

bankinter.

STRATEGY AND RESULTS

2019 INTEGRATED ANNUAL
REPORT



Growth, profitability and digitalisation



Bankinter's strategy for 2019 focused on measures to boost growth in the area of customers, volumes and activity

The Spanish banking sector is currently facing two major challenges that are shaping its present and will greatly influence its future. First, to successfully complete the digital transformation process, and second, to learn to navigate a financial scenario characterised by low interest rates.

To address digital transformation, the sector is investing heavily in technology to optimise its processes and offer a better quality service. In turn, the low interest rate environment policy obliges companies to look for new revenue sources to maintain profitability margins.

Against this backdrop, Bankinter has several key strengths: a brand image that is synonymous with innovation and excellence in customer service; qualified and committed employees; and a strict risk culture to which the institution owes its robust health.

As a result, Bankinter can take the best advantage of opportunities such as the persistence of economic growth (albeit at lower rates than in previous years), customer

digitalisation and the possibility of continued organic growth, despite the shift towards concentration seen in the sector in Spain and other EU countries.

Based on this premise, Bankinter's strategy for 2019 focused on measures to foster growth in customers, volume and operations; to seek profitability through fees and high-margin services and implement more digital and efficient models in the area of commercial productivity.

These measures included maintaining the institution's risk policy, standing out in the area of customer service, consistently developing the product offer, increasing the Bank's presence in relatively closed segments, achieving higher levels of cross selling and taking advantage of technological investment.

All with the aim of preserving areas that are being made profitable (asset management through Private Banking and Personal Banking, the traditional business of Corporate Banking), strengthening other areas that are

in the growth stage (Individual Retail Banking, consumer credit, Investment Banking, International Business) and developing skills in the digital and data exploitation fields.

The outcome of this strategy for the Bank's two main areas was as follows:

Commercial Retail Banking

The star product for attracting more customers, the Salary Account, remained an essential tool. Forty of every hundred customers were acquired through this channel, and now the plan is to increase the loyalty of these new customers through credit cards, personal loans, mortgages, investment funds and direct debits, among other products.

The number of active customers in the Individual Retail Banking segment grew to 373,617, on the back of the Salary Account, alongside control and management of customer retention. In this segment, the key lies in encouraging the transfer to other segments with a greater potential to sell value added services (Personal Banking and Private Banking), that can offer higher fee income.

The Personal Banking area made further progress in the digitalisation of its commercial management process, which contributed to a slight increase in mortgage loans, despite the decline seen in the sector as a whole.

In the Private Banking segment, the differentiation strategy rolled out by Bankinter, which includes alternative investment vehicles, contributed 2,000 million euros in new assets and put assets under management to 40,400 million euros.

Through the launch of Bk, a business line offering a global service (savings, loans and investment), and the acquisition of EVO Banco, an entity specialising in digital transactions, the company sought to diversify its customer base, with a focus on attracting young people.

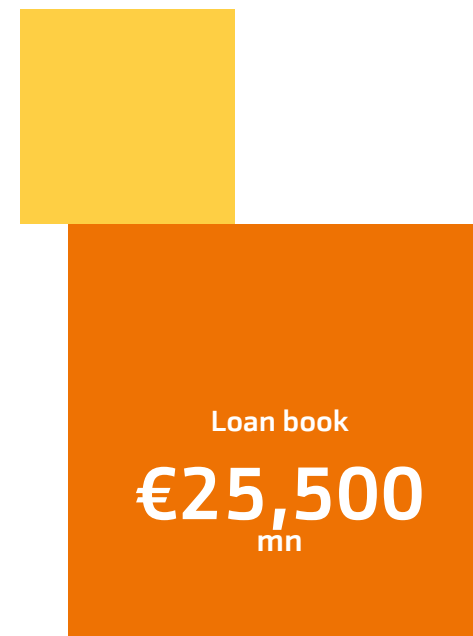
Corporate Banking

The loan book totalled 25,500 million euros with no impact on margins, which were maintained thanks to the good fee management system, which showed double digit growth. This is essential for assuring customers that the price paid is consistent with the quality of the service provided.

The restructuring and strengthening of specialist teams, aimed at boosting efficiency, led to an 7% increase gross operating income in International Banking compared to 2018, also enhanced by the stronger partnership agreements with large international banks.

In the Corporate Banking area, a new portfolio management model by revenue tranche was introduced, to which specially trained professionals are assigned. In the SME segment, an effort was also made to improve service quality, which impacted customer satisfaction indices.

Lastly, the Investment Banking area continued to develop its traditional advisory and financing activities, bringing in new alternative investment vehicles.



Record profits for the seventh consecutive year



In 2019, the Bankinter Group posted a new record profit, cementing seven consecutive years of growth, with a compound annual growth rate of 24% between 2012 and 2019.

The Group posted net profit of 550.7 million euros and profit before tax of 741.4 million, up 4.6% and 2.8%, respectively, from the previous year.

These figures include EVO Banco and Avantcard, which were included in the Group's accounts on 31 May. Excluding the data from these businesses and the impact of their inclusion, profit before tax would have risen by 2.4%.

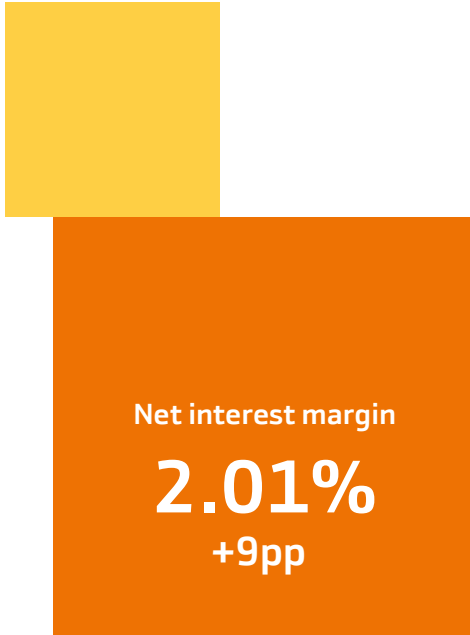
Bankinter ended the year with an RoE of 13%, one of the highest among Europe's listed banks.

