



We continue to lead the stockbroking business.

Bankinter Consumer Finance achieved record results in 2017.

Other  
businesses

## Bankinter Asset Management

# A positive turning point

The market experienced a turning point and some products, such as investment funds, returned to pre-crisis levels. The lack of investment alternatives, due to the poor returns on bank deposits, even saw some customers who had never acquired these products before drawn towards them.

With the tailwind being felt in the markets, Bankinter Asset Management, the Group company specialising in collective investment, based its offer in 2017 on the following initiatives:

**Development of a new range of profiled investment funds** to adapt to each investor's risk level. The take up was excellent, in part as a result of the transfer of money from money market funds, which saw their returns hit by the zero interest rate policy. New classes of funds were launched for intermediate amounts in funds that were initially aimed at high net-worth investors.

**Update of the investment funds website**, in line with the information and transparency requirements established by the new MiFID 2 directive of the European Union.

The details of the results by product and management type were as follows:

**Investment funds.** The Bank's asset management area controlled wealth amounting to 8.418 billion euros at the end of 2017, 10.4% higher than in 2016, and is ranked ninth in Spain, with a market share of 3.2%. The amount of assets under management increases to 17.35 billion if we include the investment funds of those international fund managers that the Bank makes available to its customers. Overall, the funds offered by the Bank grew 22.8%. The performance of the Bankinter Bolsa España (Spanish stock market) fund, with a return of 11.14%, particularly stood out.

**SICAVs.** At the end of 2017, the Bank managed a total of 371 SICAVs, with assets of 2.637 billion euros. During the year, proposals were made to customers to prepare for possible changes in the regulations that govern these investment vehicles.

**Pension funds.** Bankinter increased its range of options, allowing the bank to attain a total of 2.457 billion euros in retirement products. This was a rise of 10.6% on 2016.

**Delegated management.** Bankinter is strongly committed to this service, which is offered not only to customers in the top private banking segment, but also to those of personal banking and individual retail banking. Assets managed under delegation amounted to 2.991 billion euros at 31 December.

The priority for 2018 is to complete the product range, both in (actively and passively managed) investment funds and in advisory services (an area which we particularly want to strengthen) and in delegated management. Bankinter also hopes to develop profiled funds in Luxembourg to increase its offer in the Portuguese market, which showed promising signs in 2017.

## Equities

# Leaders in stockbroking

In the first half of 2017, equities markets were characterised by a notable increase in trading and a strong buying pressure, which saw them hit record highs in May. The second half of the year, on the other hand, was defined by political uncertainty, with a subsequent drop in trading volumes and prices.

Against this backdrop, Bankinter's cash trading grew by 4% on last year, after opening almost 10,500 new securities accounts. The deposit portfolio increased by 12.69% up to 15.287 billion euros at the end of December and generated fees of 74 million euros, growth of 8.8%. As a result, in 2017 the Bank continued as leader in the stockbroking business, created new and improved relationships with their customers and ended the year in a very healthy state.

This was all possible thanks to the adaptation of working methods to changes in consumer behaviour and technology, and the team structure that was created in 2016 becoming fully operational, which enabled it to be closer to the business and its customers in all Spanish cities. Other positive influences were the strong backing of educational programmes, for all types of investors, and the success of the 'súper tarifa', a special low rate charged for trades of a small amount.

The Equities business was particularly proactive in 2017 at keeping its customers informed. Of note in this regard were:

- The creation of the Bankinter Broker Academy (Academia Bróker Bankinter), which delivered four continuous training modules to over 2,600 people, with almost 200 courses being held in the major cities.
- The launch of a trading laboratory for those customers who are most expert in using Traderlab, in which 1,710 advanced traders participated.
- The stock market forum roadshow (Gira Fórum Bolsa), with its focus on the securities markets, with both in-person and, for the first time, online events, which enabled it to reach over 5,600 existing and potential customers.

Bankinter's training events are a benchmark for the Spanish financial sector, offering training that is free and differentiated by level.

### Broker account

Last year Bankinter created the first broker account (cuenta bróker), which pays interest on the basis of customers' trading activity, and communication with them was improved through the highly original digital campaigns on the recently updated website.

The launch of the new graphic broker (bróker gráfico) tool is planned for 2018, and this will make trading more agile in all available markets and products. The Bank will also continue its commitment to customer training through the Bankinter Broker Academy.

