



bankinter.

Integrated Annual Report 2019

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Milestones in 2019

Net profit

€550.7
mn

+4.6%

Return on Equity
(RoE)

13%

Net interest income

€1,190.6
mn

+8.8%

Operating profit

€977.5
mn

+4.4%

Loans and receivables

€60,411
mn

+8.9%

Capital adequacy
(CET1 *fully loaded*)

11.61%

Balances in
salary accounts

€10,436
mn

+25%

New mortgage loans

€2,956
mn

+17%

Risks insured by Línea
Directa

€3.16 mn
+5%

Premiums issued by
Línea Directa

€891.3
mn

+4.5%

Assets
under management by
Private Banking

€40,400
mn

+13%

Consumer
loans

€2,400
mn

+21%

Profit before tax -
Portugal

€66 mn
+10%

EVO customers

+50,000
(between June
and December)



More information in the "Results" chapter

Awards 2019



One of the most sustainable banks in the world

MEMBER OF
**Dow Jones
Sustainability Indices**
In collaboration with 

 **SAM** | Sustainability Award
Bronze Class 2019


RESPONSABILIDAD Y
GOBIERNO CORPORATIVO

#31

One of the most reputable companies


EMPRESAS Y LÍDERES

#36

María Dolores Dancausa
Bankinter Chief Executive
Officer

10th place in the
Merco Líderes
leadership ranking
7th place in Forbes
best CEOs list

One of the most valuable
Spanish brands

Branz #30
Interbrand #23

Awards 2019



One of the best companies to work for

Top Employer



Actualidad
Económica
ranking

#25



**Family
responsible
company**



**'Bankinter
cares' programme
to improve the
physical and
emotional welfare
of its employees**



**'Involvement and
solidarity', the
best internal
social
responsibility
campaign**

Awards 2019



Forbes Global 2000

#1,127

D-Rating

**Leading Spanish
bank in the use of
digital channels**

Fundación
innovación
bankinter. FUTURE
TRENDS
FORUM

**Best science and
technology think
tank in Spain award
from Pennsylvania
University**

EWOB Gender Diversity
Index

**Top ranking
Spanish company
in the world for
gender equality**

#108

Pedro Guerrero

'Bankinter is still strong, despite the difficult environment'



How would you define 2019 from an economic standpoint?

2019 was a difficult year, in which some uncertainties that already existed in 2018 became more pronounced. On the international front, tensions between the United States and China once again curbed trade, even though there was some easing off towards the end of the year. In Europe, the prospect of the UK's disorderly exit was a serious threat for the performance of the EU economy. In Spain, the greatest concerns stemmed from the situation in Catalonia and the political paralysis caused by the caretaker government that was in power for most of the year.

Do you think that last year's figures suggest a new crisis is coming?

World economic growth slowed last year. In Spain, figures show a clear slowdown in both economic growth and employment. However, lest we forget, the Spanish economy is today growing at a higher pace than the euro area as whole.

However, in its last report (while it has lowered its forecasts for last October), the IMF expects a recovery in global growth from


2.9% in 2019 to 3.3% in 2020 and 3.4% in 2021. The economic outlook has also improved following the truce in the trade war and the emergence of a Brexit deal. The institution recognised that its new forecasts have a high component of uncertainty, with downside risk, due to such factors as the stagnation seen in the advanced economies, new trade tensions, this time between the United States and the EU, growing geopolitical tension and the worsening social unrest in many countries.

I do not believe a new crisis is likely to emerge in the short term, although it cannot be completely ruled out; but it would not be anywhere near the scale of the previous one.


Will our economy return to what it was before?

It is difficult to know and especially difficult to pinpoint when this could happen. There are very significant circumstances that are outside our control, such as the trade war, Brexit, geopolitical tensions affecting oil prices, etc.

From an internal standpoint, Spain needs to be able to provide stability to economic agents and facilities for companies to operate



'Taking in money from customers and lending it to other customers is no longer as profitable as it once was'



'Entrepreneurs and investors need certainty, a legal framework that is not constantly changing'

and create jobs. Entrepreneurs and investors need certainty, a legal framework that is not constantly changing, and a government that provides encouragement and fosters economic growth.

How do you see the situation in the financial sector?

The enduring scenario of negative interest rates is forcing banks to reassess their traditional business practices. Taking in money from customers and lending it to other customers is no longer as profitable as it once was. Of course, lending must continue and we must fight to preserve our margins, as we have always done. But now, this is no longer enough. New higher-value products and personalised advisory services have become inescapable challenges, that will bring with them - are already bringing with them - a more innovative, dynamic and supportive banking system.

The digital transformation of the world will also have a particularly strong impact on our industry.

How did Bankinter fare in 2019?

Last year's results are detailed by our Chief Executive Officer below. I can say that Bankinter remained strong despite the surrounding difficulties. Net profit stood at 551 million euros, 4.6% more than a year earlier. Return on equity was 13%, much higher than the sector average. And these

achievements were made with no impact on the quality of our assets or capital adequacy. It is important to highlight that Moody's raised all its ratings for Bankinter in 2019.

As a result, I am able to inform our shareholders that the board of directors will submit a motion at the annual general meeting to pay a dividend against 2019 profits of 0.0976 euros per share, resulting in the distribution of 263 million euros in the year as a whole, the same dividend paid in 2018. We believe this is satisfactory remuneration given the Bank's performance and that it complies with the principle of capital preservation, in line with regulatory requirements.

What are the minimum capital requirements set by the European Central Bank for Bankinter in 2020?

Exactly the same as in 2019: 8.20% for CET1, tier one capital, and 11.70% for total capital. These are the lowest requirements established by the European Central Bank for Spanish banks and Bankinter amply satisfied them at 31 December. I would also like to mention something that shows the extent to which the authorities hold our capital adequacy levels and prudent risk policy in high esteem. The European Central Bank has ruled to evaluate of Bankinter every two years from now on, instead of every year. We are extremely satisfied with this move, but it is also a responsibility.

How has the entry into force of the new Mortgage Act affected Bankinter?

The new law implies a considerable change in the procedure for granting and signing real estate credit contracts. The first few months following its entry into force were difficult for everyone (customers, financial institutions, notaries), due to infrastructure problems (among other issues) which affected the volume of mortgages signed. However, for Bankinter the new law did not have a damaging effect on new mortgage loans, which speaks highly to our teams' agility and adaptability. In any case, this is a law that offers a great deal of protection to consumers, and will certainly lead to a decline in the number of complaints. That is good news for everyone. Moreover, financial institutions would like the regulatory framework (for this and other aspects) to be sufficiently stable to avoid putting legal certainty at risk.

What does the inclusion of EVO mean for the Bank?

Bankinter's acquisition of EVO and its consumer finance subsidiary in Ireland, Avantcard, took place in May, after all the pertinent regulatory authorisations had been obtained. This is an important transaction for the Bank.

Avantcard will allow us to continue to expand internationally in a country, Ireland, with a very robust economy and strengthen our

'The stock market listing of Línea Directa will greatly benefit our shareholders'

consumer finance business at the same time. Through Avantcard we will gain 130,000 customers, on top of those we already have in Portugal and, of course, Spain.

EVO has a different and innovative approach and will be a key part of the Bank's digital strategy.

Is the digital transformation of Bankinter complete?

Digitalisation is an ongoing process that makes many demands on us; but it will also offer some hitherto unexpected opportunities. We have made a great deal of progress in the past few years. For instance, most Bankinter customers now relate to the Bank using digital channels, most of our transactions are made online and 89% of consumer loans are taken out using this channel. This allows us to maintain our ability to take advantage of new technologies to provide an increasingly better service.

But a lot more is needed. We have to adapt to a social environment that is changing faster every day due to digital transformation. We have great confidence in the capacities that EVO, our recent acquisition, can offer us, through its innovative and fully digital business model, reflecting the retail banking of the future.

How will the stock market listing of Línea Directa affect shareholders?

Since we acquired 100% of Línea Directa we have known that (as it was a financial

investment), if the company remained successful, one day it would be listed. We believe that the time is right for several reasons. The company has over three million policyholders. It works in three insurance branches: auto, home and health insurance. The first two are extremely profitable and high-growth areas, and the latter, launched barely two years ago, is showing great potential. Línea Directa's business model, based on direct distribution, has proved to be much more powerful than the traditional models. This is extremely important in a sector that is entering a phase of profound transformation. We also consider that market conditions are right as the low interest rates are fuelling the appetite of companies with growth potential.

We have structured the transaction in the best way for our shareholders. Bankinter is not selling LDA shares on the market, but is distributing them for free among shareholders so that they keep their full rights over them. The formula used – the distribution of a share premium in kind – is fiscally neutral and the percentage distributed allows Bankinter to keep its capital ratio intact (or increase it slightly), while at the same time remaining a significant shareholder of the company with a stake of 17.4%.

Further, the separation of the two companies will allow them to develop their strategies independently, which is important in our changing world that offers a bright future full of opportunity but at the same time is filled with change and uncertainty.

What does the fact that Bankinter is considered to be one of the most sustainable banks in the world by specialist analysts mean?

The fact that Bankinter has been included in some of the most prestigious sustainability indices – Dow Jones Sustainability Index Global, FTSE4Good, CDP – is recognition of the company's extraordinary management, which in addition to its magnificent economic results, also shows an excellent social and environmental performance, and well-recognised corporate governance.

The Bank's good ESG credentials (environmental, social and governance) are increasingly weighted by institutional investors and proxy advisors, who recognise corporate strategies that are based on long-term value creation.

While sustainability management has always been one of the Bank's priorities, in 2016 it drew up its Sustainability Policy, which the basis of the current Sustainability Plan for 2016-2020, known as the 'Three in a Row' plan because it has a three-fold management objective – economic, social, environmental – aligned with the inclusive and sustainable development recommended by the UN Agenda 2030.

This Plan includes commitments to develop good corporate governance, facilitate inclusion and financial education and draw up a climate-related strategy.

'There are a majority of women on Bankinter's management committee, based on merit not positive discrimination'

Therefore, in 2019, a new climate change strategy was approved, which, in addition to strengthening the environmental commitments adopted previously by the Bank to ensure carbon neutrality, addresses the management of indirect impacts, through the application of environmental and social criteria to its financing and investment policies.

The strategy also includes the far-reaching goal of increasing our offer of sustainable financial products and services, and a plan to involve our stakeholders in a joint climate action.

What activities were performed by the Foundation in 2019?

Bankinter Innovation Foundation has been a reference in Spain and abroad for several years. There is no other foundation in the world that focuses on innovation from a multidisciplinary standpoint. The purpose of its various programmes is to disseminate knowledge about the consequences of technological change and new trends for companies and for society as a whole, through its Future Trends Forum; to promote entrepreneurship among students in their final years of university through the Akademia programme and support companies in their early stages, through the Startups programme; and in the growth

stage, through Cre100do. In 2019, the Future Trends Forum addressed two salient topics: artificial intelligence and the interaction between neuroscience and technology. I would also highlight the strengthening of the Startups programme, where the team has been enhanced with talented professionals with recognised experience, and I am sure they will help us to shore up our efforts.

Gender equality has been one of the most common issues discussed by companies in recent years. How is Bankinter addressing this subject?

The banking sector has traditionally been dominated by men, especially at management level. Fortunately, this is changing. 51% of Bankinter's workforce is female and there are a majority of women sitting on the management committee. Further, the number of female directors on the board of directors is higher than average, and has been over the recommended good practice level of 30% for several years. However, these figures are based on merit, not on a policy of quotas or positive discrimination. At Bankinter equality is merit-based.

'For us, sustainability is not an option, but a key part of our strategy'

María Dolores Dancausa

'In 2019, our results exceeded those of the previous year for the seventh year running'



How would you summarise what 2019 meant for Bankinter?

2019 was an excellent year for Bankinter. Our earnings exceeded those of the previous year for the seventh year running. We reported profit of 551 million euros, an increase of 4.6% compared to the figure of 526.4 million euros posted in 2018.

The top part of the income statement, which includes income and margins, was particularly strong, and for the first time it surpassed 2,000 million euros, just over half of which corresponded to net interest income, in an unfavourable context of interest rates that are close to zero.

The inclusion of EVO and Avantcard on 1 June 2019 contributed seven months of their activity to the above figures, and we expect these new acquisitions to provide a higher contribution to margins in 2020, when they will have been on our books for 12 full months.

What other indicators can be highlighted in the year?

It was also a satisfactory year in terms of asset quality, capital adequacy, profitability, efficiency and liquidity. The non-performing loan ratio dropped to 2.51%, down 39 basis points compared to 2018, and much lower than the sector average. Bankinter kept its CET1 capital ratio at 11.6%, well above the requirement of 8.20% established by the European Central Bank for our entity for both 2019 and 2020, the lowest in the whole banking sector. Our profitability, measured in terms of RoE, was 13%, the highest in the sector in Spain.

Our traditional banking business, excluding the recent acquisitions, reported a cost-to-income ratio of 45.3%. In terms of liquidity, the customer funding gap (difference between loans and receivables and customer funds) was also positive, narrowing to 1,300 million euros from 3,700 million euros.

In short, 2019 was an excellent year in which the main pillars that underpin our different business lines grew in size and stature, preparing the Bank for future success.

"Gross operating income, despite the environment of interest rates at close to zero, continues to grow at a rate of 6%, breaking the 2,000 million euro barrier"

Which were the most notable business units?

All our business lines that have been operating for a longer time and, therefore, have greater maturity, performed well. The Corporate Banking business, the business line that traditionally contributes most to gross operating income, loans and receivables in Spain increased by 5.1% and we obtained a 1.9% market share of new transactions. I would highlight the expansion of the International Business and Investment Banking, which both saw sharp growth in their loan book. Commercial Retail Banking, which includes individual banking, continues to grow steadily in the areas of Private and Personal Banking. In the area of funds, the Salary Account is our star product and in 2019 it became clear why, as its balance grew by 25%. The mortgage portfolio ended the year on a positive note, in contrast the general decrease marked by the sector as a whole. More significantly, new mortgage loans increased by 17% despite the economic slowdown and problems caused by the entry into force of the new Real Estate Credit Act.

In the insurance business, both policies and premiums in the Linea Directa insurance area increased by around 5%, with particularly significant growth in the homeowners segment and the high profitability of the business was maintained, with an exceptional return on equity of 33%, although the increase in claims penalised profit before tax, which was down by 8%.

The performance of one of our key growth drivers, Bankinter Consumer Finance, stood out again this year. Transactions increased

sharply even though there was some slowdown in internal consumption in Spain during the year. Customers rose to 1.4 million and the volume of new loans extended stood at a healthy 45%.

I would also like to highlight Bankinter Portugal, where business is more than meeting the expectations we had when it joined the Group in 2016. Its loan book and its deposits showed double-digit growth in 2019 and the entity reported a profit before tax of 66 million euros, 9% more than the previous year.

The inclusion of EVO Banco and Avantcard was a milestone in the year. How does this transaction fit with the Bank's strategy, which has historically been based on organic growth?

Effectively, at Bankinter we have traditionally sought organic growth. We have followed the criteria of growth through innovation not acquisition for more than half a century. There have been three exceptions: in 2012 we acquired our current bank in Luxembourg to strengthen the Private Banking business; in 2016, we acquired the retail network that today is Bankinter Portugal; and in 2019, we acquired EVO Banco in Spain and Avantcard in the Republic of Ireland. In all these cases, the decision was guided by the principle that the asset to be acquired was a fit with the Bank's strategic lines.

The acquisitions made in 2019 offer us new business opportunities and the possibility of diversifying in two key areas, digital banking and consumer finance, and in two different geographical areas. EVO Banco is a brand

recognised by younger, online customers, which gives us a presence in this business segment and allows us to explore new ideas and products. The activity carried out by Avantcard supplements our consumer finance business, which is currently one of our biggest growth drivers.

How have they performed in their first seven months as part of the Group?

It is early to say, but preliminary data are positive. EVO Banco attracted 50,000 new customers and Avantcard's loan book grew by 23%. In any case, the two businesses have different short-term expectations, because EVO Banco will require more investment to make it profitable, which we expect to occur 2023. In contrast, Avantcard has been profitable since day one.

Another development in the year was the renewal of the Investment Banking brand, which is now called Bankinter Investment. Why was that done?

2019 was the five-year anniversary of the launch of the investment banking business, which showed very positive results, and we thought that it was a good moment to strengthen and relaunch this business line that has become a key market player in a short space of time. With this move, we aim to give a firm boost to the alternative investment business, which we consider to be promising in today's context of very low interest rates and market volatility. We already have an established presence in this market, after setting up two SOCIMIs comprising hotel and commercial real estate assets, three renewable energy funds,

'The acquisitions made in 2019 offer us new business opportunities and the possibility of diversifying in two key areas (digital banking and consumer finance), and in two different geographical areas'

two funds in the student residences and infrastructure segments, and one fund of funds focused on technology. The objective is to comfortably double our investment volumes in three years to over 8,000 million euros.

One of the main strategic decisions taken in the year was to submit a motion to the annual general meeting proposing the stock market listing of Línea Directa. What is the objective of this decision?

The board of directors approved a motion in December to submit a proposal to a vote at the 2020 annual general meeting for the stock market listing of Línea Directa, according to which 82.6% of the insurance company would be delivered to shareholders, while the Bank would retain the remaining 17.4%. The Chairman has explained above the reasons why this is the best time to perform this transaction.

Although the sum of the value of the two companies is identical whether taken together or separately, we believe that with the passage of time, they will be worth significantly more separately than together as one company. Once the spin-off has been carried out, each one will be able to operate in its own sector and under its own regulatory environment, with the appropriate capital structure and dividend policy.

After seven consecutive years of reporting an increase in profit compared to the previous year, what is the key to Bankinter's success?

This good performance is due to many factors: efficient risk management, which has been one of our core strengths, exposure to recurrent customer activities, agility and simplicity in our actions, diversification of revenues and a wish to be independent. But if I had to single out one reason for our success, it would be our people.

Bankinter has an exceptional team of people who are well qualified, committed and dedicated, with a determination to take advantage of opportunities and face up to obstacles. Without them, without these people who make up our different teams and strive to improve their work every day, Bankinter would not be where it is today.

Let us talk about the future. What is the outlook for 2020 and beyond?

2020 is another year marked by uncertainty, which appears to be the sign of our times. The slowdown in international economic activity, the impacts of an epidemic that is proving hard to contain, the rise in protectionism, a Europe without the United Kingdom, the abnormal surplus of liquidity and political instability are all factors that we will have to live with.

We have to continue expanding the projects and business lines that have already proven successful, and attend to every small detail day after day. This is what makes us different and efficient.

Is an interest rate hike still expected to improve profitability?

We do not base our business decisions on a hypothetical increase in interest rates. We expect them to remain very low, at around zero. When they do rise, which they will, although we do not know when, we will be prepared to take advantage of this. But until that moment arrives, we are well prepared to deal with the current situation.

For this reason, we have been developing business lines such as private banking, investment banking and supporting the international business lines of Spanish companies. These activities and associated

'Despite the difficulties and obstacles in our path, we are part of a healthy financial system, that is more robust and resilient than it was in the past'



"More than 93% of the Bank's customers currently interrelate with us through digital channels"

services contribute a value that is recognised and appreciated by our customers, and that is billed in the form of fees.

There are also segments such as consumer finance, where net interest income remains attractive and which offer an appealing revenue channel. As a result, gross operating income has not only shown resilience to the environment of interest rates at close to zero, but continues to grow at a rate of 6%, breaking the 2,000 million euro barrier in 2019.

Are innovation and technology still essential values in Bankinter's strategy?

Bankinter would not be understood without these two variables, that have been a part of the Bank's identity and strategy practically since it was founded. At Bankinter, we see innovation as a competitive advantage that has allowed us to survive successfully and independently in a sector that has seen a complicated past few years. Early positioning in technology and a focus on digitalisation explain why today Bankinter is immune from some of the major problems affecting the sector, such as installed capacity surplus, and are behind our positive performance in the area of efficiency or profitability, for instance. More than 93% of the Bank's customers currently interact with us through digital channels, and this allows us to keep a streamlined branch network that is dedicated to tasks that contribute customer value.

However, our objective for 2020 is to continue to invest in technology to improve customer experience, optimise processes to reduce response times, and consolidate the competitive advantage our long history has provided us with.

Broadening our analysis, what is your view of the current situation in the Spanish banking sector?

The Spanish banking sector as a whole has seen a significant transformation over the last ten years, in line with European banks. In the last few years, the sector has had to deal with a very strict and demanding regulatory framework, a technology revolution that has forced banks to rethink their business models, lower margins and profits, the judicialisation of numerous banking practices and a loss of reputation among the general public. The latter is particularly concerning as the essence of the banking business, trust, has been damaged by this unjust perception. Despite the difficulties and obstacles in our path, we are part of a healthy financial system, which is much more robust and resilient than it was in the past, and that plays a major role in funding economic activity, a mission that is not fully recognised by the public authorities or by society.

STRATEGY AND RESULTS

2019 INTEGRATED ANNUAL
REPORT

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Growth, profitability and digitalisation



Bankinter's strategy for 2019 focused on measures to boost growth in the area of customers, volumes and activity

The Spanish banking sector is currently facing two major challenges that are shaping its present and will greatly influence its future. First, to successfully complete the digital transformation process, and second, to learn to navigate a financial scenario characterised by low interest rates.

To address digital transformation, the sector is investing heavily in technology to optimise its processes and offer a better quality service. In turn, the low interest rate environment policy obliges companies to look for new revenue sources to maintain profitability margins.

Against this backdrop, Bankinter has several key strengths: a brand image that is synonymous with innovation and excellence in customer service; qualified and committed employees; and a strict risk culture to which the institution owes its robust health.

As a result, Bankinter can take the best advantage of opportunities such as the persistence of economic growth (albeit at lower rates than in previous years), customer

digitalisation and the possibility of continued organic growth, despite the shift towards concentration seen in the sector in Spain and other EU countries.

Based on this premise, Bankinter's strategy for 2019 focused on measures to foster growth in customers, volume and operations; to seek profitability through fees and high-margin services and implement more digital and efficient models in the area of commercial productivity.

These measures included maintaining the institution's risk policy, standing out in the area of customer service, consistently developing the product offer, increasing the Bank's presence in relatively closed segments, achieving higher levels of cross selling and taking advantage of technological investment.

All with the aim of preserving areas that are being made profitable (asset management through Private Banking and Personal Banking, the traditional business of Corporate Banking), strengthening other areas that are

in the growth stage (Individual Retail Banking, consumer credit, Investment Banking, International Business) and developing skills in the digital and data exploitation fields.

The outcome of this strategy for the Bank's two main areas was as follows:

Commercial Retail Banking

The star product for attracting more customers, the Salary Account, remained an essential tool. Forty of every hundred customers were acquired through this channel, and now the plan is to increase the loyalty of these new customers through credit cards, personal loans, mortgages, investment funds and direct debits, among other products.

The number of active customers in the Individual Retail Banking segment grew to 373,617, on the back of the Salary Account, alongside control and management of customer retention. In this segment, the key lies in encouraging the transfer to other segments with a greater potential to sell value added services (Personal Banking and Private Banking), that can offer higher fee income.

The Personal Banking area made further progress in the digitalisation of its commercial management process, which contributed to a slight increase in mortgage loans, despite the decline seen in the sector as a whole.

In the Private Banking segment, the differentiation strategy rolled out by Bankinter, which includes alternative investment vehicles, contributed 2,000 million euros in new assets and put assets under management to 40,400 million euros.

Through the launch of Bk, a business line offering a global service (savings, loans and investment), and the acquisition of EVO Banco, an entity specialising in digital transactions, the company sought to diversify its customer base, with a focus on attracting young people.

Corporate Banking

The loan book totalled 25,500 million euros with no impact on margins, which were maintained thanks to the good fee management system, which showed double digit growth. This is essential for assuring customers that the price paid is consistent with the quality of the service provided.

The restructuring and strengthening of specialist teams, aimed at boosting efficiency, led to an 7% increase gross operating income in International Banking compared to 2018, also enhanced by the stronger partnership agreements with large international banks.

In the Corporate Banking area, a new portfolio management model by revenue tranche was introduced, to which specially trained professionals are assigned. In the SME segment, an effort was also made to improve service quality, which impacted customer satisfaction indices.

Lastly, the Investment Banking area continued to develop its traditional advisory and financing activities, bringing in new alternative investment vehicles.



Loan book
€25,500
mn

Record profits for the seventh consecutive year



In 2019, the Bankinter Group posted a new record profit, cementing seven consecutive years of growth, with a compound annual growth rate of 24% between 2012 and 2019.

The Group posted net profit of 550.7 million euros and profit before tax of 741.4 million, up 4.6% and 2.8%, respectively, from the previous year.

These figures include EVO Banco and Avantcard, which were included in the Group's accounts on 31 May. Excluding the data from these businesses and the impact of their inclusion, profit before tax would have risen by 2.4%.

Bankinter ended the year with an RoE of 13%, one of the highest among Europe's listed banks.

Capital adequacy

The fully-loaded CET1 capital ratio ended the year at 11.61%, above European Central Bank's regulatory requirement for Bankinter of 8.20%. This minimum capital requirement figure will remain the same for this year.

In terms of liquidity, the customer funding gap (difference between loans and receivables and customer funds) narrowed to 1,300 million euros from 3,700 million euros the year before, leaving a deposit-to-loan ratio of 98.3%.

Wholesale issues maturing in 2020 total only 800 million euros, plus a further 1,000 million for 2022, although Bankinter has 13,400 million euros in liquid assets and a debt issuing capacity of 6,000 million.



Net interest margin

2.01%
+9pp

Margins

Bankinter's customer business continues to underpin the good results obtained by the Bank in 2019, which is reflected in the growth of all margins on the income statement.

- Net interest income was 1,190.6 million euros at 31 December, up 8.8% year-on-year. Excluding the contribution from EVO Banco and Avantcard, growth would stand at 5.1%.
- Net interest margin was 2.01%, up by nine basis points compared to 2018.
- Gross operating income stood at 2,054.7 million euros, 5.9% higher than in the previous year, with net fee and commission income of 479.5 million euros (+6.6%). Stripping out EVA Banco, gross operating income grew by 3.4%.
- Operating income totalled 977.5 million euros at the close of 2019, 4.4% higher than the previous year and 7.9% higher excluding EVO Banco. Operating expenses were 7.2% higher, due largely to the integration of the acquired businesses, although in the banking business (Spain and Portugal) they rose by only 0.2%.

The cost-to-income ratio of the banking business ended the year at 47.4% (45.3% excluding EVO Banco).

Balance sheet

- On Bankinter's balance sheet, total group assets in 2019 were 83,732.3 million euros, 9.5% more than in 2018, including EVO Banco and Avantcard.
- Customer loans and receivables stood at 60,411 million euros, 8.9% more than one year ago. Excluding EVO Banco, and looking strictly at the business in Spain, loans and receivables grew by 5%. This compares favourably to the 1% decline seen in the rest of the sector in Spain to December according to Banco de España figures.
- Customer retail funds ended the year at 57,814.6 million euros, up 14.3% on the close of 2018. Taking into account Spain only and excluding EVO Banco, growth was above the sector average at 7%. Off-balance-sheet managed funds increased by 13.7%.

