results

Summary of results

- Bankinter achieved a pre-crisis level of results, with a net profit of €276 million, up by 45.3% on 2013.
- The bank has doubled its profitability in just two years, achieving a ROE of 8.3%, one of the highest in the Spanish financial sector.
- 2014 was a turning point in the balance of problematic assets, being the first year to record a net reduction.

The most profitable and solvent bank. The Bankinter Group ended 2014 as one of the best capitalised and profitable institutions in the Spanish financial system, as demonstrated by the EBB stress tests, which placed Bankinter as the most solvent listed Spanish bank and one of the best in Europe, and as endorsed by the results achieved for the whole year.

In 2014, the Group obtained a net profit of €275.9 million, and a pre-tax profit of €392.8 million. These are the Bank's best results in the last seven years, returning to pre-crisis levels in terms of both amount and recurrence.

Before carrying out the required comparison with 2013, it is important to note that, pursuant to the retroactive coming into effect of the new international accounting standard on levies (IFRIC 21), the ordinary and extraordinary contributions made to the Deposit Guarantee Fund in 2013 and 2014 have been recognised in advance. This involves restating the financial statements published for 2013 for purposes of comparison.

Taking into account this new standard, the Bank's net profit was up by 45.3% on the adjusted results for 2013 (€189.9 million as against the €215.4 million published at the time). Profit before tax for 2014 was 50.5% up on the readjusted figure for 2013 (€261.1 million as against the €297.6 million published at the time).

Without taking this standard into account, and comparing with the results for 2013 published at the time, the increase in the Bankinter Group's net income and profit before tax would be 28.1% and 32% respectively.

Irrespective of the basis of comparison, Bankinter obtained solid results in 2014, based on growth in income from typical customer business, which was up by 8.2% on the previous year, thus compensating for the fall in income from financial transactions.

> **"These are the best results returned by the bank in the last seven years, with sound growth in every margin thanks to the improvement in typical client-banking business."**

A turning point in quality and solvency. 2014 was also a turning point in the balance of problematic assets, being the first year to record a net reduction. As a result, the Bank's NPL ratio in December stood at 4.72%, in comparison with 4.98% one year earlier. This figure is well below the sector average, which stood at 12.75% in November. At the same time, the sum of net additions to NPLs and bad debts continues to decline, with a consequent reduction in the allocation to provisions.

The good quality of the Bank's assets, at the highest level in the sector, is accompanied by reinforced solvency, capable of withstanding adverse scenarios as shown in the European stress tests. Bankinter ended the year with a CET 1 capital ratio of 11.87% in accordance with Basel III criteria. The figure would have reached 12.06% if the new accounting principle had not been retroactively applied. The fully loaded CET 1 capital ratio stood at 11.5% in December, one of the highest in the sector.

Similarly, it is important to note that Bankinter has a comfortable, balanced maturities structure, free of concentrations, with €1.2 billion maturing in 2015 and €1.4 billion in 2016. To meet them, the Bank has €6.1 billion in liquid assets, and the capacity to issue mortgage-backed bonds for up to €5.3 billion.

As regards its financing structure, the Bank has succeeded in improving it, with a deposits to loan ratio of 78.3%, compared with 76.5% one year previously, and a funding gap down by €1.5 billion relative to year-end 2013.

Growth in all margins. The positive results posted by the Bankinter Group for 2014 are based on typical banking business, not on returns from its fixed-income securities portfolio, and they show an improvement in all margins.

The interest margin grew constantly throughout the year and also in comparison with previous years. For the year to 31 December 2014 it reached €755.4 million, up by 18.8% on the previous year. This sustained growth is based on the healthy evolution of the customer margin, which has improved over the year by 45 basis points as a result of the continued reduction of costs in resources.

The gross margin came to €1.45 billion, 8.2% up on the previous year, largely as a result of the satisfactory trend in fee income, which was up by 17% for the year thanks to increased customer business activity, especially in areas such as asset management and the equities business. Fee income compensated for the lower contribution from institutional financial transactions, where income was down by 41.7% on the figure for 2013.

The margin before provisions ended the year at €729.6 million, up by 10.7%, after absorbing an increase in expenses due to major investments made to support business growth, which did not however affect the cost-income ratio of the banking business, which improved in comparison with previous years.

“Bankinter ends the year as one of Europe's most solvent banks.”

Capital ratio

11.5%

with “Basel III fully loaded” criteria

As far as Bankinter's balance sheet is concerned, total assets grew from €55.16 billion at the close of 2013 to €57.33 billion this year, an increase of 3.9%.

As a result, Bankinter ended December 2014 with an ROE of 8.3%, as against 5.9% for 2013 and 4% for 2012.

Customer lending reached €42.45 billion at the end of 2014, up by 3% on the previous year. This positive development is due above all to another year of good progress in corporate business, with a lending portfolio up by 6.7% on the previous year, at €18.9 billion.

As of December, controlled resources stood at €55.45 billion, up by 8.7% on the previous year's figure. The increase in resources managed off-balance sheet was once again particularly significant (up by 40.7%); and within this, investment funds managed and marketed by Bankinter Asset Management, which increased by 39% to reach a volume of €11 billion.

As regards the quality of the Bank's assets, we would highlight the fact that 2014 marked a turning point in the trend in non-performing loans, with the balances both of NPLs and of repossessed assets falling for the first time since 2007. In this environment, Bankinter continues to have the best asset quality in the system. Thus doubtful debts ended 2014 at €2.23 billion, 1.9% less than in 2013, equal to 4.72% of the Bank's computable risk, which is 26 basis points less than it was one year previously.

The foreclosed real estate assets portfolio has been reduced after several years' growth in annual terms. At the close of 2014, its gross value was €585.8 million, 6.7% down on the previous year. It also had a cover of 39.1%. Furthermore, it is a very small portfolio in comparison with the other banks and is 44% concentrated in residential properties.

The Bank also increased the rate of sale of these assets by 14.5% in comparison with the previous year, proof of both the quality and good condition of the product offered and the Bank's sales capabilities in this business.

Improvement in all business lines. 2014 was very positive for all areas of customer business, which were confirmed as the driving force behind the Group's results. A key element of this was the healthy rate of new customer capture, with an increase of 24% in the number of new customers compared with 2013.

This growth in the customer base and higher customer business levels enabled the Bank to continue to strengthen the various headings on both the deposit and lending sides of its balance sheet. As far as customer lending is concerned, Bankinter was one of the few banks closing the year with an increase of 3% in overall lending, and 6.7% in lending to businesses.

ROE

8.3%

as against 5.9% in 2013, and 4% in 2012

Interest margin

+18.8%

at €755.4 million

As for the marketing of mortgage loans, for which the Bank has a highly competitive offering, we would highlight the fact that during 2014 the Bank tripled the volume of new mortgage lending posted in 2013, reaching €1.55 billion. We should also point out that Bankinter granted seven out of every 100 mortgage loans signed in Spain in 2014, far in excess of the market share that could be expected in view of its relative size.

On the deposits side, Bankinter increased its retail funds (sight accounts, term deposits and promissory notes) by 7.2% over the year.

With regard to the strategic businesses, special mention must be made of the healthy figures in Private Banking, in which Bankinter is now a fully consolidated player and a point of reference in the sector. Customer assets in this segment rose by 26% in 2014 in comparison with 2013, to reach €23.1 billion.