## Bankinter Consumer Finance

# Leaders in growth

Bankinter Consumer Finance, a company specialising in consumer loans and credit cards, consolidated its position as one of the main drivers of growth for the bank, thanks to its exceptional results in 2017.

Despite a climate of fierce competition and taking advantage of the improved economic activity in Spain and Portugal, this business segment area delivered record results in 2017, with a 41.8% increase in loans to consumers and a 27.5% increase in the number of customers, which already total 1,145,000 including Portugal. In May, the company also began operations in Portugal with very important business expectations and with the aim of revitalising the consumer market in this neighbouring country through a commercial offer already proven in Spain. The volume of loans now stands at 51.9 million euros.

As a result of this drive, Bankinter Consumer Finance was once again the bank with the highest market growth, and it is now in fourth place in the ranking of specialist entities, according to the data of the Spanish Association of Financial Credit Establishments (ASNEF).

Two factors played a decisive role in the progress made by Bankinter Consumer Finance: the Bank's traditional experience in risk management and the implementation of an ambitious plan to improve equipment and technology.

The Bank's three biggest lines of business, which performed positively in 2017, benefited from both factors:

**Consumer finance for Bankinter customers.** It offers products and services, both to individuals and companies. The most important of these products are the pre-authorised loans, which are available to virtually all customers and priced in accordance with the risk profile of each customer. The market penetration of consumer finance was helped by new digital tools, which make the loan agreement process faster and simpler. Also, new products were created and campaigns launched in 2017, to meet customers' needs and at those times of year when there is a greater propensity to use consumer financing, and the results were excellent. Online registration for credit cards was introduced and special offers were launched for those that allow deferred payment.

**Bankintercard.** In the consumer loan segment for the open market (not customers of the bank), Bankinter's market share is significantly higher than corresponds for a bank of its size. It is based on two fundamental pillars: ease of access, taking

advantage of the possibilities provided by the digital world, and strategic alliances with large companies. If 2016 was notable for the agreement with Air Europa, then 2017 stands out for Bankinter launching a loyalty card with the electricity company Viesgo, which shows very promising signs.

**Point-of-sale financing.** This consists of granting loans to purchase goods or services from a company acting as an agent. Also of note in 2017 was the start up of an online system for arranging loans specifically to buy cars.

The challenges for 2018 are to continue with the digitalisation process in all areas of the company, to increase the credit card business among Bankinter customers through added value products and services, and to continue exploring new strategic alliances with important partners of major sectors of activity.

## Insurance and pension plans

# A good year in a competitive market

The insurance and pension plans market evolved in 2017 within a mature and highly competitive environment. In general terms, public opinion moved in favour of the possibility of arranging pension plans and other alternative products to complement state pensions, though this trend was tempered to some extent by the competition from investment funds, which attracted many savers as a result of the improvement in stock markets.

In this environment, Bankinter developed a strategy centred on specific factors:

- Improve information on retirement and pension plans.
- Marketing drive in systematic individual savings plans (PIAS).
- Strengthen the companies insurance business, particularly in the Multi-Risk and Civil Liability segments.
- Strong support of the Customer Relationship Management (CRM) and Marketing departments.
- Increase training, both in-person and distance learning, of branch network employees.

As a result of this strategy the area ended 2017 with a set of very favourable results.

In life insurance, the portfolio grew by 5.4% to over 80.4 million euros at the end of 2017. The customer retention rate (those who renew their policies), which is a key loyalty indicator, was 89.1%, the highest of the last few years.

In pension plans, the Bank increased its market share. Accumulated wealth reached 2.457 billion euros, 10.6% more than the previous year, when the sector average grew by 3%. The number of unit holders also increased, by 8.6%, compared with a drop of 3% in the market as a whole, according to Inverco data up to September.

In the companies insurance business segments of Multi-Risk and Civil Liability, the portfolio grew by 10%.

### Pension plans

**+10.6%**

## Challenges for 2018

In preparation for 2018, Bankinter has had to adapt to forthcoming new regulatory requirements, which chiefly involve the planned entry into force of the Real Estate Credit Act and the Private Insurance and Reinsurance Distribution Act.

