

## Interview with the CEO, María Dolores Dancausa

**How would you describe the year 2014? What were the milestones for Bankinter?**

Without a doubt, 2014 was an extraordinary year. Nearly all the parameters used to measure the Bank's success were very positive: the various revenue headings, which were the best in its history; the cost/income efficiency, in other words the ability to convert those revenues into operating profit; and the risk selection and monitoring policies, thanks to which Bankinter has the lowest proportion of non-performing loans of any bank in Spain, and in the case of our insurance subsidiary Línea Directa Aseguradora, the company with the lowest claim rate in the motor insurance sector.

As a result of all the above, in 2014 Bankinter obtained the biggest recurring profit in its fifty years of existence. And it is precisely these levels of profit that make possible, with the regulator's permission, an attractive dividend pay-out, which in turn led to the stock's gaining 34% against the previous year, as the Chairman has pointed out in his letter in this annual report.

However, in addition to these highly visible results, there are many other factors which

tend to go unnoticed but are no less important. Since they form part of the foundations, they are extraordinarily important.

Among them I would point to the professionalism and good work of the Group's employees, who with their talent, initiatives and hard work contribute day after day to the Bank's success.

I would also highlight the investments in technology, aimed at giving employees the best tools to help them be efficient in their dealings with customers, and at giving customers the best tools for operating with the Bank online, in self-service mode, at any time and from anywhere, without the need for physical presence in our offices.

I should also stress the high degree of solvency and the comfortable levels of capital, as was made plain in the tests which the banking authorities conducted on nearly all European institutions in the second half of 2014.

In short, this past year could hardly have been more satisfactory. Bankinter is reaping the fruits of a long record of good management and responsible banking practices, consolidating



itself as one of the most solvent institutions and one of the best placed to face the future.

The most significant milestones of the year are closely related to these points I have just mentioned. Even so, and at the risk of being redundant, it is worth emphasising:

- the "what?", which are the results in themselves.
- the "how?", i.e. the way they were obtained, centred on the various financial services provided to customers in the world of banking and insurance, and much less dependent on financial transactions, which are always more irregular and unlikely to be recurrent.
- the "supported by what?", which relates to the Bank's rigorous risk selection, the quality of the assets on its balance sheet and the capabilities and talent of its professionals.
- And finally "for what?", which has to do with the aim of offering a fair return on the shareholders' investment and greater stability and job satisfaction for all the human teams that contribute to building Bankinter and its group of companies day after day. And of course with the ultimate goal of providing a valuable service to society and setting an example of good citizenship.

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#### Which business areas performed best?

It was a very positive year for practically all the business lines, but to answer the question, I would highlight the performance of Private Banking, Corporate Banking, and Personal Insurance, the latter centred mainly on the activity of Línea Directa Aseguradora. These are three major segments which have reached a high degree of maturity and which constitute the three pillars on which the Group is being built.

Starting with the first one, Private Banking, assets under management increased by 26% in 2014, to reach €23.1 billion. And as far as SICAVs are concerned, there are now 383 companies managed by Bankinter. There is only one bank with more SICAVs, and Bankinter's market share is nearly 12%, about four times what one would expect based on its relative size.

As for the Corporate segment, the net balance of corporate lending increased by 6.7%. So the widespread complaint that "lending has dried up" absolutely does not apply to Bankinter. Furthermore, we have consolidated a very close-up and highly profitable customer relationship model, which demonstrates the Bank's determination to continue to support the Spanish business community.

And Línea Directa, the Home and Motor insurance subsidiary, had the best insurance margin in the auto sector, 12.1%, thanks to an unbeatable claims ratio of 68.6% and an operating expense ratio of 19.3%. This margin, plus the financial income produced by its well endowed treasury led to a pre-tax profit of €133.9 million. This too is the best result in its history.

#### What changes will come with the new European banking supervisor?

I'm an unconditional supporter of European unity, because I believe that united we can do much more than we can separately. And out of this sometimes exasperatingly slow process of union, two transcendental events nonetheless stand out, despite all their imperfections, as having given an enormous push to the process of unity: the first being the single currency, the euro, in 1998, and the second being Banking

Union, achieved in 2014. Both initiatives in the monetary and financial areas. It is here that the Member States, although unfortunately not all, have ceded sovereignty. It is desirable for there to be other initiatives for more ceding of sovereignty in areas such as taxation for example, which would make us all stronger.