Capital adequacy

The fully-loaded CET1 capital ratio ended the year at 11.61%, above European Central Bank's regulatory requirement for Bankinter of 8.20%. This minimum capital requirement figure will remain the same for this year.

In terms of liquidity, the customer funding gap (difference between loans and receivables and customer funds) narrowed to 1,300 million euros from 3,700 million euros the year before, leaving a deposit-to-loan ratio of 98.3%.

Wholesale issues maturing in 2020 total only 800 million euros, plus a further 1,000 million for 2022, although Bankinter has 13,400 million euros in liquid assets and a debt issuing capacity of 6,000 million.



Margins

Bankinter's customer business continues to underpin the good results obtained by the Bank in 2019, which is reflected in the growth of all margins on the income statement.

- Net interest income was 1,190.6 million euros at 31 December, up 8.8% year-on-year. Excluding the contribution from EVO Banco and Avantcard, growth would stand at 5.1%.
- Net interest margin was 2.01%, up by nine basis points compared to 2018.
- Gross operating income stood at 2,054.7 million euros, 5.9% higher than in the previous year, with net fee and commission income of 479.5 million euros (+6.6%). Stripping out EVA Banco, gross operating income grew by 3.4%.
- Operating income totalled 977.5 million euros at the close of 2019, 4.4% higher than the previous year and 7.9% higher excluding EVO Banco. Operating expenses were 7.2% higher, due largely to the integration of the acquired businesses, although in the banking business (Spain and Portugal) they rose by only 0.2%.

The cost-to-income ratio of the banking business ended the year at 47.4% (45.3% excluding EVO Banco).

Balance sheet

- On Bankinter's balance sheet, total group assets in 2019 were 83,732.3 million euros, 9.5% more than in 2018, including EVO Banco and Avantcard.
- Customer loans and receivables stood at 60,411 million euros, 8.9% more than one year ago. Excluding EVO Banco, and looking strictly at the business in Spain, loans and receivables grew by 5%. This compares favourably to the 1% decline seen in the rest of the sector in Spain to December according to Banco de España figures.
- Customer retail funds ended the year at 57,814.6 million euros, up 14.3% on the close of 2018. Taking into account Spain only and excluding EVO Banco, growth was above the sector average at 7%. Off-balance-sheet managed funds increased by 13.7%.

Business units

Bankinter's customer business has maintained its full potential, and continues to be the primary generator of Group revenue, where the pure banking areas are outpacing the insurance business. The main results were as follows:

Corporate Banking. This area fared well during the year, with a loan book of 25,500 million euros. Looking strictly at business in Spain, loans to companies increased by 5.1% to 23,800 million euros, compared to the further fall (this time of 2.7%) for the sector as a whole (data to November).

- Three business lines in the Corporate Banking area were particularly strong: International Banking, with gross operating income up 7%; Transactional Banking, with fee and commission income of over 14%, and Investment Banking, which has been operating under the new Bankinter Investment brand since November 2019, and reported a sharp 52% rise in fee and commission income and 22% growth in gross operating income in the year.



Commercial Retail Banking. The individual banking business also had a satisfactory year, and for the first time its contribution to Group gross operating income equalled that of Corporate Banking: 28%.

- The main driver of this business was Private Banking, with assets under management of 40,400 million euros, up 13% year-on-year and putting the CAGR for 2014-2019 at 7%.
- In the Personal Banking segment, assets under management increased by 9% to 23,700 million.

Línea Directa Aseguradora. Línea Directa Aseguradora ended the year with 3.16 million insured risks, up 5% from 2018, with increases of 3.6% in motor insurance policies and 9.6% in home insurance, the area with the strongest growth. Issued premiums totalled 891.3 million, up 4.5% year-on-year. Línea Directa ended 2019 with a combined ratio of 87.9%, RoE of 33% and a capital adequacy ratio of 211%.

Bankinter Consumer Finance. The segment had over 1.4 million customers at the close of the financial year, up 8% compared to 2018. The loan book reached 2,400 million euros, with 917 million euros of new loans, marking increases of 21% and 45%, respectively, from 2018. The NPL ratio was 5.7%

Bankinter Portugal. Bankinter Portugal had another brilliant year, reporting profit before tax of 66 million euros, compared to 60 million euros in 2018. The customer business was positive throughout the year, with the loan book up 13%, particularly loans to customers, which rose by 26%. Funds also increased significantly (+7,6%), in addition to off-balance-sheet managed funds (+12%).

EVO Banco and Avantcard. EVO Banco and Avantcard showed growth in activity despite their recent inclusion in Bank's consolidation scope. From June to December, EVO acquired 50,000 new customers and arranged 85 million euros worth of new mortgages. Avantcard sustained strong annual growth in its loan book: 23%.

Products

- One standout is the volume achieved in the salary account portfolio (10,436 million euros; +25%), reflecting the consolidation and leadership of this product in the Spanish market.
- New mortgages in the year amounted to 2,956 million euros, up 17% from 2018, of which 38% were arranged at fixed rates.

Bankinter Group. Consolidated balance sheets at 31 December 2019 and 2018 (Thousands of euros)

ASSETS	31.12.2019	31.12.2018 (*)
Cash, cash balances at central banks and other demand deposits	6,407,046	5,503,428
Financial assets held for trading	3,848,150	5,162,908
Derivatives	314,215	432,233
Equity instruments	263,269	107,024
Debt securities	1,309,400	2,623,615
Loans and advances	1,961,266	2,000,036
Central banks	-	-
Credit institutions	1,688,819	2,000,036
Customers	272,447	-
Memorandum items: loaned or pledged	668,485	1,309,138
Non-trading financial assets mandatorily at fair value through profit or loss	130,303	129,178
Equity instruments	116,805	89,880
Debt securities	13,498	39,298
Loans and advances	-	-
Central banks	-	-
Credit institutions	-	-
Customers	-	-
Memorandum items: loaned or pledged	-	-
Financial assets designated at fair value through profit or loss	-	-
Debt securities	-	-
Loans and advances	-	-
Central banks	-	-
Credit institutions	-	-
Customers	-	-
Memorandum items: loaned or pledged	-	-
Financial assets at fair value through other comprehensive income	5,340,159	4,839,963
Equity instruments	106,288	78,463
Debt securities	5,233,871	4,761,500
Loans and advances	-	-
Central banks	-	-
Credit institutions	-	-
Customers	-	-
Memorandum items: loaned or pledged	406,692	1,171,852
Financial assets at amortised cost	65,670,760	58,844,761
Debt securities	4,850,360	3,100,712
Loans and advances	60,820,400	55,744,049