Business units

Bankinter's customer business has maintained its full potential, and continues to be the primary generator of Group revenue, where the pure banking areas are outpacing the insurance business. The main results were as follows:

Corporate Banking. This area fared well during the year, with a loan book of 25,500 million euros. Looking strictly at business in Spain, loans to companies increased by 5.1% to 23,800 million euros, compared to the further fall (this time of 2.7%) for the sector as a whole (data to November).

- Three business lines in the Corporate Banking area were particularly strong: International Banking, with gross operating income up 7%; Transactional Banking, with fee and commission income of over 14%, and Investment Banking, which has been operating under the new Bankinter Investment brand since November 2019, and reported a sharp 52% rise in fee and commission income and 22% growth in gross operating income in the year.



Commercial Retail Banking. The individual banking business also had a satisfactory year, and for the first time its contribution to Group gross operating income equalled that of Corporate Banking: 28%.

- The main driver of this business was Private Banking, with assets under management of 40,400 million euros, up 13% year-on-year and putting the CAGR for 2014-2019 at 7%.
- In the Personal Banking segment, assets under management increased by 9% to 23,700 million.

Línea Directa Aseguradora. Línea Directa Aseguradora ended the year with 3.16 million insured risks, up 5% from 2018, with increases of 3.6% in motor insurance policies and 9.6% in home insurance, the area with the strongest growth. Issued premiums totalled 891.3 million, up 4.5% year-on-year. Línea Directa ended 2019 with a combined ratio of 87.9%, RoE of 33% and a capital adequacy ratio of 211%.

Bankinter Consumer Finance. The segment had over 1.4 million customers at the close of the financial year, up 8% compared to 2018. The loan book reached 2,400 million euros, with 917 million euros of new loans, marking increases of 21% and 45%, respectively, from 2018. The NPL ratio was 5.7%

Bankinter Portugal. Bankinter Portugal had another brilliant year, reporting profit before tax of 66 million euros, compared to 60 million euros in 2018. The customer business was positive throughout the year, with the loan book up 13%, particularly loans to customers, which rose by 26%. Funds also increased significantly (+76%), in addition to off-balance-sheet managed funds (+12%).

EVO Banco and Avantcard. EVO Banco and Avantcard showed growth in activity despite their recent inclusion in Bank's consolidation scope. From June to December, EVO acquired 50,000 new customers and arranged 85 million euros worth of new mortgages. Avantcard sustained strong annual growth in its loan book: 23%.

Products

- One standout is the volume achieved in the salary account portfolio (10,436 million euros; +25%), reflecting the consolidation and leadership of this product in the Spanish market.
- New mortgages in the year amounted to 2,956 million euros, up 17% from 2018, of which 38% were arranged at fixed rates.

Bankinter Group. Consolidated balance sheets at 31 December 2019 and 2018 (Thousands of euros)

ASSETS	31.12.2019	31.12.2018 (*)
Cash, cash balances at central banks and other demand deposits	6,407,046	5,503,428
Financial assets held for trading	3,848,150	5,162,908
Derivatives	314,215	432,233
Equity instruments	263,269	107,024
Debt securities	1,309,400	2,623,615
Loans and advances	1,961,266	2,000,036
Central banks	-	-
Credit institutions	1,688,819	2,000,036
Customers	272,447	-
Memorandum items: loaned or pledged	668,485	1,309,138
Non-trading financial assets mandatorily at fair value through profit or loss	130,303	129,178
Equity instruments	116,805	89,880
Debt securities	13,498	39,298
Loans and advances	-	-
Central banks	-	-
Credit institutions	-	-
Customers	-	-
Memorandum items: loaned or pledged	-	-
Financial assets designated at fair value through profit or loss	-	-
Debt securities	-	-
Loans and advances	-	-
Central banks	-	-
Credit institutions	-	-
Customers	-	-
Memorandum items: loaned or pledged	-	-
Financial assets at fair value through other comprehensive income	5,340,159	4,839,963
Equity instruments	106,288	78,463
Debt securities	5,233,871	4,761,500
Loans and advances	-	-
Central banks	-	-
Credit institutions	-	-
Customers	-	-
Memorandum items: loaned or pledged	406,692	1,171,852
Financial assets at amortised cost	65,670,760	58,844,761
Debt securities	4,850,360	3,100,712
Loans and advances	60,820,400	55,744,049

Central banks	-	-
Credit institutions	1,649,634	481,860
Customers	59,170,766	55,262,189
Memorandum items: loaned or pledged	1,335,245	1,231,566
Derivatives – hedge accounting	202,118	170,197
Fair value changes of the hedged items in portfolio hedge of interest rate risk	107,439	11,010
Investments in joint ventures and associates	140,875	110,563
Joint ventures	47,734	37,678
Associates	93,141	72,885
Assets under reinsurance and insurance contracts	12,108	9,134
Tangible assets	600,654	473,411
Property, plant and equipment	533,956	405,925
For own use	509,658	376,949
Leased out under operating lease	24,298	28,976
Assigned to welfare projects (savings banks and credit cooperatives)	-	-
Investment property	66,698	67,486
Of which: Leased out under operating leases	66,698	67,486
Memorandum items: Acquired under finance leases	-	-
Intangible assets	391,936	294,077
Goodwill	164,113	164,113
Other intangible assets	227,823	129,964
Tax assets	470,032	547,502
Current tax assets	178,130	255,640
Deferred tax assets	291,902	291,862
Other assets	217,848	209,248
Insurance contracts linked to pensions	-	-
Inventories	-	-
Other assets	217,848	209,248
Non-current assets and disposal groups classified as held for sale	192,917	196,159
TOTAL ASSETS	83,732,345	76,501,539

(*) Presented for comparison purposes only.

Bankinter Group. Consolidated balance sheets at 31 December 2019 and 2018 (Thousands of euros)

LIABILITIES AND EQUITY	31.12.2019	31.12.2018(*)
LIABILITIES	78,932,381	72,015,687
Financial liabilities held for trading	2,823,849	3,798,092
Derivatives	387,041	499,813
Short positions	865,012	1,833,893
Deposits	1,571,796	1,464,386
Central banks	-	-
Credit institutions	77,521	173,870
Customers	1,494,275	1,290,516
Debt securities issued	-	-
Other financial liabilities	-	-
Financial liabilities designated at fair value through profit or loss	-	-
Deposits	-	-
Central banks	-	-
Credit institutions	-	-
Customers	-	-
Debt securities issued	-	-
Other financial liabilities	-	-
Memorandum items: subordinated debt	-	-
Financial liabilities at amortised cost	73,970,770	66,361,761
Deposits	64,641,613	56,925,312
Central banks	7,336,682	6,506,663
Credit institutions	1,377,447	1,950,146
Customers	55,927,484	48,468,503
Debt securities issued	7,688,413	7,772,126
Other financial liabilities	1,640,744	1,664,323
Memorandum items: subordinated debt	855,589	1,158,791
Derivatives – hedge accounting	265,394	86,845
Fair value changes of the hedged items in portfolio hedge of interest rate risk	40,022	19,748
Liabilities under reinsurance and insurance contracts	750,267	749,563

Provisions	382,733	301,925
Pensions and other post-employment defined benefit obligations	3,832	807
Other long term employee benefits	-	-
Pending legal issues and tax litigation	75,233	97,752
Commitments and guarantees given	14,137	18,575
Other provisions	289,531	184,791
Tax liabilities	421,254	425,515
Current tax liabilities	206,012	220,581
Deferred tax liabilities	215,242	204,934
Share capital repayable on demand	-	-
Other liabilities	278,092	272,238
Of which: welfare fund (savings banks and credit cooperatives only)	-	-
Liabilities included in disposal groups classified as held-for-sale	-	-
TOTAL LIABILITIES	78,932,381	72,015,687

(*) Presented for comparison purposes only.

Bankinter Group. Consolidated balance sheets at 31 December 2019 and 2018 (Thousands of euros)

LIABILITIES AND EQUITY (continued)	31.12.2019	31.12.2018 (*)
Shareholders' equity	4,612,343	4,344,186
Capital	269,660	269,660
a) Paid up capital	269,660	269,660
b) Unpaid capital which has been called up	-	-
Memorandum items: uncalled share capital	-	-
Share premium	1,184,265	1,184,265
Equity instruments issued other than share capital	-	-
a) Equity component of compound financial instruments	-	-
b) Other equity instruments issued	-	-
Other equity	12,567	18,151
Retained earnings	2,762,882	2,523,867
Revaluation reserves	4,716	7,425
Other reserves	4,252	(10,907)
Reserves or accumulated losses of investments in joint ventures and associates	4,252	(10,907)
Other	-	-
(-) Treasury shares	(1,222)	(693)
Profit attributable to the owners of the parent company	550,665	526,398
(-) Interim dividends	(175,442)	(173,980)
Accumulated other comprehensive income	187,621	141,666

Items that will not be reclassified to profit or loss	(1,897)	(7,586)
a) Actuarial gains or (-) losses on defined benefit pension plans	(4,617)	(1,456)
b) Non-current assets and disposal groups classified as held for sale	-	-
c) Share of other recognised income and expense of investments in joint ventures and associates	-	-
d) Fair value changes of equity instruments measured at fair value through other comprehensive income	2,720	(6,130)
e) Hedge ineffectiveness of fair value hedges for equity instruments measured at fair value through other comprehensive income	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income [hedged item]	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income [hedging instrument]	-	-
f) Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	-	-

Items that may be reclassified to profit or loss	189,518	149,252
a) Hedge of net investments in foreign operations [effective portion]	-	-
b) Foreign currency translation	-	-
c) Hedging derivatives. Cash flow hedges [effective part]	28	108
d) Fair value changes of debt instruments measured at fair value through other comprehensive income	183,952	146,502
e) Hedging instruments [not designated elements]	-	-
f) Non-current assets and disposal groups classified as held for sale	-	-
g) Share of other recognised income and expense of investments in joint ventures and associates	5,538	2,642

Minority interests [Non-controlling interests]	-	-
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Accumulated other comprehensive income	-	-
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Other items	-	-
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TOTAL EQUITY	4,799,964	4,485,852
TOTAL EQUITY AND LIABILITIES	83,732,345	76,501,539

MEMORANDUM ITEMS: OFF-BALANCE-SHEET EXPOSURES

Loan commitments given	14,263,210	13,023,015
Financial guarantees given	1,748,165	1,612,459
Other commitments given	5,386,593	4,509,690

(*) Presented for comparison purposes only.

Bankinter Group. Consolidated income statements for the years ended 31 December 2019 and 2018 (Thousands of euros)

	(Debit)/Credit 31.12.2019	(Debit)/Credit 31.12.2018(*)
Interest income	1,391,590	1,320,454
Financial assets at fair value through other comprehensive income	111,520	130,485
Financial assets at amortised cost	1,254,588	1,110,902
Other interest income	25,482	79,067
Interest expenses	(200,947)	(226,173)
Expenses on share capital repayable on demand	-	-
A) NET INTEREST INCOME	1,190,643	1,094,281
Dividend income	12,257	12,584
Share of the profit or loss of entities accounted for using the equity method	30,601	27,984
Fee and commission income	593,763	556,492
Fee and commission expenses	(114,274)	(106,812)
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	39,079	38,294
Financial assets at amortised cost	5,516	2,509
Other financial assets and liabilities	33,563	35,785
Gains or losses on financial assets and liabilities held for trading, net	22,777	12,679
Reclassification of financial assets out of fair value through other comprehensive income	-	-
Reclassification of financial assets out of amortised cost	-	-
Other gains or losses	22,777	12,679
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss, net	7,072	(3,137)
Reclassification of financial assets out of fair value through other comprehensive income	-	-
Reclassification of financial assets out of amortised cost	-	-
Other gains or losses	7,072	(3,137)
Gains or losses on financial assets and liabilities designated at fair value through profit or loss, net	-	-
Gains or losses from hedge accounting, net	27	(71)
Exchange differences [gain or loss], net	(1,081)	5,051
Other operating income	47,841	47,403
Other operating expenses	(147,728)	(134,820)
Of which: compulsory transfers to welfare funds (only savings banks and credit cooperatives)	-	-
Income from assets under insurance and reinsurance contracts	882,715	839,602
Expenses from liabilities under insurance and reinsurance contracts	(508,989)	(449,697)
B) GROSS OPERATING INCOME	2,054,703	1,939,833
Administrative expenses	(996,290)	(941,602)
a) Staff expenses	(582,923)	(537,651)
b) Other administrative expenses	(413,367)	(403,951)
Depreciation and amortisation	(80,943)	(61,794)
Provisions or reversal or provisions	(143,861)	(143,579)
Impairment or reversal of impairment and gains or losses on modifications of cash flows of financial assets not measured at fair value through profit or loss or modification gains or losses, net	(138,960)	(62,971)
a) Financial assets at fair value through other comprehensive income	(994)	211
b) Financial assets at amortised cost	(137,966)	(63,182)
Impairment or reversal of impairment of investments in joint ventures and associates	-	-
Impairment or reversal of impairment on non-financial assets	(112)	-
Tangible assets	(112)	-
Intangible assets	-	-
Other	-	-
Gains or losses on derecognition of non-financial assets	327	1,349
Negative goodwill recognised in profit or loss	62,071	-
Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	(15,530)	(10,143)
C) PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS	741,405	721,093
Tax expense or income related to profit or loss from continuing operations	(190,740)	(194,695)
D) PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS	550,665	526,398
Profit or loss after tax from discontinued operations	-	-
E) PROFIT OR LOSS FOR THE YEAR	550,665	526,398
Attributable to minority interests (non-controlling interests)	-	-
Attributable to the owners of the parent	550,665	526,398
EARNINGS PER SHARE:		
Basic	0,61	0,57
Diluted	0,60	0,57

(*) Presented for comparison purposes only.

Bankinter Group. Consolidated statement of recognised income and expense for the years ended 31 December 2019 and 2018 (Thousands of euros)

	31.12.2019	31.12.2018 (*)
A) PROFIT OR LOSS FOR THE YEAR	550,665	526,398
B) OTHER COMPREHENSIVE INCOME	45,954	(122,114)
Items that will not be reclassified to profit or loss	5,688	(9,463)
a) Actuarial gains or (-) losses on defined benefit pension plans	(4,488)	(2,096)
b) Non-current assets and disposal groups held for sale	-	-
c) Share of other recognised income and expense of investments in joint ventures and associates	-	-
d) Fair value changes of equity instruments measured at fair value through other comprehensive income	11,792	(10,658)
e) Gains or (-) losses from hedge accounting of equity instruments at fair value through other comprehensive income, net	-	-
f) Fair value changes of equity instruments measured at fair value through other comprehensive income (hedged item)	-	-
g) Fair value changes of equity instruments measured at fair value through other comprehensive income (hedging instrument)	-	-
h) Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	-	-
i) Income tax relating to items that will not be reclassified	(1,617)	3,291
Items that may be reclassified to profit or loss	40,267	(112,651)
a) Hedge of net investments in foreign operations [effective portion]	-	-
Valuation gains or (-) losses taken to equity	-	-
Transferred to profit or loss	-	-
Other reclassifications	-	-
b) Foreign currency translation	-	-
Translation gains or (-) losses taken to equity	-	-
Transferred to profit or loss	-	-
Other reclassifications	-	-
c) Cash flow hedges [effective portion]	(114)	(1,731)
Valuation gains or (-) losses taken to equity	(114)	(1,731)
Transferred to profit or loss	-	-
Transferred to initial carrying amount of hedged items	-	-
Other reclassifications	-	-
d) Hedging instruments [not designated elements]	-	-
Valuation gains or (-) losses taken to equity	-	-
Transferred to profit or loss	-	-
Other reclassifications	-	-
e) Debt instruments at fair value through other comprehensive income	52,166	(153,623)
Valuation gains or (-) losses taken to equity	81,798	(118,449)
Transferred to profit or loss	(29,631)	(35,174)
Other reclassifications	-	-
f) Non-current assets and disposal groups held for sale	-	-
Valuation gains or (-) losses taken to equity	-	-
Transferred to profit or loss	-	-
Other reclassifications	-	-
g) Share of other recognised income and expense of investments in joint ventures and associates	2,897	(2,323)
h) Income tax relating to items that may be reclassified to profit or (-) loss	(14,683)	45,026
C) TOTAL COMPREHENSIVE INCOME FOR THE YEAR	596,619	404,284
Attributable to minority interests (non-controlling interests)	-	-
Attributable to the owners of the parent	596,619	404,284

(*) Presented for comparison purposes only.

Bankinter Group. Consolidated statements of changes in total equity for the years ended 31 December 2019 and 2018

(Thousands of euros)

	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	Non-controlling interests	Accumulated other comprehensive income	Other items	Total
Closing balance at 31.12.2018	269,660	1,184,265	-	18,151	2,523,867	7,425	(10,907)	(693)	526,398	(173,980)	141,666	-	-	-	4,485,852
Effects of correction of errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance at 1.1.2019	269,660	1,184,265	-	18,151	2,523,867	7,425	(10,907)	(693)	526,398	(173,980)	141,666	-	-	-	4,485,852
Total comprehensive income for the year	-	-	-	-	-	-	-	-	550,665	-	45,955	-	-	-	596,620
Other changes in equity	-	-	-	(5,584)	239,015	(2,709)	15,159	(529)	(526,398)	(1,462)	-	-	-	-	(282,507)
Issuance of ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issue of preference shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issue of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exercise or maturity of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share capital reductions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends (or shareholder remuneration)	-	-	-	-	-	-	-	-	-	(264,661)	-	-	-	-	(264,661)
Purchase of treasury shares	-	-	-	-	(295)	-	(52,907)	-	-	-	-	-	-	-	(53,202)
Sale or cancellation of treasury shares	-	-	-	-	-	-	52,378	-	-	-	-	-	-	-	52,378
Reclassification of financial instruments from equity to liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liabilities to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between equity components	-	-	-	-	263,199	-	-	-	(526,398)	263,199	-	-	-	-	-
Increases or decreases in equity arising from business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	(5,584)	-	-	-	-	-	-	-	-	-	-	(5,584)
Other increases or (-) decreases in equity	-	-	-	-	(23,889)	(2,709)	15,159	-	-	-	-	-	-	-	(11,439)
Of which: discretionary transfer to welfare funds (only savings banks and credit cooperatives)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance at 31.12.2019	269,660	1,184,265	-	12,567	2,762,882	4,716	4,252	(1,222)	550,665	(175,442)	187,621	-	-	-	4,799,964

	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	Non-controlling interests	Accumulated other comprehensive income	Other items	Total
Closing balance at 31.12.2017 (*)	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 correction of errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	(172,032)	-	-	-	-	-	156,259	-	-	-	(15,773)
Opening balance at 1.1.2018	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
Other changes in equity	-	-	-	7,990	250,080	(7,887)	(4,092)	120	(495,207)	(10,803)	-	-	-	-	(259,799)
Issuance of ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issue of preference shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issue of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exercise or maturity of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share capital reductions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends (or shareholder remuneration)	-	-	-	-	-	-	-	-	-	(258,406)	-	-	-	-	(258,406)
Purchase of treasury shares	-	-	-	-	(508)	-	(83,575)	-	-	-	-	-	-	-	(84,083)
Sale or cancellation of treasury shares	-	-	-	-	-	-	83,695	-	-	-	-	-	-	-	83,695
Reclassification of financial instruments from equity to liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance at 31.12.2018 (*)	269,660	1,184,265	-	18,151	2,523,867	7,425	(10,907)	(693)	526,398	(173,980)	141,666	-	-	-	4,485,852

(*) Presented for comparison purposes only.

Bankinter Group. Consolidated statement of cash flows for the years ended 31 December 2019 and 2018 (Thousands of euros)

	31.12.2019	31.12.2018(*)
A) CASH FLOWS FROM OPERATING ACTIVITIES	156,475	175,726
Profit or loss for the year	550,665	526,398
Adjustments to obtain cash flows from operating activities	517,189	532,511
Depreciation and amortisation	80,943	61,794
Other adjustments	436,245	470,717
Net increase/(decrease) in operating assets	4,454,544	5,465,906
Financial assets held for trading	(1,315,248)	2,428,209
Non-trading financial assets mandatorily at fair value through profit or loss	(587)	15,804
Financial assets designated at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	366,277	(607,128)
Financial assets at amortised cost	5,439,202	3,711,939
Other operating assets	(35,099)	(82,918)
Net increase/(decrease) in operating liabilities	3,668,701	4,677,952
Financial liabilities held for trading	(974,244)	1,804,902
Financial liabilities designated at fair value through profit or loss	-	-
Financial liabilities at amortised cost	4,584,167	2,974,587
Other operating liabilities	58,777	(101,537)
Income tax recovered/(paid)	(125,535)	(95,229)
B) CASH FLOWS FROM INVESTING ACTIVITIES	1,309,581	(8,791)
Payments	(352,621)	(107,102)
Tangible assets	(57,699)	(19,725)
Intangible assets	(87,578)	(69,347)
Investments in joint ventures and associates	-	(18,030)
Subsidiaries and other business units	(207,344)	-
Non-current assets and liabilities classified as held for sale	-	-
Other payments related to investing activities	-	-
Proceeds	1,662,202	98,311
Tangible assets	10,994	10,865
Intangible assets	-	282
Investments in joint ventures and associates	517	18,153
Subsidiaries and other business units	-	-
Non-current assets and liabilities classified as held for sale	91,950	69,010
Other proceeds related to investing activities	1,558,741	-
C) CASH FLOWS FROM FINANCING ACTIVITIES	(562,438)	(258,287)
Payments	(614,816)	(341,982)
Dividends	(264,661)	(258,406)
Subordinated liabilities	(297,250)	-
Redemption of own equity instruments	-	-
Acquisition of own equity instruments	(52,905)	(83,576)
Other payments related to financing activities	-	-
Proceeds	52,378	83,695
Subordinated liabilities	-	-
Issuance of own equity instruments	-	-
Disposal of own equity instruments	52,378	83,695
Other proceeds related to financing activities	-	-
D) EFFECT OF EXCHANGE RATE CHANGES	-	-
E) NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)	903,618	(91,352)
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	5,503,428	5,594,779
G) CASH AND CASH EQUIVALENTS AT END OF PERIOD	6,407,046	5,503,428

(*) Presented for comparison purposes only.

A year that went from less to more on the stock market



After a difficult year in 2018, the Spanish stock market made significant gains in 2019, despite the economic environment, monetary policy and international trade, or the slowdown seen in some emerging markets. While the Ibex 35 gained almost 12% in 2019, the financial sector was one of hardest hit by the high levels of volatility, with many banking stocks incurring losses. Spanish listed banks reported an average 10% loss compared to the previous year at the end of 2019.

In this difficult context, Bankinter, S.A.'s shares showed an acceptable performance: with a 7% fall in the share price. The Bank's market capitalisation at 31 December 2019 stood at 5,871 million euros. Shareholder return, including the dividend yield, was -3%, a figure which, despite being negative, compares favourably with the rest of the sector.

Bankinter has been one of the best performing European banks on the securities markets over the last three, five and 10 years, underlining investors' confidence in its business model and management. Since the end of 2009, Bankinter's share price has risen by 42%, while the Ibex has fallen by 13% and the STOXX Europe 600 Banks index by 35%.

Share capital

At the end of 2019, Bankinter, S.A.'s share capital was represented by 898,866,154 fully subscribed and paid shares with a par value of 0.30 euros each. All the shares are represented by book entries, admitted for listing on the Madrid and Barcelona Stock Exchanges and traded on the Spanish continuous market.

Bankinter had 55,358 shareholders at 31 December. Residents held 55% of the share capital and non-residents the remaining 45%. Registered shareholders with more than 5% of the share capital are detailed in the table below.

Key data for Bankinter shares in 2019 are shown in the following tables:

Dividend policy

Shareholders with significant holdings, 31.12.2019

Name	Total shares	%
Cartival. S,A,	205,687,428	22.88
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	16,437	29.69	243,208	0.03
From 101 to 1.000 shares	17,595	31.78	8,671,456	0.96
From 1.001 to 10.000 shares	17,789	32.14	59,204,245	6.59
From 10.001 to 100.000 shares	3,242	5.86	76,113,605	8.47
More than 100.000 shares	295	0.53	754,633,640	83.95
Total	55,358		898,866,154	

Summary by type of shareholder

Type	No, of shareholders	%	No, of shares	%
Residents	54,593	98.62	494,084,390	54.97
Non-residents	765	1.38	404,781,764	45.03
Total	55,358		898,866,154	

Per share data for the period. at 31.12.2019 (euros)

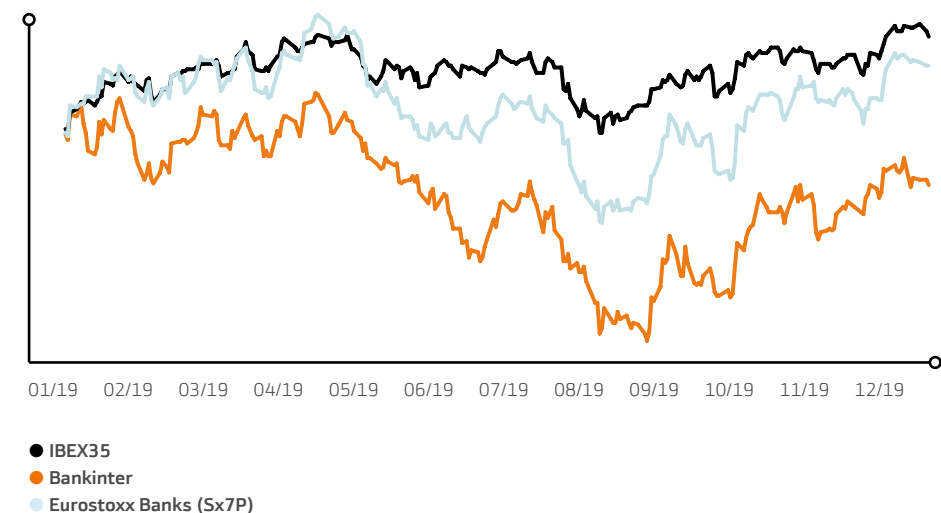
Earnings per share	0.60
Dividend per share	0.29
Book value per share	5.34
Share price at beginning of period	7.02
Minimum intraday share price	5.14
Maximum intraday share price	7.48
Last share price	6.53
Performance over last 12 months (%)	-6.93

Stock market ratios at 31.12.2019

Price/book value (times)	1.22
PER (price/earnings. times)	10.66
Dividend yield (%)	4.51
Number of shareholders	55,358
Number of shares	898,866,154
Number of shares of non-residents	404,781,764
Average daily trading volume (number of shares)	2,635,374
Average daily trading volume (thousands of euros)	16,798

Market capitalisation (thousands of euros) **5,871,394**

Share price Relative change (%) last 12 months (Dec-18 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.



