

Our objective: to keep growing our market share.

Five main business lines, very well oriented and complementing each other.

Major growth in strategic business activities.

Businesses

Private banking

An excellent service and increasingly global

Bankinter's efforts to build a long-term relationship with its customers, based on the excellence of the service it provides and an increasingly global offer, once again saw the private banking segment obtain very good results.

The assets it manages grew by 12%, to reach 35 billion euros, consolidating Bankinter's position as the sector leader in this regard.

Special mention should be made of the performance of investment funds, whose assets increased by 1.8 billion euros, thanks to an open architecture which allows customers to choose from a wide range of domestic and foreign fund managers. In 2017, the Bank has taken a substantial leap forward in the high net worth segment, which provides personalised services that are unique to each customer, with an increase in assets of 1.38 billion.

One of the main new developments in private banking in 2017 was the launch of the Helia Renovables venture capital fund from *PleniumPartners*, an international group specialising in these types of energy assets, in which our customers invested 222 million euros.

The initiative, which was well received by customers, falls within the framework of Bankinter's strategy of offering alternative investments, with a significant coupon, where the Bank co-invests with customers, in a climate characterised by low interest rates.

Also during the year, a new high-quality and simple reporting system was designed for our customers, which is fundamental to providing an excellent service. Investment has been made in improving the tools used in Bankinter asset management and in the Bank for better customer management, which is more agile and enables us to automatically control risks relating to the portfolios.

Similarly, and in anticipation of the new MiFID 2 regulations, a provision of timely advice has been made available to the entire private banking team for our high net worth customers.

The importance of the team

Another of the pillars of private banking is the financial and tax advisory service, provided by highly-qualified professionals who are subject to a process of continuous training, which has made Bankinter a benchmark entity in this business.

The objectives for 2018 include continuing to make use of digital technology to improve the tools for optimising service quality, devising new investment vehicles that satisfy customer demand and extending the financing product range.

This, along with the high-level of qualifications and commitment of our teams, allows us to keep growing our market share and become an increasingly established sector benchmark, offering our customers a high-value service.

	2017	2016	% Dif.
Acquisition (No of customers)	4,843	4,238	+14.3%
Active customers (No of customers)	33,496	31,033	+7.9%
Total customer funds (€ bn)	21.594	18.396	+17.4%
Customer deposits (€ bn)	8.947	8.791	+1.8%
Customer loans (€ bn)	3.366	3.028	+10.6%

Personal banking

Quality to take on the competition

Personal banking, an area dedicated to customers with income greater than 70,000 euros or with assets of between 75,000 euros and one million euros, is one of the Bank's naturally developing segments. At the same time, however, it is a very attractive segment for all banks, which means the competition to attract customers is intense, which requires Bankinter private banking to make an extra effort to differentiate itself from the competition.

Bankinter's strategy for this medium-high income segment is to offer the best quality service, extend the product range and adapt it to the customers' financial needs, which are affected by current low interest rates and the poor return on bank deposits.

In this line of work, the Bank improved its range of investment funds, which are the main alternatives to bank deposits. This included the launch of new guaranteed products and the adaptation of others from private banking, such as premium funds or

profiled funds based on the customer's risk profile, which were very positively received by the market. Improvements were also made to the delegated investment service, through which the customer delegates the management of their investments to a team of experts, after first choosing the type of management they want.

The Bank has also maintained and improved its offer in traditional entry-level products, such as the payroll account and mortgage arrangement. The payroll account once again remained one of our most successful products, due to the competitive edge it has over similar products. The Bank has continued to market variable-rate mortgages, but has also improved its fixed- and mixed-rate mortgage offer, because of the strong interest that these types of mortgages arouse in the current interest rate environment. The Bank's mortgage range is very broad, which enables it to adapt to the customer's personal circumstances and preferences.

Training

During the year, Bankinter also strengthened its training programmes, with the aim of providing an excellent quality of service. All branch network professionals were trained in savings products, especially those related to retirement, and the groups involved in investment services complied with the certification requirements resulting from the entry into force of the European directive, MIFID 2.