Central banks	-	-
Credit institutions	1,649,634	481,860
Customers	59,170,766	55,262,189
Memorandum items: loaned or pledged	1,335,245	1,231,566
Derivatives – hedge accounting	202,118	170,197
Fair value changes of the hedged items in portfolio hedge of interest rate risk	107,439	11,010
Investments in joint ventures and associates	140,875	110,563
Joint ventures	47,734	37,678
Associates	93,141	72,885
Assets under reinsurance and insurance contracts	12,108	9,134
Tangible assets	600,654	473,411
Property, plant and equipment	533,956	405,925
For own use	509,658	376,949
Leased out under operating lease	24,298	28,976
Assigned to welfare projects (savings banks and credit cooperatives)	-	-
Investment property	66,698	67,486
Of which: Leased out under operating leases	66,698	67,486
Memorandum items: Acquired under finance leases	-	-
Intangible assets	391,936	294,077
Goodwill	164,113	164,113
Other intangible assets	227,823	129,964
Tax assets	470,032	547,502
Current tax assets	178,130	255,640
Deferred tax assets	291,902	291,862
Other assets	217,848	209,248
Insurance contracts linked to pensions	-	-
Inventories	-	-
Other assets	217,848	209,248
Non-current assets and disposal groups classified as held for sale	192,917	196,159
TOTAL ASSETS	83,732,345	76,501,539

(*) Presented for comparison purposes only.

Bankinter Group. Consolidated balance sheets at 31 December 2019 and 2018 (Thousands of euros)

LIABILITIES AND EQUITY	31.12.2019	31.12.2018(*)
LIABILITIES	78,932,381	72,015,687
Financial liabilities held for trading	2,823,849	3,798,092
Derivatives	387,041	499,813
Short positions	865,012	1,833,893
Deposits	1,571,796	1,464,386
Central banks	-	-
Credit institutions	77,521	173,870
Customers	1,494,275	1,290,516
Debt securities issued	-	-
Other financial liabilities	-	-
Financial liabilities designated at fair value through profit or loss	-	-
Deposits	-	-
Central banks	-	-
Credit institutions	-	-
Customers	-	-
Debt securities issued	-	-
Other financial liabilities	-	-
Memorandum items: subordinated debt	-	-
Financial liabilities at amortised cost	73,970,770	66,361,761
Deposits	64,641,613	56,925,312
Central banks	7,336,682	6,506,663
Credit institutions	1,377,447	1,950,146
Customers	55,927,484	48,468,503
Debt securities issued	7,688,413	7,772,126
Other financial liabilities	1,640,744	1,664,323
Memorandum items: subordinated debt	855,589	1,158,791
Derivatives – hedge accounting	265,394	86,845
Fair value changes of the hedged items in portfolio hedge of interest rate risk	40,022	19,748
Liabilities under reinsurance and insurance contracts	750,267	749,563

Provisions	382,733	301,925
Pensions and other post-employment defined benefit obligations	3,832	807
Other long term employee benefits	-	-
Pending legal issues and tax litigation	75,233	97,752
Commitments and guarantees given	14,137	18,575
Other provisions	289,531	184,791
Tax liabilities	421,254	425,515
Current tax liabilities	206,012	220,581
Deferred tax liabilities	215,242	204,934
Share capital repayable on demand	-	-
Other liabilities	278,092	272,238
Of which: welfare fund (savings banks and credit cooperatives only)	-	-
Liabilities included in disposal groups classified as held-for-sale	-	-
TOTAL LIABILITIES	78,932,381	72,015,687

(*) Presented for comparison purposes only.

Bankinter Group. Consolidated balance sheets at 31 December 2019 and 2018 (Thousands of euros)

LIABILITIES AND EQUITY (continued)	31.12.2019	31.12.2018(*)
Shareholders' equity	4,612,343	4,344,186
Capital	269,660	269,660
a) Paid up capital	269,660	269,660
b) Unpaid capital which has been called up	-	-
Memorandum items: uncalled share capital	-	-
Share premium	1,184,265	1,184,265
Equity instruments issued other than share capital	-	-
a) Equity component of compound financial instruments	-	-
b) Other equity instruments issued	-	-
Other equity	12,567	18,151
Retained earnings	2,762,882	2,523,867
Revaluation reserves	4,716	7,425
Other reserves	4,252	(10,907)
Reserves or accumulated losses of investments in joint ventures and associates	4,252	(10,907)
Other	-	-
(-) Treasury shares	(1,222)	(693)
Profit attributable to the owners of the parent company	550,665	526,398
(-) Interim dividends	(175,442)	(173,980)
Accumulated other comprehensive income	187,621	141,666