In 2019, Bankinter maintained its dividend policy, traditionally in quarterly cash payments, thanks to a good business performance and high solvency, which has enabled the Bank to keep a good payout level (percentage of profits allocated to dividends) in recent years, while complying with the general recommendations issued by regulators to ensure adequate capital preservation of banks.

In 2019, as in previous years, four cash dividends were distributed: a final dividend for 2018 and three interim dividends for 2019, 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 profit will be approved by shareholders at the 2020 annual general meeting.

Distribution of dividends for 2019, as of the date of publication of this report:

American Depositary Receipts (ADR)

Bankinter has a Level 1 ADR programme managed by Bank of New York-Mellon, with 120127 ADRs outstanding at the end of 2019. This allows US residents to invest in foreign companies through a US dollar-denominated product and to receive dividend payments in their own currency.

Distribution of dividends

Payment date	Dividend per share (euros)	No. of shares	Treasury shares	Shares with voting rights	Amount (euros)	Corresponding year
June-2019	0.06669205	898,866,154	150,000	898,716,154	59,937,223	2019
Sept-19	0.06371962	898,866,154	150,000	898,716,154	57,265,852	2019
Dec-19	0.06480177	898,866,154	150,000	898,716,154	58,238,398	2019
Total	0.19521344				175,441,473	

You are our priority



The You First programme, which is run on both physical and electronic media, has been used for several years to ensure that news about items such as dividend payments, quarterly results or significant event notices about the entity published with the CNMV, reach Bankinter shareholders before they are seen by anybody else.

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

This Office has two other critical 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.

2019 Annual general meeting

The meeting was held on 21 March 2019, with a quorum of 70.55%, which was in line with previous years and above the average among Ibex-listed companies. A final gross dividend of 0.09927 euros was approved by shareholders. The total dividend for 2019 is 0.29449 euro per share.

Transparency, commitment and efficiency



The investor relations area is guided by the principles of equality, fluidity and transparency required by regulators. Its main undertaking is to provide relevant information on Bankinter's business performance and different activities. The measures taken to achieve this objective include:

- Once every quarter (in January, April, July and October), it presents the Group's results through teleconference and webcast. This is attended by between 100 and 170 financial analysts, managers and international institutional investors.
- Members of the area attend conferences, seminars and meetings held by the main stock markets and national and international investment banks in different countries (normally, the United States and Europe). This makes it possible to maintain direct contact or hold meetings with different stakeholders (institutional investors, portfolio managers, financial analysts, private bankers).
- Around 300 meetings are held each year with institutional investors and qualified analysts at Bankinter's head office, either in individual sessions or in small groups organised by brokers or increasingly by the Corporate Access departments at the institutions.
- Numerous roadshows are organised to visit investors or potential investors in the main financial capitals around the world (including New York, London, Paris, Rome, Frankfurt, Zurich, Geneva, Copenhagen, Helsinki, Stockholm). The subjects generally addressed include: the economic and political outlook for Spain, the European regulatory framework and the state of the local property market.

At 31 December 2019, 45% of the Bank's shares were held by non-resident, mostly institutional, investors. With a view to expanding the geographical base of shareholders, Bankinter is permanently researching new markets such as the west coast of the United States and Canada.

Sustainability

The Investor Relations area, together with the sustainability and legal counsel areas, is required to be permanently involved in the information flow that the Bank maintains with different agencies specialising in sustainability. The aim is to respond to the growing demand and sensitivity of international investors towards aspects such as good corporate governance, environmental protection and consideration of 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. Bankinter is always included in these as one of the most sustainable companies in our market.

In recognition of its good sustainable management, in 2019, the Bank was included in the Dow Jones Sustainability World Index for the second consecutive year. The merit of Bankinter is twofold because most of the institutions included in this index have much larger budgets, due to their size.

This award also reflects that the size of an organisation is not a factor that determines good governance or excellent social and environmental management.

As usual, Bankinter's financial stability, customer relations management, anti-corruption policies and measures, labour practices indicators and human capital development, in addition to social and environmental management, were its most highly rated attributes.



In recognition of its good sustainable management, in 2019, the Bank was included in the Dow Jones Sustainability World Index for the second consecutive year.

Certified capital adequacy



Bankinter's ability to improve its key financial ratios (capital adequacy, liquidity, asset quality and profitability) became apparent once again in 2019. This is reflected in its ratings and outlook applied S&P Global and Moody's, two of the world's leading agencies. A good rating facilitates its deposit taking costs and financing capacity on the markets and preserves the privileged position of the Bank with respect to its size.

In chronological order, the changes in relation to the Bank's rating in 2019 were as follows:

- In July, Moody's Ratings Limited raised Bankinter's long-term credit rating by one notch, from Baa2 to Baa1, preserving the short-term rating at P-2 and defining the outlook of both ratings as "stable".
- In December, S&P Global Ratings ratified Bankinter's long-term issuer rating as BBB+ and the short-term rating as A-2, while downgrading the outlook from "stable" to "negative".

Comfortable capital levels

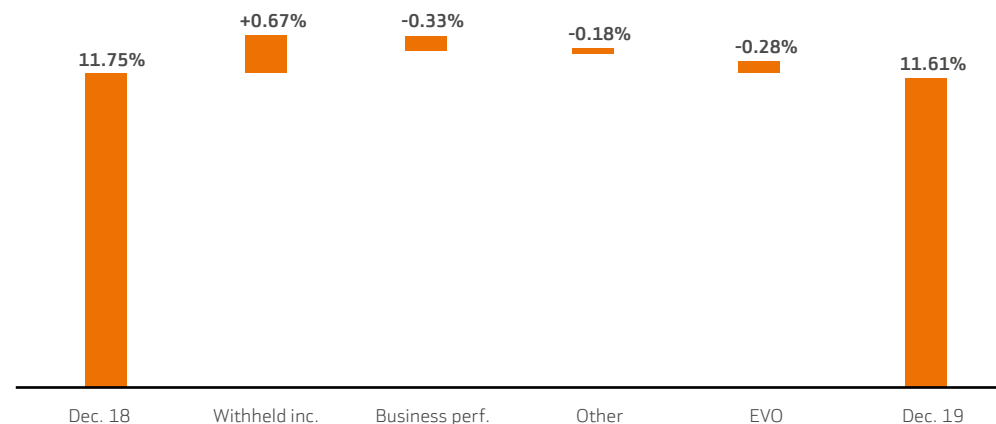
Bankinter's capital management, business model and prudent risk policy allow it to operate with comfortable levels of capital, of high quality and far above that the requirements of the regulatory authorities and supervisors.

In 2019, one of Bankinter's strategic priorities was to continue actively managing its capital to strengthen its leadership position in terms of solvency and carry out the acquisition of the EVO Group without this significantly impacting its capital ratios. The Group's CET1 ratio (the ratio between Common Equity Tier 1 capital and risk weighted assets) was at 11.61% at the close of the year, 14 basis points lower than in the previous year, partly offsetting the impact of the inclusion of the EVO Group's balance sheets, which was -28 basis points.

Throughout the year, the main variations in CET1 were due to the following factors:

- The organic generation of results, that improved for yet another year compared to the previous year and allowed the volume of capital to be raised by 67 basis

Variations in the CET 1 ratio



points, after the distribution of 50% of profit after tax as cash dividends.

- The growth in credit risk-weighted assets, as a result of the positive performance of the ordinary business. It should be noted that for the purposes of regulatory capital consumption, the European Central Bank authorised the

implementation of an internal credit risk model for the very large companies portfolio, which led to a reduction in the associated risk-weighted assets. Further, on 1 January 2019 IFRS 6 Leases came into force, which had a negative impact on the Group's solvency. Operational risk-weighted assets also increased due to the increased revenue generation.

- Other aspects, such as market performance (which has an impact on underlying capital gains on the fixed income portfolio built to manage interest rate risk), or investment in technology, had a negative impact of 19 basis points on the capital ratio.
- The acquisition of EVO Group, which was included in Bankinter's consolidated balance sheet, deducted a further 28 basis points.

New requirement

In May 2019, Bankinter received notification regarding the minimum requirement for eligible liabilities (MREL) applicable to it, which has been set by the Single Resolution Board. From 1 July 2020, Bankinter must have a buffer of instruments with loss-absorption capacity of 8.52% of the Group's total liabilities and own funds, which corresponds to 18.85% of the risk-weighted assets calculated at the close of 2017 (reference date). Throughout the year, the Group built up a buffer of eligible liabilities to comply with the MREL requirement. In addition to capital generation and balance sheet management, Bankinter launched a 750 million senior non preferred debt issue.

Examination passed with flying colours

In late 2019, the Single Supervisory Mechanism, part of the European Central Bank, notified European banks of the outcome of the Supervisory Review and Evaluation Process (SREP), the examination carried out by the supervisory authority to determine the individual minimum capital requirements with which they must operate in 2020. According to the results of the exercise, Bankinter must have a minimum CET1 1 capital ratio 8.20%, the same as last year. This ratio is made up of 4.50% of the capital required by the so-called Pillar 1 of the regulation (which sets the minimum

threshold for all banks), 1.20% of Pillar 2 (the result of the specific supervisor judgement for each bank's risk profile) and a capital conservation buffer (CCB) of 2.50%.

Once again, the minimum capital requirements imposed on Bankinter by the supervisor are the lowest of all Spanish banks and among the lowest in Europe. The entity comfortably meets (more than a three point difference) the regulatory requirements and has one of the largest gaps between its CET1 levels and its regulatory requirements in the Spanish banking system.

If the comparison is made in terms of total capital, which in addition to CET1 includes lower quality capital, the conclusion is equally favourable. The supervisor's requirement is 11.70%, while Bankinter recorded a ratio of 13.94% at the end of 2019.

Freedom in dividend payments

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



BUSINESSES

2019 INTEGRATED ANNUAL
REPORT

bankinter.



Commercial Retail Banking is now the largest contributor to gross operating income

The Salary Account was once again the star product, due to its pace of growth and capacity for attracting customers.

Economic slowdown, negative interest rates and geopolitical uncertainty in 2019 gave rise to a complex environment for Commercial Retail Banking, Bankinter's business line for individuals. Further, the loss of confidence by investors after the stock market slump in 2018 held the segment back early in the year, although it later gained ground in tandem with the market recovery. Another distorting factor was the entry into force in June of the new Real Estate Credit Act which significantly changed the procedures and conditions for the concession of mortgages, triggering a hiatus in activity during the summer.


In this unfavourable scenario, the Commercial Retail Banking unit reported positive revenues and profitability and by the close of the year the business line had become the main contributor to the Bankinter Group's gross operating income.

This performance owes largely to the success of the Salary Account programme, which was once again the star product, with growth of over 10,000 million euros, and its traction on the individual banking business. 40 of every 100 customers attracted by the entity are Salary Account customers, which, in contrast to other offers, has maintained its advantages since it was first launched in 2012, making it

a leading product on the market. Bankinter's aim is to become the primary bank for all its Salary Account customers, increasing their loyalty through mortgages, personal loans and credit cards, among other products.

It was also a satisfactory year for mortgages, despite the difficulties caused by the new law. New mortgage loans increased by 17%, to 2,956 million euros, with an outstanding 6.39% market share at the end of November. Another standout from the year was the growth in fixed rate mortgages, which accounted for around a third of all new transactions. In terms of stock, the mortgage portfolio grew, in contrast to the general decrease marked by the sector as a whole.

In the breakdown by type of customer, the Private Banking area (which includes people with liquid assets of over one million euros) grew at a significant pace, in terms of both new net assets (more than 2,000 million euros), assets under management (more than 40,000 million euros) and customer numbers (around 40,000). This led to a further increase in gross operating income. The good performance marked by Private Banking was due partly to the market recovery, but above all to the entity's differentiation strategy, which increased and improved its offer for this



The activity was completed in 2019 with the launch of Bk, a new business line aimed at young people.

type of customer with the launch of different alternative investment vehicles. In 2019, for instance, an innovative investment fund was launched to take positions in technology companies in the Silicon Valley ecosystem. The well-known technology entrepreneur, Martín Varsavsky, is working with the fund to identify investment opportunities.

In the area of Personal Banking (customers with assets of between 75,000 and one million euros), the fall of the markets in 2018 and investors' subsequent loss of confidence was noted in early 2019. However, the good performance of the Salary Account, mortgages and consumer loans (with new loans rising by over 20% in this segment), among other transactions, led to a 9% increase in gross operating income. Looking ahead to 2020, Bankinter is working to complete the digitalisation of its commercial management, a process considered key to expanding the Personal Banking customer base.

In the Individual Retail Banking segment the growth in active customers to over 373,000 stands out, thanks mainly to the control and management of departures. In this area, special relevance is given to process efficiency and services for customers with growth potential, to cross sell to other superior segments (23% of Personal Banking customers and 10% of Private Banking customers come from the Individual Retail

Banking segment). In the Foreign customers segment, both net interest income and fees rose substantially year-on-year.

In 2019, the Commercial Retail Banking business launched "Bk", a new business line to offer a global financial service to young people, with specific savings, loan and investment proposals. The offer varies according to the different age brackets: under 18s (reserved for customers' children), university students aged between 18 and 24 and professionals under 35. The acquisition of EVO Banco, which focuses on younger customers, covering their basic financial needs and exclusively for digital transactions, is also part of the strategy to expand and diversify the entity's customer base.

Corporate Banking, how to grow and protect margins at the same time

The Corporate Banking line faced a difficult environment in 2019. While GDP growth in Spain was reasonable (around 2%), the debt levels held by companies continued to fall, and a scenario of negative rates took hold, complicating the development of the business. Geo-economic uncertainty linked to the US-China trade conflict and the vicissitudes of Brexit did not help either.

Despite this unfavourable global context, the Corporate Banking loan book grew to 24,396 million euros, 6.5% more than the previous year, while the sector saw an overall decline of 2.2%, according to data from Banco de España to December. The Bank started to gain a share of investment in the corporate market in 2019. Half of all loans and receivables corresponded to Corporate Banking (including customers with annual income of over 50 million euros), while the remainder corresponded to medium sized companies (between 5 and 50 million) and SMEs (up to 5 million).

It should also be noted that the increase in loans and receivables was achieved with no impact on margins, largely thanks to the double digit growth in fees. The management

of this segment of income was therefore a key factor during the year, as it was accompanied by a substantial improvement in the customers' perceived quality of the services provided by Bankinter. This is of particular significance as it demonstrates that the increase in fees is consistent and based on increased value for the customer. The areas that made the largest contribution to fees were the International business, the Transactional business and Investment Banking.

These were the most dynamic lines in 2019. Loans and receivables in both the International and Transactional banking segments saw more than double digit growth. This strong pace of growth, which is carrying on from the positive trend seen in 2018, was made possible by the new workforce structure, the strengthening of partnership agreements with large international banks and the reinforcement of the branch network of specialist teams in the international and transactional business units.

In the Investment Banking area, the main business indicators were also favourable for the ordinary advisory and funding activities

for business transactions, which allows the Bank to offer customers differentiated products. The loan book increased by 17% and gross operating income by 21%, due mainly to the 37% rise in fees.

From an organisational standpoint, the highlight for the Corporate Banking segment was the implementation of a new portfolio management model that allows specialist professional teams to be set up for each customer income tranche, and includes advanced tools to improve the value added services and products offer. Additionally, as mentioned above, the service quality index rose significantly in the medium-sized enterprises and SME segments, while holding in the Corporate Banking area.

The global objective for 2020 is to increase the differentiation of products and solutions, which will enhance customer relations and fee management, with a focus on the International Banking businesses (boosting the activity of medium-sized enterprises and SMEs to increase diversification), Investment Banking and Transactional Banking. At the same time, Bankinter will work to increase the efficiency of its critical processes, such as

risk management and the entity's corporate website. According to the size of the customer, the objectives are to increase the specialisation of the Corporate Banking area (key to achieving differentiation), improve the return on equity of medium-sized enterprises (although some progress was made in 2019) and the efficiency of SMEs (especially in risks and attracting new business).

Despite corporate leverage, the loan book grew by 6.5%, leading to an increase in market share.

Private Banking

Strong growth of assets under management

- Strong growth in assets under management, which stood at 40,400 million euros, and funding extended (especially in mortgages and credits), with an average drawdown of over 4,000 million euros.
- Development of attractive investment alternatives, with nine vehicles at the close of 2019, with an average capital of 1,800 million euros and a total investment objective of 4,000 million euros.
- Startup of the customised and transparent Independent Advisory Service, with more than 100 million euros of assets under advisement at 31 December.

Private Banking

	2019	2018	% chg
Customer acquisition (no. of customers)	4,357	3,968	+9.8
Active customers (no. of customers)	39,022	35,899	+8.7
Total customer funds (millions of euros)	25,963	22,812	+13.8
Customer deposits (millions of euros)	11,990	10,296	+16.4
Customer loans (millions of euros)	4,221	3,780	+11.7

Personal Banking

The salary account attracts customers

- Acquisition of 32,368 new customers, due mainly to the 5% salary account, 19,086 of which were opened during the year.
- The volume of mortgages arranged totalled 1,480.3 million euros, 18% more than in 2018, despite the difficulties adapting to the new regulatory framework.
- Gross operating income was up 9%, standing at 200.6 million euros, overcoming the difficulties posed by the unfavourable interest rate environment.

Personal Banking

	2019	2018	% chg
Customer acquisition (no. of customers)	32,368	31,713	+2.1
Active customers (no. of customers)	248,766	230,403	+8.0
Total customer funds (millions of euros)	20,405	18,696	+9.1
Customer deposits (millions of euros)	13,724	12,507	+9.7
Customer loans (millions of euros)	9,638	9,020	+6.8

Individuals and foreign residents

Strong growth in mortgage loans

- New mortgage loans grew by 969 million euros (22%) and the total number of customers stood at 373,617, marking an increase of 15% in the past three years.
- To forge greater ties with the customers acquired, three projects were launched: one aimed at regulating the transfer of contracted products and the other two for different commercial actions through online channels.
- The new online bank in English was launched, which has a mobile app and offers service to our customers in this language.

Individual Retail Banking

	2019	2018	% chg
Customer acquisition (no. of customers)	50,538	51,638	-2.1%
Active customers (no. of customers)	373,617	352,923	5.9%
Total customer funds (millions of euros)	5,864	5,015	16.9%
Customer deposits (millions of euros)	5,014	4,241	18.2%
Customer loans (millions of euros)	12,463	12,615	-1.2%



Foreigners

	2019	2018	% chg
Customer acquisition (no. of customers)	3,800	4,163	-8.7%
Active customers (no. of customers)	30,435	28,893	5.3%
Total customer funds (millions of euros)	317	280	13.0%
Customer deposits (millions of euros)	294	258	13.9%
Customer loans (millions of euros)	660	645	2.3%

Corporate Banking

Loans and receivables grew 6%

- Implementation of a new portfolio management model that allows specialist professional teams to be set up for each customer income tranche, and inclusion of advanced management tools.
- Loans and receivables increased by 665 million euro (+6%), with a focus on strategic activities: commercial credit, transactional banking, the International business and Investment Banking.
- Non-financial fees for value added services rose by 11% and average income on the loan book (interest rate plus fees) was 2.1%.

Corporate Banking

	2019	2018	% chg
Customer acquisition (no. of customers)	860	860	0.0
Active customers (no. of customers)	5,791	5,788	0.1
Total customer funds (millions of euros)	7,794	8,774	-11.2
Customer deposits (millions of euros)	7,585	8,530	-11.1
Customer loans (millions of euros)	12,229	11,564	5.8

Mid-corporate Banking

Lending rose 8.5%

- Gross operating income increased by 9.2%, due largely to good fee performance (up 16.2% and accounting for 44% of this income at the close of the year).
- Lending grew by 8.5%, at around 500 million euros, with that aimed at working capital growing sharply to account for 46% of the total.
- Good performance of the segment's two key business units: international and transactional banking. The former increased by 20.6% and the latter by 14.1%.

Mid-corporate Banking

	2019	2018	% chg
Customer acquisition (no. of customers)	3,855	4,299	-10.3%
Active customers (no. of customers)	24,899	24,033	3.6%
Total customer funds (millions of euros)	5,367	4,568	17.5%
Customer deposits (millions of euros)	5,137	4,342	18.3%
Customer loans (millions of euros)	6,708	6,184	8.5%

SMEs

The level of quality perceived by customers increased to 33.6%

- The number of customers in this segment, attended by the 276 specialist managers at the Bank's universal offices, rose from 70,660 to 74,079; lending volume grew by 6%; off-balance sheet exposure by 11%, and gross operating income by 9%.
- There were two key launches: an app used to carry out the main transactions for SMEs and the VIP and VIP+ area, which offers more competitively priced services according to the company's level of loyalty to the bank.
- The level of quality perceived by customers increased to 33.6%, marking an improvement of 6.5 points in only two years.

SMEs

	2019	2018	% chg
Customer acquisition (no. of customers)	14,575	13,430	+8.5%
Active customers (no. of customers)	74,079	70,660	+4.8%
Total customer funds (millions of euros)	4,496	4,065	+10.6%
Customer deposits (millions of euros)	4,219	3,795	+11.2%
Customer loans (millions of euros)	5,458	5,153	+5.9%



Bankinter Investment the drive of a new brand



Bankinter's investment banking area managed over 3,000 million euros in assets, with capital of 1,800 million euros acquired from private banking customers and institutional investors.

The Investment Banking business made a qualitative leap in 2019 with the launch of an own brand: Bankinter Investment, strengthening the identity of an area with growing weight in the business that spans the advisory, investment and funding activities of the Investment Banking segment.

At the close of 2019, Bankinter Investment had nine vehicles, with capital of 1,800 million euros deriving from private banking customers and Spanish institutional investors, with an investment of over 3,000 million euros in assets including leverage.

With the boost of this new brand, stronger teams and internationalisation, the aim of Bankinter Investment for the next three years is to double its capital and achieve investment of 8,000 million euros in different types of alternative assets.

These alternative assets are the Bank's value proposition for high net wealth individuals and for institutional clients in the current market scenario of low interest rates and volatility, which makes it necessary to seek alternatives to traditional investment products.

The new vehicles, which make up the best platform of this type in Spain, include:

- Atom (SOCIMI): an investment vehicle for hotel assets, which started trading on the Alternative Stock Market (Mercado Alternativo Bursátil or MAB) in 2018 and carried out a capital increase in 2019 after all its initial capital had been successfully invested.
- Ores (SOCIMI): a vehicle based on the acquisition and management of commercial real estate assets that has been listed on the MAB since 2017. Given the positive results of Ores, in December 2019, Ores Portugal was launched, with a similar investment target, which will start trading on the Euronext Access in the first quarter of 2020.
- Helia Renovables (venture capital fund): a vehicle that invests in a key sector for environmental sustainability. Three releases of the fund have been made, due to its success.
- VStudent Aulis (venture capital fund): a vehicle that focuses on the acquisition and management of opportunities in the largely unexplored segment of student residences.

- The Titán fund, recently registered by Bankinter Investment, which will invest in northern European infrastructure.
- MBV Fund, a pioneering fund of funds launched in 2019, which invests in the highest-potential technology companies in Silicon Valley, in which Bankinter is partnered by the entrepreneur and investor in new technologies, Martín Varsavsky.

Bankinter's strategy is to find the best possible professional manager for each type of investment and co-invest with them, playing an active role in the control and monitoring of the investment vehicle. In this way, the Bank is represented in the decision-making bodies of all vehicles, with a veto over any decisions that do not fit with the strategy agreed with investors.

Other core activities carried out by Bankinter Investment are:

- Advisory services for mergers and acquisitions.
- Capital markets.
- Real estate transactions.
- Funding (through the Bank's own balance sheet) of entrepreneurial projects.

Advisory: The private market remained very active, both on account of transactions between manufacturers and acquisitions, which venture capital and real estate funds played an important part in. The advisory team performed 30 transactions during the year in the area of mergers and acquisitions, capital markets and real estate. In 2020, the number of transactions is expected to increase, thanks to the visibility with which the year has started compared to 2019.

Structured and alternative financing. There was once again growth with respect to previous years in terms of investment volume and the number of transactions arranged. The greatest activity was seen in project financing, mainly in brownfield and renewable energy projects.

The volume approved surpassed 1,300 million, taking the portfolio (including corporate) to above 2,500 million euros.

The target to 2022 is to double the capital acquired from national and international investors.

The combination of colour, photography and tone of voice makes the Bankinter Investment brand a clearly sophisticated brand, reflecting the nature of its services.

The result, Bankinter Investment, has its own style and character, but is still closely associated with Bankinter, enriching the main brand with new perceptions and gaining the support and reputation of a leading brand.

Its own character makes it:

- A sophisticated brand, reflecting the nature of its services, but always based on good taste and sobriety. A brand that exudes closeness, that is comfortable creating real relationships between people but is also able to express itself with artistic sensitivity.
- A brand with the pragmatic nature of a specialist but the personality of an open-minded expert with a restless spirit.
- A brand that defends and expounds the value of alternative thinking, based on the conviction and reputation of Bankinter.

Its main colour, green, is one of the brand's most notable features. A colour that stands out in the Bankinter universe.



New banking partnerships in Europe and Latin America

- Development of internal technology infrastructure, able to provide new working capital funding capacity in the area of corporate banking.
- Structured financing with foreign export credit agencies, hedging banking risk with multilateral organisations and launch of customised financing solutions for enterprises and large corporations.
- New banking partnerships in Europe and Latin America, strengthening the International Business specialist team and implementation of a new distribution model for SMEs and companies with turnover of up to 10 million euros.



Significant growth in customers and business

Bankinter's activity in Portugal grew substantially in 2019, thanks to the work carried out in the main business segments. This work, together with the progressive expansion of the brand, led to uptake of more than 20,000 new customers over the year.

One of the keys to this success was the strong investment in training for both the central services and network teams. As a result, Bankinter today has one of the best financial advisory services in the Portuguese banking sector.

This in turn has produced a clear improvement in the customer satisfaction index, which in November 2019 stood at 28.4%, more than five percentage points above the figure seen in the same month of the previous year.

Commercial Retail Banking

The 19% increase in customers led to the acquisition of 689 million euros in new net assets (on- and off-balance-sheet funds), 28% more than in 2018. The rise in new lending (34%), totalling 797 million euros, was another standout.

Mortgage loans of 693 million euros were extended, marking an increase of 35%, putting the Bank's market share at 6.63%, according to figures for October. One key initiative was the introduction of fixed interest rates for terms of two to 30 years, which is an unprecedented move in Portugal.

Corporate Banking

In the SME segment (turnover of up to five million euros a year), turnover increased by 291 million euros (25%) to 1,500 million euros, while the process to digitalise and adapt services for each type of enterprise continued.

Four new centres were opened, specialising in medium-sized enterprises and Corporate Banking, giving the network a truly nationwide reach. The number of customers under management increased by 25% and gross operating income by 26%.

Bankinter Investment launched the country's first real estate management investment fund (Ores Portugal), while in the capital markets area the Bank structured three issuances and acted as placement agent for

two of the most significant debenture loans of the year in Portugal.

