annual report

twenty12

bankinter.

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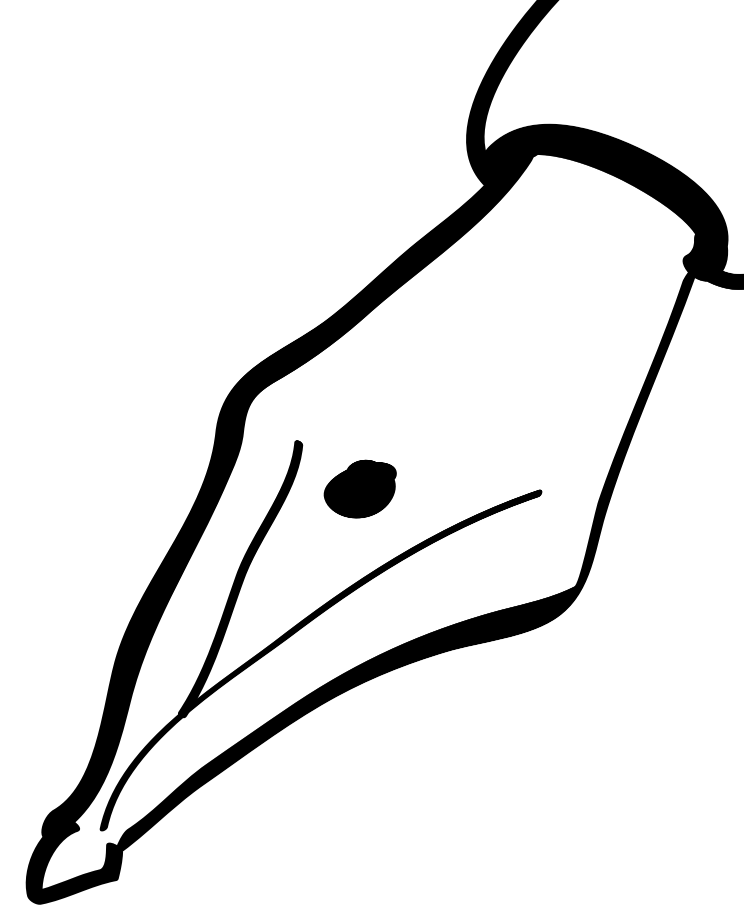

letter to the shareholders

Dear shareholders,

In view of the events of this past year in the European Union and in Spain, we can safely assert that 2012 will go down in our country's economic history as one of the most significant turning points for decades.

Of particular importance were the actions of the ECB, which became the guarantor of the single currency's survival and thus the bulwark preventing the crisis from bursting out of control.

In February 2012, following up on the policy it had embarked on towards the end of 2011, the ECB carried out a second low-interest long-term refinancing operation (LTRO) for over €500 billion, which gave Spanish banks the financing they were unable to obtain from the markets and provided essential support for Spain's public debt issues.

However the ECB's most important decision came in September, in the form of a commitment to buy, in the secondary market, sovereign debt of countries in difficulties that so requested.

The markets took this announcement as a definitive expression of backing for the irreversibility of the euro. Spain's risk premium fell substantially, as a result of which foreign investors regained faith in its public debt and the private sector started to discern possibilities of international financing. This process intensified appreciably in the first few weeks of 2013.

As far as the Spanish economy is concerned, forecasts indicate that, although the recession will persist during 2013, in the second half of the year we will start to see some favourable signs, as a result of corrections that can already be observed now, such as the reduction in household and business debt and the obvious improvement in business competitiveness with the consequent positive trends in exports and the balance of payments. Apart from this, the chances of Spain's having to seek a bailout have now largely receded.

Similarly, the lack of confidence that had for some time been affecting the entire Spanish financial sector because of the real estate bubble, was overcome during this past year thanks on the one hand to the new, tougher provisioning requirements and on the other to the rigorous stress tests to which the sector was subjected and which served to differentiate between institutions that are healthy and those that are less so.

The two Royal Decree-Laws announced by the Government in February and May obliged the banking sector to increase its provisions for assets linked to the property sector by €84 billion, which took a considerable toll on all banks' results.

Bankinter was the only institution of any significant size to make all the additional provisions required (€275 million) in the first half of the year. Moreover this was done while still posting significant profits and maintaining the quality of its lending.

However it took the stress tests, carried out on the banks by internationally renowned auditors and coordinated by Oliver Wyman, for the full picture to emerge.

The tests were detailed and rigorously demanding. This transparent exercise showed that the greater part of the Spanish financial system is solid, but above all it enabled a distinction to be made between institutions that are solvent and those that are not, thus dispelling the shadow of doubt that were affecting us all in equal measure.

The tests revealed additional capital requirements of €57 billion for Spanish banks in an adverse scenario, and this was the basis on which the financial rescue was subsequently built.

I would point out that for Bankinter the result of these tests bore witness to its strength, both in the so-called base case and, in particular, in the adverse scenario which involves a hypothetical and serious deterioration in the situation. Even in this highly improbable scenario, Bankinter would have a capital surplus of €399 million, which places us in the elite group of the financial sector, the so-called 'Zero Group'.

This whole transformation, which will lead to a banking landscape with at most ten players, opens up great opportunities for Bankinter to grow and capture business. Bankinter is now the only bank left that still has the same identity as when it was founded.

I am pleased to say that in spite of all the imponderables referred to, results for the year were notably solid.

The Bank continued to make profits, in spite of the tremendous effort made in terms of provisions. These results are based on growth in all profit margins and increased revenues from all the main business lines, as well as on cost controls that have led to gains in efficiency.

As regards business trends, which the CEO will cover in more detail, I should like to highlight the fact that we maintained overall customer lending at very similar levels to those of the previous year, and even managed to increase it by more than 10% in the Business segment, with all that implies in terms of support for reactivating the Spanish economy in these difficult circumstances.

Also, the Bank's solvency improved significantly during the year, reaching a solid core capital ratio of 10.2% using EBA methodology at year-end, thanks to, among other things, the early conversion of subordinated debt and preferred shares.

While at the same time of course maintaining the excellent quality of our assets. Despite the economic context, NPLs continued to be held at acceptable levels: 4.3% at year-end, compared with the 11.4% average of the sector as a whole.

The Bankinter share price was affected this past year by the country's economic situation and by doubts raised in the markets about the financial sector already referred to above. However, towards the end of last year and especially in the early part of this one, the stock has shown signs of revival, even though the price is still far below what we consider an acceptable level given the Bank's potential.

As for the dividend, we have complied diligently with our commitment to reward our shareholders, doing so in cash, in line with profits obtained, and maintaining a pay-out ratio of around 50%.

As well as to you, the Shareholders, Bankinter is also firmly committed to its other stakeholders - customers, employees, society at large and the environment. This commitment is sustained by the need to generate value from a position of rigour, integrity and honesty in all we do and the way we do it.

Bankinter strives to provide top-quality services and products, analysing and measuring each of the variables affecting customer satisfaction and achieving, year after year, quality indices well ahead of its competitors. As at December 2012 the Bank's Overall Satisfaction Index stood at 75.7, one point better than the year before and once again the highest in the Spanish banking sector.

With our employees, this commitment is embodied in an approach to human resources management that takes account of principles such as work-life balance, investment in training, active management of talent, equal opportunities, etc. In short, seeking to align the workforce with the bank's strategy, since our people are our greatest asset.

In this regard it is gratifying to see that Bankinter has received major awards in this area, such as being counted among the 'Top Employers' and as one of the 30 best companies to work for in the Merco Personas ranking.

In the area of corporate responsibility, the Bank continued to carry out actions aimed at promoting the social integration of members of the most disadvantaged groups, financial accessibility for persons with disabilities and improvement of the environment. All these matters are fully dealt with in the Sustainability Report which forms part of the documentation provided to you.

This year once more I would like to make special mention of the activities of the Bankinter Foundation for Innovation, the only foundation in the Spanish banking sector focusing on the creation of sustainable wealth through innovation and entrepreneurship, which are the real drivers that should be harnessed to power the growth of our economy.

Its three programmes, FTF (Future Trends Forum), Akademia and Entrepreneurs, are becoming increasingly consolidated.

Lastly, I should like to point out that we were one of the first entities to sign up to the code of best practices promoted by the Government with the aim of relieving the economic situation for the most disadvantaged, limiting evictions of individuals and families at risk of social exclusion. Before this we had already pioneered Spanish initiatives aimed at the surrender of homes being considered as valid settlement of mortgage debts if so agreed. We are convinced that only with the commitment and determination of everyone will it be possible to overcome this major recession.

That's all. It only remains for me to thank the people who work for Bankinter for their commitment and dedication to this common project that we share with all our stakeholders, among whom you, the Shareholders, constitute one of the main bases on which our strength as a bank relies.

Please rest assured that we will continue to do our utmost to generate ongoing value for all of you.

Thank you.

Pedro Guerrero Guerrero
Chairman of Bankinter

Dear shareholders,

It is a pleasure for me to address you once again in my capacity as CEO of Bankinter, particularly in view of our results, which I consider highly satisfactory, given the considerable difficulties that the banking sector as a whole has had to contend with.

This past year 2012 was without doubt the most difficult one since the onset of the present crisis in 2008, as is well described by our Chairman in this Annual Report. It was a year that saw unemployment figures reach all-time record highs, with the immediate consequences of increased delinquency that this entails, due to businesses laying people off and closing down and households losing their main source of income. In this environment, the Spanish financial system saw the highest ratios of non-performing loans (NPLs) since reliable records have been kept - nearly 12% of total lending. Bankinter, thanks to its prudent approach to approving and managing credit risks, which translates into the best quality assets in the Spanish credit system, was able to hold this ratio at 4.3% - just over one third of that of the banking sector as a whole.

In 2012 the sector had to strengthen its levels of capitalisation, and Bankinter went from a capital ratio of 7.3% at the end of 2011 to a ratio of 10.2% at year-end 2012, measured according to European Banking Authority rules, which are now the main standard for measuring capitalisation. In this regard I take this opportunity to thank our Shareholders for their support for the early conversion of the subordinated bond issue of March 2011, which, together with the exchange of preferred for ordinary shares, enabled us to attain the figures referred to above.

In 2012 we also had to respond to a large number of initiatives on the part of the regulatory authorities aimed at tackling the uncertainties being generated at the time by Spanish banks. For example we had to set aside exceptional provisions in cover of certain real estate risks, in accordance with the requirements of the two Royal Decree-Laws published in February and May, and with which we complied in full in the same respective quarters in which each was published. The entire sector was subjected to rigorous stress testing in extremely adverse scenarios, from which Bankinter emerged with flying colours, forming part of the select 'zero group' which withstood the shocks of that adverse scenario unscathed, as the Chairman has already described. We also took part in the establishment of SAREB, the new institution created to relieve certain banks of their portfolios of repossessed property assets.

On top of all this, last year the benchmark interest rates, three- and twelve-month EURIBOR, fell to exceptionally low levels, ending the year at 0.2% and 0.5% respectively. The impact on products such as mortgage loans, with very long term commitments indexed to these interest rates, and in which Bankinter has a substantial investment, was very considerable.

Lastly, with the injection of EU aid to banks under FROB administration, 2012 was the year in which Spain's banking landscape underwent its greatest and most necessary transformation.

Well, in this exceptional year, this particularly difficult year, Bankinter made a profit of €124.7 million, which although it was 31% less than the previous year's €181 million, we consider satisfactory, not only because it is one of the best Spanish bank results in this exceptionally difficult year, but also because, when we analyse the various components of the result and take out the atypical factors that temporarily distort

results, we can see that certain items in both revenue and expenses have been showing very positive trends for the past two years.

As far as business is concerned, by leveraging the quality of our offering and our differentiated value proposition, we managed to attract 130,600 new customers, 15% more than in 2011, more than 34,000 of whom belong to high income segments, a group of particular importance in the Bank's business strategy.

In order to improve results in this business segment, we have set in train a major shift in our business model, towards a format geared more to asset management and specialist advisory services to customers, with more sophisticated products and services, larger and more highly trained teams of account executives, changes in the distribution model and a new segmentation into just two divisions: private banking and personal banking.

Also, as a complement to this strategy, Bankinter ventured abroad for the first time in its almost 50-year history, acquiring the infrastructure and banking licence of the Luxembourg subsidiary of Dutch bank Van Lanschot. As well as meeting the needs of a customer segment that increasingly requires global financial proposals, with this transaction Bankinter will also gain a direct view of the European market, with its own base from which to manage its business in a country that enjoys great financial prestige, which will facilitate the bank's learning process with a view to future opportunities.

As well as Private Banking and business banking, I should like to highlight another business in which we continue to obtain excellent results, namely insurance. During 2012 we launched a new company, Bankinter Seguros Generales, a 50% joint venture with Mapfre, a leading company in the sector with which we had already had another joint venture since 2007 through Bankinter Seguros de Vida. With these two companies, as well as through Línea Directa, and through Nuez, an innovative insurance project that uses the social networks, our intention is to continue to commit to the insurance business, which now accounts for a third of our total revenues.

Lastly, our consumer finance subsidiary Obsidiana turned in excellent results, which is quite an achievement in a field where currently many fear to tread. In 2013 we shall continue to back the model that Obsidiana has managed to deploy with such success.

As for the current year, I should like to sound a note of cautious optimism, since although the recession will continue in 2013, in the latter part of the year we should start to see some positive signs, as a result of the fact that some of the past imbalances are starting to correct themselves: the reduction in private sector debt, the fall in the current account deficit and the recovery in national competitiveness.

I am convinced that the harsh events that have affected and continue to affect our economy, and the great efforts and tough tests to which the various Spanish banking groups have been subjected, have made Bankinter a much stronger institution, more solvent and better equipped to compete successfully in the new financial landscape that will emerge after the crisis. And we hope that it will also serve to help the Spanish financial sector regain the standing that it should never have lost.

I cannot overemphasise the strengths that have made Bankinter such a special bank, from the rigorous treatment of credit risks already mentioned, to the cautious approach that has prevented it from falling for easy temptations of growth through acquisition or reckless expansion of branches and workforce. Thanks to these strengths, we are not suffering problems of over-capacity, unlike the sector as a whole, which continues to suffer these problems even after several years of tough sacrifice. And this in turn has been made possible by our having maintained a consistent approach year after year to the intensive use of technology to meet our customers' requirements and our own internal efficiency requirements.

While it may be obvious, I would also remind you that Bankinter has posted profits year after year and has distributed dividends to its shareholders, in good times and bad, and these apparently interminable years of crisis have been no exception. What is more, since the Bank until now has operated only in Spain, the achievement is all the more remarkable, and it shows that Spain can be an attractive market after all. Nonetheless it is no bad thing to complement our domestic market, and for the first time we have started to operate outside Spain, with an office in Luxembourg. The time has come to broaden our horizons, cautiously and gradually, checking every day to make sure we are standing on firm ground, and that we know how to attract customers in markets in which we have never operated before.

Before closing I should like to express my sincere thanks and appreciation to all those stakeholder groups that make it possible for Bankinter to continue being a standard-setting institution in the market: to all of you, our Shareholders, our customers - and to our employees. It is thanks to their efforts, their talent and their determination that we have managed to obtain excellent results in every challenge and project we have undertaken.

Thank you.

María Dolores Dancausa.
CEO of Bankinter.

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key figures

Bankinter Group Consolidated Balance Sheet as at 31 December 2012 and 2011 (€000s)

ASSETS	31/12/2012	31/12/2011 (*)
CASH AND BALANCES WITH CENTRAL BANKS	665,374	412,795
FINANCIAL LIABILITIES HELD FOR TRADING	2,109,264	2,415,506
Debt instruments	1,391,681	1,768,879
Equity instruments	61,072	101,733
Trading derivatives	656,511	544,894
Memorandum items: Loaned or advanced as collateral	1,391,681	1,768,879
OTHER FINANCIAL ASSETS AT FAIR		
VALUE THROUGH PROFIT OR LOSS	39,860	31,377
Equity instruments	39,860	31,377
Memorandum items: Loaned or advanced as collateral	-	-
AVAILABLE-FOR-SALE FINANCIAL ASSETS	6,132,471	4,776,069
Debt instruments	5,971,654	4,644,306
Equity instruments	160,817	131,763
Memorandum items: Loaned or advanced as collateral	1,719,346	3,074,142
LOANS AND RECEIVABLES	44,751,950	47,167,367
Deposits with credit institutions	1,093,728	1,779,395
Loans and advances to customers	43,575,351	45,387,972
Debt instruments	82,871	-
Memorandum items: Loaned or advanced as collateral	414,953	950,667
HELD TO MATURITY INVESTMENTS	2,755,355	3,150,930
Memorandum items: Loaned or advanced as collateral	-	-
MACRO-HEDGING ADJUSTMENTS TO FINANCIAL ASSETS	3,018	11,463
HEDGING DERIVATIVES	152,201	118,651
NON-CURRENT ASSETS HELD FOR SALE	381,141	308,514
INVESTMENTS	40,600	28,341
Associates	40,279	26,301
Jointly controlled entities	321	2,040
PENSION-LINKED INSURANCE AGREEMENTS	2,750	5,140
REINSURANCE ASSETS	3,966	3,928
TANGIBLE ASSETS	442,288	466,901
Property, plant and equipment	433,336	466,901
For internal use	404,087	435,354
Assigned on lease	29,249	31,547
Real estate investments	8,952	-
Memorandum item: acquired under finance lease	-	-
INTANGIBLE ASSETS	317,538	338,040
Goodwill	161,836	161,836
Other intangible assets	155,702	176,204
TAX ASSETS	235,489	159,271
Current	86,953	55,742
Deferred	148,536	103,529
OTHER ASSETS	132,625	97,132
Other	132,625	97,132
TOTAL ASSETS	58,165,890	59,491,426
MEMORANDUM ITEMS:		
CONTINGENT RISKS	2,482,865	2,439,670
CONTINGENT COMMITMENTS	11,239,659	9,208,807

LIABILITIES AND EQUITY	31/12/2012	31/12/2011 (*)
LIABILITIES		
FINANCIAL LIABILITIES HELD FOR TRADING	1,797,324	2,360,584
Trading derivatives	434,592	857,273
Short positions in securities	1,362,732	1,503,311
OTHER FINANCIAL LIABILITIES AT FAIR VALUE		
WITH CHANGES IN PROFIT AND LOSS	-	-
Customer deposits	-	-
FINANCIAL LIABILITIES AT AMORTISED		
COST	52,079,071	52,929,285
Deposits from central banks	9,580,854	7,006,897
Deposits from credit institutions	4,008,226	3,260,647
Customer deposits	24,631,869	25,505,317
Marketable debt securities	12,499,194	15,540,242
Subordinated liabilities	767,852	958,170
Other financial liabilities	591,076	658,012
MACRO-HEDGING ADJUSTMENTS TO	-	-
FINANCIAL LIABILITIES		
HEDGING DERIVATIVES	43,100	68,677
LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE	-	-
LIABILITIES UNDER INSURANCE CONTRACTS	618,286	642,782
PROVISIONS	48,200	64,122
Pension funds and similar obligations	2,811	5,245
Provisions for contingent risks and commitments	5,139	20,626
Other provisions	1,899	38,251
Allowances for taxes and other legal contingencies	38,351	-
TAX LIABILITIES	221,565	189,555
Current	73,636	70,572
Deferred	147,929	118,983
OTHER LIABILITIES	127,247	149,425
TOTAL LIABILITIES	**54,934,793**	**56,404,430**
EQUITY	**3,231,097**	**3,086,996**
EQUITY	**3,228,045**	**3,118,641**
Capital	169,142	143,076
Registered	169,142	143,076
Issue premium	1,118,186	737,079
Reserves	1,789,781	1,711,705
Accumulated reserves (losses)	1,784,859	1,700,635
Accumulated reserves (losses) of entities accounted for using the equity method	4,922	11,070
Other equity instruments	72,633	404,812
Remaining equity instruments	72,633	404,812
Less: treasury shares	-226	-742
Profit (loss) attributable to owners of the parent company	124,654	181,227
Less: dividends and remuneration	-46,125	-58,516
VALUATION ADJUSTMENTS	3,052	-31,645
Financial assets available for sale	3,145	-29,248
Exchange differences	209	206
Other valuation adjustments	-	-
Entities valued under the equity method	-302	-2,603
MINORITY INTERESTS		
TOTAL LIABILITIES AND EQUITY	**58,165,890**	**59,491,426**

(*) Shown solely for purposes of comparison.

