

The image shows two hands holding a large, solid orange square against a white background. The square contains the Bankinter logo and the text for the 2016 Annual Report.

bankinter.

2016
Annual Report

The Bankinter Report, how and when you want

We present a summary of the 2016 Integrated Annual Report. The complete version of the report, as well as legal information (2016 Consolidated Annual Accounts and 2016 Corporate Governance Report) are only published electronically and are available on the specific Annual Report microsite:

<https://webcorporativa.bankinter.com/annualreport2016>



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01

Interview with the Chairman, Pedro Guerrero



How do you see 2016 from a macroeconomic viewpoint?

We came off a good 2015 in which Spain had recorded GDP growth rates exceeding 3%. During 2016 the Spanish economy maintained its expansionary trend and returned to 3.2% growth thanks to domestic spending, the creation of employment and a favourable trade balance encouraged by low oil prices. It is true that the unprecedented political stagnation situation, whose immediate consequence was the country having an acting government for nearly a year, did not help. But, despite everything, the macroeconomic data continue to be positive which demonstrates that our economy has started to recover its former strength and it is in a position to overcome obstacles that not that long ago would have seemed overwhelming. This gave rise to strong job creation that lowered the unemployment rate to 18.6% at the end of the year, the lowest level since 2009. The unemployment rate continues to be extraordinarily high, but it cannot be forgotten that just 4 years ago it was around 27% and therefore recent trends have been very positive.

Is it possible to maintain that trend?

In a global economy nobody is alone. The outlook for worldwide growth continues to be modest. There are many uncertainties deriving from geopolitical tensions that could cause problems if they are not result in time. For example, the decision of the United Kingdom to leave the European Union, the execution of which is still not defined, as well as the threat of protectionist policies could affect global economic growth.

The complicated internal political situation also gives rise to uncertainties. There is still much to do to reach tax consolidation and we must persist with the reforms that best contribute to growth and employment with the highest level of consensus possible, which will not be easy.

Can you provide a specific forecast for 2017?

Everything is pointing to Spain continuing to grow, although at a slightly lower rate. That is the forecast of both the Government, which foresees GDP

growth of 2.5%, as well as the European Commission and the International Monetary Fund, which predicts somewhat more modest growth of 2.3%.

Just the increase in oil prices and the strengthening of the dollar will significantly reduce the contribution of the export sector to Spanish GDP growth. And then there are the uncertainties regarding the international economy and the political environment that were mentioned previously.

Nevertheless, the strength of domestic demand and the inertia of the economy lead me to have good confidence that in 2017 we will continue on the path of economic growth and job creation.

How has the banking sector situation evolved in Spain?

Our business is undergoing very profound changes. On these same pages last year, I indicated that we were at a crossroad after the financial crisis required the sector's capacity to be notably reduced and caused a contraction of asset volume that is unprecedented in the history of Spain. The new regulatory requirements also gave rise to a very high cost in terms of capital and resources, which

was particularly burdensome due to coinciding with the tightening of margins as a result of low interest rates.

All of this continues to be in place and requires us to seek more efficiency and in that we have a great ally in digitalisation as it allows us to generate economies of scale in sales and product and customer management. That does not mean to say, of course, that we are leaving traditional channels since personal relationships are key to our industry and, in particular, to our business model. But we do have to take maximum advantage of the possibilities offered by technology, as is being done by the new competitors that have appeared in the market.

If this is not done, it will be difficult for the banking sector to attain a level of profitability above the cost of capital as is demanded by investors. It must be borne in mind that digitalisation facilitates the rendering of more and better services to customers, apart from reducing costs, that may translate into new revenues that will therefore increase our margins. Of course, it isn't a magic wand that reflects results the next day but rather a long-term effort that will be successfully completed by those that are most consistent and offer the best responses

to society's demands at any given time. This must always be backed by reinforced honesty and transparency to assist overcoming the serious reputation problems that were generated by the financial crisis.

In that context, what is Bankinter's role?

Our company has been characterised by rigor and innovation over the course of its more than 50 years of history. Thanks to that rigor, we were not tempted by the easy money available during the real estate boom. Then, before then and now, we apply prudent and responsible management of credit risk and that explains why our non-performing asset rate is clearly lower than the average in the sector. We of course experienced difficulties during the crisis, but less than other banks to the point that we continued to grow organically in terms of loan volume and the number of employees and we were the only exception to the general trend in the sector in sharp contraction.

Our innovative vocation has always had, and will continue to have, a special place

"We are the biggest, most profitable and most robust."

in our corporate strategy. The constant search for innovation in terms of products, channels and processes allows us to create a new type of banking that is more modern and close to, and appreciated by, customers. Telephone banking, Internet banking and mobile banking are very consolidated tools today and entered into the Spanish market through us and made us pioneers in the rendering of services of increasing quality.

Today we must work on that line of innovation with more intensity than ever.

In this connection, the digital transformation to which I referred previously, constitutes one of the most important aspects of our strategy.

What would you note about 2016?

It was an exceptional year for Bankinter for two reasons.

The first was the results obtained, again the best in the history of Bankinter. I will return to this topic again later.

The other reason is that in 2016 the first foreign venture of the Bank and the first relevant acquisition carried out by Bankinter was formally concluded.

Of course I am referring to the acquisition of the Barclays Commercial Banking and Insurance business in Portugal which was formally concluded on 1 April last year and has provided us with an adequately

'The great challenge for the banking sector is for profitability to be higher than the cost of capital.'

sized healthy network that has excellent professionals that are perfectly aligned with Bankinter's strategy and traditional orientation towards high income customers.

Bankinter's model may be perfectly replicated in Portugal and we will do so, given the good results obtained in Spain during the crisis.

The transaction is progressing in a very satisfactory manner. All of the milestones established for operational integration are being met. The business is growing in terms of customers, resources and investment and positive ordinary results are already being generated and they will surely grow notably this year and in coming years.

This is all independent of the very important extraordinary results generated by the negative goodwill deriving from the acquisition of the business at a price much lower than its book value.

'We gained market share in all strategic segments.'

How do you assess the Bank's results?

As I have already stated, we have once again broken records. They were again the best ever for the Bank, with or without extraordinary items. What is most important is that we are in a position to repeat that situation again this year.

As the CEO will explain, the Bank's commercial activities are at their best moment and we have therefore grown vigorously and gained market share in all strategic segments. Private Banking, Personal Banking, Mortgages, Consumer Loans, Corporate and Business Banking, are good examples. Our subsidiary Línea Directa Aseguradora also had an excellent year.

This growth has allowed us to obtain earnings after taxes totalling 490.1 million euros, 30% more than last year. Without the extraordinary profits deriving from the bad will in Portugal and the extraordinary costs of the integration of the business in that country, ordinary and recurring results would have been 426.5 million euros after taxes, representing 13% growth compared to the preceding year.

Thanks to the efforts and brilliant performance of all of our professionals, the yield on invested capital was again the highest in the sector, without impairing the quality of assets and solvency level.

'The transaction in Portugal is progressing in a very satisfactory manner.'

I want to thank all of Bankinter's employees for their exceptional efforts and their commitment and dedication. They are the drivers of the Bank's success, which has obtained the best results in the Spanish financial system since the start of the crisis.

Our solvency and the improvement of the liquidity ratios due to the sharp increase in deposits during the year have been recognised by analysts and rating agencies. I also want to note that Standard and Poor's once again improved our credit rating a few days ago.

For all of these reasons the Board has proposed a cash dividend distribution to the General Shareholders' Meeting consisting of a 200 million euros charge against 2016, a 6.02% increase compared with last year.

Our objective is to increase yields for shareholders always within the framework of a prudent policy that contributes to the conservation of capital and allows us to maintain an adequate solvency level.

In conclusion, we end 2016 bigger, more profitable, more robust, without compromising our loyalty to the principle of creating a top-quality bank that is attentive to the needs of our customers. The market rewarded us for all of this by making Bankinter the best bank stock in the Ibex 35, which is up 12.5%, for the fourth consecutive year.

Does Bankinter also seek sustainability?

Without any doubt. These efforts are projected first on Corporate Governance, which is subject to the most demanding international practices and, of course, the content of the European Banking Union project. We believe that sustainability must also saturate the three broad business dimensions at Bankinter: its economic, social, and environmental facets. Accordingly, our sustainability plan is called 'Tres en Raya'.

'Our commitment to sustainability is a reflection of our constant commitment to shareholders, customers, employees and society in general.'

Through that plan we are committed to the establishment of a balanced, transparent and clear relationship with our customers, among other things, the financial integration of customers with disabilities, the responsible management of people as the Bank's primary asset and the development of the community in which we operate as well as the mitigation of our impact on the environment.

This is also the case with the activities carried out by the Bankinter Innovation Foundation, which has four programs currently in progress: 'Future Trends Forum', a multi-disciplinary and international think tank, considered by the University of Pennsylvania to be the best in Spain with respect to Science and Technology and number 27 worldwide, Akademia, which attempts to initiate Spanish university students in the world of innovation and entrepreneurship, Entrepreneurs, which invests early stage capital in start-ups and Cre100do, whose purpose is to assist medium-sized companies make the leap into international markets.

This is intended to reinforce our constant commitment to stakeholders (shareholders, customers, employees, society in general) who are the true points of reference for our work.

02

Interview with the CEO, María Dolores Dancausa

**How was 2016 for Bankinter?**

I think it was a very positive and satisfactory year. The data speak for themselves. The income statement reflects a net profit of 490.1 million euros, which is a 30.4% increase over 2015. Profits before taxes totalled 676.7 million euros, 30.1% more than last year. Naturally, such high increases were influenced by the entry into the Business in Portugal, the acquisition of which was completed on this past 1 April. It even without that extraordinary effect, net profits and profits before taxes showed very favourable development with 13.4% and 13.2% growth, respectively.

In terms of asset quality, solvency, profitability and efficiency the balance sheet for the year was also very favourable. The non-performing asset rate fell to 4.01%, 12 basis points less than in 2015, despite the fact that we assumed the defaults in the Portugal business which resulted in an increase in this indicator. If this effect is eliminated, the rate fell to 3.56% Bankinter maintained a CET1 capital ratio ("fully loaded", with the Basel criteria that will be enforcing 2019) of 11.2%, considerably higher than regulatory requirements. Our return on equity

ratio, excluding Portugal, was 10.9% and the highest in the sector in Spain.

The listed price of our shares throughout 2016 reflected the market's confidence in our positive results and their sustainability over the coming years. Bankinter rose 12.5% in the stock market, which contrasts with the losses, in some cases very notable losses, that affected the great majority of the main Spanish and European banks during the year.

In summary, we ended an excellent year and this completes four consecutive years with high rates of growth and we have extended a trajectory of successes that initially allowed us to quickly overcome the economic and financial crisis to then allow us to attain the best results in our history.

The Group's income statement has improved significantly over the past few years, despite the fact that the environment in the sector is not favourable. Are they sustainable results?

Without any doubt. In four years we multiplied net profits by four, which is a very notable increase, but I am sure that those results are sustainable over time for va-

rious reasons. On the one hand, because most of this growth is supported by recurring business profits, which guarantees the continuity of future earnings. Secondly, because both the lines of business that we can consider to be mature, as well as those that are not yet mature and have further to go, are continuing to reflect excellent performance. Over the past few years we have also been sowing seeds for the future through investments in strategic lines that we are sure will offer profits in the short and medium-term. We can also count on the entry of the business in Portugal, in which we have much hope. I believe that our results are therefore sustainable over time.

The commitment to Portugal is one of the most characteristic notes of the year. Almost one year after the acquisition of Barclays' business, our expectations being met?

Indeed, after nine months of operations Bankinter Portugal is meeting our expectations. The integration process is mostly completed and we have created a new organisational structure with the support of a very competent team of professionals. The banking problems in Portugal have not only not discouraged

us but rather open a door to new business opportunities, as was the case in Spain in the middle of the financial and economic crisis. The results will be seen in 2017 and subsequent years.