Items that will not be reclassified to profit or loss	(1,897)	(7,586)
a) Actuarial gains or (-) losses on defined benefit pension plans	(4,617)	(1,456)
b) Non-current assets and disposal groups classified as held for sale	-	-
c) Share of other recognised income and expense of investments in joint ventures and associates	-	-
d) Fair value changes of equity instruments measured at fair value through other comprehensive income	2,720	(6,130)
e) Hedge ineffectiveness of fair value hedges for equity instruments measured at fair value through other comprehensive income	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income [hedged item]	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income [hedging instrument]	-	-
f) Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	-	-
Items that may be reclassified to profit or loss	189,518	149,252
a) Hedge of net investments in foreign operations [effective portion]	-	-
b) Foreign currency translation	-	-
c) Hedging derivatives. Cash flow hedges [effective part]	28	108
d) Fair value changes of debt instruments measured at fair value through other comprehensive income	183,952	146,502
e) Hedging instruments [not designated elements]	-	-
f) Non-current assets and disposal groups classified as held for sale	-	-
g) Share of other recognised income and expense of investments in joint ventures and associates	5,538	2,642
Minority interests [Non-controlling interests]	-	-
Accumulated other comprehensive income	-	-
Other items	-	-
TOTAL EQUITY	4,799,964	4,485,852
TOTAL EQUITY AND LIABILITIES	83,732,345	76,501,539
MEMORANDUM ITEMS: OFF-BALANCE-SHEET EXPOSURES		
Loan commitments given	14,263,210	13,023,015
Financial guarantees given	1,748,165	1,612,459
Other commitments given	5,386,593	4,509,690

(*) Presented for comparison purposes only.

Bankinter Group. Consolidated income statements for the years ended 31 December 2019 and 2018 (Thousands of euros)

	(Debit)/Credit 31.12.2019	(Debit)/Credit 31.12.2018(*)
Interest income	1,391,590	1,320,454
Financial assets at fair value through other comprehensive income	111,520	130,485
Financial assets at amortised cost	1,254,588	1,110,902
Other interest income	25,482	79,067
Interest expenses	(200,947)	(226,173)
Expenses on share capital repayable on demand	-	-
A) NET INTEREST INCOME	1,190,643	1,094,281
Dividend income	12,257	12,584
Share of the profit or loss of entities accounted for using the equity method	30,601	27,984
Fee and commission income	593,763	556,492
Fee and commission expenses	(114,274)	(106,812)
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	39,079	38,294
Financial assets at amortised cost	5,516	2,509
Other financial assets and liabilities	33,563	35,785
Gains or losses on financial assets and liabilities held for trading, net	22,777	12,679
Reclassification of financial assets out of fair value through other comprehensive income	-	-
Reclassification of financial assets out of amortised cost	-	-
Other gains or losses	22,777	12,679
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss, net	7,072	(3,137)
Reclassification of financial assets out of fair value through other comprehensive income	-	-
Reclassification of financial assets out of amortised cost	-	-
Other gains or losses	7,072	(3,137)
Gains or losses on financial assets and liabilities designated at fair value through profit or loss, net	-	-
Gains or losses from hedge accounting, net	27	(71)
Exchange differences [gain or loss], net	(1,081)	5,051
Other operating income	47,841	47,403
Other operating expenses	(147,728)	(134,820)
Of which: compulsory transfers to welfare funds (only savings banks and credit cooperatives)	-	-
Income from assets under insurance and reinsurance contracts	882,715	839,602
Expenses from liabilities under insurance and reinsurance contracts	(508,989)	(449,697)
B) GROSS OPERATING INCOME	2,054,703	1,939,833
Administrative expenses	(996,290)	(941,602)
a) Staff expenses	(582,923)	(537,651)
b) Other administrative expenses	(413,367)	(403,951)
Depreciation and amortisation	(80,943)	(61,794)
Provisions or reversal or provisions	(143,861)	(143,579)
Impairment or reversal of impairment and gains or losses on modifications of cash flows of financial assets not measured at fair value through profit or loss or modification gains or losses, net	(138,960)	(62,971)
a) Financial assets at fair value through other comprehensive income	(994)	211
b) Financial assets at amortised cost	(137,966)	(63,182)
Impairment or reversal of impairment of investments in joint ventures and associates	-	-
Impairment or reversal of impairment on non-financial assets	(112)	-
Tangible assets	(112)	-
Intangible assets	-	-
Other	-	-
Gains or losses on derecognition of non-financial assets	327	1,349
Negative goodwill recognised in profit or loss	62,071	-
Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	(15,530)	(10,143)
C) PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS	741,405	721,093
Tax expense or income related to profit or loss from continuing operations	(190,740)	(194,695)
D) PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS	550,665	526,398
Profit or loss after tax from discontinued operations	-	-
E) PROFIT OR LOSS FOR THE YEAR	550,665	526,398
Attributable to minority interests (non-controlling interests)	-	-
Attributable to the owners of the parent	550,665	526,398
EARNINGS PER SHARE:		
Basic	0,61	0,57
Diluted	0,60	0,57

(*) Presented for comparison purposes only.

Bankinter Group. Consolidated statement of recognised income and expense for the years ended 31 December 2019 and 2018 (Thousands of euros)

	31.12.2019	31.12.2018 (*)
A) PROFIT OR LOSS FOR THE YEAR	550,665	526,398
B) OTHER COMPREHENSIVE INCOME	45,954	(122,114)
Items that will not be reclassified to profit or loss	5,688	(9,463)
a) Actuarial gains or (-) losses on defined benefit pension plans	(4,488)	(2,096)
b) Non-current assets and disposal groups held for sale	-	-
c) Share of other recognised income and expense of investments in joint ventures and associates	-	-
d) Fair value changes of equity instruments measured at fair value through other comprehensive income	11,792	(10,658)
e) Gains or (-) losses from hedge accounting of equity instruments at fair value through other comprehensive income, net	-	-
f) Fair value changes of equity instruments measured at fair value through other comprehensive income (hedged item)	-	-
g) Fair value changes of equity instruments measured at fair value through other comprehensive income (hedging instrument)	-	-
h) Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	-	-
i) Income tax relating to items that will not be reclassified	(1,617)	3,291
Items that may be reclassified to profit or loss	40,267	(112,651)
a) Hedge of net investments in foreign operations [effective portion]	-	-
Valuation gains or (-) losses taken to equity	-	-
Transferred to profit or loss	-	-
Other reclassifications	-	-
b) Foreign currency translation	-	-
Translation gains or (-) losses taken to equity	-	-
Transferred to profit or loss	-	-
Other reclassifications	-	-
c) Cash flow hedges [effective portion]	(114)	(1,731)
Valuation gains or (-) losses taken to equity	(114)	(1,731)
Transferred to profit or loss	-	-
Transferred to initial carrying amount of hedged items	-	-
Other reclassifications	-	-
d) Hedging instruments [not designated elements]	-	-
Valuation gains or (-) losses taken to equity	-	-
Transferred to profit or loss	-	-
Other reclassifications	-	-
e) Debt instruments at fair value through other comprehensive income	52,166	(153,623)
Valuation gains or (-) losses taken to equity	81,798	(118,449)
Transferred to profit or loss	(29,631)	(35,174)
Other reclassifications	-	-
f) Non-current assets and disposal groups held for sale	-	-
Valuation gains or (-) losses taken to equity	-	-
Transferred to profit or loss	-	-
Other reclassifications	-	-
g) Share of other recognised income and expense of investments in joint ventures and associates	2,897	(2,323)
h) Income tax relating to items that may be reclassified to profit or (-) loss	(14,683)	45,026
C) TOTAL COMPREHENSIVE INCOME FOR THE YEAR	596,619	404,284
Attributable to minority interests (non-controlling interests)	-	-
Attributable to the owners of the parent	596,619	404,284