Consolidated income statement for the years ended 31 December 2012 and 2011 (€000s)

	(Debit) Credit	
	2012	2011 (*)
INTEREST AND SIMILAR INCOME	1,707,696	1,636,295
INTEREST EXPENSE AND SIMILAR CHARGES	-1,047,441	-1,093,620
NET INTEREST INCOME	**660,255**	**542,675**
INCOME FROM EQUITY INSTRUMENTS	11,791	16,491
SHARE OF RESULTS OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	17,677	14,675
FEES AND COMMISSIONS INCOME	274,455	265,641
FEES AND COMMISSIONS EXPENSE	-70,615	-66,758
GAINS / LOSSES ON FINANCIAL ASSETS AND LIABILITIES (net)	104,853	59,162
Held for trading	30,510	11,910
Other financial assets at fair value through profit and loss account	-1,952	97
Financial instruments not measured at fair value through profit and loss account	76,902	45,987
Other	-607	1,168
EXCHANGE DIFFERENCES (net)	40,277	38,678
OTHER OPERATING INCOME	698,173	716,231
Income from insurance and reinsurance policies issued	667,712	686,960
Other operating income	30,461	29,271
OTHER OPERATING EXPENSES	-482,825	-482,315
Expenses on insurance and reinsurance policies	-404,997	-455,442
Other operating expenses	-77,828	-26,873
GROSS INCOME	**1,254,041**	**1,104,480**
ADMINISTRATIVE COST	-599,004	-580,822
Personnel expenses	-342,498	-329,965
Other general administrative expenses	-256,506	-250,857
DEPRECIATION AND AMORTISATION	-65,865	-64,097
PROVISIONS (NET)	-21	-28,175
IMPAIRMENT LOSSES ON FINANCIAL ASSETS (NET)	-419,028	-158,229
Loans and receivables	-410,356	-156,196
Other financial instruments not measured at fair value through profit and loss account	-8,672	-2,033
PROFIT FROM OPERATIONS	**170,123**	**273,157**
IMPAIRMENT LOSSES ON OTHER ASSETS (net)	-536	-1,244
Goodwill and other intangible assets		
Other assets	-536	-1,244
GAINS / LOSSES ON DERECOGNITION OF ASSETS NOT CLASSIFIED AS NON-CURRENT ASSETS HELD FOR SALE	39,301	25,205
NEGATIVE GOODWILL ON BUSINESS COMBINATIONS	-	-
GAINS / LOSSES ON NON-CURRENT ASSETS HELD FOR SALE NOT CLASSIFIED AS DISCONTINUED OPERATIONS	-54,709	-56,970
PROFIT BEFORE TAX	**154,179**	**240,148**
INCOME TAX	-29,525	-58,921
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**124,654**	**181,227**
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS (net)	**-**	**-**
CONSOLIDATED PROFIT FOR THE YEAR	**124,654**	**181,227**
Profit (loss) attributable to owners of the parent company	124,654	181,227
Profit (loss) attributable to non-controlling interests		
EARNINGS PER SHARE		
Basic earnings (euros)	*0.24*	*0.38*
Diluted earnings (euros)	*0.23*	*0.35*

(*) Shown solely for purposes of comparison.

Comprehensive statements of consolidated income for the years ended 31 December 2012 and 2011 (€000s)

	2012	2011 (*)
CONSOLIDATED PROFIT FOR THE YEAR	124,654	181,227
OTHER COMPREHENSIVE INCOME	34,697	-8,852
Financial assets available for sale	**46,275**	**-8,934**
Gains (losses) on valuation	**72,655**	**-3,202**
Amounts transferred to profit and loss	**-26,380**	**-5,732**
Other reclassifications	**-**	**-**
Cash flow hedging	**-**	**-**
Gains (losses) on valuation	-	-
Amounts transferred to profit and loss	-	-
Amounts transferred to the initial value of hedged items	-	-
Other reclassifications	-	-
Hedging of net investments in foreign operations	**-**	**-**
Gains (losses) on valuation	**-**	**-**
Amounts transferred to profit and loss	**-**	**-**
Other reclassifications		
Exchange differences	**2**	**7**
Gains (losses) on translation	2	71
Amounts transferred to profit and loss	-	-64
Other reclassifications	-	-
Non-current assets for sale	**-**	**-**
Gains (losses) on valuation	-	-
Amounts transferred to profit and loss	-	-
Other reclassifications	-	-
Actuarial gains (losses) on pension plans	**-**	**-**
Entities accounted for using the equity method	**2,302**	**-2,603**
Gains (losses) on valuation	**2,302**	**-2,603**
Amounts transferred to profit and loss	**-**	**-**
Other reclassifications	**-**	**-**
Statement of comprehensive income	**-**	**-**
Income tax	**-13,882**	**2,678**
TOTAL COMPREHENSIVE INCOME	**159,351**	**172,375**
Attributable to owners of the parent company	159,351	172,375
Attributable to non-controlling interests	-	-

(*) Shown solely for purposes of comparison.

Comprehensive statements of changes in consolidated equity for the years ended 31 December 2012 and 2011 (€000s)

	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY										Non-controlling interests	Total equity
	EQUITY								Valuation adjustments	Total		
	Capital	Issue premium	Accumulated reserves (losses)	Other equity instruments	Less: Treasury Shares	Profit (loss) attributable to owners of the parent company	Less: dividends and remuneration	Total Equity				
Opening balance at 31/12/2011	**143,076**	**737,079**	**1,711,705**	**404,812**	**-742**	**181,227**	**-58,516**	**3,118,641**	**-31,645**	**3,086,996**	**-**	**3,086,996**
Adjustments due to changes in accounting criteria	-	-	-		-	-	-	-	-	-	-	-
Adjustments due to errors	-	-	-		-	-	-	-	-	-	-	-
Adjusted opening balance	143,076	737,079	1,711,705	404,812	-742	181,227	-58,516	3,118,641	-31,645	3,086,996	-	3,086,996
Total comprehensive income	-	-	-		-	124,654	-	124,654	34,697	159,351	-	159,351
Other changes in equity	26,066	381,107	78,076	-332,179	516	-181,227	12,391	-15,250	-	-15,250	-	-15,250
Increases in capital/endowment fund	26,066	381,107	-	-332,179	-	-	-	74,994	-	74,994	-	74,994
Capital reductions	-	-	-		-	-	-	-	-	-	-	-
Conversion of financial liabilities into capital	-	-	-	-	-	-	-	-	-	-	-	-
Increases in other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial liabilities to other equity instruments	-	-	-		-	-	-	-	-	-	-	-
Reclassification of other equity instruments to financial liabilities	-	-	-		-	-	-	-	-	-	-	-
Distribution of dividends / Shareholder remuneration	-	-	-		-	-	-64,496	-64,496	-	-64,496	-	-64,496
Operations with shares / contributions to equity (net)	-	-	1,119		516	-	-	1,635	-	1,635	-	1,635
Transfer between net worth entries	-	-	104,340		-	-181,227	76,887	-	-	-	-	-
Increases (reductions) in equity due to business combinations (net)	-	-	-		-	-	-		-		-	
Discretionary contributions to social funds and projects (Savings banks)	-	-	-		-	-	-	-	-	-	-	-
Payments with equity instruments	-	-	-27,383		-	-	-	-27,383	-	-27,383	-	-27,383
Other increases (reductions) in equity	-	-			-	-	-	-	-	-	-	-
Closing balance as at 31/12/2012	**169,142**	**1,118,186**	**1,789,781**	**72,633**	**-226**	**124,654**	**-46,125**	**3,228,045**	**3,052**	**3,231,096**	**-**	**3,231,096**

(*) Shown solely for purposes of comparison.

Comprehensive statements of changes in consolidated equity for the years ended 31 December 2011 and 2010 (€000s)

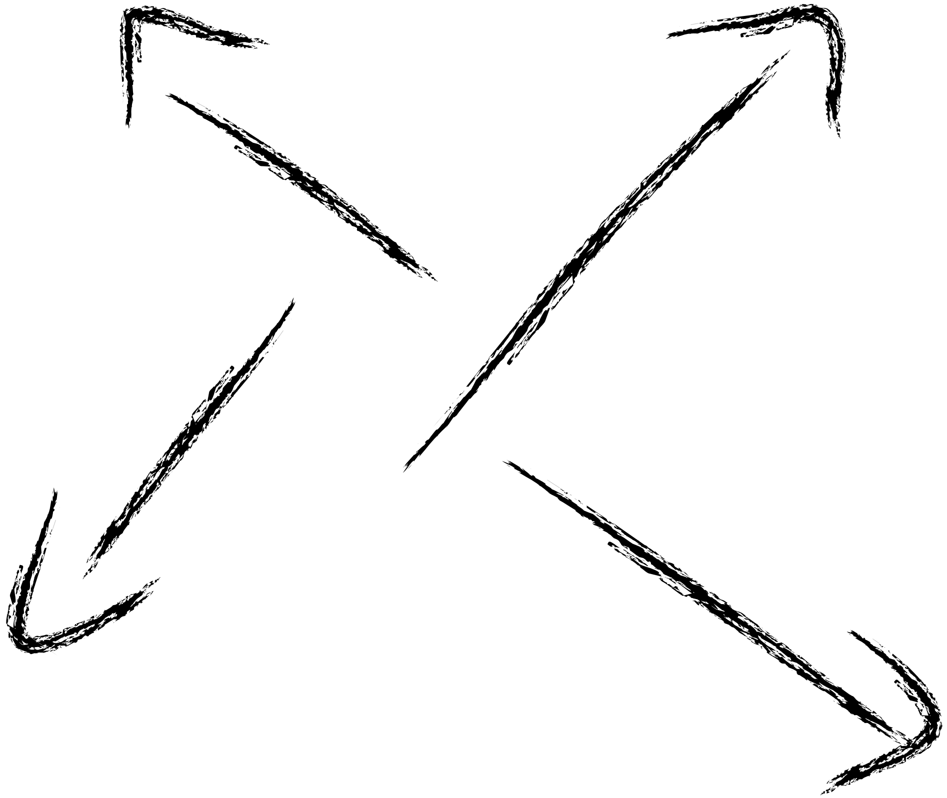
	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY										Non-controlling interests	Total equity
	EQUITY								Valuation adjust-ments	Total		
	Capital	Issue pre-mium	Accumulat-ed reserves (losses)	Other eq-uity instru-ments	Less: Treasury Shares	Profit (loss) attribut-able to owners of the parent company	Less: divi-dends and remunera-tion	Total Equity				
Opening balance at 31/12/2010	**142,034**	**737,079**	**1,648,910**	**-**	**-1,753**	**150,730**	**-74,512**	**2,602,488**	**-22,793**	**2,579,695**	**-**	**2,579,695**
Adjustments due to changes in accounting criteria	-	-	-		-	-	-	-	-	-	-	-
Adjustments due to errors	-	-	-		-	-	-	-	-	-	-	-
Adjusted opening balance	142,034	737,079	1,648,910	-	-1,753	150,730	-74,512	2,602,488	-22,793	2,579,695	-	2,579,695
Total comprehensive income	-	-	-		-	181,227	-	181,227	-8,852	172,375	-	172,375
Other changes in equity	1,042		62,795	404,812	1,011	-150,730	15,996	334,926	-	334,926	-	334,926
Increases in capital/endowment fund	1,042		-1,042		-	-	-		-		-	
Capital reductions	-	-	-		-	-	-	-	-	-	-	-
Conversion of financial liabilities into capital	-	-	-	175,000	-	-	-	175,000	-	175,000	-	175,000
Increases in other equity instruments	-	-	-	229,812	-	-	-	229,812	-	229,812	-	229,812
Reclassification of financial liabilities to other equity instruments	-	-	-		-	-	-	-	-	-	-	-
Reclassification of other equity instruments to financial liabilities	-	-	-		-	-	-	-	-	-	-	-
Distribution of dividends / Shareholder remuneration	-	-	-		-	-	-58,516	-58,516	-	-58,516	-	-58,516
Operations with shares / contributions to equity (net)	-	-	390		1,011	-	-	1,401	-	1,401	-	1,401
Transfer between net worth entries	-	-	76,218		-	-150,730	74,512	-	-	-	-	-
Increases (reductions) in equity due to business combinations (net)	-	-	-		-	-	-		-		-	
Discretionary contributions to social funds and projects (Savings banks)	-	-	-		-	-	-	-	-	-	-	-
Payments with equity instruments	-	-	-12,771		-	-	-	-12,771	-	-12,771	-	-12,771
Other increases (reductions) in equity	-	-			-	-	-	-	-	-	-	-
Closing balance as at 31/12/2011	**143,076**	**737,079**	**1,711,705**	**404,812**	**-742**	**181,227**	**-58,516**	**3,118,641**	**-31,645**	**3,086,996**	**-**	**3,086,996**

(*) Shown solely for purposes of comparison.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011 (€000s)

	2012	2011*
NET CASH FLOW FROM OPERATING ACTIVITIES	**-132,587**	**186,683**
Consolidated profit for the year	**124,654**	**181,227**
Adjustments to obtain cash flow from operating activities	**514,387**	**303,560**
Depreciation and Amortisation	65,865	64,097
Other adjustments	448,522	239,463
Net increase/decrease in operating assets	**740,429**	**-5,257,528**
Held for trading	306,242	-539,674
Other financial assets at fair value through profit or loss	-8,483	4,351
Financial assets available for sale	-1,318,747	-1,684,541
Loans and receivables	1,880,506	-3,153,285
Other operating assets	-119,089	115,621
Net increase/decrease in operating liabilities	**-1,576,509**	**4,925,031**
Held for trading	-563,260	417,155
Other financial liabilities at fair value through profit or loss	-	-88,745
Financial liabilities at amortised cost	-990,455	4,528,111
Other operating liabilities	-22,794	68,510
Corporation tax collections/payments	**64,452**	**34,393**
NET CASH FLOW FROM INVESTING ACTIVITIES	**515,325**	**88,879**
Payments	**-24,776**	**-96,239**
Tangible assets	-15,969	-86,202
Intangible assets	-8,807	-8,618
Investments	-	-1,419
Non-current assets held for sale and associated liabilities	-	-
Held to maturity investments	-	-
Collections	**540,101**	**185,118**
Tangible assets	1,602	37,487
Intangible assets	-	-
Investments	35,713	2,000
Non-current assets held for sale and associated liabilities	112,680	54,988
Held to maturity investments	390,106	90,643
NET CASH FLOW FROM FINANCING ACTIVITIES	**4,864**	**160,754**
Payments	**-147,228**	**-88,067**
Dividends	-72,160	-58,352
Subordinated liabilities	-	-
Acquisition of own equity instruments	-	-
Other payments linked to financing activities	-75,068	-29,715
Collections	**152,092**	**248,821**
Subordinated liabilities	-	-
Issue of own equity instruments	-	211,568
Disposal of own equity instruments	77,099	31,380
Other inflows linked to financing activities	74,993	5,873
EFFECT OF EXCHANGE-RATE VARIATIONS	**-**	**-**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)	**387,602**	**436,316**
CASH AND CASH EQUIVALENTS AT START OF PERIOD	**632,717**	**196,401**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**1,020,319**	**632,717**
MEMORANDUM ITEMS:		
BREAKDOWN OF CASH AND CASH EQUIVALENTS AT END OF PERIOD	**1,020,319**	**632,717**
Cash	120,843	114,751
Balances equivalent to cash with central banks	544,531	298,044
Other financial assets	354,945	219,922
Total cash and cash equivalents at end of period	**1,020,319**	**632,717**

(*) Shown solely for purposes of comparison.



business

Economic and financial environment

We leave behind us a difficult year, which involved an intense process of adjustment in which austerity and growth were in serious conflict with one another. This past year 2012, and more particularly the last quarter, constituted an important inflection point in this crisis.