Portugal now contributes 8% of our balance sheet and we intend to increase that percentage to 15% within a reasonable period of time. We have ambitious objectives to grow in mortgages and Personal Banking. We are also strongly committed to Business Banking, including international financing business and we intend to transplant our successful strategy in the Spanish market. We believe that Portugal has great potential.

In addition to Portugal, what were the most notable business areas in 2016?

Most of the lines of business responded well, since the strategic businesses continued to grow and their contribution to recurring revenues was maintained. The gross margin on consumer financing, which is an activity that we relaunched through Bankinter Consumer Finance to take advantage of the changing trend in domestic spending, increased by 40.7%. We have much hope in this area and to reinforce that we have prepared an am-

bitious business and development plan, which includes 100% online processes and an intensive use of techniques that associate data that are apparently unrelated, what is known as "Big Data" and is so important in mass markets. We have also made great efforts in Personal Banking and the results are there, with a 7.4% increase in the assets under management.

In other traditional businesses, or those that we could consider to be mature, development has also been very satisfactory. In Private Banking, which for years has been one of our strong points, assets under management increased by 11.4%. If we look at our Business Banking business, the year was also positive since loan investments, even excluding the Portugal business, increased by 6.7% and we obtained a 5.5% market share of new transactions. I must note in this respect the expansion of the international business, whose gross margin grew by 27% last year when it already represented 20.4% of the Business Banking segment.

'Bankinter Portugal is meeting our expectations.'

Both policies and premiums in the Linea Directa insurance area increased by 8.4% and 8.7%, respectively, with particularly significant growth in the homeowners segment and the high profitability of the business was maintained, with an exceptional return on equity of 33.2% and the best margins in the market. I will not tire of noting that the contribution of Linea Directa to the Group's revenues and profits is, year after year, extraordinary and provides us with solid confidence in the future.

Speaking of the future, what is the outlook for 2017?

Once again the year is marked by uncertainty, which is one of the characteristic signs of our times. The Brexit, the new president in the United States and the coming critical elections in several countries in the European Union and the formation in Spain of a Government with limited parliamentary support are elements that make the national and international scenario more insecure. The situation in the banking sector is also complex, in an environment of very low interest rates, although there are now signs that the situation may start to reverse, and intense regulatory pressure for banks to reinforce their solvency levels and improve risk management. This is the framework of restrictions that we must manage and what we must do is to create a solid business base and be prepared for future events. I believe that the Group's foundation is strong and, therefore,

I am confident that throughout 2017 we can maintain our line of growth in terms of the number of customers and the volume of investments, resources and revenues. It seems to me that it is particularly relevant that we have been able to increase our loans to customers one more year, because I believe that it is the manner of helping to drive the economic recovery.

In this context of difficulty and uncertainty, what are the immediate challenges faced by the Bank?

One of our fundamental priorities is to protect the profitability of the business, because the low interest rates represent a great challenge to our margins. It is true that at Bankinter we depend less on interest rates than most Spanish and European banks, but the interest margin still makes a 55% contribution to our gross margin. To offset the negative trend in the interest margin we are obligated to find new sources of revenues, maintain spreads and promote lines of business that do not excessively depend on interest rates. Increasing revenues through fees is an option in this connection. However, I believe that bank fees cannot be established or raised without justification. Fees cause great irritation if the customer does not perceive that added value is offered. For that reason any attempt to raise revenues in that way must be very well supported and justified by the service unit concerned.

Another of our immediate challenges is to improve the efficiency level. In our case this does not involve adjusting the payroll and reducing the number of offices, because the Bank is well sized but rather to find formulas to improve our processes and to be more productive. In addition, the non-performing asset ratio must be monitored. We continue to be, with a great difference, the Spanish bank with the highest quality asset portfolio, but we cannot let our guard down and we must be extremely prudent with our risk policy to avoid exchanging growth for non-performing assets. Our growth must be healthy and sustainable over time. The commitments deriving from Banking Union, which promotes the improvement of risk management throughout the organisation's structure, may assist us in this respect.

What role does the technological revolution play in these challenges?

It is absolutely key. The technological revolution is part of the problem and of the solution. It forms part of our problems because technology is changing the rules of the game in the financial industry and customer habits. The data is there: Only 9% of our customers are purely physical,

'The increase in our stock price contrasts with the losses seen by most of the main Spanish and European banks.'

31% digital and 60% are both. However, technology is primarily part of the solution. Technology allows us to manage more volume with fewer resources and brings enormous possibilities to make banking processes more efficient and to improve relationships with our customers.

However, the projects with which we become involved must be selected very well. Historically, and by conviction, at Bankinter we are well trained to take on technological change and we know that the possibilities are infinite. Accordingly, we must use very rigorous criteria when selecting our investments and ensure that they provide measurable results in the shortest time possible. We must also adapt the profiles of our professionals to the new reality. With the introduction of new technologies we need fewer professionals in purely administrative positions and more dedicated to advisory services and the creation of services that provide value to customers.

We must renew our technology platforms and perfect the structure of our operating processes, but without impairing or losing the focus on business needs because the market is increasingly competitive and does not allow for distractions. To take on these challenges, in 2016 we significantly reinforced our technology and operations service subsidiary, Bankinter Global Services, strengthening both the transformation efforts and attention to the day-to-day services. Innovation is one of our

identity characteristics and we wish to again demonstrate that with group of transformation projects currently being implemented, which will lay the foundation for the Bankinter of the future.

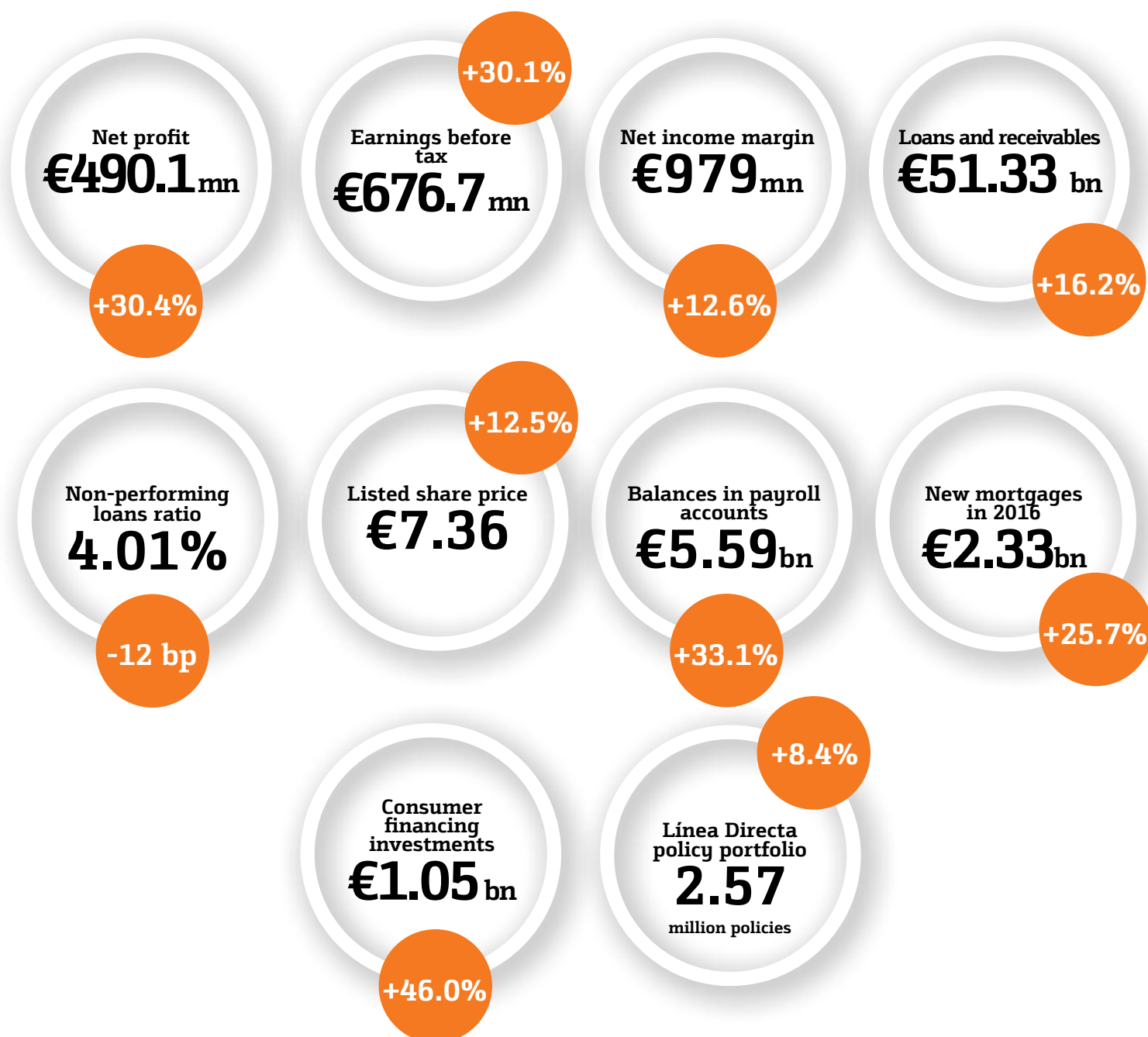
What is the Bank's position given the new international regulatory and supervision requirements?

I consider that we are in a good situation. As I have already mentioned, our capital levels are clearly higher than those required by the supervisor. I also believe that we are in a position to assume our future obligations to cover European regulations on resolution processes. While it is important to comply with those ratios and requirements, it is even more important that the inflationary spiral affecting capital requirements be stopped and that we know with absolute certainty what regulatory framework is applicable to banks. Regulatory stability is fundamental so that we can devote all of our energy to the management of the multiple challenges facing the financial industry. I believe that there must be an international debate regarding the advisability of extending the new regulation to technological financial companies, the so-called fintech, which today compete in some market segments under advantageous conditions compared with traditional credit institutions since they do not have to comply with capital obligations, risk controls and corporate governance regulations that are required of the banks.

'Innovation is one of our identity characteristics and we wish to again demonstrate that with group of transformation projects currently being implemented, which will lay the foundation for the Bankinter of the future.'

03

Milestones



04

Results

Bankinter Group ended 2016 with a new earnings record, despite it being a year full of domestic and international uncertainties. Both before tax and net earnings grew by more than 30%. These results include data on the business acquired in Portugal from Barclays, which was effectively recognised by Bankinter on 1 April.

The results obtained in 2016 reveal that the typical customer business has maintained all of its potential, with sharp growth in international business banking, salary accounts, mortgages and consumer loans, among others.

The Bank also revalidated its status as the most profitable listed bank in Spain and maintained its traditional competitive advantage in the quality of its assets (with a 4% non-performing loan ratio) and solvency (with capital much higher than required).

The results in 2016 also revealed that Bankinter's customer business maintains all of its potential and it has expanded its scope after the strategic opening of the Portuguese market, and it continues to be the primary contributor to the Group's revenues.

The transformation process has resulted in 31% of Bankinter customers only using online banking. Traditional channels and digital channels are indistinctly used by 60% and only 9% use solely branch offices or telephone banking. The Coinc digital savings platform, which is primarily directed towards youths, expanded and improved its services and increased the number of customers by 34%.



Notable information for 2016

▪ **Earnings.** Earnings before taxes totalled 676.7 million euros, 30.1% more than in 2005. Net earnings increased by 30.4% to 490.1 million euros. Excluding Portugal, earnings before taxes totalled 588.8 million euros and net earnings 426.5 million euros, which represents 13.2% and 13.4% increases, respectively, over last year.

▪ **Share price.** It started the year at 6.54 euros and ended at 7.36. Capitalisation rose from 5.88 billion euros to 6.62 billion euros, which ranks Bankinter as the sixth bank by stock market value. An average of 2.9 million shares were traded daily.