(*) Presented for comparison purposes only.

Bankinter Group. Consolidated statements of changes in total equity for the years ended 31 December 2019 and 2018

(Thousands of euros)

	Share capital	Share premium	Equity instruments issued other than share capital	Other equity items	Retained earnings	Revaluation reserves	Other (-) reserves	Treasury shares	Profit attributable to the owners of the parent company	(-) Interim dividends	Accumulated other comprehensive income	Non-controlling interests	Accumulated other comprehensive income	Other items	Total
Closing balance at 31.12.2018	269,660	1,184,265	-	18,151	2,523,867	7,425	(10,907)	(693)	526,398	(173,980)	141,666	-	-	-	4,485,852
Effects of correction of errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance at 1.1.2019	269,660	1,184,265	-	18,151	2,523,867	7,425	(10,907)	(693)	526,398	(173,980)	141,666	-	-	-	4,485,852
Total comprehensive income for the year	-	-	-	-	-	-	-	-	550,665	-	45,955	-	-	-	596,620
Other changes in equity	-	-	-	(5,584)	239,015	(2,709)	15,159	(529)	(526,398)	(1,462)	-	-	-	-	(282,507)
Issuance 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)	-	-	-	-	-	-	-	-	-	(264,661)	-	-	-	-	(264,661)
Purchase of treasury shares	-	-	-	-	(295)	-	(52,907)	-	-	-	-	-	-	-	(53,202)
Sale or cancellation of treasury shares	-	-	-	-	-	-	-	52,378	-	-	-	-	-	-	52,378
Reclassification of financial instruments from equity to liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liabilities to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between equity components	-	-	-	-	263,199	-	-	-	(526,398)	263,199	-	-	-	-	-
Increases or decreases in equity arising from business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	(5,584)	-	-	-	-	-	-	-	-	-	-	(5,584)
Other increases or (-) decreases in equity	-	-	-	-	(23,889)	(2,709)	15,159	-	-	-	-	-	-	-	(11,439)
Of which: discretionary transfer to welfare funds (only savings banks and credit cooperatives)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance at 31.12.2019	269,660	1,184,265	-	12,567	2,762,882	4,716	4,252	(1,222)	550,665	(175,442)	187,621	-	-	-	4,799,964

	Share capital	Share premium	Equity instruments issued other than share capital	Other equity items	Retained earnings	Revaluation reserves	Other (-) reserves	Treasury shares	Profit attributable to the owners of the parent company	(-) Interim dividends	Accumulated other comprehensive income	Non-controlling interests	Accumulated other comprehensive income	Other items	Total
Closing balance at 31.12.2017 (*)	269,660	1,184,265	-	10,161	2,445,819	15,312	(6,815)	(813)	495,207	(163,177)	107,521	-	-	-	4,357,140
Effects of correction of errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	(172,032)	-	-	-	-	-	156,259	-	-	-	(15,773)
Opening balance at 1.1.2018	269,660	1,184,265	-	10,161	2,273,787	15,312	(6,815)	(813)	495,207	(163,177)	263,780	-	-	-	4,341,367
Total comprehensive income for the year	-	-	-	-	-	-	-	-	526,398	-	(122,114)	-	-	-	404,284
Other changes in equity	-	-	-	7,990	250,080	(7,887)	(4,092)	120	(495,207)	(10,803)	-	-	-	-	(259,799)
Issuance 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)	-	-	-	-	-	-	-	-	-	(258,406)	-	-	-	-	(258,406)
Purchase of treasury shares	-	-	-	-	(508)	-	(83,575)	-	-	-	-	-	-	-	(84,083)
Sale or cancellation of treasury shares	-	-	-	-	-	-	-	83,695	-	-	-	-	-	-	83,695
Reclassification of financial instruments from equity to liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liabilities to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between equity components	-	-	-	-	247,603	-	-	-	(495,207)	247,603	-	-	-	-	-
Increases or decreases in equity arising from business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	7,990	-	-	-	-	-	-	-	-	-	-	7,990
Other increases or (-) decreases in equity	-	-	-	-	2,984	(7,887)	(4,092)	-	-	-	-	-	-	-	(8,995)
Of which: discretionary transfer to welfare funds (only savings banks and credit cooperatives)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance at 31.12.2018 (*)	269,660	1,184,265	-	18,151	2,523,867	7,425	(10,907)	(693)	526,398	(173,980)	141,666	-	-	-	4,485,852

(*) Presented for comparison purposes only.