Having made this general assessment, credit has to be given to the new European banking supervisor for eliminating distinctions. Those odious distinctions that were being made in the markets until now based on banks' nationality. From now on, all European banks will be measured using the same criteria, which will be an advantage for Bankinter and for the other Spanish financial institutions that have done what was needed to clean up their balance sheets and strengthen their solvency and their liquidity position.

This greater integration in the European space will give Bankinter more visibility and recognition, and above all it places it on an equal footing with other European banks. Bankinter in fact can hold its head up high, be proud of the work it has done, and regard itself as an equal to these other banks.

Of course, the new supervisor implies a significant effort to adapt to the new requirements. More requirements in matters relating to levels of

capitalisation; in the levels of information reported to the regulator; in policies relating to risk management; transparency; rules of good governance, etc. New rules which we gladly accept, because they are the same for all and Bankinter is fully able to comply along with the best of them.

#### What are your expectations for 2015?

If the large number of uncertainties seen in the first few days of 2015 allow, it will be a great year. The foundations for it are in place. The Bank has several business lines that are fully mature and will continue to be in full force throughout 2015. They are the segments already mentioned:

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Private Banking and Corporate Banking and the insurance business of Linea Directa.

To these we must add two more business lines which, although they are not new, were relaunched in 2014 and in which we are making significant investments to “re-invent” them. The first of these is the Personal Banking segment, catering to medium-high income customers who, while not having the same requirements or assets as those of Private Banking, nonetheless require special attention. And the second one is the Consumer Finance segment, which was given a new boost in 2014, with a new management team and a new strategy. Both businesses will start to produce returns in 2015.

At the same time, the mature segments are being strengthened with greater investments. For example, Corporate Banking has been strengthened with new products and services designed for companies with sources of revenue or operations abroad; Private Banking is being strengthened with the Luxembourg office, to which we are also giving a new boost. And so on and so forth.

However, as I said a few lines above, Bankinter is not immune to the external environment, and cannot help being affected by certain external factors. So for that reason it is to be hoped that

common sense, intelligence and caution, but also courage and determination, will prevail in the national and European dilemmas we have before us. If they do, we have a great year of success before us, because insofar as it depends on us we will not fail.

**Where do you see Bankinter and the banking business in fifty years' time?**

Whenever I've had the chance I've always stressed the fact that companies like Bankinter which manage to reach fifty years of continuous and independent existence have a very good chance of becoming centenarians. So in one sense what we will have in fifty years' time is something obvious: a one-hundred-year-old bank; but as well as being a hundred years old, a solid, solvent bank which will stand as an example thanks to its customer relations, the commitment and motivation of its employees and its rigorous compliance with standards and rules issued by the regulatory authorities .

In the next fifty years the dynamics of change will be greater, much greater, than in the last five decades. And yet there will be other things that will change very little, or not at all. For that reason it is a good idea to separate those aspects that were valid fifty years ago, that are still valid today, and that will possibly still be valid in fifty years' time, from those that are going to undergo dizzying changes.

Among those that will clearly change are the means of carrying on the business of banking intermediation. The global spread of knowledge and information has only just begun. For that reason all activities based on having singular knowledge or information are bound to disappear. Any deal relying on having privileged information, in the positive sense of the term, would have no support on which to rely.

Therefore, the world of banking will have smaller margins, compensated by greater volumes and above all greater efficiency. It will be a world of banking in which survival is based on being much more efficient than the competitors.

And banks will have to learn to compete with another series of players, not necessarily from the finance sector, who will have no qualms about using their size, their global spread and their exhaustive knowledge of their customers' needs, going beyond the merely financial, to try to prise the financial business away from the traditional banks.

One factor that will presumably not change is society's requirement for capital to drive its economic activity; in other words the raw material used will not change; trust will continue to be the basis of relations between every customer and his or her financial institution, and rigorous adherence to the principles that have never ceased to apply will continue to be

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imperative. It will therefore be easy to observe that the companies doing best in fifty years' time will be those holding true to the principles of integrity, honesty and sincerity just as they did fifty years earlier.