▪ **Profitability.** Profitability rose by 16% in 2016 if Bankinter's listed price is added to dividends, the highest in the Spanish banking sector. ROE reached 10.9%, excluding Portugal.

▪ **Non-performing assets.** The figure fell from 4.13% to 4.01%, despite the fact that the figure for the Portuguese business is higher than that of the rest of the Group in relative terms. If those data are excluded, the non-performing asset ratio at Bankinter would have ended 2016 at 3.56%, less than half the average in the sector thanks to the Bank's successful risk management model.

▪ **Solvency.** The fully loaded CET1 capital ratio ended the year at 11.2% and phased-in CET1 was 11.77%, much higher than the level required by the ECB for Bankinter in 2017.

▪ **Financing structure.** The Bank strengthened the structure with a deposit-to-loan ratio that was 90.4% at 31 December, when one year before it was 83.5%. The liquidity gap declined to 5.4 billion euros, 3.1 billion euros less than in 2015. Maturities of wholesale issues outstanding up until 2019 amounted to 2.6 billion euros. To cover these maturities, the bank had liquid assets valued at 10 billion euros and a bond issuing capacity valued at a further 6.7 billion euros.

▪ **Margins.** The interest margin contributed 979 million euros, up 12.6% over last year and the gross margin was 1.71 billion euros (+9.5). The operating margin totalled 815.1 million euros (+0.95), despite the expenses deriving from the integration of the Portuguese business and others relating to digitalisation. The efficiency ratio of the banking activity with depreciation stood at 45.1%, (42.9% excluding Portugal).

▪ **Loans and receivables.** Including Portugal brought the figure 51.33 billion euros (+16.2%) and excluding Portugal the figure was 46.78 billion euros (+5.9%). This represents organic growth totalling 2.59 billion euros in a year in which the sector reduced loan volume by 3.1%.

▪ **Controlled resources.** They grew by 15.5% to 75.41 billion euros. The performance of retail resources was notable at 44.13 billion euros (+27.5%), and off-balance sheet items (investment funds, pension funds and asset management), increased by 12.1%. Retail resources excluding Portugal improved by 16.9%, fourteen percentage points more than the average in the sector.

Bankinter Group. Consolidated Balance Sheets at 31 December 2016 and 2015 (Thousands of Euros)

ASSETS	31/12/2016	31/12/2015(*)
Cash, balances in cash in central banks and other demand deposits	3,556,750	1,448,882
Financial assets held for trading	2,676,719	4,473,638
Derivatives	386,897	356,041
Equity instruments	62,901	34,764
Debt securities	1,042,163	2,264,761
Loans and advances	1,184,758	1,818,072
Credit institutions	1,031,734	1,009,596
Customers	153,024	808,476
<i>Memorandum items: Loaned or pledged</i>	<i>948,175</i>	<i>1,790,311</i>
Financial assets designated at fair value through profit or loss	-	57,209
Equity instruments	-	57,209
<i>Memorandum items: Loaned or pledged</i>	<i>-</i>	<i>-</i>
Available-for-sale financial assets	4,140,057	3,530,153
Equity instruments	178,550	153,145
Debt securities	3,961,507	3,377,008
<i>Memorandum items: Loaned or pledged</i>	<i>112,207</i>	<i>460,940</i>
Loans and receivables	52,816,104	44,955,793
Debt securities	499,004	446,230
Loans and advances	52,317,100	44,509,563
Credit institutions	1,132,327	326,930
Customers	51,184,773	44,182,633
<i>Memorandum items: Loaned or pledged</i>	<i>1,743,051</i>	<i>294,267</i>
Investments held to maturity	2,019,546	2,404,757
<i>Memorandum items: Loaned or pledged</i>	<i>118,132</i>	<i>-</i>
Changes in fair value of the hedged items in a portfolio hedging interest rate risk	-1,889	-
Derivatives - hedge accounting	217,854	160,073
Investments in joint ventures and associates	112,708	39,424
a) Associates	93,156	38,681
b) Jointly controlled entities	19,552	743
Assets covered by insurance and reinsurance contracts	3,124	2,889
Tangible assets	503,716	493,114
Property, plant and equipment	428,671	417,280
For own use	391,509	395,348
Leased out under operating leases	37,162	21,932
Assigned to welfare projects (savings banks and credit cooperatives)	-	-
Investment property	75,045	75,834
<i>Of which: leased out under operating leases</i>	<i>75,045</i>	<i>75,834</i>
<i>Memorandum items: acquired under financial leases</i>	<i>-</i>	<i>-</i>
Intangible assets	245,063	266,693
Goodwill	164,113	164,113
Other intangible assets	80,950	102,580
Tax assets	384,861	348,238
Current tax assets	219,615	201,391
Deferred tax assets	165,246	146,847
Other assets	204,833	160,660
Insurance contracts linked to pensions	93	343
Other assets	204,740	160,317
Stock	-	-
Non-current assets and disposal groups classified as held for sale	303,021	318,287
TOTAL ASSETS	67,182,467	58,659,810
MEMORANDUM ITEMS:		
Guarantees provided	3,934,041	3,229,661
Contingent commitments granted	12,175,148	10,989,833

LIABILITIES AND EQUITY	31/12/2016	31/12/2015(*)
LIABILITIES	63,085,091	54,861,633
Financial liabilities held for trading	2,195,816	3,769,080
Derivatives	461,494	464,958
Short positions	852,366	1,573,676
Deposits	881,956	1,730,446
Credit institutions	63,687	735,427
Customers	818,269	995,019
Financial liabilities designated at fair value through profit or loss	-	-
<i>Memorandum items: Subordinated debt</i>	<i>-</i>	<i>-</i>
Financial liabilities at amortised cost	59,338,635	49,836,994
Deposits	48,788,810	37,630,699
Central banks	4,750,000	3,017,983
Credit institutions	1,472,287	1,792,316
Customers	42,566,523	32,820,400
Debt securities issued	8,915,470	11,079,445
Other financial liabilities	1,634,355	1,126,850
<i>Memorandum items: Subordinated debt</i>	<i>675,913</i>	<i>594,563</i>
Changes in fair value of the hedged items in a portfolio hedging interest rate risk	-	-
Derivatives - hedge accounting	109,154	11,489
Liabilities covered under insurance contracts	683,659	630,983
Provisions	153,707	95,868
Pensions and other defined benefit post-employment obligations	13,935	458
Other long-term employee remuneration	-	-
Procedural matters and litigation for outstanding taxes	95,029	83,160
Commitments and guarantees provided	28,541	8,312
Other provisions	16,202	3,938
Tax liabilities	346,391	314,940
Current tax liabilities	169,710	172,949
Deferred tax liabilities	176,681	141,991
Share capital repayable on demand	-	-
Other liabilities	257,729	202,279
<i>Of which: welfare fund</i>	<i>-</i>	<i>-</i>
Liabilities included in disposal groups classified as held for sale	-	-
TOTAL LIABILITIES	63,085,091	54,861,633
SHAREHOLDERS' EQUITY	3,987,518	3,689,436
Share capital	269,660	269,660
a) Paid-in capital	269,660	269,660
b) Unpaid capital required	-	-
<i>Memorandum items: uncalled share capital</i>	<i>-</i>	<i>-</i>
Share premium	1,184,265	1,184,268
Equity instruments issued other than share capital	-	-
a) Component of equity of compound financial instruments	-	-
b) Other equity instruments issued	-	-
Other items of equity	6,462	1,339
Retained earnings	2,158,104	1,964,596
Revaluation reserves	23,198	31,087
Other reserves	-5,471	738
(-) Treasury shares	-132	-988
Profit attributable to the owners of the Parent	490,109	375,920
(-) Interim dividends	-138,677	-137,184
OTHER CUMULATIVE COMPREHENSIVE INCOME	109,858	108,741
Items that will not be reclassified to profit or loss	1,347	1,288
a) Actuarial gains or losses on defined benefit pension plans	1,347	1,288
b) Non-current assets and disposal groups classified as held for sale	-	-
c) Share in other recognised income and expense from investments in joint ventures and associates	-	-
d) Other valuation adjustments	-	-
Items that may be reclassified to profit or loss	108,511	107,453
a) Hedging of net investments in foreign operations (effective portion)	-	-
b) Currency conversion	590	302
c) Hedging derivatives. Cash flow hedges (effective portion)	-636	-3,639
d) Financial assets available for sale	103,864	107,084
i) Debt instruments	96,485	99,548
ii) Equity instruments	7,379	7,536
e) Non-current assets and disposal groups classified as held for sale	-	-
f) Share in other income and expense recognised in joint ventures and associates	4,693	3,706
MINORITY INTERESTS (non-controlling interests)	-	-
Other cumulative comprehensive income	-	-
Other items	-	-
TOTAL EQUITY	4,097,376	3,798,177
TOTAL LIABILITIES AND EQUITY	67,182,467	58,659,810

Consolidated income statement for the years ended 31 December 2016 and 2015 (Thousands of Euros)

	(Debit)/Credit	
	31/12/2016	31/12/2015 (*)
(+) Interest income	1,271,458	1,283,765
(-) Interest expenses	-292,441	-414,311
(-) Expenses for share capital repayable on demand	-	-
= A) NET INTEREST INCOME	979,017	869,454
(+) Dividend income	10,253	6,681
(+/-) Share of profit or loss of companies accounted for using the equity method	22,093	18,223
(+) Fee and commission income	470,849	437,604
(-) Fee and commission expenses	-91,740	-80,275
(+/-) Gains or losses arising from the derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	55,770	57,883
(+/-) Gains or losses on financial assets and liabilities held for trading, net	15,085	12,360
(+/-) Gains or losses on financial assets and liabilities designated at fair value through profit or loss, net	1,357	-3,183
(+/-) Gains or losses resulting from hedge accounting, net	-387	-909
(+/-) Foreign exchange differences, net	-376	5,500
(+) Other operating income	30,478	26,752
(-) Other operating expenses	-91,510	-88,572
(+) Income from assets covered by insurance and reinsurance contracts	715,976	669,031
(-) Expenses from liabilities covered by insurance and reinsurance contracts	-399,476	-361,734
= B) GROSS OPERATING INCOME	1,717,389	1,568,815
(-) Administrative expenses:	-843,353	-699,401
(-) a) Staff costs	-462,693	-393,459
(-) b) Other administrative expenses	-380,660	-305,942
(-) Depreciation and amortisation	-58,893	-61,653
(+/-) Provisions or reversals of provisions	-38,611	-25,254
(+/-) Impairment or reversals of impairment of financial assets not measured at fair value through profit or loss, net	-168,875	-189,301
(+/-) a) Financial assets measured at cost	-	-
(+/-) b) Financial assets available for sale	-16,308	-10,322
(+/-) c) Loans and receivables	-152,567	-178,979
(+/-) d) Investments held to maturity	-	-
= C) OPERATING PROFIT	607,657	593,206
(+/-) Impairment or reversals of impairment of investments in joint ventures and associates	-	-
(+/-) Impairment or reversals of impairment of non-financial assets	-17,489	-442
(+/-) a) Tangible assets	-	-152
(+/-) b) Intangible assets	-17,174	-
(+/-) c) Other	-315	-290
(+/-) Gains or losses arising from the derecognition of non-financial assets and investments, net	-703	-2,001
(+) Negative goodwill recognised in profit or loss	145,140	-
(+/-) Gains or losses arising from non-current assets and disposal groups classified as held for sale and not admissible as discontinued operations	-57,893	-70,433
= D) PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS	676,712	520,330
(+/-) Expenses or income from taxes on earnings from continuing operations	-186,603	-144,410
E) PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS	490,109	375,920
(+/-) Profit or loss after tax from discontinued operations	-	-
PROFIT FOR THE PERIOD	490,109	375,920
Attributable to minority interests (non-controlling interests)	-	-
Attributable to the owners of the Parent	490,109	375,920
EARNINGS PER SHARE:		
Basic	0.54	0.42
Diluted	0.54	0.42

