one in Madrid East and one in Madrid West, in addition to the 22 that were open at year-end 2017; of these, three are dedicated to companies with annual income of more than one billion euros.

More than 160 professionals work at the Corporate Banking centres; they are experts in different economic sectors and their main challenge is to guarantee an appropriate

balance between return and risk. Thanks to their efforts, Bankinter's investment in this segment at 31 December came to €11.564 million, commission revenue grew by 7.0% and the customer recommendation rate increased to 55%, ten points higher than the previous year.

Amongst the objective for 2019 are: maintaining margins; harnessing the expected increase in asset price; focussing activities on new opportunities offered by Investment Banking; increasing transactional banking in working capital to achieve higher commissions; increasing self-financing in dollars, which will reduce the cost of transactions in this currency; and, implementing the 'Portfolio Management' project throughout the Network.

This project defines customer categories based on their billing (€50 to €100 million, €100 to €350 million, €350 million to €1,000 million, and more than €1,000 million) and will contribute to improving the bank's value proposition and identifying niches with growth potential, in addition to other aspects.

New production  
**+14.1%**  
**€5,086 M**

### Corporate banking

	2018	2017	% Dif.
Acquisition (No. customers)	801	692	13.7%
Active customers (No. customers)	5,806	5,649	3.4%
Total customer funds (millions of euros)	8,768	8,648	1.4%
Customer deposits (millions of euros)	8,506	8,408	1.2%
Investment (millions of euros) (*)	11,564	11,807	-2.1%

(\*) Affects depreciation financing supplier payment (Treasury) in November 2018, to the sum of €912 million, segregating this transaction, the December 2018 vs December 2017 variation is +0.06%.

## Medium-sized enterprises

# A strong relationship day to day

A team of almost 300 people, spread across 72 specific centres, are responsible for attending Medium-sized enterprises at Bankinter, i.e. those billing between €5 million and €50 million. Their work over the past year was carried out in a very competitive environment, in which the main actors in the sector offered financing at very aggressive rates.

Despite this, there was a €533 million increase in the investment portfolio, thanks in large part to two strategies: focussing commercial activities on acquiring working capital business and the strengthening of the bank's relationship with companies, in particular in their daily operations, which offers significant opportunities.

Another two milestones in 2018 were the net acquisition of 4,198 new customers, increasing Bankinter's penetration rate in the segment to 40%; and the improvement in perceived quality by 4.6 points, resulting in a higher level of loyalty and greater likelihood of recommending our services.

At year-end, total investment in medium-sized enterprises came to €6,191 million, of which €3,446 million corresponded to term investments and €2,711 to investments in working capital. Its gross operating income amounted to €154 million, with 41.7% coming from commissions.

### Global customers

The keys to the strong performance of this business are the reassignment of portfolios in recent years and the aim of medium-sized companies not being one-off customers of Bankinter when they need financing, rather global customers whose life the bank can make easier.

The challenges for 2019 include: enhancing the penetration rate further still, continuing to increase the participation of the working capital business and improving the management of customers with growing doses of proximity and service quality.

Customers Medium sized enterprises;

**40%**

Bankinter's level of penetration in this segment

### Medium-sized enterprises

	2018	2017	% Dif.
Acquisition (No. customers)	4,198	4,393	-4.4%
Active customers (No. customers)	24,102	23,259	3.6%
Total customer funds (millions of euros)	4,573	4,208	8.7%
Customer deposits (millions of euros)	4,348	3,960	9.8%
Customer loans (millions of euros)	6,191	5,658	9.4%

## More customers, more loyalty

In 2018, the SME business experienced solid growth, encouraged by the improvement of business results and greater demand for financing. Bankinter serves SMEs at its universal branches, where 273 employees performed this task as of 31 December.

As a result of the intense commercial activities undertaken during the year, the number of customers grew from 68,650 to 70,688, distributed across Spain. The investment volume in this segment increased by 6.7%, off-balance sheet exposure by 15.5% and gross operating income by 10.9%.

The strategy consists not only in increasing the customer base, but in strengthening their loyalty, making us their reference bank. Bankinter aspires to becoming their main finance partner, a partner they can entrust the daily business undertakings to, supporting them in their national and international financing and operations.

An example of Bankinter's dedication to satisfying the needs of small enterprises can be seen in the launch of the new App for SMEs, through which customers can perform their company's main transactions.

In 2018, we launched the digital version of the loan for tax payments, which can be obtained hassle-free, immediately and practically online. This type of lending came to €400 million in 2018, of which 43% of transactions were completed digitally.

### Contribution

In total, the SME business contributed €161.4 million to Bankinter's gross operating income and €39.1 million to pre-tax profit; furthermore, the Bank made progress with the reorganisation of the balance sheet with a further reduction in non-performing loans.

The efforts made over the course of the year were also reflected in an increase in the level of quality perceived by customers, climbing to 26.9%, up 5.7 points compared to 2017.

In 2019, the challenge will be to gain market share, promoting the transactional and international activities of our customers, making it possible to continue improving margins and make progress with the digitalisation and improvement of the customer experience.

Contribution to  
Gross Operating Income

**€161.4mn**

SMEs	2018	2017	% Dif.
Acquisition (No. customers)	13,401	13,485	-0.6%
Active customers (No. customers)	70,688	68,560	3.1%
Total customer funds (millions of euros)	4,108	3,650	12.5%
Customer deposits (millions of euros)	3,826	3,323	15.1%
Customer loans (millions of euros)	5,197	4,873	6.7%



# The permanent quest for opportunities

This division of Bankinter has two fundamental objectives: provide global corporate advice to companies, in particular families, and serve as a bridge between them and investors who would be potentially interested in financing their projects.

To this end, it has two strengths: its reputation in terms of risk management and a model in which Investment Banking is closely related to the bank's commercial activities. Bankinter's work to this end consists, essentially, constantly seeking out opportunities, taking advantage of abundant liquidity and poor returns of other alternatives.

The performance of the different segments of Investment Banking in 2018 was as follows:

**Mergers and acquisitions.** The market was very active, both on account of transactions between manufacturers and acquisitions, which venture capital funds played an important part in. Two transactions materialised as a result of Bankinter's advice: the sale of Ingapán to an international leader in the frozen dough industry; and the sale of Seral to an international catering leader. In 2019, the number of transactions completed is expected to increase, thanks to the visibility with which the year has started compared to 2018.

**Capital markets.** The roll out in Portugal began with mandates from important companies, including building giant Motal-Engil and hospital group José de Mello Saúde, who both top their corresponding specialities. Bankinter headed up the largest capital expansion through a private placement amongst institutional investors on the Alternative Stock Market, undertaken by Alquiber Quality. ATOM Hoteles, comprising the bank and investment management firm, GMA HCI, was floated on the stock market. The goal for 2019 is to become leaders in the mid market in Spain.

**Structured and alternative financing.** Growth from previous years continued, both in terms of investment and number of transactions formally arranged, with greater activity in project financing, mainly in terms of renewable energy. The volume approved surpassed €1,400 million, taking the portfolio (including corporate) to above €2,200 million. Bankinter assisted different institutional investors in their foray into the field of structured financing.

**Property financing.** 2018 was characterised by demand residential land with full planning permission and investor appetite for leased residential properties, in addition to alternative assets. Transactions were closed in the offices, residential land and alternative financing sector, whilst a significant portfolio of projects continued to be generated that has made it possible to start 2019 with a high volume of transactions in different sectors.

**Alternative investment funds.** Bankinter's strategy placed the spotlight on investment in real assets with the capacity to generate stable cash flows in the long term, in order to offer Private Banking customers investments with an adequate risk profile/return. Three new alternative vehicles for alternative investment in hotel properties (ATOM), student halls of residence (VStudent Aulis FCR) and energy (Helia Renovables II FCR) were launched. As a result, the bank generated a managed volume of €1,200 million in capital and almost €3,000 million in total potential investment.

Alternative investment  
funds

€1,200<sub>mn</sub>

Managed volume

## Key commercial activity

The commitment of Spanish firms to internationalisation and the uncertainties they face on the market means that the banking sector must spare no efforts in offering solutions abroad, where they face fierce competition in terms of tenders and projects.

Against this backdrop, the International Trade Finance division, within the Corporate Area, offers a wide range of services that continues to grow: issue and receipt of guarantees, international payments and collections, exchange risk hedging, documentary credit, etc.

It is particularly active in the optimisation of the working capital of companies and long-term funding operations (construction of schools, refineries or ships) in Latin America, Europe, North Africa, the US and Asia.

Last year, the division, with an important pillar in new technologies, brokered transactions worth €65,438 million, up 13.9% year-on-year. Its investment activity came to €4,839 million, 19.52% more than at year-end 2017.

This made it possible to record a gross operating margin of €155.1 million, up 10.5% year on year; this accounts for more than one quarter (specifically, 27%) of the entire Area's gross operating income.

### Presence at events

The strong performance of International Trade Finance is directly related to its significant presence at large-scale international events, including meetings of the Latin American Banking Federation or the annual meeting of the Inter-American Development Bank.

In terms of Spain, Bankinter has participated at the International Business Fair (IMEX) for a number of years and has joined the Exporters Club, with a view to providing maximum visibility to the solutions provided in this area.

Worth particular mention in 2018 was the work performed by the international financial institutions team, in addition to structured trade and export financing team, which supports the commercial network in preparing made-to-measure products for customers in a wide range of sectors, including infrastructures, energy, transport, commodities or automotives.

Digitalisation and the development of supply chain financing platforms in other markets and global banks will be a fundamental part of the growth strategy in the years to come.

Operations

€65,439mn

+13.9%

## Balanced business growth

Bankinter Portugal's business was carried out in quite a dynamic economic context, with GDP growing by over 2%. The economy's main lever in 2018 was consumption, driven by the strong pace of job creation, which has seen ten percent chopped off the unemployment rate in just five years. This is reflected in greater demand for financing from families and companies, with the subsequent positive impact on returns in the banking sector.

When it comes to Bankinter, 2018 closed with more than 20,000 new customers in Portugal and a balanced improvement in the different business areas. The strong results in Commercial Banking were consolidated, following strong growth in Corporate Banking and Bankinter Consumer Finance ended its first full year in Portugal with very impressive results.

As part of this strong performance, the following aspects were key: the expansion of the functions of digital channels; the launch of new mortgage lending, consumer credit and investment fund options for private customers; the implementation of the Bankinter Broker platform, which provides access to the world's main markets, and the implementation of different programmes to support companies in general, in addition to their international expansion, in particular.

However, over the course of the year, not only income but the visibility of Bankinter grew in Portugal, with almost 1,200 mentions in the media. The awareness index rose by 16.4%, from 42.2% in November 2017 to 49.1% in November 2018. Customer satisfaction also increased substantially, with the NPS index up from 13% in December 2017 to 23.3% in December 2018.



By activity segment, the following is worth note:



**Retail Banking.** Bolstering of the Private Banking team, with the opening of new centres and recruitment of four bankers, the launch of the Partnet Banking and Agent Network. Furthermore, there has been an improvement in remote customer management via Bankinter+. Finally, worth particular mention is the €306M growth in total customer resources, 6.2% up on year-end 2017 and lending portfolio growth of €194 million (+5%).

**Credit activity.** The Bankinter Portugal Mortgage has yielded excellent results once again, with production of €512 million (+14%), thanks to a very competitive offer, improved management and a strong media campaign. Consumer lending came to €81 million and 17,000 bankinter cards were put into circulation.

In October 2018, the sale of a non-performing and written-off loan portfolio worth €360 million was signed off.

**Corporate Banking.** 18% growth in number of customers, which now stands at around 18,643. Growth of €267 million in terms of customer resources (+15%) and €397 million in the lending portfolio (+42%).

**Asset management.** Portfolio management on behalf of third parties was included in the range of products and services offered, aimed at institutional customer including banks, insurers and pension funds. As a result of this and other business development actions, total assets under management increased significantly, by 6%, year-on-year.

**Growing commitment to the international business.** Involvement in different financial acquisition and structured financing transactions.

**Life insurance** It has been a year of intense activity, culminating with €1,457 million euros in assets, 10% up on 2017. Worth particular mention is the success of the sale of life insurance in the Business and Consumer Lending divisions online.

## A growing activity

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.

The Capital Markets area manages the trading and distribution of cash products and the Bank's balance sheet. The environment in which it carried on its activity last was much more unstable than in 2017:

- **United States.** The situation was characterised by the trade wars waged by the country's administration and the evolution of interest rates. Bond increased until the upward trend was inverted in the fourth quarter, interest rates began discounting a more flexible monetary policy and analysts warned that the economy would slow down to a certain extent.
- **Europe.** The European Central Bank's maintenance of monetary policy actions and the absence of an inflationary outlook saw interest rates in the Eurozone remain at minimum levels. The budget conflict with Italy, Brexit negotiations and other international political matters contributed to very negative stock market performance.

- **Spain.** The Treasury had no problems in meeting its funding needs for the year. Despite the premium ending slightly up on 2017, the improved ratings saw the 10-year bond close significantly below 1.50%.

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 acted as 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. Also noteworthy was the work done in this area for access by customers to foreign exchange, interest rate hedge and fixed income markets. The specific action plans of the Distribution area, in particular in terms of currency, offered very strong results.

### Balance sheet management

The Bank's balance sheet continued the sustained improvement in its liquidity position. The increase in lending was offset by an even larger growth in customer funds. It was only necessary to issue €500 million in 10-year mortgage-backed securities with a spread of 0.15%, harnessing the strong market position at the start of the year. Demand outnumbered supply by three-to-one.

Wholesale funding maturities were distributed over time to minimise refinancing difficulties.

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

All structural currency positions were hedged, thanks to which Bankinter's income statement was not affected by the fluctuations in major currencies.

2018 ANNUAL REPORT

# Other business



## A very adverse backdrop

The Group company specialising in collective investment performed its activities in 2018 in a context of a clear economic slowdown and loss of risk appetite, reflected in significant contractions in financial markets and corporate bonds.

Consequently, managed assets, which had grown in 2017, experienced a downturn, despite the efforts made to expand the range of funds, both in terms of passively managed funds (emerging and global equities) and actively managed funds (energy efficiency).

The results of the different activities in 2018 were as follows:

**Investment funds.** Managed equity came to €8,372 million at year-end, slightly down, by 0.5%, on the same date in 2017. The downturn was more pronounced when considering the third-party funds distributed by the bank: 5.6%, to €16,353 million.

**Sicavs.** The poor performance of the stock markets resulted in a 10% drop in their property assets, which came to €2,370 million compared to €2,637 million the previous year.

**Pension funds.** Equity also dropped, for the same reason as mentioned for SICAVs. Following the €2,459 million recognised in 2017 for this type of product, the figure dropped to €2,359 million in 2018, a loss of 4% in relative terms.

**Delegated management.** The regulatory changes resulting from the introduction of the MiFID II Directive resulted in this type of investment being less attractive compared to profiled funds (based on the risk appetite of each customer). Portfolios dropped 22% and their value at 31 December came to €1,894 million.

The outlook for 2019 is that risk markets will become more attractive and provide new, positive yields, which must be harnessed by insisting on the professional management of investment funds compared to forms of direct management.

# Against uncertainty, training

In a year plagued by uncertainty (increase in protectionism, slowdown of the Chinese economy, concerns about the outcome of Brexit, upturn in political and social conflict in Europe), the Equities area at Bankinter placed an emphasis on training its customers, which resulted in an improvement in the management of the portfolio and a better balance in the diversification of assets, which was consequently reflected in results.

Over the course of 2018, 337 training sessions were held, attended by 12,667 people, of which 1,997 were not Bankinter customers. These 337 sessions can be broken down as follows: 316 courses by the Bankinter Academia Bróker across Spain, twelve face-to-face 'Fórum Bolsa' sessions, two online 'Fórum Bolsa' sessions, three Traderlab sessions (on ETFs, futures and warrants) and an online Traderlab session.

Amongst new initiatives, worth particular mention was the Masterclass, a new training format with customers, where the basics for operating in a more professional way are imparted, establishing profit and loss targets, working methods, tools and discipline. There were ten Masterclass sessions during the year. The 'Customer Journey' was also designed to guide customers on their life-cycle and relationship with Bankinter.

## Other advances

The improvement of the invitation, sign-up and attendance system for Equities training sessions was also of great use, helping as many customers as possible to benefit from the efforts made by the bank. And the launch of Bróker Gráfico, the uptake of which has been significant on account of the information and operating options offered.

The foregoing, combined with the rate changes implemented in 2017, made it possible for turnover last year, despite the lower contract volume on the stock market, to decrease by -18% after capturing 9,596 new securities accounts. In total, the portfolio at 31 December came to €14,669 million, 4% down year-on-year, taking into account the market effect.

The challenges in 2019 will be acquiring customers who still have no securities account with Bankinter, raising awareness of the value proposition amongst non-customers, creating new, more customised forms of relationship and launching a new app.





# Sustained growth and internationalisation

In 2018, the Bankinter company specialised in consumer loans and credit cards profited from the growth of the Spanish economy, although in the final months of the year, this slowed down to some extent, and this may become more acute in the future.

Consumer lending continued to increase in Spain at levels of more than 10%, although this was well below the historic maximums seen in 2006-2007, i.e. just before the economic and financial crisis occurred.

In this context, Bankinter Consumer Finance experienced new developments in all its lines of business, recognising gross investment of €1,843 million, which represents 28% growth compared to 2017 and record pre-tax earnings of €103.4 million.

To achieve these results, the commercial work and experience of the bank in risk management was essential; this represents one of the fundamental pillars at the company for its profitable growth.

All areas of the company have grown significantly, both the loan consumption business and cards for the bank's customers, for whom new added-value online services have been created, such as Automatic Smart Purchase or Limit Management, and the business for the open market with important new alliances.

## Internationalisation

In addition to the strong results, 2018 was the year of internationalisation at the company. The business took root in Portugal, where consumer lending came to €148 million, bankintercard was launched and an agreement was signed to roll out another co-branded card on the market in cooperation with Mapfre. Furthermore, we secured a foothold in Ireland with the acquisition of Avantcard, as part of the transaction that saw Bankinter assume control over Evo Banco. From an operational perspective, one of the main developments in the past year was the adaptation to the new Data Protection Regulation, which forced the Bank to change a number of internal and customer-facing procedures. Furthermore, we amended products such as car loans, which now constitutes an exclusively online model, the profitability of which is greater.

Bankinter Consumer Finance started 2019 as a multinational company with a presence in three countries: Spain, Portugal and Ireland. Its challenges for the year are: continue with product diversification; strengthen its position on financing markets in point of sale; continue growing in terms of personal and car loans; and intensify its commitment to digital products and processes.

Gross investment

€1,843<sub>mn</sub>  
+28%

# A positive year marked by digitalisation

The financial context in 2018 was positive for the insurance business, making it possible to achieve strong results in the Life sector and the Savings and Corporate businesses. The commitment to digitalisation made it possible to update and modernise platforms and processes at the institution.

The characteristics of the different businesses over the course of the year were as follows:

- **Life Insurance.** Growth was up on recent years, both in terms of individual customers and legal entities. At year end, the portfolio stood at €85.1 million, representing an increase of 5.9%. This increase came to 6.4% for private individuals and 3.6% for legal entities. Simulators were set up on the website and the option of taking out certain insurance policies online was also rolled out.
- **Pension plans.** Net activities came to more than €148 million, with an increase in customers of 5% and unit holders by 2.7%, in contrast to the market contraction of 1%. However, the negative performance of the markets prevented these positive data from being reflected in managed property assets. In 2018, we continued to promote a culture of saving and conveyed the importance of complementing the public pension system with private savings to customers, placing a particular emphasis on periodic contributions.
- **Savings.** These products performed very strongly, both in terms of Life Annuities and Individual Systematic Savings Plans (PIAS), with year-on-year growth of 54.7%. In terms of Life Annuities, the range of products was expanded to cover customer needs. In this connection, financial planning simulators were developed to make it easier for customers to predict their savings through to retirement age and how this compared to their salary.
- **Corporate insurance.** In the Multirisk and Civil Liability businesses, considered essential products in the correct undertaking of business activities, the portfolio increased by 12.9%. Furthermore, the sale of credit insurance, which mitigates the risks assumed by companies when expanding abroad, began successfully.