The results of the service improvement policy were positive. The quality perceived by the customer increased significantly, along with the figure for attracting new customers (+24%) and for net new assets (+94%, a rise of 1.098 billion on the previous year in absolute terms).

The objective in 2018 is to maintain a consistent growth rate in all areas of activity, supported by the power of the brand and the provision of a high-quality service. As part of that strategy, Bankinter plans to increase its capacity to distribute products through digital channels (apps, web) and to actively participate in the digitalisation process so as to pass on the benefits of new technologies, like biometric or remote signatures, to customers.

	2017	2016	% Dif.
Active customers (No of customers)	211,967	191,789	10.5%
Total customer funds (€ bn)	17.917	15.623	14.7%
Customer deposits (€ bn)	11.484	10.127	13.4%
Customer loans (€ bn)	8.400	8.125	3.4%

bankinter.

Opere desde aquí
en bolsa con el
Servicio Broker
de Bankinter

Su asesor personal
le atiende desde
aquí con el Servicio
de Videollamada

Individual retail banking and foreign customers

The payroll account is the way in

The individual retail banking market, the largest customer segment for financial institutions, is highly competitive. In 2017 there was especially fierce competition for attracting customers, both through traditional channels and, in particular, through the website and other digital tools. The payroll account was consolidated as the main factor in attracting customers and, therefore, the number of active individual customers grew by 3.8%, reaching a total of 335,775. The main features for the year were as follows:

Assets. Consumer loans were one of the Bankinter's star products, and throughout the year the Bank made a significant effort in terms of resources and technology to attract individual customers, achieving a 20% increase in new personal loans, despite the growing presence of competitors. However, Bankinter adopted a more reactive rather than proactive position with regard to granting mortgage loans, given the strong competition. Given the challenging

market circumstances, both in terms of price (with record low interest rates) and the conditions for granting mortgages, it has become more difficult to make these types of loan transactions more profitable without increasing the level of risk. The Individuals segment saw new mortgages arranged for a total of 673 million euros.

Liabilities. The market shifted with regard to payroll accounts, a product that involves direct debiting of bill payments and holding of debit and/or credit cards, and was confirmed to be the main entry point to the bank. In 2017 many entities, which in previous years had fiercely competed to attract customers through payroll accounts, reduced their profit associated with these accounts. However, Bankinter's 5% payroll account kept its beneficial conditions (which included 5% interest up to 5,000 euros for the first year and 2% interest in the second year) and it consolidated its position as a very competitive product. Consequently, in 2017 a total of 31,002 payroll accounts were opened

and 45,371 customers were attracted, up 34% on the previous year. 'Account 22', which was launched in 2016 and aimed at the children of the Bank's customers, also cemented its place during the year. There are no conditions, it carries no obligations and it generates no fees. It allows the customer to have a credit card from the age of 18, make online domestic transfers free of charge and use the mobile phone payment service. This product is part of Bankinter's aim of offering an account for every type of customer.

The Bank also met its goal of increasing the quality of its service in the individual retail banking segment. The increase in the number of new customers and the improvement in its customer satisfaction indexes are indicators that reflect this trend.

	2017	2016	% Dif.
Acquisition (No of customers)	45,731	33,872	33.9%
Active customers (No of customers)	335,775	323,359	3.8%
Total customer funds (€ bn)	4.703	4.042	16.4%
Customer deposits (€ bn)	3.841	3.300	16.4%
Customer loans (€ bn)	12.958	13.572	-4.5%

Foreign customers

Foreign customers are concentrated mostly in the Mediterranean coast and the Canary islands, and their entry point to the Bank tends to be the financing of home purchases. To provide them with the appropriate service, Bankinter has highly qualified staff in these regions who know their specific needs and have extensive knowledge of foreign languages.

In 2017, the foreign customers business gained traction at the end of the year, especially as a result of the recovery of the real estate market for non-residents, which posted significant growth, especially in the Canary Islands. This circumstance gave rise to an increase in the Bank's mortgage

loans to foreigners, although with relatively moderate growth due to its policy of prudence in analysing risks.

The number of active foreign customers grew by 4.7% in 2017. Total foreign customer funds increased by 5.2% and the related loan book amounted to 633 million euros.