Over the year, the positive trends in other businesses have been notable, for example in the customer equities business, with a 23.4% increase in the number of orders executed and a 17.5% increase in the value of cash deposited in comparison with 2013. As a result, net fees from this business were up by 35.6% on 2013.

There are two business lines that stand out as promising particularly strong performances in the coming years: consumer finance, which is already starting to post good results, and Personal Banking, which has been re-launched with new teams and products.

Profit and Loss Account	31/12/2014	31/12/2013	Difference	
	Amount	Amount	Amount	%
Interest and similar income	1,404,321	1,476,230	-71,909	-4.87
Interest expense and similar charges	-648,963	-840,326	191,363	-22.77
Interest margin	**755,358**	**635,904**	**119,454**	**18.78**
Income from equity instruments	8,004	8,946	-942	-10.53
Share in results of entities accounted for using the equity method	16,962	15,545	1,417	9.11
Net fees and commissions	291,407	249,020	42,387	17.02
Income from financial transactions and exchange differences	133,296	228,755	-95,459	-41.73
Other operating income/expense	243,797	200,831	42,966	21.39
Gross Margin	**1,448,823**	**1,339,001**	**109,822**	**8.20**
Personnel expenses	-368,739	-356,833	-11,906	3.34
Administrative expenses / Depreciation and amortisation	-350,508	-323,013	-27,495	8.51
Operating profit (loss) before impairment	**729,576**	**659,154**	**70,422**	**10.68**
Provisions	-41,536	-14,259	-27,277	191.30
Losses from asset impairment	-237,508	-289,968	52,460	-18.09
Operating result after impairment	**450,533**	**354,927**	**95,606**	**26.94**
Gains/losses on derecognition of assets	-57,694	-93,822	36,128	-38.51
Profit before tax	**392,839**	**261,105**	**131,734**	**50.45**
Income tax	-116,951	-71,204	-45,748	64.25
Consolidated result	**275,887**	**189,901**	**85,987**	**45.28**

Figures for 2013 restated for purposes of comparison in accordance with the change in accounting principle.

Quarterly Profit and Loss Account	2014				2013
	Q414	Q314	Q214	Q113	Q413
Interest and similar income	354,235	353,646	352,640	343,799	362,527
Interest expense and similar charges	-143,693	-162,479	-168,079	-174,713	-188,548
Interest margin	**210,544**	**191,167**	**184,561**	**169,086**	**173,979**
Income from equity instruments	1,397	1,599	1,791	3,217	1,002
Share in results of entities accounted for using the equity method	4,600	4,763	3,791	3,808	4,532
Net fees and commissions	74,842	72,437	73,317	70,811	71,255
Income from financial transactions and exchange differences	22,684	24,872	36,544	49,196	74,045
Other operating income/expense	62,049	55,974	60,948	64,826	57,229
Gross Margin	**376,115**	**350,812**	**360,952**	**360,944**	**382,042**
Personnel expenses	-90,281	-93,243	-90,941	-94,274	-97,193
Administrative expenses / Depreciation and amortisation	-88,425	-86,826	-86,971	-88,287	-81,852
Operating profit (loss) before impairment	**197,409**	**170,743**	**183,040**	**178,384**	**202,997**
Provisions	-13,390	-6,684	-10,020	-11,441	-6,382
Losses from asset impairment	-63,694	-50,799	-54,852	-68,162	-56,470
Operating result after impairment	**120,324**	**113,260**	**118,168**	**98,781**	**140,145**
Gains/losses on derecognition of assets	-20,460	-12,305	-11,864	-13,064	-53,667
Profit before tax	**99,864**	**100,955**	**106,303**	**85,717**	**86,477**
Income tax	-29,058	-30,287	-31,891	-25,715	-26,858
Consolidated result	**70,805**	**70,668**	**74,412**	**60,002**	**59,619**

Published figures for 2013.

Cumulative Returns and Costs (%)	31/12/2014		31/12/2013	
	Weighting	Rate	Weighting	Rate
Deposits with central banks	0.77	0.10	0.69	0.36
Deposits with credit institutions	6.06	0.18	3.70	0.47
Loans and advances to customers (a)	72.45	2.67	70.70	2.70
Debt instruments	14.45	3.52	19.37	3.23
Equities	0.60	2.36	0.57	2.75
Average earning assets (b)	**94.33**	**2.65**	**95.03**	**2.73**
Other assets	**5.67**		**4.97**	
AVERAGE TOTAL ASSETS	**100.00**	**2.50**	**100.00**	**2.59**
Deposits from central banks	5.27	0.17	12.36	0.58
Deposits from credit institutions	12.23	1.82	12.62	1.79
Customer resources (c)	68.91	1.23	63.51	1.74
Customer deposits	51.12	1.02	45.22	1.64
Marketable debt securities	17.79	1.84	18.29	1.97
Subordinated liabilities	1.10	4.93	1.24	4.62
Average interest-bearing funds (d)	**87.51**	**1.31**	**89.74**	**1.63**
Other liabilities	**12.49**		**10.26**	
AVERAGE TOTAL FUNDS	**100.00**	**1.15**	**100.00**	**1.46**
Customer margin (a-c)		1.44		0.97
Net interest income (b-d)		**1.34**		**1.10**

Basic principles of the risks function

- Bankinter's exposure to risk is moderate, as demonstrated by the trend in the NPL rate, the conservative profile of the trading portfolio and the policy of neutralising the impact of interest rates on the balance sheet.

Bankinter carries on an activity with a prudent risk profile, seeking to have a clean and well balanced financial position and recurring profits so as to maximise the Bank's value in the long term.

Exposure to risks is deemed to be low or moderate, as shown by the comparative evolution of its non-performing loan rate, the reduced size and conservative profile of its trading portfolio, the general policy of hedging the impact of interest rates on the balance sheet and the active management of liquidity and operational risk and other potential risk.

The Bank also has rigorous corporate governance organisation and procedures. The Group has a solid risk culture, a highly qualified team of people and a set of advanced information systems which constitute basic pillars of the Bank's management.

The following is a summary of how risks evolved during the year. The principles, the governing and executive bodies and the management systems for risks in Bankinter are described in the Annual Report on Corporate Governance and in the document entitled Information of Prudential Relevance. Additional financial information can be found in the Group's Legal Annual Report. At the end of this section the location and the main sections of these documents relating to risk management are set out.

"Bankinter has a solid risk culture and a highly qualified management team."

Credit risk

- Bankinter ended the year with an NPL rate of 4.72%, 26 basis points less than the year before, increasing the favourable difference relative to the sector as a whole.