Consolidated statement of recognised income and expense for the years ended 31 December 2016 and 2015 (Thousands of Euros)

	31/12/2016	31/12/2015 (*)
A) PROFIT FOR THE PERIOD	490,109	375,920
B) OTHER COMPREHENSIVE INCOME	1,117	-20,790
Items that will not be reclassified to profit or loss	59	126
a) Actuarial gains or losses on defined benefit pension plans	90	180
b) Non-current assets and disposal groups classified as held for sale	-	-
c) Other valuation adjustments	-	-
d) Tax on earnings related to items that will not be reclassified	-31	-54
Items that may be reclassified to profit or loss	1,058	-20,916
a) Hedging of net investments in foreign operations [effective portion]	-	-
- Gains or losses recognised in equity	-	-
- Transferred to profit or loss	-	-
- Other reclassifications	-	-
b) Currency conversion	412	116
- Foreign currency gains or losses recognised in equity	64	877
- Transferred to profit or loss	348	-761
- Other reclassifications	-	-
c) Cash flow hedges [effective portion]	4,289	-5,197
- Gains or losses recognised in equity	-	-5,197
- Transferred to profit or loss	4,289	-
- Transferred to the initial carrying amount of the hedged items	-	-
- Other reclassifications	-	-
d) Financial assets available for sale	-4,289	-30,149
- Gains or losses recognised in equity	36,879	1,845
- Transferred to profit or loss	-41,168	-31,994
- Other reclassifications	-	-
e) Non-current assets and disposal groups classified as held for sale	-	-
- Gains or losses recognised in equity	-	-
- Transferred to profit or loss	-	-
- Other reclassifications	-	-
f) Share in other recognised income and expense from investments in joint ventures and associates	987	-715
g) Tax on earnings related to items that may be reclassified in profit or loss	-341	15,029
C) TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	491,226	355,130
Attributable to minority interests (non-controlling interests)	-	-
Attributable to the owners of the Parent	491,226	355,130

Consolidated statement of changes in total equity for the years ended

31 December 2016 and 2015 (Thousands of Euros)

	Non-controlling interests													Total
	Share capital	Share premium	Equity instruments issued other than share capital	Other items of equity	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares	Profit attributable to the owners of the Parent	(-) Interim dividends	Other cumulative comprehensive income	Other cumulative comprehensive income	Other items	
Opening balance 31/12/2015(*)	269,660	1,184,268	-	1,339	1,964,596	31,087	738	-988	375,920	-137,184	108,741	-	-	3,798,177
Effects of correcting errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance 31/12/2015	269,660	1,184,268	-	1,339	1,964,596	31,087	738	-988	375,920	-137,184	108,741	-	-	3,798,177
Total comprehensive income for the year	-	-	-	-	-	-	-	-	490,109	-	1,117	-	-	491,226
Other changes in equity	-	-3	-	5,123	193,508	-7,889	-6,209	856	-375,920	-1,493	-	-	-	-192,027
Issue 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)	-	-	-	-	-	-	-	-	-	-189,453	-	-	-	-189,453
Purchase of treasury shares	-	-	-	-	-	-	-	-56,044	-	-	-	-	-	-56,044
Sale or redemption of treasury shares	-	-	-	-	-190	-	-	56,900	-	-	-	-	-	56,710
Reclassification of financial instruments from equity to liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liabilities to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between equity components	-	-	-	-	194,169	-	-6,209	-	-375,920	187,960	-	-	-	-
Increases or decreases in equity arising from business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	5,123	-	-	-	-	-	-	-	-	-	5,123
Other increases or decreases in equity	-	-3	-	-	-471	-7,889	-	-	-	-	-	-	-	-8,363
Of which: discretionary transfer to welfare funds (only savings banks and credit cooperatives)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance 31/12/2016	269,660	1,184,265	-	6,462	2,158,104	23,198	-5,471	-132	490,109	-138,677	109,858	-	-	4,097,376

	Non-controlling interests													Total
	Share capital	Share premium	Equity instruments issued other than share capital	Other items of equity	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares	Profit attributable to the owners of the Parent	(-) Interim dividends	Other cumulative comprehensive income	Other cumulative comprehensive income	Other items	
Opening balance 31/12/2014 (*)	269,660	1,184,268	-	-	1,821,249	38,974	-6,440	-771	275,887	-68,913	129,531	-	-	3,643,445
Effects of correcting errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance 31/12/2014 (*)	269,660	1,184,268	-	-	1,821,249	38,974	-6,440	-771	275,887	-68,913	129,531	-	-	3,643,445
Total comprehensive income for the year	-	-	-	-	-	-	-	-	375,920	-	-20,790	-	-	355,130
Other changes in equity	-	-	-	1,339	143,347	-7,887	7,178	-217	-275,887	-68,271	-	-	-	-200,398
Issue 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)	-	-	-	-	-	-	-	-	-	-206,215	-	-	-	-206,215
Purchase of treasury shares	-	-	-	-	-	-	-	-64,243	-	-	-	-	-	-64,243
Sale or redemption of treasury shares	-	-	-	-	249	-	-	64,026	-	-	-	-	-	64,275
Reclassification of financial instruments from equity to liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liabilities to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between equity components	-	-	-	-	130,765	-	7,178	-	-275,887	137,944	-	-	-	-
Increases or decreases in equity arising from business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	1,339	-	-	-	-	-	-	-	-	-	1,339
Other increases or decreases in equity	-	-	-	-	12,333	-7,887	-	-	-	-	-	-	-	4,446
Of which: discretionary transfer to welfare funds (only savings banks and credit cooperatives)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance 31/12/2015 (*)	269,660	1,184,268	-	1,339	1,964,596	31,087	738	-988	375,920	-137,184	108,741	-	-	3,798,177

Consolidated statement of cash flows for the years ended 31 December 2016 and 2015 (Thousands of Euros)

	31/12/2016	31/12/2015 (*)
CASH FLOWS FROM OPERATING ACTIVITIES	1,779,105	270,219
Profit for the year	490,109	375,920
Adjustments to obtain cash flows from operating activities	446,342	456,061
Depreciation and amortisation	58,893	61,653
Other adjustments	387,449	394,408
Net increase/decrease in operating assets	2,639,562	1,564,834
Financial assets held for trading	-1,796,920	-879,844
Financial assets designated at fair value through profit or loss	-57,209	7,736
Available-for-sale financial assets	625,778	550,440
Loans and receivables	3,756,421	1,805,692
Other operating assets	111,492	80,810
Net increase/decrease in operating liabilities	3,644,286	1,158,713
Financial liabilities held for trading	-1,573,263	1,327,589
Financial liabilities designated at fair value through profit or loss	-	-
Financial liabilities at amortised cost	5,078,413	-119,698
Other operating liabilities	139,136	-49,178
Income tax recovered (paid)	-162,070	-155,641
CASH FLOWS FROM INVESTING ACTIVITIES	431,484	519,234
Payments	-204,214	-106,312
Tangible assets	-44,106	-83,021
Intangible assets	-23,796	-23,291
Investments in joint ventures and associates	-74,752	-
Subsidiaries and other business units	-61,560	-
Non-current assets and liabilities classified as held for sale	-	-
Investments held to maturity	-	-
Other payments related to investing activities	-	-
Collections	635,698	625,546
Tangible assets	10,310	29,440
Intangible assets	-	6,859
Investments in joint ventures and associates	556	-
Subsidiaries and other business units	-	-
Non-current assets and liabilities classified as held for sale	221,497	176,098
Investments held to maturity	383,835	413,149
Other collections related to investing activities	19,500	-
CASH FLOWS FROM FINANCING ACTIVITIES	-102,721	-219,275
Payments	-359,621	-283,799
Dividends	-189,453	-206,215
Subordinated debt	-114,124	-13,300
Redemption of own equity instruments	-	-
Acquisition of own equity instruments	-56,044	-64,284
Other payments related to financing activities	-	-
Collections	256,900	64,524
Subordinated debt	200,000	-
Issue of own equity instruments	-	-
Disposal of own equity instruments	56,900	64,524
Other collections related to financing activities	-	-
EFFECTS OF CHANGES IN FOREIGN EXCHANGE RATES	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,107,868	570,178
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,448,882	878,704
CASH AND CASH EQUIVALENTS AT END OF PERIOD	3,556,750	1,448,882

05

Share price

The Spanish stock market had a very irregular year, marked by a 32% decline in trading volume compared with 2015 and the volatility associated with international uncertainties. Prices improved towards the end of the year and the Ibex-35 was only down by 2%.

In this context, Bankinter's shares showed excellent performance. The listed price increased by 12.5% and reached a maximum of 7.69 euros. For the fourth

consecutive year it was the best bank stock in the Spanish large company index with a yield (including the dividend) of 16%.

Bankinter ended the year with a capitalisation of 6.62 billion euros, which compares very favourably to the international environment. The STOXX Europe 600 Banks index, which reflects the listed price of the 45 most important European financial institutions, ended the

year with a 6.8% decline and Bankinter was the third best-performing bank in the euro zone.

Rating. In 2016 Bankinter maintained its investment grade rating (the highest rating level) in all areas, which facilitates its deposit taking capacity and places it in a privileged position in the market with respect to its size. The good perception of the Bank's capacity to comply with its financial commitments was also confirmed by improvement of the outlook of the main rating agencies during the year.

Dividends. The solid growth of the business and the good solvency situation made it possible for Bankinter to avoid the restrictions imposed over the past few years by supervisors regarding the preservation of capital for yet another year. The Bank distributed for cash dividends to its shareholders, a supplementary distribution on 2015 and three interim distributions in 2016, which together represent approximately 50% of the ordinary profits obtained over the first three quarters. The fourth supplementary dividend will be paid against the complete results for the year, which will be approved by shareholders at a General Meeting in 2017.

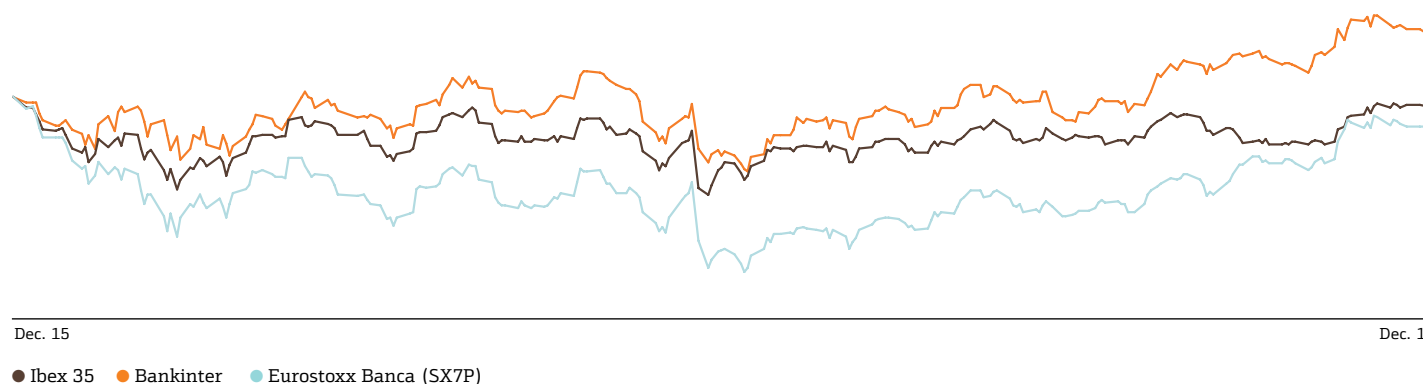


Per share data for the period, at 31/12/2016 (euros)

Earnings per share	0.55
Dividend per share	0.21
Underlying book value per share	4.56
Listed price at the start of the year	6.54
Minimum intra-day listed price	5.50
Maximum intra-day listed price	7.69
Listed price at the end of the year	7.36
Appreciation over the past 12 months (%)	12.47


Stock market ratios at 31/12/2016

Underlying book value/price per share (times)	1.61
PER (price/earnings ratio, times)	13.50
Dividend Yield (%)	2.86
Number of shareholders	57,750
Number of shares	898,866,154
Number of non-resident shares	414,227,135
Average daily trading (number of shares)	2,905,462
Average daily trading (thousand euros)	18,739
Market capitalisation (thousand euros)	6,615,655

Listed share price

06

Strategy



Bankinter's project is mainly geared towards sustained and balanced growth. It is therefore defined as a bank for customers, who ensure a solid and recurring income base and guarantee sustainable earnings over time.