### New law in 2019

This year, the new Insurance Distribution Law is expected to come into force, which will regulate the framework for the sale of insurance, incentives, governance and training in the sector. Its main objective is to promote transparency and provide adequate information to customers about insurance products, placing a special emphasis on the most complex insurance types.

Bankinter has made significant efforts in preparing for the entry into force of the new law and has prioritised the training needs of all employees involved in the sale of insurance products.

## A sting in the heart of Europe

Bankinter Luxembourg first came into operation in 2013 and remains the only Spanish financial institution with its own banking licence in the country, which is the leading EU country in private banking and distribution of investment funds. Its main objective is to offer global financial proposals in a secure environment, facilitating diversification and a maximum-quality service.

The subsidiary provides Bankinter with a direct perspective of the European market, greater knowledge of the international markets and a more in-depth and overall view of activity trends in the private banking sector, which is constantly evolving and growing and is key to the Group's business strategy.

In 2018, Bankinter Luxembourg continued working on the consolidation of its team, which hired new recruits, and adapting to the new and ever-increasingly demanding regulatory requirements.

From a commercial point of view, activity stepped up in countries in which Bankinter is present and there was a high rate of growth in terms of customer lending.

### Significant figures

Specifically, the balances drawn down in terms of credit facilities increased by 30% in 2018. At 31 December, all lines were guaranteed with collateral, the coverage ratio was 215% and there were no non-performing loans.

Assets under management on this date came to €2,887 million, almost 10% up on year-end 2017.

The objectives of Bankinter Luxembourg for 2019 are: continue increasing the customer base, continue developing the technological transformation plan and consolidating itself as one of the main players in the Iberian market.

Assets under management

**€2,887**mn  
+10%

## Transactions, in pursuit of maximum efficiency

For Operations, the area dedicated to providing operating services to Bankinter, 2018 was a particularly complicated year, given the changing regulatory framework, for starters. An example of this can be seen in the successive and contradictory rulings by the Supreme Court about who should be responsible for paying Stamp Duty on mortgages, resulting in the Government's decision to allocate liability to the banks. This forced Operations to change handling procedures several times, even overnight, in order to ensure strict compliance with the law and court rulings at all times.



Last year also saw the consolidation of Bankinter's new operating model, both in Spain and Portugal, in order to internalise all critical tasks and outsource only tasks with the least value. To this end, centres had to be created to offer specialist support to the different businesses or segments; however, in exchange, it was possible to clearly contain costs and receive very high quality scores, which were particularly relevant in the case of the team supporting the Corporate Area in Madrid.

Operations maintained very close relations with Private Banking and the Agent Network in 2018, to whom they provided support for their most important projects in addition to taking mechanical tasks away from offices to allow them more time to

perform commercial duties, and where a large part of the bank's development lies. In this regard, particular mention must be made of the efforts made in Portugal, where tasks for which the Network was previously responsible, were centralised and externalised, clearly hindering the bank's opportunities for growth.

In 2019, the Operations Area is expected to place a greater emphasis on technology, developing the main applications with which Bankinter works, and increase target automation, an area in which work is already under way.

# Technology: a record year for developments

2018 was a record year for the Technology Department in terms of concurrent developments, the consolidation of the bank's technological transformation plan and cyber security. Furthermore, over the course of the year, the Bank complied with the new regulatory requirements for institutions and made progress with the implementation of transformation and digital projects, within the secure environment required by regulators.

This progress is Bankinter's response to the new reality, in which technology represents an increasingly important part of the future business. Digitalisation, automation, data analysis, etc. are concepts that form part of business models. Furthermore, in Spain, new channels (Internet, mobile, social networks, etc.) are now used by most customers, meaning that companies must be prepared to undertake omnichannel transactions, i.e., a transaction may start in one channel, continue in another and finish in a third.

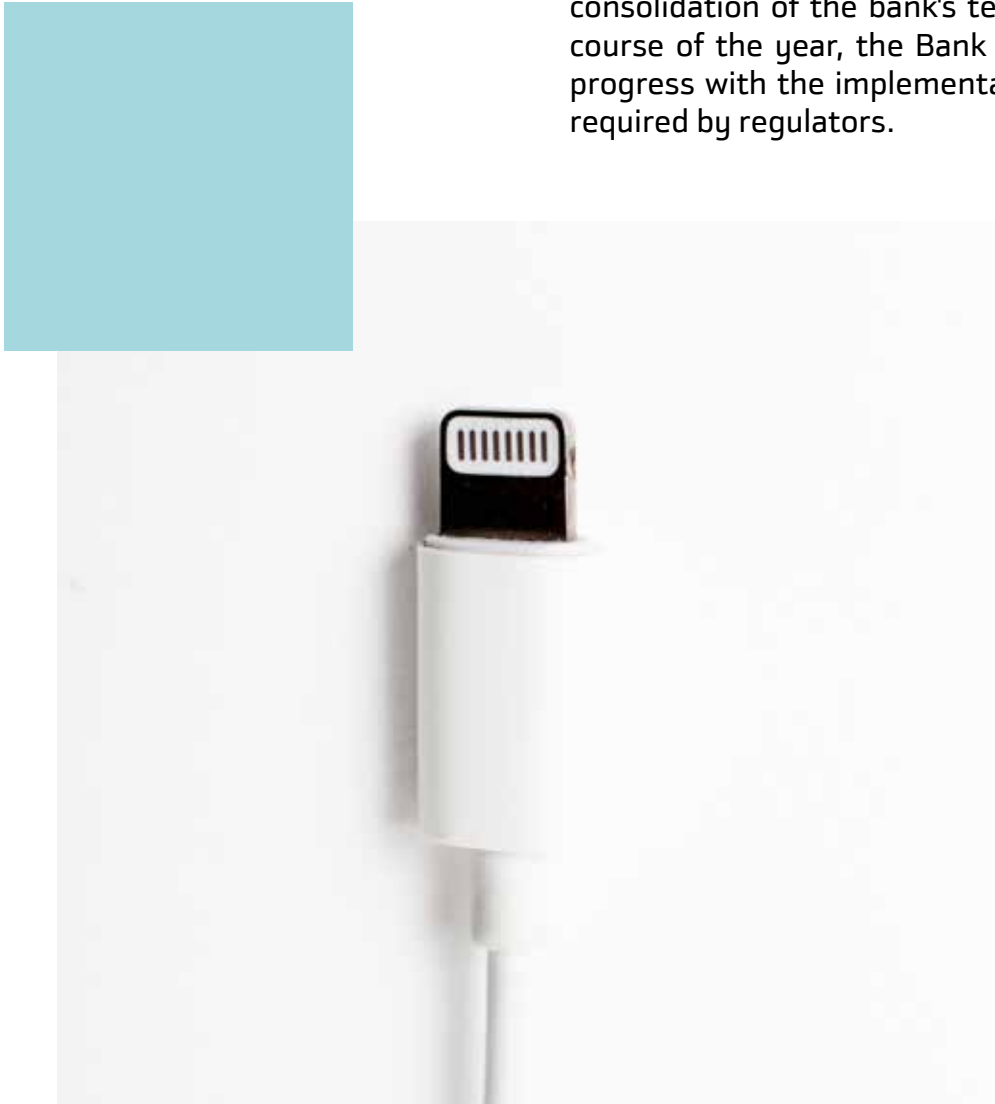
However, this would not be possible without considering cyber security, which is acquiring an extraordinary importance. In 2018, security measures were strengthened to ensure customers enjoy a secure experience.

Furthermore, over the course of the year, the technological platform was generally enhanced in terms of availability, response times, etc. As a result, it was possible to absorb a 35% increase in transactional activities and a 10% increase in other services offered by Technology. Furthermore, there was a 27% increase in production in development and the number of incidents involving the bank's app was reduced.

## Progress with the Transformation Plan

Furthermore, in 2018, progress was made with different aspects of the Transformation Plan, in particular in terms of the internationalisation process (technological transformation in Luxembourg and Portugal).

Looking to 2019, the objectives are to guarantee a quality technical response in all areas of the institution, in order for customers to notice a substantial improvement in the operations and services provided by the bank, continue making progress with the Transformation Plan and assume control of the banking business systems of EVO Banco in Spain and its Irish consumer finance subsidiary, which is due to be formally integrated in the first quarter of the year.



# Record three million customers

Línea Directa Aseguradora, S.A. is the leading company in direct car insurance sales in Spain

In 2018, it maintained one of the highest rates of growth in the insurance industry, which has seen it organically obtain three million customers in little over two decades without having to resort to buy outs or mergers. The key to this success lies in cutting out the middle man, flexibility, careful underwriting of risks and a multibrand strategy to adapt to the needs of each customer.

Línea Directa obtained positive results over the past year:

- The volume of premiums increased to €853 million, almost 7% up on 2017, thanks to the 5.3% increase in the Automotive area and the extraordinary pace of growth, 12.4%, in the Home sector.
- Its combined ratio was 87.3%, one of the best in the insurance sector, and the accident rate was contained, at 66.48%.
- Pre-tax profit came to €155.9 million, placing Línea Directa amongst the most efficient companies in the industry, with a RoE of 38%.

At 31 December, it was the fifth largest insurer in the Automotive sector, the sixteenth in the Home sector and the twelfth in the non-Life sector, despite only operating in two sectors until 2016.

## Digitalisation

The company embarked upon an ambitious Digital Transformation Plan in 2018, the main objective of which is to promote efficiency, personalisation and flexibility in customer service, optimising and simplifying processes.



Línea Directa broke its billing, earnings and portfolio record in 2018, also securing a large solvency margins and one of the best combined ratios in the industry.

To this end, it rolled out three pioneering initiatives in the insurance industry:

- It entered the world of smart contact centres through voice print, making it possible to identify each customer by their voice with natural language, offering the option of executing insurance tasks automatically from their mobile phone or using artificial intelligence chatbot technology.
- It became the first insurer to launch a chatbot connected to its large telephone service centre, with the aim of streamlining the most common services.
- It launched the first voice assistant in the insurance industry for Vivax, its health insurance brand. This assistant includes more than 200 FAQs about products and services, including the specialists closest to the caller.

## Social responsibility

Línea Directa is one of the companies with the most solid policies, recognised in terms of reputation, responsibility and corporate governance. In 2018, it placed 43rd in the MERCO Empresas ranking and fourth in its industry. It was also included in the MERCO Talento monitors, which analyses the best brands to work for in Spain (47th), and the MERCO CSR ranking (54th).

Fundación Línea Directa was launched in 2014, as a non-profit institution that picked up the baton from the insurance firm in terms of promoting and supporting road safety, a field in which the firm has always shown itself to be particularly sensitive given its direct involvement in traffic accidents. The Foundation's activities rest on four pillars: research, training, dissemination and social action.

## Vivaz: leading a healthy life has its rewards

Línea Directa's commercial offer was expanded in 2017 following the launch of Vivaz, the first one-hundred percent digital Health insurance that economically rewards customers for leading a healthy lifestyle and that has been very well received in the two years since its launch.

Vivaz offers discounts of up to €150 on its premiums to insurers who walk 10,000 steps per day, the minimum amount of daily activity recommended by the World Health Association. If customers sleep at least seven hours per day, they can also benefit from another €50 discount.

As a native digital brand that is committed to the values of flexibility and simplicity, Vivaz has two free apps to interact with its customers. The insurance management app features a number of options, such as obtaining a digital health insurance card, searching for specialists by symptom or location, the possibility of speaking with a doctor 24 hours a day, and online bill payment. The other, Vivaz Actividad, monitors customer and user activity data, informing them of discounts obtained.



# Amidst the uncertainties and the new MiFID environment

In 2018, the conditions of the securities market gradually deteriorated, caused by the resurgence of both economic and political uncertainties. As a result, both the price of shares and contracting volumes fell and there was a notable increase in the volatility of equities, with the resulting impact on the activities of Bankinter Securities.

Amongst these uncertainties, worth particular mention is the political instability in Europe and the neo-protectionism demonstrated by the USA. Furthermore, the application of new regulations, in particular MiFID II, has made it necessary for significant investments to be made and has entailed a structural change in the way in which the services that financial brokers offer their customers are charged for. This new regulation, which was transposed into Spanish law at quite a late stage, also generated uncertainty on the market, both amongst institutional investors and stock broking companies, and brought activities to a partial standstill.

## Stabilisation of income

This has made 2018 a very complicated year, surpassing even the complexity seen in 2017, which, at the time, was considered difficult. Against this backdrop, Bankinter Securities was able to stabilise the business and maintain the level of income. Furthermore, the entry into force of MiFID II facilitated the integration of its activities at the parent company; the end result of this process is expected to see business costs decrease.

Traded volume during 2018 amounted to €21,509.2 million which represents a 1.83% of the total market share in Spain after third-market trading. Trading fee revenues totalled €8.7 million and earnings before taxes amounted to €4.64 million.

Traded volume  
**€21,509.2 mn**  
1.8% total market  
share in Spain



2018 ANNUAL REPORT

# Networks and Channels



## Ever-increasing digital

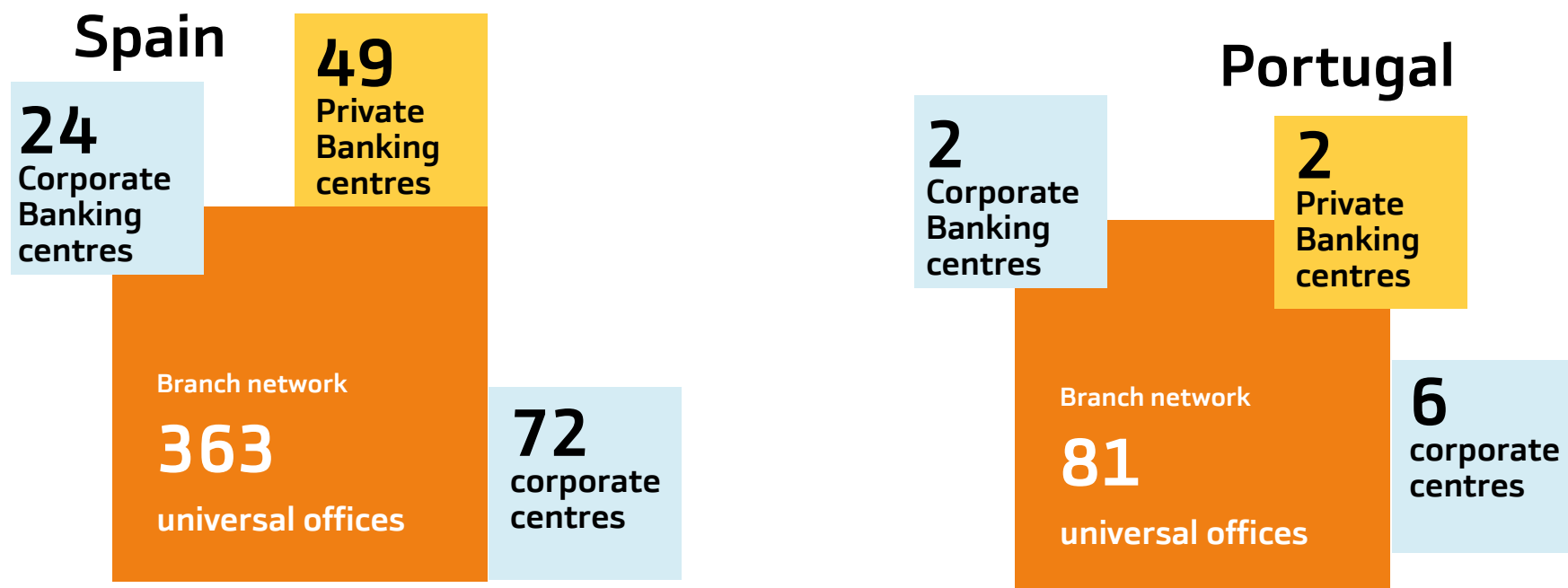
Bankinter's strategy in terms of its branches is for them to be increasingly digital and, most importantly, that they serve as points of sale manned by highly trained professionals.

At the end of 2018, Bankinter Spain's Network comprised 363 universal offices, 49 Private Banking Centres, 72 Business Centres and 24 Corporate Banking Management Centres.

In Portugal, we have 81 Universal Offices, 2 Private Banking Centres, 6 Business Centres and 2 Corporate Banking Management Centres.

The universal offices service the Individual and Foreigners, Personal Banking and SME segments. The Private Banking centres are dedicated to customers with the most property assets. The scope of influence of Business centres covers medium-sized companies and Corporate Banking management centres cover big business.

The entire Network benefits from a high level of digitalisation, which makes processes faster and more convenient for customers, who no longer need to visit branches to perform the most common tasks. This also frees up the time of managers and allows them to dedicate themselves to tasks that entail the highest added value.



## New developments

One of the new developments introduced in 2018 was the omnichannel activation process, as part of which the application to open an account can be started in one channel and finished in another. The customer, for example, has the option of identifying him/herself using a videoselfie and then signing the contract online or in hard copy, before handing it over to a courier wherever is convenient for him/her.

Last year, the use of the biometric signature on tablets was also consolidated at branches, with the subsequent reduction in paper usage; in addition, digital spaces were created in a hundred branches for customers who wish to do so to access the bank's website and perform consultations and transactions, without any assistance.

To successfully roll out these advances, a comparative advantage that Bankinter has compared to the other banks operating in Spain is fundamental. The level of digitalisation amongst its customers is higher and, furthermore, they are used to innovations, of which the Bank has many as it has always been a pioneer. According to the most recent data available, 92.5% of customers communicate with Bankinter indistinctly using digital and in-person channels, and only 7.5% prefer to be served exclusively in person.

The main challenge in 2019 is for the Branch Network to continue its progress with the digitalisation and personalisation of customer service.



## Agent network

# A Network of professionals

The Network of Bankinter Agents is a business model whereby the company is associated with highly qualified professionals, mainly from other banks, where they act as private bankers.

The Bank shares the profits generated by joint activity with them without incurring the costs of a traditional branch. The agents contribute their knowledge and their customers, whereas Bankinter provides its financial product portfolio, structural support and training.

This Network which has clearly become one of the most powerful in Spain, added 20 new agents in 2018 up to a total of 363. The total balance of customer funds managed (including funds, fixed income and equities) amounts to €13,306 million. In distribution by segments, there is an increasing focus on the balance of Private Banking, which

accounts for 80% of the total of the Network and approximately 28% of total Private Banking at Bankinter.

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

## The challenge of MiFID II

The main achievement in 2018 was to complete the professionalisation process following the entry into force of MiFID II. All agents are now certified financial advisers under the prevailing legislation and are subject to continuous training requirements and their activities are subject to strict control systems.

This guarantees that customer service will always be transparent, fully guaranteed and with high levels of quality, which is essential not only for customers, but for the agents themselves and the Bank.

This Network, which has become one of the strongest in the country, recruited 20 new professionals in 2018, taking the total number to 363.

### Agent network

	2018	2017	% Dif.
Acquisition (No. customers)	2,989	4,257	-29.8%
Active customers (No. customers)	37,010	37,343	-0.9%
Total customer funds (millions of euros)	7,506	7,541	-0.5%
Customer deposits (millions of euros)	2,101	1,912	9.9%
Customer loans (millions of euros)	1,445	1,464	-1.3%

## The benefits of partnership

Banca Partnet celebrated its 25th birthday in 2018. This network, the only of its kind in the market, is structured around partnership agreements with large companies, where the bank creates virtual offices to develop made-to-measure financial products and services aimed at employees, customers and suppliers. The earnings from this activity are distributed between the two parties.