In the International Business area, the priority was to gain maximum visibility in a highly competitive market, by strengthening web solutions to reach more companies.

Consumer finance

In Portugal, Bankinter Consumer Finance reported more than 200 million euros in loans and over 120,000 customers. Its main task was to expand products and functions, and achieve faster and more efficient contracting, carried out solely through digital channels.

In the area of direct financing through the Bankintercard brand, the focus was on growing the cards business, where the forging of partnership agreements remains the main strategy.

Asset management and insurance

Total assets under management at 31 December stood at 680 million euros, of which 133 million euros correspond to investment funds, a 24% increase compared to 2018. In the third-party portfolio management business, assets totalled 547 million euros, a rise of 9%.

In regard to life insurance, assets under management grew by 154 million euros, an improvement of 11% compared to the previous year, largely on the back of the success of insurance policies associated with business and consumer finance. With more than 100,000 active policies, mathematical reserves exceeded 1,500 million for the first time.

Capital markets

Historic highs

- The percentage of investment financed with customer deposits was at a historic high at the close of the year (very close to 100%), thanks in part to the acquisition of EVO. Two senior debt issuances were made for a total of 1,250 million euros. The second of these (for 750 million euros) was its first non-preferred senior debt issuance.
- Strong growth in the Distribution area, especially foreign exchange and fixed income markets, due to the focus on International Business and Private Banking customers respectively.
- The Trading area was active in the foreign exchange, equities (spot and derivatives) and fixed income markets, with limited market risk exposure. Bankinter remains a market maker for Spanish government debt.

Bankinter Asset Management

Growth of profiled funds

- The recovery of the financial markets in 2019 triggered a significant increase in the volume of assets under management, rising 7% from 13,000 to 14,000 million euros.
- Profiled funds, which are structured according to the investors' risk appetite or aversion, also grew substantially (24%), standing at 4,100 million euros at 31 December.
- A dedicated team was set up to attend the customer network, thereby boosting the management company's commercial activity.

Equity

20 years of Bróker Bankinter

- Bróker Bankinter has been active for 20 years since its launch in October 1999, with a share of 27.8% of the Spanish retail equity market.
- A new app was released that makes trading on the stock markets using a mobile more intuitive and visual, with new tools and interactive charts, in addition to complete real time market information.
- A total of 12,500 customers attended the Bróker Bankinter academy, Fórum Bolsa, the initiation master class and our Trader Lab.

Bankinter Consumer Finance: the challenge of internationalisation

The inclusion of Irish company Avantcard, which has great potential, was one of the highlights of the year.

The loan book stood at 2,411 million euros and the contribution to Group gross operating income increased to 13%.

Bankinter Consumer Finance, the business line specialising in consumer loans, continued to grow at a sharp pace in 2019. This is one of the Group's key strategic areas, as its high margins are a positive exception in a scenario in which interest rates are close to zero, and where lending has doubled in the last four years. It has also benefitted from the increase in consumption in the Spanish economy but has held out against the gradual slowdown in GDP growth.

During the year, activity was focused on consumer loans, which rose by 44%, to 1,352 million, thanks largely to the effort made to increase their popularity through preapproved transactions. In the cards segment (both those paid at the end of the month and revolving loans) the performance was more contained, boosted by the alliances forged with different business groups.

In 2019, work was also carried out to improve the usability of the website, to make funds easily available. As a result, 89% of consumer loans were arranged online. Innovative projects were also launched such as the Combo card with two sides that can be used for different types of payment.

Another development in the year, which boosts the Group's internationalisation plan, was the acquisition of Avantcard, the Irish subsidiary of EVO Banco, dedicated to consumer finance on 31 May. Avantcard is actively used in the Irish market (lending of 466 million euros in 2019, +23%), is already turning a profit and provides a great opportunity to export Bankinter's know how. In the international arena, it was also an excellent year for the business in Portugal, where the loans and cards strategy was replicated.

As a result of this work, Bankinter's Consumer Finance figures performed very well. The customer portfolio reached 1.4 million euros, +8% vs. 2018; with 917 million euros of new loans, up 45%, and a loan book of 2,411 million euros, an increase 21% from 2018. Its contribution to gross operating income increased to 13%, from 11% in 2018.

The targets for 2020 are to strengthen the role of consumer loans as a key vehicle for customers, focusing on preapproved loans, sign new agreements and alliances for the cards business, and expand the internationalisation strategy. Bankinter Consumer Finance has far-reaching plans to expand the activities of Avantcard in the Irish market and to consolidate its business in Portugal.

Insurance and pension plans

Growth in the insurance and pension plans portfolio

- At the close of 2019, the life insurance portfolio stood at 89.7 million euros, representing a year-on-year increase of 5.4%. Individual insurance policies increased by 4.9% and group insurance policies by 14.7%.
- Assets under management in pension plans exceeded 2,650 million euros on the back of strong commercial activity and the positive performance of the financial markets, with the number of customers rising by more than 6.5%.
- In regard to multirisk and civil liability insurance, essential products in the correct undertaking of business activities, the portfolio increased by 10%.

Bankinter in Luxembourg

Positive results and upwards trend

- Customers surpassed the one million mark, establishing Bankinter Luxembourg as a clear alternative for geographic diversification and mitigation of risk.
- Customer assets under management and the assets of our investment funds, which have grown steadily over the past few years, exceeded 3,400 million euros in 2019, ending the year on a very positive note and marking an upwards trend.
- The volume of Lombard credits (zero default) increased by 60%, doubling in only two years and contributing to the increase in the entity's net interest income.

In pursuit of maximum efficiency

- In the Operations area, all changes deriving from the entry into force of the new Real Estate Credit Act were implemented at the mortgage centre.
- In regard to processes, the Argo plan was completed, in addition to the omnichannel activation process and manual approval for legal entities.
- In the area of Technology, 30% more of the projected developments were delivered and in the Digital area phase 1 of the trial launch of corporate website was completed.

Digitalisation plan underway

- In 2019, the company grew twice as much as the sector in the auto and home insurance sectors, while its health insurance brand (Vivaz) has attracted 70,000 customers in only two years of activity.
- A far-reaching digitalisation plan was launched, which will halve the time spent by insurance holders on procedures related to their policies and the aim is to have 1.5 million digital customers in 2020.
- As part of its focus on research and raising social awareness on road safety last year Línea Directa Foundation carried out three studies that attracted a record number of media hits.
- Bankinter will issue a proposal at its 2020 annual general meeting to float Línea Directa Aseguradora on the stock exchange, keeping 17.4% of the capital. In the transaction, the Bank's shareholders would receive one free share of Línea Directa for each Bankinter share held, as a share premium.

A reference in digital banking

- Its acquisition by Bankinter on 31 May gave the Bank more than 450,000 customers, over 3,000 million euros in deposits and close to 750 million euros in mortgage loans.
- The improvement in its commercial offer in the second half of the year, coupled with the advertising campaign entitled, 'Mejor Easy, Mejor EVO' (Better Easy, Better EVO), increased awareness of the brand as a benchmark in digital banking, attracting 50,000 new customers and 85 million euros in mortgages.
- In 2019, EVO was recognised by The World Finance as the 'most innovative bank in Europe' for its ability to anticipate future banking trends using disruptive technologies.

Agent network

Stringency and professionalisation

- The average balance sheet of agents increased to 37 million euros, thanks to increased stringency, improved controls and professionalisation of profiles.
- The good performance of this activity led to an increase in funds under management and the arrangement of new asset transactions, putting the total balance at over 13,400 million euros, with all items seeing significant growth.
- The successful inclusion of new agents, with vast experience in Private Banking and suitable profiles, was key to increasing lending and attracting customers.

Agent network

	2019	2018	% chg
Customer acquisition (no. of customers)	3,468	2,989	16.0%
Active customers (no. of customers)	38,188	36,980	3.3%
Total customer funds (millions of euros)	8,506	7,506	13.3%
Customer deposits (millions of euros)	2,434	2,101	15.9%
Customer loans (millions of euros)	1,626	1,445	12.5%

Banca Partnet

Restructuring and outstanding figures

- Conclusion of the strategic plan started in 2016, leading to the restructuring of this business and outstanding figures achieved in the area of deposits, loans and the number of active customers.
- After signing 25 new agreements in 2019, Banca Partnet ended the year with 258 open branches and 37,902 customers.
- Gross operating income rose by 5.3% to 59 million euros and profit before tax was 37.8 million euros after shareholder payments.

Banca Partnet

	2019	2018	% chg
Customer acquisition (no. of customers)	3,623	2,678	35.3%
Active customers (no. customers)	37,902	36,474	3.9%
Total customer funds (millions of euros)	5,978	5,643	5.9%
Customer deposits (millions of euros)	4,391	4,349	1.0%
Customer loans (millions of euros)	2,686	2,499	7.5%

Remote networks

Essential for the bank

- All new customers are managed through the omnichannel format thanks to technological advances, which allows them to be identified using a videoselfie and digital signature.
- New mortgages grew by 14% compared to 2018.
- At the close of 2019, remote networks had a total of 34,200 active customers, climbing by 9% during the year.



Telephone Banking

More efficient service

- The insurance and retention specialist services were merged to improve efficiency and their contribution to the Bank's results.
- The specialist international banking team successfully rolled out its new remote training services for companies with annual billing of between two and ten million euros.
- The groundwork was set for the inclusion of new digital channels for customer relations in 2020, in addition to the implementation of the corresponding organisational changes.

Tirelessly striving for excellence

Customers' perception of their relationship with Bankinter significantly improved in both Spain and Portugal in 2019. The aggregate Net Promoter Score (NPS) index rose to 38.9%, an increase of 9.3% compared to the previous year.

In Spain, the average for all segments and networks rose from 31.6% to 39.3%. Customer perception improved in two out of every three branches. In Portugal, there were improvements in 72% of the commercial network.

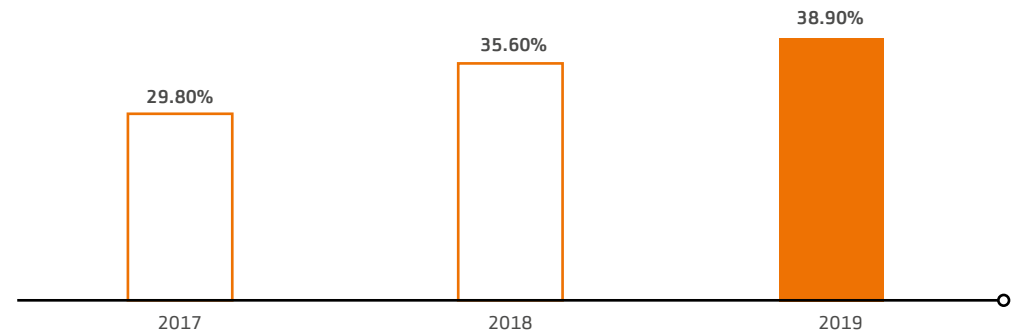
The percentage of customers who would recommend Bankinter Spain (awarding a higher score on a scale from 0 to 10) was 49.8% last year; i.e., 4.4% more than in 2018. For Bankinter Portugal, this figure was 44.4% (+8.3%).

Customer perception of the service received from the Bank (in-branch or online) is measured daily using different procedures: telephone and online surveys, text messages and emails.

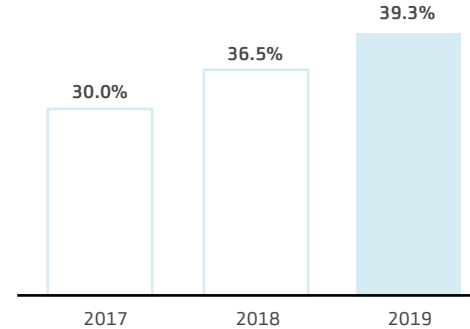
The internal quality of the commercial network support processes and services is also measured, with the objective of providing customers with the service that is best suited to their needs.

The findings of these continual measurements are disseminated in all areas of the organisation, so that they can make their conclusions and explore any possibilities for improvement.

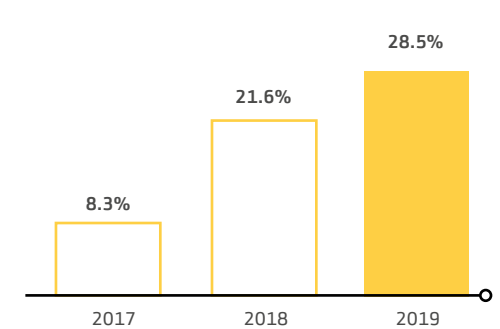
NPS Bankinter aggregate (Spain and Portugal)



NPS Bankinter Spain (cumulative data)



NPS Bankinter Portugal (cumulative data)



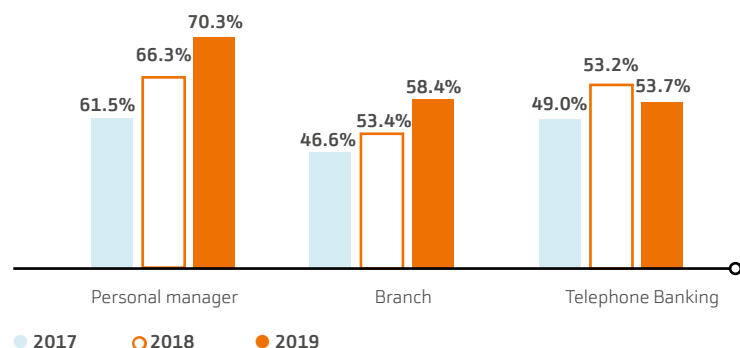
Personal service

The perceived quality of the service provided by branches and personal managers stands out in both Bankinter Spain and in Portugal.

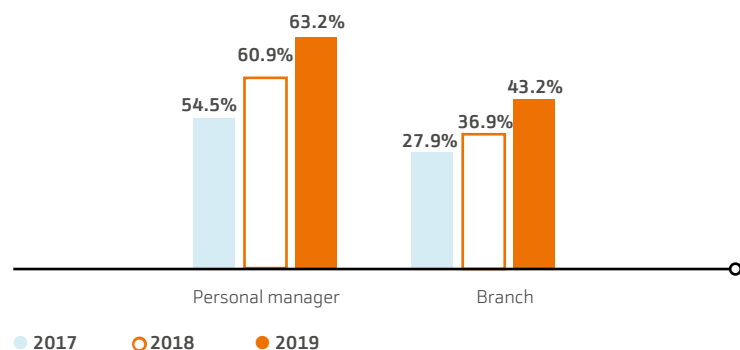
In 2019, the highest scoring centres contributed a total of 322 good practices, which will inspire other centres to improve their customer experience.

Digital Banking

NPS customer service channels. Spain



NPS customer service channels. Portugal

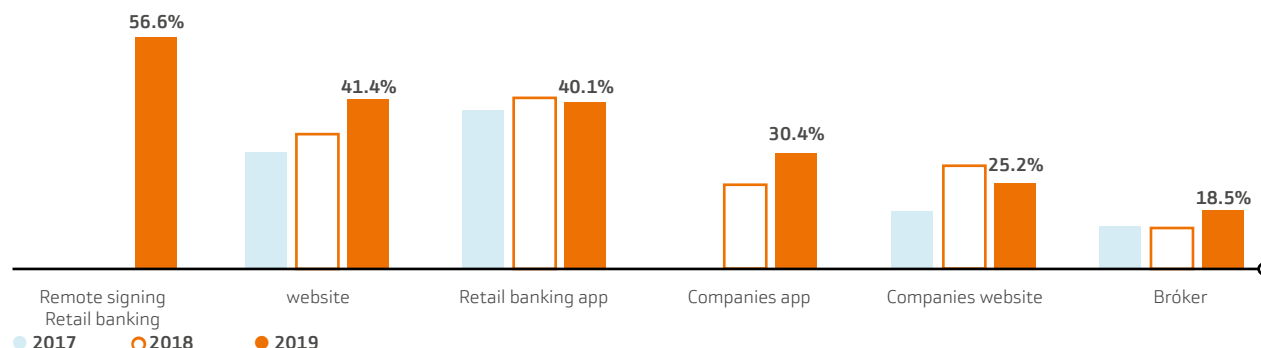


The NPS score increased by 2.1% in Spain compared to 2018, standing at 40.4%. Measurements in two strategic areas were strengthened: digital transformation and process transformation.

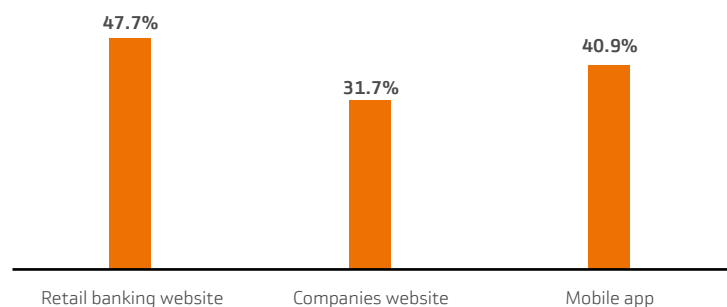
Bankinter Portugal also saw high levels of recommendation for its digital platforms and mobile banking segment.

Internal quality

NPS digital channels. Bankinter Spain



NPS digital channels. Bankinter Portugal



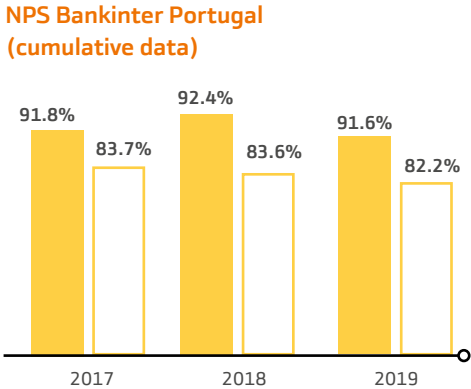
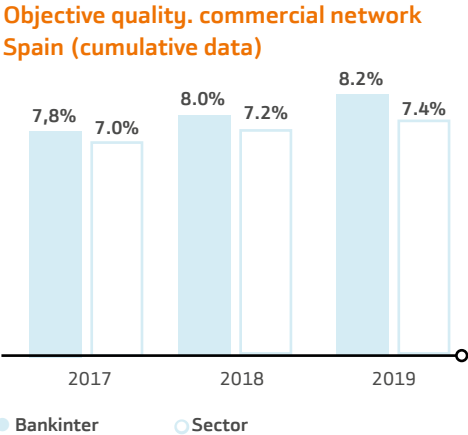
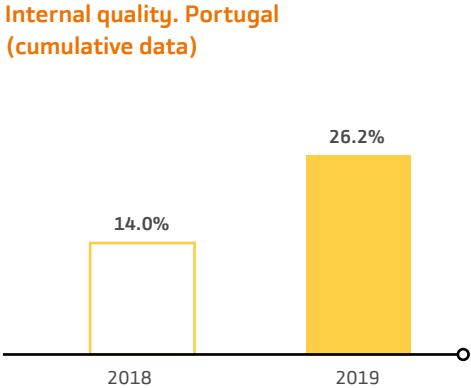
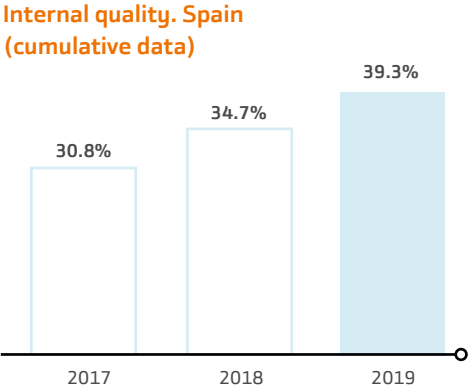
The suitability of the performance of central services with regard to internal customers was extremely positive. The level of net satisfaction in Spain was 39.3%, up 13.3%, and in Portugal it reached 26.2% (+87.1%).

As a result of the ratings and comments relating to the level of services, 233 initiatives were implemented to improve commercial, operating and technical support for the network and the different central services units.

Peer comparison

The objective quality of Bankinter Spain's branches received a score of 8.2 out of 10, compared to 7.4 for the sector as a whole, according to the EQUOS study, performed using the mystery shopping technique (customer infiltration) in around 4,000 bank branches across the country.

Bankinter Portugal is the uncontested leader in objective quality, with a score of 9.16 points, which 9.4 points above the sector average for the country.



Attract and create loyalty



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

Some of the main actions in 2019 were as follows:

- Launch of the creative concept *Never stop searching*, which had an equal balance of emotional and rational drivers and was widely broadcast on television, digital media and social networks. For the launch of this new concept, all posters, digital and interior signage in branches, private and corporate banking centres were refurbished.
- Launch of Bk, the new business line designed with the Business and Brand segments to disseminate a range of products and services for younger customers: Bk Mini (0-17), Bk Joven (18-24) and Bk Salary (for those receiving a salary).
- Multiple events were also held throughout the year to attract and retain customers: lunches, financial workshops, concerts, equity events.

Stepping up the value contribution

Value contribution has been a beacon for all Bankinter's social media channels over the past few years. In a year which marked the 15th anniversary of Facebook (the social network that changed communication patterns and digital business), the Bank once again showed an enormous ability to study, adapt and make the most of any new innovations that arise.

The Entity's digital DNA allowed it to recognise early on that social media would trigger a change across the whole company, particularly affecting areas such as Communication, Marketing, CRM, Human Resources and Customer Services. This forward-looking vision and the pursuit of value were an advantage that allowed the Bank to develop an efficient strategy, focused solely on profitability and avoiding non-productive ventures.

Communication

Digital communication has become especially important in the new social context, where social media channels are widely used by a large part of the Bank's target audience. Bankinter's strategy is to establish a distinguished presence on this media, which is one of the tools used to measure its digital reputation.

In 2019, Bankinter once again obtained good results in these channels, partly due to its strategy of posting high quality content. The entity was once again top in terms of positive presence on social media, a position it has held since 2014. According to the independent expert, Rebold, the Bank achieved 76% favourable mentions, the Spanish bank with the best ratio on the market.

Bankinter blog

The Bankinter blog beat new records thanks to the good positioning and acceptance of its economic content, which helped customers and potential customers to streamline their finances and improved the Bank's image.

In 2019, the blog's audience grew to 5,169,031 visits, 41% up year-on-year, according to data from Google Analytics.

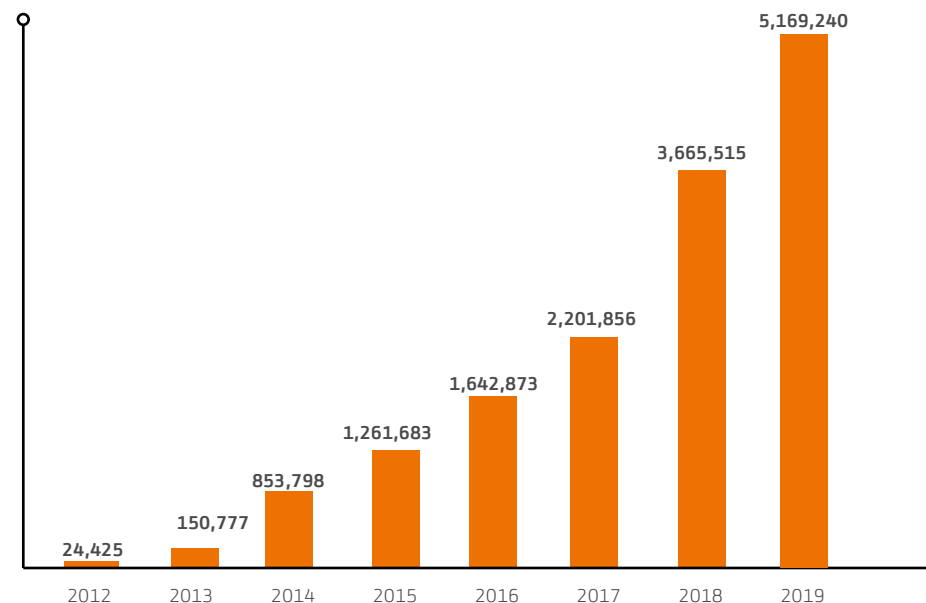
The most significant point is the blog's role as a generator of business, as it also optimises the profiling and sale of products to customers and non-customers alike.

Digitalisation support

The Digital Communication/Social Networks department was involved in numerous initiatives to promote the correct use of social media by employees.

Also during the year, it contributed to the capture of leads by mediating in webinars, improving Bankinter's position in search engines through the blog and the launch of its new Banca Joven project through the preparation and dissemination of content aimed at this population group.

Annual change in Bankinter blog's audience (visits)



RISK MANAGEMENT

2019 INTEGRATED ANNUAL
REPORT



Prudence, growth and asset quality



Once again, Bankinter grew in terms of loans and receivables above the sector average and maintained the high quality of its assets, its main hallmark. Both asset quality and profitability (RoE) indicators head up the field.

Risk management is one of the cornerstones of Bankinter's competitive strategy. The Bank has a risk management model of proven effectiveness that is in line with regulatory standards and best international practices, in proportion to the scale and complexity of its business activities.

The board of directors is ultimately responsible for risk management. It approves the risk strategy and, in particular, defines the risk appetite framework. This internal governance document defines the type and levels of the different risks that the Group considers reasonable to take on in developing its business strategy. Further, it establishes a set of metrics and key indicators to monitor and manage risks.

The Risk Appetite Framework also establishes the general lines of the Group's risk strategy:

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

Risk management principles. The risk appetite and tolerance are in line with the following principles:

- Prudent strategies, policies, organisation and management systems adapted adjusted to the size, environment and complexity of the Group's activities, based on quality banking practices.
- The entity's respect for and conformance with established requirements, limits and regulatory restrictions, ensuring proper compliance with prevailing legislation at all times.
- Maintenance of a low or moderate exposure to credit risk with a non-performing loan ratio in the lowest range of the Spanish financial system.

- Appropriate hedging of problem assets.
- Appropriate return on equity to ensure minimum returns over the risk-free rate throughout the cycle.
- Maintenance of a low level of market risk, so that in stress scenarios the losses generated have a reduced impact on the Bank's income statement.
- Growth in the priority strategic SMEs segments.
- Balance of the loans and receivables portfolio between individuals and legal entities.
- Balanced growth in retail funds.
- Diversification of wholesale funding sources by instruments and markets, and maintaining a balanced maturity schedule.
- Optimisation of retail funding costs, maintaining a balance between the return on the loan and market interest rates.
- Use of a risk diversification policy to avoid excessive concentration levels that might translate into difficulties for the Bank.
- Limitation on activities in sensitive industries that might pose a risk to the Group's sustainability, such as industries associated with real estate development or construction, or that might have a negative impact on its reputation and/or respectability.
- Moderate appetite for interest rate risk.
- A very small structural position in foreign currencies.
- Strengthened control of the Bank's reputational positioning (e.g. good corporate governance, systemic risks).
- Willingness to round out the level of services Bankinter offers its Private Banking and Corporate Banking customers with limited-risk Investment Banking services.
- Optimisation of the cost-to-income ratio.
- Maximisation of shareholder value creation throughout cycles through both dividends and increase in share price, all underpinned by a strong capital and liquidity base.
- Maintenance of a Common Equity Tier 1 (CET1) ratio within the fluctuation band set by the Group, above minimum regulatory requirements. Bankinter also has a corporate governance model that is in line with the most demanding supervisory standards. To stimulate and reaffirm its sound risk culture, it has a highly qualified team supported by advanced information systems.