With regard to 2018, the objectives for the individual retail banking and foreigner customer segment focus on enhancing its strategy of achieving maximum customer loyalty in the shortest time possible. The Bank therefore plans to develop digital tools that help in activating the customer's account from the very beginning, such as facilitating the switch of banks.

	2017	2016	% Dif.
Acquisition (No of customers)	3,641	3,412	6.7%
Active customers (No of customers)	27,219	26,001	4.7%
Total customer funds (€ mn)	259	247	5.2%
Customer deposits (€ mn)	234	225	4.0%
Customer loans (€ mn)	633	631	0.3%



Corporate banking

A profitable speciality

Corporate banking, which specialises in business groups with an annual turnover of more than 50 million euros, once again faced a challenging environment last year. Low interest rates, surplus liquidity, the fall in the demand for credit and the gradual disintermediation of its financing continue to characterise this segment of the market.

Nevertheless, in 2017 Bankinter's loans and receivables in corporate banking grew by 2.4% and new lending rose by almost 30%. At 31 December, the volume of financing amounted to 11.455 billion euros and customer funds stood at 8.412 billion euros, with a net return on assets (net ROA) of 1.87%.

The reason behind this excellent performance stems from the specialisation strategy undertaken in 2015, which represents a significant change in the distribution model

with regard to legal entities. Large companies can now be served at 22 corporate centres, three of which are dedicated to those companies that generate over 1 billion euros in annual income.

Balance

The 160 professionals that work at these centres are guided basically by sector-based criteria and by an appropriate balance between return and risk. In 2017 they contributed a total of 262 million euros to Bankinter's gross operating income and 209 million euros to pre-tax profit, thus making corporate banking the segment with the greatest weight in these two key items of the bank's income statement.

The 2018 objectives include the following: to improve return for customers; to acquire greater in-depth knowledge of the various

sectors and their variants with regard to transactional and international business, capital markets and securities market; and to ensure greater adaptation to the organisational structure of the companies.

The Bank plans to open two new corporate centres in Madrid and hire highly specialised personnel.

	2017	2016	% Dif.
Active customers (No of customers)	5,667	5,487	3.3%
Total customer funds (€ bn)	8.412	9.119	-7.8%
Customer deposits (€ bn)	8.182	8.939	-8.5%
Customer loans (€ bn)	11.455	11.185	2.4%

Medium-sized enterprises

Objective: to make their lives easier

Since Bankinter restructured its business for legal entities, companies with between 5 million and 50 million euros in annual turnover receive special treatment in their relationship with the Bank. There are 72 business centres for this purpose, covering the main population areas and have corresponding managers, controllers and commercial staff.

These teams, which include a total of almost 400 professionals, were consolidated in 2017 after the reassignment of customers carried out in 2015 and 2016, which affected 75% of the portfolio. As a result of this reassignment, managers now know their customers better than ever and are therefore in a position to offer them services tailored to fit their needs.

The main objective is for medium-sized enterprises to be global Bankinter customers, not just occasional customers, and for them to trust in the Bank not only to

cover their occasional financing needs, but for everything that makes their lives easier, from daily collection and payment operations to guarantees or underwriting insurance.

In 2017 this effort translated into a significant increase in income from fees, which contributed to improving the business's gross operating income by 6.4%, along with the collection of interest.

During the implementation of this new type of relationship with medium-sized enterprises, the Bank continued to attract new customers at a good rate, attracting 4,393 customers last year, to reach a total of 23,306 active customers.

Despite the downturn in the banking market as a whole, Bankinter's loans to medium-sized enterprises rose significantly in 2017, from 5.331 billion to 5.974 billion euros.

The challenges for 2018 are to continue improving customer management, to hit the market share targets for each company and centre, and to achieve the most balanced composition possible between, among others, term loans and working capital financing.