Another important axis of its strategy is the search for the diversification of revenue and lines of business in order to attain that recurring income and sustainable results.

Interest rates that are near zero limits the capacity of credit institutions to earn money by taking deposits and granting loans. The Bank has therefore reinforced lines of business that are less dependent on interest margins.

The entry into Portugal is also partly due to the promotion of activities that are less dependent on the price of money, since it opens multiple growth possibilities in business banking and asset management.

Over the coming and subsequent years the Bank will continue to invest in businesses such as Private Banking, which is one of the keystones of banking strategy and in which it is a clearly recognised member of the market. Despite the difficult environment, in 2016 the Bank was capable of increasing new equity by 3.5 billion euros, which generates good expectations for its performance in coming years.

It will also continue to support business banking since it continues to be the primary contributor to the Bank's gross margin. The restructuring that commenced in 2015 has started to bear fruit thanks to the degree of specialisation acquired by the various segments: Corporate banking and SME Banking. Excluding the business in Portugal, loan investments notably reached 21 billion euros during the year, 6.7% more than one year ago when the sector reduced business lending by 5%.

Bankinter Consumer Finance focuses on the consumer finance business and has been consolidated as a primary strategic variable. The customer and investment portfolio growth in 2016 will be strengthened by a cycle that is trending upward, the application of new technological tools to refine risk analysis and an expansion of the scope of the business.

The Insurance business is also expected to show good growth data, leveraging the good performance of the mortgage business to the benefit of the associated insurance business and the agreement with MAPFRE. Línea Directa, which is a fundamental supplement to the banking activity, had another excellent year in terms of revenue, yields and solvency.

The acquisition of the Portuguese business that ended on 1 April opens a pathway to a potential business with a very interesting outlook. While being completed in 2017

the project will constitute a pioneering experience with multiple personal, logistical, technological and cultural ramifications that will test the capacity of the organisation to manage complex change scenarios. The results from the Portuguese business over the nine months of the year are even better than expected and therefore it is expected to be confirmed as a notable contributor to the Group's revenues in the medium-term.

Finally, we briefly mention the creation of the new Digital Banking Division in 2016. This division will be responsible for accelerating the Bank's transformation into the new environment and to improve relationships with customers.

07

Corporate Governance

There was no change in the composition of the board of directors in 2016 and it continues to have 10 members characterised by their professional capacity, integrity and independence. There are two executive directors and eight outside directors. Five of the latter are independent, two are proprietary and the last is neither proprietary or independent, in the opinion of the Board.

Bankinter has been committed to the quality of opportunities for men and women for years. In 2010 a woman joined the board of directors as an executive director and CEO. She was followed by two other women appointed as independent directors in 2014 and 2015. This resulted

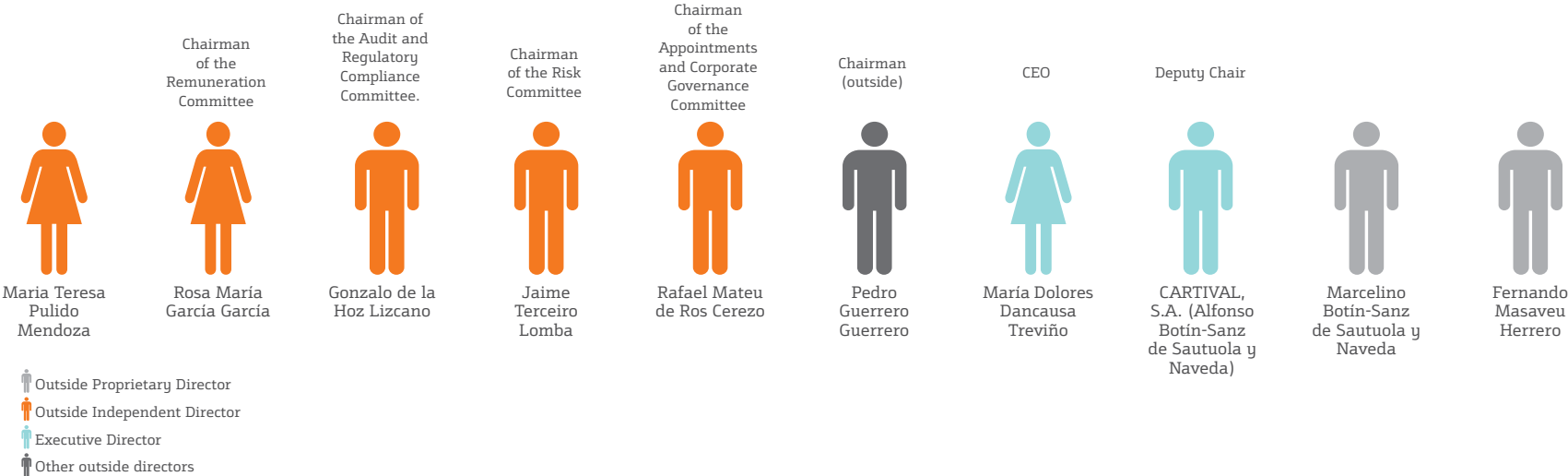
in a female ratio of 30% on the board of directors, representing early compliance with the 2020 target in the Code of Good Governance for capitalistic Companies.

Remuneration. In accordance with that code, since 2008 Bankinter has submitted its remuneration policy for directors for the approval of the General Meeting as a separate point on the Agenda. The specific determination of the amount for each director based on the items defined in the bylaws, and the manner of payment, are decided by the Board.

The Annual Report individually presents the remuneration received by each director, expressing the amounts

relating to each remuneration item. The remuneration driving from the duties assigned to the Bank's executive directors is also individually stated for each item.

Fees. The board of directors has created an Executive Committee with delegated authority. It also has other committees with supervisory, informational, advisory and proposal authority, such as the Audit and Regulatory Compliance, Risk, Remuneration, and Appointments and Corporate Governance. The functions of each of these Committees are set out in the Regulations of the Board, which are available on the company's corporate website.



08

Risks

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

Credit risk. The non-performing asset ratio at the end of the year was 4.01%, which is 12 basis points lower than in 2015 and 43% lower than the average in the sector. The portfolio of foreclosed assets totalled 523 million euros at 31 December, 0.9% of the total credit risk. The total risk deriving from items in default was 2.3 billion euros, an increase of 257 million euros (12.6%), primarily as a result of the entry into the business in Portugal.

Structural and market risks. Includes interest-rate, liquidity and market risks. In order to cover interest-rate risk, Bankinter applies active management techniques that include dynamic analyses of simulated performance of the financial margin in various scenarios. With a more long-term outlook, the Bank studies the sensitivity of its financial value in the light of those movements. Liquidity risk, representing the commercial gap of the business in Spain, fell by 3.36 billion euros. As a result, the percentage of credit investment that is financed by customer deposits rose from 83.5% to 91.4%. Market risk measures the potential to incur loss due to changes in the market prices for trading portfolio positions. Bankinter measures value-at-risk using the historical VaR method (Potential maximum loss of an asset portfolio over a certain time horizon) using one-year data and a 95% confidence interval.

Operational Risk. Defined as the potential risk of incurring losses due to failures of processes, people or internal systems; or due to external events. These losses primarily concentrate in the office distribution network (83%) despite the fact that most transactions take place on remote channels, which reveals the importance of the human factor as the trigger for operational errors and the strength of automation and Bankinter's distance network contracting procedures (Internet, telephone banking, Smart phone banking).

Reputational Risk. The risk stemming from actions taken by the Bank that may led to negative publicity, potentially causing a loss of trust in the institution and impairing its solvency as a result. The objective is to identify and control those risks such that their likelihood is reduced and their potential impact is mitigated. The Bank has a diagnostic and measurement system to manage its reputation in terms of the perception and expectations of its stakeholders.

09

Business areas

Private banking

The priority objective for Private Banking is to build a long-term relationship with customers. It is thus necessary to render services of maximum quality that can only be attained through the continuous training of personnel. The level of excellence in the services rendered is measured through regular surveys.

Together with customer service, another key factor is maintaining an open fund structure that allows a selection from a broad range of possibilities based on the different risk profiles. To further develop that range of possibilities imaginative investment vehicles have started to be designed specifically for Private Banking, and they have been very well received in general.

The more than 200 professional team members dedicated to this segment are considered to be among the best in Spain. Their work in 2016 translated into an 11.4% increase in the equity under management, which totalled 31.20 billion euros at the end of the year. Bankinter also consolidated its number two position in terms of equity investment companies (SICAVS), with a market share of nearly 14%.

Personal Banking

Personal Banking is one of the Bank's naturally developing segments. Since 2014 it has been immersed in a transformation process that affects products, service quality and the training of personnel.

Last year, Personal Banking faced a very difficult environment that was characterised by low interest rates, market uncertainty and strong competition. Mortgages were once again the driving factor for the inflow of funds. Loans of this type totalled 1.13 billion euros (27% more than in 2015) and the total investment increased by 490 million euros, after eliminating repayments.

However, mortgages are just the starting point, a way of generating and maintaining ties with bank customers through other products such as the non-salary account or Account 22. The result was that all current account balances increased by 1.59 billion euros, which increased the contribution of Personal Banking to the Bank's balance sheet by 18 billion euros.

Individuals and foreign residents

The Bank's stellar customer recruitment tool is the 5% Salary Account, which offers that interest rate on a maximum of 5,000 euros the first year and 2% the second. Account 22 was launched in 2016 for the children of bank customers.

The year was very dynamic in terms of mortgage assets but competition did not translate into a decline in interest rates, which are already close to zero, but rather in growing demand for innovative proposals. The Individuals segment saw new loans of this type totalling 696 million euros, which represents 6% growth. There was also an important increase in consumer loans, the active balance of which rose from 260 million euros to 302 million euros (+12.3%)

The number of active foreign customers grew by 3.7% in 2016 to 26,005. Total resources increased by 1.6% and the investment balance ended the year at 636 million euros.

Corporate Banking

The line of business specializing in business groups representing more than 50 million euros in annual revenues faced an environment of low interest rates, excess liquidity, fall in the demand for credit by large companies and a trend towards financing without intermediaries. Despite all of that, loan activities in 2016 were maintained (the stock of loans grew by 4.9%), the business share increased and margins were defended.

One of the key elements was Bankinter's segmentation of its business into three independent areas (small companies, medium-sized companies and Corporate), each with a different focus. As a result of the change in approach, the Bank created a new distribution model based on a network of 22 corporate centres, three of which were exclusively devoted to companies with more than 1 billion euros in annual revenues.

Looking out to 2017, the objective is to recover the pathway to growth in the contribution to the Bank's gross margin, consolidating a new distribution model and deepening the improvement in efficiency and profitability.

Medium-sized companies

All medium-sized companies received differentiating treatment in their relationship with Bankinter at the end of 2016 after a transformation that has been implemented over the past two years. As a result, Bankinter now dedicates nearly 400 professionals to this segment, distributed at 72 business centres that cover the main population areas.

The benefits of the transformation started to be received in 2016, the year in which Medium-sized companies contributed 50% of the growth recorded by all of the business Bankinter obtains from legal persons. The objective in the medium-term is to double the size of this segment, which is a very good fit within the Bank's business model and offers great potential for growth outside of the price war that has started in the sector.

Although one third of medium-sized companies are already active Bankinter customers and maintain 12% of their investments with the Bank, the challenge is to continue improving growth figures and become their primary bank.