Regulation and supervision

2019 was another year of extremely intensive activity in regard to adapting to regulations. A large number of rules and regulatory and supervisory directives entered into force. This required a great deal of effort in the area of regulatory compliance in addition to improvements in different risk management standards and procedures. The main developments were as follows:

Internal capital and liquidity adequacy assessment. In January, the new guidelines issued by the European Central Bank (ECB) on the ICAAP (capital adequacy assessment) and ILAAP (liquidity capital assessment) came into force. The aim is to ensure entities have a comprehensive overview of their capital and liquidity needs under harmonised criteria. Meanwhile, the European Banking Authority (EBA) approved guidelines for performing stress tests.

Contagion groups. In January, the new guidelines for connected customers were applied, setting down the conditions under which a group of customers should be treated as a single risk, and introducing contagion as a key factor for establishing risk groups.

ECB guidelines for internal models. In July, the final version of these guidelines was published, including the experiences

collected from the TRIM (transversal review of internal models in the industry) carried out by the European Central Bank. In addition to the publication of EBA technical standards and guidelines, which require a great of adaptation work.

EBA guidelines on non-performing and forborne exposures. In June, these guidelines entered into force to improve the management of and reduce non-performing and forborne exposures and establishing additional obligations for companies with NPL ratios of over 5%. In addition to this initiative, the European Parliament has approved the so-called backstops, a prudential coverage requirement (Pillar 1) for non-performing exposures of a certain age.

EBA guidelines for interest rate risk management. These important guidelines, in force since June, establish greater rigour in the management of interest rate risk in the loan book, addressing aspects such as credit spread risk, negative rates scenarios or the inclusion of the explicit or implicit optionality (e.g., prepayments in credit transactions or cancellation of deposits).

CRR II and CRD V: In June, the European Parliament and the Council approved the amendment to regulation (CRR II) and directive on capital requirements (CRD V), in addition to the bank restructuring and resolution directives (BRRD II and SRMR II). With regard to amendments to the CRR, the expected changes in the leverage ratio, calculation of NSFR (the net stable funding ratio), the new treatment of market risk (FRTB), the new standard method for counterparty risk (SA-CCR), extension of the application of the SME factor or the requirement to establish limits on large exposures in terms of TIER 1 capital. Although these rules will be implemented progressively, they oblige entities to make far-reaching changes to adapt to them.

Bankinter earmarks significant resources to complying with these regulatory developments and rigorously applying them in its risk management.

In 2019, various rules and regulatory and supervisory directives entered into force. This required a great deal of effort in the area of regulatory compliance in addition to improvements in different risk management standards and procedures.

Reduction of problem assets

Credit risk is the possibility of loss resulting from a debtor's failure to meet their contractual obligations. Trends in credit risk are shaped by the economic and financial environment.

Trade and geopolitical tensions in 2019 (US-China trade dispute, Brexit, the situation in the Middle East) undermined the international economic landscape to some extent. The global economy lost steam and monetary policies were eased further. In Spain, economic growth slowed. Once again, private sector indebtedness decreased for both individuals and businesses, with the growth of new loans to the private sector easing throughout the year.

Against this backdrop, lending at Bankinter continued to show moderate growth. Loans and advances to customers rose by 7.1% and eligible exposures (which include off-balance-sheet exposures) by 8.9% (5% in Spain excluding the acquisition of EVO Banco). As the following table illustrates, asset quality improved further during the year, while problem asset ratios fell again.

Lending at Bankinter once again showed moderate growth.

Asset quality

Thousands of euros	31.12.2019	31.12.2018	Change	%
Eligible exposures	67,008,172	61,508,726	5,499,445	4.56
Non-performing loans (includes contingent exposures)	1,681,590	1,785,160	(103,570)	-12.06
Credit risk allowances and provisions	814,329	881,088	(66,759)	-2.52
NPL ratio (%)	2,51	2,90	- 0,39	-15.94
Coverage ratio (%)	48,43	49,36	-0,93	10.85
Foreclosed assets	290,710	348,201	(57,492)	-15.39
Provision for foreclosed assets	129,231	154,522	(25,291)	-16.98
Foreclosure coverage (%)	44.45	44.38	0.08	-1.88

Decrease in non-performing loans

The non-performing loan ratio ended the year at 2.51%, down 39 basis points or 13% from the year before. The non-performing loan ratio in Spain at the close of the year accounted for 51% of the sector average (5% according to Banco de España data from November 2019). The balance of foreclosed assets decreased by 17% in the year to 291 million euros at 31 December 2019, equal to 0.4% of total credit risk.

A balanced portfolio

Over the years, the Bank has tried to balance the distribution of its loan book between individuals and legal entities. At the end of 2019, eligible exposures to individuals represented 49.9% of the total and exposures to legal entities 50.1%. The key features by segments are described below:

Individuals. Lending to individuals increased by 5.6% in 2019, driven by consumer finance and Private Banking. The individual lending portfolio totalled 28,872 million euros at the close of the year, with an NPL ratio of 2.3%.

The residential mortgage loan book for individuals showed a loan-to-value (the ratio

between the loan amount and the value of the mortgaged asset) ratio of 58% at the close of 2019, with 90% of the loans secured by the borrower's primary residence. The non-performing loan ratio of the portfolio was 2.2%. The average effort (the proportion of income that the customer allocates to paying mortgage loan instalments) remained extremely low (23%).

Consumer finance, operated in Spain through Bankinter Consumer Finance, grew by 19.3% to 2,197 million euros at the close of the year, with 3.7% credit risk. Risk-adjusted margins, coverage and NPL ratios remained under control.

Corporate Banking. Credit risk in this area grew by 3.8% to 15,823 million euros with an NPL ratio of 0.8%. In this segment, where the

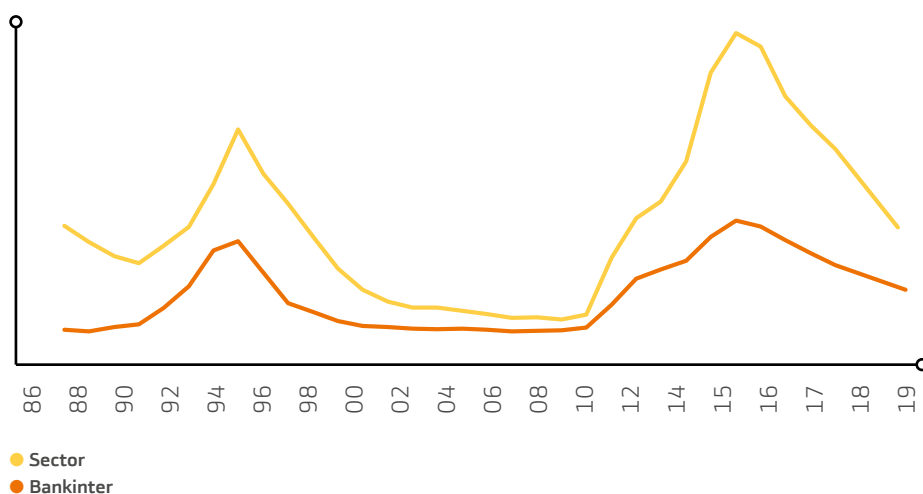
business activities are more international and less exposed to Spain's economy, Bankinter boasts a solid competitive position based on specialisation, KYC, flexibility and quality of service.

Small and medium-sized enterprises. The portfolio grew by 8.2% to 13,205 million euros with an NPL ratio of 6.3%. The Bank uses automated decision-making models to manage this segment, along with centralised teams of highly-experienced risk analysts.

Portugal. The area contributed risk of 6,523 million euros, with growth of 12.7% and an NPL ratio of 2.41%. The Bank's usual high lending standards are applied in carrying out the business in Portugal, where the NPL ratio is now in line with that of the business in Spain. The business in Portugal is 69% individuals and 31% legal entities.

EVO Banco has a credit risk of 913 million euros, 96% of which is with individuals, while Avantard contributes 451 million euros, 100% with individuals.

Changes in the NPL ratio (%) - Spain



Source: Bankinter and Banco de España (sector)

Decrease in non-performing loans

2.5 %

-39bp

Risk calculation models

Bankinter has used internal 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. They are used mainly to support approvals, set prices, quantify impairment allowances or provisions, estimate regulatory capital, monitor loan books and support recovery, all of which facilitates the active management of the loan books' risk profile.

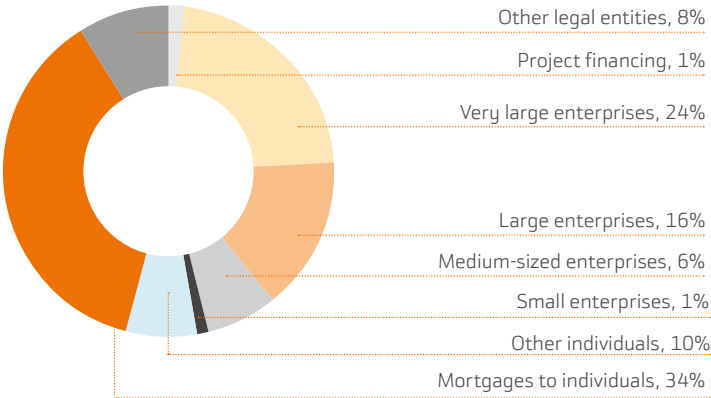
Internal rating models provide standardised classes of solvency that group together customers/transactions with comparable probability of default. They are calibrated to assess expected and unexpected losses. These metrics are essential for managing and monitoring credit risk at Bankinter.

Bankinter has rating models both for retail segments (mortgages, consumer spending, SMEs and so on) and wholesale segments, such as Corporate Banking. These statistical models are developed using customer, operational and macroeconomic information, combined in the wholesale segment with expert analysis. The models are updated

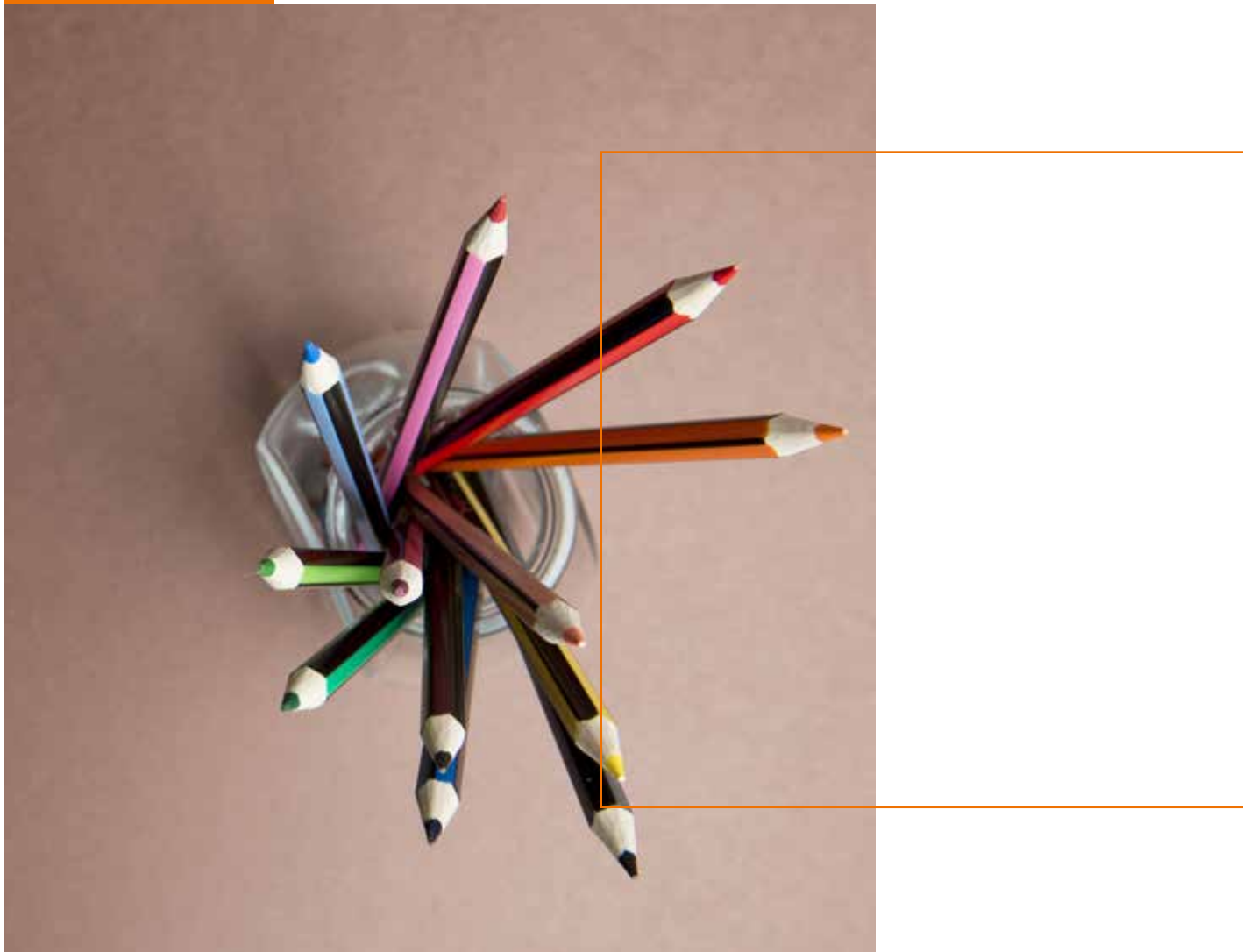
and monitored on a regular basis to ensure their power of discrimination, stability and accuracy under a strict governance structure. The models committee and executive risk committee are responsible for their approval. The risk committee also receives information periodically on the status and monitoring of these models.

The distribution of exposure at default (EAD) by internal segments or categories is shown below.

Distribution of Exposure at default by internal category (Dec. 19)



Central bank intervention



From the viewpoint of structural and market risks, 2019, like 2018, was characterised by low inflation in the main economies and by the actions of central banks, which provided liquidity and intervened in the public debt markets. In certain markets, systematic purchases of public debt by central banks triggered a reduction in market depth.

Over the year, the equity markets marked a positive performance as it became clear that no economic recession was at hand. The performance of the US markets stands out, where indices reached historic highs.

Measures to analyse exposure



Bankinter actively manages structural interest risk, defined as the Bank's exposure to changes in market interest rates arising from timing mismatches and repricing of global balance sheet items. The aim is to safeguard net interest income and preserve the Bank's economic value.

To do this, the exposure of net interest income and economic value to different scenarios of interest rate changes is assessed using two dynamic simulation measures. The main results in 2019 were as follows:

- The interest rate risk exposure of net interest income of parallel shifts of ± 100 basis points in market interest rates is 14.7/-4.3%, for a 12-month horizon.
- On a more long-term outlook, the Bank also analyses the sensitivity of economic value to parallel shifts of ± 100 basis points. At the close of 2019, this was 2.5%/-5.2% of own funds.

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

Balance between loans and receivables and deposits



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

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

In 2019, the customer funding gap (the difference between loans and receivables and customer deposits) was reduced by 2,451 million euros. The integration of EVO Banco in early June contributed 1,784 million euros of this decrease. The customer funding gap of the banking business in Spain decreased by 1,100 million euros thanks to strong growth in customer funds, which easily outstripped the liquidity requirements generated by the

growth of loans and receivables. Conversely, the banking business in Portugal has a positive impact on the customer funding gap, with loans and receivables growing more than customer deposits by 434 million euros. As a result, 98.3% of loans and receivables were financed by customer deposits at the close of the year, compared to 93.8% a year earlier.

In wholesale funding, maturities were replaced with new issuances, maintaining a similar reliance on markets as in the previous year.

The improved liquidity position drove significant growth in the liquidity buffer, leaving the LCR (liquidity coverage ratio) well above both internal and regulatory limits. The LCR stood at 153.7% at the close of 2019, up from 144.2% at the close of 2018.

Market risk

Potential losses on the asset portfolio

Market risk is the possibility of losses as a result of changes in the market prices of on- and off-balance sheet positions of the trading book. Bankinter measures value at risk using the historical VaR methodology with data for one year 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 interval. Given the instability experience in recent years, Bankinter kept VaR limits unchanged from the previous year.

The following table sets out the VaR values of trading positions at the close of 2019.

Moreover, the VaR of the portfolio positions of Línea Directa Aseguradora are monitored monthly using the historical simulation methodology. The VaR of the Línea Directa Aseguradora portfolio at 31 December was 1.12 million euros. The same monitoring is performed on the potential risk of the Bankinter Luxembourg subsidiary. Using this same method, the VaR for 2019 was estimated at 0.15 million euros.

2019 VaR trading

Millions of euros	Last
Interest rate VaR	1.35
Equity VaR	0.50
Exchange rate VaR	0.05
Volatility rate VaR	0.38
Total VaR	1.25

Total VaR

1.25

Operational Risk

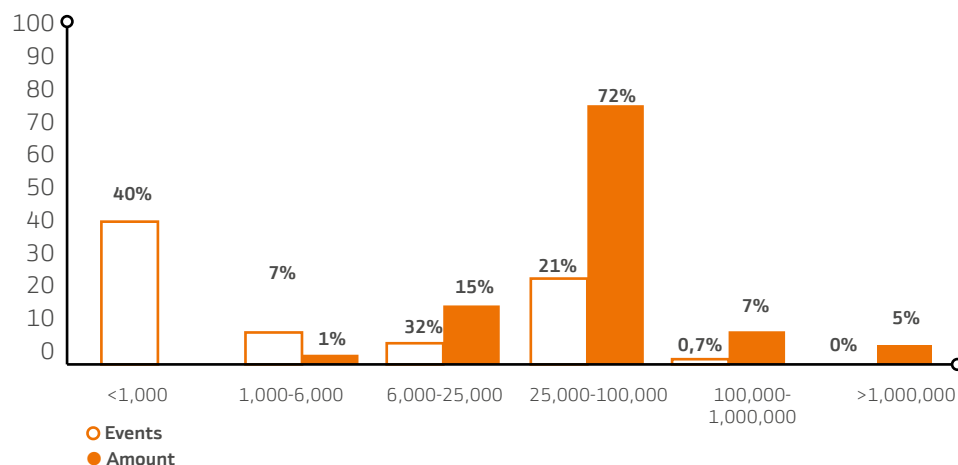
A profile focused on the retail business

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

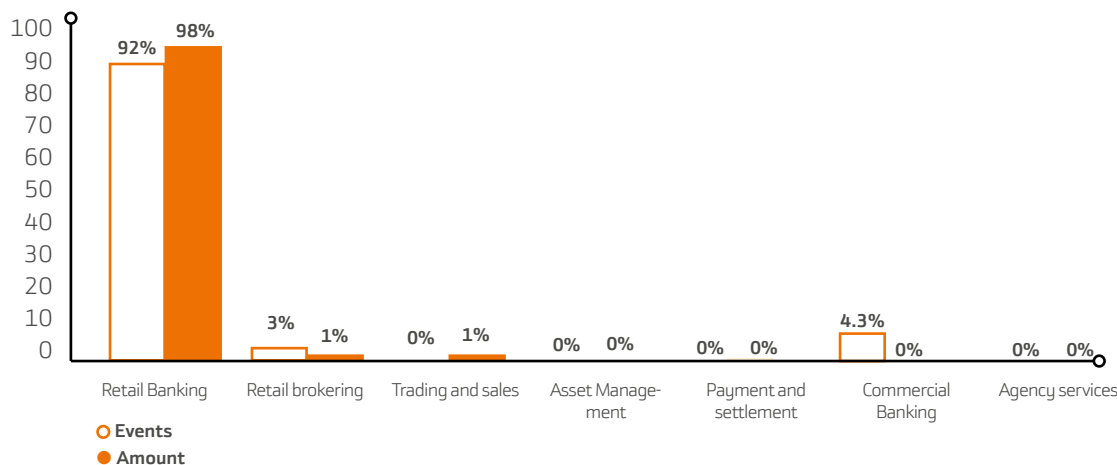
Bankinter's operational risk management model is the "standardised approach" according to prevailing solvency regulations. This method requires the existence of systems for identifying, measuring and managing operational risks with prior authorisation by Banco de España and an annual audit. Bankinter ensures access to best sector management practices by participating in the Spanish Operational Risk Consortium (Consortio Español de Riesgo de Operacional), a forum of financial institutions for sharing experiences regarding operational risk management.

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

Percentage breakdown by amount intervals



Percentage breakdown by line of business



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.

All together to prevent and control



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

The aim of reputational risk management is to prevent the risks, identifying and controlling them pro-actively to reduce their probability of occurrence and mitigate their impact. The entity has various tools at its disposal for this:

- Regular measurement of the perception and expectations of the entity's main stakeholders based on RepTrak®, the international standard for reputation measuring and management.
- Monitoring and analysis of mentions of the entity in conventional and social media, in addition to active listening to gauge trends in the market and environment.
- Assessment of reputational risk before marketing a product or outsourcing a service.

- Monitoring and quarterly reporting to senior management of metrics for each stakeholder.
- Crisis management protocol to preserve reputation and business continuity.

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

As a collective body with a basic remit in this respect, the entity has a cross-cutting brand and reputation committee led by the Chairman.

One of the biggest challenges with this type of risk is financial quantification. Several improvements were made to the economic valuation model over the course of 2019.

An ethical commitment to adapt the business

The Bank must achieve its business objectives while complying not only with regulations, but also the best practices and standards required of its operations. 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 underlined 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.

Purpose

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 purpose, all areas in the compliance functions go to great lengths to train commercial staff.

The regulatory compliance function is integrated within Bankinter through an internal institutional framework. The head of the Regulatory Compliance, Regulations and Corporate Governance Division reports to the Audit and Regulatory Compliance Committee of Bankinter's board of directors. It is attached to the office of the General Secretary, through which it is integrated with the rest of the organisation, thereby guaranteeing close cooperation with the rest of the senior management areas, especially the Risks area, and the Legal Counsel department.

In particular, it serves on the following bodies of the Bank:

- **Regulatory Compliance Committee.** This is the senior management body that monitors the Bank's compliance policies according to the bylaws of the Regulatory Compliance function. 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.** This committee approves the launch, modification or cancellation of products and services offered to customers. In 2019, new approval and review procedures for the Group's products and services were included in the internal rules and regulations. The objective, in addition to complying with the regulatory requirements, is to ensure that the products and services are directed at the right target audience and that they offer sufficient quality and control guarantees.

- **The internal control body.** Establishes, and ensures compliance with, anti-money laundering and terrorist financing policies, according to Law 10/2010 and its regulatory implementation.

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

Regulatory map

In 2018, the Bankinter Group assigned the management of regulatory change competencies to the Regulatory Compliance Division through the Regulation area. This decision was ratified throughout 2019, facilitating the early detection of the possible impact of regulatory changes and reducing the corresponding risks. Therefore, the Regulation area drew up a three year regulatory map that serves as the basis for the regulatory strategy. The management of the regulatory change was carried out transversally throughout the year, participating in different projects that required the adaptation of Group activities or processes. These include the new regulation on basic payment accounts, the Real Estate Credit Act, the regulation governing transparency in payment services and cross border payments with foreign exchange, prevention of money laundering, and other changes in the area of insurance, outsourcing and advertising for banking products and services.

The entry into force in 2019 of the rules for transposing the MiFID II directive stands out. This was instrumented as an amendment to Regulation 217/2008 on investment service firms, which required the Group to seek advice on the adaption work, analysis and decisions. The deployment of the PSD2 payment service regulation required changes to be made in processes and technologies to ensure the protection and security of the transactions, and their users.

In another area of activity, Bankinter's adaptation to the new Real Estate Credit Act should be noted, which strengthened customer protection in relation to credits for the acquisition of residential property. Regulatory Compliance also played a direct role in the adaptation to the new obligations, not only with regard to customers but also in the accreditation of personnel directly involved in providing the service.

Another major regulatory change derived from the Regulation of Benchmark Indices, which includes changes to the indices (transition from Eonia to Ester, new Euribor methodology and different IBOR substitutions).

The Regulatory Compliance unit took part in the project to adapt to the new regulations included in the legislative package of the European Commission's Sustainable Finance Action Plan, which aims to strengthen the role of finance to build an economy that allows environmental and social objectives to be achieved.

Beyond purely regulatory changes, the growing supervisory and interpretation activity with regard to recently implemented rules, such as MiFID II and PRIIPS, stands out.

Two main areas

Under this regulatory and institutional framework, the Bank developed the two basic areas of the compliance function in 2019:

- **Control and advisory tasks in the area of regulatory compliance for investment products.** Bankinter has implemented a methodology based on the risk approach that enables the risk of default in each area of activity to be assessed in relation to the provision of investment and banking services.
- **Prevention of money laundering and terrorist financing.** 2019 featured reinforcement of control frameworks in terms of both KYC (know your customer) and controls applying to international financial sanctions and correspondent banking. Preventing these practices is a strategic objective for Bankinter Group and an ethical commitment to society at large, reflected in compliance with international standards and best practices in the area. In line with this objective, in 2019, Bankinter developed the control measures needed to adapt to the regulation and aligned the corresponding risk with its risk appetite framework, in addition to the IT tools for this function.

Another major advance was the implementation of a methodology and culture of compliance common to all Group entities, in the regulatory area and the management of regulatory risk, product governance and the prevention of money laundering.

Outlook

In 2020, the Bank's adaptation to regulations on payment services and advertising for banking services and products will be complete. It must also adapt to the regulatory framework deriving from the transposition of Directive 2017/828 as regards the encouragement of long-term shareholder engagement, and Directive 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing.

Further, the adaptation of Royal Decree Law 11/2018, which transposes the 4th European Directive on the prevention of money laundering and terrorist financing and the due diligence measures with customers will be updated, in addition to the continuous monitoring of the business relationship, according to the legally established terms.

Other regulatory requirements for 2020 deriving from the Insurance Distribution Directive (IDD) and European Union Action Plan for Sustainable Finances.

Advanced technology against a growing threat

Information security is a great priority at Bankinter. In this sense, in 2019, projects were carried out under the Information Security Director Plan, which has been extended to 2021. The aim is to guarantee high levels of confidentiality, integrity and availability for customers, employees, shareholders and suppliers.

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

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

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

A stronger model

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

From an organisational viewpoint, a new model was implemented in the first line in 2018 within the Data Security Department consisting of three management areas: technological risk, cybersecurity and security monitoring, and prevention of electronic fraud.

Based on this reinforced risk structure, in 2019, Bankinter embarked on a series of more complex projects, using advanced technology, with a focus on protection for email, browsing, final data for users and above all suppliers.

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

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INNOVATION

2019 INTEGRATED ANNUAL
REPORT



Technology at the service of business strategy

The objective of the Digital Banking area is the smart application of technology to contribute to the success of the Bank's global business strategy. This objective has two main lines: improving customer experience and transforming processes to reduce the time and resources spent on them.