	2017	2016	% Dif.
Acquisition (No of customers)	4,393	3,934	11.7%
Active customers (No of customers)	23,306	20,628	13.0%
Total customer funds (€ bn)	4.415	3.759	17.5%
Customer deposits (€ bn)	4.155	3.553	17.0%
Customer loans (€ bn)	5.974	5.331	12.1%

SMEs

An ever closer relationship

Bankinter's business for legal entities is structured into three segments: SMEs (up to 5 million euros in annual turnover), medium-sized enterprises (between 5 and 50 million euros) and corporate banking (more than 50 million euros), for the purpose of providing the appropriate service for each of their needs.

With regard to SMEs, in 2017 the business stepped up its rate of growth compared to the previous year, despite growing pressure from the competition and the drop in prices, especially in short-term financing. All of the key figures for this segment improved, most notably the number of customers (+5.1%), total customer loans (+3.9%) and the volume of customer deposits (+14.2%).

The contribution of SMEs to the Bank's gross operating income amounted to 148.1 million euros in 2017, an increase of 10%, and

which, together with the 40% reduction in the cost of non-performing loans and cost savings, enabled it to reach a profit of 41.5 million euros, up 292% on 2016.

The main milestone for 2017 was the consolidation of the tax payment loan, of which a total of 199.6 million euros were arranged, an increase of 618% on the previous year. This was underpinned by the launch of online pre-authorisations for this product, which enabled companies to have immediate access to the loan, 100% digitally and without any red-tape.

Accompanying customers in their day-to-day business

All of this fits into the Bank's strategy, of not only increasing the number of customers, but also forming a closer professional relationship with them, strengthening transactional

banking and accompanying them in their day-to-day business.

To achieve this goal, Bankinter has a professional team of 258 managers, who carry out their work in universal branches and which assisted a total of 68,581 customers distributed throughout Spain as of 31 December 2017.

The objectives set for 2018 focus on continuing to increase market share and maintaining the high growth rates of the previous year in terms of customers, the balance sheet and profits.

	2017	2016	% Dif.
Acquisition (No of customers)	13,485	12,830	5.1%
Active customers (No of customers)	68,581	65,585	4.6%
Total customer funds (€ bn)	3.754	3.296	13.9%
Customer deposits (€ bn)	3.407	2.982	14.2%
Customer loans (€ bn)	4.906	4.724	3.9%

Investment Banking

The bridge between companies and investors

In the last few years, the Investment Banking area has become a benchmark in this business segment, not only in Spain, but internationally as well. Its objective is to provide a comprehensive financial service to its customers, especially corporate banking and private banking customers. To do this, it aims to provide an outstanding global advisory service to those customers who have to make major decisions on the future of their business projects and act as a bridge between companies, especially family companies, and investors who are potentially interested in supporting and financing their projects.

With this purpose in mind, the work of the Bank involves constantly seeking out opportunities, to take advantage of abundant liquidity and the current appetite for Spanish mid-market.

In doing so, the bank has two important strengths. First, its reputation in risk management, which allows it to boast the sector's lowest non-performing loan ratio. Second, it has developed a model in which Investment Banking is not walled off from commercial activity, but rather closely linked to it. This allows customers to benefit from both the proximity of their usual manager and of a specialist corporate advisory service.

This strategy demand greater effort from the commercial branch network, but it creates substantial value in the long term, builds customer loyalty and strengthens Bankinter's position as a global banker.

The performance of the four Investment Banking growth axes in 2017 was as follows:

Mergers and acquisitions. At a time of growth in the market for buying and selling companies, Bankinter was involved in around ten operations, mostly of industrial customers and mainly acting as adviser to the sellers.

Capital markets. It was a year of intense activity. The listing of Netex on the Alternative Stock Market; capital increases such as Oryzon; stock market flotations like Prosegur Cash and Neinor Homes; the bond issues of Audax and Masmovil; or the promissory note issues of Teknia, Tubacex and Abertis, are examples of operations within this scope, which are completed by private placements among institutional investors.

Structured and alternative financing. In 2017, transactions were agreed for over 1 billion euros, and the loan book ended the year above 2 billion euros, including syndicated corporate loans. Overall

profitability was close to 350 basis points. Bankinter is the only bank that, relying on alternative lenders, takes part in complex financing processes with structured proposals, be they Spanish or foreign funds or insurance companies, providing customers with substantial added value in terms of cost, flexibility and swiftness.