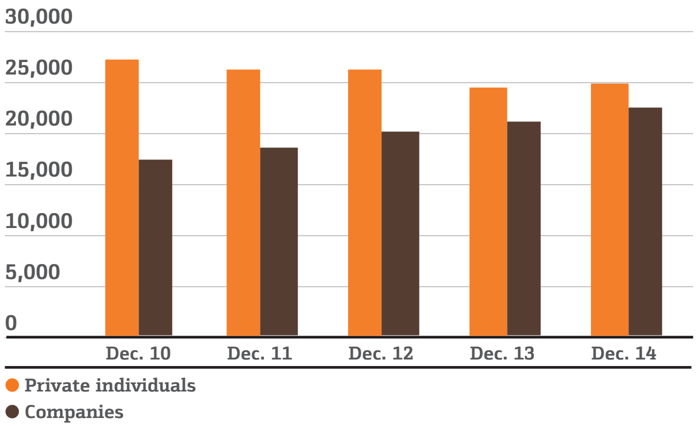
Economic environment and general trends

In 2014 in Spain the economic recovery that started in mid-2013 continued to consolidate. Forecasts of Banco de España in December 2014 for year-end pointed to GDP growth of 1.4%, basically underpinned by recovery in domestic demand (+2.2%) and with a reduction in the contributing of the export sector (-0.8%), and modest growth in employment (+0.8%) against a background of falling prices (CPI -0.1%).

In accordance with the information from Banco de España, financing conditions in Spain continued to improve during the year except for isolated episodes of instability, and this allowed financing costs for businesses and households to be reduced. New lending increased, although total outstandings continued to fall: at the end of November, the balance of financing to non-financial businesses was still 4.8% below that of one year earlier, and that of financing to households was 3.9% down. The process of deleveraging thus continues, for businesses and households, although it has moderated and the financial cost of debt declined over the course of the year.

Bankinter has once again demonstrated its financial solidity in this context and has once again outperformed the sector as a whole. Thus the computable credit risk (which includes lending and contingent liabilities such as guarantees) grew by 3.7%. In 2014 lending to private individuals recovered, growing by 1.3% mainly as a result of the reactivation of residential mortgage lending, in which Bankinter is playing a leading role. Lending to companies grew by 6.4%, continuing the trend of recent years. At year-end, computable risk on private individuals represented 52.5% of the total, and that on companies 47.5%.

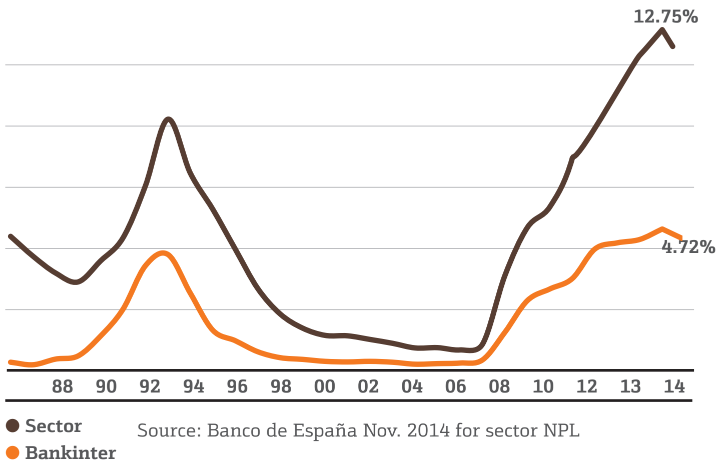
Credit risk (€ millions)



As for non-performing loans, the year ended with an NPL rate of 4.72%, 26 basis points less than the year before, 5.2% down. The favourable difference between this NPL ratio and that of the sector as a whole continued to increase, Bankinter's NPL rate at the end of the year being 37% of the sector average (which was 12.75% according to Banco de España data at November 2014). The volume of problematic and repossessed assets continues to be well below that of the Group's main competitors. At the end of December 2014 the portfolio of repossessed (foreclosed) assets stood at €586 million, 1.2% of total credit risk, having been reduced by 6.7% in the year.

Credit risk (€000s)	31/12/2014	31/12/2013	Change	%
Computable risk excl. securitisation	**47,321,948**	**45,653,137**	**1,668,811**	**3.66%**
Doubtful debts	**2,232,732**	**2,275,370**	**-42,638**	**-1.87%**
Provisions for credit risk	953,022	956,626	-3,605	-0.38%
NPL ratio (%)	**4.72%**	**4.98%**	**-0.26**	**-5.22%**
Non-performing loans coverage ratio (%)	42.68%	42.04%	0.64	1.53%
Repossessed assets	585,830	627,826	-41,996	-6.69%
Provision for impairment of repossessed assets	229,159	258,616	-29,458	-11.39%
Coverage of repossessed assets (%)	39.12%	41.19%	-2.08	-5.04%

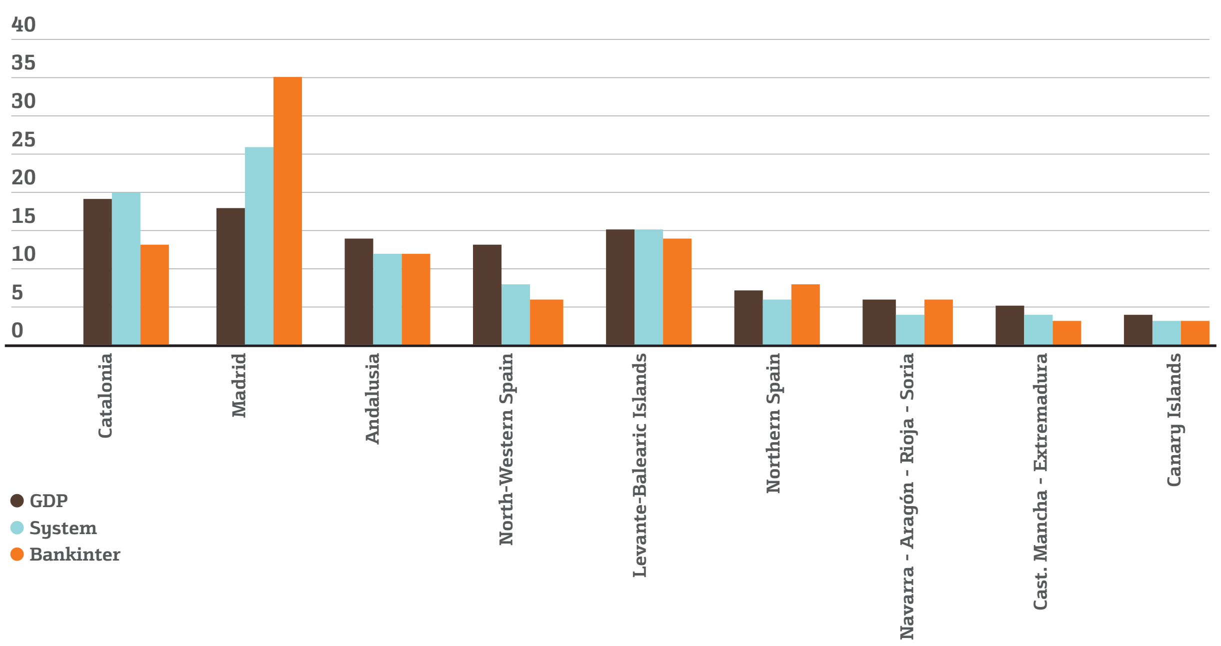
Trend in NPL ratio (%)



Source: Banco de España Nov. 2014 for sector NPL

The Bank carries out regular monitoring of risk diversification by sector, geographical location, product, guarantee, customers and counterparties and has in place policies on maximum risk concentrations allowed. The following graph shows the geographical distribution of credit by regional directorates.