The agreements reached at the European summit of 28 and 29 June have provided the roadmap for resolving the serious problems of the euro zone. Following an extremely tough period in July, in which euroscepticism gained more ground than ever, advances in financial and fiscal union started to materialise. From September onwards we have seen a gradual improvement in the climate thanks to factors such as the approval of the ESM (European Stability Mechanism) by Germany's Constitutional Tribunal, unconditional support from central banks and the individual efforts of the various national economies to comply with their deficit reduction objectives.

As regards the central banks, whose actions took on a more central role during the year, we would highlight the following matters:

1. The launch of the ECB's new *Outright Monetary Transactions* (OMT) debt purchasing programme, and the more flexible definition of assets accepted for discount (September). This programme constituted a valid safety net, dispelling fears about the demise of the euro and relieving debt tensions in peripheral economies. And so the year ended with a considerable and apparently consistent reduction in risk premiums.

2. The Federal Reserve maintained an extremely loose monetary policy, with minimal interest rates, a decision that favoured the US real estate market which is now definitely on the road to recovery. Concerns about the jobs market became the main reason for launching QE3[1] in September and extending it to December, in order to replace Operation Twist[2], which had come to an end, and to continue providing stimulus to the economy.

3. The Japanese economy was held back by the strength of the yen in its capacity as a safe haven currency. The new Abe administration that came to power at the end of 2012, and the pressure it exerted on the BoJ after less than a month in office, led to much faster than expected depreciation of the yen.

The last three months of the year saw a combination of events that brought about a clear change in the environment. Funds have started to flow into risk assets and out of *safe haven assets.* The macroeconomic variables ceased to present a persistently negative picture, even beyond the US, where the "fiscal cliff" has apparently been avoided for the time being. The crisis in Europe has started to ease thanks to progress on agreements and ECB support. Lastly, economies such as that of China, which were threatening a hard landing, have once again shown signs of revival.

In sum, although 2012 was just as difficult as 2011, if not more so, events unfolding in the last part of the year have turned out to be rather constructive. This development has been more readily observable in the United States; and certain signs pointing in the same direction can be seen in other economies - not, however including those of Europe at the time of writing.

Although 2012 was frankly difficult, as much if not more so than 2011, events unfolding in the last part of the year have turned out to be rather constructive

1. *QE3*, the third round of quantitative easing since the onset of the crisis in 2007.

2. *Operation Twist*, an operation undertaken in September 2011 consisting in shifting part of the Federal Reserve's Balance Sheet assets from short-to-medium (maximum duration three years) into medium-to-long term (from six to thirty years).

Interest and currency rates

During 2012 the environment was clearly one of low key interest rates on the part of the major central banks, while safe haven currencies suffered significant stresses, except in the last two months of the year.

Inflationary risks continued to take a back seat to the need to push for growth in a depressed global economy. We even saw further cuts in key interest rates in emerging markets such as Brazil and China, where the cycle appeared to run out of steam to a worrying extent at certain times. However, the improvement in the economic environment and a more favourable financial climate have reduced the likelihood of further cuts in key lending rates.

During the first half of the year, uncertainty surrounding the future of the euro led to downward pressure on the common currency relative to other major currencies. However, starting in the third quarter, the euro strengthened thanks to the support of the ECB and a decrease in risk aversion. Without doubt the explicit and unconditional support for the euro on the part of the governor of the ECB, who said he was prepared to "do whatever is necessary to save the euro" played a decisive part in the single currency's regaining part of its attraction.

In this regard, the Swiss franc, capped by the SNB[3] at 1.2, came under less pressure, weakening thanks to investors shifting their savings into other assets. Something similar happened with the yen, although the depreciation posted at the end of the year was much more abrupt. The yen weakened much faster than expected as a result of BoJ intervention by means of consecutive purchases of bonds through various linked quantitative easing programmes and as a result of the more aggressive expectations brought about by the change of government.

Policy rates (%) (source:Bloomberg)	2012	2011	2010	2009	2008	2007
Euro zone	0.75	1.00	1.00	1.00	2.50	4.00
United States	0.00/0.25	0.00/0.25	0.00/0.25	0.00/0.25	0.25	4.25
UK	0.50	0.50	0.50	0.50	2.00	5.50
Japan	0.0/0.1	0.0/0.1	0.0/0.1	0.10	0.10	0.50

Note: At the end of each financial year

Major currencies	2012	2011	2010	2009	2008	2007
Euro	1.32	1.30	1.34	1.43	1.40	1.32
Sterling	0.81	0.83	0.86	0.89	0.95	0.67
Swiss franc	1.21	1.22	1.25	1.48	1.49	1.61
Yen	114.5	99.7	108.5	133.2	126.7	157.1

Note: Year-end exchange rate of each currency against the euro, except in the case of the euro, where the exchange rate is against the US dollar

3. SNB, Swiss National Bank.

Stock exchanges

The downward impetus of the stock markets, carried through from 2011, gradually lost momentum over the course of 2012. The US stock markets were the first to regain investors' confidence, followed by those of Europe in the second half of the year, and the year eventually closed with gains on both sides of the Atlantic.

2012 did not turn out to be particularly adverse for stock markets, contrary to what one might intuitively expect. With the exception of the Ibex, which despite the year-end rally did not manage to offset the cumulative losses, the major indices closed with gains, from the most developed economies to emerging ones like India, Brazil, Mexico, etc. This is clearly shown in the following table.

Risk appetite gradually returned to the market over the course of the year. Central banks' support in stimulating economies played a crucial role, especially the ECB's defence of the euro. In general terms, the expectations that arose of an improved economic and financial climate in the US and Europe were an important catalyst for the recovery in equities over the course of 2012.

The following table shows the changes in the major stock markets in 2012 and 2011, all in local currency:

Geographical area	Contents	Change % 2012	Change % 2011
Spain	Ibex35	-4.7	-13.1
United States	S&P 500	13.4	-0.0
United States	NASDAQ 10	16.8	2.7
Euro zone	EuroStoxx 50	13.8	-17.1
UK	FTSE 100	5.8	-5.6
Germany	DAX	29.1	-14.7
France	CAC	15.2	-17.0
Japan	Nikkei	22.9	-17.3
China	Shanghai (B)	13.8	-29.3
Brazil	Bovespa	7.4	-18.1
India	Sensex	25.7	-24.6

Capital Markets and Treasury

During 2012 Bankinter maintained intense activity in the public debt market as a market maker, serving both the Treasury as issuer and institutional and branch clients in bills, notes and bonds. This activity is complemented with corporate and bank bonds.

The Bank pursued an active, cautious and effective policy as regards liquidity and capital, playing an active part in long- and short-term European capital markets whenever the difficult economic conditions have so permitted. This was possible thanks to Bankinter's good image and known solvency within the investment community.

Access to the short-term markets was mainly by means of the programme of promissory notes registered with the CNMV. The average balance of promissory notes placed in the wholesale market during the year was €1.24 million.

At long term, we issued €6.05 billion of mortgage-backed bonds and €1.44 billion of senior debt, of which €1.40 billion is guaranteed by the Kingdom of Spain. In both cases a portion is retained in the Balance Sheet.

For issues affecting solvency ratios, we offered holders of convertible bonds the possibility of converting them into shares. Holders of €332 million of the €405 million originally issued agreed to the exchange. Similarly, holders of preferred shares were given the opportunity of exchanging them for ordinary shares. In this case, holders of €107 million of the nominal €168 million in circulation took part in the exchange.

Rate	Issue Date	Amount
Mortgage bond	24/01/2012	1,200,000,000
Mortgage bond	26/01/2012	200,000,000
Senior	10/02/2012	40,000,000
Backed senior	24/02/2012	800,000,000
Mortgage bond	22/03/2012	1,000,000,000
Mortgage bond	11/06/2012	500,000,000
Backed senior	14/06/2012	320,000,000
Backed senior	14/06/2012	280,000,000
Mortgage bond	08/08/2012	100,000,000
Mortgage bond	30/10/2012	500,000,000
Mortgage bond	06/11/2012	1,250,000,000
Mortgage bond	16/11/2012	600,000,000
Mortgage bond	16/11/2012	700,000,000

Customer funds and loans and receivables

Means of payment

Cards

In 2012 the number active cards increased by 3% to 940,668. One effect observed this past year was that the average transaction amount has declined, due in large measure to the crisis affecting Spain. Thus the number of transactions carried out using Bankinter cards in merchant outlets reached 42.8 million for the year, an increase of 1.2% on 2011, while the total volume fell by 1.4% to €2.26 billion.

Consumer

As for loans to private individuals, in 2012 we continued to give priority to pre-approved loans. These loans are available to the majority of active customers in the private individuals segment. Their main feature is the quick, easy sign-up via the Bank's various channels, the Internet being the one used most, with 62% of sign-ups. Pre-approved loans accounted for 57% of all personal loans.

Thanks to this sales effort, the easy process and competitive product, the number of new personal loans increased by 19%, with a total of 13,143 loans granted, compared with 11,056 in 2011.

Card transactions

42.8
millions of transactions

New personal loans

+19%
compared with 2011

Customer funds

In a year that saw fierce competition in capturing customer resources in the Spanish financial sector, Bankinter benefited from its flexible product range and its attractive, differentiated offering.

The Bank attained average customer resources of €29.92 billion for the year, representing a 7.5% increase on 2011.

During the year we continued to focus on making deposit products flexible and adapting the remuneration offered. The Bank's excellent position as regards solvency, liquidity and NIL ratio contributed to its being a net recipient of customer balances within the Spanish financial sector. As a consequence, there was an increase of 14.2% in average balances of the products mentioned, to €13.38 billion.

The growth in deposit balances was accompanied by an increase of 4.9% in average balances of sight accounts, which reached €8.77 billion. This indicates that there was a net inflow of customer resources as opposed to a change in the composition of their investments.

Customers' investor profile in 2012 was markedly conservative, so the Bank's product offering focused on guaranteeing capital invested 100% while at the same time maximising returns. In this respect Bankinter issued 16 structured deposits and bonds with capital invested fully or partially guaranteed.

Average customer funds controlled	Average balance	Difference 2012/2011	% difference
Average funds	22,969.15	2,094.99	10.04%
Deposits and term liabilities	13,380.68	1,658.28	14.15%
Current accounts and sight deposits	8,771.88	409.53	4.90%
Other resources	816.59	27.18	3.44%
Intermediation	6,954.59	-2.64	-0.04%
Funds	6,002.25	10.83	0.18%
Other intermediation	952.34	-13.47	-1.39%
Total average resources controlled	**29,923.74**	**2,092.35**	**7.52%**

Lending

The credit situation during 2012 reflected general economic activity, leading to very weak demand from both households and businesses, with the exception of the export sector, which continued to be the most dynamic part of the economy.

Bankinter's lending to customers remained at similar levels to the year before in absolute terms, although the trend seen in the past few years continued, with a clear reduction in lending to households and a significant increase in lending to companies and the public sector. This shift continues to take place in parallel with an improvement in profitability parameters, without losing sight of the principles of prudence that characterise the Bank, which ensure that Bankinter's credit portfolio is the best quality portfolio in the sector.

The breakdown of the customer lending portfolio by type is as follows:

The portfolio contains a high proportion of mortgage loans to high income customers, with average outstandings of €20.70 billion for the year, representing a decrease of 4.9% from the year before.

As regards lending to businesses, we continued to focus on high added value products such as factoring, comprehensive handling of payments and import/export finance aimed at the various types of company, who use a wide variety of the Bank's products via remote channels.

During 2012 we negotiated a line of €200 million from the European Investment Bank for financing SMEs. The line was fully used. We should also highlight Bankinter's role in the ICO mediation lines, in which we raised our share from last year to 4.9% of the total financing provided by the banking sector under these ICO-funded lines.

Agreement with the EIB

€200m

f inancing of Small and Medium Enterprises

Cumulative average balances of customer lending (€ millions)	Average balance	Difference 2012/2011	% difference
Resources Loans	27,727.05	-691.53	-2.43
Lines of Credit	5,760.45	574.55	11.08
Investment in foreign currency	6,030.06	77.26	1.30
Other investments	3,718.00	828.56	28.68
Commercial risk on customers	1,061.24	25.88	2.50
Total	**44,296.81**	**814.72**	**1.87**

The composition of total lending in terms of the various regional organisations of the Branch Network was as follows:

Lending. Balances by centres (€000s)	Average balance	Difference 2012/2011	Difference (%)
Regional HQ Andalusia	4,876,942.33	1,271.15	0.03
Regional HQ Balearic Islands	922,757.44	-14,614.64	-1.56
Regional HQ Canary Islands	1,523,936.99	-107,669.63	-6.60
Regional HQ Castilla la Mancha - Extremadura	1,309,412.43	-38,346.86	-2.85
Regional HQ Catalonia	4,976,510.37	-53,471.32	-1.06
Regional HQ Levante (Eastern Spain)	4,779,551.09	9,127.31	0.19
Regional HQ Madrid Corporate Banking	3,554,899.11	1,204,536.01	51.25
Regional HQ Madrid East	3,780,606.51	-220,130.09	-5.50
Regional HQ Madrid West	5,509,677.84	-294,776.75	-5.08
Regional HQ Navarre - Aragon - Rioja	2,280,548.24	84,968.51	3.87
Regional HQ North-Western Spain	2,896,403.18	-113,224.18	-3.76
Regional HQ Northern Spain	2,853,340.19	-90,817.78	-3.08
Branch network	**39,264,642.03**	**366,807.55**	**0.94**

International business

Thousands of Spanish businesses continue to see exports as one of the few ways to survive in the long term, especially in view of the present weakness of the domestic market.

This explains why exports continued to grow in 2012, albeit at a slower pace than in the preceding years. Year-to-date growth in exports to October 2012 was 3% up on the same period of 2011.

In line with this rising trend, Bankinter's revenues from international business grew by nearly 21%, or 26% when only companies are counted, with increases coming mainly from trade finance lines, exchange rate hedging and international guarantees.

Remote channels like the Internet are fundamental tools for customers in conducting their day-to-day international business with Bankinter. More than 83% of international payments by customers are made via the Internet, and this percentage will increase further still in 2013 as a result of the considerable improvements made to the various remote banking tools.

While some 35,000 Spanish companies already export their products on a regular basis, more and more companies are venturing into foreign markets for the first time, both to sell their products and to acquire their raw materials. These circumstances generate a great need for advisory services regarding international means of payment and information on customs and usages in these new markets. It is precisely on this world of advisory services that the Bank will be concentrating starting from 2013, helping companies to sell more and under better conditions and thus making them stronger internationally.

To this end, Bankinter will continue to develop the project started last year, based on these two main principles:

- To create a range of new foreign trade services for our customers, not limited to banking but extending to the essence of their international activity or expansion - search for aid, grants, international tender opportunities, consortia, etc.

- And to develop our own banking products and services, adapting them to suit actual current needs, and with a clear view focused on the customer's day-to-day operations. To do this we will concentrate our efforts on increasing the number of operations that can be conducted in self-service mode through our remote channels, so as to bring customers closer to all their international business with Bankinter.

Customer Segment

Bankinter ended 2012 with average resources up by 10%, at €22.97 billion, €2.10 billion more than the previous year.

At the same time average lending grew by €814.7 million or 1.9% during the year.

We should point out that, in spite of the difficult economic situation, customer satisfaction with the service received increased significantly relative to the previous year. Thus Bankinter maintains an 8.4 point lead over the market average for private individuals in the NSI (7.4 points cumulative annual).

These data endorse quality of service as one of the variables on which the Bank's growth strategy is based.

It is precisely the differentiation between types of customers and the specialisation of the workforce in attending to each type of customer that has enabled the Bank to maintain excellent growth rates in both the personal (Private Individuals, Foreigners, Personal Banking and Private Banking) and business (Small, Medium and Corporate) sectors.

Average loans and receivables

+814.7

€ millions

+1.9

compared with 2011

Million euros	2012	2011	Difference 2012/2011	Difference (%)
Average funds	22,969.15	20,874.16	2,094.99	10.04%
Average loans and receivables	44,296.81	43,482.00	814.72	1.87%
Quality NSI	75.04	74.41	0.63	0.85%

Private Banking

2012 was another challenging year for Private Banking. On top of the economic recession, which has been underway for some time, came the euro crisis, investor concerns about Spain's financial situation and the possibility of its having to seek a bailout from the European Union.

In this environment, Bankinter continued to make full use of the strength deriving from its balance sheet and its business model, as well as of its commitment to service and proximity in giving advice to customers, which lead to the Net Overall Customer Satisfaction indices in the segment being maintained at near-excellent levels.

For Private Banking 2012 was another year of growth in revenue (12.3% up on 2011) and an excellent one in terms of attracting new clients: a total of 1,692 new clients were welcomed to this segment during the year. Private Banking's value proposition is based on comprehensive advisory and management services for customers' assets. Consequently, the Specialised Services and Legal and Tax Advice departments, as well as the Wealth Management unit, seek to attend to the complex needs of Bankinter's HNW customers. Their involvement was very significant both for the business results and, especially, for customer satisfaction with the service received.

Bankinter Asset Management once again increased its market share in SICAVs (open-ended collective investment companies) with the number of SICAVs managed rising to 252, representing 8.5% of SICAVs managed by the Spanish financial sector. In this way the Bank consolidated its position as the number three bank in terms of the number of companies and volume of assets under management, according to the Inverco ranking.

Private Banking

1,692
New customers

+12.3%
increase in revenues relative to 2011

€ millions	2012	2011	Difference (%)
Average funds	4,951.37	4,795.75	3.25%
Average loans and receivables	2,337.25	2,294.88	1.85%
Gross Margin	99.50	88.60	12.31%
Efficiency	48.88%	41.77%	17.02%
NSI	80.20	79.55	0.82%
Churn rate	6.12%	4.84%	26.45%

Bankinter Investment Banking

2012 saw the first anniversary of the launch of this new area of activity which Bankinter has decided to make available to its customers:

This was a year that saw confirmation of a very large number of the basic assumptions used by the Bank in determining its strategic direction, positioning and timing of customer approach:

1. The power and differentiation of the Bankinter brand is a magnificent spearhead for this activity.

2. In many cases customers' perception of Bankinter as a relationship-based provider of solutions was confirmed.

3. This activity revolves around Bankinter's core values: differentiation, innovation and quality.

4. Bankinter's Investment Banking is well positioned competitively, thanks to:

– The Bank's solid customer base of businesses and businesspeople, which gives it extensive knowledge of and access to the Spanish industrial sector.