This year Bankinter continued to develop its advisory services activity in financial-property transactions, such as the sale of hotel and logistical assets or property loan books, which had a notable demand from customers and very satisfactory results.

Alternative investments

Another of last year's innovations was the launch of Helia, an investment fund with almost 250 million euros in renewable energy assets, for the best private banking customers and certain institutional investors with which bank has a special relationship.

The operation, which along with that of Ores Socimi at the end of 2016, was one more step in the project to create value-added products which offer a good risk/return trade-off for its private banking customers. The Plenium Partners Group, one of the leading renewable energy asset managers in the Spanish market, is to manage the project.

With this launch and that of Atom Socimi, a specialist hotels vehicle, Bankinter brought the capital it manages for customers in alternative investments up to 700 million euros. The Bank's objective is to continue creating alternative products for its private banking customers.

In the last few years, the Investment Banking area has become a benchmark in this business segment, not only in Spain, but internationally as well.



International Banking

The growing importance of overseas trade

The strong focus of Spanish companies on overseas markets, that were their salvation during the worst years of the crisis, has become a structural element of the country's economy. Thousands of these companies now obtain more revenue from abroad than domestically, and they demand a series of services that Bankinter provides through its International Banking business.

These services include guarantees for the obligations assumed with third parties abroad; import and export letters of credit, through which payments and collections are secured in accordance with the agreed terms; and the medium and long-term structured finance for investment projects. The basic international payments and collections business is managed on digital platforms that ensure maximum agility for customers.

The priority sectors for the Bank in 2017 were infrastructure, railway transportation, renewable energy, automobiles and commodities. The regions with the greatest activity were South-East Asia, the Middle East, the Persian Gulf, Europe, United States, Canada and Latin America.

International Banking has a very established specialist team, whose work last year

translated into a volume of transactions worth 57.443 billion euros (+8.5%) and loans of 4.049 billion euros (+17.4%) in the Corporate area, where its gross operating income now represents 23.6% of total gross operating income.

Participation in events

The Bank's presence in major global sector events contributed to the positive performance of International Banking in 2017. These events include those organised by the Federation of Latin American Banks (Federación Latinoamericana de Bancos or Felaban) and the Inter American Development Bank (Banco Interamericano de Desarrollo or BID). In Spain, Bankinter had a strong presence at IMEX, the leading international trade fair held in the country, and other regional events.

International Banking plans to consolidate its policies and procedures in 2018, as well as giving impetus to the technological development necessary for its activities and, to comply with the new European legislation, the digital transformation of payments.

This will help, Bankinter to take advantage of the opportunities offered by the improving

economy, both in developed and emerging countries, and make a qualitative leap with its participation in benchmark operations together with other big banks.

Bankinter Portugal

Above forecast growth

Bankinter Portugal's business was carried out in 2017, within a context of economic growth, that was largely driven by investment and private consumption. Thanks to this, the high rate of job creation continued, reducing the unemployment rate to 8.5%, far from the 17.5% recorded in 2013.

The write-down process in the financial sector, has led to a fall in the level of risk of its assets and in a reduction in the financial institutions' installed capacity, which are now showing higher levels of efficiency and productivity. After being absent for the last few years, profit returned to the income statement in 2017.

It was an excellent year for Bankinter Portugal and its results beat forecasts, especially in attracting new customers. The retail and commercial banking segment attracted 13,768 customers, an increase of 71% on 2016, as a result of increased brand awareness and improved satisfaction indexes. The obtaining of 331 million euros in net new assets, 105% more than the year before, saw the portfolio reach 4.73 billion euros. As a result of the 598 million euros in new loan approvals, 159% more than in 2016, the loan book reached 3.954 billion euros.

The corporate banking segment also saw a 104% rise in the number of new loans compared with last year, despite the market still contracting. At 31 December, the loan book amounted to 1.27 billion euros, with a large contribution coming from the 3,228 new customers (twice as many as last year).