Geographical distribution of credit (%)



Private individuals

In 2014 there was gradual stabilisation in the real estate market, especially in the urban areas, in which Bankinter concentrates its activity. In this regard, the Bank has started selective residential mortgage lending campaigns within the parameters of high credit quality that characterise the Bank, which has led to net growth in lending to private individuals. The LTV (loan to value) ratio, which measures the ratio of the amount of the loan to the value of the property, was maintained at 59% at year-end, and 81% of the mortgage portfolio was secured by mortgages on residential property.

The private individuals portfolio maintains its high credit quality, amounting to €24,454 million at year-end, up by 1.4% (excluding lending to property developers) relative to the previous year.

Corporate Banking

Bankinter has many years of experience in this segment, the activity of which is more international and less exposed to the Spanish economic cycle and has a lower NPL rate. Lending to this segment stabilised in 2014, ending the year at 13,889 million, down by 0.3% on the year before.

Small and medium-sized enterprises

The economic recovery has allowed growth in lending to the small and medium-sized enterprise (SME) segment, risk on which amounted to €8,102 million at year-end, 19.9% up on the previous year. The Bank applies automated decision-making models to this segment, as well as having teams of experienced risk analysts.

Property developers

Bankinter applies extremely cautious criteria to the approval of property development transactions, as is shown by its low NPL ratio and its very limited exposure to this risk category, exclusively selecting viable projects of solid property developers that have performed well during the years of profound crisis in the sector for financing.

Loan outstandings on property developers at year-end were €875 million, which at just 1.8% of total lending continues to be well below the average exposure of the Spanish banking sector.

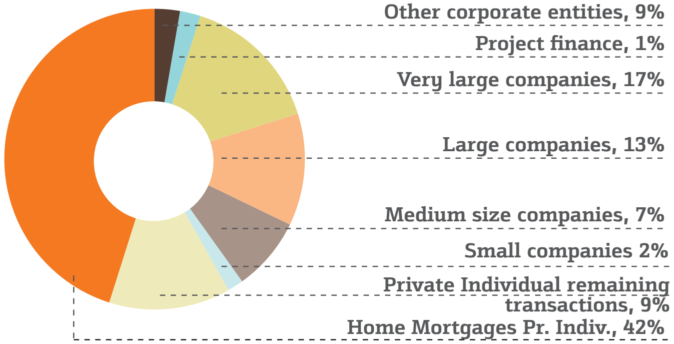
Risk rating models

Bankinter uses internal rating models as a supporting tool for credit risk decisions. These models enable comparative evaluations of the credit quality of transactions to be carried out, and provide quantitative risk measurement from approval on, facilitating the active management of the risk profile of the portfolios.

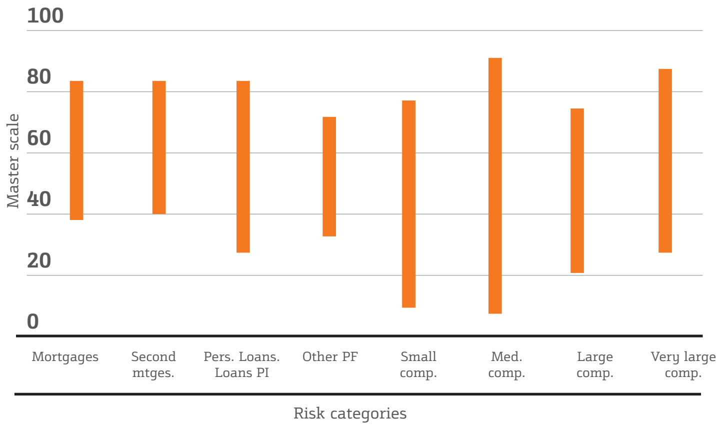
The internal rating models provide, for each category, a score or internal rating of the risk assumed by the Bank on each customer or transaction. Each of these ratings is associated with a certain probability of default (probability of a delay in payment longer than 90 days) and, accordingly, the higher the rating, the lower the probability of default.

In each risk category, whether relating to private individuals or companies, the range of probability of default associated with the rating of each one is different. In order to be able to compare the various credit risk categories, an internal master scale has been developed that gives a value in the scale to each default probability, where 0 is the highest probability of default and 100 the lowest. For example, the 'home mortgage' category is one with a relatively low probability of default and is therefore in the top part of the scale.

Distribution of EAD (exposure at default) by internal category



Location of risk categories on master scale



NPLs and repossessed assets

The year 2014 was characterised by stabilisation in the number and volume of new NPLs. In the last quarter of the year NPLs returning to the performing category (exits) started to exceed new NPLs (entries). The monthly average of the recovery ratio (exits/ entries) for the year was over 94%. Doubtful risk at year-end stood at €2,233 million, 1.9% less than at the previous year-end.

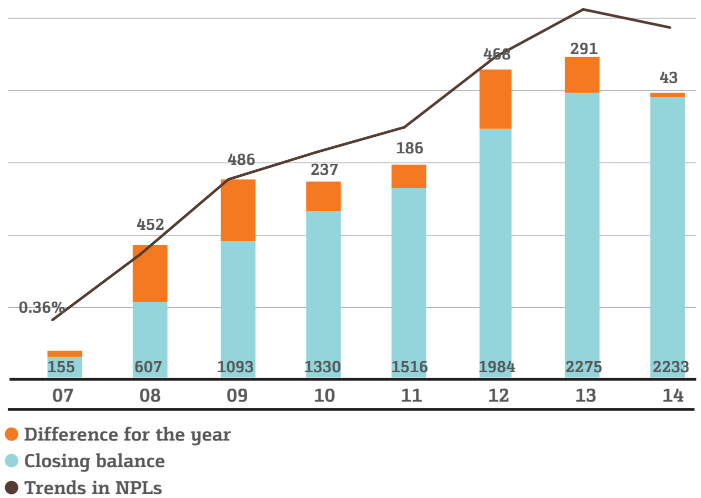
This reduction in doubtful debts, together with the increase in lending, enabled the bank to reduce the NPL ratio by 5.2% in the year, to 4.72% at the end of December. During the year, Bankinter continued to improve its recovery processes.

The portfolio of credit risk refinancing and restructuring transactions at the end of 2014 stood at €1,644 million, with any amendment to credit risk conditions being considered as refinancing. The majority of refinancing operations have additional guarantees.

The flow of non-performing loan balances was as follows:

Movement of doubtful risk (includes contingent risk)	31/12/2014	31/12/2013	Amount	%
Balance at start of period	2,275	1,984	291	14.68
Net additions	60	524	-464	-88.57
Written off	102	232	-130	-55.87
Balance at close of period	2,233	2,275	-43	-1.87

Variation in non-performing loans Balance and ratio (Data in € millions and %)



Structural and market risks

▪Bankinter has limited exposure to interest rates and has covered its liquidity requirements without difficulty.

From the point of view of these risks, 2014 can be divided into two parts, with the second half of the year dominated by the sharp fall in oil prices, the accelerating depreciation of the euro and the increased volatility in equity markets. Other movements seen over the course of the year were the reduction in yield curves of peripheral euro zone countries, with the exception of Greece, whose yields increased substantially in the last part of the year due to political instability.