In regard to customer experience, Bankinter is focusing on self-service, taking advantage of the benefits offered by the omnichannel approach. This means that customers are not only able to perform more and more transactions on their own (from registering to contracting products), but they will also have the opportunity to change the channel they use at any point in the process at their convenience.

In this area, the Bank has been fostering mobility, i.e. customer relations through the mobile, for many years.

Processes

In regard to process transformation, the aim is to build a scalable operational model, i.e. one that can handle business growth without the need to increase resources proportionally. For this reason, among other actions, most administrative tasks are being moved to central services, thereby freeing up time for commercial management in-branch, while at the same time reducing operating risk, for instance, in the area of contracting.

Over the past few years, the Bank has redesigned its main administrative and risk sanction processes and has invested in a process management infrastructure and architecture (Business process management) that automatically runs administrative and business support tasks, improving service quality and reducing processing times.

Other types of technology designed to give scalability to the Bank's operating model are robotics and artificial intelligence, which automate processes with inefficient systems integration and mechanically execute repeated tasks of little added value.

Looking ahead, the Digital Banking pipeline contains:

- Take advantage of the new microservices architecture to generate new open banking business models, marketing the Bank's products through third-party channels.
- Further explore the omnichannel concept, breaking down barriers between the different channels for relating to the Bank.
- Development of adaptive security. The objective is to make information security into a competitive advantage, improving the user experience based on knowledge of their behaviour and biometrics.
- Leverage on technology to make our operating and commercial model more scalable to guarantee optimal efficiency levels.

Innovate to create wealth

The mission of the Bankinter Innovation Foundation is to promote the creation of sustainable wealth in Spain and Portugal through innovation and entrepreneurship. To achieve this goal, the Foundation is implementing the following programmes:

- **Future Trends Forum**, an international think tank as part of which experts from around the world identify and analyse innovative trends that will affect our society of tomorrow.
- **Startups**, a programme run in collaboration with Bankinter Venture Capital to invest in high-potential entrepreneurial companies.
- **Akademia**, a training platform bringing experience of innovation to universities.
- **Cre100do**, a business transformation programme to foment the growth of the middle market in Spain. This programme was created in 2014, in collaboration with ICEX and the Círculo de Empresarios, and in 2019 evolved into the Cre100do Foundation.

One of the main features of the Bankinter Innovation Foundation is the composition of its board of trustees. This is formed by 22 world experts in innovation from the business world, the public sector and academia. In 2019, two new members joined the board: Dongmin Chen, dean of the School of Innovation and Entrepreneurship and head of the Scientific and Technology Development Office at Peking University, and Robert Metzke, head of sustainability at Philips and global expert in innovation, strategy, social impact and leading change.

Bankinter Foundation board of trustees

Name	Surname	Nationality
Jose M ^a	Fernández-Sousa	Spain
John	de Zulueta	Spain
Rafael	Mateu de Ros	
Angel	Cabrera	
Antonio	Damasio	Portugal
Dongmin	Cheng	China
Charles	Bolden	United States
Emilio	Méndez	Spain
Chris	Meyer	United States
Carlos	Mira	Spain
M ^a Dolores	Dancausa	Spain
Gloria	Ortiz	Spain
Pedro	Guerrero	Spain
Philip	Lader	United States
Richard	Kivel	United States
Robert	Metzke	Germany
Eden	Schochat	Israel
Jens	Schulte-Bockum	Germany
Soumitra	Dutta	India
Tan Chi	Nam	Singapore
Stephen	Trachtenberg	United States
Wilfried	Vanhonacker	Belgium

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Future Trends Forum

The Future Trends Forum (FTF) is the only multidisciplinary and international think tank focused on innovation. Comprising 642 experts, the FTF anticipates and detects innovation trends, analysing their impact on society and future business models. It has been recognised for the eighth year running as the best think tank specialised in science and technology in Spain and ranks 31st in the University of Pennsylvania's Global Go-To Think Tank index. Among the new additions in 2019, the following experts stand out: Dava Newman, professor of Aeronautics and Astronautics at Harvard-MIT Health and deputy administrator of NASA during the Obama administration, Kush R Varshney, artificial intelligence researcher at IBM Research, and José Carmena, founder and CEO of Iota Biosciences and professor of Electrical Engineering and Neuroscience at the University of California.



Future Trends Forum
<https://www.fundacionbankinter.org/ftf>

In 2019, Future Trends Forum analysed the trends in innovation that it believes will have the greatest influence in the near future. They are the following:

- **Commercialisation of space.** Advances in technology and scientific research are permitting the commercialisation of space and development of new industrial applications in orbit, such as manufacturing and research or new communication and observation technologies. The experts of Future Trends Forum have concluded that the commercialisation of space is already a business opportunity on Earth because, while it poses risks, it also offers viable business development opportunities. Spain plays a significant role in this trend, with a business volume that already stands at around 800 million euros.



<https://www.fundacionbankinter.org/ftf/tendencias/espacio>

- **Artificial intelligence.** Artificial intelligence has been analysed from various angles: technological development and the capacities and impacts it will have on people's lives in the next ten years. Experts have identified the challenges and opportunities posed by this trend for society and above all in the field of business.
- **Neuroscience.** Information about the brain is growing at an unprecedented rate and experts of the Future Trends Forum have discussed its impact on society and on the economy.



<https://www.fundacionbankinter.org/ftf/tendencias/inteligencia-artificial>



<https://www.fundacionbankinter.org/ftf/tendencias/neurociencia>



In 2019, work was also done to update the content of past trends analysed by the Future Trends Forum to observe how they have developed and whether the challenges identified have materialised. To date, the Future of Money and Internet of Things trends have been updated. Reports are pending on Cloud Computing and Disruptive Cities.

The challenges and conclusions identified by the Future Trends Forum were presented at 10 events held in cities such as Madrid, Valencia, Bilbao and Málaga, attracting over 900 attendees. In 2019, a new exclusive event format was introduced, the Innovation Forum, which brought together the leading experts of a trend and the Spanish agents involved (from business owners to academics) to discuss its challenges and opportunities. Last year, two forums of this type were held in Madrid on artificial intelligence and neuroscience.

Startups

The Startups programme supports entrepreneurs, which the Foundation considers one of the main levers to boost innovation in Spain.

To do this, it invests alongside Bankinter Venture Capital in innovative technology-based startups in Spain and Portugal with scalable business models and an international bias. To assess potential investment, it is necessary to have at least a first version of their product on the market and initial metrics of use and/or revenue.

Investment is made at the seed stage, in the capital of the company and with an initial ticket of between 100,000 and 300,000 euros. The rule is not to lead the investments but to coinvest with other professional investors. Bankinter Venture Capital helps the companies in the subsequent investment stages (*follow ons*).



<https://www.fundacionbankinter.org/proyecto/enviarproyecto>



<https://www.fundacionbankinter.org/startups>

In 2019, a new startup was added to the portfolio of investees in Bankinter Innovation Foundation's Startups programme, putting the number of investments at 36. The inclusion of Citibeats, an adaptive social intelligence platform that analyses and interprets any item of data in text generated by people in any language, structuring the information to make it actionable.

To 2019, the programme has analysed 2,667 projects, with an investment rate of 1.35%. In 2019, 328 were assessed, with an investment rate of 0.3%.

Another objective of the Startups programme is to bring innovation in the entrepreneurial ecosystem to large companies, such as Bankinter. This is the basis of our 'Coffee with entrepreneurs' events, where leading Spanish entrepreneurs share their experience with Bankinter employees. In 2019, there were five meetings, with the participation of Javier Megías, exCEO of Startupxplore; Diego Arroyo, CEO of Lagaam; Carlos Rodríguez-Mirabona, cofounder of Keatz; Manuel Marina and José María Lillo, CEO and CTO of Idovent, and Iván Caballero, CEO of Citibeats.

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Akademia

Akademia is a programme focused on transmitting innovation experience to Spanish university students. With an on-site programme consisting of nine two-hour sessions, directed by an expert in the field, the aim is to help students understand the opportunities offered by the future, regardless of their field of study.

In the 2018-2019 academic year, the Akademia programme was run at 10 Spanish universities: Santiago de Compostela, Deusto, Salamanca, Pompeu Fabra, Barcelona, Carlos III, Cunef, Pontificia de Comillas, Politécnica de Valencia and Loyola Andalucía. 180 students attended the course and it had a recommendation rate of 97.1%, two percentage points higher than in the previous year.

Students also worked in teams to create innovative projects to compete for an incubation scholarship on the Bridge for Billions entrepreneurship platform. In the 2018-19 academic year, 32 projects were created and the winner was Valentira, from Barcelona University.

Additionally, in 2019 the fourth edition of the Business Akademia course was held at Bankinter, run by Bankinter professionals. 30 employees took part from different Group areas and territories, including Portugal. During the course, five work teams were formed to create innovation projects based on the banking business. The NPS (recommendation indicator) of the course was 52.

One of the main features valued by Akademia students is the personal contact with the programme's experts, which include more than 60 professionals, FTF members, managers of Cre100do companies, entrepreneurs, investors and professors, all involved in innovation.



<https://www.fundacionbankinter.org/akademia>



<https://www.fundacionbankinter.org/akademia/claustro>

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Cre100do Foundation

The Cre100do Foundation, the body resulting from the development of the programme of the same name, started its activity in February 2019 thanks to the contributions made by its founding institutions: Bankinter Innovation Foundation, ICEX and the Círculo de Empresarios. It became a success story of a public-private initiative with the pro bono collaboration of leading experts in a countrywide programme.

From the very beginning, the purpose of Cre100do has been to actively contribute to the development of the country's production structure, fostering the creation of larger, more innovative, more international and more competitive companies. To achieve this, it helps companies to anticipate change, ready themselves to compete successfully in the coming three to five years and learn best practices and the keys to growth.

Cre100do is a reference among middle market Spanish companies and has achieved its first goal by selecting and including in its programme 100 excellent companies from this segment in Spain over five years. These companies account for over 1% of Spanish GDP, with an aggregate turnover of 14,000 million euros and 75,000 employees.

The Cre100do Foundation appointed a board of trustees in 2019, chaired by Carlos Mira and made up of representatives from founding and collaborating institutions, in addition to CEOs of companies taking part in the programme. <https://www.cre100do.org/fundacion/>

In 2019, Cre100do had more than 100 participating companies, and the following joined the programme during the year: Asti (Burgos), Astilleros Gondan (Burgos), Crimidesa (Burgos), Frías Nutrición (Burgos), Grupo Petroprix (Jaén), Zamora Company (Murcia), Grupo Wind (Murcia), HMY (Zaragoza), Ingeniería Sampol (Balears) and Trops (Malaga).

In 2019, Cre100do organised different types of events:

- **16 workshops.** Activities relating to subjects of interest, involving conferences held by experts and experience sharing initiatives.

- **5 dedicated meetings.** Conferences relating to one subject.
- **3 talks.** Debates involving participants on a subject previously contextualised by an expert.
- **2 CEOs works shops.** Meetings with the most senior executives of participating companies to address strategy and global issues.

Cre100do Foundation estimates that during the year 638 senior executives from participating companies took part in these activities.



<https://www.cre100do.org/fundacion/>



<https://www.cre100do.org/programa/>



Communication

In 2019, the impact of communication at Bankinter Innovation Foundation increased in terms of quantity and intensity. The number of followers on social media grew by 24% to 27,777, and visits to publications on the new web format were up by 400%.

Further, in 2019 the new Bankinter Foundation brand was approved, updating the previous image and the image used for its programme, bringing it closer to the Bankinter brand and adapting it to digital formats.

The number of followers on social media grew by 24% to 27,777, and visits to publications on the new web format were up by 400%.



CORPORATE GOVERNANCE

**2019 INTEGRATED ANNUAL
REPORT**

bankinter.



The best national and international practices



Bankinter intends to continue strengthening and improving its corporate governance framework, as it has done over the past few years, in order to meet and overcome the challenges ahead as responsibly and sustainably as possible.

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 applicable legislation 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, in addition to the annual disclosures in the Corporate Governance Report approved by the Board of Directors.

Information on the Board of Directors and its committees, and changes in the composition of these bodies during the year, among others, is shown below. It is also worth noting that all the entity's information on corporate governance is detailed in the Annual Corporate Governance Report, approved by the board of directors and published on its corporate website.

Composition of the board

Bankinter continued to enhance the composition of its board of directors in 2019 by welcoming a number of new members, illustrating its firm commitment to maintaining a balanced board composition, seeking diversity in terms of skills, experience in Spain and abroad, gender and the number of independent directors.

The main changes in the board of directors in 2019 were as follows:

- The maximum number of board members was raised from 10 to 12 during the year. This increase in the number of directors was approved by shareholders

at the annual general meeting held in March 2018 (with 98.946% of votes in favour), and made effective with the appointments approved at the annual general meeting held in March 2019.

- María Luisa Jordá Castro and Álvaro Álvarez-Alonso Plaza were appointed independent external directors at the annual general meeting held in March 2019, thus covering the board openings approved at the annual general meeting held in 2018 (98.284% and 98.049% of votes in favour, respectively).

These latest arrivals have further enhanced the structure of the board of directors, making it more efficient and allowing for the effective involvement of all directors and agile decision-making.

A total of 12 directors now sit on the board of directors, distributed as follows:

- seven (7) independent external directors;
- two (2) executive directors;
- two (2) external proprietary directors; and
- one (1) 'Other external director'.

Directors

12

Term of office

4 years

Independent directors on the board of directors

58.3%

Women on the board of directors

33%

At 31 December 2019

- External proprietary director
- Independent external director
- Executive director
- Other external directors

Chairman of the remuneration committee
Chairman of the risk committee

Chairman of the audit and regulatory compliance committee

Chairman of the appointments and corporate governance committee

Chairman (external)

Chief Executive Officer

Vice-chairman



Álvaro Álvarez-Alonso Plaza*



María Luisa Jordá*



María Teresa Pulido Mendoza



Teresa Martín Retortillo Rubio



Gonzalo de la Hoz Lizcano



Jaime Terceiro Lomba



Rafael Mateu de Ros Cerezo



Pedro Guerrero Guerrero



María Dolores Dancausa Treviño



CARTIVAL, S.A. (Alfonso Botín-Sanz de Sautuola y Naveda)



Marcelino Botín-Sanz de Sautuola y Naveda



Fernando Masaveu Herrero

Accordingly, the board's structure reflects the existing proportion between the share capital held by proprietary directors and the remainder of the share capital of Bankinter, which is comfortably compliant with Spanish and international recommendations since 58% of its directors are now independent.

The latest appointments also illustrate Bankinter's firm commitment to equal opportunities for men and women and effectively show that selection processes for new directors are objective and free from any constraints or biases that might impede the selection of female directors and take into account the nominee's independence, professional merits, expertise and experience in the industry.

Women now account for 33.3% of total board membership, with three women acting as independent external directors and one as an executive director and the company's chief executive.

Aside from the appointments just described, the annual general meeting agreed to renew a further two positions on the board in 2019.

Information on each of the board members can be found in the Annual Corporate Governance Report and the Bank's website.

It should also be noted with regard to the composition of the board of directors and potential changes in 2020, the appointments and corporate governance committee, at a meeting held on 25 July 2019, initiated the selection process to fill the vacancies that will arise when two of its directors no longer qualify as independent in 2020, having served their 12 year mandate on Bankinter's board of directors. Therefore, on that date and under Bankinter's director selection and succession policy, the appointments and corporate governance committee launched an internal selection process while relying on the support of an independent external recruiting firm. After appraising various nominees, the committee advised the board of directors to appoint Fernando Francés Pons. The suitability procedure was then initiated with the European Central Bank, whose response supporting his appointment and raising no objections was communicated to Bankinter on 13 December 2019. As a result, his appointment will be laid before the annual general meeting to be held in March 2020.

A motion shall also be submitted to the annual general meeting to establish the number of directors at 11. Therefore, if, at the annual general meeting held in March 2020, the proposed appointment is approved, in addition to the proposal to set the number of directors on the board of directors at eleven (11), the composition of the board will change compared to 31 December 2019.

Separation of powers

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

While Bankinter has separated the two functions, its corporate bylaws and the Rules and Regulations of the Board of Directors allow the appointment of a coordinating or lead director from among its independent directors and of establishing his or her duties and powers. A coordinating director shall be appointed when the chairman of the board of directors is executive. In its current format, the board of directors has not needed to appoint a coordinating director from among its independent directors, with the abstention of the executive directors.

Women now account for 33.3% of total board membership, with three women acting as independent external directors and one as an executive director and the Company's chief executive.

Committees of the board of directors

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
- Risk 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. Furthermore, in January 2019, the board of directors 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. These regulations are available on the Company's corporate website. Further, the board intends to draw up similar rules and regulations for its other committees within the next few years.

The board of directors has pledged to continue strengthening the composition and performance of its committees so that they may better support the board in their respective spheres of influence, according to national and international best practices. With this objective in mind, the board incorporated the new directors at the 2019 annual general meeting on the basis of their knowledge and experience. There were no departures of board committee members in 2019.

The current composition of each committee can be consulted on the Bank's website.

Assessment of the board and its committees

The board of directors is firmly committed to improving its own operation and that of its committees. It has therefore asked an independent external expert to conduct their annual evaluation for 2019, as it was decided in 2015 that this evaluation process would be entrusted to an external expert every three years. This report contains a specific chapter on the evaluation of the board and its committees, explaining changes in their membership and remit, as well as the result or impact of those changes. No deficiencies have been detected that would have otherwise prompted the board of directors to approve an action plan to remedy them. However, certain areas for improvement were spotted that would make the governing bodies more efficient in their operation.

Director remuneration

The main principles and components of director remuneration are detailed in the director remuneration policy for 2019, 2020 and 2021, approved at the annual general meeting held in March 2019. A description is also found in the annual director remuneration report that is submitted for consultation at the annual general meeting each year.

Both the director remuneration report and the annual report provide individualised information on the remuneration received by each director, showing the amounts corresponding to each remuneration item. These items appear also individually in the report as well as the remuneration that corresponds to the executive duties entrusted to the Bank's executive directors.

SUSTAINABILITY

2019 INTEGRATED ANNUAL
REPORT

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Triple management to generate triple value

Bankinter's sustainability strategy is based on the 'Three in a Row' Sustainability Plan for the responsible management of the three business dimensions (economy, society and the environment) to generate three-fold value in the countries where the Bank operates.

The plan is based on the Sustainability Policy that was approved by the board of directors in January 2016 to contribute to the sustainable and inclusive development of the environment, based on the Bank's three strategic pillars of quality, innovation and technology, and in line with its corporate values of agility, enthusiasm, integrity and originality.

The definition of the sustainability strategy is based on the following references:

- The United Nations Sustainable Development Goals (SDGs)
- Regulations such as the Law on non-financial information and diversity and the CNMV's Good Governance Code of Listed Companies.
- The analysis of the results of the assessments of the most prominent

sustainability indexes and rating agencies.

- International standards and frameworks (GRI, IIRC, ISO 26000, SGE 21, etc.).
- The consideration of the best practices of global sector leaders.
- The analysis of the results of satisfaction surveys filled in by stakeholder groups such as customers and employees.
- Analysis of the Reptrack reputation measurement model.

The sustainability policy is supplemented by the other internal policies.

Further, Bankinter published its 2019 non-financial statement in compliance with 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, labour and environmental management, anti-corruption and bribery policies, diversity in governing bodies and human rights, among other sustainability management issues, for a number of years.

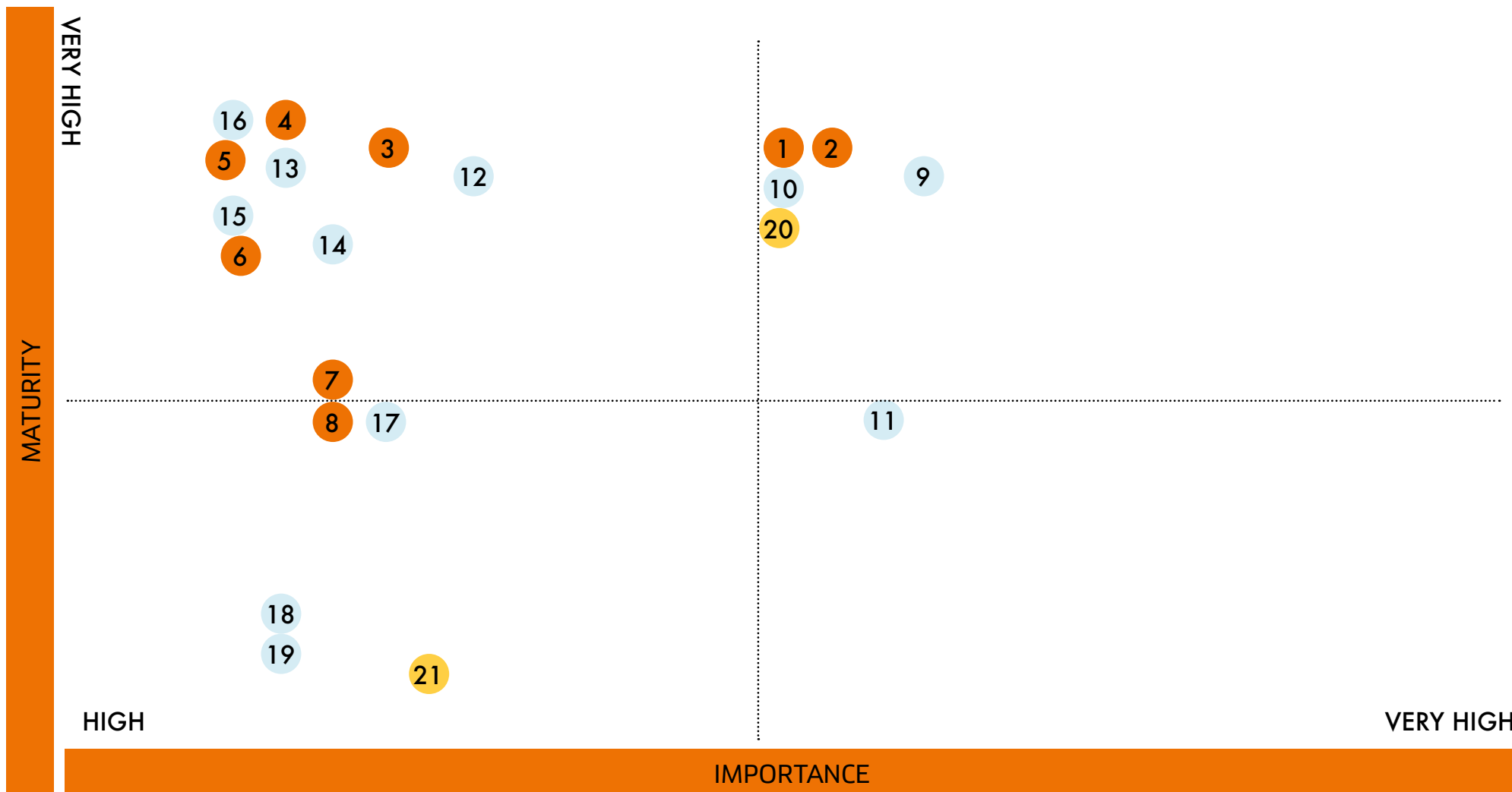
Materiality analysis

Bankinter identifies the aspects of its activity that have the biggest impact on the environment through an engagement management system with its main stakeholders. The system responds to the guidelines set by the international framework for non-financial reporting, Global Reporting Initiative (GRI).

The materiality survey that identifies the most significant aspects of the organisation's economic, environmental and social impact was updated in 2019 to include activities associated with the UN's Sustainable Development Goals. The surveys completed by analysts and investors, and internal and customer satisfaction questionnaires were also taken into account.

The analysis has improved the effectiveness of the engagement channels with stakeholders and details the main priorities according to two parameters: the importance and maturity of aspects related to the financial activity, and the importance assigned to it by the Bank's main stakeholders (customers, employees, shareholders, sustainability analysts and ESG investors, social and sector opinion leaders, the media and society in general).

Stakeholders	Engagement channels	Parties responsible for management
Shareholders	Shareholders Office Annual general meeting	Head of Shareholders Office
Investors and analysts	Roadshows Meetings Questionnaires	Director of Investor Relations Head of Sustainability
Customers	Quality surveys Customer Service Area External ombudsman Banco de España Multi-channel banking	Director of Quality Director of Legal Affairs
Regulatory bodies (Banco de España, CNMV)	Circulars	Chief Regulatory Compliance and Corporate Governance Officer Relations with supervisors
Employees	Global surveys Assessment Whistleblowing channel Queries mailbox Meetings with workers' representatives Intranet	Director of Human Resources Chief Audit Executive Director of Quality Director of Internal Communication Head of Sustainability
Suppliers	Procurement portal Follow-up meetings Questionnaires	Director of Efficiency and Transformation Head of Sustainability
Partners Universities and Business Schools	Meetings Forums Workshops	Director of Fundación Innovación Bankinter Director of Communication and CSR
Third (voluntary) sector	Social engagement mailbox Meetings	Head of Sustainability
Media	Press conferences Press releases Social networks Press room External mailbox	Director of Communication and CSR
Society (others not previously included)	Social networks. Corporate website RepTrak survey	Director of Communication and CSR Reputation Officer



Economic dimension

- 1 Service quality and customer satisfaction
- 2 Transparency (corporate governance)
- 3 Financial risk management and control mechanisms
- 4 Regulatory compliance
- 5 CSR policy and its supervision
- 6 Anti-corruption and money laundering
- 7 Non-financial risk management and control mechanisms
- 8 Transparency in commercial relations




Social dimension



- 9 Talent attraction and retention
- 10 Stakeholder engagement channels
- 11 Employment creation and stability
- 12 Equal opportunities
- 13 Code of conduct
- 14 Work-life balance policy
- 15 Investing in the community
- 16 Equal remuneration
- 17 Training
- 18 Employee performance evaluation
- 19 Working environment

Environmental dimension

- 20 Climate change strategy
- 21 Direct environmental matters

As a member of the United Nations Global Compact Network Spain, the Bank has identified the SDGs to which it can make the greatest contribution, and has incorporated them into its strategy. They are: 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).