– The strength of the Bank's balance sheet.

5. The current economic context, marked as it is by uncertainty and volatility, is leading many businesses and businesspeople to reflect on strategy. This in turn is leading to a growing and ever more pressing need for advisory services such as those provided by the Investment Banking division.

Bankinter continues with its mission to be a comprehensive provider of financial services, and this accounts, among other things, for the Investment Banking offering, which comprises the following services:

a) Advice on mergers and acquisitions:
– Acquisition and disposal of businesses or assets.
– Management Buyouts.
– Corporate transactions in family firms.
– Searches for investors and capital.
– IPOs.
– Independent valuations, feasibility studies and business plans.

b) Advice on capital markets transactions:
– Capital issues (IPOs, MAB Alternative Stock Market).
– Capital increases.
– Debt issues.

c) Structured finance:
– Project finance.
– Asset finance.
– Financing of acquisitions.
– Restructuring and refinancing transactions.
– Sale and lease-back transactions.

In 2012 this new activity of Investment Banking came into its own, showing that the focus on comprehensive advice to clients enables the Bank to anticipate their problems, analyse them, understand them and contribute to solving them from every possible angle (debt and equity). In particular, and in spite of the general macroeconomic context, during this past year we succeeded in taking part in consolidation and integration transactions, divestment of non-strategic assets and acquisitions of companies, plus a large number of the asset finance, project finance and leveraged buyout transactions that were carried out in Spain, as well as being involved in certain debt issues that took place on the capital markets.

In such difficult circumstances as the present ones, Bankinter's Investment Banking operation endeavours to stay close to its clients; proximity based on a 100% commitment to the client, through a highly qualified team and on the basis of the following inalterable principles:

- Excellence in quality.
- Creativity and flexibility.
- Total availability.
- Ethical and objective approach.

Private individuals

The private individuals banking segment reached a total of 333,316 active customers in 2012. In terms of the Balance Sheet, the year ended with average resources of €2.71 billion. We should also point out that regular customer deposits grew by 8.6% in the year. Loans and advances stood at €16.8 billion at year end, representing a reduction of 3.9% relative to 2011. At the end of 2012 the mortgage portfolio stood at €15.42 billion with the risk quality continuing to be excellent.

During 2012 substantial sales activities continued, focused on strengthening existing ties with customers by offering them products such as payroll accounts, more than 30,000 of which were opened.

Also notable were the efforts made in attracting customers, with an increase of 15% compared with 2011, in addition to which these customers are more closely tied to the Bank than in the past, given that one in every three new customers start their relations with the Bank by way of the payroll account product. Another product with similar tie-in effects is pure life insurance, more than 9,000 policies having been sold to customers in this segment, for €630 million of capital sums insured.

Lastly, in terms of quality, this customer segment closed the year with a cumulative NSI of 71.9.

Private Individual Banking

333,316
active customers

Capture of new customers

+15%
compared with 2011

€ millions	2012	2011	Difference (%)
Average funds	2,706.68	2,492.94	8.57%
Average loans and receivables	16,799.99	17,474.58	-3.86%
Ordinary income	140.78	141.97	-0.83%
NSI	79.80	79.45	0.44%

Personal Banking

For Personal Banking, 2012 was a year of changes deriving from the transformation of this segment of Private Banking. As a consequence of these changes, the income and assets thresholds for admission to the segment were increased. In order to provide better service to clients with greater financial needs, we established new teams of personal account executives with specialist knowledge, as well as specific tools for managing their assets, such as Personal Financial Planning and Investment Adviser.

Bankinter's Personal Banking operation ended 2012 with 158,128 active clients.

Sales activity for the year was centred on two main areas: attracting new customers and boosting the deposit base. In terms of new customers, the year was a very positive one, with 19,030 new clients captured during the year, representing a sharp increase compared with 2011. As for boosting the deposit base, the figure at year-end came to a monthly average of €7.38 billion, representing an increase of 20.8% year-on-year.

Investment and pension funds also performed well, ending the year with €2.42 billion in assets, 12.8% more than in 2011.

As for lending, the figures continued to be good in spite of the difficult environment, with the number of personal loans granted in this customer segment increasing very significantly - by 37%- compared with 2011.

All this activity was carried out through our established distribution networks: Branches, Agents, Remote networks, Banca Partnet, and the team of account executives specialising in providing service to this type of customer. We have 337 account executives spread around our traditional branch network and in our remote customer service centre.

The main tool used in running the sales activity continues to be our CRM, which enables frequency of customer contact to be maintained as well as facilitating the adaptation of products and services offered to each customer's needs, preferences and risk profile.

In terms of service quality, overall customer satisfaction improved in 2012 compared with the previous year, reaching an NSI of 75.1 points and an evaluation of personal account executives of 81.0.

Personal Banking

2,417

Fund assets, € millions

+12.8%

compared with 2011

€ millions	2012	2011	Difference (%)
Average funds	6,715.61	5,544.85	21.11%
Average loans and receivables	7,949.08	8,116.69	-2.07%
Gross income	122.89	123.15	-0.21%
Efficiency	94.57	80.18	17.95%
NSI	75.09	74.93	0.21%

Corporate Banking

The economic situation deteriorated further during 2012, with international investors continuing to lose confidence, leading to a tense situation in the markets, with the consequent effects on liquidity and constantly rising risk premiums of the countries involved.

In Spain's case and for the Spanish business sector, economic activity continued to decline, while the unemployment rate rose. Companies saw business volumes fall across the board and rates of arrears and insolvencies in the market increased to unprecedented levels.

Despite this adverse climate, the Corporate Banking segment continued to pursue its strategy of supporting financing to its corporate customers, leading to a 22.7% increase in lending to these companies, which reached €9.43 billion at year-end. All this was achieved while still maintaining the long-standing principle of solid credit that has enabled Bankinter to position itself as the bank with the lowest percentage of NPLs in the sector, this ratio for the Corporate segment standing at 2.6% of total lending. This growth in lending went hand in hand with increased attraction of customer deposits, which grew by 2.2% in the segment, to €4.8 billion.

This growth strategy is clearly reflected in the income statement, with a 41.7% increase in EBITDA thanks not only to this growth in lending but also to appropriate management of interest differentials and constant improvement in fee income, which grew by 17.2%. As a result of all the foregoing factors Bankinter posted EBITDA of €326.4 million for the year.

The value proposition to customers in this segment continues to be based on constant improvements in the quality of service, with overall satisfaction indices well in excess of those of our competitors, the cumulative NSI ending December at 80.9 points, 0.9 points more than in December 2011.

Bankinter continues to maintain its commitment in the Corporate Banking segment to a multi-channel management model, offering products and services that are in line with the activities pursued by this type of customer, and a permanent focus on innovation. The business website, through which 78% of all transactions are channelled, is one of the most highly regarded in the whole financial sector. It provides customers with quick, efficient solutions for their day-to-day operations.

In this difficult environment we succeeded in maintaining the main business management ratios in Corporate Banking at very high levels, with a gross ROA of 3.4% and an excellent cost/income ratio of 15.5%.

The Corporate Banking segment continued to pursue its strategy of supporting financing to its corporate customers, leading to a 22.7% increase in lending to these companies, which reached €9.43 billion at year-end

€ millions	2012	2011	Difference (%)
Average funds	4,800.79	4,698.54	2.18
Average loans and receivables	9,426.20	7,685.63	22.65
Gross income	326.39	230.42	41.65
NSI (points)	80.85	79.99	1.08

Small and medium-sized enterprises

During 2012 the Group continued to pursue its policy of growth in the Small and Medium Enterprises (SMEs) segment, not only by financing projects but also increasing the degree of relations with these kinds of customers in their day-to-day operations, with the aim of offering a comprehensive service providing these customers with access to the technological advantages and efficient applications offered by the Bank in their payment and collection processes.

This strategy was reflected in the profit and loss account in the form of a 3.6% increase in gross revenues in the SME segment relative to 2011. All these developments are also the consequence of increased attraction of regular customer resources (15% more than in 2011), and appropriate investment management, although volumes for the latter were slightly down on the previous year as a result of reduced investor activity in these segments.

The balance sheet for the SME business is still based on very solid credit risk assessment, with high-quality and diversified investments. This balance sheet has a high percentage of financing granted against tangible security. At the same time the Bank's strategy of maintaining a low concentration in the sectors most affected by the recession continues.

In 2012, Bankinter's value proposition for this customer segment, which is unique and highly competitive, continued to focus on global customer management, service quality and multi-channelling.

€ millions	2012	2011	Difference (%)
Average funds	3,606.81	3,137.36	14.93%
Average loans and receivables	6,754.32	6,824.97	-1.04%
Ordinary income	212.08	204.79	3.56%
NSI (points)	74.37	71.90	3.31%

Foreigners

The Foreign Customers segment covers non-Spanish customers acquiring secondary residences in coastal areas of Spain and requiring specialised financing and services.

This business at the end of 2012 reached a figure of 24,000 active clients. Average total assets in 2012 were €715 million, representing a decrease of 7.1%.

In Balance Sheet terms, the year ended with average customer resources of €205 million, of which 91% were conventional accounts and deposits and 9% intermediation.

Loans and advances at the end of 2012 stood at €715 million, with a total of 168 mortgage loans having been signed during the year for a total volume of €17 million.

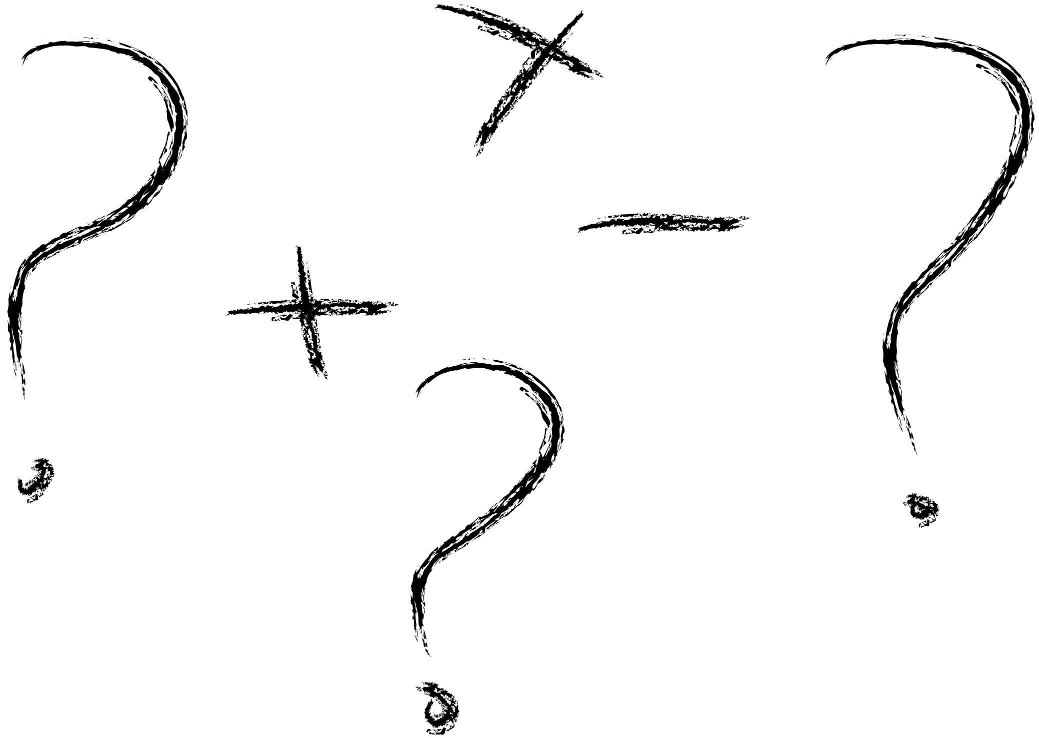
The quality of service to customers continues to be one of the strategic pillars of the area, resulting its obtaining a cumulative NSI score of 81.6 at year-end.

Foreigners

81.6

Net Satisfaction Index

€ millions	2012	2011	% Diff.
Average funds	187.26	205.06	-8.68%
Average loans and receivables	714.78	769.45	-7.10%
Ordinary income	11.96	13.25	-9.57%
NSI	81.63	80.48	1.43%



risks

Risk management

Basic principles of the risks function

The Framework Agreement on Risk Policy, issued by the Board of Directors, establishes the Bank's risk strategy and profile for each year.

The Board of Directors, through the Executive Committee and the Audit and Compliance Committee, takes care of and supervises the policies, systems and internal control procedures relating to all the Bank's risks, as well as the prevention of money laundering in accordance with applicable current legislation.

The organisational structure of the entire risks function reports hierarchically to the Executive Vice-Chairman, reflecting the independence that is proper to the function.

The identification, measurement, management, control and monitoring of the risks inherent to banking operations constitute a fundamental aim, always in a context of optimising the global management of all risks.

Bankinter has received Bank of Spain approval for its internal rating models, methodologies, systems and policies for measuring most of its risks, applying them to the calculation of capital requirements as established by the Basel II Capital Framework.

The basic principles that continue to govern risk management are:

- Contribute towards maximising capital, safeguarding the Bank's solvency.
- Independence of the function.
- Alignment with strategic objectives.
- New products: risk determination, approval and monitoring.
- Integrated risk management.
- Mass use of automated approval.
- Diversification of risk.
- Relevance of the quality of service factor in the risks function.
- Policy of Sustainable Investment.

The basic risk principles are determined in the Framework Agreement for each segment. In this regard we would highlight the fact that, pursuant to the provisions of the Transparency Act, we have brought together the various aspects of the Responsible Lending Policy in a single document, in the interests of greater clarity, even though all the principles had been incorporated over the past few years in the Framework Agreement, which is reviewed and updated every year.

Credit Risk

The Board of Directors establishes the Risks Policy, delegating its implementation to the Risks Committee, which is chaired by the Executive Vice-Chairman. Its delegated powers include approving operations and defining the powers of the committees at the next levels below.

The Risks Directorate, reporting directly to the Vice-Chairman, is responsible for drawing up and publishing risk policies. Its targets include the development of automatic authorisation systems and all risk processes, while always seeking maximum efficiency and quality.

The Credit Risk Department performs its functions through the units that form its structure:

- Risk approval and policies are the responsibility of:
  - The Private Individuals Risk Unit.
  - The Corporate and Property Developer Risks Unit.
  - The Corporate Risk Unit.
- The Risk Processes Unit is in charge of defining and enhancing the various risk processes, including the IT systems for risks.

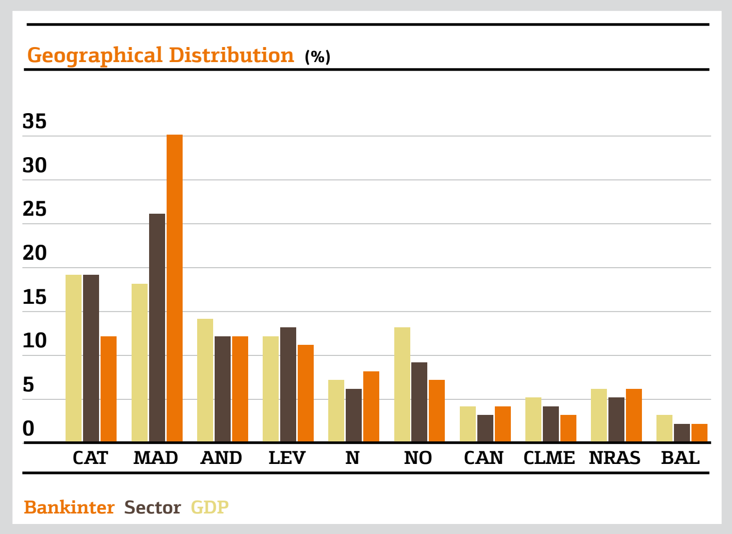
In addition to their own functions the various units take part in the process of defining new products and determining the risk parameters and the approval process.

The risk function's principle of alignment with strategy combines a hierarchical approach with the delegation of powers to each of the Risk Committees.

The risk approval process is supported by an electronic proposal that enables integration and unification of all of the Bank's networks and channels. The use of statistical models enables retail risk approval to be automated and provides support for decisions on risks requiring non-automated approval.

The Risk Map, which is produced annually, is an exercise in detection, analysis and assessment of the potential impact (severity) of the risks inherent in the activity, as well as processes for monitoring and controlling them and measures for mitigating or if possible eliminating any remaining risk.

The current financial crisis and the requirements of the Basel Accords have demonstrated the need for increased monitoring of the policy on risk concentration. In this regard, monitoring of diversification is carried out by sector, geographical location, products and guarantees, as well as by customer concentration, and a clear policy of permitted maximums is in place.



Sector: Bank of Spain data (3Q12) GDP: INE data (2011)

Letter from the Chairman
Letter from the CEO
1. Business
2. Innovation
3. The Human Factor
Appendix

Trend

The economic and financial crisis that started five years ago continued to make itself felt throughout the year under review. In terms of new instances of arrears, the peak of late 2008 marked a trend that bottomed out at the beginning of 2011 but then started to deteriorate again, with the peak being repeated in the first half of 2012.

This past year was characterised by fatigue on the part of business and household economies alike in the face of this deep and prolonged crisis, which means it is affecting all levels of solvency. Our customers' situation was helped by the Bank's sound refinancing policy, which adheres to the Bank's basic and unchanging principles.

In this environment, the total risk of the financial system declined by 5% (latest figures available from the Bank of Spain website, as at October 2012). The reasons for this situation are deleveraging by households and businesses, combined with a contraction of the markets, which led to a substantial reduction in liquidity in the system.

NPLs, a reflection of credit quality, continued to increase, by much more than in 2011, contributing to greater control and restriction of credit risk. In general terms both households and businesses have needed to refinance their debt.