Small businesses

Companies with less than 5 million euros in business volume continue to be attended to at universal branch offices. In order to provide a specialised quality service, a total of 243 specialists have been deployed.

In 2016 this segment focused on the largest SMEs, working with them in their day-to-day business in order to tighten the professional relationship they maintain with the Bank. The result of this strategy was a 169 million euros increase in the volume of financing, which reached 4.98 billion euros at 31 December. Transactions totalled 18,344, compared to the 16,600 seen in 2015.

The cost of deposits for the Bank fell to nearly zero, which explains why the final margin total 142.5 million euros, 9.5 million euros more than last year. This improvement in results was also due to the fact that the number of defaults declined together with their cost.

The small companies segment reflected 65,617 direct customers at the end of 2016.

Bankinter Portugal

In 2016 Bankinter took on an ambitious project: It took over Barclays' retail business in Portugal, which is a business with 84 offices, 1,033 employees and 173,000 customers. Once the formal merger took place, the teams in Portugal started a communication process with their colleagues in Spain in order to align strategies and working approaches.

Thanks to those efforts, the transition took place without perceptible problems for customers who may now also enjoy a broad range of products that make up the new Bankinter offer in Portugal.

From the start Bankinter announced its intention to support the recovery started by the Portuguese economy, with practical solutions for families and companies. This commitment translated into a sharp increase in loan activities: The money involving mortgages increased by 750% compared to 2015, while consumer loans increased by 240%. Both figures are far above the average in the market. Financing for companies also improved, although the most notable item in this segment was the performance of deposited funds, which increased by 139% in terms of volume.

Investment Banking

In only five years Bankinter has become a reference within this segment in both Spain and internationally. Development of the growth axes in Investment Banking in 2016 was as follows:

- At a time of growth in the mergers and acquisitions market, Bankinter was involved in six transactions fundamentally involving industrial groups.
- The listing of Pangea on the Alternative Stock Market and the inaugural issues of bonds by Aguas de Valencia, Teknia and Masmovil are examples of the Bank's activity in capital markets.
- Transactions of this type totalled more than 1.2 billion euros and the structured financing portfolio ended the year with a total of 2 billion euros.

We also note the launch at the end of the year of an investment company in the real estate market (SOCIMI) for the best Private Banking customers and selected institutional investors.

International Banking

Thanks to the efforts made over the past two years, the volume of transactions in 2016 rose to 52.95 billion euros, with an investment of 3.44 billion euros, 26.75% more than last year. International Banking now represents 20.4% of the gross margin on business with legal persons.

Bankinter is specialised in the trade & export finance segment of international business. Its products include guarantees, import and export letters of credit and medium and long-term structured financing. Its primary customers are Spanish customers with interests in international markets, although it also provides services to large foreign corporations that have subsidiaries in Spain.

The priority sectors in 2016 were infrastructure, railway transportation, renewable energy and automobiles, and most of the business took place in the Middle East, the Persian Gulf, Europe, USA, Canada and Latin America.

The objective in 2017 is to take advantage of the entry of the business in Portugal to present Bankinter in international markets as an Iberian bank.

Capital Markets

The Capital Markets area manages the trading and distribution of cash products and it is also responsible for the management of the Bank's balance sheet.

In 2016 the Trading area was active in all its businesses, including currency, equities and, especially, fixed income markets, which benefited from the Bank's status as a market maker in government debt and bills of exchange and a co-leader in syndicated issues of Spanish Treasuries.

The Bank's success in the Private Banking and Personal Banking segments, together with low interest rates, generated notable demand for the products designed by the distribution area.

The improvement of Bankinter's liquidity position, in terms of the Bank's balance sheet management, continued in 2016 supported by an extraordinary year of inflows of resources from the network.

The only public issue was for 200 million euros in contingent Additional Tier 1 capital (AT1), to be used to finance the purchase of Barclay's retail business in Portugal.

Bankinter Gestión de Activos

Market volatility made 2016 particularly complicated for Bankinter Gestión de Activos, the group company specializing in investment funds. It overcame those difficulties based on rewarding loyalty instead of short-term profitability.

The equity under management in investment funds ended 2016 at 7.62 billion euros, which is a 2.73% increase compared to 2015. The figure rises to 13.84 billion euros if all the funds marketed are included, including those pertaining to international management companies, and this represents an annual improvement of 1.9%.

At the end of 2016 the Bank managed 451 SICAVS, with 7,616 participants and equity totalling 2.87 billion euros.

Bankinter offers a broad range of pension plans that allowed 2.22 billion euros in retirement products to be attained, which is a 6.5% increase.

The delegated management service is another important focus of Bankinter and it attained 4,115 euros in equity.

Equities

In 2016 equities markets did not meet the favourable expectations that had been created due to the loss of the attractiveness of deposits in a zero interest rate environment. Even still, Bankinter was able to defend its effective market share by negotiating with retail customers and even achieved growth in a number of new securities and cash deposit accounts.

These achievements were possible thanks to the reinforcement of its team structure, more advisory efforts and more intensively taking advantage of digital tools. This allowed the opening of 10,913 new securities accounts and 1.10 billion euros was obtained from individuals.

Of particular importance was the effort to recover former customers, that achieved good results as was the case with the presentation of personalised offers through the office network.

The Bank improved its digital platforms through its characteristic interactive graphics and it developed a powerful search engine that allows selections from among 735 exchange traded funds (ETFs).

The clearing structure has been adapted to European requirements.

Bankinter Consumer Finance

The company specializing in credit cards and consumer loans obtained excellent results in 2016 and it has become one of the largest strategic levers for the Bank's growth.

The investment in consumer loans totalled 1.05 billion euros, 46% more than last year. The number of customers also showed positive development, up to 897,761 compared to 728,000 in 2015, i.e. 23% more. The average investment per customer was 1,164 euros, which represented an increase of 18% compared to the previous year.

These results are partly related to the recovery of consumer spending, which reached a notable growth rate for the second consecutive year (+3.4%). But they are also due to an ambitious growth plan involving teams and technology which, together with the Bank's traditional experience with risk management, facilitated the healthy expansion of the business.

Insurance and pension plans

In 2016 Bankinter launched new products that helped to reinforce its insurance products, taking full advantage of the multi-channel opportunities and reinforced its status as an overall insurance advisor. This resulted in an improvement in all lines of business.

A life insurance product was launched into the market with very broad disability coverage and the portfolio grew by 4.98% to more than 76.2 million euros at the end of 2016. The customer retention percentage (those that renew their policies) was 88.25%, the highest in the past few years and new production increased by 13% compared to the negative rates seen in 2014 and 2015.

The accumulated equity in Pension Plans reached 2.22 billion euros, 6.5% more than last year after the launch of a product that adapts the level of investment risk to customer lifecycles. Bankinter thus became the 10th ranked Bank in Spain in this respect and the third best by net activity.

Bankinter in Luxembourg

Despite the political-financial turbulence, Bankinter's subsidiary in Luxembourg consolidated itself in 2016 as the most efficient alternative for the geographic diversification of Private Banking customers.

At 31 December the resources held by Bankinter Luxembourg and its SICAV totalled 1.728 billion euros, which is 31% higher than at the end of last year. The improvement was even better with respect to the discretionary management of assets. 69% compared to 2015. These sharp increases, coincided with 10 new hires at the Bank, as well as an expansion of its headquarters in the financial district in Luxembourg, which allowed the quality levels characterizing Bankinter Group to be maintained.

In 2017 Bankinter Luxembourg will start to operate as an investment manager for the SICAV and will launch three new investment funds. Once the integration of the business in Portugal has been completed, the Luxembourg subsidiary will join that market to become a fundamental lever with respect to the rendering of services for Private Banking customers.

Bankinter Global Services

As a result of the strategy adopted last year, Bankinter's operating service and technology company was exclusively dedicated to internal functions in 2016. One of its primary challenges was to contribute to the integration of the Barclays retail business that was acquired in Portugal, aligning its infrastructure and organisation with the rest of the Group.

Bankinter Global Services made advances with respect to the automation of processes that allow all the information required by regulators to be issued through the creation of a new platform for financing purchases from the point of sale and the development of means of payment for small consumers.

The Company took the action that was necessary to replace the tool responsible for guaranteeing the efficiency and agility of purely administrative tasks with another more powerful tool in order to release it to offices so that they can be true business centres. The entire supplier policy was reviewed and 60% was changed to improve benefits and obtain significant financial savings.

Línea Directa Aseguradora

The company is wholly owned by Bankinter and it consolidated its leadership among insurance companies that operate through telephone and Internet services, and it holds a 60% share. It is ranked fifth among auto insurance companies and 17th with respect to homeowners insurance.

In 2016 it obtained a net increase of more than 200,000 policies in its portfolio, bringing it to more than 2.5 million euros. Auto insurance policies increased by 7.8% compared to the average of 5.1% and the 14.8 increase in homeowners insurance was four times that seen in the rest of the sector (3.6%).

Revenues also increased notably by 8.7% to 738.7 million euros. Homeowners insurance premiums exceeded 78 million euros, 10.5% of the Company's revenues.

Earnings before taxes totalling 136.6 million euros, which is a figure in line with target of rewarding growth and portfolio volume in financial results. Return on equity (ROE) was 33.2%. The coverage of technical provisions was 134% and the solvency ratio was 231%.

In 2016 Línea Directa launched its first Digital Policy.

Bankinter Securities

The Bank's securities company reinforced its organisational structure in 2016 through the creation of the Fixed Income Desk and the strengthening of the Research Desk which, together with the Equities Desk, constitute the core operating activities. These decisions represent an investment in the future and allow the expected market improvement to be taken on from a position of strength after the poor performance in 2016.

Traded volume during the year amounted to 28.47 billion euros, which represents a 2.18% market share after applications. Fee revenues totalled 9.65 million euros and earnings before taxes amounted to 3.81 million euros. The international market represented 30% of revenues, compared to 22% in 2015. The Company also developed its high-level specialised customer portfolio.

Looking forward to 2017, Bankinter Securities intends to take advantage of the Bank's presence in Portugal to reinforce its international focus, as well as to obtain value from its new operating capacities.

10

Networks and Channels

Offices and centres

Our offices are particularly efficient and focused on meeting sales targets through the use of the most innovative digital tools.

At the end of 2016 Bankinter had 364 Universal Offices, 72 Business Centres, 47 Private Banking Centres and 22 Corporate Banking Centres. The Universal Offices are dedicated to individuals, Personal Banking customers and small companies. The Business Centres are dedicated to medium-sized companies and Private Banking centres are devoted to asset management and personal investments while Corporate Banking Centres are dedicated to companies with more than 50 million euros in annual revenues.

The objective for 2017 is for the offices to be progressively more complete digital business centres, except with respect to personal advisory services, offering competitive products and services and attended by the best prepared professionals in the sector.

Agent Network

Bankinter's Agent Network is a business model through which the Bank associates with independent, highly-qualified financial professionals with which it shares the earnings generated by the joint business, without incurring in the cost of a traditional office.

In 2016 sixty new agents join the network to make a total of 482. The total sum of customer resources under management amounted to 8.98 billion euros, which is 17.6% more than in 2015. The distribution by segment reveals the growing focus on Private Banking, which represents 67% of the total network.

With these results Bankinter considers the transformation of the Agent Network to be complete and the strategy has been refocused over the past few years on high net worth individuals. The objectives for 2017 notably include the challenge of adapting the agency network training and other processes to the new European Directive Mifid II.

Banca Partnet

Banca Partnet is a network in parallel to the conventional office network based on alliances with large companies to develop financial services with them. The agreement consists of installing a virtual Bankinter office at the company. The Bank provides the technology and knowledge and the company promotes its services among employees, customers and suppliers and the earnings from that collaboration are distributed among both parties.

This innovative business model was relaunched in 2016 through the contribution of new personnel and technology resources and the preparation of a new three-year strategic plan. The objective is to make the partner network more efficient and increase its contribution to the company's earnings.