Purpose	Targets	Initiatives undertaken	Challenges
	<ul style="list-style-type: none"> Between now and 2030, 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 Between now and 2030, 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 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 Between now and 2030, 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. 	<ol style="list-style-type: none"> Online workforce training on financial education. Classroom-based financial education volunteering programme for different groups: <ul style="list-style-type: none"> Primary and secondary school students. Groups at risk of social exclusion. People with a disability. Launch of new on-line financial education programme for secondary school students. Training volunteering programme for workplace access for women who are victims of violence and groups at risk of exclusion. Bankinter Corporate University certified in Universal Physical Access to provide individuals with disabilities with training on equal terms. Technical volunteering programmes for senior management in developing countries. Online training for the employees in assisting people with disabilities. 	<ol style="list-style-type: none"> Development of the financial education volunteering programme. Equality and diversity training for employees. Classroom training on assisting people with disabilities. Dissemination of the on-line platform for financial education.
	<ul style="list-style-type: none"> Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalisation and growth of micro-, small- and medium-sized enterprises, including through access to financial services. 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. 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. 	<ol style="list-style-type: none"> Initiatives related to business. <ul style="list-style-type: none"> Sustainable lending and financing policy. Promotion of sustainable products. Training and awareness aimed at promoting entrepreneurship. Bankinter Innovation Foundation initiatives. <ul style="list-style-type: none"> Entrepreneurs programme. Akademia programme. FTF programme Creation of Cre100do Foundation. Initiatives related to people management. <ul style="list-style-type: none"> Family-responsible company certificate. Saludable.mente programme (for healthy workplaces). Human capital development. Talent recruitment and retention. Accessibility to the physical and digital work environment. 	<ol style="list-style-type: none"> Establishment of new financing policies for controversial sectors. Training staff from the risks and asset management areas in the application of environmental, social and good governance criteria. Development of monitoring methodology and control of the Human Rights policy. Saludable.mente (health) programme. Development of Foundation programmes: Akademia, FTF Extension of the scope of the universal accessibility management system to new work centres
	<ul style="list-style-type: none"> 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. 	<ol style="list-style-type: none"> Development of monitoring methodology and control of the Human Rights policy. Initiatives related to financial and social inclusion. Implementation of physical accessibility. Digital accessibility. Cognitive accessibility. Training and awareness of the workforce aimed at financial integration. Development of charity products. Financial education and education for entrepreneurship (technical volunteering). Social volunteering. Social action and citizenship. Family responsible company. Equality plans. Definition of a diversity policy. Whistleblowing channel. 	<ol style="list-style-type: none"> Definition of a diversity policy. Extension of the scope of the accessibility systems to new work places. Development of products with a high social impact. Implementation of FR certification at Bankinter Portugal. Development of Foundation programmes: Akademia, FTF Development of financial education programmes adapted to various groups. Training and awareness aimed at integration.

Purpose	Targets	Initiatives undertaken	Challenges
	<ul style="list-style-type: none"> Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries. Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning. 	<ol style="list-style-type: none"> Initiatives related to business. Sustainable lending and financing policy. Inclusion of environmental criteria in procurement policy. Support for employees, customers and suppliers to implement eco-efficiency measures. Sustainable products. Green line of credit. Management initiatives related to the Bank's environmental impact (direct impact). Emissions management: measurement, reduction and offset. Eco-efficiency programmes in the organisation. Actions with environmental and social impact. Disclosure of sustainable performance information. Environmental training and awareness workshops. Implementation of stakeholder communication channel on environmental matters. Environmental mailbox. 	<ol style="list-style-type: none"> Development of products with a high environmental impact. Development of Foundation programmes: FTF Identification of the impact of lending and financing operations on natural capital. Buying energy from renewable sources. Neutralisation of CO2 emissions. Training employees and raising awareness of customers. Climate change awareness-raising and communication campaign.
	<ul style="list-style-type: none"> 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. Improve the Global Partnership for Sustainable Development, complemented by alliances between different interested parties, who mobilise and exchange knowledge, specialisation, technology and financial resources, in order to support the attainment of SDGs in all countries, in particular in developing countries. Increase global macroeconomic stability, including through policy coordination and consistency. Improve the consistency of policies for sustainable development. Respect policy space and the leadership in each country to establish and implement policies to eradicate poverty and for sustainable development. 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. Promote adherence to international initiatives related to sustainable finances and climate risk management. Promotion of sector actions on sustainable development. 	<p>Bankinter forms part of different working groups in alliance with other companies that seek to promote sustainable development:</p> <ol style="list-style-type: none"> Climate Change Cluster. Transparency and Corporate Governance Cluster. Social Impact Cluster. LBG. Spanish Network of the Global Compact. Forética. The Diversity Charter. Sponsorship of events with other public and private companies to support environmental and social ventures that support the development of new companies, technologies and projects: Greenweekends. Circularweekends. Premios Jóvenes Más Humanos. 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. Adherence to work groups as part of the Task Force on Climate related financial disclosures. 	<p>Creation of new alliances:</p> <ol style="list-style-type: none"> UNEPFI: responsible finances initiative.

The 2016-2020 Plan establishes 17 strategic economic, social and environmental lines.

Economic dimension

- Good Governance
- Sustainable practices
- Customer-oriented services
- Socially responsible investment
- Sustainable products
- Responsible supplier management
- Communication and training

Social dimension

- Financial inclusion
- Advanced people management
- Volunteering
- Citizenship
- Social footprint management
- Bankinter Innovation Foundation
- Communication and training

Environmental dimension.

- Climate change strategy
(carbon footprint)
- Environmental management system
- Communication and training



Economic dimension

Bankinter has been included on the Dow Jones World Sustainability Index for a further year, as one of the top twenty-five banks with the best global corporate governance and environmental and social performance.

The Bank also appears in the rest of the sustainability indexes, including the FTSE4Good, MSCI and Carbon Disclosure Project, and it appears in the 2019 Sustainability Yearbook published by Robeco SAM, in the bronze category.

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 permanent engagement with stakeholders. This provides first hand knowledge of their expectations and allows the Bank to identify their needs in an ever-changing environment, with a view to including these in its sustainability strategy.

It also fosters coordinated action between different areas to develop initiatives based on responding to these needs. Similarly, it proposes and monitors 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.

Customer orientation

In regard to customer orientation, the main indicator that measures the quality of the service provided and satisfaction levels, the NPS, comfortably exceeded the target set for 2019, standing at 39.3%.

Sustainable lending and financing practices

Bankinter, as part of its Risk Management and Control Framework, has defined Investment Sustainability Principles. Furthermore, it has established financial guidelines for industries with potential greater incidence in the environment 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.

In line with this strategy, the Bank has adhered to the Equator Principles, a leading international initiative for responsible investment in the financial sector with the objective of evaluating and managing the environmental and social risks of the projects to be financed. In 2019, 16 projects to which these principles apply were financed, all in Spain and the renewable energy sector. 13 were graded B and three C. Investment came to 261.6 million euros.

Bankinter undertakes to evaluate the practices in environmental, social and human rights issues, and to act according to the principles established in its policies, in the due diligence processes carried out before 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.

In particular, 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 2019, the Bank took part in different renewable energy projects (photovoltaic and wind energy, among others).



More information in the Corporate Governance Report.

Sustainable products

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

Bankinter Sustainability Fund. This fund invests in equities included in the main social and environmental responsibility indexes.

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. They invest in companies dedicated to renewable energies, innovation and technology, and reducing the impact of climate change, or that are included in the main sustainability indices.

Green bonds. Bankinter has coordinated the first green bond programme on the alternative fixed income market (MARF) of 50 million euros registered by the company Grenergy Renovables. It also published a Framework Agreement for green bonds, which is accredited by Sustainalytics (a second opinion company). The first issuance of these green bonds took place in January for the amount of 750 million euros.

Venture capital funds or companies that invest in sustainable products. The fund held 4.3% and 4.6% interests, respectively, 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).

Helia Renovables. In 2017, the Bank entered into a partnership with Plenium Partners to create Helia Renovables, a venture capital fund to invest in the renewable energy business. In 2018, it included a second fund and a third in 2019. The three funds have a total investment (debt plus capital) of 1,850 million euros in renewable energies.

InnovFin agreement. The Bank continues to support the Innovfin2014 programme, within the scope of the Horizon 2020 funding instrument. Its aim is to support the financing of Spanish companies with fewer than 500 workers who conduct research and innovation activities and projects. Further, in 2019 the European Investment Bank and Bankinter signed an agreement to provide 400 million euros to SMEs and mid cap companies to finance their investments in Spain and Portugal.

Hal-Cash. This system, which enables 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 2019 by 19,879 customers, for the amount of 50.9 million

euros. Hal-Cash provides access to financial services to groups that do not have bank accounts.

Responsible supplier management

Bankinter's board of directors has approved a new Suppliers Code of Conduct, which entails a set of basic principles of practice and rules of professional conduct to govern the actions of all the entity's suppliers and represents the ethical values that the Bank has traditionally applied in its relationship with them and the rest of the stakeholders.

Further, in the supplier certification process, environmental, social and governance criteria were included. At the close of 2019, 23% of all Bankinter's suppliers were assessed based on these criteria.




Bankinter's average payment period to its suppliers is 20 days.

Bankinter's average payment period to its suppliers is

20 days

'Three in a Row' plan for the Economic dimension - 2019

Strategic lines	Objectives 2019	Level of achievement	Objectives 2020
Good governance	Monitoring the implementation of the Human Rights policy		Continue strengthening the corporate governance framework, making it more solid and effective
Sustainable practices	Workforce training in code of ethics		Development of the sustainable finances project
Customer-oriented services	Achieve an NPS score of over 36.5% for the Bank		Achieve an NPS score of over 41.3% for the Bank
Socially responsible investment	Staff training in Socially Responsible Investment (sustainability committee, risks area)		Training for the asset management area in Socially Responsible Investment
Sustainable products	Launch of new sustainable products (green bonds)		Launch of other sustainable products and measurement of social/environmental impact
Responsible management of suppliers	Training suppliers on CSR matters		Training of SME suppliers on adaptation to the new economy of client change
Communication and training	New alignment actions with the sustainable development objectives		New communication actions with the sustainable development objectives

-  Completed
-  In development
-  To be commenced

Social dimension

Bankinter has implemented 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.

The Bank's inclusive strategy is set out in the "Bank for all" programme, which reflects its firm commitment to making all its relationship channels with stakeholder accessible. The Bank takes into particular consideration disabled and elderly people by aiming to offer them a quality service adapted to their needs. The accessibility strategy covers physical accessibility, as well as digital and cognitive accessibility.

Bankinter has a certified Universal Access Management System (UAM), under standard UNE 170001, that has been implemented in its headquarters in Madrid, at the Alcobendas building, at the Corporate University and in seven branches.

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 WACG 2.0 guidelines.

For example, the Bank offers braille coordinates card for blind people to carry out phone transactions, monthly statements in audio and large print formats, an accessible video player, and the advisory service by video-calls in sign language for deaf people.

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.

Bankinter has launched the Money Town digital platform, a simulation game to promote financial education aimed at teachers, educators, and parents wishing to teach young people about the basics of finance and how to manage their money in an easy and fun way.

At the close of 2019, 3,002 teachers, 1,879 students and 759 individual users had signed up. The aim of this platform is to support the training of over 10,000 students before the end of 2025.

Bankinter also has a collaboration agreement with the Confederación Estatal de Personas Sordas (CNSE) to make financial knowledge available to people with hearing difficulties. As part of the training envisaged under this

agreement, classroom-based actions will be carried out in different regional associations of the CNSE, in addition to the dissemination of online training videos.

The Bank also has a videocall service in sign language manned by professionals who are experts in this language to help deaf people carry out transactions and offer advice on products and services.

Advanced employee management

Bankinter has been included in the Top Employer Spain ranking for 12 consecutive years. Companies included offer a full package of social-labour measures for their employees.

Bankinter has renewed its family responsible company certificate, awarded by the Másfamilia Foundation to companies that have carried out initiatives to improve the work-life balance and promote equal opportunities among employees.

In 2019, the Bank rolled out its "Saludable. mente III" programme to train and raise awareness among employees of the importance of looking after their health, promoting a culture of safety and well-being.

This initiative is part of an innovative health and well-being programme that kicked off in February to promote the physical and emotional well-being of Bankinter employees. Through this inclusive and personalised digital programme, all employees can find their own space for physical activity.

Bankinter has been awarded first prize in the category for promoting physical activity and healthy habits in the "El Mundo Zen Adecco" awards that recognise companies that look at business management as more than just a P&L account, thanks to the "Bankinter Te Cuida" (Bankinter, here to help) programme.

Corporate volunteering

Bankinter has a corporate volunteering portal for its employees called "Mueve. te" (Move!), 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 strengthens the organisational culture of the Bank and helps participating volunteers to develop new skills.

In 2019, the proportion of the workforce in Spain and Portugal involved in volunteer days rose to 18%, with more than 1,700 hours dedicated to this task. Participation was recorded of over 2,000 employees and their family members in a total of 94 technical, environmental and social activities, reaching over 130,000 direct beneficiaries.

Bankinter also promotes financial integration through technical volunteering activities in the delivery of financial education programmes. 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 volunteering skills among employees, such as adapting communications to everybody, regardless of their abilities and knowledge.

The following activities stood out in 2019:

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

Online course for helping people with disabilities at Bankinter. Training available for all Bank employees in collaboration with Ilunion. The Entity is developing an inclusive strategy to build a more integrating and diverse bank through the active management of disability within its value chain.

Participation in the fifth edition of the 'Your Finances, Your Future' project. 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 the domestic economy. In 2019, 71 Bankinter volunteers took part.

Bankinter customised financial education programme. In 2019, this programme 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.

Environmental volunteering programme in Portugal. In collaboration with the Quercus nature conservation association, a forest cleaning and tree planting initiative was held at Floresta Bankinter, in the region of Pomares. 305 Bankinter employees and their families took part in the second edition of this project, to maintain the 10,000 trees already planted.

Further, with the support of Parque Ecológico de Funchal the reforestation project in Madeira was implemented with the participation of 100 employees and their families.

Third edition of the Bankinter Solidarity Challenge. Charity sports event for the workforce in Spain and Portugal.

Partnerships with the third (or voluntary) sector

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

As a member of the United Nations Global Compact Network Spain, the Bank assumes the commitment to incorporate the ten principles into its business activities. The Entity is contributing to meeting sustainable development goals (SDGs), working on the conviction that they are important for society to evolve towards a model that is fairer and more respectful towards people and the planet.

Bankinter is a promoting partner of the Lealtad Foundation, a non-profit institution whose objective is to provide accreditation for third sector associations and foundations that comply with the nine transparency and good practice principles.

The Bank is also a leading sponsor of Forética, a leading association of companies that promotes corporate social responsibility and sustainability in Spain and Latin America. It is also a leading company in the Climate Change Cluster and plays an active role in the Forética Social Cluster.

In total, collaborations have been forged with more than 30 non-profit associations and organisations.

Measurement of social impact

To make its social management more effective, the Bank adopted the London Benchmarking Group (LBG) methodology for measuring, managing, assessing and communication the contributions, achievements and impacts of the Bank's social action on the community and the environment.

To support the work of voluntary associations, Bankinter develops products and services for charitable purposes that it makes available. It offers the Bankinter Solidarios 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.

The Bank was also involved 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".

The Bank also called the third edition of the Bankinter Portugal social projects awards to recognise and support measures that have a social impact, in which Bankinter employees work as volunteers, thereby rewarding their commitment and the time dedicated to their local community outside of work.



- Cash 83.9%
- Time 1.1%
- In-kind 1%
- Management costs 13%

In 2019, the eighth edition of the "Involvement and Solidarity" programme took place, an initiative through which ten social projects are financed, with the amount received in fees from the Bankinter Solidarios card. It involves several of the Bank's stakeholders, customers using the Bankinter Solidarios visa card and employees, who this year submitted more than 180 projects.








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


Total contribution

2.9

Millions of euros

'Three in a Row' plan for the Social dimension - 2019

Strategic lines	Objectives 2019	Level of achievement	Objectives 2020
Financial inclusion	Development of accessibility to the digital work environment		Development of accessibility to the physical and digital work environment
Advanced employee management	Definition of a diversity policy		Implementation of a training programme to fast track the digital culture. Development of programmes to foster health and safety
Bankinter Innovation Foundation	Development of the Foundation's programmes in Spain and Portugal Measurement of social impact of Foundation programmes		Development of Foundation programmes in Spain and Portugal
Volunteering	Implementation of a new online financial course 25% of staff involved in volunteering		Extend financial education programmes to all organisations
Citizens	Start up of Adaptive II project		Dissemination of the on-line platform for financial education, "Money Town"
Social footprint management	Redefinition of social footprint indicators		Evaluation of the social and economic impact of the activity
Structure	New alignment actions with the sustainable development objectives		New communication actions with the sustainable development objectives

-  Completed
-  In development
-  To be commenced

Environmental dimension



First prize in the 15th edition of the Environmental Photography Awards. José Proença - Bicicleta uma opção de futuro (the bicycle as an option for the future)

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, together with the Bank's sustainability committee, is responsible for overseeing compliance with the policy's principles and ensuring its commitment to protecting the environment.

There is also an Environmental working group, represented by the areas most involved in environmental management, that carry out the periodical monitoring of environmental indicators and the implementation and development of the environmental management system.

The environmental strategic line also includes the Climate Change Strategy, with new short-, medium- and long-term objectives, and the 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. Further, sector financing guidelines have been drawn up, based on social and environmental criteria, for certain sectors which, due to their social or environmental impact, are considered most relevant.

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. It is also a member of the CDP Water and CDP Forest Disclosure projects.

In 2019, Bankinter presented its new Climate Change Strategy, with objectives for the short-, medium- and long term.

Climate change strategy

In the challenge posed by climate change, each actor must identify their role. And while the financial sector is not a carbon-intensive industry, financial institutions play a major role in the transition to a low-emission economy.

Therefore, the Bank's responsibility to the environment does not rest so much on managing the direct impact of its activity on its surroundings (something which it has been managing for over a decade), but rather on identifying and managing its indirect impacts; i.e. those generated by applying its financing and lending policies.

Bankinter's climate change strategy has maintained a good rating in the sustainability indexes, although the Bank is aware that the expectations of its stakeholders in this regard are increasing.

In 2019, Bankinter drew up a new strategy that incorporates the recommendations of the main international initiatives in this area, based on important preliminary work, and established a roadmap and short-, medium- and long-term objectives with the areas of the Bank that are most directly involved (e.g. Risks, Investment Banking, Asset Management).

If we say it, we do it

Bankinter combats the climate crisis

We may be one of the world's most sustainable banks.

But we want more.
Continue progressing.
Even faster.

That's the only way to make real change wherever it is needed

If we say it, we do it

What have we decided to do?

01. Lead and share

We want to lead the transition towards a sustainable economy and share the achievements with our stakeholders

02. Integrate

We want to integrate climate crisis risk management in our business model

03. Market

We want to market positive-impact financial products and services geared towards a low-carbon economic model

04. Involve

We want to involve our stakeholders in every measure of our collective action plan



What are our goals?

In 2020

- To neutralise our organisational carbon footprint
- To obtain 100% of our energy from renewable sources
- To implement the TFCO recommendations
- To have specific policies for sectors with potential environmental impact
- To report on our exposure to fossil fuels
- To take part in international sustainable financing initiatives
- To broaden our range of sustainable products and services

In 2030

- To increase renewable energy finance
- To have the first climate crisis balance sheet
- To step up R&D spend to combat the climate crisis
- To have an emission calculation system for our lending and financing portfolios
- To have a proprietary accounting system that integrates environmental considerations

In 2040

- To have a fully-sustainable lending and financing portfolio



Strategy

Lead the transition to a sustainable economy to help adapt to and mitigate the effects of climate change.

Management

Include the risks of climate change into the management model.

Develop an accounting system that includes the Entity's environmental features on its balance sheet.

Business

Market financial products and services based on a low-carbon economic model.

Involvement

Participate with all our stakeholders in the group commitment to act against climate change.

As part of this strategy, over the past few years Bankinter has taken part in pilot projects to develop guidelines and methodologies to analyse the indirect impacts of the financial sector.

In Spain, Bankinter headed up a project with Natural Capital Coalition. Its objective was to develop a specific guide for the financial sector that facilitates the identification and management of impacts on natural capital.

The Bank is also working on the SBTi (Science Based Targets Initiative) on defining a science-based methodology to establish emission reduction targets in the financial sector.

In anticipation of the new Climate Change Act, an analysis has been made of 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 risks and opportunities relating to climate change in the short, medium and long term.

In 2019, Bankinter committed to including the TCFD recommendations in its business model and drew up a road map for this purpose. Further, a sustainable finances work group was created to address future EU regulatory requirements.

Implementation of TCFD recommendations on climate change			
Area	Recommendations	Implemented	Next actions
Governance	<ul style="list-style-type: none"> Include the assessment and supervision of climate risks in governance processes Describe the board's oversight Ensure the governance processes to review published information are similar to those used for existing financial reporting 	<ul style="list-style-type: none"> Included in the sustainability policy approved by the board of directors. Presentation of the climate change strategy by sustainability committee to the board of directors, which approved it Regular monitoring of the implementation of the strategy by the sustainability committee and the board of directors The Non-Financial Reporting Statement, which includes information on climate change, is prepared by the board of directors and verified by an independent external auditor 	<ul style="list-style-type: none"> Creation of the sustainable finances work group, which will report to the sustainability committee Regular monitoring of the implementation of the strategy and the objectives achieved
Strategy	<ul style="list-style-type: none"> Describe the climate-related risks and opportunities of the organisation Describe the impact of climate-related risks and opportunities on the organisation's business strategy and financial planning Describe the resilience of the organisation's strategy in different climate scenarios 	<ul style="list-style-type: none"> Identification of climate-related risks and opportunities in the strategy Main short-, medium- and long-term objectives have been established in the climate change strategy 	<ul style="list-style-type: none"> Development of opportunities identified: new products and sustainable services Monitoring of the objectives achieved with the areas involved Analysis of different climate scenarios
Risk management and opportunities	<ul style="list-style-type: none"> Describe the organisation's processes for identifying and assessing climate-related risks Describe the organisation's processes for managing climate-related risks Describe how these processes are integrated into the organisation's overall risk management. Describe how the organisation identifies new climate-related business opportunities 	<ul style="list-style-type: none"> Implementation of sector ESG policies Adherence to the Equator Principles Sector policies and sustainability principles in the risk framework agreement Work meetings with business units 	<ul style="list-style-type: none"> Include climate-related risks in the risk map Development of processes to manage climate-related risks Extend sector policies to other industries Creation of the sustainable finances work group
Metrics and targets	<ul style="list-style-type: none"> Disclose the metrics used by the organisation to manage climate-related risks and opportunities Disclose Scope 1, Scope 2, and if appropriate Scope 3 greenhouse gas emissions Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets 	<ul style="list-style-type: none"> Scope 1, 2 and 3 (partial) emissions disclosed and independently verified Main short-, medium- and long-term objectives established in the climate change strategy 	<ul style="list-style-type: none"> Implement standard methodology to calculate all scope 3 emissions Disclose the achievement of targets to stakeholders.

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 2019, 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, according to 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 2018) with the Carbon Footprint Registry of the Ministry of the Environment. Bankinter also offset its annual direct emissions from its operations in Spain and Portugal in 2018 through the Cero CO2 initiative of Fundación Ecología y Desarrollo ('Ecology and Development Foundation') in the 'Amazon Conservation' project in Madre de Dios, Peru.

It should be noted that 100% of the electricity consumed by Bankinter's installations in Spain is green energy with guarantees of source measured in 2018. This has led to a significant reduction in scope 2 emissions levels.

Direct CO₂ emissions (Tn)

	2019	2018
Gas/Diesel/Gases	1,081	1,094
Total/employee	0.18	0.20

* The scope of this information is the banking business of Bankinter Group (including EVO and Avantcard since their inclusion in June 2019)

* OECC emission factors, carbon footprint registry, offset and carbon dioxide absorption projects (Version 12 - April 2019)

Induced CO₂ emissions (Tn)

	2019	2018
Business travel	3,368	3,534
Business trips	6,261	6,093
Water	16	17
Paper	370	60
Toner	33	31
Waste	5	4
Computer equipment	879	883
Furniture	76	77
Customer electricity consumption	1,054	339
Cleaning products	3	4
Maintenance supplier travel	14	9
Total	12,079	11,050
Total/employee	1.99	1.97

* The scope of this information is the Bankinter Group (including EVO and Avantcard since their inclusion in June 2019)

* 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 customers to the Bankinter website, the average duration of these and the average consumption of a computer.

* OECC emission factors, carbon footprint registry, offset and carbon dioxide absorption projects (Version 12 - April 2019) / SIMAPRO (Ecoinvent System Processes)

Total CO₂ emissions (Tn)

	2019	2018
Total emissions	14,634	17,715
Total/employee	2.41	3.16

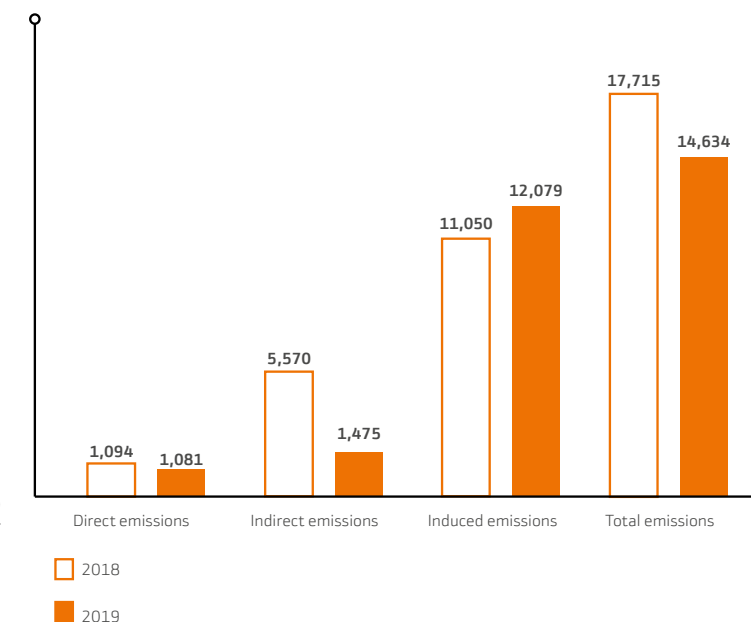
Indirect CO₂ emissions (Tn)

	2019	2018
Electricity	1,475	5,570
Total/employee	0.24	0.99

* The scope of this information is the banking business of Bankinter Group (including EVO and Avantcard since their inclusion in June 2019)

* OECC emission factors, carbon footprint registry, offset and carbon dioxide absorption projects (Version 12 - April 2019)

Emissions (T CO₂)



Eco-efficiency and sustainable resource usage indicators

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 consumption, and hence its carbon footprint.

Indirect energy consumption by the Bank is from electricity consumption. This is the main source of energy used by Bankinter and its consumption has gradually been reduced in recent years as a result of the efficiency measures adopted (renewal of equipment to increase efficiency, replacement of traditional lighting with LED, systems for the remote management of consumption, etc.).

Bankinter acquires paper according to strict environmental criteria. It is 100% recycled (in Spain and Portugal) and bears the Blue Angel and Nordic Swan ecolabels.

To reduce 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 customers can carry out operations with a digital signature.

Another important milestone was the digitalisation of the recruitment process. In addition to the digital signature of contracts,

Energy Consumption (GJ)

	2019	2018	Change
Electricity	95,363	94,985	0.40%
Diesel	2,837	1,823	55.67%
Natural gas	8,751	9,330	-6.2%
Total	106,951	106,138	0.77%
Total/employee	17.60	18.94	-7.08%

* The scope of this information is the banking business of Bankinter Group (including Spain, Portugal, Luxembourg, and EVO and Avantcard since their inclusion)

* When all consumer bills for the year are not available when the information is collected, an annual figure based on 365 days is obtained to establish the data for the full year.