In the case of the mortgage regulation, its introduction has very little impact, as the Bank already complies in general terms with the new requirements. As for the Private Insurance and Reinsurance Distribution Act, its application will involve a major extra effort, especially from the viewpoint of customer information. Other objectives are as follows:

- Make potential pension plan customers aware of the need for them to make early and seasonally-adjusted contributions and improve the information they receive on the consequences of their savings decisions.
- Increase the sale of alternative products to pension plans, such as PIAS, and others linked to retirement, such as life annuities.
- Increase the commitment to developing the companies insurance business, adding loan insurance to the range.

Our objective: making potential pension plan customers aware of the need for them to make early and seasonally-adjusted contributions and to improve the information they receive on the consequences of their savings decisions, is a challenge for 2018.

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## Bankinter in Luxembourg

# Security, diversification and quality

Bankinter remains the only Spanish financial institution with its own banking licence in Luxembourg, which is the the leading EU country in private banking and distribution of investment funds. Its motto is: 'offering customers security, diversification and quality'.

In February 2017, Bankinter Luxembourg obtained the necessary authorisation to act as the investment manager for the Bankinter International Fund Sicav, the investment company that the Bank has there.

Another important new development was the launch of three new sub-funds, which extend the range of funds available to be marketed in both Spain and Portugal.

The Bank also strengthened and consolidated its team, in order to provide an excellent quality of customer service and respond to growing regulatory demands. This acted as a strong drive for the marketing and sales activities in those countries where the Group is present, especially in Portugal.

### Increase in activity

As a result, the assets under management of Bankinter Luxembourg totalled 2.651 billion euros as of December, which is a 53% increase on the end of 2016; meanwhile lending activity practically doubled.

The figures for discretionary management and advisory services were equally as positive, reaching 1.184 billion euros, 26% more than at the close of 2016.

In 2018, Bankinter Luxembourg has the challenge of carrying out a major technological transformation in order to maintain the high standards of quality service and to consolidate itself as one of the main players in the Iberian market.

**Assets under management of Bankinter Luxembourg**

**+53%**

## Bankinter Global Services

# A leap forward in response to the latest challenges

Bankinter Global Services is the area responsible for providing the Bank's technology and operational services, and as such is a key part of its transformation and growth process.

With the aim of responding to the latest challenges facing the Bank, the Technological Transformation Division was created and other management areas were strengthened. By geographic area, these were the main activities in 2017:

**Portugal.** The substitution of all of the previous owner's systems was made in the business acquired in 2016. Similarly, the technology platform, that was in a precarious state, was improved, with investment being made to bring it up to the latest market requirements.

**Luxembourg.** Heavy investment was made in infrastructure and systems were unified with the aim of reducing operational risk and manual work.

**Spain.** The set of applications was simplified and a major sweep to delete the least useful and increase the system's efficiency. In addition, work was also undertaken on the adaptation of applications for their export to the Portugal division.

In transversal terms, the area's most important work was its support for the digital transformation process, with an active participation in the launch of the new online banking and Bankinter Broker websites, along with the Coinc digital platform. Another important new development was the automatisation of tax payments.

The new regulations require additional work, with special attention to compliance with the principles of risk data aggregation (RDA) and the preparation for the entry into force of the new IFRS 9 accounting standard as of 1 January 2018.

Certain experimental initiatives were also undertaken in the field of robotics to improve the cost-to-income ratio in the area of operations and processes.

In 2018, Bankinter Global Services plans to complete the structural improvement projects for the systems in Portugal and Luxembourg, collaborate in the creation of a single risk system and, from a general viewpoint, consolidate the quality of operational services to the branch network, improve the cost-to-income ratio, invest in automatization technology and find new cost saving methods.







## Línea Directa Aseguradora

# Another record year

Línea Directa Aseguradora, a company that directly sells insurance and that is wholly owned by Bankinter, once again posted record high figures in terms of turnover, profit and portfolio. The volume of premiums issued in 2017 totalled 797 million euros, up 7.9% on 2016. The strong performance of the auto insurance segment (+7.3%) contributed to this increase, which consolidated Línea Directa's position as one of the fastest-growing companies in the sector. The home insurance business also significantly increased its turnover (+13.5%), which is also well above the sector average.

This commercial strength made it possible to end the year with a portfolio of 2.79 million customers, which, together with its risk management policy, enabled it to obtain a pre-tax profit of 152 million euros: a new record for the company. Línea Directa is also one of the most efficient and profitable companies in the auto insurance sector, with a return on equity (ROE) of more than 35% and a combined ratio (which relates expenses and premiums) of 86.9%.