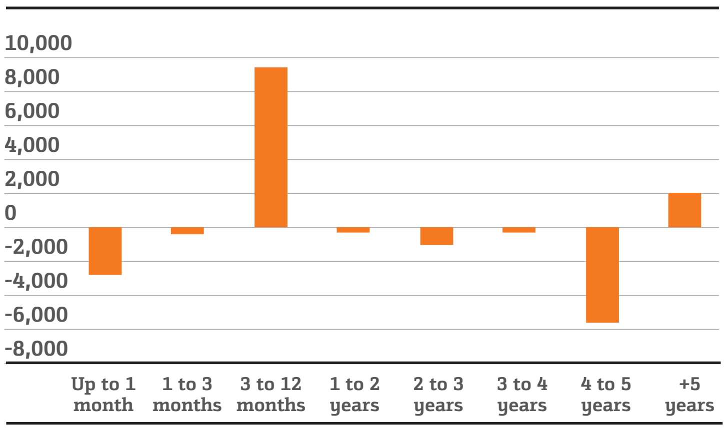
Structural interest rate risk

Bankinter has limited exposure to interest rate risk, neutralising the effects of changes in the balance sheet on the size of this risk. The situation of the interest rate risk map of the Bankinter Group as at the end of 2014 is shown in the graph.

Apart from this, dynamic simulation analyses are carried out. These tests enable us to estimate the sensitivity of the financial margin to various scenarios involving changes in interest rates. Similarly, but with a longer term view, the Bank analyses the effects that interest rate changes would have on its economic value.

The exposure of the financial margin to interest rate risk in the event of changes of +/- 100 bps parallel movements in market interest rates is +/- 3.6% for a 12-month horizon.

At 2014 year-end the sensitivity of economic value to parallel shifts of 200 basis points stood at 2% of equity.



Figures in millions of euros
(*) Interest mismatch figures include the banking group's Banking Book

Liquidity risk

Thanks to the ample availability of liquidity through the European Central Bank and the stability of customer deposits, this is not currently a critical matter in the financial markets.

Bankinter covered its liquidity requirements by using the liquidity facilities made available by the EBB and by turning to the international medium-term and long-term debt markets. During 2014 the Bank issued €400 million in mortgage-backed bonds under the EIB financing programme and €500 million of senior debt. The balance of commercial paper placed in the market traditionally considered as wholesale (counterparties in the financial markets) was €380 million as at 31 December. If major corporates are considered as wholesale, then the figure for commercial paper and commercial paper repos rises to €770 million on a consolidated basis.

We would also highlight the reduction, by more than €1.5 billion, in the liquidity gap, and the positive trend in the loans-to-deposits ratio, which stands at 78.3%.

Market risk

In view of the instability seen in the past few years, Bankinter maintained the previous year's limits on VaR (value at risk). The following table shows VaR values of the trading positions at year-end 2014:

VaR 2014 *Trading* (€ millions)	Final
Interest Rate VaR	0.54
Equities VaR	0.10
Exchange Rate VaR	0.02
Volatility Rate VaR	0.03
Credit VaR	0.00
Total VaR	0.58

Apart from this, Bankinter also monitors the VaR of the portfolio positions of its subsidiary Línea Directa Aseguradora on a monthly basis, using the historical simulation method. The VaR of Línea Directa Aseguradora's portfolio, based on the same assumptions, as at 31 December 2014, amounted to €2.04 million. Monitoring is also carried out of the possible risk that may be incurred by subsidiary Bankinter Luxembourg, applying the same method as that applied to the parent, VaR by historical simulation. In 2014 the estimated VaR was €0.04 million.

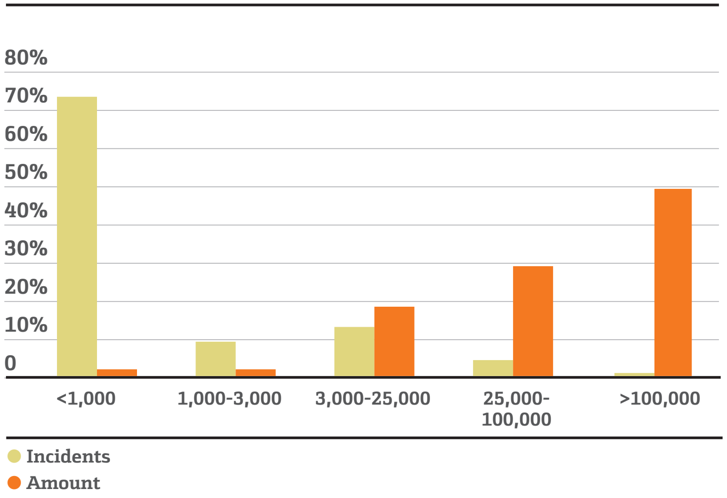
Operational risk

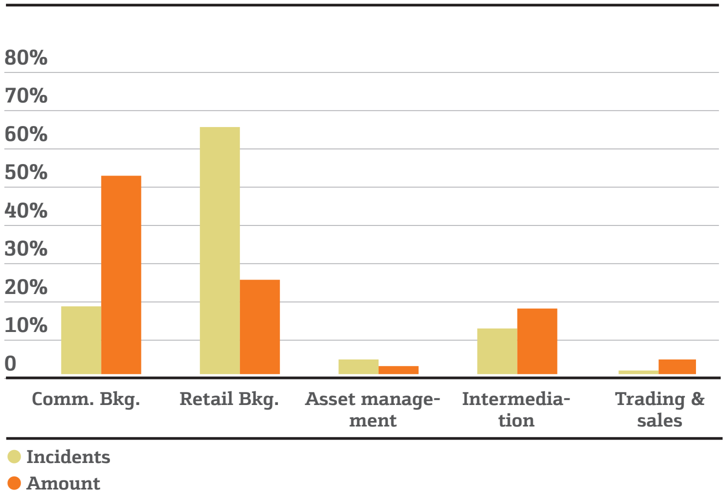
Through its participation in CERO (*Consorcio Español de Riesgo Operacional*, a private forum for financial institutions to exchange experience in managing operational risks) Bankinter ensures that it has access to best management practices in the sector.

Bankinter uses the Standard Method to manage its operational risk, in accordance with solvency rules in force. And through its membership of CERO (a private forum of financial entities for exchanging experiences in operational risk management), it ensures access to best practices in the sector.

Operational losses are mainly (83%) concentrated in the branch network, even though most transactions are carried out through remote channels. This shows the significant role played by human error in operational losses and the strength of the automated systems and sign-up procedures of Bankinter's remote networks (Internet, Telephone Banking and sign-up by mobile phone).

As regards loss events, Bankinter's operational risk profile is shown in the following graphs:





Reputational risk

Reputational risk is defined as the risk associated with changes in perception on the part of stakeholder groups (customers, shareholders, employees, etc.) as a result of the brand's giving misleading information, failing to live up to expectations, lacking in transparency or breaking its promises. Reputational risk may arise from transactions of the company itself, from external events or from relations with third parties.

That is why it is so necessary to first measure and then monitor these risks and to develop scorecards for managing them.