As is the case of the rest of the Bankinter business, Banca Partnet was affected in 2018 by market volatility, regulatory ups and downs and record low interest rates; however, it was possible to offset this with significant growth in commissions and the balance sheet. Thanks to this, results improved notably, reaching €55.8 million compared to the €54.8 million in 2017 (+2%).

Particularly significant was the growth in the volume of new personal loans, which jumped from €23.3 million to €32.8 million (+41%). In terms of mortgages, there was an increase of 21%, taking the outstanding balance at 31 December to €1,157 million,

well above the €1,127 million the previous year. By the end of the year, Banca Partnet had partnership agreements in place with 246 large companies and boasted more than 36,500 customers.

### Perceived value

One of the objectives in 2018 was to implement technological developments that will make it possible to generate greater perceived value by this network's customers. Amongst the technological developments rolled out, worth particular mention are the share-of-profit simulators, earnings consultation, making it possible to consult, at any time, the accumulated earnings of each customer's activities.

The customer level of satisfaction improved significantly, up to 24.4%, almost six points up on 2017 (18.8%).

In 2019, Banca Partnet's main objectives will be attracting and retaining customers, in addition to rolling out a tool to acquire investment funds and equities aimed at institutional partners.

Results Banca Partnet

€55.8mn  
+2%

### Banca Partnet

	2018	2017	% Dif.
Active customers Commercial Banking (No. customers)	34,699	34,282	+1.2
Total customer funds (millions of euros)	5,644	5,506	+2.5
Customer deposits (millions of euros)	4,350	4,110	+5.8
Customer loans (millions of euros)	2,500	2,402	+4.0

## A fundamental support for the bank

Bankinter's Remote Network is dedicated to managing customers who use digital means as channels of relationship with the bank without the need for travelling to branch offices. Its platform is continuously being developed to improve quality, offering a professional service through telephone banking and remote advisers, who manage customers of the Bank's remote networks and segments.

In 2018, the focus was placed on attracting new customers online, for which the new online registration processes was a great help; the implementation of this tool represented one of the main advances in the digital environment. Worth particular note was the contribution of the mortgage business at branch offices to growth; to this end, a follow up process is performed with individuals using the loan simulator on the website and those preferring an in-person appointment are offered this option.

Both Telephone Banking and Remote Advisers achieved the targets set for the year in terms of growth in commercial results and quality, increasing their contribution to earnings. Furthermore, the Network has efficiently and quickly adapted to the changing environment (market and interest rate evolution, regulatory developments in terms of mortgages and data protection).

### New services

Two new services were implemented in 2018: LANI, specialising in international business for customers of Bankinter Portugal, integrated into Telephone Banking in Spain; and the service for franchisees of corporate customers, completed by the SME Adviser team.

The main objectives for 2019 are: continue making progress with the digital transformation project of the telephone platform to make efficiency gains; serve as a fundamental support for the roll-out of the digital transformation of the Corporate website; and standardise the content of the different services, harnessing synergies and improving versatility.

A new service is also expected to be launched: the Remote Adviser team dedicated to the International Commerce sector, oriented towards companies billing between two and ten million euros. The international business specialists team will assume this function, with support from the Remote SME Advisers.

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 8.00 to 15 h Monday to Friday (except bank holidays)	902 888 855
Technical web assistance (empresas.com)		902 365 656
Video call in sign language	9.00 to 14.00 h Monday to Friday (except bank holidays)	bankinter.com

# A focus on business

Social Networks represent a technological evolution for Bankinter, a new channel that must focus on business and penetrating all areas of the bank. They are used as a tool of communication, reputation and customer service, marketing, CRM and even talent acquisition.

Under the premise that everything we do should add value, in 2018, initiatives were maintained and rolled out in the pursuit of this tangible and intangible business.

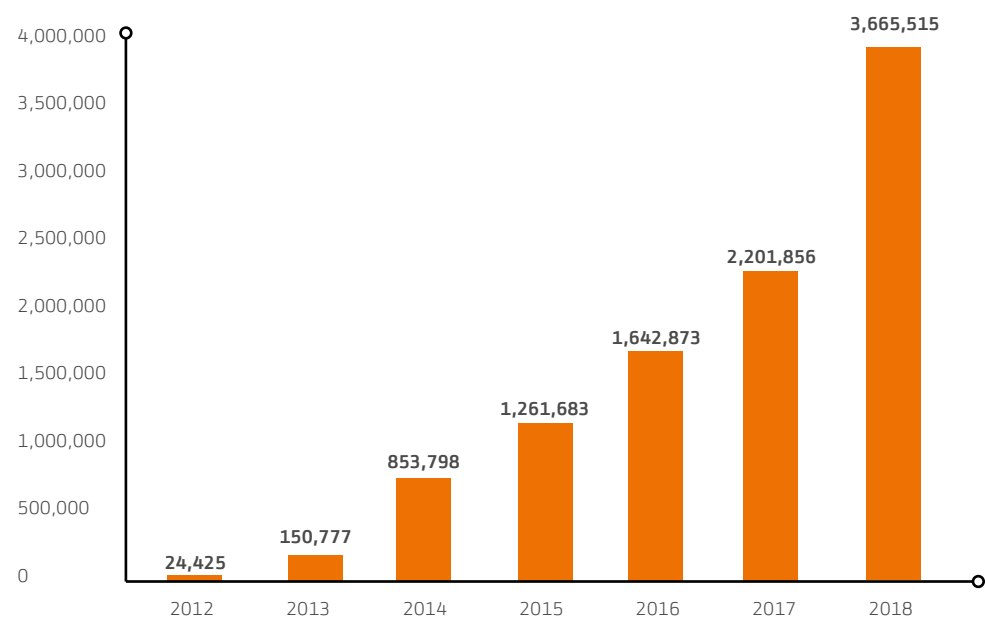
## Communication

The Social Networks department's chief responsibility is to ensure and guarantee a positive presence of the bank on these channels. To this end, it produces high-quality content and plans its dissemination via all possible media.

Beyond its use as an advertising support at Bankinter, over the course of the year, it continued experimenting with business acquisition through the Blog through customer segmentation and the customised proposal of products, in collaboration with CRM and Digital Banking,

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 portfolio management platform). Both ended the year with very important traffic figures, in particular the COINC Blog, which recorded 1,653,949 visits, 186% up year-on-year.

Annual evolution of Bankinter blog's audience (visits)



In 2018, Bankinter once again top in terms of positive presence on Social Media, a position it has held since 2014. According to independent expert, Acceso, the bank achieved 81% favourable mentions, the Spanish bank with the best ratio on the market.

## Bankinter blog

This highly successful platform with economic content bases its strategy on serving as a support to existing and potential customers to improve their finances. Its content is published and promoted via Social Networks and help to increase the density of Bankinter's positive mentions on these channels.

In 2018, the blog's audience grew to 3,665,515 visits, 66% up year-on-year, according to data from Google Analytics.

## Other initiatives

Over the course of the year, efforts have continued in terms of social selling (developing relations as part of the sales process), the roll-out of webinars dedicated to property and retirement, and internally training employees to use and harness the Bank's Social Networks. More than 200 Bankinter professionals actively participated in an Employee Advocacy plan.

2018 ANNUAL REPORT

# Customer relations





# Notoriety and enhanced commercial activity

In 2018, the Marketing area, whose mission is to develop the Bank's marketing plan with the aim of acquiring new customers and creating loyalty among existing customers, spared no efforts in supporting commercial activities.

In line with the advertising communication employed in previous years, oriented towards generating notoriety and to enhance the Bank's activities, in January 2018, the creative concept entitled Upgrade your bank was launched onto the market, around which all the year's advertising activities rotated, with a significant presence on television, in digital media, social networks, etc. As part of different activities performed, the campaign was based on the message 'if

you aspire to more in life, you need a better bank' and depicted different situations and professionals associated with the Bank's different products and services (Payroll Account, personalised mortgages, personal manager or the new 'Despreocúpate' receipt management service).

The Upgrade your bank concept this reflected the idea that Bankinter does things differently and offers an exceptional service. Following this campaign, Bankinter ended 2018 as the second highest advertiser in the financial sector on TV in terms of GRPs (number of impacts), thus consolidating the growth seen in previous years.

Concerning Digital Marketing, progress continued to be made in the control and optimisation of campaigns, thanks to greater knowledge of the digital behaviour of customers and the improved capacity to segment the audience and customise messages.

## Commercial Banking

In the Commercial Banking line of business, different actions were taken, including the New Private Customer Development Programme, the aim of which was to engage more quickly with our newest customers through a series of communications and other actions to present products and services. The High Income Private Customer Development Programme was also implemented, entailing a cycle of communications that help with the combined sale of savings and investment products (funds, pension plans, Payroll Account, equities and insurance) in a customer profile that is of high interest to the Bank.

Another of the actions taken in 2018, in collaboration with the CRM team, was the prevention of customer abandonment, offering products and services to reverse any potential departure from the Bank. A similar plan was aimed at the reactivation of dormant customers. Furthermore, in the final quarter, a range of actions that sought to inform customers about retirement savings were rolled out. In addition, a strategic plan was developed for the Equities business, with more than 342 online and in-person events that made it possible to reach out to almost 13,000 people.

## Corporate Banking

Amongst the marketing actions aimed at potential customers and companies, worth special mention are the financial and innovation training days, at which topics of interest to business managers, such as the use of blockchain and other innovative technologies were addressed.

Sector meetings were also held, bringing together different players from the public and infrastructure sectors, facilitating the exchange of opinions on the Spanish and international economy. At a sector level, the Bank also participated, for the first time, in Fruit Attraction 2018, the largest fruit and vegetable fair.

Another line of action was the support to international trade: the Bank was present at the leading foreign trade fairs in Spain (Imex Madrid, Imex Tarragona, Imex Seville and Imex Albacete, which brought together a large number of existing and potential customers.

## Offices as supports

Bankinter uses the offices as supports for outdoor advertising. Thus, posters at branches become another part of advertising campaigns, thanks to their great pickup and creative potential. In 2018, advertising in the point of sale continued to evolve, with new formats that helped to grab the attention of the public and generate traffic towards branches. As is the case with outdoor posters, internal supports are used in branches to generate impacts that

help market products that are more goal oriented.

Leaflets in branches are not only a form of advertising, but are also a work tool, representing a great support during the sales process. Therefore, over the past year, we have worked to improve their presentation and orientation towards different existing and potential customer profiles, offering a general overview of the range of products and services at the bank.

In addition to general advertising actions, various individual communication initiatives were taken. The goal of this is to inform customers about regulatory and legal changes affecting the products and services sold by the Bank.

Other actions in the year were as follows:

- Contribution of commercial content on the new Bankinter Corporate website was generated, together with the Digital area (writing texts, image management and designing the landing pages for the advertising campaigns in digital media).
- Consolidation of the strategic marketing plan for the equities business. The training programme and content of each programme was expanded; a communication programme was also rolled out associated with the life cycle of this customer profile.

- Adaptation of all marketing materials to Bankinter's new image, defined by the Brand and Corporate Identity area. The content of leaflets, scripts and commercial documentation were also updated.
- Development of an innovative materials and communications programme for existing and potential self-employed customers, with details adapting to each of the four professional branches detected as being most closely related to the bank.
- Participation in advertising campaigns organised during the year.
- Multiple events to attract and enhance the loyalty of high-income customers: breakfasts, exclusive lunches with the Chairman and Chief Executive Officer, financial workshops, concerts (with the conductor of the Inma Shara orchestra), equities events and the Dialogue between Art and Architecture exhibition at Bankinter.

## Data as a huge opportunity

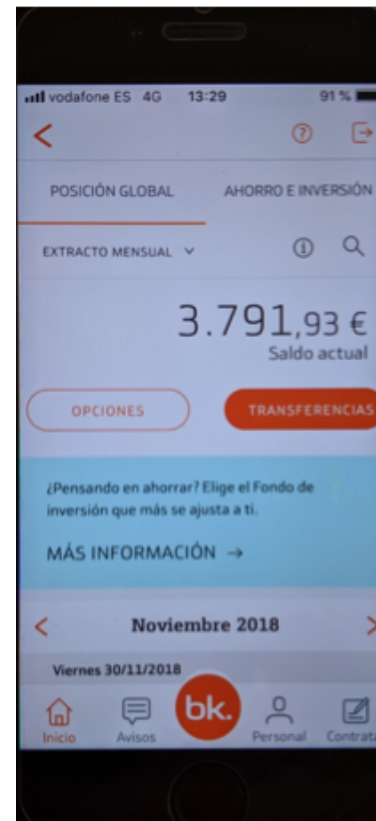
Bankinter has been a pioneer in transforming data into commercial opportunities. That's why the evolution of banking towards the digital world and the intensive use of data is inherent to the nature of the entity. In this connection, Bankinter has come a long way, both from the perspective of more digital customers and the perspective of networks and channels, which are highly accustomed to harnessing commercial opportunities based on data, algorithms and models.

The systematic transformation of data into commercial opportunities is channelled through the Customer Relationship Management (CRM) division, which comprises mathematicians, engineers, economists, IT specialists and data scientists. Here, data is analysed in depth, creating business rules, algorithms or models and commercial actions are defined and customer interactions overseen.

In 2018, the new General Data Protection Regulation came into force in the European Union, regulating aspects including but not limited to the extent to which customers are willing to be contacted by the company, the type of data they want the bank to use and the type of offers they want to be informed about. This regulation, in addition to being positive for consumers, emphasises the dedication with which Bankinter interacts with its customers, ensuring compliance with the regulations at all times.

Over the course of the year, progress has also been made on the construction and improvement of models. In Corporate Banking, efforts have focussed mainly on predicting investment demand, whilst in Commercial Banking, work has centred around models for predicting the contracting of specific products, systems of recommendation and foreseeing possible abandonment. To this end, Bankinter employs new Big Data technologies and programming languages (R and Python). Furthermore, Bankinter uses the power of analysis in CRM in all aspects essential to the business, which helps to appraise corporate expansion opportunities.

On the other hand, CRM harnesses the greater level of customisation possible on the entity's website and app to develop customer interaction, which is increasingly necessary in the digitalised world in which the sector operates.



In 2018, Bankinter continued to increase its commercial activities. Sales managers and private bankers increased their commercial endeavours by 10%. The same rate of growth was seen in dispatches. However, the biggest leap occurred in digital interaction, where the commercial impact doubled.

Other relevant actions in the year were as follows:

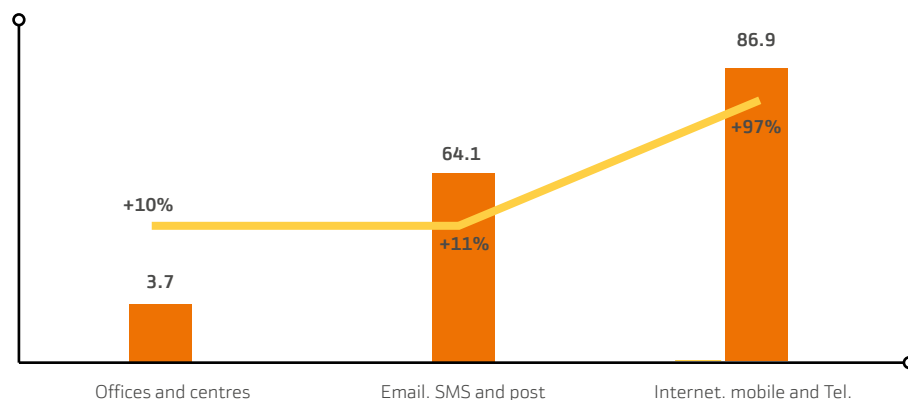
- **Commercial banking.** Further actions were taken in terms of savings and consumption. What's more, two new lines of growth were promoted: young people, with services adapting better to their profile (like Bizum or Cuenta Joven) and customer digitalisation, with new methods of payment (Apple Pay and the Bankinter wallet). In this digital environment, the entity has incorporated machine learning technology to discover what customers are most interested in based on the channel they use.

- **Enterprise Banking.** The entity remains focussed on the objective of increasing loans and receivables, accompanying companies in their day-to-day activities. One action taken was to finance the short-term payment of taxes, which contributes to investment, fees and collateral business. When advertising this product, the entity used a technology solution acquired last year to perform push notifications sent to devices from which our customers had accessed Bankinter's website, having obtained prior consent.

- **Bankinter Portugal.** All advances made in Spain have been transferred to Portugal, to enhance CRM capabilities in the country's business. Bankinter Portugal developed a new platform that made it possible to multiply customer communication and offers transferred to the commercial retail network.

The commercial intelligence function, allocated to the CRM division, provides the entity with in-depth knowledge of what is happening on the market and facilitates the process of allocating demanding yet achievable objectives.

Commercial shares CRM (€ million and % vs. 2017)



# Leading reputation in the media

The remit of the Communication and Corporate Responsibility Area includes managing the bank's communication with its different target audiences, both internally (employees) and externally: Media and Social Networks.

The area designs the different strategies that aim to disseminate the mission, vision and values of the company, in addition to its main results and actions.

To achieve its communication objectives and ensure its messages are communicated in a clear way, aligned with the management's requirements, the area decides not only the content, but also the spokespeople and formats that are most suitable in each occasion.

Through independent companies, the area periodically performs a quantitative and qualitative analysis of all the news and impacts concerning the bank, comparing them with its main competitors. The aim of this is to understand how this information has affected the Bank's reputation in the different parameters analysed, making it possible to draw up correction and improvement plans.

2018 was a good year for Bankinter in the media and on Social Networks: leading the media reputation ranking with the highest score. This is reflected by data from independent consultant firm, Acceso, which is responsible for analyzing news and mentions of Bankinter, assigning a score to each of them based on how positive they are depending on variables, such as the importance of the media or the space of the news.

According to this analysis, Bankinter ended 2018 with a score of 6.4, the highest of the main banks, and clearly above the industry average, of 5.8 and some way above the lowest score, 5.3.

The fact that despite only accounting for 5% of all mentions in the sector, Bankinter achieved the best score is significant. This is attributable, in large part, to the higher percentage of favourable news compared to negative or neutral news. 72% of news or mentions about the bank were positive, well above the average.

## Media

It has not been an easy year for the banking industry in the press, radio and television. The poor image that has plagued the sector for the past ten years, since the start of the financial crisis, intensified last year from October onwards, when controversy erupted concerning the Supreme Court's decision about who should pay stamp duty. Despite this, own news and positive news published by Bankinter in this context has contributed to increasing the score and achieving this result.

## Social networks

Specifically, in terms of social media, Bankinter has been ranked first once again in terms of positive presence (a position it has held since 2014). According to Acceso, the institution has achieved 81% positive mentions during the year, representing the Spanish bank with the best ratio on the market.

Bankinter ended 2018 with a score of 6.4, the highest of the main banks, and clearly above the industry average, of 5.8.