The new approach is based on adjusting the Polarity of the network, concentrating on agreements with the company is with the most potential. In particular, professional service firms (consultants, audit companies, law firms, etc.), telecommunications companies and pharmaceutical cooperatives, are those that best adapt to the strategy and the customer profile that Banca Partnet seeks.

Remote network

For years Bankinter has deployed a significant remote banking network that allows its customers to carry out transactions without traveling to offices. In 2016 the Network implemented two new business retention activities involving securities portfolios and pension plans.

The segments to which remote services extend are Individuals, Personal Banking, Banca Parnet and the Agent Network. The primary support is the CRM, which prepares predictive models of preferences and facilitates advisory service tasks.

Bankinter has many customers that were originally recruited over the telephone or over the Internet and for that reason they have not been assigned a physical office. Relationships with them are the responsibility of the remote agents who are capable of responding to any consultation and assisting with any process.

The objectives for 2017 are to strengthen cross sales, grow proactive commercial activities and ensure that the telephone service continues to meet the needs of customers while diverting its current operating channel functions towards the Internet.

Social Networks

Bankinter notably strengthened all of its social network activities in 2016, which have always been oriented towards the creation of business and the improvement of digital communications.

The Bank constantly monitors all social network events internally and they are subject to constant quantitative, qualitative and comparative studies. According to the independent company Acceso, in 2016 Bankinter was the financial institution with the highest percentage of positive comments (80.1% of the total) for the third consecutive year.

One of the most notable actions was the launch of the first Twitter banking service in Spain in the spring. It is available for customers and non-customers and it offers real-time information regarding financial movements and changes in markets.

At 31 December Bankinter had 87,342 followers on Facebook (+26.5%) and 50,986 on Twitter (+19.1%). The monitoring firm Alto Analytics detected 93,394 digital appearances of the trademark during the year, including news and comments in the media or online forms.



11

Marketing

The Marketing area carried out several advertising campaigns in mass and direct media in 2016 and it maintained a constant presence in digital media while actively supporting the commercial network with the development of new tools to generate offers, distribute materials and organise events that contribute to the attainment of sales targets.

The initiatives in the digital area consolidated the advances made in prior years with respect to search engines, affiliation marketing and retargeting. Programmed advertising was extended, which automates the purchase of audiences through real-time bids. Actions with influencers on social networks for Coinc were explored and the video and mobile aspects of all campaigns were reinforced.

Another notable aspect was the renewal of the Private Banking identity and the redesign of the marketing strategy for Equities, to businesses of vital importance in the Bank's income statement. The main marketing activity in Business Banking consisted of the organisation of training events that were attended by more than 800 executives and business owners.



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Customer Relationship Management (CRM)

The CRM area identifies what must be offered in each interaction, based on the channel and moment, using conduct templates and the analysis of results.

CRM's work in Commercial Banking continued to be focused on customer association in 2016, facilitating the advisory service tasks that may lead to a decision to have Bankinter manage part of the customer's assets. Business Banking continued to identify opportunities to increase quality loan investments and to increase contact with customers' day-to-day business.

CRM also underwent significant advances in terms of digital transformation by integrating the CRM contact system into the multi-channel structure (push notifications). Over the course of the year 49.8 million actions were carried out with customers, which represents 24% growth compared to 2015.

There was a notable improvement in the reports that allow for a simple and quick analysis of target attainment at all levels, thereby saving very valuable time for business managers.



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Quality

The Quality area dedicated a good part of its efforts in 2016 to optimise the efficiency of measurements, expand and streamline the information for the sales network and central services, incorporate new customer experience measurement tools into digital banking and unify the methods of Bankinter Portugal with the rest of the Group.

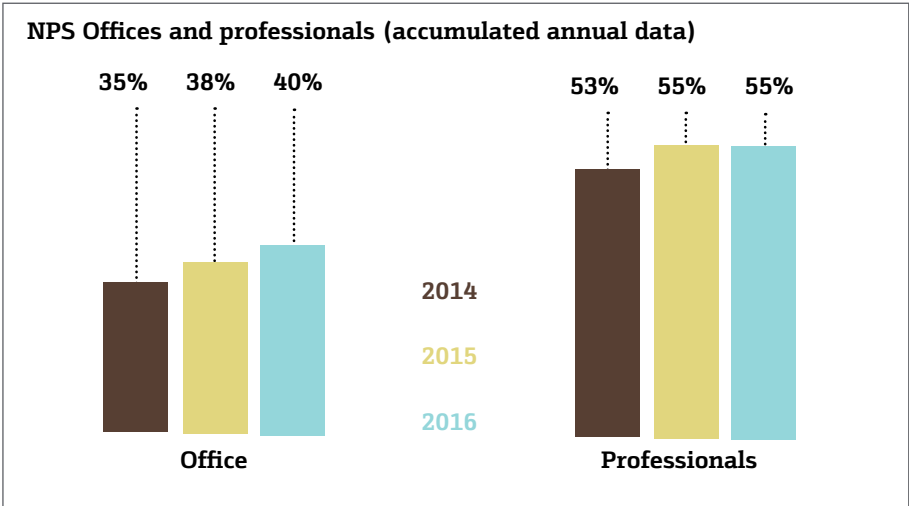
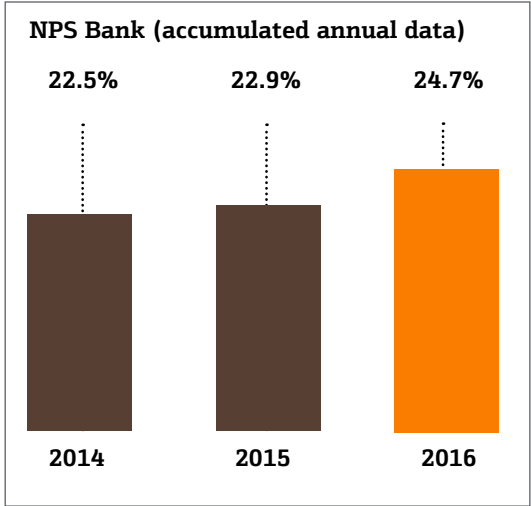
The evolution of the perceived quality by customers in 2016 was positive, as the recommendation index (NPS) increased

from 22.9% to 24.7% as a result of the increase in the number of customers with good experiences in their relationships with the Bank.

The following contributed to this result: The high level of services in the office network, telephone banking and by personal managers, the improvement of the online platforms with constantly evolving services and operations to adapt them to customer needs and preferences, and advances in internal processes that

had positive effects on customer service, the development of products and services and the efficiency of transactions.

The results of the latest financial sector customer satisfaction *benchmarking* performed by the independent company Stiga, shows that Bankinter maintains a stable quality level that is significantly higher than the average, with an NPS difference of 9.6 points.



14

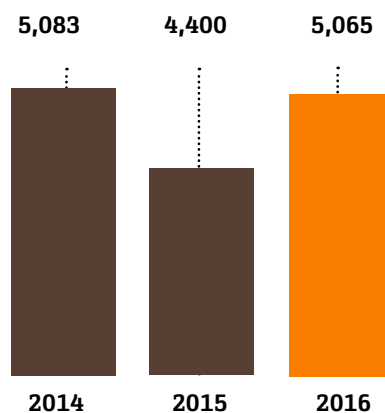
Customer Service

The Customer Service Area introduced improvements and modifications in its applications in 2016, made advances in digitalisation and adapted to regulatory requirements relating to its reports.

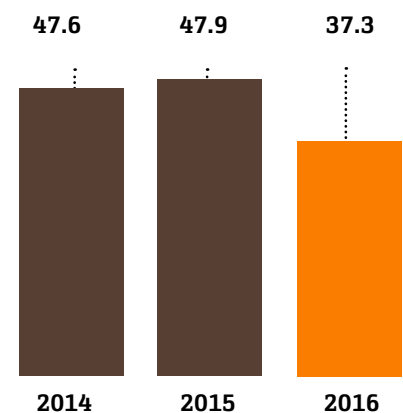
Over the course of the year and handled 5,065 claims, 15.11% more than in the preceding year. Resolutions were obtained in less than 48 hours in 37.3% of those cases. These claims represented 1.59 per million bank transactions compared with 1.52 in 2015. Of them, 4,316 were financial claims and one-third were resolved in favour of the customer.

Customer Service resolutions may take up to a maximum of two months. If there continues to be a dispute, the Customer Ombudsman or, if appropriate, the relevant services at the Bank of Spain, the CNMV or the Directorate General for Insurance may be involved.

Complaints and claims resolved




% resolved in less than 48 hours



15

Digital Banking and Channel Diversity



In 2016 the Digital Banking Division was created to respond to the speed of technological change and to satisfy the growing demands of customers in this area. Digitalisation also offers the Bank the possibility to make efficiency gains and to compete in areas where it is at a disadvantage compared to other credit institutions due to its size.

The new Division's activity focused on the following aspects, among others:

- Development of Coinc. The digital savings platform, which is primarily directed towards young customers, expanded and improved its services. That resulted in a record number of new customers during the year: At the end of December there were 111,179 customers, 34% more than in 2015.
- New design for online banking operations. It maintains the operating capacity of the classic version but introduces relevant improvements in the user experience while substantially increasing its commercial capacity in terms of obtaining new customers and sales.

- It provides more facilities and improves the customer experience while maintaining high security levels intact. The improvements include the notification service and the omni-channel signature process.
- The technological transformation that accompanies digitalisation in both the business and process areas was deepened to allow the Bank's platform to be more efficient and to reduce reaction times.

In 2017 the Bank intends to improve the Coinc services of offer and transform digital processes and platforms to improve their usability, services and commercial capacity, among other projects.

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Bankinter Innovation Foundation

The Bankinter Innovation Foundation converts innovation and entrepreneurship into critical tools to create value in the Spanish economy and society. It has an international think tank Future Trends Forum and the programs Akademia Project, Emprendedores and Cre100do. Its great challenge in 2016 was the entry into Portugal, where the Foundation will also carry out all of its activities.



Future Trends Forum

The Foundation's think tank is made up of an exclusive group of 484 multidisciplinary and international experts whose objective is to foresee the future.

The Future Trends Forum detects, analyses, debates and publishes large innovation trends (social, economic, scientific and technological) that will affect the business models and the company in the medium or long-term: the revolution of machines, cyber security, technology and inequality and digital health.

All of the content generated for each trend is published on the Foundation's website and disseminated through conferences. Those that took place in 2016 were held in Madrid, Barcelona, Malaga, Valencia and Bilbao with more than 3,000 attendees.

The work performed by the Future Trends Forum has been recognised for five years by the Go to Think Tank prepared by the University of Pennsylvania, where it appears as the only one dedicated to science and technology in Spain and one of the 30 best in the world in its specialty area.

Akademia

The mission of Akademia Project is to influence education and provide knowledge to promote innovative attitudes in future leaders, motivating university students to assume the challenge of facing a constantly changing environment. Most of the innovative ideas are not only the result of occasional moments of illumination, but rather they are due to a learning process and the analysis of the environment that Akademia Project makes available to young people.

It has three modular areas: Akademia You Project (innovation course that last year involved 11 Spanish universities and 265 students), Akademia Open Project (free online modular courses open to the public with more than 16,000 registered students in 2016) and Akademia Business Project (business training focused on innovation, whose pilot experience took place at Línea Directa Aseguradora with the participation of 24 professionals).

Entrepreneurs

This involves joint action between the Bankinter Innovation Foundation and Bankinter Venture Capital to support high-potential Spanish entrepreneurship during the start-up phases. Over the past year 399 projects were presented, of which 2% received financing. The complete list of the participation of Bankinter Innovation Foundation And the project requirements and investment characteristics can be found on the organisation's website.



Cre100do.es
Nuevas Grandes Empresas

Cre100do

This is a country-program launched in 2013 by the Bankinter Innovation Foundation, the Circulo de Empresarios and the Foreign Trade Institute (ICEX) that is intended to contribute to the transformation of the Spanish production structure. Over five years, the program will select 100 Spanish companies that have revenues of between 25 million euros and 250 million euros to make them larger and to open the path for many others. At the end of 2016 fifty had already been selected.