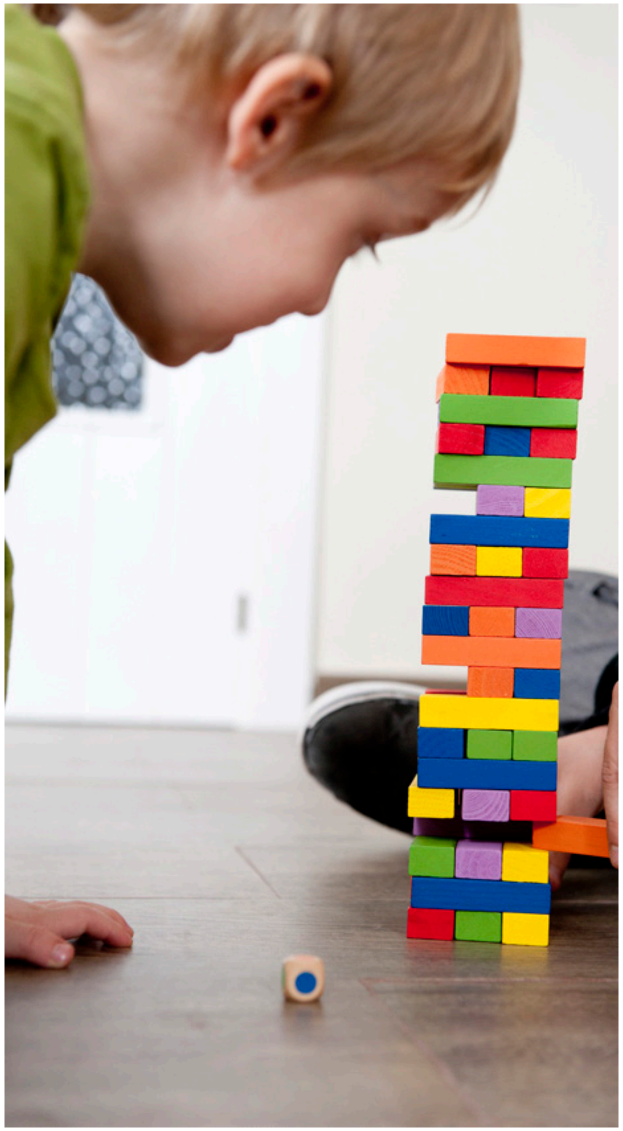
The reputational risk map is crucial for identifying the risks and establishing degrees of prioritisation for them. The main risks and possible improvements to the risk management system are included in the corporate risk map. The corporate risk map is prepared by the Risks Function, under the supervision of the Chief Risk Officer and is presented annually to the Delegated Risks Committee of the Board of Directors.

One important aspect of anticipating reputational risk is understanding trends in the market and in the wider environment, as well as what is being said about the company in the media and social media. For this purpose Bankinter has a measurement system which analyses all this information and evaluates its reputational impact.

The Bank also has a system for periodically diagnosing and measuring the perceptions and expectations of its major stakeholder groups. This system, based on the RepTrak® methodology, enables the key reputational levers to be identified and action to be taken to influence the points of most concern.

The Bank's Product Committee identifies and evaluates any possible reputational risks before launching a new product or service.

Lastly, we should point out that the Bank's Corporate Reputation area takes care of the crisis management plan in order to establish the channels of communication and action protocols for any emergency or crisis, with a view to protecting the Bank's reputation and ensuring business continuity.



Additional information on the Group's risks can be found in the following documents and sections:

Legal Report

Contents

- Loans and receivables
- Non-current assets held for sale
- Contingent risks and commitments
- Risk policies and management
- Information required by Law 2/1981 on Regulation of the Mortgage Lending Market
- Exposure to the construction and property development sector
- Additional information on risks: refinancing and restructuring transactions. Sectoral risk concentration

Annual Report on Corporate Governance

Contents

- Scope of the Bank's risk management system
- Bodies responsible for preparing and executing the risk management system
- Main risks that might affect attainment of the business objectives
- Levels of risk tolerance
- Risks that materialised during the year
- Response and supervision plans for the Bank's main risks

Information of Prudential Relevance

Content

- Risk management strategies, objectives and policies
- Corporate governance of the risks function
- Structure and organisation of the risk management function
- Risk Appetite Framework
- Risk processes, methods, measurement and reporting systems
- Hedging and risk reduction policies

Equity

- Bankinter has adapted quickly to the requirements of the regulators, without recourse to state aid, making it one of the best capitalised institutions in the sector.
- The Group's computable equity at year-end 2014 amounted to €3.36 billion and its solvency ratio to 13.1%.

Strengthening solvency and creating value for shareholders. One of the Bankinter Group's strategic objectives is the continuous strengthening of solvency, as a basis for sustained growth and long-term value creation for shareholders. Thanks to its management policies, its business model and its prudent risk profile, it has been able to operate with levels of capital in excess of those required by the supervisory authorities.

Since the onset of the financial crisis, both the regulators and the markets have significantly increased their capital requirements. Bankinter has adapted quickly to the new situation, increasing its ratios every year and enhancing the quality of its capital in a sustained manner, without having to resort to state aid, which has placed it among the best capitalised institutions in the sector. Proof of this is the result obtained by Bankinter in the stress tests on European banks carried out by the European Central Bank (EBB) and the European Banking Authority (EBA) during 2014. Bankinter came through the most adverse scenario with twice the minimum capital required, the best results of any Spanish listed bank in these stress tests.

On 1 January 2014 the new solvency regulations known as Basel III came into force. They were transposed into EU law by Regulation EU 575/2013 of 26 June on prudential requirements for credit institutions and investment firms and Directive 2013/36/EU of 26 June on access to the activity of credit institutions and their prudential supervision. These new regulations raise the level of minimum capital requirements for institutions, establish a much stricter definition of the instruments considered as capital and introduce certain changes to the way risk-weighted assets are estimated.

> “Bankinter obtained the best results of any Spanish listed bank in the EU-wide stress tests."

> “The CET1 ratio stood at 11.9% at the end of 2014.”

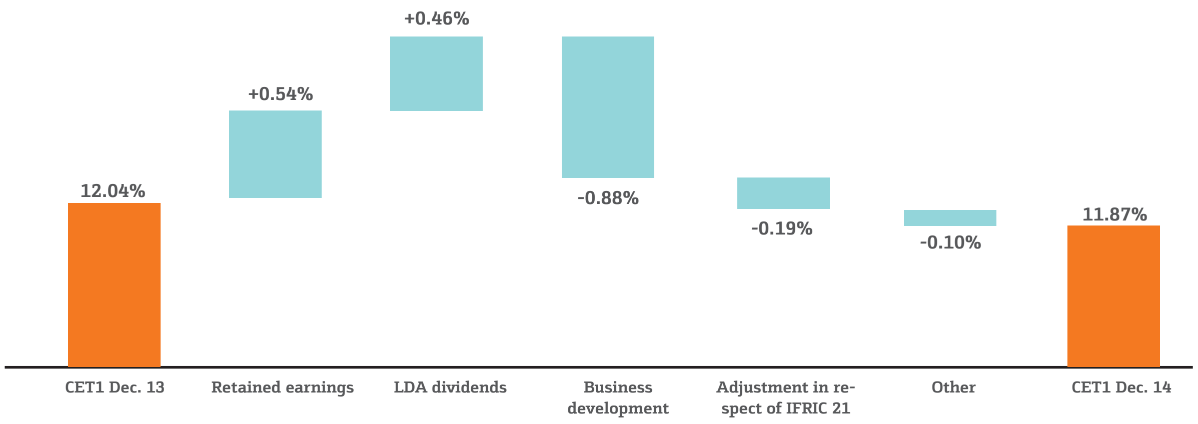
In accordance with these new solvency rules, the Group's computable equity at year-end 2014 amounted to €3.36 billion and its solvency ratio to 13.1%. The highest-quality capital (Common Equity Tier 1 – CET1) stood at €3.05 billion at year-end, 6.5% more than at the end of the previous year. The CET1 ratio as at 31 December 2014 was 11.9%, well in excess of the regulatory minimum. Tier 1 Capital also increased by 6.5% in the year, to reach €3.05 billion, with a Tier 1 ratio of 11.9%, and Tier 2 Capital increased by 1.89% to €309 million for a Tier 2 ratio of 1.2%.