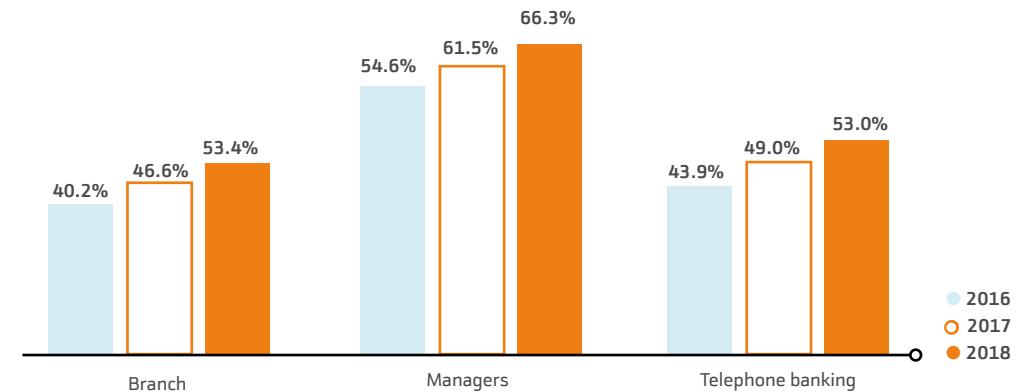
# Ever-increasing excellence

Against the backdrop of regulatory changes, Bankinter has once again spared no efforts in the permanent pursuit of excellence and improved its results in most quality indicators.

Against the backdrop of regulatory changes, Bankinter has once again spared no efforts in the permanent pursuit of excellence and improved its results in most quality indicators. The level of quality perceived by customers, measured using the Net Promoter Score (NPS), increased in 2018 by 21.7% and is now 36.5%. In 2018, the quality perceived by customers improved in all segments and commercial networks at the bank. 73% of centres in the Commercial Branch Office improved the quality perceived by customers.

In 2017, performance remained very positive in terms of service quality in the different customer service and remote channels:

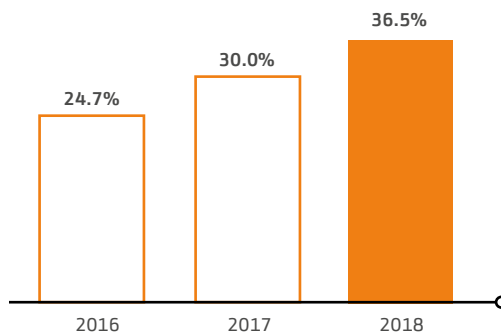
NPS branches and manager (cumulative annual data)



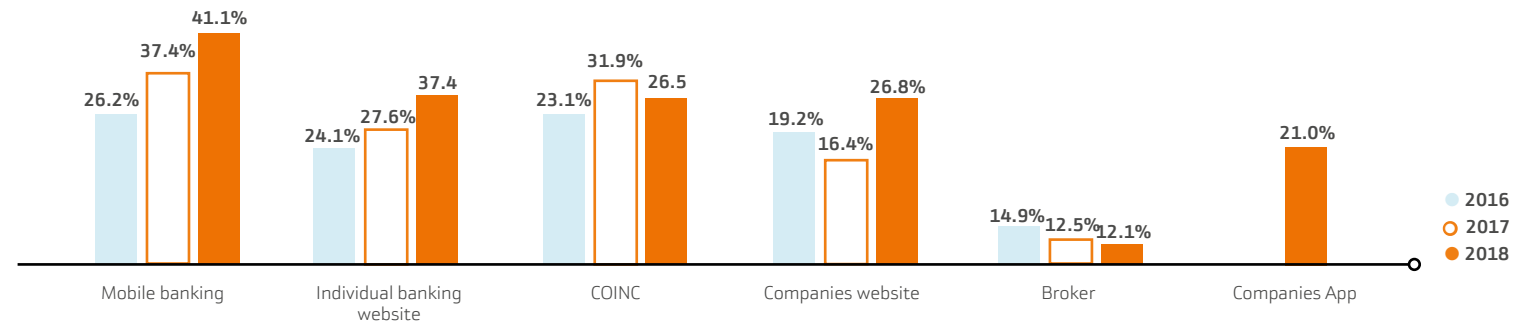
NPS (Net Promoter Score): obtained from the question about customer likelihood to recommend Bankinter on a scale of 0 to 10. Responses are divided between Promoters (scores of 9 and 10) and Detractors (scores of 0 to 6). The result is calculated as follows:  $NPS = \% \text{ Promoters} - \% \text{ Detractors}$ , with the scale of the indicator ranging from -100 to +100.

At the same time, the number of customers who recommend the bank, providing a score of 9 or 10 (on a scale of 0 to 10) increase by 10.7%, to 47.7%.

NPS bank (cumulative annual data)



NPS digital channels (cumulative annual data)



The positive evolution of quality levels at Bankinter Portugal is also sustainable, where, over the course of 2018, the same internal service and customer quality management platform as in Spain was rolled out. Bankinter Portugal significantly improved the level of quality perceived by customers and its NPS reached 21.6%. Furthermore, the percentage of prescribing customers grew to 41%.

In terms of the objective quality of the commercial network, which is measured using the mystery shopper approach, in 2018, the commercial network in Spain obtained a score of 8.2 out of 10, compared to 7.8 in 2017. The average for the banking sector was 7.2. In Portugal, Bankinter also boasts an outstanding difference at the head of the sector.

These data confirm that Bankinter maintains a high level of objective quality in its commercial network, helping the company to stand out in terms of customer service from the rest of the sector.

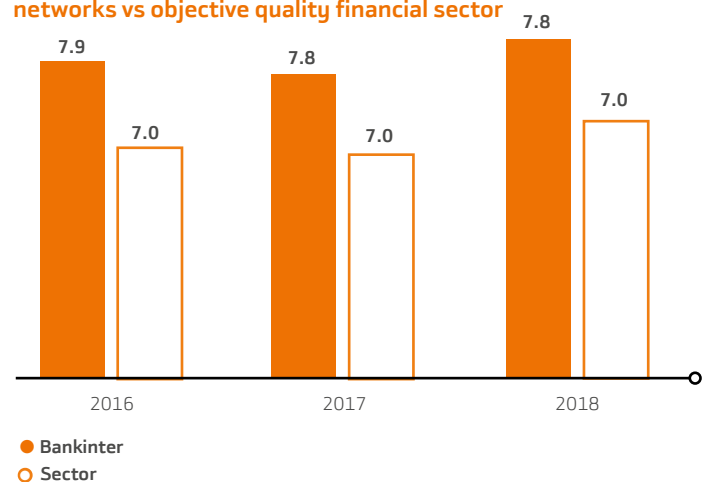
### Internal quality

Progress has also been seen in the internal quality indexes of the different departments. The score for quality experience at the Branch Network gathered by Central Services increased by 3.9 points, at 12.8%, with net satisfaction (NSS) at 34.7% (in part, following the implementation of 243 improvement measures to enhance internal customer satisfaction); at Bankinter Portugal, internal quality has also improved notably, with net satisfaction standing at 14%.

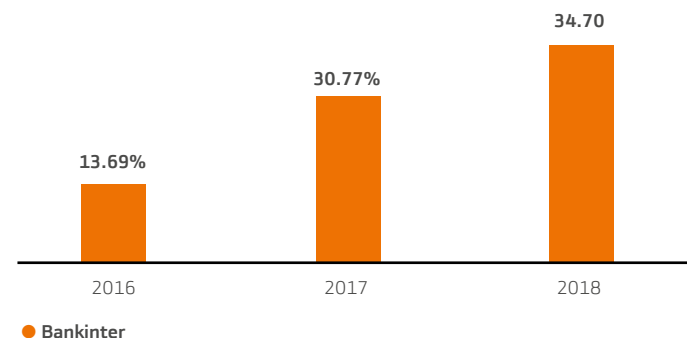
The **outlook for 2019** appears to be dedicated to pursuing excellence, both with customers and internally, to maintain the positive score compared to other institutions in the financial sector in Spain and Portugal. In particular, the objectives are as follows:

- Support digital transformation projects. The online measurement of the customer experience will be expanded on different platforms and mobile devices to improve the functionality of each application.
- Enhance the measurement of internal experience of employees with the operating procedures at the entity.
- Support business, support and operations centres to improve service quality and internal and external customer service.
- Perfect management information obtained from customer and employee surveys to speed up the implementation of improvement initiatives throughout the entity.

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



### Central service quality (accumulated figures)



## Customer Service Area

# A faster, more effective response

In 2018, the Customer Service Area (SAC), which receives complaints and claims from Bankinter's customers, significantly improved its response times, with 45% of cases resolved in just 48 hours.

Furthermore, the apps used to improve the service were also optimised, allowing customers to access details of their complaints online and using telephone banking. For the recording and control of complaints and claims, the Customer Service Area has a specific tool for monitoring, analysing cases, the cause of claims and controlling response times.

Furthermore, over the course of the year, work stepped up on the training plan for all members of the department. The main objective is to expand the team's legal and regulatory knowledge, and to improve practical aspects of banking management.

As part of its activities in 2018, the SAC resolved 17,867 cases (2,618 complaints and 15,249 claims). Of these claims, 71.2% were resolved in favour of Bankinter and 28.8% in favour of the customer.

### Other authorities

Customers can send their complaints and claims to other authorities, as well as the Customer Service Area. This is the summary of its activities in 2018:

- **Ombudsman.** Resolved 440 cases. Of these, 144 were in favour of the customer and 296 in favour of the bank. Another 24 cases remained outstanding.
- **Banco de España ('Banco de España').** In total, 276 cases were filed. 44 were resolved in favour of the customer, 119 in favour of the entity, 41 were not pursued (when the bank accepts the claimant's contentions), 27 were not contested and 45 remained outstanding.
- **Spanish National Securities Market Commission (CNMV).** In 2018, a total of 20 cases were handled by this supervisory body. 1 was resolved in the Bank's favour, 9 in the customer's favour and the other 10 remained pending.



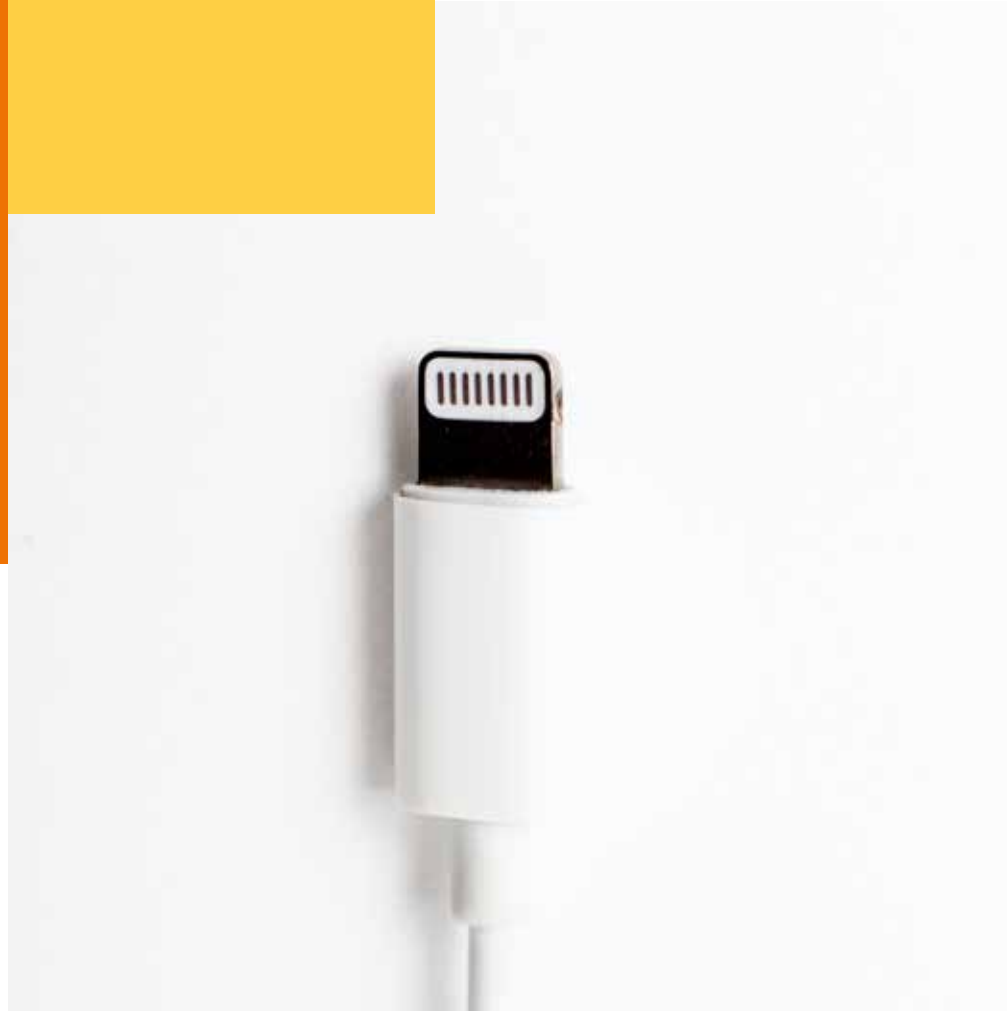
Resolution time for 45% of cases

48<sub>h</sub>



2018 ANNUAL REPORT

# Digital Banking and Omnichannel banking



# Efficiency with the customer and in internal processes

The Digital Banking division was created in 2016 with a view to applying technology to improve business processes and the customer experience. The goal is to reach more customers and support sales, doing so in an efficient manner and building a more scalable operating and commercial model.

The division's lines of work divide into two main groups: digital transformation, which promotes the digitalisation of the existing and potential customer relationships; and process transformation, the objective of which is the digitalisation of internal processes.

## Digital transformation

In a context in which the adoption of new technologies is occurring progressively more quickly and in which customers are increasingly accustomed to digital relationships, in both personal and professional spheres, Bankinter stepped up its digital transformation efforts. With three objectives in mind:

1. Making customers' lives progressively easier.
2. Enhancing sales capacities and the ability to attract new customers on the Bank's websites and mobile apps.
3. Harnessing the possibilities offered by new technologies and making them available to internal teams at the Bank, facilitating the acquisition of knowledge and skills.

Compared to 2017, the investment dedicated to the digital transformation of the main businesses at the bank and the promotion of new internal capacities in areas like Marketing, CRM, Big Data, Design or Open Banking, increased by 50%.

Particular emphasis was placed on the Corporate Banking business, in which the investment tripled year-on-year. Worth particular note in this area is the launch of a new public website aimed at non-customers, where tools and information on products offered by Bankinter to companies of all different sizes can be found easily and intuitively. Furthermore, the new website serves as the technological basis for a more profound change in the customers area. Other examples of projects rolled out in 2018 in the corporate business include:

- **An internal information tool on potential customers** that is proving itself to be very useful in attracting new business.
- **Different version of the mobile app**, which has become more relevant in the relationship of representatives of companies with the bank.
- **Tools to sign documents remotely**, eliminating the need for customers to travel to branches unnecessarily.

On the other hand, a number of functions have been rolled out for individual customers. Those worth particular note are as follows:

- **The 'Despreocúpate' service offered as part of Bankinter's payroll account.** The bank takes care of managing the change of directly debited bills. The only thing that the customer has to do is take a photo of the bills using a mobile phone.
- **Mobile payments using Apple Pay or Bankinter's own technology** for customers with Android phones. Both methods of payment are also available for companies.
- **New simulation tools.** Help customers to take decisions that affect their money in areas including taxation, home insurance, mortgage applications or retirement planning.

As a result of the foregoing, 31% of new product sales to individual customers in 2018 were completed digitally. Some products have a very high penetration rate, such as preauthorised loans, in which the percentage of digital sales came to 85% of the total. Furthermore, the Bank's websites and mobile apps are well received by customers and received quality scores of 37% (individual retail banking website), 41% (mobile app for individual retail banking) or 21% (corporate mobile app)

In 2019, Bankinter increased its investment in digital transformation once again, with a particular emphasis on projects including the overhaul of the corporate website customer area, the launch of a new mobile app for the broker, the strengthening of digital capacities in areas such as marketing and CRM, the mature use of advanced technologies in data analysis or the preparation of a new channel based on open banking models.

## Process transformation

The objective of process transformation projects is to reduce customer service times and increase the efficiency of the Bank's internal activities. Following the progress registered in 2017, last year, work continued on maturing technological platforms that serves as the basis for process execution. Furthermore, the generation of management information in each part of the process was guaranteed, serving as a basis for supplying measurement, analysis and decision-making systems at the Bank.

In terms of specific initiatives, the main progress made was as follows:

- **Launch of a new omnichannel process for natural persons in all networks at the bank.** The redesign of the process has speed up work both at branches and via remote channels, making it possible for the customer to access his/her active account more quickly. Thanks to the video app video-identification process, Bankinter has made it possible for new customers to register online at the bank in a matter of minutes with any type of account (current, payroll, broker, etc.) The online registration system works both for individual and collective accounts, which is a first in the industry.

- **Redesign of up to 80% of service application processes from branches to Central Services.** Thus, the coordination and mechanisation of tasks has been improved, resulting in greater service speed and control. As part of this initiative, and as part of the efforts to digitalise staff operations at Bankinter, a mobile app was developed for employees in the Branch Network to access information on outstanding processes from their mobile phone.
- **Launch, as part of the initiatives to include artificial intelligence in the bank's operations,** a programme to automate repetitive tasks to free up people's time, allowing them to dedicate their time to activities that generate more value

Looking forward to 2019, all business service applications filed by the branches with central services will be revised, with special attention on the processes most related to corporate banking and involvement in processes from the mobile app. Omnichannel contracting processes will also be extended to a larger number of services and work will continue on the adoption of artificial intelligence techniques as a support for mechanising tasks and processes.

2018 ANNUAL REPORT

# Bankinter Innovation Foundation



## For a better future

The mission of the Bankinter Innovation Foundation is to promote innovation the creation of sustainable wealth in Spain and Portugal through innovation and entrepreneurship.

To achieve this mission, its activities can be divided into the following programmes:

- **Future Trends Forum (FTF)**, an international think tank as part of which experts from around the world identify and analyse innovative trends that will affect the society of tomorrow.
- **Akademia**, which brings universities closer to experience in the field of innovation.
- **Emprendedores**, which invests in technological startups with high potential in the seed stage.
- **Cre100do**, which accompanies medium-sized enterprises in their growth.

Created in 2003, the Bankinter Innovation Foundation pursues excellence in all its activities, obtaining the following acknowledgements in 2018:

- The Go to Think tank at the University of Pennsylvania placed the Future Trends Forum as amongst the best innovation and technology think tanks in the world, and the best in Spain.
- Newspaper, La Razón, awarded Cre100do with the prize for best Best Accelerator. on account its support growing companies with billing between €50 and €300 million.

The Foundation has its own Board of Trustees, with only 18% of its members having a direct relation with Bankinter itself. It is comprised of 22 international trustees chosen for their experience in innovation.



Fundación  
Innovación  
Bankinter





Presidente  
**José Mª Fernández Sousa**  
President of Pharmamar S.A.



Vicepresidente  
**John de Zulueta**  
Partner at de Point Lobos



Secretario General  
**Rafael Mateu de Ros**  
Founding Partner at  
Ramón y Cajal



**Charles Bolden**  
12th Administrator in  
National Aeronautics and  
Space Administration (NASA)



**Ángel Cabrera**  
President of George Mason  
University



**Antonio Damasio**  
David Dornsife Professor of  
Neuroscience in Universidad  
del Sur de California



**María Dolores Dancausa**  
CEO of Bankinter



**Soumitra Dutta**  
Dean at School of  
Management of Universidad  
de Cornell



**Emilio Méndez**  
Director of Energy Science at  
Brookhaven, United States



**Rosa García**  
Former President of  
Siemens España



**Gloria Ortiz**  
Managing Director of  
Bankinter Digital Bank



**Pedro Guerrero**  
President of Bankinter



**Richard Kivel**  
Entrepreneur and investor



**Philip Lader**  
Senior advisor at Morgan  
Stanley



**Chris Meyer**  
Founder of Nerve



**Carlos Mira**  
President of Arthur D. Little  
Spain



**Juliana Rotich**  
Executive Director at Ushahidi



**Eden Shochat**  
Equal Partner at Aleph



**Jens Schulte-Bockum**  
COO at MTN Group



**Tan Chi Nam**  
Chairman of the Board of  
Temasek Management  
Services and Former  
Permanent Secretary



**Stephen Trachtenberg**  
President Emeritus at George  
Washington University



**Wilfried R. Vanhonacker**  
Marketing Professor at Olayan  
School of Business

## Future Trends Forum



It is a unparalleled multidisciplinary and international think tank that is focussed on innovation. It anticipates and detects innovation trends, analysing their impact on society and future business models.