The volume of distressed assets linked to the real estate sector is the main problem of the economy. It has involved an increase in the volume of assets repossessed by the institutions, which looks set to continue to grow considerably over the next few years.

If to these existing NPLs we add repossessed assets and assets classified as substandard because of the sector they belong to or the unlikelihood of ability to repay, the deterioration in the quality of credit risk has been very significant.

Over the course of 2012 further progress was made with the process of recapitalising and restructuring of the Spanish financial sector that had started in 2009 and the purpose of which is to ease tensions in the financial markets deriving from the sovereign debt crisis and doubts about the Spanish financial sector.

The measures taken in 2012 to strengthen and restructure financial institutions were:

a) **New requirements for additional provisions** for exposure to credit risk on real estate construction and development, applying to problem loans, repossessed assets and also regular status lending (Royal Decree-Laws 02/2012 and 18/2012).

Bankinter was among the first banks to meet these requirements, provisioning all required additional amounts in the first half of the year. The total amount concerned was €275.2 million. These provisions will enable the Bank to cover any losses deriving from its small real estate risk in the coming years.

b) **Independent in-depth valuation of balance sheets in the financial sector.** This exercise was conducted with the 14 biggest banks, which represent 90% of the financial sector. The exercise was carried out between May and September 2012.

- Phase 1: Top-down analysis carried out by Oliver Wyman and Roland Berger to evaluate the financial system's ability to withstand a highly adverse base scenario. The study showed that the system as a whole needed between €51 billion and €62 billion in additional capital in the adverse scenario.

- Phase 2: Bottom-up analysis. A detailed individual analysis was carried out of the credit portfolios of each bank, to assess the appropriateness of their systems for classifying, provisioning and measuring their risks, as well as the procedures established for dealing with unpaids.

The total amount of provisions made to comply with the two Royal Decree-Laws was €275.2 million.

Based on this analysis a more comprehensive exercise was developed, applying a stress test to calculate individual additional requirements in the two scenarios, base and adverse. The exercise was carried out by consultants Oliver Wyman together with the leading audit firms in Spain and under the supervision of the Boston Consulting Group.

The adverse scenario used was the toughest of any applied to stress tests carried out in Europe to date. The probabilities of default used were multiplied by three for businesses and property developers, and by five for residential mortgage lending while for repossessed assets a loss of 64% was assumed. As for the absorption capacity, the exercise was highly restrictive in terms of net results from financial transactions and future trading income.

At Bankinter, it involved the rigorous analysis of 9% of the credit risk portfolio and more than half of the Bank's risk on property developers.

In the adverse scenario, the core Tier I capital (CT1) required is 6%, while in the base case it is 9%.

The results showed capital requirements totalling €57 billion before tax for the sector as a whole.

For Bankinter the results were highly satisfactory, the Bank being one of seven institutions, representing 62% of the risk portfolio analysed, that do not need additional capital in the adverse scenario. Bankinter is one of the banks in "Group Zero", with no capital shortfall.

The main conclusions of the exercise in Bankinter are:

- Capital ratio of 7.4% in the adverse scenario, well in excess of minimum requirements, with a capital surplus of €399 million.

- Level of expected losses of 7.2% of total assets in the adverse scenario, the lowest in the financial sector.

- Expected loss of 6.5% on the loan portfolio in the adverse scenario, by far the lowest in its peer group and with the lowest ratios in both the private individuals and the residential mortgage loan portfolios (4.1% and 2.1% respectively) as well as in lending to businesses (16%).

- The portfolio mix is ideal in terms of credit risk, due to the minimal exposure to real estate risk.

Computable credit risk fell by just 0.9%, which compares favourably with the deleveraging being carried out throughout the banking industry. Once again our Bank stands out because of the solidity of its credit portfolio, which enables it to outperform its peers. Good risk selection in this period will help the Bank to emerge from the crisis with a clear competitive advantage over its rivals.

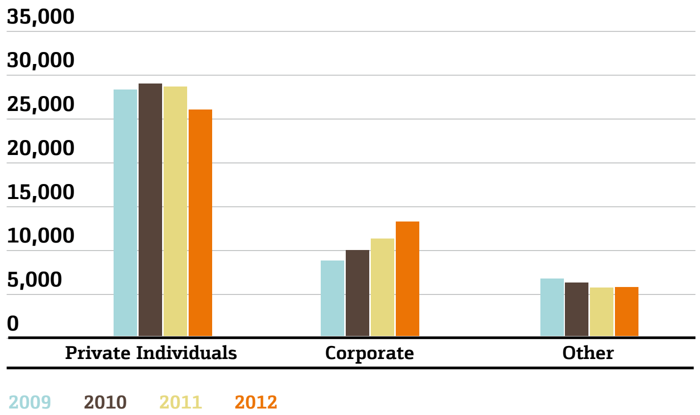
Quality of assets (€000s)	31/12/2012	31/12/2011	Amount	%
"Computable risk" (total lending) excluding securitisation	**46,355,295**	**46,802,151**	**-446,856**	**-0.95**
Doubtful debts	1,984,028	1,515,766	468,262	30.89
Provisions for credit risk	958,523	786,080	172,443	21.94
NPL ratio (%)	4.28	3.24	1.04	32.16
Non-performing loans coverage ratio (%)	48.31	51.86	-3.55	-6.84
Repossessed assets	**611,665**	**484,408**	**127,257**	**26.27**
Provision for impairment of repossessed assets	230,524	175,894	54,631	31.06
Coverage of repossessed assets (%)	37.69	36.31	1.38	3.80

The Bank has a very solid risk culture at all levels, with a team of highly qualified people who, together with the support of advanced information systems, constitute one of its basic pillars.

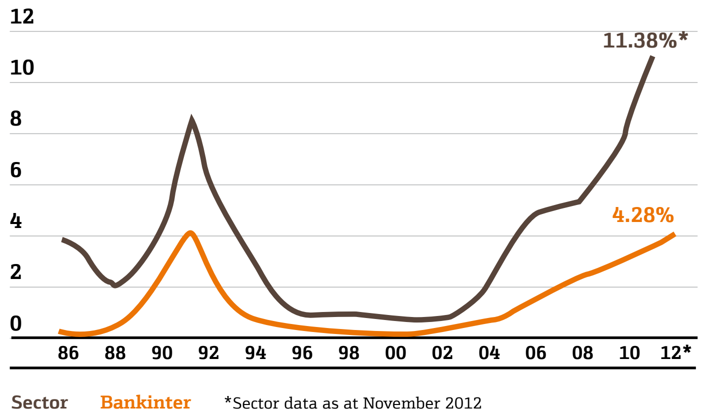
In terms of arrears, we ended the year with a ratio of 4.3% compared with 3.2% the year before. This compares very favourably with the system (Bank of Spain: 7.9% in December 2011 and latest figure in October 2012, 11.2%) as we are at less than half the sector's average delinquency rate. As in 2011, companies were the worst affected, although it should be pointed out that in 2012 the private individuals business suffered the consequences of the persistent crisis.

The volume of problematic and repossessed assets continues to be well below those of the Bank's main competitors in comparative terms.

Trends in risk (€000s)



Evolution of NPLs, Whole Sector vs. Bankinter (%)



Thanks to the prudent credit approval policy applied in both the growth phase of the economy and the present contracting one, the volume of risk secured by mortgages (64%) ensures better results in the current crisis. It should be borne in mind that LTV or loan to value ratios applied have been in accordance with prudent criteria, the current ratio being 54%, to guard against possible falls in prices as indeed have come about and are likely to continue. Lastly, we would highlight the fact that 83% of the mortgage portfolio is secured by residential properties, and this has proven to be the greatest strong point in confronting the current recession.

Another example of the judicious risk policy was the decision to keep exposure to risk on property developers to a minimum (approximately 2%). This being one of the serious problems giving rise to the present crisis in all financial institutions, Bankinter's highly restrictive policy in approving risk on property developers, with almost no financing of land, now represents a clear competitive advantage.

Although NPLs continued to increase in the SME segment, the monitoring policy aimed at greater reinforcement of collateral (53%) meant that the volume of specific provisioning required was actually lower.

Private Individuals

The excellent credit quality of the Bank's private individuals portfolio remains unaltered, with a non-performing loans ratio of 2.5%.

The approval policy for residential mortgage loans, the product with the biggest exposure in the portfolio, has followed very conservative criteria, maintaining the approach adopted in 2003 when maximum LTV was established at 80% in anticipation of the downturn. This strategy once again enabled us to differentiate ourselves positively from the sector as a whole.

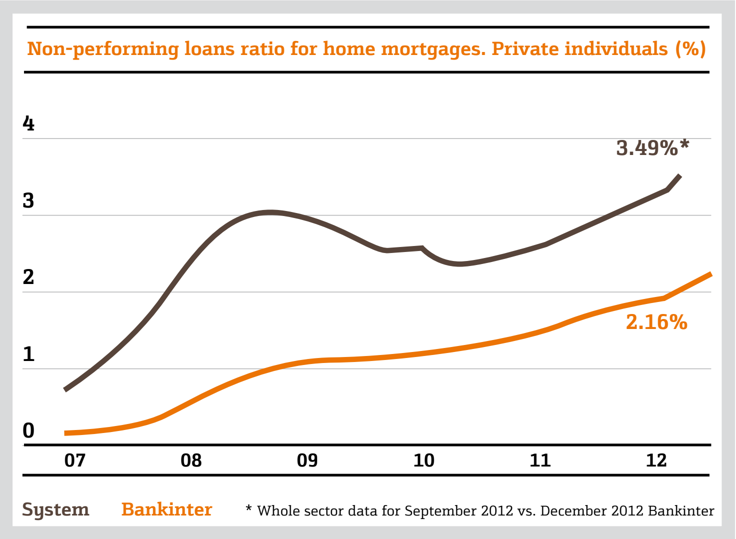
The average effort (measured as the proportion of income that the customer allocates to paying mortgage loan instalments) in the mortgage portfolio remained at a very low level: 23%.

The breakdown of the portfolio by LTV is as follows:

Mortgage portfolio by tranches %	% Transactions
LTV 00 - 10%	16.84
LTV 10 - 20 %	11.74
LTV 20 - 30 %	12.19
LTV 30 - 40 %	12.79
LTV 40 - 50 %	13.53
LTV 50 - 60 %	13.02
LTV 60 - 70 %	10.84
LTV 70 - 80 %	6.00
LTV 80 - 90 %	1.96
LTV 90 - 100 %	1.11
TOTAL LTV BRACKETS	**100**

The level of problem assets and repossessed assets is considerably below that of the rest of the sector

The NPL ratio (2.16% in December 2012) continues to be the best in the entire financial system, which in September 2012 (the latest information published by the Mortgage Association of Spain) had a ratio of 3.5% for this type of lending.



(Data provided by the Spanish Mortgage Association)

Corporate Banking

Since the onset of the crisis, and in line with the strategy laid down by the Board for taking advantage of our competitive advantage, this has once again been the segment with the most growth (16%). By focusing on the major corporates, with which it has many years of experience, the Bank has been able to attract new customers and increase credit exposure with a low incidence of NPLs. Total risk in Corporate Banking amounted to €13.12 billion, while NPLs, at €339 million, were still well contained, ending the year with an NPL ratio of 2.6%.

This growth was based on principles which remain inalterable, notably:

— Monitoring of current risks.

— Systematic use of rating models based on statistical rating, together with subjective assessment by the Risks Committee

— Conservative customer portfolio management.

— Optimisation of the risk-return trade-off.

— Lending for specific purposes, with the objective of establishing a long-term relationship with customers.

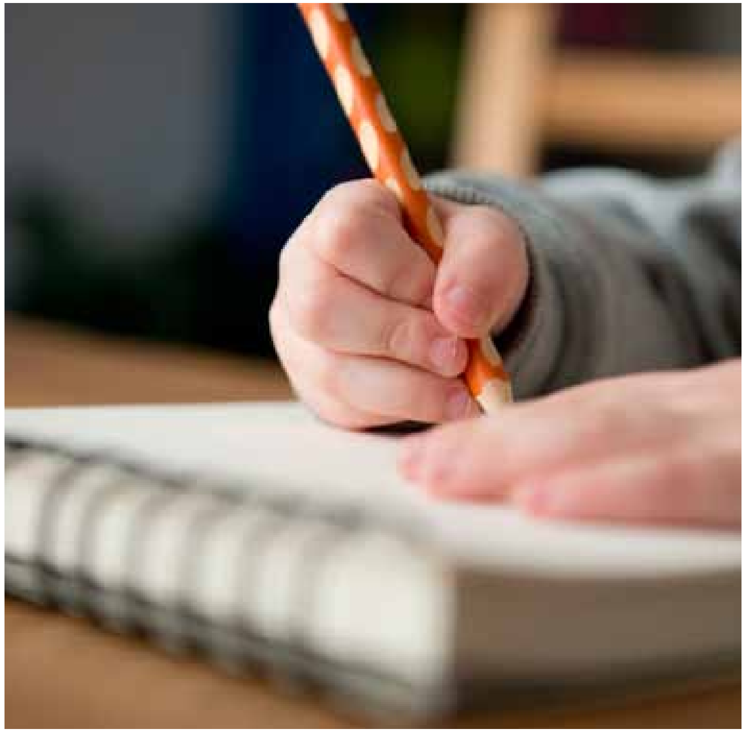
— Diversification of sectors and terms.

Small and medium-sized enterprises

Credit risk totalled €6.51 billion, representing a 4% drop due to the economic slowdown. The non-performing loan ratio was 10.5%.

The Bank has automated decision models for risk management and teams of highly experienced risk analysts. Also, diversification by sector makes management by portfolio possible, with greater dilution of risk among portfolios.

It should be highlighted that 64% of the outstanding arrears balance for SMEs has mortgage guarantees with an LTV ratio of 39%.



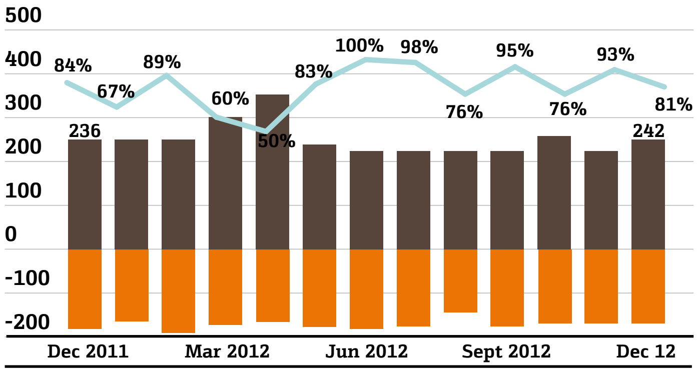
Control, Recoveries and Real Estate Assets

The Control, Recoveries and Real Estate Assets Department reports directly to the Executive Vice-Chairman, thus ensuring its independence. Its basic function is to direct and manage the monitoring and control procedures for loans and receivables. It also defines and establishes the processes for recovering non-compliant positions. During this past year the Real Estate Assets Unit was incorporated under this Directorate in order to achieve greater integration of this part of the recovery process.

The team's wide experience and the excellent functioning of the processes and tools enabled us to optimise the level of recoveries.

Bankinter has had automatic systems in place for years for controlling and monitoring credit risk on a permanent basis.

New cases and recoveries (Data in € millions and %)



New cases Recoveries % Recoveries

In 2012 we saw a bigger increase in non-performing loans than in the previous year. The volume of new NPLs increased due to the deepening crisis in the second half of the year, although the ratio of recoveries to new cases was maintained above 80%.

Our limited exposure to property developers, which have been most heavily penalised by the crisis, has enabled us to widen our lead over the sector as a whole and over our closest rivals in terms of the arrears ratio.

The Control and Recoveries Process means:

1. Support from technology (CRM).
2. Traceability.
3. Integration of all information from all parties involved, external and internal.
4. Behavioural models (Basel II).

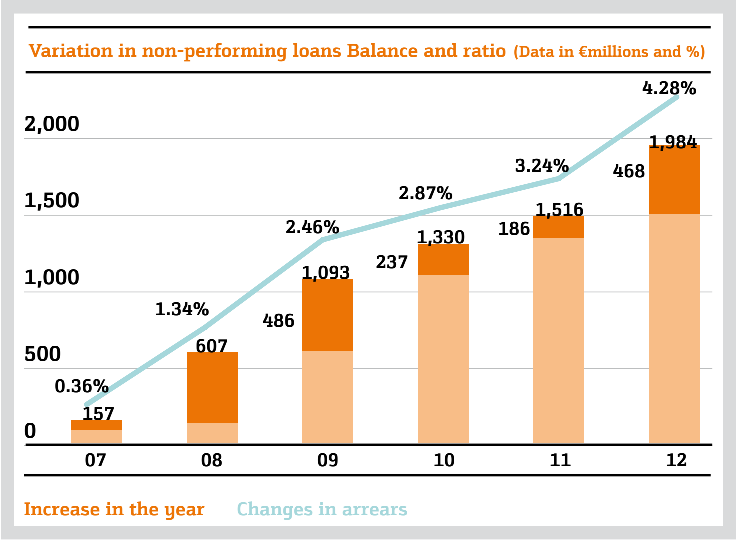
The Bank has various applications that allow the investment credit follow up to be carried out.

- Statistical Client Alert.
- Risk rating: 'special watch' and 'risk to be eliminated'.
- Branch-Office Alerts.
- Back-testing.

The portfolio of credit risk refinancing and restructuring transactions at the end of 2012 stood at €1.37 billion, with any amendment to credit risk conditions being considered as refinancing. The majority of refinancing operations have additional guarantees.

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

(€000s)	Dec 2012	Dec 2011
Starting balance current year	1,515,766	1,329,980
+ (New cases - Recoveries B&DD)	648,991	421,203
- Transferred to Bad Debts	180,729	235,417
Closing balance current year	1,984,028	1,515,766
Balance of Repossessed Assets	611,665	484,408



Real estate assets

The balance of the current real estate portfolio amounts to €610.9 million, representing an increase of €128 million on the previous year.

Real estate assets are highly diversified in geographical terms and as regards property type, which makes them easier to sell. The volume of sales amounted to €146 million, representing an increase of 73% compared with the previous year.