	31-12-2014	31-12-2013	€000s	%
Capital	269,660	268,675	985	0.37%
Reserves	3,137,032	3,031,696	105,335	3.47%
CET1 deductions	-120,214	-302,730	182,515	-60.29%
Preferred shares	46,669	61,284	-14,615	-23.85%
AT1 deductions	-282,947	-194,431	-88,515	45.53%
CET 1	**3,050,199**	**2,864,494**	**185,705**	**6.48%**
CET 1	**11.87%**	**12.04%**	**-0.17%**	**-1.41%**
TIER 1	**3,050,199**	**2,864,494**	**185,705**	**6.48%**
TIER 1 (%)	**11.87%**	**12.04%**	**-0.17%**	**-1.41%**
Tier II instruments	421,747	455,693	-33,946	-7.45%
Tier II deductions	-112,427	-152,096	39,670	-26.08%
Tier 2	**309,320**	**303,597**	**5,723**	**1.89%**
Tier 2 (%)	**1.20%**	**1.28%**	**-0.07%**	**-5.67%**
Total computable equity	**3,359,519**	**3,168,091**	**191,428**	**6.04%**
Solvency ratio	**13.07%**	**13.31%**	**-0.24%**	**-1.82%**
Total risk-weighted assets	**25,703,876**	**23,798,935**	**1,904,941**	**8.00%**
of which credit risk	22,156,903	20,689,395	1,467,507	7.09%
of which market risk	381,580	279,885	101,694	36.33%
of which operational risk	1,773,375	1,583,250	190,125	12.01%

The main changes in Bankinter's CET1 ratio over the course of the year came from:

- The organic generation of profits, which improved relative to the previous year.
- The impact on reserves of application of IFRIC 21 on levies.
- The distribution of an extraordinary dividend by LDA, which involved a transfer of surplus reserves from the subsidiary to the parent bank, improving the treatment of the investment in the insurance company for purposes of consolidated solvency.
- Growth in credit and counterparty risk weighted assets as a result of the growth in the business and the increased exposure to companies. Market and operational risk weighted assets also grew due to the increased activity.

Evolution of CET1 (%) in 2014



Rating

- Bankinter regains its 'investment grade' rating which it had lost at the onset of the economic crisis.
- It thus becomes the only Spanish bank to form part of Standard & Poor's select list of Rising Stars.

International prestige. During 2014 Bankinter achieved credibility and international standing among investors, as reflected both in its share price and in the improvement in its ratings by the main credit rating agencies, which now position the Bank as 'investment-grade'.

The Bank maintains permanent and fluid relations with the rating agencies, and every year it carries out at least one detailed review of the Bank's performance with each of them. In 2014 both the major agencies, Standard & Poor´s and Moody's, revised their ratings of Bankinter upwards, restoring it to the 'investment grade' category, which it had lost, in common with the rest of the sector, at the onset of the economic crisis.

As a result Bankinter is one of 31 companies worldwide, only two of them Spanish, and one of only five from the financial sector worldwide, to form part of Standard & Poor´s select list of 'Rising Stars' or companies that have been upgraded to investment grade.

Agency	Date	Long-term	Short-term	Outlook
DBRS	15/11/2012	A (low)	R-1 (low)	Negative
Moody's	29/05/2014	Baa3	P-3	Negative
Standard & Poor's	27/11/2014	BBB-	A3	Stable

Bankinter share performance

- With a gain of 34.4% in 2014, Bankinter was, for the second consecutive year, the Spanish bank with the biggest gain in its share price for the year.
- Furthermore, it is the only financial institution to have paid all its dividends in 2014 in cash and quarterly.

Share capital. At 31 December 2014, the share capital of Bankinter S.A. was represented by 898,866,154 shares, each with a nominal value of €0.30 fully subscribed and paid up. All the shares are represented by book entries, listed on the Madrid and Barcelona stock exchanges and traded on the Spanish computerised trading system.

Bankinter has 65,735 shareholders. The main features of the shareholder structure are as follows:

- Resident shareholders hold 58.65% of the share capital.
- Non-residents hold 41.35% of the share capital.
- Treasury stock at year-end consisted of 114,117 shares.
- Shareholders of record holding more than 5% of the share capital at 2014 year end are shown in the following table.

Shareholders with significant holdings (2014)	Total Shares	%
Cartival, S.A.	204,706,145	22.77
Corporación Masaveu, S.A.*	44,918,251	4.99

*This stake in Bankinter's share capital held by Corporación Masaveu forms part of the indirect shareholding of Bankinter Director Fernando Masaveu in the Bank. Fernando Masaveu holds 5.29% of the share capital of Bankinter, directly or indirectly.

Share ownership structure by number of shares (2014)	No. of shareholders	%	No. of Shares	%
From 1 to 100 shares	21,256	32.34	276,986	0.03
From 101 to 1,000 shares	18,967	28.85	9,334,329	1.04
From 1,001 to 10,000 shares	20,972	31.90	70,617,985	7.86
From 10,001 to 100,000 shares	4,204	6.40	101,244,863	11.26
More than 100,000 shares	336	0.51	717,391,991	79.81
Total	**65,735**		**898,866,154**	

Summary by type of shareholder	No. of shareholders	%	No. of Shares	%
Residents	64,922	98.76	527,203,011	58.65
Non-residents	813	1.24	371,663,143	41.35
Total	**65,735**		**898,866,154**	

The salient data for Bankinter stock during the year are described in the following table:

Creation of value for shareholders	
Figures per share for the period (€)	
Earnings per share	0.31
Dividend per share	0.08
Theoretical book value per share	4.05
Share price at start of year	4.99
Lowest price	5.87
Highest price	7.44
Latest price	6.70
Revaluation over the last quarter (%)	-0.22
Revaluation over the last 12 months (%)	34.37
Stock market ratios	
Theoretical price / book value (times)	1.65
PER (price / earnings, times)	21.82
Dividend yield (12 months) (%)	1.50
Number of shareholders	65,735
Number of shares	898,866,154
Number of shares held by non-residents	371,663,143
Average daily trading (number of shares)	8,143,582
Average daily trading (€000s)	54,869
Market capitalisation (€000s)	**6,023,302**

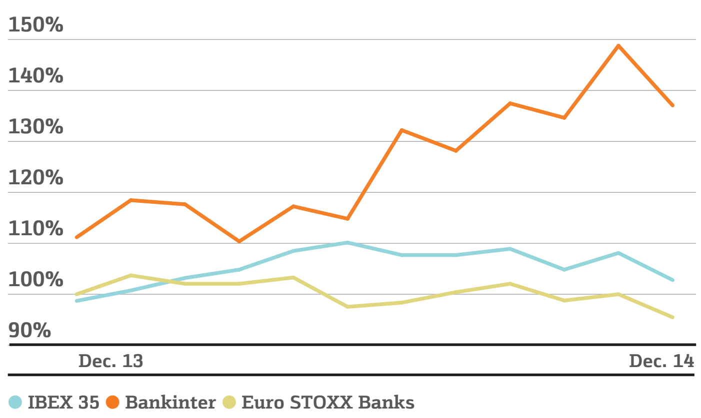
Performance of Bankinter shares. Bankinter's stock performed very favourably during the year compared with the major indices such as the Spanish Stock Exchange's IBEX 35 and the Eurostoxx Banks, which comprises all listed European banks.