Once the trend to be addressed is selected, the most relevant themes and national and international experts are identified who will help face the challenges posed.

Each trend is contemplated from different perspectives, which are debated in depth at a face-to-face meeting in Madrid.

Its conclusions are addressed in forward studies that provide a multidisciplinary vision of each trend, in addition to the contributions of experts.

The most recent trends analysed at the FTF include:

**Longevity.** Consequences of an ageing population on the company and society, in addition to opportunities it proposes in terms of innovation, with 10 tasks to help in the transition towards a world in which we live for longer.

**Disruptive cities.** Evolution of cities over the coming decade, on account of new disruptive technologies, which are changing the urban environment (autonomous vehicles, smart infrastructures, Big Data) and promote making life easier and more efficient for citizens; nonetheless, they pose new security challenges and another series of risks.

**Commercialisation of space.** New public and private initiatives, from communication and observation products to manufacturing in microgravity or space tourism, to name but a few.

The Future Trends Forum community is made up of 562 experts. Amongst the new additions in 2018, worth particular note are:

**Miguel López-Alegría.** An astronaut with 20 years of experience at NASA. He completed three missions on the space shuttle and two on Soyuz. The Chairman of the Commercial Spaceflight Federation, the organisation that promotes leadership in the aerospace sector, promoting technological innovation and encouraging young people to study science and engineering. He also heads MLASpace, his own consultancy firm to commercialise space.

**Khoo Teng Chye.** Chief Executive Officer at the Centre for Liveable Cities, under the Ministry of National Development of Singapore. He oversees the development of sustainable urban development in this city, one of the most advanced in the world.

**Anita Roth.** Director of Policy Research at Airbnb. Her work focuses on assessing the impacts and benefits of this platform's business model in cities around the world.

In 2018, FTF held different events, including those dedicated to:

- Cyber security, with Miguel Rego, in Valencia (April).
- Longevity, with Rafael Puyol y Luis Castillo, in Madrid (May).
- Disruptive Cities, with Natalia de Esteban, in Madrid (November).
- Space, the next frontier, with Charles Bolden, in Madrid (November).
- Development of blockchain, with Pablo Fernández Butragueño, in Bilbao, San Sebastián, Santander and Lleida.

What's more, in May, an event was held in Lisbon, at which Antonio Damasio, a trustee at the Foundation, expressed his opinions on the present and future of neuroscience.

More than 1,400 people participated at FTF events last year.



## Akademia

This programme transfers innovation experience to university students in Spain, based on the conviction that innovation is not a result of coincidence rather a constant process of learning and analysis of the environment.

In 2018, the two approaches developed by Akademia were:



**Akademia You.** Course on innovation at the best Spanish universities, where students work and debate about key trends in innovating and generating value, in addition to developing their own business idea with their peers. In 2017-2018, 171 participants took part in Akademia You, with the rate of recommendation standing at 94.9%. A further 163 have enrolled for 2018-2019.

**Akademia Business.** Course dedicated to the main innovation trends and methodologies to help professionals develop an innovative project and implement it at their companies. Over the course of 2018, it was taken by 25 employees from Bankinter and 33 from Línea Directa, who learned about disruptive business models, digital technologies, cyber security and the future of money. The recommendation rate of the course is more than 85%.

The Foundation made significant efforts last year to increase the Akademia teaching staff, which is currently made up of 88 experts from different fields, including university professors and businesspeople with vast experience.





## Entrepreneurs

It is a joint programme between the Bankinter Innovation Foundation and Bankinter Venture Capital to support high-potential entrepreneurship during the start-up phases. In 2018, it received 390 projects, of which 1.79% received investment. The requirements to participate on the programme are as follows:

- The promoters must be committed full time to the project.
- At least part of the equipment or facilities are located in Spain and/or Portugal.
- It must have a clear international orientation.
- Projects must have an initial level of development and initial metrics of use and/or billing.
- Products and services must be innovative and respond to a problem or satisfy a need.
- They must be forecast to have exponential and scalable growth.

Seven companies joined the Emprendedores programme in 2018:

**Mr Noow.** App which makes it possible to consult menus and order from an establishment remotely.

**Bob.io.** Baggage transport service from the user's hotel, office or home address to the airport.

**Triporate.** Smart platform for corporate travel.

**Laagam.** Women's fashion startup oriented towards the affordable luxury segment.

**Frenetic.** Technology to design magnetic components using smart intelligence techniques.

**Mondo.** Digital brokerage specialising in insurance travel.

**Declarando.** Online tax adviser specialising in self-employed individuals, performing accounts and tax management activities with the help of a virtual adviser.



## Cre100do

This programme, which contributes to the development of a productive model based on companies that are bigger, more innovative, more internationalised and add more value, continued developing its activities with the 98 participating companies and contributed its process of selecting new participants. Specifically, in 2018, 123 medium-sized enterprises were analysed, of which 26 received the invitation to join the programme and take an important step in quantitative and qualitative terms.

As was the case in previous years, more than 1,500 business managers were actively involved at Cre100do events, conferences and workshops, with experts in attendance from the following associate and collaborating institutions: AFI, AT Kearney, Corporate Excellence, Deloitte, ESADE, EY, Foro de Marcas Renombradas Españolas, Garrigues, IESE, IBM and Telefónica.

To spread the messages and learnings of Cre100do, seven videos were published with content from the conferences and events held:

- Big Data: opportunity for the middle market.
- Siemens: transformation of a big business.
- Dialogue between BQ and Grupo Premo about ecosystems as a lever for growth.
- Ecosystems, new paradigm for the creation of value.
- Short-term economic trends.
- Impact of technology on businesses.
- Current geopolitical trends.

In the five years since Creedo's creation, more than one hundred participating companies, leaders in their industries and with excellent levels of performance, have been involved in the initiative; their aggregate billing comes to more than €12,000 million, with more than 60,000 workers and an average of 50% of their income comes from abroad.

2018 ANNUAL REPORT

# Human factor



# A new relationship model

The biggest challenges facing the banking sector, including digitalisation, improving efficiency and returns, require that we overhaul the way in which we work. Aware of this need, Bankinter has implemented a new relationship and people management model, which brings the Human Resources function not only closer to the business, but also to employees, in order to harness the opportunities provided by the new era in the finance industry. The new model rests on two pillars: personal relationships through Human Resources business partners and the digitalisation of employee services.

## Training and talent

On the topic of training, in 2018 the bank responded to the needs generated by enhanced regulations, in particular as a result of the entry into force of the MiFID II European Directive, both in terms of certifications and continuous training.

MiFID II certifications were made available to employees through the Commercial Excellence School and the Corporate University; currently, 94% of those performing customer information and advice functions now have this accreditation. Furthermore, continuous training programmes have been launched, as set out in the regulation.

Another noteworthy project this year was the B-Líder leadership programme, which has become an essential tool in the development of leadership and cultural transformation. The goal of the programme is for people managers to reach their maximum potential by improving their strengths, by providing 360° feedback and with assistance techniques, including coaching and mentoring.

Furthermore, the Corporate University has remained very active and maintained the highest quality. In addition to the range of training offered, the growing importance of the virtual campus must not be overlooked. As a whole, in 2018, 313,021 training hours were imparted, and 99% of professionals received training, with an average of 64 hours per employee. The NPS (satisfaction index) accumulated over the year came to 63%.

The Corporate University aims to reach out to all areas, segments, networks and channels at the entity, with programmes adapted to their needs, without compromising on the highest quality. Its activities drive the 70-20-10 learning model (in which 70% is learned on the job, 20% through interaction with colleagues and the remaining 10% through structured, formal training), which promotes employee involvement, proactiveness and responsibility in his/her own development. It is organised in the following schools:

- **Commercial Excellence School.** Provides support training and developing commercial teams, whose focus is the customer. This includes all programmes

that provide technical training to network employees, both from a regulatory perspective and in terms of the development of commercial skills, in an online and face-to-face format. Worth particular mention are those that promote worth, such as the Superior Sales Programme or Commercial Coaching.

- **Leadership School.** Aimed at people managers with a view to making them excellent leaders by developing their strengths on the B-Líder programme and other programmes focussed on specific groups that promote the skills required in a constantly changing environment. More than 600 people have participated or are participating on B-Líder. In terms of ad-hoc programmes, such as Crisálida for the Operations division or Fénix for the Technology division at the bank, 75 and 230 people have participated, respectively, working on leadership skills with a largely experience-based approach, including workshops and team coaching.
- **Talent School.** Its mission is to elevate all Bankinter employees to their maximum potential development, through the

appropriate programmes and structured around the 70-20-10 model. One of the star programmes is Horizonte, the objective of which is to speed up the development of professionals with high potential, the fifth edition of which was launched in 2018.

- **Summer School.** Over the summer months, training is offered with alternative content in four areas: development of skills and new trends, health and family, languages and computing. Its objectives are to encourage personal and professional growth, promote a culture of wellbeing and health, and improve motivation.
- **Digital School.** Its aim is to improve digital culture and training, not only in areas related to technology, but amongst all the bank's employees. To this end, programmes are developed that facilitate the digital transformation of processes and people.
- **Technical School.** It covers the training needs of all Central Services areas, with an emphasis on specialist content, in particular new technologies, which are very useful when carrying out their work. A total of 2413 people participated in the training imparted in 2018.

- **Language School.** Progressively more important on account of Bankinter's internationalisation process. This school imparts English, Portuguese and Spanish classes and programmes, aimed at employees who need to improve their skills in any of these languages.

- **Corporate School.** Its training, aimed at all Bankinter Group employees, is focussed on the bank's values and corporate in addition to mandatory regulations. Furthermore, it runs a three-day induction course for new recruits, which is supplemented by one day in the office (for people recruited for Central Services) and a mentoring process.

In terms of talent, every year, the performance of employees at the bank is assessed as part of the BKcrece programme, the main objective of which is to help with the development of all Bankinter professionals, measuring their performance and contribution, identifying their strong points and areas of improvement, providing quality feedback. The process begins at the start of the year, defining the goals for the coming twelve months; these goals are then continuously tracked. At the end of the year, the annual performance process is run, as part of which the achievement of objectives, level of skill development and commitment of all employees is assessed, in addition to the management and leadership style of people managers, as part of a bottom-up assessment. In 2018, 4,602 performance assessments were held in Spain, 31 in Luxembourg and 86% of people managers were subject to a bottom-up assessment, which is voluntary.

**Every year, the performance of employees at the bank is assessed as part of the BKcrece programme, the main objective of which is to help with the development of all Bankinter professionals**



### New employees: processes and candidates

No, recruitment processes	No, candidates
461	1,301

### Internal rotation

No, published vacancies	No, candidates
188	700

### Contract type

Contract type	Men	Women	Total
Indefinite	2,723	2,794	5,517
Temporary	43	45	88

### Contract type

Contract type	Men	Women	Total
Full time	2,751	2,527	5,278
Part time	15	312	327

### No, training activities, hours of training and people trained

No, of training activities	People trained	Training hours
632	5,644	372,367

### Average training hours per employee

Job category	Men	Women	Total
Administrative	206	393	599
Agents/Technicians	1,446	1,749	3,195
Managers	1,114	697	1,811
<b>Total</b>	<b>2,766</b>	<b>2,839</b>	<b>5,605</b>

### Staff distribution by professional category

	SPAIN		PORTUGAL		LUXEMBOURG	
	Male	Female	Male	Female	Male	Female
Administrative	194.00	353.00	12.00	40.00		
Agents/Technicians	1215.00	1450.00	222.00	291.00	9.00	8.00
Managers	961.00	621.00	145.00	74.00	8.00	2.00
<b>Total</b>	<b>2370.00</b>	<b>2424.00</b>	<b>379.00</b>	<b>405.00</b>	<b>17.00</b>	<b>10.00</b>

### Staff distribution by age

	Men	Women	Total
Less than 25	12	7	19
From 25 to 30	151	182	333
From 31 to 35	286	431	717
From 36 to 40	676	758	1434
From 41 to 45	613	631	1244
From 46 to 55	721	719	1440
> 55	307	111	418
<b>Total</b>	<b>2766</b>	<b>2839</b>	<b>5605</b>

### Staff distribution by age

	SPAIN		PORTUGAL		LUXEMBOURG	
	Male	Female	Male	Female	Male	Female
Less than 25	11.00	5.00		2.00	1.00	
From 25 to 30	149.00	170.00	1.00	10.00	1.00	1.00
From 31 to 35	252.00	378.00	32.00	51.00	2.00	2.00
From 36 to 40	581.00	604.00	91.00	152.00	4.00	3.00
From 41 to 45	488.00	531.00	119.00	97.00	4.00	3.00
From 46 to 55	590.00	631.00	128.00	87.00	4.00	1.00
> 55	299.00	105.00	8.00	6.00	1.00	
<b>Total</b>	<b>2370.00</b>	<b>2424.00</b>	<b>379.00</b>	<b>405.00</b>	<b>17.00</b>	<b>10.00</b>

### Staff distribution by time with the company

	Men	Women	Total
Up to 5	801	588	1,389
From 6 to 15	1,176	1,364	2,540
From 16 to 25	292	638	930
> 25	497	249	746
<b>Total</b>	<b>2,766</b>	<b>2,839</b>	<b>5,605</b>

### Staff distribution by Spanish autonomous region

	Men	Women	Total
Andalusia	188	171	359
Aragon	67	58	125
Asturias	25	20	45
Balearic Islands	29	30	59
Valencian Community	195	170	365
Canary Islands	41	83	124
Cantabria	25	27	52
Castile-La Mancha	44	41	85
Castile and Leon	83	63	146
Catalonia	169	184	353
Extremadura	16	10	26
Galicia	41	41	82
La Rioja	13	14	27
Madrid	1,277	1,342	2,619
Murcia	42	31	73
Navarre	17	19	36
Basque Country	98	120	218
<b>Spain Total</b>	<b>2,370</b>	<b>2,424</b>	<b>4,794</b>
Luxembourg	17	10	27
Portugal	379	405	784
<b>Group Total</b>	<b>2,766</b>	<b>2,839</b>	<b>5,605</b>

### Staff distribution by nationality

Nationality	Number of individuals	Nationality	Number of individuals
Germany	10	Italy	2
Angola	26	Luxembourg	2
Algeria	1	Morocco	4
Argentina	5	Mexico	1
Belgium	5	Mozambique	10
Brazil	5	Norway	1
Bulgaria	1	Netherlands	2
Canada	2	Pakistan	1
Chile	3	Panama	1
Colombia	5	Portugal	743
Cuba	4	United Kingdom	4
Denmark	1	Dem. Rep. Congo	2
Ecuador	1	Republic of Zimbabwe	1
Spain	4,716	Romania	2
United States	1	São Tomé and Príncipe	1
Russian Federation	2	Sweden	1
Finland	1	Switzerland	8
France	20	Venezuela	8
Guinea Bissau	1	<b>Overall total</b>	<b>5,605</b>
England	1		

	No, additions	Closing headcount	Recruitment rate
Spain	318	4,794	7%
Luxembourg	4	27	15%
Portugal	23	784	3%
<b>Total</b>	<b>345</b>	<b>5,605</b>	<b>6%</b>

	No, additions	Closing headcount	Recruitment rate
Spain	318	4,794	7%
Luxembourg	4	27	15%
<b>Portugal</b>	<b>23</b>	<b>784</b>	<b>3%</b>
<b>Total</b>	<b>345</b>	<b>5,605</b>	<b>6%</b>

	No, additions	Closing headcount	Recruitment rate
Less than 25	17	19	89%
From 25 to 30	102	333	31%
From 31 to 35	60	717	8%
From 36 to 40	88	1,434	6%
From 41 to 45	40	1,244	3%
From 46 to 55	35	1,440	2%
> 55	3	418	1%
<b>Total</b>	<b>345</b>	<b>5,605</b>	<b>6%</b>

	No, terminations	Closing headcount	Turnover rate
Spain	242	4,794	5%
Luxembourg	4	27	15%
Portugal	72	784	9%
<b>Total</b>	<b>318</b>	<b>5,605</b>	<b>6%</b>

	No, terminations	Closing headcount	Turnover rate
Men	171	2,766	6%
Women	147	2,839	5%
<b>Total</b>	<b>318</b>	<b>5,605</b>	<b>6%</b>

	No, terminations	Closing headcount	Turnover rate
Less than 25	1	19	5%
From 25 to 30	52	333	16%
From 31 to 35	48	717	7%
From 36 to 40	69	1,434	5%
From 41 to 45	38	1,244	3%
From 46 to 55	56	1,440	4%
> 55	54	418	13%
<b>Total</b>	<b>318</b>	<b>5,605</b>	<b>6%</b>

Absence days (Spain)		
	2018	2017
<b>Non-occupational illness</b>	23,064.00	22,340
Female	17,059.00	16,068
Male	6,005.00	6,272
<b>Maternity</b>	8,778.00	10,741
Female	8,776.00	10,741
Male	2.00	0
<b>Paternity</b>	2,147.00	2,202
Female	24.00	0
Male	2,123.00	2,202
<b>Occupational accident</b>	475.00	453
Female	337.00	226
Male	138.00	227

Absentee rate (Spain)		
	Men	Women
Absentee rate w/out maternity/paternity leave	0.586	1.658
Absentee rate w/ maternity/paternity leave	0.79	2.5
Accident rate	0.000667	0.001716081
Accidents	7	18

Absence days (Portugal)		
	2018	2017
<b>Non-occupational illness</b>	2,953.00	
Female	2,023.00	1,498
Male	930.00	1,044
<b>Maternity</b>	3,253.00	2,966
Female	3,253.00	2,966
Male	0.00	0
<b>Paternity</b>	467.00	776
Female	0.00	0
Male	467.00	776
<b>Occupational accident</b>	44.00	71
Female	44.00	45
Male	0.00	26

Absentee rate (Portugal)		
	Men	Women
Absentee rate w/out maternity/paternity leave	0.495	1.099
Absentee rate w/ maternity/paternity leave	0.743	2.829
Accident rate	0.000000	0.001595
Accidents		3

#### Work-related accidents

Work-related accidents	Spain	Portugal
Frequency rate	1.12	0.76
Type of occupational illnesses	On account of the activities performed by the bank. there are no occupational illnesses	
Seriousness	0.02	0.00
No. deaths due to occupational illness	0	0

	Male	Female	Total
People with the right to parental leave in 2018	151	165	316
People who used parental leave in 2018 (*)	145	198	343
% return to work after leave and continue in organisation at end of year	0.99	0.96	0.97
% return to work after leave and continue in organisation 12 months later	0.91	0.97	0.94

(\*) Includes people who started their parental leave in 2017



## Selection

In 2018, there was greater dynamism on the market and in the sector in terms of recruitment and hiring. Against this backdrop, Bankinter harnesses technological innovations that made it possible to manage the selection process more efficiently, maintaining a high level of customisation, guaranteeing the identification and acquisition of the best talent. Furthermore, the bank continues to benefit from its strong reputation as an employer brand, positioning it amongst the best companies to work for in countless national and international rankings.

At Bankinter, the year was marked by the entry into force of the new General Data Protection Regulation, which involved adapting internal processes and communication to potential candidates.