Bankinter Group. Consolidated statement of cash flows for the years ended 31 December 2019 and 2018 (Thousands of euros)

	31.12.2019	31.12.2018(*)
A) CASH FLOWS FROM OPERATING ACTIVITIES	156,475	175,726
Profit or loss for the year	550,665	526,398
Adjustments to obtain cash flows from operating activities	517,189	532,511
Depreciation and amortisation	80,943	61,794
Other adjustments	436,245	470,717
Net increase/(decrease) in operating assets	4,454,544	5,465,906
Financial assets held for trading	(1,315,248)	2,428,209
Non-trading financial assets mandatorily at fair value through profit or loss	(587)	15,804
Financial assets designated at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	366,277	(607,128)
Financial assets at amortised cost	5,439,202	3,711,939
Other operating assets	(35,099)	(82,918)
Net increase/(decrease) in operating liabilities	3,668,701	4,677,952
Financial liabilities held for trading	(974,244)	1,804,902
Financial liabilities designated at fair value through profit or loss	-	-
Financial liabilities at amortised cost	4,584,167	2,974,587
Other operating liabilities	58,777	(101,537)
Income tax recovered/(paid)	(125,535)	(95,229)
B) CASH FLOWS FROM INVESTING ACTIVITIES	1,309,581	(8,791)
Payments	(352,621)	(107,102)
Tangible assets	(57,699)	(19,725)
Intangible assets	(87,578)	(69,347)
Investments in joint ventures and associates	-	(18,030)
Subsidiaries and other business units	(207,344)	-
Non-current assets and liabilities classified as held for sale	-	-
Other payments related to investing activities	-	-
Proceeds	1,662,202	98,311
Tangible assets	10,994	10,865
Intangible assets	-	282
Investments in joint ventures and associates	517	18,153
Subsidiaries and other business units	-	-
Non-current assets and liabilities classified as held for sale	91,950	69,010
Other proceeds related to investing activities	1,558,741	-
C) CASH FLOWS FROM FINANCING ACTIVITIES	(562,438)	(258,287)
Payments	(614,816)	(341,982)
Dividends	(264,661)	(258,406)
Subordinated liabilities	(297,250)	-
Redemption of own equity instruments	-	-
Acquisition of own equity instruments	(52,905)	(83,576)
Other payments related to financing activities	-	-
Proceeds	52,378	83,695
Subordinated liabilities	-	-
Issuance of own equity instruments	-	-
Disposal of own equity instruments	52,378	83,695
Other proceeds related to financing activities	-	-
D) EFFECT OF EXCHANGE RATE CHANGES	-	-
E) NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)	903,618	(91,352)
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	5,503,428	5,594,779
G) CASH AND CASH EQUIVALENTS AT END OF PERIOD	6,407,046	5,503,428

(*) Presented for comparison purposes only.

A year that went from less to more on the stock market



After a difficult year in 2018, the Spanish stock market made significant gains in 2019, despite the economic environment, monetary policy and international trade, or the slowdown seen in some emerging markets. While the Ibex 35 gained almost 12% in 2019, the financial sector was one of hardest hit by the high levels of volatility, with many banking stocks incurring losses. Spanish listed banks reported an average 10% loss compared to the previous year at the end of 2019.

In this difficult context, Bankinter, S.A.'s shares showed an acceptable performance: with a 7% fall in the share price. The Bank's market capitalisation at 31 December 2019 stood at 5,871 million euros. Shareholder return, including the dividend yield, was -3%, a figure which, despite being negative, compares favourably with the rest of the sector.

Bankinter has been one of the best performing European banks on the securities markets over the last three, five and 10 years, underlining investors' confidence in its business model and management. Since the end of 2009, Bankinter's share price has risen by 42%, while the Ibex has fallen by 13% and the STOXX Europe 600 Banks index by 35%.

Share capital

At the end of 2019, Bankinter, S.A.'s share capital was represented by 898,866,154 fully subscribed and paid shares with a par value of 0.30 euros each. All the shares are represented by book entries, admitted for listing on the Madrid and Barcelona Stock Exchanges and traded on the Spanish continuous market.

Bankinter had 55,358 shareholders at 31 December. Residents held 55% of the share capital and non-residents the remaining 45%. Registered shareholders with more than 5% of the share capital are detailed in the table below.

Key data for Bankinter shares in 2019 are shown in the following tables:

Dividend policy

Shareholders with significant holdings, 31.12.2019

Name	Total shares	%
Cartival. S,A,	205,687,428	22.88
Corporación Masaveu. S,A,*	44,959,730	5.00

Shareholder structure by number of shares

Tranches	No, of shareholders	%	No, of shares	%
From 1 to 100 shares	16,437	29.69	243,208	0.03
From 101 to 1.000 shares	17,595	31.78	8,671,456	0.96
From 1.001 to 10.000 shares	17,789	32.14	59,204,245	6.59
From 10.001 to 100.000 shares	3,242	5.86	76,113,605	8.47
More than 100.000 shares	295	0.53	754,633,640	83.95
Total	55,358		898,866,154	

Summary by type of shareholder

Type	No, of shareholders	%	No, of shares	%
Residents	54,593	98.62	494,084,390	54.97
Non-residents	765	1.38	404,781,764	45.03
Total	55,358		898,866,154	

Per share data for the period. at 31.12.2019 (euros)

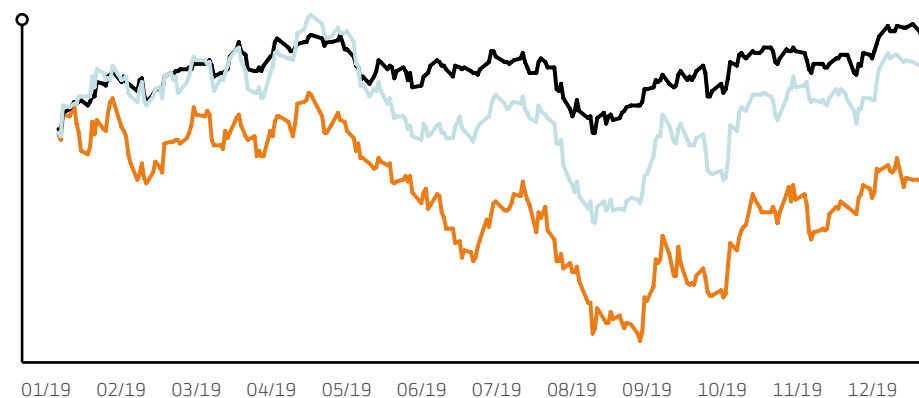
Earnings per share	0.60
Dividend per share	0.29
Book value per share	5.34
Share price at beginning of period	7.02
Minimum intraday share price	5.14
Maximum intraday share price	7.48
Last share price	6.53
Performance over last 12 months (%)	-6.93