Water consumption (m³)

	2019	2018	Change
Total	48,758	52,077	-6.37%
Total/employee	8.02	9.29	-13.66%

* The scope of this information is the banking business of Bankinter Group (including Spain, Portugal, Luxembourg, and EVO and Avantcard since their inclusion) * The calculation of water consumption in the branch network is estimated by extrapolating the ratio per employee of a sample of branches with independent and non-community water meters.

Paper consumption (Tn)

	2019	2018	Change
Total	488	457	6.7%
% recycled A4 and A3	86.92	100.0	-13.08%
Total/employee	0.08	0.08	-1.6%

* The scope of this information is the banking business of Bankinter Group (including Spain, Portugal, Luxembourg, and EVO and Avantcard since their inclusion)

* Paper consumption data refer to the consumption of DIN A4, DIN A3 and envelopes.

all the documents associated with each employee now forms part of a personal digital archive, thereby reducing paper requirements.

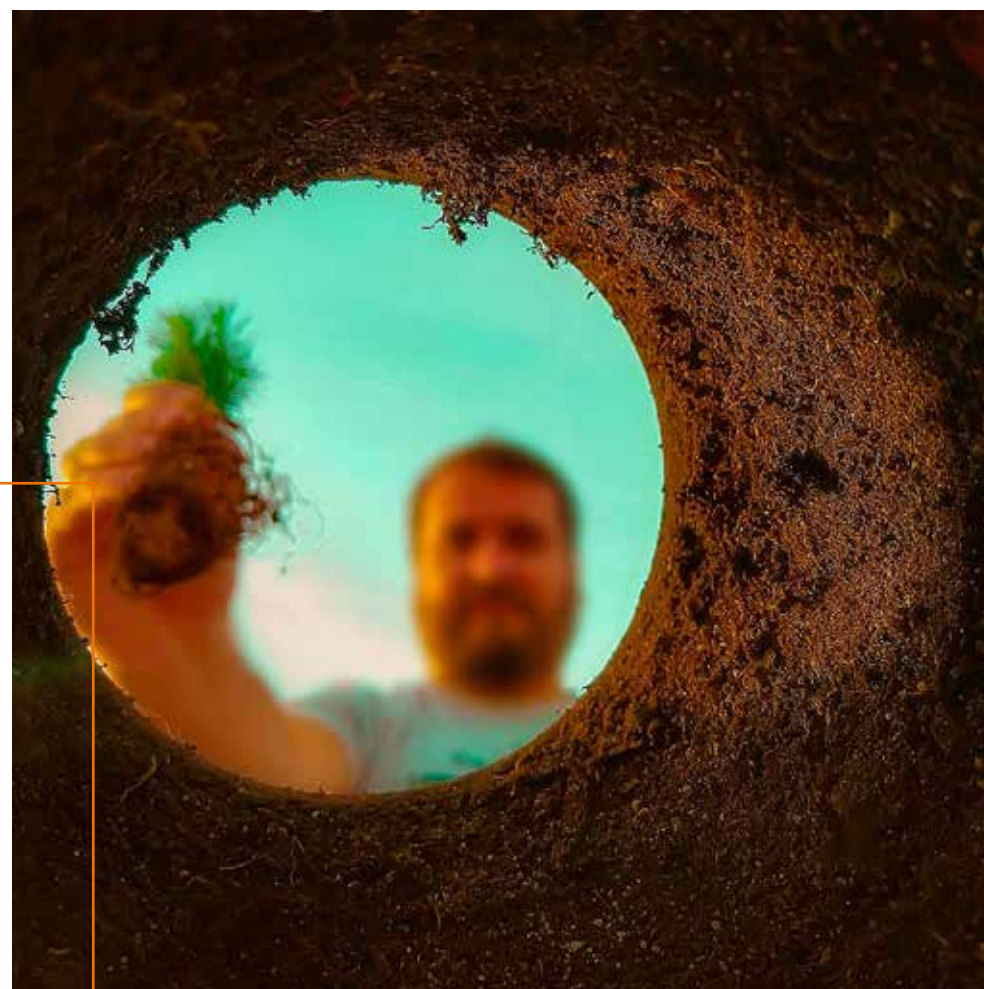
In 2019, customer information campaigns were continued to replace paper statements with the web correspondence model.

As the Bankinter Group has certified environmental management systems, waste management at its buildings and offices is highly controlled and all corresponding documents and monitoring indicators are kept up to date. The most significant waste produced due to office activities is as follows:

Waste management (kg)			
	2019	2018	Change
Paper and cardboard	159,070	189,025	-15.85%
Toner	1,436	401	257.88%
Electronic equipment	35,549	21,244	67.34%

* The scope of this information is the banking business of Bankinter Group (including Spain, Portugal, Luxembourg, and EVO and Avantcard since their inclusion)

* The increase in toner waste in 2019 is due to the change in the management methodology to withdraw toners that had accumulated



Second prize in the fifteenth edition of the Environmental Photography Awards. Raquel Carmona Borralló - Devuelve vida (Giving back life)

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 in 2019 to include the new building in Barcelona.

This system current includes the Entity's four singular buildings in Madrid (Paseo de la Castellana, Tres Cantos, the two buildings in Alcobendas), the building in Barcelona, and the sustainable office in Madrid, which implies that 44% of the Bank's workforce is covered by this environmental certification. The Internal Audit team participated in the annual verification process.

Portugal too has a certified environmental management system, the scope of which includes the headquarters in Marqués de Pombal and the Torre Oriente building, both in Lisbon, and covers 47% of the workforce.

In its Annual Programme of Environmental Management, 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.

Objective 1: Reduce direct emissions (Spain)

What did we do in 2019?

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

KPI	2019	2019 Target	2020 Target
Tonne CO ₂ e / employee	0.18	✓ (-1%)	(-1%)

* Direct emissions have been reduced by 210 tonnes per employee in Spain.

Objective 2: Reduce electricity consumption (Spain)

What did we do in 2019?

Projects to replace old with more efficient equipment Improvements in automation and consumption control in new buildings.

KPI	2019	2019 Target	2020 Target
MWh / employee	4.65	✓ (-2%)	(-2%)

* Electricity consumption has been reduced by 3.53% per employee in Spain.

In Portugal, an environmental sustainability action plan to 2030 was launched, with 19 initiatives in the areas of energy, mobility, water, the circular economy, citizen involvement and extending the ISO 14001 certification. This programme is part of the package of measures contained in the Lisbon Climate Agenda for 2030 and the commitments deriving from Lisbon's status as the green capital of Europe 2020.

Targets have also been set to reduce employee consumption of electricity (1%) and paper (7%) for 2020.

Objective 3: Reduce our indirect emissions

What did we do in 2019?

Green energy purchases. Promotion of alternative communication platforms (conference calls for internal meetings, video calls with customers), awareness campaigns, good environmental practices, etc.

KPI	2019	2019 Target	2020 Target
Tonne CO ₂ e / employee	0	✓ (-1%)	Continue to purchase green energy.

* Since June 2018 all electric energy consumed in Spain is green energy, with a guarantee of source. Therefore, indirect emissions are zero.

Objective 4: Offset our direct emissions

What did we do in 2019?

Bankinter has offset its 2018 direct annual emissions and those of the sustainable branch by participating in the 'Conservation of the Amazon in Madre de Dios in Peru' project as part of the Ecology and Development Foundation's Zero CO₂ initiative.

KPI	2019	2019 Target	2020 Target
Tonne CO ₂ offset	1,067	✓ Direct emissions	Carbon neutrality

Objective 5: Reduce paper consumption

What did we do in 2019?

Awareness campaigns and good environmental practices, web-mail campaigns for customers, implementation of user access for printers.

KPI	2019	2019 Target	2020 Target
Tonne of paper / employee	0.08	× (-2%)	(-2%)

*Paper consumption has increase by 3% 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 the Annual Report, Bankinter has a finance sector blog, with a specific category dedicated to news on sustainability, which is broadcast through the Bank's social networks.

In 2019, the main awareness-raising actions included:

- **Bankinter's 2020 calendar** with the dissemination of SDGs and the projects being carried out by the Bank to comply with these goals.
- **15th edition of Environmental Photography Prize.** Held in 2019 under the slogan "What can you do to stop climate change?" and attracted entries from employees from Spain, Portugal and Luxembourg.
- **Support for the Earth Hour campaign,** a WWF initiative to reduce CO₂ emissions. To support the campaign, the lighting of all the Bank's properties was turned off and different devices were disconnected. The participation of employees and customers was also encouraged.




- **Eco-efficiency prize in Bankinter Portugal,** a competition where employees suggest their ideas for internal eco-efficiency.




As leader of Forética Climate Change Cluster, formed by more than 50 companies from different sectors, in 2019 the group worked on the transformation to a low-carbon economy.

Third prize in the fifteenth edition of the Environmental Photography Awards. Mireia Romero Pascual - Playas limpias (clean beaches)



'Three in a Row' plan for the Environmental dimension - 2018

Strategic lines	Objectives 2019	Level of achievement	Objectives 2020
Climate change strategy	Define the new climate change strategy Adherence to other international initiatives (TCFD)		Neutralising the carbon footprint, ranges 1 and 2 Implementation of the climate change strategy
Environmental management system.	Extension of the scope of the Environmental Management System. Improvement of eco-efficiency per employee indicators (2%)		Extension of the scope of the Environmental Management System. Improvement of eco-efficiency per employee (2%)
Communication and training	Environment awareness-raising and communication campaign. New alignment actions with the sustainable development objectives.		New communication actions with the sustainable development objectives

-  Completed
-  In development
-  To be commenced

INDIVIDUALS

2019 INTEGRATED ANNUAL
REPORT

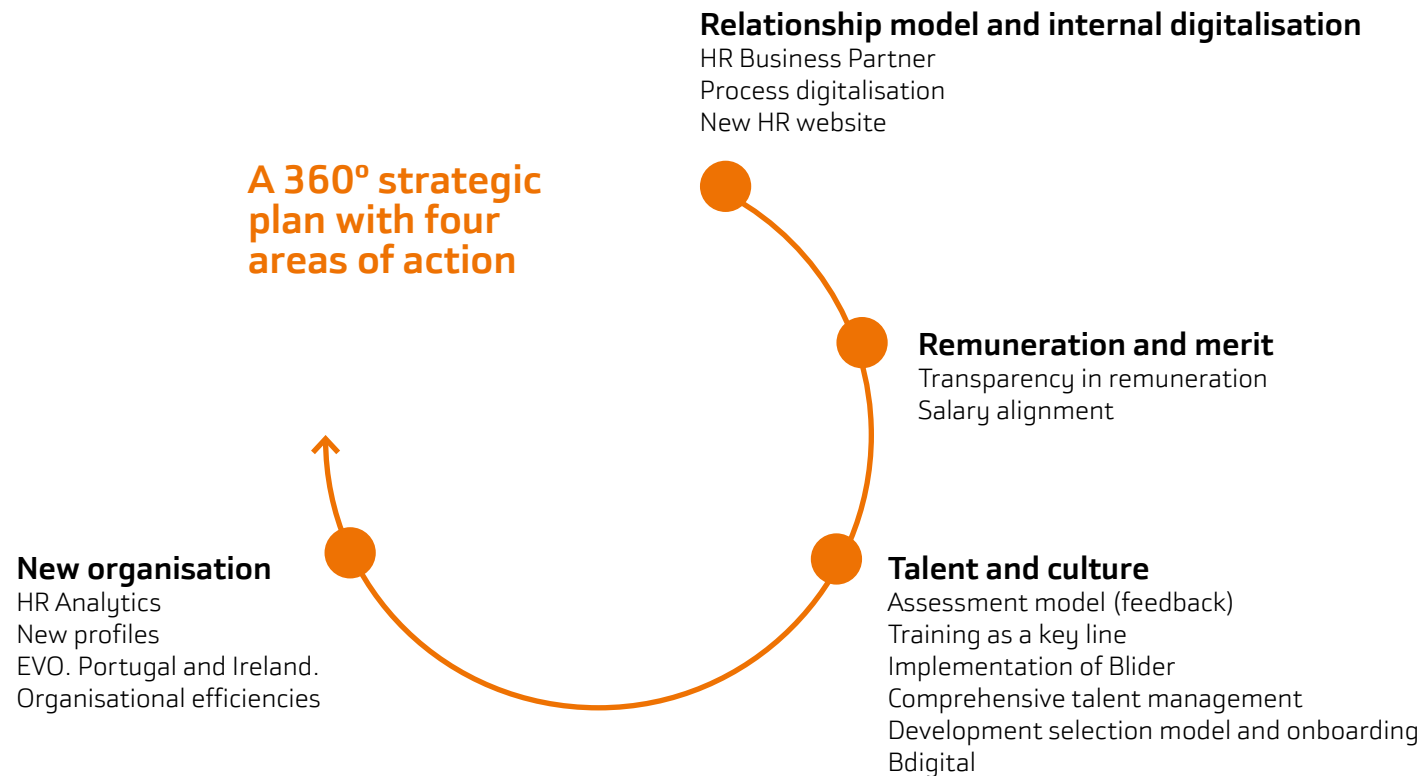


Individuals

A true cultural transformation.

In 2019, the Bank implemented improvements in the development of new skills and the talent required to address future challenges, with the aim of moving towards a real cultural transformation in structures and in the way of working. During the year, we saw the results of a relationship model that is much closer to the employee and to business, thanks to the HR business partner and the digitalisation of several internal processes, which allow us to offer a more efficient and faster service.

In this way, we are consolidating our HR strategy plan in four areas.



Training and talent

In 2019, a full annual training plan was implemented to help develop the knowledge, skills and abilities of the Bank's workforce, and create culture. The plan had four main areas of action:

1. Regulatory compliance. The increasing regulatory requirements were addressed. To comply with EU directive MIFID II a training programme in providing financial advisory services for customers was developed, leading to 98% of the people requiring this certification having an updated version. Training was also given in relations to the Insurance Mediation Law, with an attendance rate of 97%. The first steps were also taken to address the new Real Estate Credit Act, through the accreditation of 140 supervisors and the start of a training plan for 2,500 employees.

2. Rollout of the BLíder programme. Started in late 2017, the programme reached maturity in 2019 as a sound leadership development and cultural transformation tool, involving 830 HR managers. Based on 360° feedback, the participants designed an individual development plan (through workshops, coaching, monitoring, etc.) to reach their highest leadership potential.

3. Launch of the Bdigital. This programme is designed to promote the digital culture in the commercial network. In 2019, a pilot scheme was launched involving 1,037 people, to test the project's different initiatives and ensure the success of the full rollout in 2020. The programme starts

with a digital maturity test, followed by different customised training courses to develop knowledge and skills in this area. It is supported by 51 digital ambassadors, tasked with fostering digitalisation in their area and helping branches to define and monitor action plans.

4. Implementation of a new comprehensive talent management model. This defines the critical positions in the Bank and a succession plan for each one. After the first pilot involving 450 people, it was deployed to the whole commercial network, i.e. an additional 700 people. This establishes the talent maps for all the organisation's directors, sales force and branch/centre staff, and a succession pool for the posts of sales director and branch/centre manager.

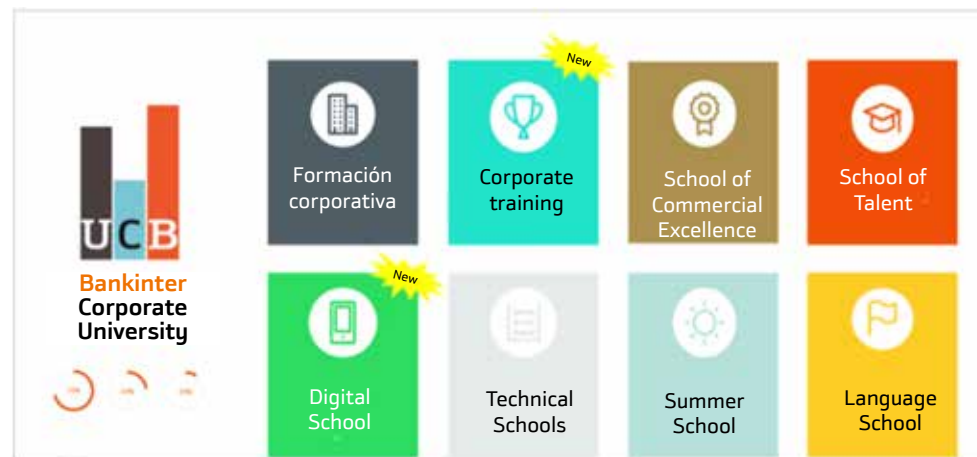
In 2019, as in other years, the performance of Bank employees was assessed as part of the BKcrece programme, the main objective of which is to help drive their development, measuring their performance and contribution, identifying their strengths and areas of improvement, and providing quality feedback. During the year, 99.7% of the staff in Spain received a performance assessment and 85% of personnel managers were subject to a bottom-up assessment.

One of the main lines of Bankinter's training activity is the Corporate University, which puts forward the 70-20-10 learning model (in which 70% is learned from experience and self-development, 20% through interaction with colleagues and managers and the remaining 10% through structured, formal

training). Through this model, learning and self-development come from the proactive stance and responsibility of each employee.

The Corporate University is divided into eight schools:

In addition to the wide range of training, with 500 courses offered, the virtual campus provides other activities. In 2019, more than 300,000 training hours were provided, 66% of which were online. 99% of professionals received training over the year, with an average of 65 hours per employee. The NPS (satisfaction index) was 58% (moving annual average).



Selection

In 2019, the Selection area developed the transformation process associated with new technologies and the speed of change in business processes. The Bank continued to search for young talent and particularly professionals specialised in sciences, essential in the current 'data age', with the start up of four young talent programmes to find junior profiles in the areas of Private Banking, Consumer Finance, Data Management or Technology.

One line of work centred on the way of approaching talent, with the aim of involving specific groups of candidates, both active and passive, in a more compelling, transparent way, and with a consistent brand message reflecting our essence and adapted to our target audience.

Another action line involved the process for hiring the candidate and welcoming the new employee (onboarding), to support new professionals during this important change in their employment path and integration into a new culture and human team. The Bank also continue to look to internal talent. In 2019, 23.1% of all selection processes were internal, thereby strengthening its ability to adapt and the culture of continuous learning.

Health plan

In 2019, Bankinter developed initiatives to look after its employees and promote a healthier life style. As part of its health and well-being programme, the 'Bankinter, here to help' project was rolled out. This is an innovative digital programme, accessible to all employees, that offers comprehensive welfare solutions through different content, tools and expert advice (flexible training routines, food plans, emotional well-being techniques, etc.).

Further, the traditional health week included dynamic and current activities, addressing all types of well-being (physical, nutritional and emotional). Workshops were run by experts in these subjects and carried out at various centres to reach the widest number of employees possible. Highlights included showcooking, relaxation techniques and heart health.



Corporate benefits

Bankinter offers social benefits that go beyond legal requirements and apply to all employees. The main benefits are:

- Training for employees.
- Assistance in the education of employees' children.
- Medical insurance.
- Life insurance.
- Accident insurance.
- Advances on monthly salaries (those included in the banking sector collective bargaining agreement for the purchase of a computer, to pay for total immersion language courses abroad, or postgraduate studies relating to the employee's professional activity).
- Banking products and services with special conditions for employees, such as mortgage loans (including novation), both ordinary loans and building loans; review of interest rates on mortgage loans, loans aimed at primary residence buyers and other loans.
- Meal subsidies, depending on their working hours, which can be taken as an addition to salary or in the form of restaurant vouchers.

Another benefit offered by the Bank is a flexible remuneration system, whereby employees can partially substitute their fixed monetary remuneration for certain goods and services (remuneration in kind) such as nursery vouchers, shares, medical insurance, training, pension plan contributions, travels card or restaurant cards.

In this way, employee remuneration increases in two ways: through the Bank's bargaining power to get the best price possible for goods and services included in the system and through the tax advantages offered by certain products arranged through this system. Currently 59% of employees use this flexible remuneration tool.

Pension schemes

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

- Supplementary cover additional to the benefits paid by Social Security for widowhood, orphanhood, permanent occupational disability, absolute permanent disability or severe disability. It is provided for the entire workforce.
- Coverage of pension commitments for employees in service since before 1 March 1980, as established in the sector collective bargaining agreement.
- Annual contribution of 450 euros to the pension plan of all employees, under the provisions of the banking collective agreement, who have more than two years' service in the industry and whose pension commitments are not covered by any other scheme.

Bankinter is also a member of the Employee Family Plan. This programme, promoted by the Adecco Foundation, provides a variety of types of assistance to employees with disabilities and/or family members in a similar situation so they can achieve real labour market and social integration or perform other activities, including leisure-related.

Total remuneration

Since 2018, Bankinter has had a total remuneration platform that allows employees to consult all the updated elements that form part of their pay package: fixed remuneration, variable remuneration, benefits and emotional compensation (i.e., the benefits offered by the Bank as salary supplements for employees, to cover their personal, family and professional needs, improve their quality of life and ensure a work-life balance).

APPENDIX

2019 INTEGRATED ANNUAL
REPORT



Information for shareholders and investors

The Bankinter, S.A. Annual Report is presented at the Annual General Shareholders' Meeting and is available to all shareholders of the Company. The information contained includes the period from 1 January 2019 to 31 December 2019, unless otherwise specified. The previous report, referring to the year 2018, was published on 20 February 2019.

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 according to 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

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Email: ofiaccionista@bankinter.com

Investor relations

Alfonso Alfaro Llovera
David López Finistrosa
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28046 Madrid
Tel.: 91 339 75 00
Email:
Investor_Relations@bankinter.com

Customer service

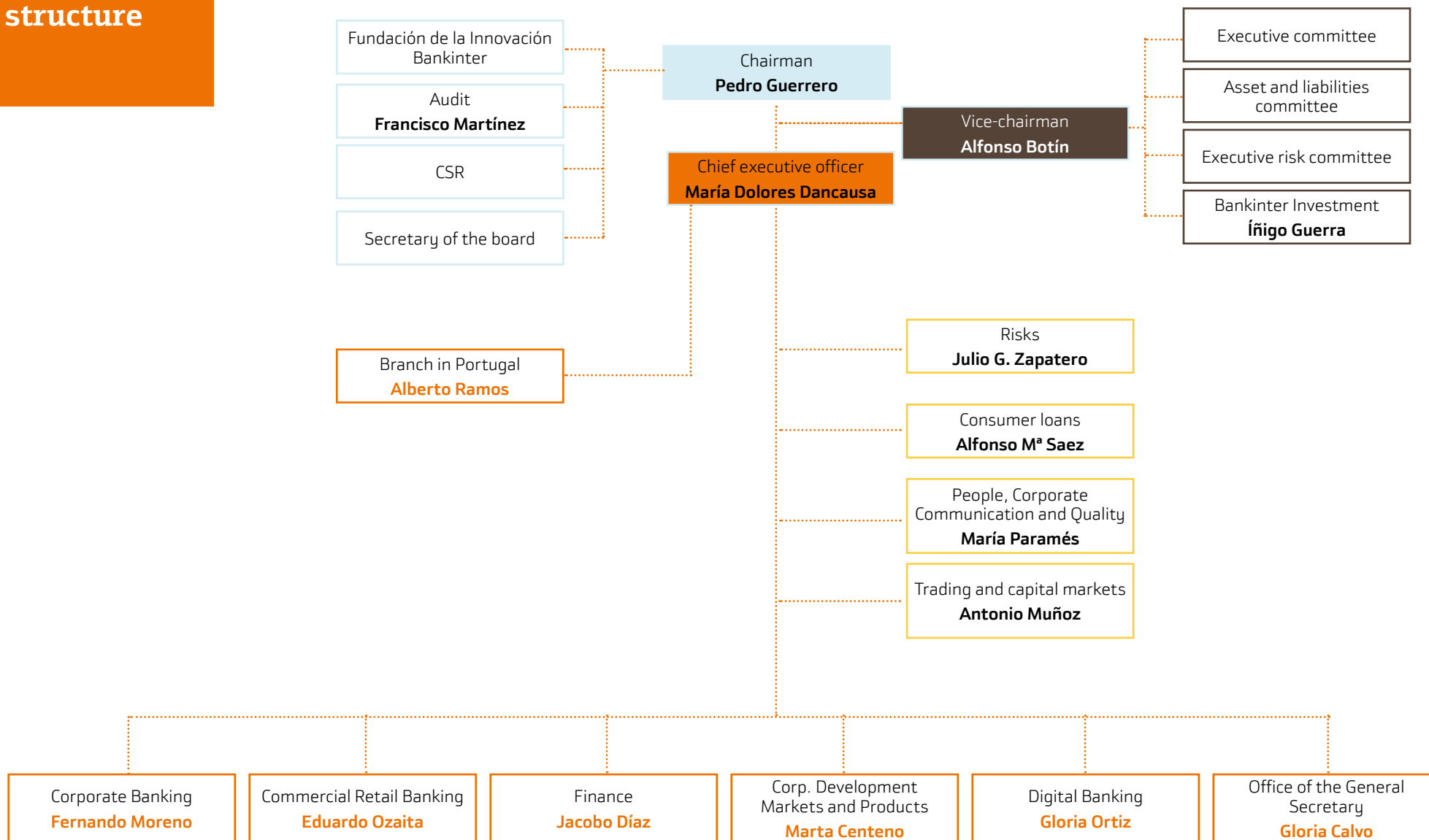
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incidencias_sac.bankinter@bankinter.com

Corporate communication

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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 Monday to Saturday (except bank holidays)	
Individual Retail Banking	9.00 to 18.00 Monday to Friday (except bank holidays)	902 132 313
Insurance Specialists / Commercial Insurance	9.00 to 18.00 Monday to Friday (except bank holidays)	
Asset Specialists	9.00 to 18.00 Monday to Friday (except bank holidays)	901 810 440
Assistance in English	9.00 to 18.00 Monday to Friday (except bank holidays)	902 888 835
Customer Service support	9.00 to 18.00 Monday to Friday (except bank holidays)	900 802 081
Technical web assistance (particulares.com)	8.00 to 22.00 Monday to Friday and Saturdays 9.00 to 15.00 (except bank holidays)	902 365 563
Investment and Stock Exchange Specialists	8.00 to 22.00 Monday to Friday (including bank holidays if markets are operating)	902 131 114
International Business Specialists	8.00 to 17.00 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 Monday to Friday (except bank holidays)	bankinter.com

Management structure



Board of Directors

Charge	Name / Company name
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
Director	Álvaro Álvarez-Alonso Plaza
Director	María Luisa Jordá Castro
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.

Organisation Managers

Juan Carlos Barbero Maeso	Andalusia
Juan Manuel Castaño Escudero	Canary Islands
Jacobo Cañellas Colmenares	Castile-La Mancha and Extremadura
Eduard Gallart Sulla	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	Navarra, Aragon, Rioja and Soria
Joaquín Da Silva Castaño	Northwest
Juan Manuel Astigarraga Capa	North