In terms of the profiles with the greatest presence in selection processes, worth particular note is that:

- Once again, technological profiles were the most sought after; these posts are essential not only for ensuring the bank adapts to the new ways in which customers behave, but for optimising internal processes and thus maintaining the high degree of efficiency required by the bank. A spotlight was placed on digital profiles, which are key to the transformation of the bank and the different projects under way.
- The bank's Private Banking model was consolidated thanks to the acquisition of external talent and development of internal talent.
- We committed, for the large part, to junior profiles, through specific programmes that seek to enhance the bank, both in the technology and commercial divisions.
- In total, 27% of selection processes covered junior profiles, consolidating a present and future talent strategy.

The new people management model improved the quality and speed of talent acquisition processes. The figure of the Human Resources business partner, rolled out throughout the eleven organisations and in all Central Services, has made it possible to anticipate our talent needs.

## Health plan

In terms of labour relations, 2018 was defined by the development of a plan to promote a culture of health, wellbeing and safety, whilst always bearing in mind the risks associated with the bank's activities.

This action plan rests on different pillars:

- **Traditional prevention campaigns.** 1,977 medical examinations took place, in addition to other campaigns, such as the ophthalmology check, in which more than 500 people participated.
- **Promotion of physical activity.** Access to a wide range of fitness centres was provided.
- **Health Week**, which proposes a range of different activities to employees focussing on physical, emotional and social health. In the 2018 edition, 1200 people participated.
- The Occupational Risk Prevention division created the **In-House Prevention Service under Global Services, S.A.**, making it possible to increase human, economic and material resources in the field of Health and Safety.

Once again, technological profiles were the most sought after; these posts are essential not only for ensuring the bank adapts to the new ways in which customers behave, but for optimising internal processes

## Objectives for 2019

In 2019, projects will be rolled out that represent an authentic cultural change for the organisation. The Training and Talent divisions will focus on improving the digital and technological skills of employees, through specific benchmark programmes that facilitate an understanding of the current environment. Along these lines, the learning channel will also be overhauled to promote digital and blended learning. An example of this is the new Online Skills Programme, which will be developed via a platform with a fully digital, immediate and remote learning experience, that is free for everybody to access.

A new integrated talent management model is also due to be launched, which will serve as the cornerstone for other Human Resource processes. The aim is to create a global talent model adapted to the institution's corporate culture and the needs of today's world, in addition to a structured plan of succession for critical positions at the bank.

'Programa Avanza' for Corporate Banking is another project in which technical training will be offered to employees in this sector in three specialist areas: Investment Banking project and credit finance and taxation.

Furthermore, leadership development shall continue to be enhanced, including another 400 people on the B-Líder programme, and through the programme for new people managers, the first edition of which is due to take place in 2019.

The training division will also address new regulatory developments. To satisfy the requirements of the MiFID II European Directive, the percentage of certified employees shall be expanded and continuous training guaranteed for those who already have accreditation. Other regulations and updates that will affect the range of training on offer include the new Mortgage Law, the Insurance Brokerage Law and regulatory changes concerning money laundering and terrorist financing, data protection, prevention of occupational risks and information security.

In the Selection Division, the new people management model will be honed and the staff selection process improved to include a more digital component, without compromising on our friendly, personal approach. Furthermore, we will strengthen our commitment to mobility and attracting international talent in order to enhance the workforce and generate development opportunities.

## 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.

## Flexible remuneration

Another of the benefits offered by the bank is that 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 card).

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 51% of employees use this flexible remuneration tool.

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 450 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.

## Total Remuneration

In 2018, Bankinter committed, once again, to improving the employee experience, by launching a Total Remuneration platform that allows employees to consult all the elements that form part of their pay package: fixed remuneration, variable remuneration, benefits and emotional remuneration.



## Human capital

	2013	2014	2015	2016	2017	2018
<b>Descriptive indicators</b>						
No. of employees	4,088	4,185	4,405	5,486	5,578	5,605
Average age (years)	40.30	40.93	41.19	41.40	41.82	42.5
Personnel costs (thousands of €) (*)	263.31	271.76	303.56	365.78	395.63	423.88
<b>Experience</b>						
Average service (years)	13	13.26	12.97	12.54	12.71	13.1
Average service (years)/40 years (career) (%)	32.50	33.15	32.43	31.35	31.77	32.8
<b>Diversity</b>						
Breakdown by gender						
Men (%)	49.17	49.41	49.35	48.87	49.19	49.3
Women (%)	50.83	50.59	50.65	51.13	50.81	50.7
University graduates (%)	77.05	77.90	80.09	79.80	79.90	79.4
No. of nationalities	27	28	30	39	41	38
<b>Capacity and development</b>						
People who have received training (%)	95.35	94.00	97.64	98.03	98.26	99.0
Average no. of hours of training per person trained	35.81	47.31	58.86	52.47	62.32	66.0
Training investment over total wages (%)	0.5	0.8	1.2	1.1	1.1	1.1
Training investment per person trained (euros)	207	381	553	500	501	519
<b>Commitment and motivation</b>						
External rotation index (calculated with average headcount)	4.09	3.52	4.40	4.45	5.10	5.7
People with flexible remuneration (%)	39.92	45.07	47.79	41.16	42.72	44.2
Additions in last year/total staff (%)	4.33	5.81	9.28	6.91	6.47	6.16
<b>Productivity (thousands of euros) (*)</b>						
EBT/No. employees	63.87	93.87	90.91	79.54	98.01	105.5
Customer funds per employee	6,915	7,243	7,856	8,044	8,324	9,025
Loans and receivables per employee	10.077	10.143	10.030	9.357	9.555	9.896

(\*) Performance is modified since 2015 due to change of criterion in classification of information

## Structural capital

	2013	2014	2015	2016	2017	2018
<b>Delaying and transparency</b>						
People participating in the evaluation of skills, performance and engagement	3,990	4,016	4,222	5,274	5,140	5,406
<b>Flexibility %</b>						
Internal rotation	16.72	19.00	27.74	17.97	18.15	12.98
People with corporate tablets and laptops (%)	26.22	25.50	26.17	36.35	40.66	44.92
People with corporate mobile (%)	63.92	76.30	67.04	71.51	71.35	72.22

(\*) People with corporate tablets and laptops (%)

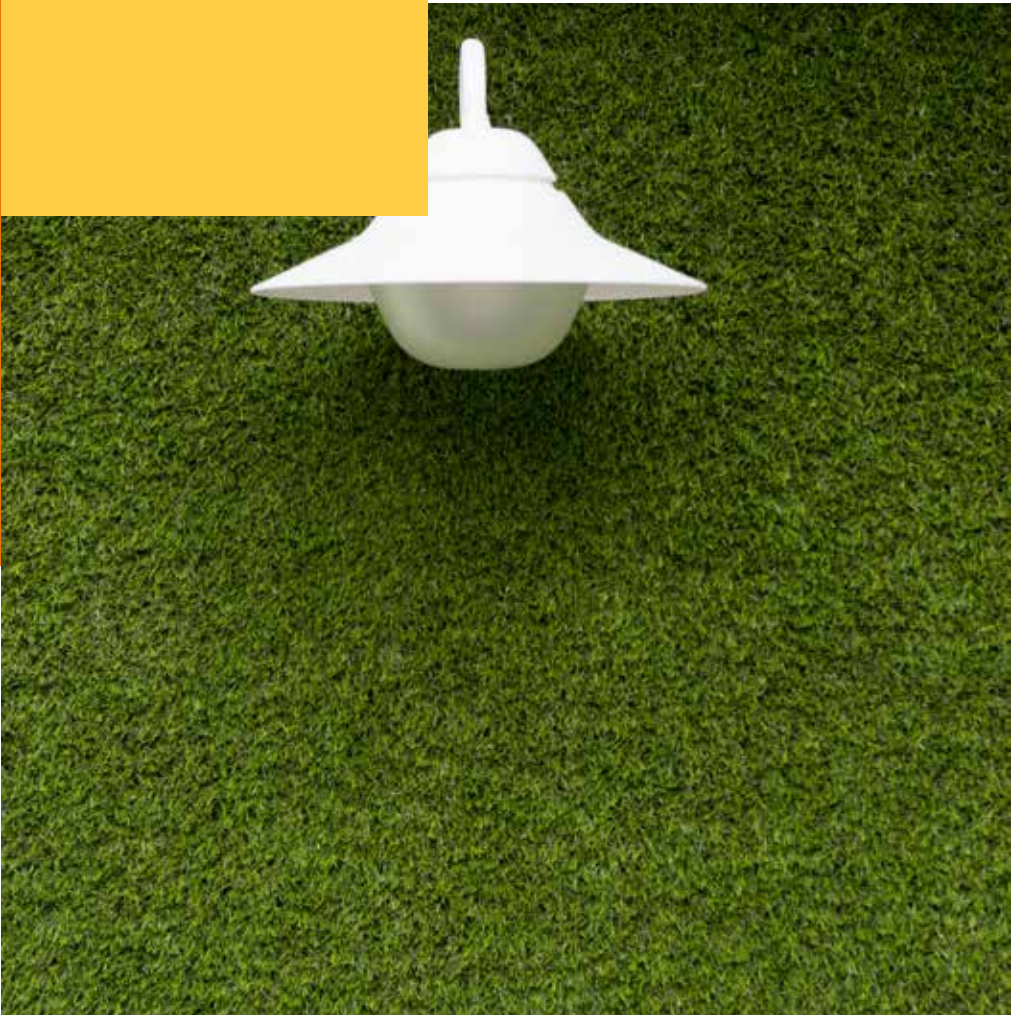
- Last year, the data for Portugal was calculated using the 'o' criteria for employees who were assigned a computer and Tablet. These criteria were combined and the data contains the number of devices, regardless of whether an employee has 1 or more

## Relational capital

	2013	2014	2015	2016	2017	2018
Customer relations						
No. of universal and foreign branches	360	360	361	447	445	444
No. of virtual branches	369	398	431	315	252	246
No. of Bankinter agents	432	424	505	432	400	363
No. of Business management centres	75	78	78	73	72	72
No. Corporate management centres	48	46	22	22	24	24
No. of private banking centres	38	42	48	49	48	49
People per branch or management centre	7.85	7.96	8.65	9.28	9.47	9.52
Staff linked directly to the business (%)	77.62	77.30	74.96	72.48	71.37	72.13
% of new active customer (*)	3.68	6.73	9.45	10.32	9.82	7.57
New active customers per employee (*)	9	17	24	24	25	21

2018 ANNUAL REPORT

# Sustainability



# Generation of responsible value

At Bankinter, sustainable management is carried out in line with the Three-in-a-Row Plan, which has three dimensions (economic, social and environmental). It was approved in 2016 and runs until 2020. Its objective is to generate value, responding to the needs and expectations of Bankinter's interest groups in Spain and Portugal, where the bank undertakes the large part of its activities.



Go to the sustainability policy

The plan is based on the Sustainability Policy that was established in January 2016 to contribute to social prosperity and sustainable development of the environment, around its three strategic pillars (quality, innovation and technology), and in line with its corporate values of agility, enthusiasm, integrity and originality.

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

Bankinter complies, in its 2018 Group Management Report, to the provisions of the Law on Non-Financial Information and Diversity, which transposes EU Directive 2014/95 into Spanish law.

In anticipation of this new legal framework, the bank has reported information on social, employment and environmental management, anti-corruption and bribery policies, diversity in governing bodies and human rights for a number of years.

As part of the sustainability strategy, in addition to other factors, the following are essential:

- The consideration of regulations, such as the Good Governance Code of Listed Companies of the CNMV, and their application in Bankinter.
- The analysis of the results of the assessments of the most prominent sustainability indexes and rating agencies (DJSI, FTSE4Good, MSCI, Vigeo Eiris, etc.).
- The monitoring of international trends and reporting frameworks (GRI G4, IIRC, ISO 26000, SGE 21 and the new version of ISO 14001).
- The consideration of the best practices of global sector leaders.
- The analysis of the results of employee and customer satisfaction surveys.
- Analysis of the Reprack reputation measurement model
- Inclusion of the United Nations Sustainable Development Goals (SDG), established by the United Nations, as part of sustainability management.


# Materiality analysis



Bankinter identifies the aspects of its activity that have the biggest impact on the environment by setting up a dialogue management system with its stakeholders. The system responds to the guidelines set by the international framework for non-financial reporting, Global Reporting Initiative.

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 Banco de España Multi-channel banking	Director of Quality Director of Legal Counsel
Regulatory bodies (Banco de España, 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



As a member of the United Nations Global Compact Network Spain, the Bank has identified several of the SDGs to which it can make the greatest contribution, and, therefore, has incorporated them into its strategies, these include: Quality education (SDG 4); Creation of employment and economic growth (SDG 8), Reduced inequalities (SDG 10), Climate action (SDG 13) and Strategic alliances (SDG 17) into its strategy.

Target	Targets	Initiatives undertaken	Challenges
	<ul style="list-style-type: none"> <li>Between now and 2013, remove all gender inequalities in education and ensure safe access to all levels of education and professional training for vulnerable individuals, including people with disabilities, indigenous people and children in situations of vulnerability</li> <li>Between now and 2013, ensure that all students acquire the theoretic and practical knowledge required to promote sustainable development, in addition to other aspects, through education on sustainable development and sustainable lifestyles, human rights, gender equality, promoting a peaceful and non-violent culture, world citizenry and appreciation of cultural diversity and the contribution of culture to sustainable development</li> <li>Build and adapt educational establishments based on the needs of disabled children and adults and gender differences, offering safe, non-violent, inclusive learning spaces that are effective for everybody</li> <li>Between now and 2013, considerably increase the number of qualified teachers, including by means of international cooperation to train teachers in developing countries, in particular in less developed countries and small developing island states</li> </ul>	<ol style="list-style-type: none"> <li>Financial education volunteering programme for different groups: <ul style="list-style-type: none"> <li>Primary and secondary school students.</li> <li>Groups at risk of social exclusion.</li> <li>People with a disability.</li> </ul> </li> <li>Training volunteering programme for workplace preparation for groups at risk of exclusion.</li> <li>Make the corporate training centre accessible, to provide individuals with disabilities with access to training on equal terms. <ul style="list-style-type: none"> <li>Universal Accessibility Management System at the Bankinter Corporate University.</li> </ul> </li> <li>Technical volunteering programmes for senior management in developing countries.</li> <li>Online workforce training on financial education.</li> </ol>	<ul style="list-style-type: none"> <li>Development of the financial education volunteering programme.</li> <li>Equality and diversity training.</li> <li>Classroom training on assisting people with disabilities.</li> <li>New online financial course</li> </ul>
	<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 new 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>Development of Foundation programmes: Emprendedores, Cre100do.</li> <li>Extension of the scope of the universal accessibility management system to new work centres</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>Development of monitoring methodology and control of the Human Rights policy.</li> <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>Definition of a Diversity policy</li> <li>Extension of the scope of the accessibility systems to new work places.</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: Akademia, FTF</li> <li>Development of financial education programmes adapted to various groups.</li> <li>Training and awareness aimed at integration.</li> </ul>

Target	Targets	Initiatives undertaken	Challenges
	<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>Investment 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: FTF</li> <li>Identification of the impact of lending and financing operations on natural capital.</li> <li>Buying energy from renewable sources.</li> <li>Neutralisation of CO<sub>2</sub> emissions.</li> <li>Training employees and raising awareness of customers.</li> <li>Climate change awareness-raising and communication campaign.</li> </ul>
	<ul style="list-style-type: none"> <li>Encourage and promote the construction of effective alliances in public, public-private and civil society circles, harnessing experience and strategies for obtaining resources from alliances.</li> <li>Improve the Global Partnership for Sustainable Development, complemented by alliances between different interested parties, who mobilize and exchange knowledge, specialisation, technology and financial resources, in order to support the attainment of SDGs in all countries, in particular in developing countries.</li> <li>Increase global macroeconomic stability, including through policy coordination and consistency.</li> <li>Improve the consistency of policies for sustainable development.</li> <li>Respect policy space and the leadership in each country to establish and apply policies to eradicate poverty and for sustainable development.</li> <li>Between now and 2030, harness the existing initiatives to produce indicators that make it possible to measure progress with sustainable development and complement gross domestic product and support the creation of statistical capacity in developing countries.</li> <li>Promote adherence to international initiatives related to sustainable finances and climate risk management.</li> <li>Promotion of sector actions on sustainable development</li> </ul>	<ol style="list-style-type: none"> <li>Bankinter forms part of different working groups in alliance with other countries who seek to promote sustainable development, adequate risk management, etc.: <ul style="list-style-type: none"> <li>Climate Change Cluster</li> <li>Transparency and Corporate Governance Cluster</li> <li>Social Impact Cluster</li> <li>LBG</li> <li>Spanish Network of the Global Compact</li> <li>Forética</li> <li>Diversity Charter</li> <li>Fundación Lealtad Network of Companies</li> <li>Adecco Foundation</li> <li>ONCE Foundation</li> <li>SECOT</li> <li>COCEMFE</li> </ul> </li> <li>Sponsorship of events with other companies and administrations, to support environmental and social ventures that support the development of new companies, technologies and projects: <ul style="list-style-type: none"> <li>Greenweekends</li> <li>Circularweekends</li> <li>Premios Jóvenes Más Humanos</li> </ul> </li> <li>Participation in the creation of the guide for the financial sector of Natural Capital Protocol, to measure impacts and dependencies on natural capital, along with another eight international firms.</li> </ol>	<p>Creation of new alliances:</p> <ul style="list-style-type: none"> <li>UNEPFI: responsible finances initiative</li> <li>Adherence to work groups as part of the Task Force on Climate related financial disclosures.</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
- 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

Last year, Bankinter was included on the Dow Jones World Sustainability Index, as one of the top twenty-seven banks in terms of Corporate Governance and environmental and social performance worldwide. It also received important recognition for its high level of transparency in its Corporate Governance reports.

The bank, in addition to being included on the Dow Jones World Sustainability Index for the first time in its history, has also been named on other noteworthy sustainability indexes (FTSE4Good, MSCI or Carbon Disclosure Project) and features in the Sustainability Yearbook drawn up by Robeco SAM.

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

In the corporate governance chapter of this report, considerable information is provided on the size and composition of the Board of Directors, member selection process, diversity, succession plans and so on.

In 2018, Bankinter received the Alembeeks Award in the category of Best Governance Disclosure, in recognition of its transparency in this area considering the content of its Annual Corporate Governance Report.

The bank, in addition to being included on the Dow Jones Sustainability Index for the first time in its history, has also been named on other noteworthy sustainability indexes



More information in the Corporate Governance Report.

## Sustainable practices

Bankinter, as part of its Risk Management and Control Framework, has defined Investment Sustainability Principles. Furthermore, it has established financial guidelines that allows it to develop measures and references that the bank must follow in its decision-making process, considering the best practices and international standards.

## Customer orientation

This line includes service quality and customer satisfaction management. The main indicator that measures this management, the NPS, comfortably beat the target set for 2018, reaching 30%.



More information in the 'Quality' chapter

---

## Socially responsible investment

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 projects. In 2018, nine new projects to which these principles apply were financed, all in Spain and the renewable energy sector. Seven were graded B and two C. Investment came to €140.5 million.

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 in the financing offered by Bankinter. Over the course of 2018, the Bank took part in renewable energy projects (photovoltaic and wind energy, among others).



## Sustainable products

The main Bankinter products that incorporate various attributes of sustainability in their design are as follows:

**Bankinter Sustainability Fund.** It invests in equities that are on the main social and environmental responsibility indices.

**Energy Efficiency and Environment Fund.** Invests in equities of companies involved in improving the efficiency of energy use and transport, the storage of electricity, automation and the improvement of industrial productivity, reduction of the environmental impact of using fossil fuels and renewable energies

**Responsible investment funds.** The Bank makes more than 250 funds of international prestige that invest with responsible criteria available to its customers. 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.