A safe stock. With a gain of 34.4%, Bankinter was the bank that gained most on the Spanish stock market in 2014 and one of the best performers in the IBEX 35.

The graph shows the 34.4% gain posted by Bankinter in comparison with the 3.7% advance of the IBEX 35 and the 2.8% decline of the Eurostoxx Banks (SX7P).

This upbeat performance, which brought the stock close to its all-time high, together with the income from the dividends distributed up until the date of publication of this report, produced an annual return for shareholders of 36.4%.

Annual gain, base Dec. 2013 = 100



Dividend policy. Bankinter was the only bank to pay all its dividends in cash and, what is more, quarterly, thanks to the solid growth of the business and its good solvency position, which allowed it to remain immune from the restrictions imposed by the supervisory authorities in the interests of preserving capital.

In this regard, the solvency situation of the Spanish banking sector led Banco de España and the European Central Bank (EBB) to introduce certain practical rules regarding the banks' policies for strengthening their solvency. One of the restrictive measures was that banks could not pay dividends in cash from 2014 earnings in excess of 25% of consolidated profit attributable to the parent.

However, this limit could be exceeded in exceptional cases, providing the bank could show prospects of particularly favourable margins and a CET1 ratio in excess of 11.5% as at 31 December 2013. In other words, 3.5 percentage points above the level of CET1 established as a reference for the comprehensive assessment of the European banking system carried out by the ECB in 2014.

Bankinter became that exception. Thanks to its excellent solvency ratios, it was the only bank to pay in excess of that limit, distributing to its shareholders approximately 34% of the profit for the nine months to the end of September 2014, with the fourth and last dividend to be paid from full-year profits still pending as at the date of this report and to be approved by the 2015 AGM.

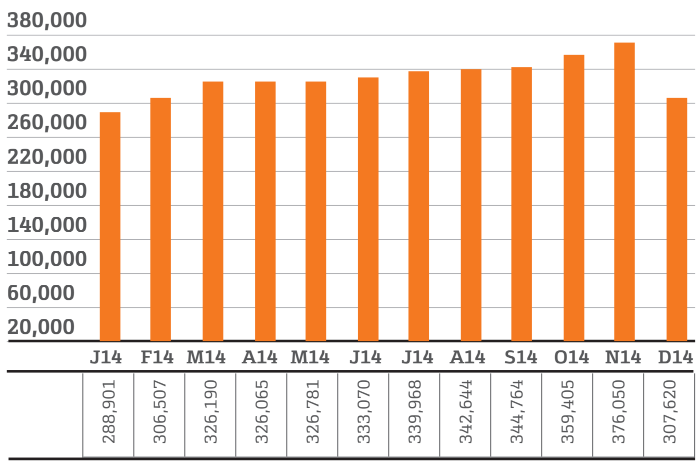
The distribution of dividends for 2014 as at the date of publication of this report is as follows:

Payment date	Dividend per share (euros)	Number of shares	Treasury stock (own shares)	Shares with rights	Amount (euros)	Results for the year
03/05/2014	0.0221117	895,583,800	102,541	895,481,259	19,800,613	2014
02/08/2014	0.0273269	898,866,154	261,598	898,604,556	24,556,077	2014
01/11/2014	0.0273254	898,866,154	212,173	898,653,981	24,556,079	2014
Total	**0.076764**				**68,912,769**	

ADRs (American Depositary Receipts). ADRs are a product which US residents use to invest in foreign companies in their own currency, US dollars; dividends are also paid in US dollars, which proves very convenient for them.

Bankinter's ADR programme is a Level 2 programme administered by Bank of New York Mellon which at the end of December 2014 had 307,620 ADRs in circulation, compared with 140,494 at the end of 2013, an increase of 119%.

Changes in the number of Bankinter ADRs



Shareholders' Office

Transparency. The relationship with shareholders is based on the 'You first' project. With these two words Bankinter seeks to show that each one of its shareholders is the number one priority.

With a view to keeping them informed at all times, the Bank punctually communicates all news items of interest about the Company to its shareholders, through a variety of channels such as post, SMS and e-mail.

By means of a system of alerts, Bankinter contacts shareholders so that they are the first to learn of the payment of a dividend or its amount, quarterly results and the 'significant events' that have to be advised to the CNMV (National Securities Market Commission) for publication (capital increases, changes in Board membership, etc.)

Shareholders' mailbox

The Shareholders' Office was set up in 2005 in response to the demand for greater transparency of listed companies. It provides its support from Central Services in Madrid. Its main function is to act as a fluid communication channel at the service of current small shareholders - or potential ones - allowing them to formulate their proposals or request any clarification they might need, with the aim of cementing their confidence by means of direct, personalised communication.

Shareholders' requests for information tend to focus on matters such as current or past share prices, the amounts and dates of payment of dividends, delivery of copies of the Corporate Report, explanations concerning the Annual General Meeting of Shareholders, etc. In order to meet these demands, since 2009 Bankinter has periodically issued communications addressed to its shareholders and of interest to them.

The Annual General Meeting of Shareholders is the main pillar of shareholder participation in the Bank's decisions. The Shareholders' Office is responsible for managing the procedures for calling meetings, providing information, recording and checking votes, proxies and attendees at meetings.

Other functions performed by the Shareholders' Office include supplying information about the composition of shareholders and changes to it, both internally and to supervisory bodies, and control tasks in connection with the Spanish Securities Market Code of Ethics, with which certain employees of the Bank are required to comply as regards Bankinter shares.

"For the Bank, the shareholder occupies first place among its priorities."

"The Bank offers its shareholders the possibility of registering online with a system of alerts to keep them regularly informed."

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Investor relations

- Bankinter ended 2014 with a total of 65,735 shareholders, 41.35% of which were non-resident investors, the great majority of them institutional.

Bankinter has a fluid relationship with the investor community (shareholders, financial analysts and rating agencies), and is transparent in keeping them informed about the performance, periodic results and strategy of the Group.

The main objective of this department is to provide the national and international investor community with timely information on the progress of the business, the quarterly financial results and the general strategy of Bankinter Group.

This team, which forms part of the Finance Division so as to take advantage of synergies, is also in charge of relations with the rating agencies, and it organises a host of other functions, including the annual ratings review meetings, and is responsible for the flow of periodic financial information.

Sustainability and Corporate Governance. Investors increasingly rate not only a company's financial development, but also a whole range of other factors relating to corporate responsibility, such as good corporate governance or social and environmental aspects; all factors which, in the long term, have an impact on the improved financial performance of companies and contribute to the creation of value.

In this respect there is a close relationship with the agencies that assess Bankinter using sustainability criteria. The Investor Relations area, working together with the Corporate Responsibility department, takes charge of informing all the agencies of the Bank's strategy in matters of good governance, corporate reputation and, in general, its commitment to its various stakeholder groups.

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