Stock market ratios at 31.12.2019

Price/book value (times)	1.22
PER (price/earnings. times)	10.66
Dividend yield (%)	4.51
Number of shareholders	55,358
Number of shares	898,866,154
Number of shares of non-residents	404,781,764
Average daily trading volume (number of shares)	2,635,374
Average daily trading volume (thousands of euros)	16,798

Market capitalisation (thousands of euros) 5,871,394

Share price Relative change (%) last 12 months (Dec-18 base 100)



- IBEX35
- Bankinter
- Eurostoxx Banks (Sx7P)

(*) This percentage of Bankinter's share capital owned by Corporación Masaveu is part of the indirect voting rights held on the Bank's share capital by Bankinter director, Mr. Fernando Masaveu. Mr. Fernando Masaveu directly and indirectly holds 5.29% of the voting rights of Bankinter's share capital.



In 2019, Bankinter maintained its dividend policy, traditionally in quarterly cash payments, thanks to a good business performance and high solvency, which has enabled the Bank to keep a good payout level (percentage of profits allocated to dividends) in recent years, while complying with the general recommendations issued by regulators to ensure adequate capital preservation of banks.

In 2019, as in previous years, four cash dividends were distributed: a final dividend for 2018 and three interim dividends for 2019, which represented approximately 50% of ordinary profit obtained in the first three quarters. The fourth and final dividend to be paid out of full-year profit will be approved by shareholders at the 2020 annual general meeting.

Distribution of dividends for 2019, as of the date of publication of this report:

American Depositary Receipts (ADR)

Bankinter has a Level 1 ADR programme managed by Bank of New York-Mellon, with 120127 ADRs outstanding at the end of 2019. This allows US residents to invest in foreign companies through a US dollar-denominated product and to receive dividend payments in their own currency.

Distribution of dividends

Payment date	Dividend per share (euros)	No. of shares	Treasury shares	Shares with voting rights	Amount (euros)	Corresponding year
June-2019	0.06669205	898,866,154	150,000	898,716,154	59,937,223	2019
Sept-19	0.06371962	898,866,154	150,000	898,716,154	57,265,852	2019
Dec-19	0.06480177	898,866,154	150,000	898,716,154	58,238,398	2019
Total	0.19521344				175,441,473	

You are our priority



The You First programme, which is run on both physical and electronic media, has been used for several years to ensure that news about items such as dividend payments, quarterly results or significant event notices about the entity published with the CNMV, reach Bankinter shareholders before they are seen by anybody else.

Further, the Shareholders' Office addresses the proposals and clarifications submitted to it in relation to the current share price or share history, dividend amounts and payment dates, the content of the corporate report and details on annual general meetings.

This Office has two other critical missions: informing internal stakeholders and supervisors about shareholder composition and ensuring adherence to the Securities Market Code of Conduct, which Bankinter employees must observe with regard to the Bank's actions.

The Bank operates in harmony with other European markets in terms of contracting and reporting processes, following the successful culmination of work resulting from the reform of the securities clearing, settlement and registration system in Spain.

2019 Annual general meeting

The meeting was held on 21 March 2019, with a quorum of 70.55%, which was in line with previous years and above the average among Ibex-listed companies. A final gross dividend of 0.09927 euros was approved by shareholders. The total dividend for 2019 is 0.29449 euro per share.

Transparency, commitment and efficiency



The investor relations area is guided by the principles of equality, fluidity and transparency required by regulators. Its main undertaking is to provide relevant information on Bankinter's business performance and different activities. The measures taken to achieve this objective include:

- Once every quarter (in January, April, July and October), it presents the Group's results through teleconference and webcast. This is attended by between 100 and 170 financial analysts, managers and international institutional investors.
- Members of the area attend conferences, seminars and meetings held by the main stock markets and national and international investment banks in different countries (normally, the United States and Europe). This makes it possible to maintain direct contact or hold meetings with different stakeholders (institutional investors, portfolio managers, financial analysts, private bankers).
- Around 300 meetings are held each year with institutional investors and qualified analysts at Bankinter's head office, either in individual sessions or in small groups organised by brokers or increasingly by the Corporate Access departments at the institutions.
- Numerous roadshows are organised to visit investors or potential investors in the main financial capitals around the world (including New York, London, Paris, Rome, Frankfurt, Zurich, Geneva, Copenhagen, Helsinki, Stockholm). The subjects generally addressed include: the economic and political outlook for Spain, the European regulatory framework and the state of the local property market.

At 31 December 2019, 45% of the Bank's shares were held by non-resident, mostly institutional, investors. With a view to expanding the geographical base of shareholders, Bankinter is permanently researching new markets such as the west coast of the United States and Canada.

Sustainability

The Investor Relations area, together with the sustainability and legal counsel areas, is required to be permanently involved in the information flow that the Bank maintains with different agencies specialising in sustainability. The aim is to respond to the growing demand and sensitivity of international investors towards aspects such as good corporate governance, environmental protection and consideration of social issues in all our activities.

These agencies, as well as proxy advisors (consulting firms that advise institutional investors on the decisions made at shareholders' meetings), produce rankings, reports and indexes. Bankinter is always included in these as one of the most sustainable companies in our market.

In recognition of its good sustainable management, in 2019, the Bank was included in the Dow Jones Sustainability World Index for the second consecutive year. The merit of Bankinter is twofold because most of the institutions included in this index have much larger budgets, due to their size.

This award also reflects that the size of an organisation is not a factor that determines good governance or excellent social and environmental management.

As usual, Bankinter's financial stability, customer relations management, anti-corruption policies and measures, labour practices indicators and human capital development, in addition to social and environmental management, were its most highly rated attributes.