**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 automation) and 2.5% in CPE Private Equity LP (clean technologies).

Since 2017, the bank has maintained an alliance with Plenium Partners to create Helia Renovables, a venture capital fund, and in 2018, a second fund was incorporated to invest in the renewable energy business.

**InnovFin agreement.** The bank has increased its support of the Innovfin2014 programme, within the scope of Horizon 2020, to €250 million. 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.** This 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 2018 by 18,308 customers, who placed 208,685 orders for the amount of €68.6 million. Hal-Cash provides access to financial services to groups that do not have bank accounts.

## Responsible supplier management

Bankinter has a Suppliers Code of Conduct which constitutes a 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.

It should also be pointed out that Bankinter's average payment period to its suppliers is 20 days.













More information in the 'Suppliers' chapter

Average period of payment to suppliers

20 days

## 'Three-in-a-Row' plan Economic Dimension - 2018

Strategic lines	2018 Objectives	Compliance	Objectives 2019
Good Governance	Development of monitoring mechanisms of the Human Rights policy.		Monitoring the implementation of the Human Rights policy
Sustainable practices	Training in the new directives associated with regulatory changes.		Staff training: course on the code of ethics
Customer-oriented services	Bank NPS > 30%.		Bank NPS > 36.5%.
Socially responsible investment	Development of processes for the application of environmental, social and governance criteria in financing.		Staff training in Socially Responsible Investment
Sustainable products	Launch of new sustainable products Measurement of social/environmental impact of products.		Launch of new sustainable products
Responsible management of suppliers	Development of procedures for the application of ESG criteria in the supplier certification process. ESG weighting of main suppliers.		Training suppliers on CSR matters
Structure	New alignment actions with the sustainable development objectives.		New alignment actions with the sustainable development objectives

-  Completed
-  In development
-  To be commenced

# Social dimension

Bankinter has implemented a series of mechanisms to identify the needs, expectations and motivations of its internal and external stakeholders, with a view to providing them with a response through a wide range of advanced occupational and social management programmes.

These programmes are oriented towards improving the bank's performance in relation to its internal and external stakeholders.

## Accessibility and financial inclusion

The Bank's inclusive strategy is set out in its A bank for all programme, which reflects 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.

The accessibility strategy addresses both physical and digital and cognitive accessibility.

Bankinter has an AENOR-certified Universal Access Management System (UAM), under standard UNE 170001, and it has been implemented in the Bank's headquarters in Madrid, at the Alcobendas building, and in seven branches.

In 2018, the scope of this certification was extended to the Bankinter Corporate University, which is the centre where face-to-face training is imparted to all employees; it is located in Tres Cantos.

In addition, the accessibility criteria included in the works manual were applied in both the remodelled and new branch offices in Spain and Portugal.

In terms of digital accessibility, the objective 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 WAGC 2.0 guidelines.

The Bank offers, for example, 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.

**In terms of digital accessibility, the objective set is that both the contents and the services offered through the Bankinter websites are available to its customers**





In relation to cognitive accessibility, the bank has made a Clear Finance Dictionary available to customers, developed in collaboration with the Instituto de Empresa, adapting the meanings of the most commonly used banking terms to make them easier for everyone to understand.

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

### **Advanced employee management.**

In addition to complying with regulations on risk prevention and occupational health, Bankinter has a system certified under OHSAS 18001 at its main work centres in Portugal.

To enhance the wellbeing of its employees, both professionally and personally, the bank runs: the Saludablemente programme; 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 acquiring certain skills, promoting health and wellbeing.

In 2018, the Bank was once again awarded the family-responsible company (EFR) seal.

The bank's advanced people management was highlighted in 2018, in surveys conducted by Top Employer, and Merco Talento.



More information in the 'Human factor' chapter

**In 2018, Bankinter was once again awarded the family-responsible company (EFR) seal.**

## Corporate volunteering

Bankinter has a corporate volunteering portal, Mueve.tewith, which seeks to promote the social and environmental engagement and involvement of the workforce, to undertake activities which have a major environmental impact. This programme also strengthens the organisational culture of the bank and helps participating volunteers to develop new skills.

In 2018, the proportion of the workforce involved in volunteer days rose to 20%. Participation was recorded of over 1,000 employees and their family members in a total of 98 technical, environmental and social activities, reaching a total of 3,481 direct beneficiaries.

Bankinter promotes financial integration through technical volunteering activities in the delivery of financial education programs. Recipient groups to whom this training is imparted includes: individuals with intellectual and/or sensorial disabilities, secondary school and baccalaureate students, young entrepreneurs or people at risk of social exclusion. Such initiatives help to develop specific employee skills, such as having adapting communications to everybody, regardless of their abilities and knowledge.

The following activities stood out in 2018:

**Participation in the 4th edition of the Tus finanzas, tu futuro programme,** promoted by the Spanish Banking Association (AEB), in cooperation with the Junior Achievement Foundation. Its mission is to develop the skills and knowledge of secondary school and baccalaureate students on managing domestic economy.

**Bankinter customised financial education programme.** In 2018, out was rolled out to groups at risk of social exclusion from the Integra Foundation and people with disabilities from the A LA PAR Foundation.

**Financial Education Programme Lifetime Accounts.** Imparted in Portugal to beneficiaries of the Centro Educativo Caxias and the 'Ajuda de Mãe' Association.

**High impact technical volunteering programme, in collaboration with the Harambee Foundation.** Developed at Strathmore University (Nairobi, Kenya), the aim of which is to provide value in the form of risk management knowledge at financial institutions. Participating volunteers were also offered a unique, enriching experience for the development of senior management leadership at the bank.

**Mentoring programme.** targeted at students with learning disabilities in the CAMPUS Project of the A LA PAR Foundation, in order to develop their skills and facilitate their social and occupational integration.



**Brazo Directo programme,** with the Junior Achievement Portugal Foundation. This initiative allows young people to experience the real business world by taking them to one of the Bank's workplaces for a day.

**Innovation Challenge programme,** with the Junior Achievement Portugal Foundation. This initiative asks students to solve a problem based on a real situation from the business world.

## Partnerships with the third (or voluntary) sector

In the communities in which it operates, Bankinter establishes strategic alliances with voluntary organisations, receiving support from them to identify and responds to local needs.

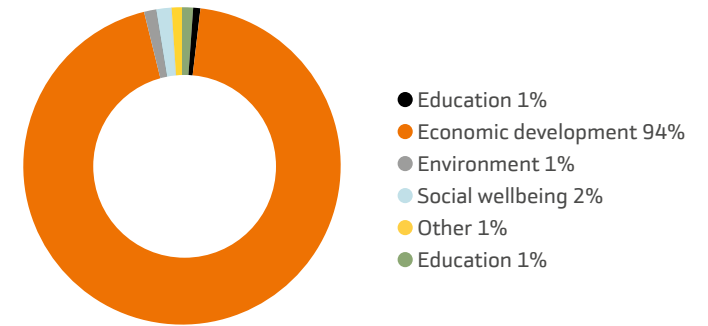
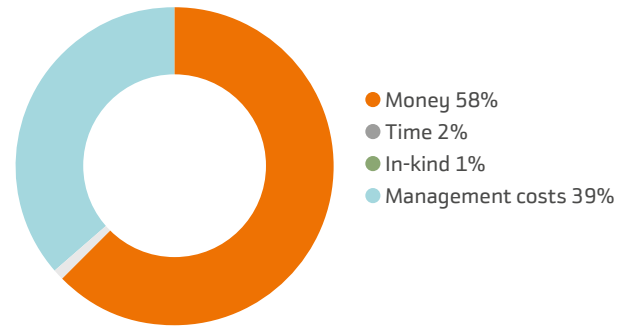
As a member of the United Nations Global Compact Network Spain, Bankinter assumes the commitment to incorporate its ten principles into the Bank's business activities.

Bankinter is 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 principles.

The Bank has also served on the Governing Board of Forética, a leading association of companies that promotes corporate social responsibility and sustainability in Spain and Latin America.

### Measurement of social impact

In order to improve the effectiveness of its social endeavours, the entity has adopted the methodology developed by the London Benchmarking Group (LBG) which measures, manages, assesses and disseminates the Bank's contributions, achievements and impact of social action in the community and in the environment.



**In the communities in which it operates, Bankinter enters into strategic alliances with voluntary organisations.**



To support the work of voluntary associations, Bankinter develops products and services for charitable purposes that it makes available. It offers the Bankinter Solidarity Card (with the corresponding fees donated to social projects as part of the Involvement and Solidarity programme) and the Bizum Solidario service, to facilitate micro-donations made using mobile phones.

Starting in 2018, Bankinter provides its customers with access to the Inuit social impact fund, a collective social investment vehicle.

As they are a significant stakeholder, the Bank has 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, it has 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.

**Involvement in the organisation twelfth edition of the Mashumano Youth Awards**, recognising those entrepreneurs who provide innovative, sustainable and socially responsible solutions. Specifically, Bankinter sponsored the Best solution for helping to integrate differently abled people category,

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 2018, as meeting points for green entrepreneurship.

**Collaboration agreement with the Integra Foundation** to deliver workshops on financial education and social and occupational inclusion.

**European Pro Bono and Skills-Based Volunteering Summit 2018**, the biggest corporate volunteering event in, held at Bankinter's head office in Madrid, organised by the Hazloposible Foundation. The meeting brought together experts and leaders from the Pro Bono movement and professional volunteering from around the world

The following are some of the other solidarity initiatives carried out in 2018:

**Holding of the seventh edition of the Involvement and Solidarity programme.** A 360° initiative through which ten social projects are being financed, with the sum received from fees relating to the Bankinter Solidarios card. It involves various of the Bank's stakeholder groups: customers, who use the Bankinter Solidarity Visa; more than 1,200 employees, who submitted 150 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 in Portugal.

**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.

**Development of the A Smile for Christmas** campaign to collect new toys among employees, organised by Cooperación Internacional, a NGO providing for over 10.304 children in centres and associations for poor families throughout Spain.

## Bankinter Innovation Foundation








The Bank is sponsor of the Bankinter Innovation Foundation, which promotes innovation and entrepreneurship as the driving forces in creating sustainable wealth in Spain and Portugal.






More information in the 'Bankinter Innovation Foundation' chapter

---

## Plan 'Three-in-a-Row' Environmental Dimension - 2018

Strategic lines	2018 Objectives	Compliance	Objectives 2019
Financial inclusion	Development of digital accessibility. Extension of the universal physical accessibility system to the Bankinter Corporate University.		Development of digital accessibility
Advanced employee management.	Development of healthy company programmes II.		Definition of a Diversity policy.
Bankinter Innovation Foundation	Development of Foundation programmes in Spain and Portugal. Implementation of an impact measurement system.		Development of Foundation programmes in Spain and Portugal. Measurement of the social impact of the Foundation's programmes.
Volunteering	Corporate volunteering consolidation programme. Development of technical volunteering programmes for financial and entrepreneurship education.		Implementation of a new online financial course. 25% of staff involved in volunteering.
Citizens	Development of dialogue with the third sector. Start up of Adaptive II project.		Start up of Adaptive II project
Social footprint management	Redefinition of social footprint indicators.		Redefinition of social footprint indicators
Structure	New alignment actions with the sustainable development objectives.		New alignment actions with the sustainable development objectives.

-  Completed
-  In development
-  To be commenced

# Environmental Axis.

Operating in the most respectful way with the environment, taking the necessary measures to mitigate its direct and indirect environmental impact, is a priority commitment for Bankinter and around which it bases its environmental management.

The institution's Environmental Policy is aimed at enhancing the positive impacts and minimising the negative effects of its activity on the environment.

The Sustainability Area is responsible for ensuring compliance with the policy's principles and ensuring the bank's commitment to protecting the environment.

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.

The environmental criteria are present in the Bank's investment and financing policies. At the end of 2016 Bankinter adhered to the Equator Principles, whereby environmental and social analyses are carried out on all financing projects which require them. The financial sector guides defined in 2018 also include environmental and social criteria to be analysed in transactions.

The chain of suppliers and subcontracts are not exempt from responsible environmental management: prior to their approval, environmental criteria are taken into account and environmental clauses are included in contracts where risk is considered to be greatest.

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

**Bankinter's approach to environmental management allows it to operate in a way that is respectful of the environment.**



---

 Got to the Environmental Policy

---

## Climate change

Bankinter's Climate Change Strategy has a good rating in the sustainability indexes, although the bank is aware that the expectations of its stakeholders in this regard are increasing. In anticipation of the new Climate Change Law, we are already analysing the implications of the recommendations of the Financial Stability Board and the Task Force on Climate-related Financial Disclosures, which indicate that financial institutions need to manage climate change risks and opportunities in the short, medium and long term.

Bankinter is in the process of defining a strategy that incorporates these recommendations, based on the important work already performed and short, medium and long term objectives are being established with the areas of the bank that are most involved (risks, investment banking, asset management, etc.)

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's new building in Alcobendas (Madrid), was certified under LEED (Leadership in Energy and Environmental Design) in 2018 at its Platinum level (maximum certification).

This is a sustainable, innovative and eco-efficient building following the latest trends in the 'office of the future', as the most innovative workspaces are known.

It adapts to the Bank's commitment to sustainability and it meets strict criteria for energy efficiency and healthier work environments.

Not only is it subject to water and energy saving measures, 90% of workstations have natural light, something which is not commonplace in big buildings in Madrid.





Bankinter, as part of its Climate Change Strategy, 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).

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 connection, Bankinter has been the Spanish leader of a pilot project in collaboration with the Natural Capital Coalition, an initiative promoted by the United Nations Environment Program. Its objective is to develop a specific guide for the financial sector that facilitates the identification and management of impacts on natural capital: the guide for the financial sector of the Natural Capital Protocol. This project will seeks to reveal:

- The environmental impact of investment policies 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, land use, etc.).

- The weight and risk of each of the sectors in which it invests with respect to future regulations.

The conclusions reached as part of this undertaking have helped the bank to establish the first financing sector guidelines, including ESG criteria for the mining, agriculture and defence industries.



First Prize at the 14th edition of the Environmental Photography Awards.  
Esther Rodea Angulo - Desolation



NATURAL  
CAPITAL  
COALITION



## 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 2018, the Bank's calculation of its organisational carbon footprint, this time including the business in Portugal, was once again 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 (calculated in 2017) with the Carbon Footprint Registry of the Ministry of the Environment.



Total emissions 2018 (TCO <sub>2</sub> E)	Spain					Portugal				
	Direct	Indirect	Induced	Totals	%	Direct	Indirect	Induced	Totals	%
Business travel			3.383.30	3.383.30	17.05%			105.58	105.58	4.10%
Commuting			5.189.65	5.189.65	26.16%			859.39	859.39	33.33%
Paper and toner consumption			65.03	65.03	0.33%			10.85	10.85	0.42%
IT equipment			882.52	882.52	4.45%				0.00	0.00%
Furniture			66.40	66.40	0.33%			11.35	11.35	0.44%
Electricity consumption		8.827.93		8.827.93	44.50%		1.572.31		1.572.31	60.99%
Customer electricity consumption			355.61	355.61	1.79%				0.00	0.00%
Heating consumption	655.85			655.85	3.31%				0.00	0.00%
Refrigerating gases	376.27			376.27	1.90%	4.90			4.90	0.19%
Generators	14.95			14.95	0.08%	1.48			1.48	0.06%
Waste			4.29	4.29	0.02%			0.43	0.43	0.02%
Cleaning products			4.22	4.22	0.02%				0.00	0.00%
Maintenance travel								8.93	8.93	0.35%
Water consumption			13.82	13.82	0.07%			2.90	2.90	0.11%
<b>TOTAL</b>	<b>1.047.07</b>	<b>8.827.93</b>	<b>9.964.83</b>	<b>19.839.83</b>	<b>100.00%</b>	<b>6.38</b>	<b>1.572.31</b>	<b>999.42</b>	<b>2.578.11</b>	<b>100.00%</b>

In 2018, Bankinter's business in Spain and Portugal produced a total of 22,417.95 tonnes of CO<sub>2</sub> equivalent, 4.02 tonnes CO<sub>2</sub>/per employee (down 0.56% on 2017)

Scope 1 (direct) emissions totalled 1053 tonnes of CO<sub>2</sub> in Spain. This is a 9.25% increase on 2015 in absolute terms and a 8.72% increase in terms of emissions per employee. This increase in emissions can be attributed, for the large part, to operations throughout 2018 in the new Alcobendas building, whilst in 2017, it was only in operation for a few months.

In scope 2 (indirect emissions), there was a decrease of 3.22% in absolute terms and 3.69% in emissions per employee.

Total scope 1 and 2 emissions per employee fell by 2.66% compared to 2017, thanks to the various energy efficiency measures implemented in recent years, the controls established and that in 2018, electricity at the new Alcobendas building has been provided by renewable energy.

Scope 3 emissions, induced emissions, increased by 4,70% (4.19% per employee), mainly due to the rise in business trips due to increased commercial activity, in line with the financial results presented by the Bank in 2018.

	Spain		Portugal		Total Bankinter Group		
<b>Direct CO<sub>2</sub> emissions (Tn)</b>							
	2017	2018	2017	2018	2017	2018	% 2017-2018
Gas/diesel consumption and gas refills	962	1,047	2	6	964	1,053	9.25%
<b>Emissions per employee</b>	<b>0.20</b>	<b>0.22</b>	<b>0.00</b>	<b>0.01</b>	<b>0.17</b>	<b>0.19</b>	<b>8.72%</b>

Source: MAPAMA 2017.

\* Emissions for 2017 were updated with the data from the last bills received.

	Spain		Portugal		Total Bankinter Group		
<b>Indirect CO<sub>2</sub> emissions (Tn)</b>							
	2017	2018	2017	2018	2017	2018	% 2017-2018
By Electricity consumption	9,029	8,828	1,717	1,572	10,746	10,400	-3.22%
<b>Total/employee</b>	<b>1.92</b>	<b>1.84</b>	<b>2.04</b>	<b>2.01</b>	<b>1.94</b>	<b>1.86</b>	<b>-3.69%</b>

Source: MAPAMA 2017.

\* Emissions for 2017 were updated with the data from the last bills received.

	Spain		Portugal		Total Bankinter Group		
<b>Induced CO<sub>2</sub> emissions (Tn)</b>							
	2017	2018	2017	2018	2017	2018	% 2017-2018
Business travel	2,873,58	3,383,30	125,06	105,58	2,999	3,489	16.35%
Business trips	5,068,81	5,189,65	974,12	859,39	6,043	6,049	0.10%
Water	15.05	13.82	2.83	2.90	18	17	-6.49%
Paper	48.63	54.18	8.51	5.90	57	60	5.15%
Toner	32.37	10.85	2.93	4.95	35	16	-55.24%
Waste	3.63	4.29	0.63	0.43	4	5	10.80%
IT equipment	880.73	882.52	-	-	881	883	0.20%
Furniture	65.47	66.40	11.35	11.35	77	78	1.21%
Customer electricity consumption	344.05	355.61	-	-	344	356	3.36%
Cleaning products	1.05	4.22	-	-	1	4	301.90%
Maintenance provider travel	-	-	13.20	8.90	13	9	-32.58%
<b>Total</b>	<b>9,333</b>	<b>9,965</b>	<b>1,139</b>	<b>999</b>	<b>10,472</b>	<b>10,964</b>	<b>4.70%</b>
<b>Total/employee</b>	<b>1.98</b>	<b>2.08</b>	<b>1.35</b>	<b>1.27</b>	<b>1.89</b>	<b>1.96</b>	<b>4.19%</b>

Source: MAPAMA 2017

\* IT equipment, furniture and cleaning products: estimates made taking into account the purchase of these materials.