Hedging for foreclosed assets stood at 37.7% in December 2012.

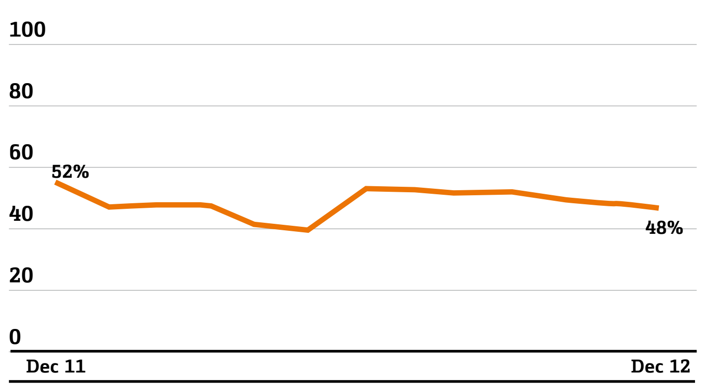
Regarding the Bank's real estate portfolio, it is worth noting that it does not include any properties currently in the development stage and that the proportion of rural land is very small; in the current situation the market for both these products is limited.

Provisions

Solvency levels and asset coverage allow us to face the current situation in optimal conditions.

The doubtful mortgage portfolio with mortgage guarantees presents an LTV ratio of 47% and given this fact, plus the excellent default ratio with mortgage guarantees, losses on the mortgage portfolio are insignificant.

Loan Provisions (% coverage)



Reputational Risk

Reputational Risk is the risk of interactions with customers leading to negative publicity regarding business practices and relations, which may cause a loss of trust in the institution's moral integrity.

This area is responsible for detecting, analysing and appraising the potential impact (severity) of all such practices and aspects of the Bank's business that might involve reputational risk, and for establishing processes to monitor and control such practices and implementing measures to mitigate or, if possible, eliminate the risk inherent in them.

The Operational and Reputational Risks and New Products Committee meets on a regular basis, with the following functions as regards reputational risks:

— Promoting the implementation of reputational risk policies.
— Following up the actions taken to mitigate the most significant risks.
— Deciding on which proposals should be submitted to the Committee regarding possible reputational risk events.
— Validating compliance with procedures and protocols for identifying and assessing reputational risks. This function is particularly relevant where launches of new products or business lines are concerned.

Internal risk scoring models

This past year, like the one before, was marked by the prolongation of the economic crisis that started in 2007. In this difficult climate, the internal risk rating models continued to prove solid and highly efficient in their ability to make distinctions.

The prolonged crisis is enabling us to gain a more precise understanding of the quality of the risks, the frequency of default and actual losses in situations of deep recession such as the present one.

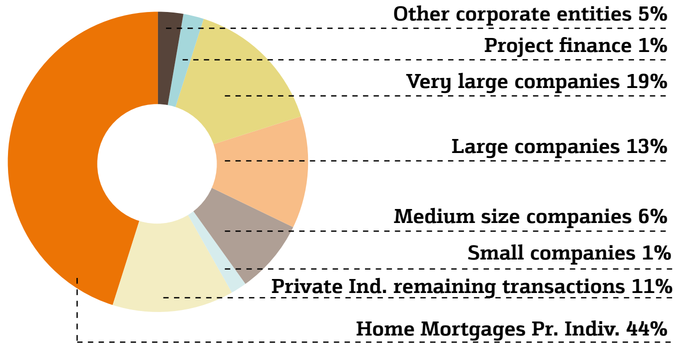
During 2012 progress was made with the development, improvement and validation of internal models. Bankinter continues with the regulatory use of Internal Rating Based (IRB) models in the internal categories of home mortgages for private individuals, unsecured loans, small businesses, medium-sized businesses and property developer project finance (in this case, according to a model of supervisory categories). The Bank is also continuing its successive implementation plan for the validation by the supervisor of the remaining models.

In parallel, increasing use continued to be made of internal models for rating and authorising transactions, and progress was made with the development of systems and procedures for managing risk-adjusted prices, application of risk-adjusted return measures to management, and monitoring of the overall risk profile of the lending portfolio.

The models developed cover 95% of total customer credit risk exposure. The following diagram shows the breakdown of customer credit risk exposures, classified by risk category and internal rating.

Each risk category comprises the customer positions that, from a risk point of view, are together sufficiently uniform - and sufficiently differentiated from other categories - to permit their statistical modelling.

Distribution of credit exposure by internal category

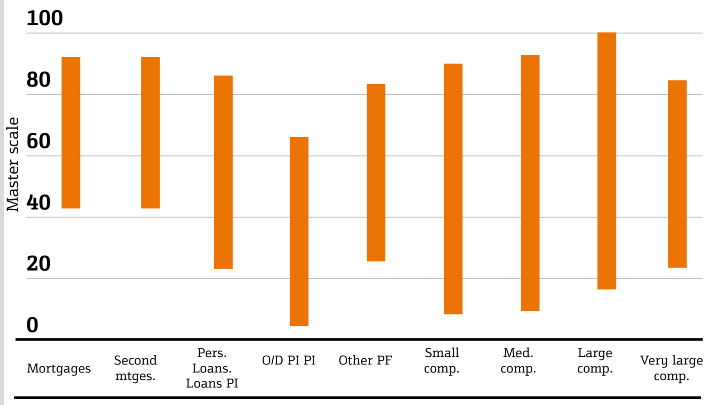


The internal rating models provide, for each category, a score or internal rating of the risk assumed by the Bank vis-à-vis each customer or transaction. Each of these ratings is associated with a certain probability of default (probability of a delay in payment longer than 90 days) and, accordingly,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

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

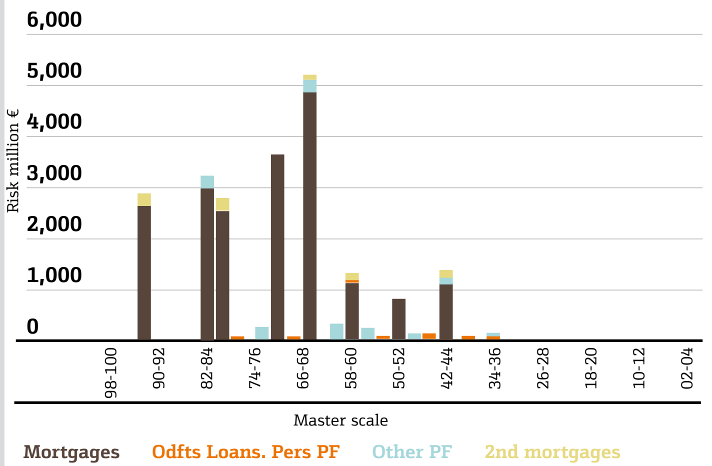
The breakdown of credit risk with private individuals and corporate entities according to the master scale is as follows:

Location of risk categories on master scale

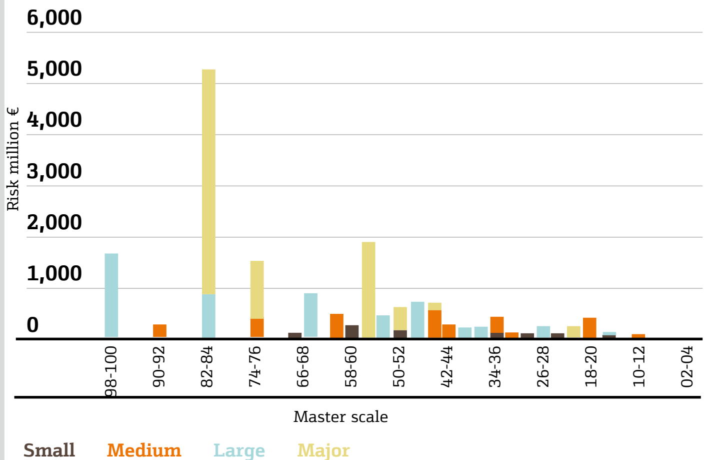


Bankinter has historical default databases that allow calculation, for each of the lending risk categories, of the probability of default (as defined above), the severity (the average loss given default), and the expected exposure at the time of default.

Distribution of risk according to the master scale. Private individuals



Distribution of risk according to the master scale. Private individuals



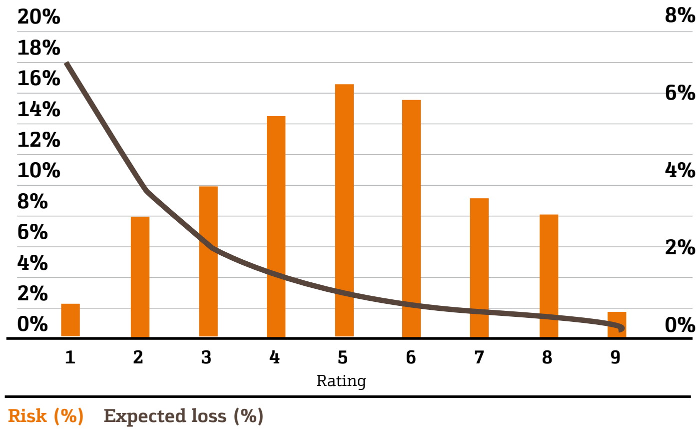
Probability of default, severity and exposure are the three factors required to calculate the expected loss.

The expected loss is a key factor in estimating the risk premium that should be passed on in the transaction price as an additional cost of the lending activity.

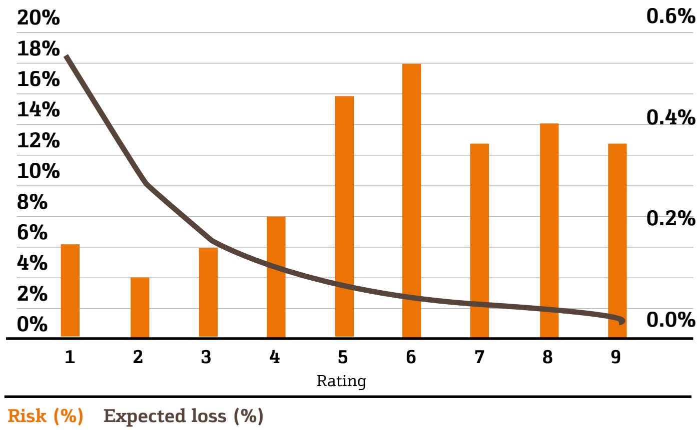
Bankinter's estimates of probability of default, severity and exposure, and therefore of anticipated loss, bear witness to the excellent quality of its portfolios. For example, in the mortgage portfolio, 74% of the exposure had a rating of 5 or higher, and the anticipated loss on the portfolio as a whole in situations of recession was 0.4% of the risk exposure.

The low levels of expected loss are due both to the quality of the transaction acceptance systems and to the excellent recovery systems and methods for transactions that go into arrears.

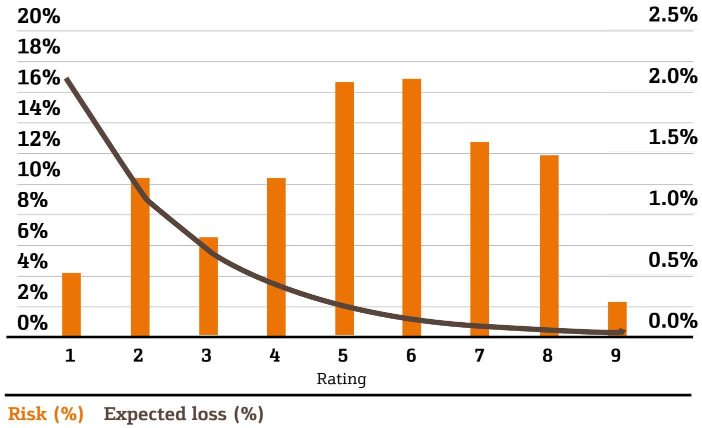
Distribution of the portfolio of Unsecured Credits and Loans to Private Individuals by rating



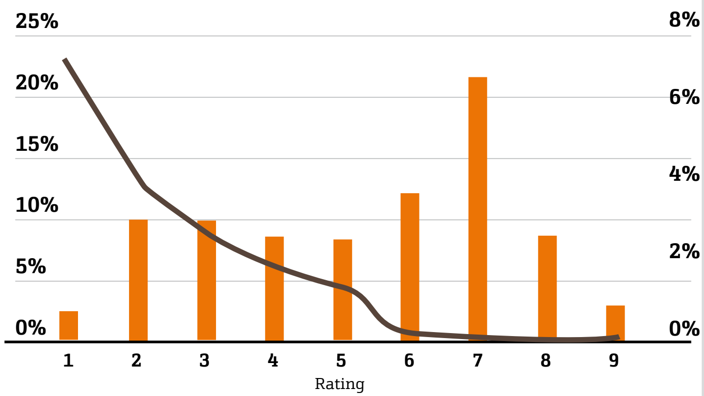
Distribution of home mortgages portfolio by rating



Distribution of the portfolio of other transactions with Private Individuals by rating

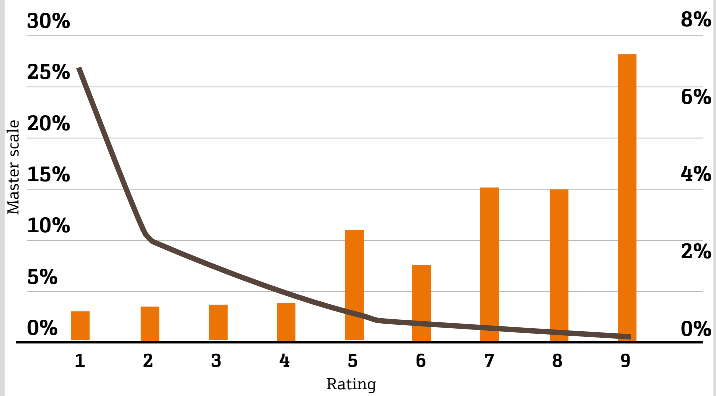


Distribution of the Small Companies portfolio by rating



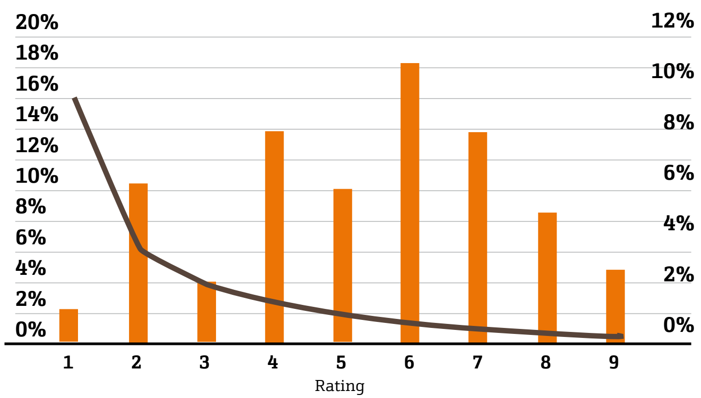
Risk (%) Expected loss (%)

Distribution of the Large Companies portfolio by rating



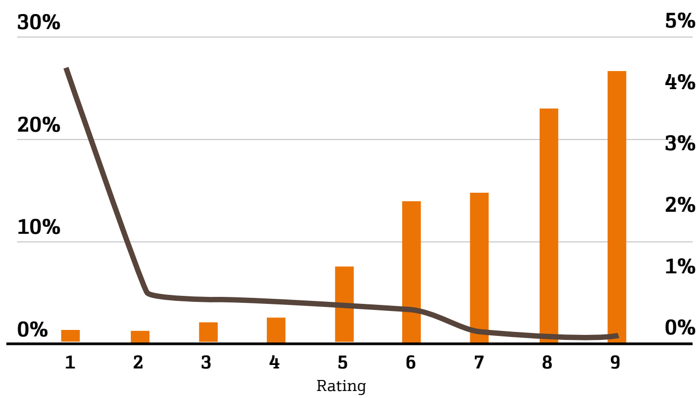
Risk (%) Expected loss (%)

Distribution of the Medium Size Companies portfolio by rating



Risk (%) Expected loss (%)

Distribution of the Very Large Companies portfolio by rating



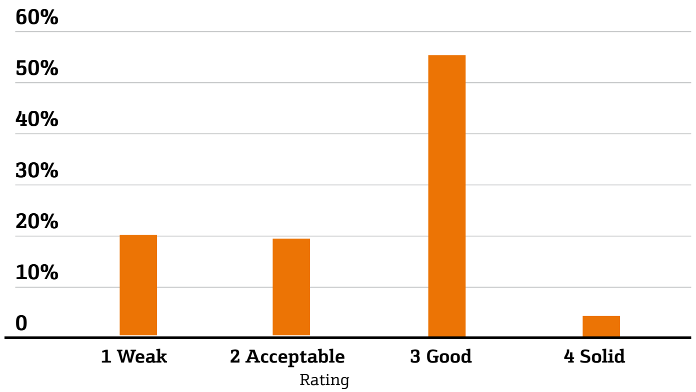
Risk (%) Expected loss (%)

Developers

Bankinter has traditionally applied criteria of maximum prudence when accepting the risk of property development transactions, as illustrated by the figures in previous sections of this Report and by our reduced exposure to this risk category. The internal rating system for housing development financing transactions is based on the completion of an assessment questionnaire by expert analysts. Since 2009 this portfolio has been closely monitored, and the credit ratings of transactions in this category have been reviewed to ensure that they are kept up-to-date at all times and are consistent with the suddenness and severity of the economic deterioration.

The statistical processing of these assessments classifies transactions in this portfolio into four categories, with 'weak' being the worst and 'solid' the most favourable.

Distribution of the real estate development portfolio



Internal capital

In this section the following terminology is used when referring to capital:

- **Internal capital** is the Bank's estimate of the capital that it considers it would need maintain in order to ensure its solvency in the absence of regulatory requirements. It is defined as the in-house measurement of unexpected losses used by the Group to consistently aggregate and evaluate all risks and changes thereto over time.

- **Regulatory capital** is the capital required at any given time by the regulators, and in particular, by Bank of Spain Circular 3/2008 and any complementary provisions thereto, such as the successive decrees concerning the strengthening of the financial sector or the recent Circular 7/2012 on minimum core capital requirements.