Since its creation in 1995, Línea Directa has maintained one of the highest growth rates in the sector, thanks to a large extent to maximising the advantages of its business model, which, after dispensing with the brokerage fees and branch networks, is able to offer a high quality product at very competitive prices, since a portion of its savings in operating costs is transferred to the end customer.

Línea Directa Aseguradora is the leading company in direct insurance sales in Spain, with a market share of almost 60% among disintermediated companies. Furthermore, it is ranked fifth among auto insurance companies in terms of volume of premiums and sixteenth in home insurance.

### Commitment to health

Línea Directa's major development for the year was the launch of its new health insurance brand, Vivaz, in September. This new product was launched with the aim of becoming a benchmark in simplicity, efficiency and quality, focusing on providing comprehensive health care for people. To help achieve this, it has a medical team of over 30,000 professionals and 1,000 medical facilities, with a wide range of cover, such as diagnostics, hospitalisation, surgery or psychology sessions. The insurance costs up to 400 euros less than the market average.

### Customer portfolio

**2.79** million

The new brand clearly has a digital focus and its priority is to make the customer's life easier. It therefore reduces the number of tests that require pre-authorisation by up to 60%. It also allows the insured party to manage their policy through an app that has several functionalities: digital health insurance card, search for specialists by symptom or geolocation, possibility of speaking to a doctor 24 hours a day, and online bill payment, among many other advantages.

### Improved reputation

Twenty-two years after its creation, Línea Directa is one of the most solid, responsible and recognised companies in the country. In 2017, it was ranked 40th on the Merco Empresas list, one of the most important reputation rankings in the business world, which represents an improvement of 10 places from a year earlier. It was also ranked 41st on the Merco Talento ranking, which analyses the best brands used in Spain, and ranked 69th on the Merco RSC ranking, which assesses the various corporate social responsibility policies.

Línea Directa Aseguradora ended the year with a pre-tax profit of 152 million euros, the highest in its history.



### A busy year for the Línea Directa Foundation

The Línea Directa Foundation, which centres its activity on promoting road safety, carried out three surveys in 2017, along with the Spanish Foundation for Road Safety. These reports, which gained widespread coverage in the media, dealt with road crime in Spain, the influence of sleepiness on accidents and the impact of those people injured by traffic accidents on road safety.

The Foundation also organised the 14th Road Safety Journalism Prize, a contest that recognises the importance of the media's work in preventing traffic accidents, in which almost 2,000 entries were received, which makes it one of Spain's major journalism prizes.

The Ministry of the Interior and the Directorate General of Traffic (DGT) awarded the Línea Directa Foundation the Road Safety Medal of Merit, an award which recognises commitment to preventing traffic accidents, and the dedication and professionalism of the various State bodies and security forces.

## Bankinter Securities

# Managing the new MiFID environment

For the Bank's securities company, 2017 was marked by the implementation of the MiFID 2 Directive and the MIFIR Regulation, which fully impacted on its activities by requiring it to review a large part of its processes.

Likewise, pre- and post-trading transparency occupied a great deal of the activity of the areas of the Bank, which culminated in the successful implementation of tools and processes for notifying executed orders, both to the market (Order Record Keeping -ORK-) and the supervisor (Transaction Reporting).

Another major challenge during the year was the incorporation of the changes introduced in the provision of investment analysis services, with the aim of ensuring total independence by separating the charge made for it from the volume executed by the Bank.

Traded volume during 2017 amounted to 28.244 billion euros, which represents a 2.2% market share after third-market trading. Pre-tax profit amounted to 4.9 million euros, a very commendable growth of 30% due to cost savings.

### International markets

In spite of the problems in European securities markets, Bankinter Securities successfully maintained its strategy of orienting its activity towards them, and they now contribute 30% of its revenue. It also increased its presence in France, United Kingdom, Switzerland and Belgium. The company continued to extend its specialist portfolio of high net worth customers, professional equities investors that operate on their own behalf with the backing of Bankinter resources.

The reorientation of the securities business is part of the process begun in December 2013 to improve our services offer. The aim is to develop towards a format that is more global and oriented towards asset management and specialised advisory services, in line with the standards of quality and efficiency which are hallmarks of Bankinter.

Looking towards 2018, Bankinter Securities intends to take advantage of the opportunities offered by the regulatory environment, as well as increasing the international business base and becoming a benchmark domestic broker for international investors.