\* Customer electricity consumption: Estimate made taking into account registered connections of clients to Bankinter website, the average duration of the same and the average consumption of a computer.

	Spain		Portugal		Total Bankinter Group		
<b>Total CO<sub>2</sub> emissions (Tn)</b>							
	2017	2018	2017	2018	2017	2018	% 2017-2018
Total emissions Scope 1, 2 and 3	19,324.56	19,839.84	2,857.63	2,578.11	22,182.19	22,417.95	1.06%
<b>Total/employee</b>	<b>4.10</b>	<b>4.14</b>	<b>3.39</b>	<b>3.29</b>	<b>4.00</b>	<b>4.02</b>	<b>0.57%</b>

## 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. The purpose of this is to implement all necessary measures to ensure optimum environmental performance. This means minimising its carbon footprint and in the strategy for mitigating climate change.

2018 was the first year in which the Alcobendas 14 building was fully operational (in 2017, it was only operational for six months), meaning that the trends of some indicators, most importantly natural gas consumption, were affected. It is expected that in 2019, when the building will be 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 (89% of total energy consumed) and its consumption has gradually been reduced in recent years as a result of the efficiency measures adopted. In 2018, total electricity consumption has decreased by 1.72% (even taking into account operations at the new Alcobendas building)

In terms of direct energy consumption (diesel and natural gas), the trend in 2018 has been affected to a large extent by natural gas consumption at the new Alcobendas building. In total, this consumption has increased by 64% year-on-year. However, the Group's total

	Spain		Portugal		Total Bankinter Group		
<b>Evolution of Energy Consumption (GJ)</b>							
	2017	2018	2017	2018	2017	2018	% 2017-2018
Electricity	83,409	83,215	13,234	11,770	96,643	94,985	-1.72%
Diesel	1,248	1,802	6	21	1,254	1,823	45.35%
Natural Gas	5,547	9,330	0	0	5,547	9,330	68.20%
<b>Total</b>	<b>90,204</b>	<b>94,346</b>	<b>13,240</b>	<b>11,791</b>	<b>103,444</b>	<b>106,138</b>	<b>2.60%</b>
<b>Total/employee</b>	<b>19.16</b>	<b>19.68</b>	<b>15.71</b>	<b>15.04</b>	<b>18.64</b>	<b>19.03</b>	<b>2.11%</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.

	Spain		Portugal		Total Bankinter Group		
<b>Evolution of Water Consumption (m<sup>3</sup>)</b>							
	2017	2018	2017	2018	2017	2018	% 2017-2018
<b>Total</b>	<b>46,871</b>	<b>43,046</b>	<b>8,828</b>	<b>9,031</b>	<b>55,699</b>	<b>52,077</b>	<b>-6.50%</b>
<b>Total/employee</b>	<b>9.96</b>	<b>8.98</b>	<b>10.47</b>	<b>11.52</b>	<b>10.03</b>	<b>9.34</b>	<b>-6.96%</b>

\* The calculation of water consumption in the office network is estimated by extrapolating the ratio per employee of a sample of six offices with independent and non-community accountants.

	Spain		Portugal		Total Bankinter Group		
<b>Evolution of Paper Consumption (Tn)</b>							
	2017	2018	2017	2018	2017	2018	% 2017-2018
<b>Total</b>	<b>376</b>	<b>399</b>	<b>75</b>	<b>58</b>	<b>451</b>	<b>457</b>	<b>1.36%</b>
% recycled A4 and A3 paper	100	100	100	100	100	100	
<b>Total/employee</b>	<b>0.08</b>	<b>0.08</b>	<b>0.09</b>	<b>0.07</b>	<b>0.08</b>	<b>0.08</b>	<b>0.87%</b>

\* The paper consumption data refers to the consumption of DIN A4, DIN A3 and envelopes.

### Energy sources

	2017	2018
Renewable	33,113	32,025
Cogeneration	8,424	9,127
Natural gas consumption.	8,675	8,312
Coal	11,427	11,001
Nuclear	18,350	16,787
Other	3,420	4,237
<b>Total</b>	<b>83,409</b>	<b>81,489</b>

\*Includes energy sources in Spain

energy consumption in Spain and Portugal has only increased by 2.11% per employee, compared to 2017.

At year-end 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 (upgrade of equipment to more efficient models, replacement of lightbulbs with LEDs, remote management of consumption, etc.)

Bankinter acquires paper according to demanding environmental criteria. It is 100% recycled and bears the Blue Angel and Nordic Swan ecolabels.

To reduce its consumption, the bank has implemented measures such as the biometric signature solution, which is now used at fixed positions in branch offices and which has been extended in recent years to various operations and (investment fund agreements, current accounts, deposits, pension plans). Tablets have been distributed among office employees so that clients can carry out operations with a digital signature.

Another important milestone was the digitalisation of the recruitment process. 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 .

	Spain		Portugal		Total Bankinter Group		
<b>Evolution of waste management (kg)</b>							
	2017	2018	2017	2018	2017	2018	% 2017-2018
Paper and cardboard	154,954	161,020	42,834	28,005	197,788	189,025	-4.43%
Toner	461	160	143	241	604	401	-33.59%
Electronic equipment	6,795.00	21,244.00	0	0	6,795	21,244	212.64%

\*The electronic equipment of both countries are recognised in Spain, because they have been managed by the same authorised company.

Second prize in the XIV edition of the Environmental Photography Awards. Ricardo Lavrador - Pensamentos perdidos



## Environmental management

To guarantee the continuous improvement of its environmental performance, Bankinter has an environmental management system (EMS), certified according to the UNE EN ISO 14001 standard. This system has been adapted to the most recent version of the standard and its scope expanded to include the new Alcobendas building. It 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 team participated in its annual verification process.

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 45% of the workforce.

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 2018?

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

KPI	2018	2018 Target	2019 Target
Tonne CO <sub>2</sub> e / employee	0.13	× (-1%)	(-1%)

\*Direct emissions per employee have increased by 8.72%, due to operations at the new Alcobendas building throughout the entire year.

### Objective 2: Reduce electricity consumption (Spain)

#### What did we do in 2018?

Projects to replace old with more efficient equipment Improvements in automation and consumption control in new buildings.

KPI	2018	2018 Target	2019 Target
MWh / employee	4.73	✓ (-2%)	(-2%)

\* Electricity consumption has been reduced by 2.19% per employee in Spain.

### Objective 3: Reduce our induced emissions (Spain)

#### What did we do in 2018?

Promotion of alternative communication platforms (conference calls for internal meetings, video calls with clients), awareness campaigns, good environmental practices, webmail campaigns.

KPI	2018	2018 Target	2019 Target
Tonne CO <sub>2</sub> e / employee	1.96	× (-1%)	(-1%)

\* Emissions from business trips have increased significantly due to increased commercial activity and the acquisition of IT equipment (increase of 4% in tn/employee).

### Objective 4: Offset our direct emissions

#### What did we do in 2018?

Bankinter has offset its 2017 direct annual emissions and those of the sustainable branch by participating in the 'Conservation of the Amazon in Madre de Dios in Peru' project as part of the Ecology and Development Foundation's Zero CO<sub>2</sub> initiative.

KPI	2018	2018 Target	2019 Target
Tonne CO <sub>2</sub> offset	964	✓ Direct emissions	Carbon neutrality

### Objective 5: Reduce paper consumption (Spain)

#### What did we do in 2018?

Awareness campaigns and good environmental practices, web mail campaigns for customers, user access for printers.

KPI	2018	2018 Target	2019 Target
Tonne of paper / employee	0.08	× (-2%)	(-2%)

\*Paper consumption has increase by 0.87% per employee in Spain.



## Influence on stakeholders

The Bank has different communication channels, both internal and external, for the dissemination of its various social and environmental initiatives, through which it promotes 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.

Among the awareness-raising actions targeted at the workforce are the following:

**Environmental website.** It provides the entity's staff with news about activities of environmental interest, both internal and external to the bank. It also provides the employee with a suggestion box.

**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 2018, Bankinter collaborated in five events.

**XIV edition of the Environmental Photography Awards.** Held in 2018 under the slogan Tree hunters and attracted entries from employees from Spain and Portugal.

**Presentation of the climate change strategy at different forums.** Bankinter played host to the Correspondent Bank Alliances and Environment Workshop and participated at different workshops, including those organised by Vozpópuli and the Ecogestiona environment and corporate radio program.

**Supported the Earth Hour campaign, a WWF initiative to reduce CO<sub>2</sub> emissions.** To support it, the lighting of all the properties of the bank was turned off and different 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 formed part of the Climate Change Cluster that promotes WBCSD (World Business Council for Sustainable Development) as a leading company. It forms part of the cluster of more than 60 companies from various sectors. Over the course of 2018, the Group explored the management of risks and opportunities resulting from climate change in more depth.



Third prize in the 14th edition of the Environmental Photography Awards.  
M. Elena Martínez Campos – Tras la niebla

## 'Three-in-a-Row' plan Environmental dimension – 2018

Strategic lines	2018 Objectives	Compliance	Objectives 2019
Strategy for climate change	Identification of the impact of the Bank's loan book and financing on natural capital.		Development of the climate change strategy. Adherence to international initiatives.
Environmental management system.	Buying green energy as a mechanism for offsetting emissions. Campaign to reduce paper consumption. Improvement of eco-efficiency per employee indicators by 2%.		Extension of the scope of the Environmental Management System. Improvement of eco-efficiency per employee indicators (2%)
Structure	New online environmental course. New alignment actions with the sustainable development objectives.		Environment awareness-raising and communication campaign. New alignment actions with the sustainable development objectives.

-  Completed
-  In development
-  To be commenced

2018 ANNUAL REPORT

# Efficiency and Transformation





## Greater demands for purchases

The purchase process at Bankinter has been transformed in recent years as a result of the guidelines and requirements of European regulation and supervision organisations, in particular, the European Central Bank, the European Banking Authority (EBA) and the Single Resolution Board.

Previously, to start a deal, all that was needed was budgetary approval and as comprehensive a definition as possible of the project or requirement to draw up the RFQ. Now, this is no longer enough. Before filing the request with the Purchasing Department and launching the RFQ, the requestor must follow the procedures recommended by Internal Audit, Technological Risks, the Data Protection Office and those included in the bank's procurement and outsourcing policy. Furthermore, it must obtain validation from Technical Risks and the Head of Data Protection, in addition to express authorisation from the Outsourced Services Management Area if it entails a new service.

Over the course of 2018, the Area has to respond to greater demand for services from the entity as a result of the transformation plan under way at the bank. In order to improve the efficiency of purchase processes, over the course of the year, the following initiatives were embarked upon:

- Creation of a sole repository for contracts, enhancing the professionalisation of their physical safekeeping and the digital management of documents with an indexing and search system.
- Procurement of a contracts management service that formally arranges agreements adjudicated under the different contracts/ documents. This was, it is possible to homogenise and apply strict criteria in the construction of documents, communication with stakeholders and evidence of validation.
- Continuous improvement of processes and use of management tools for the purchase process and control and monitoring of services. Amongst the action taken, improvements have been made to the procurement platform implemented in 2017 and the design completed to implement the outsourced services management policy in an internal tool.
- Incorporation of new functionalities in information systems that manage the supplier certification process.
- Definition and identification of critical Group functions, according to regulatory requirements for outsourced services.
- Inclusion of all the bank's activities, and those of affiliates, in the integrated expenditure management circuit, with a particular emphasis on the inclusion of businesses in Portugal.

The objectives for 2018 involve making inroads with the lines developed in recent years (in particular, completing the service outsourcing policy) and working on the integration of EVO Banco banking activity in Spain, and its Irish consumer finance subsidiary.

Bidding processes

339

2018 ANNUAL REPORT

Brand



# A new visual language

If in 2017, the foundations were laid for homogenising Bankinter's image in online and offline environments, in 2018, efforts focussed on laying them consistently and putting them into practice, in all forms of internal and external communication.



The personality of the brand and its visual identity is reflected in each of the experiences that are generated with stakeholders, i.e., in the products created, the spaces used for the purposes of work and in which customer relations are developed, both via remote channels (web, app, telephone) and face-to-face channels (offices, centres, etc.).

The concept on which the new visual language is supported seeks to express the position of Bankinter on the market, emphasise what has been built to date and offer a consistent brand experience. To this end, a unique, fresh and current visual and verbal language was created that could be understood in all environments.

Based on one of the most characteristic and visual elements, such as the logo, the language created represents an evolution of the entity's corporate image. The result is a more flexible, adaptable and readable language in all formats, with a brighter style of photography based on bright colours, that is easy to interpret, optimistic and very natural looking.

2018 ANNUAL REPORT

# Recognition and Awards



Top Employer



One of the best companies to work for

María Dolores Dancausa  
Bankinter CEO

Computerworld  
Award for CEO of  
the year

María Dolores Dancausa  
Bankinter CEO

11th place in the  
Merco Líderes  
leadership ranking

EMOtional Friendly Bank  
Awards

The most thrilling  
IBEX Bank



#42

María Dolores Dancausa  
Bankinter CEO

Award for Financial  
Excellence (IEF)



#20



#30

quileap Top 200

Best companies  
in the world for  
gender equality

#113

Alembeeks Awards

Improved dissemination of Corporate Governance information.

Nuevo lunes

Best Annual Report



Morningstar Awards

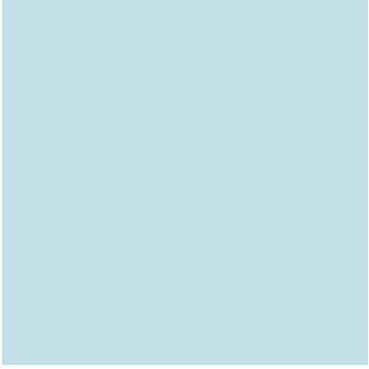
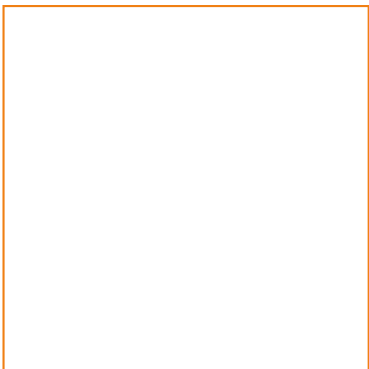
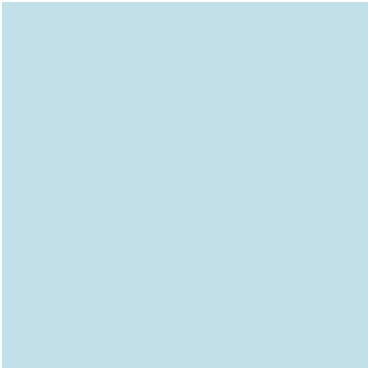
Improved Mixed Pension Plan  
Bankinter Mixto 75 Bolsa



El Economista Awards

Best Equities Pension Plan

BK Variable América



2018 ANNUAL REPORT

# Appendix





# Information for shareholders and investors

The Bankinter S.A. Annual Report is presented at the annual Ordinary General Shareholders' Meeting and is available to all shareholders of the Company. The information contained includes the period from 1 January 2018 to 31 December 2018, unless otherwise specified. The previous Report, referring to the year 2017, was published on 21 February 2018.

This document, coordinated by the Institutional 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 in the Integrated Annual Report has been prepared in accordance with the G4 Global Reporting Initiative.

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.

## 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

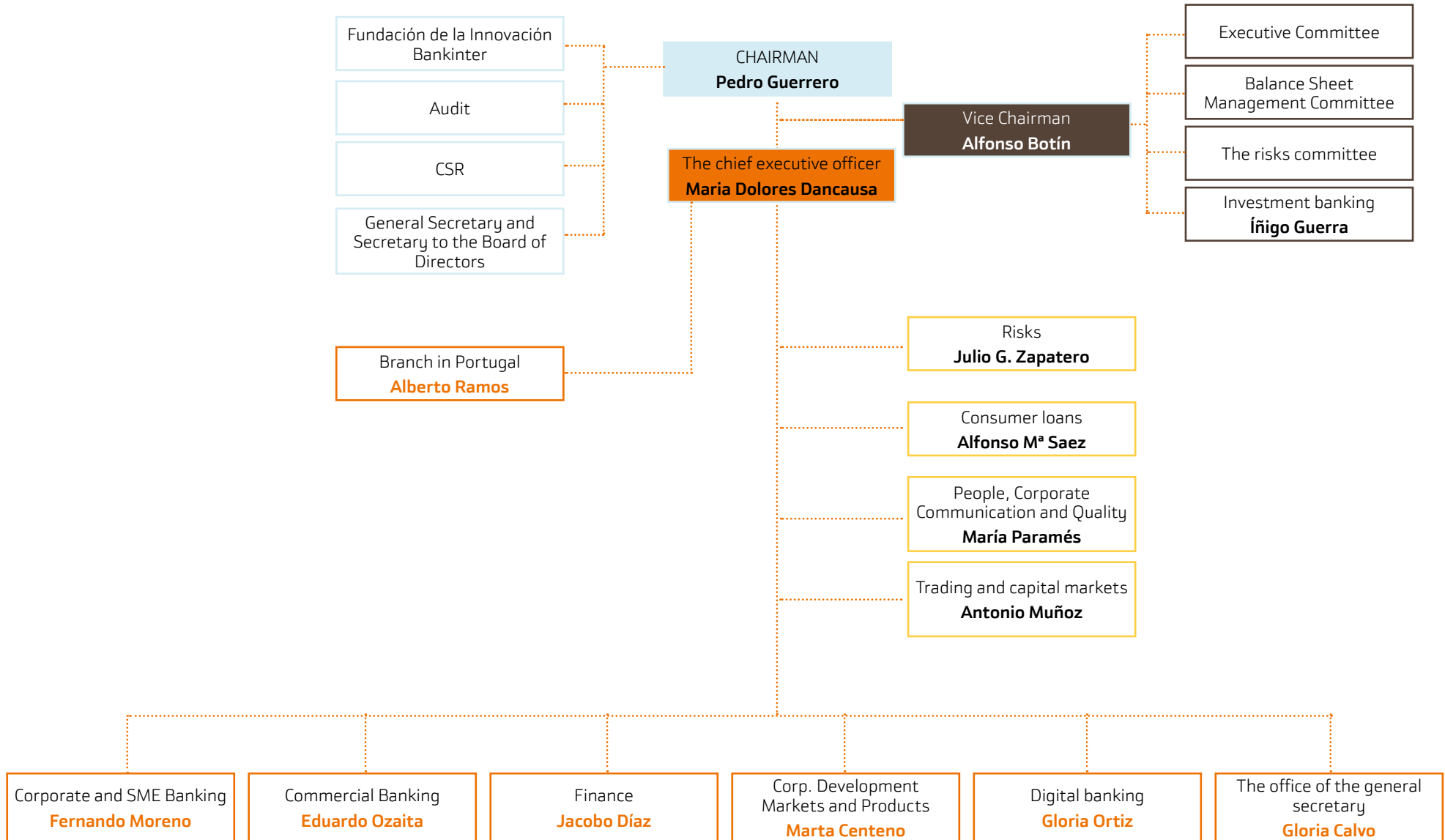
## Corporate communication

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.: Represented on the Board by Alfonso Botín-Sanz de Sautuola y Naveda.
- Marcelino Botín-Sanz de Sautuola y Naveda: Linked to the significant shareholders Cartival S.A.

Board of Directors at 31/12/2018

## 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
Maite Cañas Luzarraga	Madrid Corporate banking
Rafaela Vergara Ruiz	Madrid East
Ignacio Lozano Egea	Madrid West
Lucas Peinado Mataix	Navarre-Aragón-Rioja-Soria
Joaquín Da Silva Castaño	Northwest
Juan Manuel Astigarraga Capa	North