Other notable successes in 2017 were:

- New mortgage loans rose considerably (+198%), increasing the market share in a market where the subsidiary initially had a very small weighting. Bankinter Portugal's share of new lending increased from around 3% in 2016 to 5.7% in 2017.
- Bankinter Consumer Finance began operating in Portugal, and contributed to a large extent to the growth of 115% recorded in consumer lending.
- Bankinter Asset Management had the fastest growth in its sector (+157%) and stood in fourth place for net purchases.

In addition, Bankinter Seguros de Vida is now among the insurance companies with the biggest growth in Portugal.

In its second year of operations in Portugal, it doubled its new lending (341 million euros), recording the second largest growth in absolute value and becoming Portugal's eighth biggest insurance company.

New mortgage loans

+198%

First place in the *Mystery Shopping* survey

Bankinter obtained first place in the '*Mystery Shopping*' survey of banks in Portugal. It achieved an overall score of 91.3%, which was above the market average of 83.4%.

Customer service, with a score of 78%, was once again the area in which Bankinter most stood out against the rest of the market, where the average score was 61.5% (+18.5 pp vs the market).

Bankinter's '*Conta Mais Ordenado*' given the '*Premio Cinco Estrellas*'

Bankinter's '*Conta Mais Ordenado*' was given the '*Premio Cinco Estrellas*' (Five Star Award) as the best payroll account, with an overall satisfaction rating of 74.1% in a survey of 1,350 consumers.

The 3 areas where the account most stood out were customer satisfaction (after testing), price-quality relationship and the likelihood of recommendation.

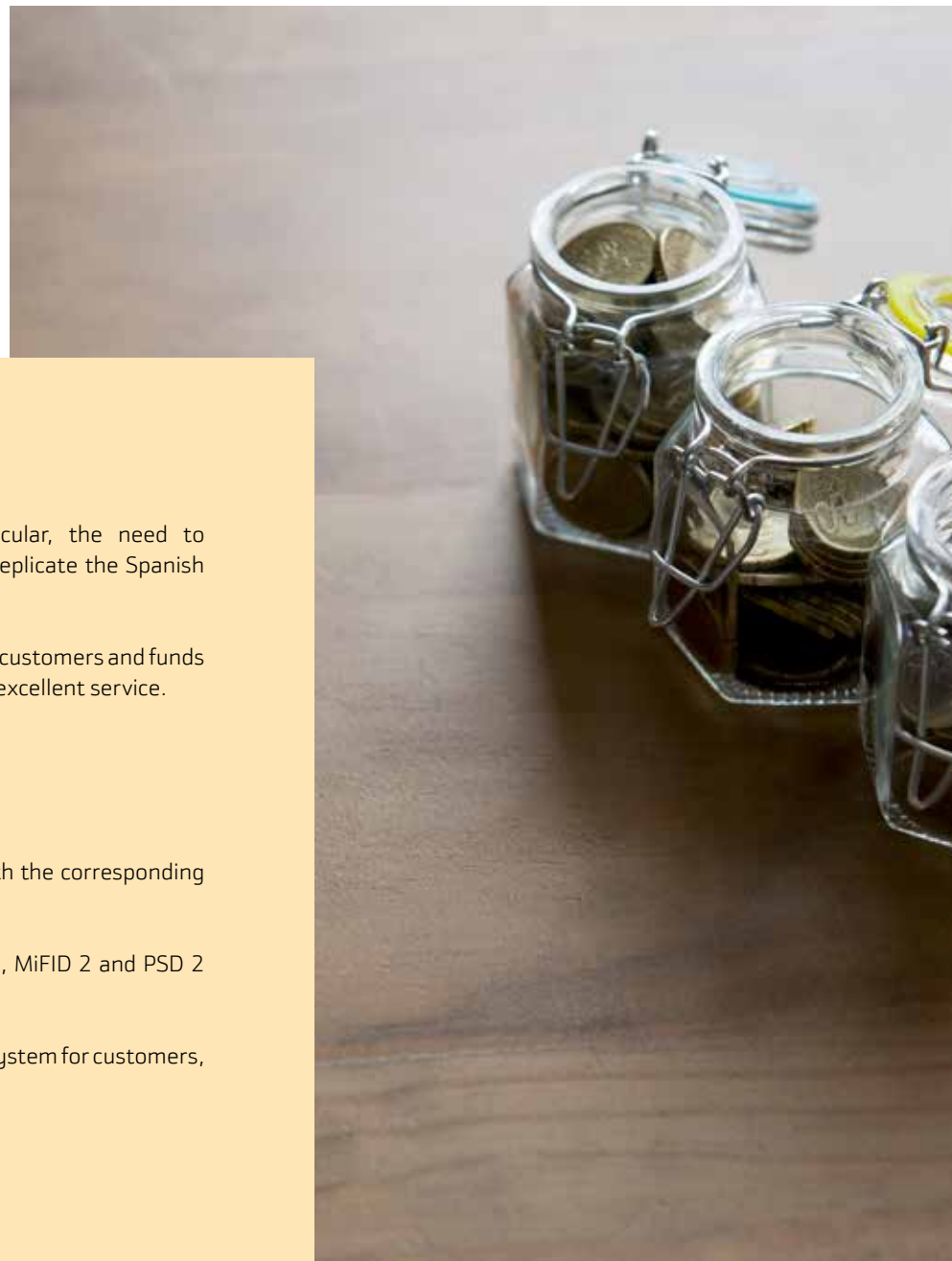
'Linha Bankinter' wins Trofeo Call Center 2017