- **Economic capital** can be defined as an institution's potential unexpected loss in a one-year horizon, with a statistical level of confidence.

As part of its self-assessment of capital, Bankinter estimates internally (in parallel with the estimate required by the regulator) the capital requirements deriving from all its risks.

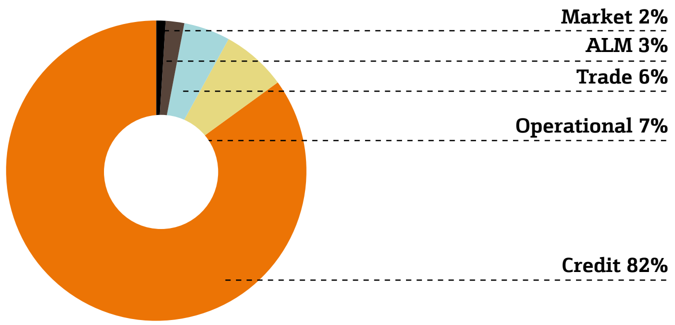
To do so, having calculated the regulatory capital requirements, it reviews and evaluates all its risks. To quantify these risks and to measure the required **internal capital**, it uses economic capital methods in proportion to the size and complexity of the activities. Where it is not possible or appropriate to use economic capital, regulatory capital requirements are applied.

At present internal capital requirements relating to market risk and interest rate risk (ALM) are estimated using economic capital methods, while regulatory capital methods are used for the remaining risks.

In the case of credit risk, given that Bankinter has for some years been using internal rating based (IRB) models, some of which are still in the process of being approved by the supervisory bodies, and which are sufficiently solid in the Bank's judgement, the regulatory capital that would result if these models had been approved by the supervisor and were applied is used as the internal capital for credit risk. The reason is that by using the same databases and parameters as with economic capital methods, a more conservative result is obtained.

The breakdown of internal capital by type of risk is as follows:

Contribution to economic capital by type of risk (%).



This heading includes the Bank's structural risks and risks arising from possible changes in the market price of negotiable financial instruments.

Structural and market risk management policies

The Board of Directors delegates the continuous monitoring of decisions regarding structural balance sheet risks (interest rate risk and liquidity risk), stock market risk and exchange rate risk of the Bank's corporate positions, as well as the establishment of financing policies, to the Assets and Liabilities Committee (ALCO). On an annual basis it reviews, approves and delegates to the ALCO the limits applicable for managing the aforementioned risks. The Treasury and Capital Markets Division implements the decisions taken by the ALCO with regard to the Bank's corporate positions.

The Board of Directors also sets the operating limits applicable to the Treasury and Capital Markets division for dealing on the Bank's own account in the financial markets on an annual basis, in order to take advantage of any business opportunities that may arise.

The Balance Sheet Management unit, which is part of the Capital Markets Directorate, has the function of measuring and managing the institution's structural risks.

The Market Risk unit, which is part of the Risk Directorate, has the independent function of monitoring and controlling the Institution's structural and market risks.

Structural risks

The following paragraphs describe the models generally applied by the Bank for managing, measuring and controlling structural interest rate and liquidity risks:

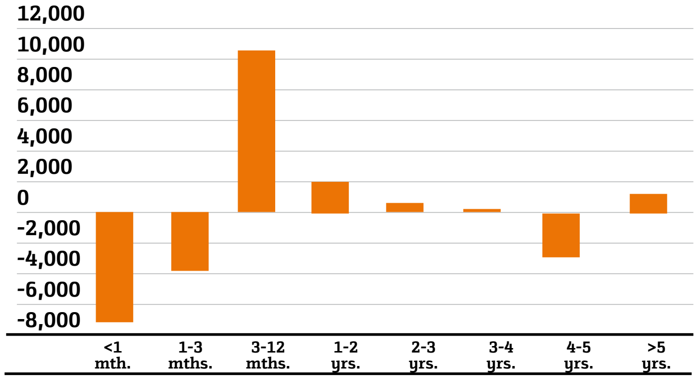
Interest rate structural risk

Structural interest rate risk is defined as the Bank's exposure to variations in market interest rates resulting from maturity and re-pricing gaps in the balance sheet asset and liability items.

Bankinter performs active management of this risk in order to protect the interest margin and to preserve the economic value of the Bank against interest rate fluctuations.

The situation of the interest rate risk map of the Bankinter Group as at the end of 2012 was as follows:

Interest rate risk (€ millions)



(*) Interest mismatch figures include the banking group's Banking Book

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

The exposure of the financial margin to interest rate risk in the event of changes of +/- 100 bp parallel movements in market interest rates is approximately +6 / -2% for a 12-month horizon.

At 2012 year-end the sensitivity of economic value to parallel shifts of 200 basis points stood at 0.8% of equity.

Liquidity Risk

The structural liquidity risk is related to the institution's capacity to fulfil its payment obligations and finance its investments. The Bank actively monitors the liquidity situation and its projection as well as actions to be taken both in normal market conditions and in exceptional situations arising from internal causes or market trends.

The measures used to control the liquidity risk are monitoring the evolution in the gap (or 'liquidity plan') and information and analysis on the specific situation of the balances resulting from trade operations, wholesale maturities of interbank assets and liabilities and other sources of funding. These analyses are performed both under normal market conditions and simulating different scenarios of liquidity requirements that could entail different trading conditions and changes in market conditions.

Market Risk

The Board of Directors delegates proprietary trading in the financial markets to Treasury and Capital Markets, which acts through its Trading Area with a view to taking advantage of trading opportunities that arise, using the most appropriate financial instruments at any given time, including interest rate, exchange rate and equity derivatives. The financial instruments with which trading is undertaken must, in general, be sufficiently liquid and be associated with hedging instruments. The risk that may derive from the management of the institution's own accounts is associated with movements in interest rates, stock market prices, exchange rates, volatility and credit spreads.

Every year Bankinter's Board of Directors approves limits and internal measurement procedures for the risk on each of the products and markets in which the Trading Area operates.

Market Risk, which reports to the Risks Directorate, has the independent function of measuring, tracking and controlling the Bank's market risk and the limits delegated by the Board.

It uses the VaR historical simulation calculation with a confidence level of 95% and a time horizon of one day. All limits are referenced to it. The limits established by the Board were not exceeded, and the use of risk was kept well within them. The Board and the ALCO are regularly informed of the levels of utilisation of these limits by means of specific reports.

Specific limits are also established by credit and counterparty risk, as well as approved markets.

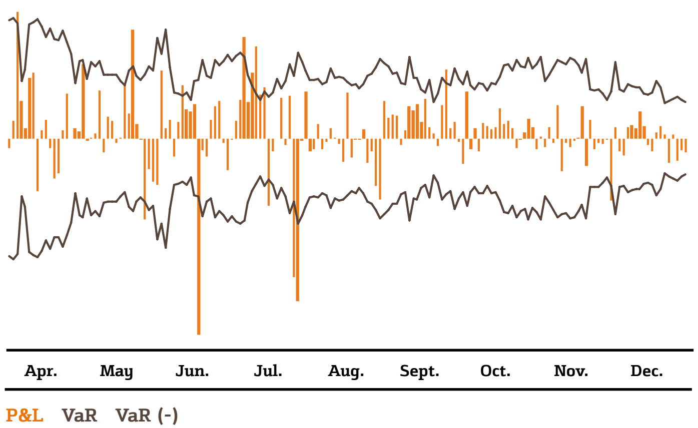
2012 was characterised by severe turbulence in the public debt markets of the euro zone. On top of the interest rate risk came significant credit risk and the risk of redenomination of various countries' public debt. As these risks built up, so liquidity in certain financial markets diminished.

In view of this situation in the financial markets, over the course of the year Bankinter established a series of sub-limits in accordance with market circumstances. Apart from this, the VaR calculation was reinforced by extending the *stress testing* analysis by adding specific assumptions based on expectations of their occurring in the financial markets, as well as endeavouring to simulate the most adverse circumstances for the positions taken in trading operations.

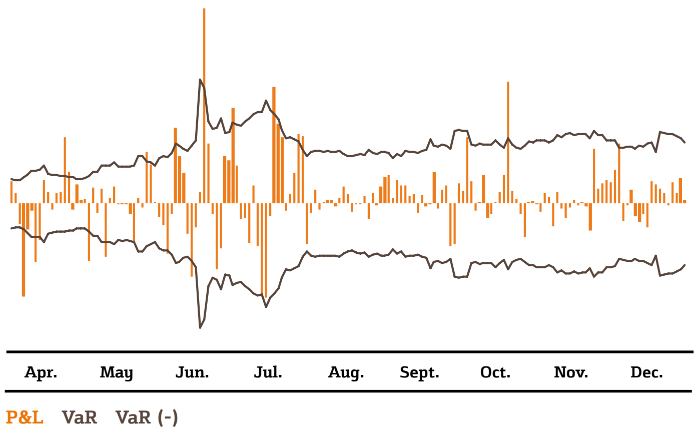
Together with all these calculations, there is also a daily calculation of conditional VaR, which provides a better insight into the risks assumed in trading operations.

Periodically the risk measurement models used are subjected to *back testing* to validate their calibration. These results of these tests were satisfactory. These graphs show the validity of the VaR model analysed by means of *back testing* on the main trading activities.

Trading 1



Trading 2



Value-at-Risk *(VaR)*.

The following table shows *VaR* values of the trading positions at year-end 2012:

VaR 2012 Trading (€ millions)	Final
Interest Rate VaR	0.86
Equities VaR	0.15
Exchange Rate VaR	0.07
Volatility Rate VaR	0.05
Credit VaR	0.00
Total VaR	**0.91**

Level of confidence 95%, time horizon of one day

Apart from this, Bankinter also monitors the *VaR* of the portfolio positions of its subsidiary, Línea Directa Aseguradora, on a monthly basis, using the historical simulation method. The *VaR* of Línea Directa Aseguradora's portfolio, based on the same assumptions, as at 31 December 2012 amounted to €0.8 million.

Stress Testing

Stress Testing, or the analysis of extreme scenarios, is a supplementary test to VaR. *Stress Testing* estimates quantify the potential loss in portfolio value from extreme changes in the risk factors to which it is exposed. The scenarios used in *stress tests* are obtained from an analysis of the behaviour of these risk factors in historical situations, simulating the impact that such scenarios of extreme changes in interest rates, stock markets, exchange rates, credit and other significant changes in volatility could have on the current portfolio. Changes recorded in relevant historical crises are also simulated. Additional scenarios deriving from the recent market situation were also carried out in 2012 in view of the sovereign debt crisis that had occurred during the year.

The following table shows the 2012 year-end *stress test* estimates for the Bank's trading positions, prepared using the scenario of the most extreme variations in the various risk variables.

Stress Testing 2012 (€ millions)	Final
Interest Rate Stress	7.41
Equities Stress	2.16
Exchange Rate Stress	0.40
Volatility Stress	3.33
Credit Stress	0.00
Total Stress	**13.30**

Applying the same scenarios to the positions of the portfolio of Línea Directa Aseguradora at the end of 2012, the stress amounted to €23.5 million.

Operational risk

Operational risk is defined as: The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The definition extends to legal risk but expressly excludes strategic risk and reputational risk. In general, it concerns risks which are encountered in processes and generated internally by persons and systems, or which are a consequence of external agents such as natural disasters.

Our operational risk management model is based on the guidelines of the Basel II Capital Framework, complies with Bank of Spain Circular 3/2008 on the determination and control of Equity and incorporates the best practices in the sector, which are shared in the CERO (Spanish Operational Risk Consortium) and CECON (Spanish Business Continuity Consortium) groups, of which Bankinter is an active member.

Basic governing principles

With a view to achieving an adequate system for managing Operational Risk, Bankinter has laid down the following basic governing principles:

– The basic aim is the preventive identification and mitigation of major operational risks, seeking to minimise the possible losses associated with them.

– Systematic procedures are established for assessing, analysing, measuring and reporting risks and generating appropriate action plans to control them.

– In terms of exploring the Bank's activities to draw up an inventory of operational risks, the unit selected for analysis is the business unit. Once the business units' risks have been analysed, the Bank's total risks are obtained by aggregating and consolidating them.

– Of the possible systems for calculating capital associated with operational risk in the framework of the Basel Accord, Bankinter has opted to apply the standard method, which is reserved to institutions that perform efficient, systematic management of operational risk.

Operational Risk Management Framework

The Bankinter Management Framework for Operational Risk is based on the following main elements:

– Identification and evaluation of risks by developing risk maps showing the severity level of the risk, evaluating the appropriateness of existing control mechanisms and showing action plans for mitigating these risks.
– Recording of loss events arising, with the associated management information, sorted and classified in accordance

The basic aim is the identification and mitigation of major operational risks, seeking to minimise the possible losses associated with them

with Basel recommendations.
- Monitoring risk by establishing a panel of indicators to provide information on the evolution of existing operational risk levels and alerts on the appearance of undesired trends.
- Creation of Continuity and Contingency Plans describing the set of procedures that are alternatives to normal operations and which are aimed at restoring activity in the event of an unforeseen interruption in critical services.
- Generating and disseminating management information that is suited to the needs of each governing body that has responsibilities in managing operational risk.

Structure of Governance

Bankinter applies a decentralised model in which final responsibility for managing operational risk rests with the business and support units.

For governance purposes, the following control bodies and general lines of responsibility have been established:

Board of Directors: Approves the policies and the management framework, establishing the level of risk that Bankinter is willing to undertake.

Operational, Reputational and New Product Risk Committee: An executive governing body on which the Senior Management is represented and which undertakes the following main roles in managing operational risk:

- To promote the implementation of active risk management policies.
- To track significant operational risks and progress on mitigation plans.
- To ensure that the protocol for evaluating risks associated with new product launches is applied.

Operational Risk: Reporting to the Risks Directorate, the Operational Risk unit has the following main functions:

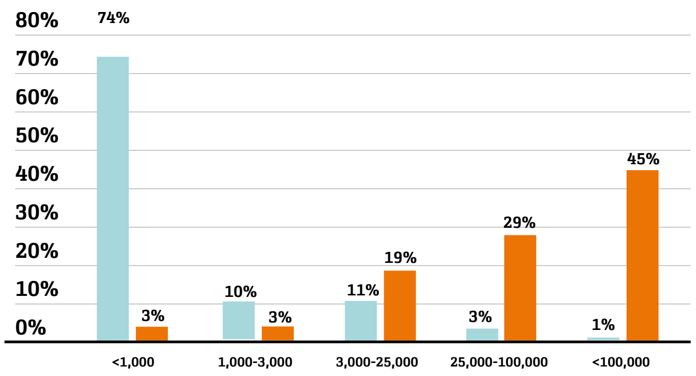
- Promoting management of operational risks in the various divisions, encouraging risk identification, allocation of responsibility, keeping of written records of controls, generation of indicators, drawing up of mitigation plans, regular review and action to be taken in the event of new significant losses or risks.
- Equipping areas and units with the methodologies, tools and procedures that are necessary for managing their operational risks.
- Promoting the construction of contingency and business continuity plans that are appropriate and in proportion to the size and activity of the institution in the units that so require.
- Ensuring that operational losses occurring in the institution are recorded correctly and in full.
- Providing the organisation with a uniform view of its exposure to operational risk, in which the existing operational risks are identified, integrated and evaluated.
- Providing information on operational risk to be forwarded to regulators, supervisors and external bodies.

Business Units: With the following functions:

- Management of operational risk in the unit and specifically, identification, evaluation, control, monitoring, analysis and mitigation of the operational risk on which it has the ability to act.
- Recording and communication of operational losses produced in the course of their activity.
- Studying, defining, prioritising and financing the operational risk mitigation plans which it is responsible for running.
- Maintaining and testing the business continuity plans supported by the unit.

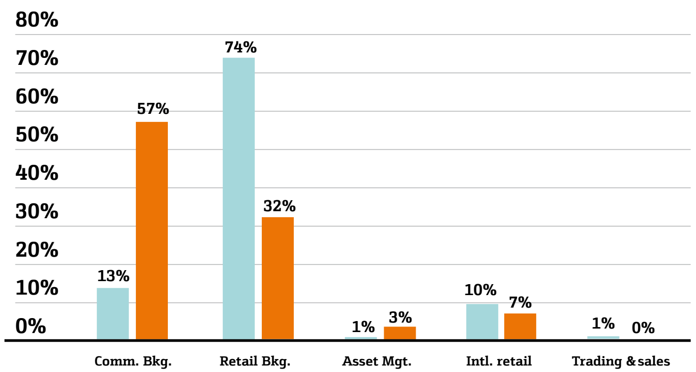
As regards databases of loss events, the Bankinter operational risk profile is represented in the following graphs:

Operational risk profile



% amount Events

Operational risk profile



% amount Events

Insurance in managing operational risk

Bankinter uses insurance as a key element in managing certain operational risks, thus complementing the mitigation of those risks that by their nature may so require.

To this end, the Insurance Area, together with the various areas in Bankinter, taking into account both the operational risk assessments and the record of losses, assess the advisability of altering the coverage perimeter of the insurance policies for the Bank's various operational risks.

Examples include insurance taken out with various companies of recognised solvency for contingencies affecting the Bank's premises (earthquake, fire, etc.), internal or external fraud (robbery, embezzlement, etc.), employees' civil liability, etc.

$$3 \times 2 = 6$$

$$-25 \times 3$$

results

Results

With the solid results achieved in 2012, the Bankinter Group confirms its position as one of the most solvent institutions in Spain's financial sector. These results are based on growth in all profit margins and increased revenues from all the main business lines, which, together with cost control, has led to significant gains in efficiency and productivity.

Bankinter's net profit for the year ended 31 December 2012 was €124.6 million, on pre-tax profit of €154.2 million. These profit figures are respectively 31.2% and 35.8% down on those posted for 2011. However, it should be borne in mind that this past year the Bank made the significant additions to provisions required by Royal Decree Laws 2/2012 and 18/2012, making the additions in full in the quarters in which the Laws were proclaimed, which had an impact on net profit of €124.3 million. Without this impact, the Bank's net profit for the year would have been €249 million.