In recognition of its good sustainable management, in 2019, the Bank was included in the Dow Jones Sustainability World Index for the second consecutive year.

Certified capital adequacy



Bankinter's ability to improve its key financial ratios (capital adequacy, liquidity, asset quality and profitability) became apparent once again in 2019. This is reflected in its ratings and outlook applied S&P Global and Moody's, two of the world's leading agencies. A good rating facilitates its deposit taking costs and financing capacity on the markets and preserves the privileged position of the Bank with respect to its size.

In chronological order, the changes in relation to the Bank's rating in 2019 were as follows:

- In July, Moody's Ratings Limited raised Bankinter's long-term credit rating by one notch, from Baa2 to Baa1, preserving the short-term rating at P-2 and defining the outlook of both ratings as "stable".
- In December, S&P Global Ratings ratified Bankinter's long-term issuer rating as BBB+ and the short-term rating as A-2, while downgrading the outlook from "stable" to "negative".

Comfortable capital levels

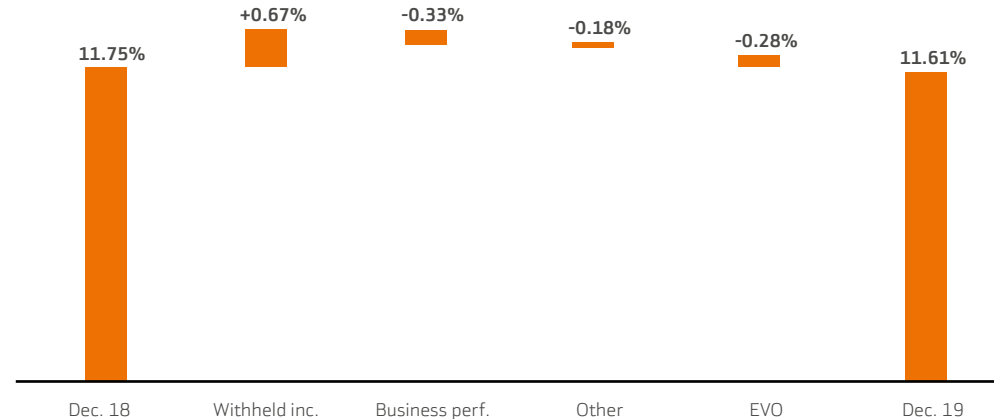
Bankinter's capital management, business model and prudent risk policy allow it to operate with comfortable levels of capital, of high quality and far above that the requirements of the regulatory authorities and supervisors.

In 2019, one of Bankinter's strategic priorities was to continue actively managing its capital to strengthen its leadership position in terms of solvency and carry out the acquisition of the EVO Group without this significantly impacting its capital ratios. The Group's CET1 ratio (the ratio between Common Equity Tier 1 capital and risk weighted assets) was at 11.61% at the close of the year, 14 basis points lower than in the previous year, partly offsetting the impact of the inclusion of the EVO Group's balance sheets, which was -28 basis points.

Throughout the year, the main variations in CET1 were due to the following factors:

- The organic generation of results, that improved for yet another year compared to the previous year and allowed the volume of capital to be raised by 67 basis

Variations in the CET 1 ratio



points, after the distribution of 50% of profit after tax as cash dividends.

- The growth in credit risk-weighted assets, as a result of the positive performance of the ordinary business. It should be noted that for the purposes of regulatory capital consumption, the European Central Bank authorised the

implementation of an internal credit risk model for the very large companies portfolio, which led to a reduction in the associated risk-weighted assets. Further, on 1 January 2019 IFRS 6 Leases came into force, which had a negative impact on the Group's solvency. Operational risk-weighted assets also increased due to the increased revenue generation.

- Other aspects, such as market performance (which has an impact on underlying capital gains on the fixed income portfolio built to manage interest rate risk), or investment in technology, had a negative impact of 19 basis points on the capital ratio.
- The acquisition of EVO Group, which was included in Bankinter's consolidated balance sheet, deducted a further 28 basis points.

New requirement

In May 2019, Bankinter received notification regarding the minimum requirement for eligible liabilities (MREL) applicable to it, which has been set by the Single Resolution Board. From 1 July 2020, Bankinter must have a buffer of instruments with loss-absorption capacity of 8.52% of the Group's total liabilities and own funds, which corresponds to 18.85% of the risk-weighted assets calculated at the close of 2017 (reference date). Throughout the year, the Group built up a buffer of eligible liabilities to comply with the MREL requirement. In addition to capital generation and balance sheet management, Bankinter launched a 750 million senior non preferred debt issue.

Examination passed with flying colours

In late 2019, the Single Supervisory Mechanism, part of the European Central Bank, notified European banks of the outcome of the Supervisory Review and Evaluation Process (SREP), the examination carried out by the supervisory authority to determine the individual minimum capital requirements with which they must operate in 2020. According to the results of the exercise, Bankinter must have a minimum CET1 1 capital ratio 8.20%, the same as last year. This ratio is made up of 4.50% of the capital required by the so-called Pillar 1 of the regulation (which sets the minimum

threshold for all banks), 1.20% of Pillar 2 (the result of the specific supervisor judgement for each bank's risk profile) and a capital conservation buffer (CCB) of 2.50%.

Once again, the minimum capital requirements imposed on Bankinter by the supervisor are the lowest of all Spanish banks and among the lowest in Europe. The entity comfortably meets (more than a three point difference) the regulatory requirements and has one of the largest gaps between its CET1 levels and its regulatory requirements in the Spanish banking system.

If the comparison is made in terms of total capital, which in addition to CET1 includes lower quality capital, the conclusion is equally favourable. The supervisor's requirement is 11.70%, while Bankinter recorded a ratio of 13.94% at the end of 2019.

Freedom in dividend payments

Ample compliance with capital levels required by the supervisor allows Bankinter to consolidate its position in terms of capital adequacy and asset quality, which is higher than that of comparable Spanish and European banks. As a result, the Bank can freely decide on dividend payments, variable remuneration or hybrid instrument coupons such as Additional Tier 1 (AT1) issues.