Cre100do assists them with rethinking strategies, the organisation, the position in the value chain, the development of inorganic growth models, etc., with the objective of obtaining growth based on excellence. It works with the assistance of 14 leading companies as well as other collaborators and independent experts.

This work allows a conceptual framework to be developed that analyses key aspects to ensure company growth that should be on the CEO's agenda. Cre100do's activities was developed around this conceptual framework in 2016: workshops with companies, public events to disseminate that knowledge and articles and videos that may be consulted at the program's website www.cre100do.es

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Human factor

Bankinter brought 379 professionals into its teams in 2016 despite the fact that the domestic financial industry continues to be immersed in a consolidation process to adjust its capacity, with the consequent negative impact on employment. The number of professionals at the Bank is now 5,486 (including 909 in Portugal), of which 97.4% are covered by indefinite employment contracts and 94.4% work full time.

The employment created in 2016 was primarily concentrated on digital profiles, in order to respond to the growing demand for specialists in new technologies and to satisfy the new needs of customers. Regulatory Risks and Compliance was reinforced with new members due to the increase in regulatory and supervisory requirements, as were other key areas for the Bank's strategy such as Bankinter Consumer Finance and Private Banking.

The foundation of Bankinter's employee management policy consists of seeking excellence, recognizing merit and supporting equal opportunities. The final objective is to build an integral action framework based on the idea that employees are the Bank's main asset. To support this policy, the Bank implements professional recruitment programs for

senior and junior employees, it provides training through the Corporate University and it facilitates improvements in the working environment to stimulate motivation and promote professional development. The main areas of action were as follows:

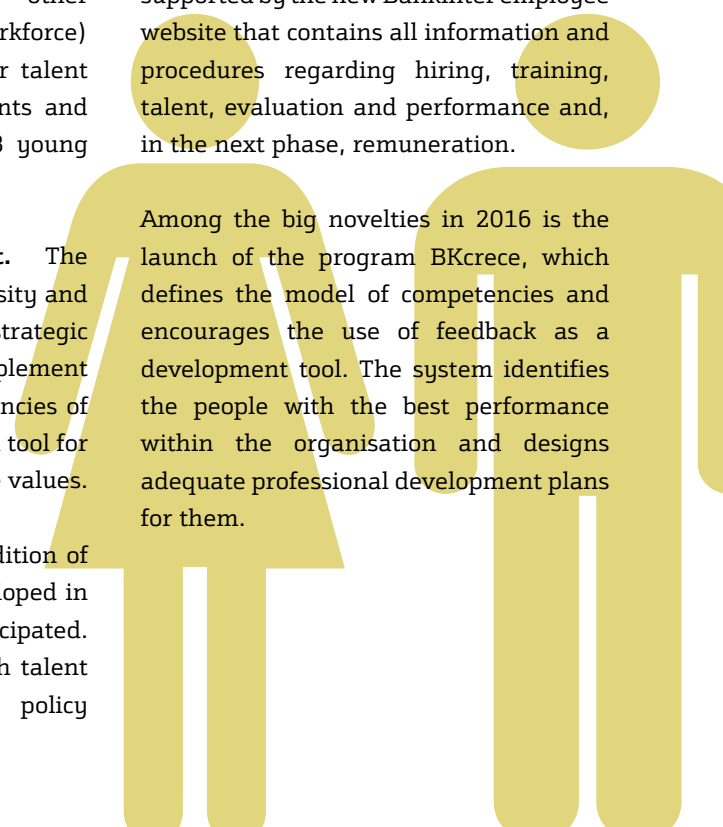
- **Attracting talent.** Based on Bankinter's reputation as an innovative company that takes care of its professionals. The strategy is developed on two levels: the hiring of seniors (professionals with prior experience in other companies that enrich the workforce) and the identification of junior talent (internship program for students and recent graduates. In 2016 223 young professionals participated).
- **Training and development.** The nucleus is the Corporate University and in 2016 it was reinforced as a strategic initiative that not only supplement skills and professional competencies of employees but also represents a tool for spreading Bankinter's corporate values.
- **Talent promotion.** The third edition of the Horizon Program was developed in 2016 and 25 professionals participated. It is one of the pillars on which talent identification and promotion policy

is based. Another lever is rotation or internal mobility. New responsibilities were assigned to 18% of employees in 2016.

The Bank is also defining a new integral leadership model that will be completed over the course of 2017 to ensure that all team managers are aligned with the management style and connect with the Bank's culture and values.

The talent management process is also supported by the new Bankinter employee website that contains all information and procedures regarding hiring, training, talent, evaluation and performance and, in the next phase, remuneration.

Among the big novelties in 2016 is the launch of the program BKcrece, which defines the model of competencies and encourages the use of feedback as a development tool. The system identifies the people with the best performance within the organisation and designs adequate professional development plans for them.



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Sustainability

In 2016 Bankinter launched its new sustainability plan '3 en Raya', which is a multi-year sustainability program that this time covers the period 2016-2020 and takes its name from the three dimensions of the Bank's sustainability model (economic, social and environmental). The plan is more transversal than the preceding plan and expands strategic lines and increases the robustness of its programs in order to provide a more ambitious response to the three large crises detected in 2012 (economic due to the change in model, social due to the demographic change and environmental due to climate change) that still persist today.

The 2016-2020 plan is based on the new Sustainability Policy that was approved by the board of directors in January 2016. This policy has 10 principles whose objectives are to contribute to the sustainable development of the environment based on the three strategic pillars of quality, innovation

and technology, in line with Bankinter's corporate values:

1. **The promotion of best practices of corporate governance** in management, ensuring compliance with the legislation, responsible finances, transparency, ethics in business and suitable risk management.
2. **The development of products and services aimed at our customers** and the establishment of a balanced, transparent and clear relationship.
3. **Taking into consideration the economic, social and environmental impacts** in the design of its products and services.
4. **The financial integration of people with disabilities**, guaranteeing them access to Bankinter's services on equal terms, ensuring there is no discrimination for this reason through the "A Bank for All" project.
5. **The advanced management of people as the bank's most important capital**, promoting their wellbeing and motivation through conciliation measures, personal and professional development and health promotion.
6. **The contribution to the social development of the community in which the bank operates**, both through its own activity and through initiatives aimed at the citizenry, through the Bankinter Foundation for Innovation, for collaboration with the tertiary sector and the corporate volunteer programme.
7. **Carry out its business in the manner that most respects the environment**, involving its main stakeholders.
8. **The responsible management of the chain of suppliers**, fostering a positive mutual influence society for the improvement of the social, ethical and environmental fulfilment.
9. **The incorporation of ESG** (environmental, social and governance) criteria in the analysis of investment and financing.
10. **The acceptance of the collected commitments contained in international protocols and standards**, implementing their best practices.

This all translates into 18 strategic lines of economic, social and environmental areas that will also be implemented in the business in Portugal. They are the following:

Economic pillar.

Good governance, responsible finances, public services geared towards customers, socially responsible investments, sustainable products, responsible supplier management, corporate culture/ trademark and structure.

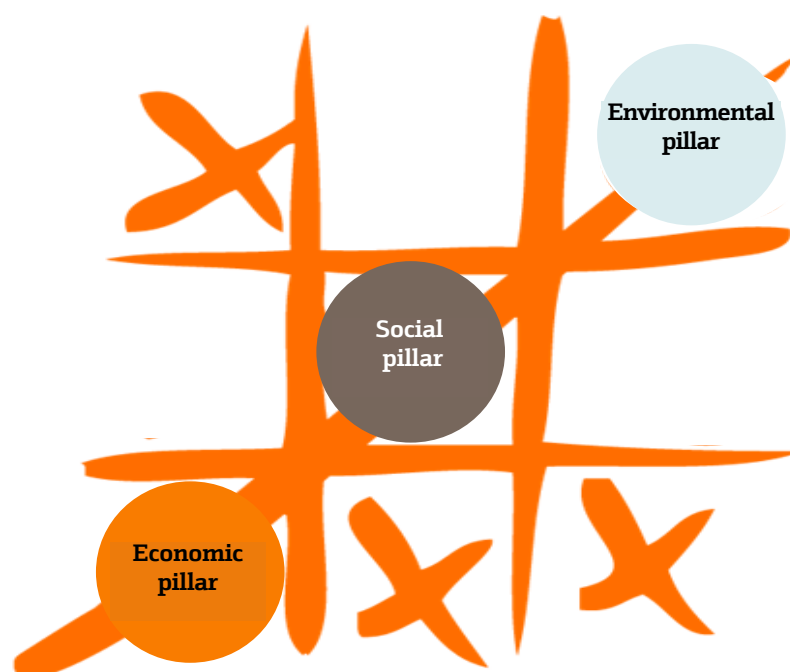
Social pillar.

Financial inclusion, advanced people management, Bankinter Innovation Foundation, volunteers, citizenship, management of the social and structural footprint.

Environmental pillar.

Climate change strategy (estimation of the carbon footprint to identify direct and indirect impacts of the Bank's activities), environmental management system and structure.

The Bank is present in the main sustainability rankings and indexes and has been recognised in the 2016 Sustainability Yearbook prepared by the analyst firm ASG Robeco SAM, as one of the 28 financial institutions that best manage their governance, social responsibility and environmental matters in the world.



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Brand

From the point of view of the brand, Bankinter's corporate identity had evolved greatly over the past few years in the traditional environment and not so much in the digital environment which continued under the parameters established in the 2005 rebranding process. Precisely because of this, last year the Group's image was harmonised in all areas of its digital activity, providing it with a greater level of coherence to make the online and off-line experience received by customers to be homogeneous and consistent.

The advances attained in this respect required prior work to make the bank's applications uniform as they had been created without a clear structural template in accordance with the requirements imposed by the business. One of the main challenges was to define a common decision tree using three parameters, each with a different colour, such that the customer could easily become familiar with them. Movements within the applications were also unified, making them more gradual.

The persons responsible for the Brand proposed a broader colour palette for visual identity that was susceptible to being operated in all environments and always being available. Naturally, the change had to be subtle so that there was no disruption and so that the style distinguishing Bankinter from a corporate point of view for more than 10 years continued to be present.

An important lever within Bankinter's corporate identity is its own distinguished font that was developed together with the rest of its identity elements to adapt it to new mobile devices. Some changes were made although the essential traits were maintained. The most notable item was the elimination of the small adornments that accompanied the letters (serifs), that acquired more rounded shapes to allow for better legibility.

The changes will be progressively implemented in all areas from applications to the signs on facilities and, of course, the offices in Portugal. A large part of the Brand efforts were concentrated in the Portuguese market in 2016 given the need to replace the previous corporate identity.



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Awards and recognition

Companies with the
best reputation #25

Merco empresas

Best CEO Spanish
banking sector

Forbes

The most thrilling
Ibex Bank

Emo Insight

Companies with
the most talent in
Spain #18

Merco talento

Best company
to work at
9th consecutive year

Top employer

Best company
to work at
#37

Actualidad Económica

Best Spanish
brands
#26

Interbrand

100 most valuable
brands
#42

Brand finance

Leader in
innovation and
technologyEuromoney Private
Banking SurveyFamily responsible
company
7th consecutive year

EFR Certificate

Best think tank in
Spain in Science
and Technology
Bankinter Innovation
Foundation
Ranking Go to thinkWith Ilunion for
accessibility

Ilunion

Best consensus
portfolio 2015

The Economist

Best Spanish
equities and mixed
pension plan
product
MorningstarBankinter Gestión
de Activos, a
consistent manager

Funds People

Most sustainable
companies in the
worldSustainability
yearbookStock market
index most socially
responsible
companies
FTSE4GoodStrategy for climate
changeCarbon Disclosure
Project

Edita
Bankinter Communications Department

Design and development
gosban reporting