The 'Trofeo Call Center 2017' (Call Centre Trophy 2017) was won by Linha Bankinter, in partnership with Teleperformance Portugal, in the quality of service in telephone helplines category - 50 positions - an initiative of Call Center Magazine and IFE Portugal.

The challenges

The challenges for 2018 involve, in particular, the need to consolidate the progress made in 2017 and replicate the Spanish business model. Specifically they are:

- Maintain the rate of growth in the number of customers and funds attracted, at the same time as providing an excellent service.
- Increase loans to companies.
- Improve the consumer finance business.
- Create new channels and develop them, with the corresponding investment in technology.
- Complete the adaptation to the new IFRS 9, MiFID 2 and PSD 2 regulations.
- Be a benchmark in the Portuguese financial system for customers, employees and the sector as a whole.



Capital Markets

A growing activity

The Capital Markets area, which manages the trading and distribution of treasury products and the Bank's balance sheet, carried out its activity in a general favourable environment in 2017.

- In Spain, the Treasury had no problems in meeting its funding needs for the year. Although with a certain spike in Autumn as a result of the political situation in Catalonia, the risk premium versus the benchmark German bond ended the year at practically the same level as it started it.
- In Europe, the maintenance of ECB monetary policy continued to determine the direction of interest rates, which reached record lows (the Euribor closed the year at -0.2%). Certain tensions were seen in the first half of the year in the liquidity levels of some peripheral countries due to the elections in France and the Netherlands, but the situation normalised once these were held.
- In the United States, the situation of the markets was marked by the first anniversary of the Trump administration and the Federal Reserve's increase in the price of money, which caused medium and long-term dollar interest rates to rise, especially in the final part of the year.

In this scenario, the trading area was active in the foreign exchange, equities and fixed income markets. Bankinter benefited from its 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 growing activity in the private banking segment generated notable demand for the products designed by the distribution area, whose work in helping customers to access foreign exchange markets, interest rate hedges and fixed income is also worthy of note.

Greater liquidity

The Bank's balance sheet continued the sustained improvement in its liquidity position. The major increase in lending was offset by an even larger growth in customer funds. This fact, along with the application for long-term funds from the ECB under its TLTRO II programme of funding operations, made it unnecessary to issue long-term debt. The only public issue was for 500 million euros of Tier 2 subordinated debt to improve the capital base, paid out on 6 April, which was oversubscribed by almost 5 times the amount to be placed.

Wholesale funding maturities are distributed over time in a manner so as to minimise problems refinancing, and the Bank's interest rate risk is also kept at acceptable levels. Indeed, the positioning of the fixed income ALCO portfolio and the balance sheet hedges mitigated the adverse effect of the Euribor interest rates, to which the majority of the bank's loans are referenced.

In relation to foreign currency, the Bankinter's policy was to hedge all structural positions, thanks to which its income statement was not affected by the fluctuations in major currencies in 2017.