The Group also continues to show extraordinary quality in terms of its assets, its NPL figures and its solvency, as was demonstrated by the stress tests to which the sector was subjected in September and which gave Bankinter a capital surplus of €399 million in the most adverse scenario envisaged.

The quality of Bankinter's assets continues to be much better than that of its peers, with an NPL ratio of 4.3%, as against the 11.4% shown by the sector as a whole in November and with coverage of 48.3%. In this respect the Bank's ratio of troubled assets (at-risk exposure + substandard risk + foreclosed assets as a percentage of total computable risk) is much lower than those of other banks, with a total of €2.74 billion, giving a ratio of 5.9% as opposed to the 15.9% of comparable banks.

Bankinter has a very small and well diversified portfolio of repossessed assets, very little of it represented by land, with a gross amount valued at €611.7 million and coverage of 37.7% of the book value. We would also point out that the Bank maintains a good rate of turnover, with sales of these assets representing 53.1% of the gross amount of all newly repossessed assets during the year.

As regards solvency, Bankinter has significantly strengthened its capital ratios, thanks in part to the new share issues carried out in support of the early conversion of subordinated bonds and preferred shares. As a result, the Bank's EBA capital ratio at the end of 2012 stood at 10.2%, compared with 7.3% at the end of 2011.

We would also point out that 2012 maturities totalling €2.5 billion were met with ease, thanks to new medium- and long-term issues carried out during the year for a total of €1.8 billion, and to a €3.2 billion reduction in the liquidity gap. As regards wholesale financing maturities for the next three years, these are totally covered by the bank's €7.9 billion of liquid assets.

In parallel, the bank continues to strengthen its retail financing, as can be seen from the trend in the ratio of deposits to lending, which at the end of 2012 stood at 66.9% as against 58.4% at the end of 2011.

With the solid results achieved in 2012, the Bankinter Group confirms its position as one of the most solvent institutions in Spain's financial sector

Margins growing strongly and solid business with customers

Bankinter's interest margin for the year amounted to €660.2 million, which was 21.7% up on 2011, this being one of the main drivers of the result. This was in spite of tighter margins brought about by the interest rate environment in the fourth quarter, the effect of which will be gradually offset in 2013 thanks to the new restrictions on remuneration of deposits. Gross margin for the year was €1,254.00 million, up by 13.5%. Profit before provisions, at €608.6 million, was up by 32.4% on 2011.

As regards Bankinter's balance sheet, total assets ended the year at €58.17 billion (2.2% less than at the end of December 2011). Total customer resources controlled by the Bank stood at €44.33 billion at year-end, 3.0% less than one year before, although retail resources (sight accounts, deposits and promissory notes) grew by 10.6% and resources managed off-balance sheet (investment funds, pensions and discretionary asset management) were up by 7.1%.

Lending to customers reached €42.06 billion, 1.3% less than at year-end 2011. However, if we turn the spotlight onto lending to businesses, and more specifically the Corporate Banking segment, lending increased by 20.3%, reaching €10.2 billion, as a result of the changing mix in the Bank's lending portfolio towards greater weighting of non-mortgage lending and consequently towards improved margins.

With regard to customer business, the steady pace at which new customers are won was maintained throughout the year, with a total of 130,600 new customers being acquired, 15% more than in the previous year. Of these, more than 34,000 belong to high income segments, a particularly important group in the Bank's strategy.

A similar growth trend is also shown by the insurance business, to which Bankinter pays particular strategic attention and which continues to make a notable contribution to Group results.

Thus, the result achieved by Bankinter Seguros de Vida (Life Insurance) in 2012 stands at €17.8 million, up 20.3% on 2011.

Línea Directa for its part showed sustained growth in a difficult environment, reaching 1.7 million motor policies at the end of the year, an increase of 2.1%. In relative terms, the increase in the number of home insurance policies was much greater: 35.4%, reaching a total of 219,000 policies at the end of 2012.

Interest margin

+21.7%

more than 2011

660

million euros

Profit and Loss Account	31/12/2012		31/12/2011		Difference	
	Amount	% of ATA	Amount	% of ATA	Amount	%
Interest and similar income	1,707,696	2.88	1,636,295	2.86	71,401	4.36
Interest expense and similar charges	-1,047,441	-1.77	-1,093,620	-1.91	46,179	-4.22
Interest margin	**660,255**	**1.12**	**542,675**	**0.95**	**117,580**	**21.67**
Income from equity instruments	11,791	0.02	16,491	0.03	-4,700	-28.50
Share in results of entities accounted for using the equity method	17,677	0.03	14,675	0.03	3,003	20.46
Net fees and commissions	203,840	0.34	198,884	0.35	4,957	2.49
Income from financial transactions and exchange differences	145,130	0.25	97,840	0.17	47,290	48.33
Other operating income/expense	215,347	0.36	233,916	0.41	-18,569	-7.94
Gross Margin	**1,254,041**	**2.12**	**1,104,480**	**1.93**	**149,560**	**13.54**
Personnel expenses	-323,080	-0.55	-329,965	-0.58	6,885	-2.09
Administrative expenses/Depreciation and Amortisation	-322,371	-0.54	-314,955	-0.55	-7,416	2.35
Operating profit (loss) before provisions	**608,590**	**1.03**	**459,560**	**0.80**	**149,030**	**32.43**
Additions to provisions and other	-19,439	-0.03	-28,175	-0.05	8,735	-31.00
Losses from asset impairment	-419,028	-0.71	-158,229	-0.28	-260,799	164.82
Profit from operations	**170,123**	**0.29**	**273,157**	**0.48**	**-103,034**	**-37.72**
Gains/losses on elimination of assets	-15,943	-0.03	-33,008	-0.06	17,065	-51.70
Profit before tax	**154,179**	**0.26**	**240,148**	**0.42**	**-85,969**	**-35.80**
Corporate tax	-29,525	-0.05	-58,922	-0.10	29,396	-49.89
Consolidated result	**124,654**	**0.21**	**181,227**	**0.32**	**-56,573**	**-31.22**
ATA	**59,193,462**		**57,206,653**		**1,986,809**	**3.47**

Profit and Loss Account	4Q12	3Q12	2Q12	1Q12	Q411
Interest and similar income	399,265	429,165	429,711	449,556	456,741
Interest expense and similar charges	-252,567	-254,252	-255,700	-284,922	-307,568
Interest margin	**146,697**	**174,913**	**174,011**	**164,634**	**149,173**
Income from equity instruments	3,392	1,626	5,287	1,486	2,197
Share in results of entities accounted for using the equity method	4,887	4,307	4,537	3,946	4,291
Net fees and commissions	53,798	51,483	49,880	48,679	50,802
Income from financial transactions and exchange differences	38,570	25,571	37,629	43,359	28,071
Other operating income/expense	53,301	53,542	58,432	50,072	59,249
Gross Margin	**300,646**	**311,443**	**329,776**	**312,176**	**293,784**
Personnel expenses	-78,351	-79,825	-84,008	-80,896	-78,447
Administrative expenses/Depreciation and Amortisation	-80,989	-78,196	-79,668	-83,518	-85,652
Operating profit (loss) before provisions	**141,306**	**153,421**	**166,101**	**147,762**	**129,685**
Additions to provisions and other	-2,938	-6,720	-5,471	-4,310	-320
Losses from asset impairment	-76,447	-71,562	-190,817	-80,202	-42,786
Profit from operations	**61,921**	**75,140**	**-30,188**	**63,250**	**86,579**
Gains/losses on elimination of assets	6,468	-9,936	-12,701	225	-42,352
Profit before tax	**68,389**	**65,204**	**-42,888**	**63,475**	**44,227**
Corporate tax	-16,031	-15,546	16,079	-14,028	-10,010
Consolidated result	**52,358**	**49,658**	**-26,809**	**49,447**	**34,217**
ATA	**56,774,164**	**58,781,551**	**60,109,113**	**60,191,042**	**59,008,448**

Cumulative Returns and Costs	31/12/2012		31/12/2011	
In %	**Weighting**	**Rate**	**Weighting**	**Rate**
Deposits with central banks	0.82%	0.46%	1.09%	0.97%
Deposits with credit institutions	4.33%	1.02%	5.75%	1.69%
Loans and advances to customers (a)	72.20%	3.06%	72.18%	2.96%
Debt instruments	16.86%	3.73%	15.33%	3.59%
Equities	0.48%	4.16%	0.67%	4.31%
Average earning assets (b)	**94.69%**	**3.07%**	**95.03%**	**3.04%**
Other assets	**5.31%**		**4.97%**	
AVERAGE TOTAL ASSETS	**100.00%**	**2.90%**	**100.00%**	**2.89%**
Deposits from central banks	15.43%	0.89%	5.12%	1.28%
Deposits from credit institutions	13.04%	1.91%	13.30%	2.30%
Customer resources (c)	62.24%	2.07%	70.44%	2.21%
Customer deposits	37.00%	1.94%	42.39%	1.97%
Marketable debt securities	25.24%	2.27%	28.05%	2.58%
Subordinated liabilities	1.68%	3.93%	1.68%	4.77%
Average interest-bearing funds (d)	**92.39%**	**1.89%**	**90.56%**	**2.11%**
Other liabilities	**7.61%**		**9.44%**	
AVERAGE TOTAL FUNDS	**100.00%**	**1.75%**	**100.00%**	**1.91%**
Customer margin (a-c)		**0.99%**		**0.75%**
Net interest income (b-d)		**1.18%**		**0.93%**

	2012	2011
Pre-tax profit (€ 000s)	154,179	240,148
GDP (€ 000s)	471,197	510,850
Customer funds (€ 000s)	36,218,319	37,951,761
Total lending (€ 000s)	42,059,716	42,605,299

	2012	2011	Change (€000s)	Change %
Average total assets	59,193,462	57,206,653	1,986,809	3.47

Value added to GDP €000s	2012	2011
Employee salaries	342,498	329,965
Direct taxes	36,449	63,854
Corporate Income Tax	29,525	58,922
Other taxes	6,923	4,932
Remuneration of capital	46,125	58,516
Retained earnings	46,125	58,516
Total	**471,197**	**510,850**

equity and bankinter shares

Equity and rating

The Bankinter Group has an efficient equity structure, with the creation of long-term value for shareholders being one of the Bank's strategic priorities. Its prudent risk profile and clean credit portfolio have enabled it to operate with levels of capital of around 7%. However, in the past two years both regulators and markets have significantly raised capital requirements, and the Bank has adapted swiftly to the new situation, raising its capital ratio by almost three percentage points in just one year, from 7.3% at the end of 2011 to 10.2% as at 31 December 2012 in accordance with EBA criteria.

EBA capital ratio

10.2%

			Difference	
(€000s)	**31/12/2012**	**31/12/2011**	**Amount**	**%**
Capital and Reserves	2,991,426	2,554,154	437,272	17.12
Other equity instruments	72,633	404,812	-332,180	-82.06
Capital in the form of a financial liability	60,844	168,165	-107,321	-63.82
Treasury shares	-226	-742	517	-69.61
Intangible and other assets	-283,117	-296,820	13,703	-4.62
Other deductions	-103,581	-165,736	62,155	-37.50
Tier 1	**2,737,979**	**2,663,833**	**74,146**	**2.78**
Revaluation reserve	94,308	97,998	-3,690	-3.77
Subordinated financing	568,686	658,232	-89,546	-13.60
Generic insolvency funds	0	54,678	-54,678	-100.00
Other deductions	-96,551	-154,243	57,692	-37.40
Tier 2	**566,443**	**656,665**	**-90,222**	**-13.74**
Total Equity	**3,304,422**	**3,320,498**	**-16,076**	**-0.48**
Risk-weighted assets	**25,424,253**	**28,454,731**	**-3,030,478**	**-10.65**
Tier 1 (%)	**10.77**	**9.36**	**1.41**	**15.03**
Tier 2 (%)	**2.23**	**2.31**	**-0.08**	**-3.46**
Capital ratio (%)	**13.00**	**11.67**	**1.33**	**11.38**
Surplus capital	**1,270,481**	**1,044,119**	**226,362**	**21.68**
Core Tier 1 in accordance with EBA criteria	**2,604,502**	**2,072,904**	**531,598**	**25.65**
Core Tier 1 ration in accordance with EBA criteria (%)	**10.24**	**7.28**	**2.96**	**40.62**

Ratios estimated in accordance with the Bank of Spain's rules on solvency and EBA criteria.
Internal models are applied to the following portfolios: Home mortgages for private individuals, Small companies, Medium-sized companies, Project Finance and Unsecured loans.

The Group's total equity at the end of 2012 stood at €3.30 billion as per currently applicable solvency rules.

Total equity considered as Tier I amounts to €2.74 billion, while Tier II stands at €566 million. Core Tier I capital based on European Banking Authority (EBA) criteria amounts to €2.61 billion.

During 2012, in order to comply with the requirements laid down by Royal Decree Laws 2/2011 and 24/2012, which established minimum capital ratios of 8% and 9% respectively, Bankinter carried out two financial transactions to strengthen its capital, as described below.

On 15 March 2012 the General Meeting of Shareholders approved the establishment of an additional, voluntary conversion period for the 2011 issue of Mandatorily Convertible Subordinated Bonds and of special remuneration for those holders voluntarily converting their bonds during that period. The details of this conversion are contained in the 14 February 2012 announcement of the calling of the AGM. The voluntary conversion period ended on 10 May, and as a result the Bank's core Tier I capital increased by €332 million.

In July 2012 the Board of Directors, by virtue of the authorisation granted it by the General Meeting of Shareholders, made a public offer to holders of Bankinter preferred shares. The terms and conditions of this offer were summarised in the "Significant Event" report sent to the CNMV (Spain's securities regulator) on 18 July 2012. As a result of this transaction the Bank's core Tier I capital increased by €75 million.

Against the backdrop of the financial crisis in the euro zone, in 2012 the credit rating agencies made unprecedented cuts to Spain's sovereign debt rating and economic outlook, which translated into rating downgrades for all financial institutions, Bankinter being no exception. The credit ratings at year-end were as follows:

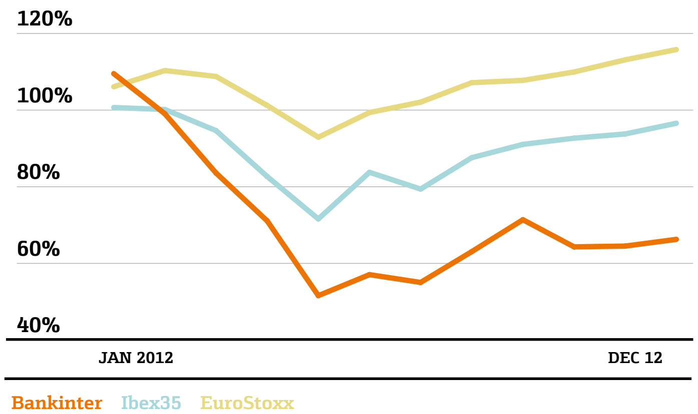
Ratings	Short-term	Long-term	Outlook
Moody's	NP	Ba1	Negative
Standard & Poor's	B	BB	Negative
DBRS	R-1 (low)	A (low)	Negative

Bankinter shares

As a consequence of the market situation, the share price fell by 33.9% in 2012, which, when the returns from the dividend distributed up to the date of publication of this report are taken into account, represents a negative return of 32.1%.

The figure shows a comparison between the performance of Bankinter's shares (-33.9%), the Ibex 35 (-4.7%) and the EuroStoxx 50 (+13.8%) in 2012.

Bankinter shares compared with the Ibex35 and EuroStoxx



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

Figures per share for the period (euros)	
Earnings per share	0.24
Dividend per share	0.12
Theoretical book value per share	5.73
Share price at start of year	4.75
Lowest price	2.10
Highest price	5.37
Latest price	3.14
Revaluation over the last 12 months (%)	-33.89

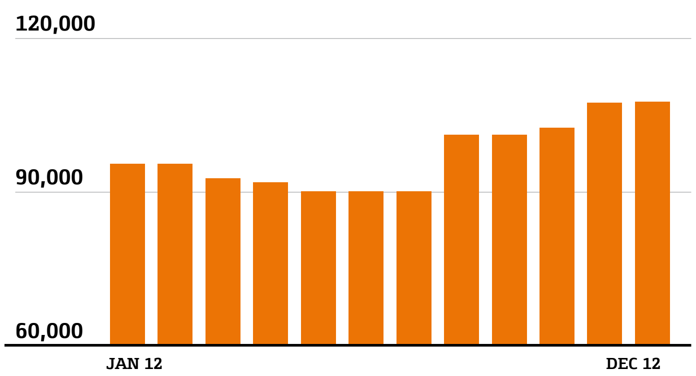
The distribution of profits for the financial year 2012 as at the date of publication of this report is as follows:

Date	Dividend per share (euros)	No. of shares	Treasury stock (own shares)	Shares with rights	Amount (€000s)	Results for the year
Jul-12	0.0286614	536,506,626	70,595	536,436,031	15,375	2012
Oct 2012	0.027276	563,777,178	95,038	563,682,140	15,374	2012
Jan 2013	0.027275	563,806,141	102,898	563,703,243	15,375	2012
Total	**0.0832124**				**46,125**	

ADRs

ADRs (American Depositary Receipts) are a type of product enabling US residents to invest in foreign companies by means of a certificate of deposit (ADR) and to receive dividend payments in the manner most convenient to them. Bankinter's ADR programme is administered by the Bank of New York Mellon. As of December 2012 there were a total of 108,000 ADRs in circulation.

Trends in Bankinter ADRs



Share capital and treasury stock

The share capital of Bankinter S.A. was represented, as at 31 December 2012, by 563,806,141 shares, each with a nominal value of €0.30 fully subscribed and paid up.

All the shares are represented by book entries, listed on the Madrid and Barcelona stock exchanges and traded on the Spanish computerised trading system.

Stock market ratios	2012	2011
Theoretical price / book value (times)	0.55	0.85
PER (price / earnings, times)	14.24	12.5
No. of shareholders	76,541	71,932
No. of shares	563,806,141	476,919,014
No. of shares held by non-residents	171,424,399	191,316,496
Average daily trading (No. of shares)	2,440,388	1,231,000
Average daily trading (€000s)	8,404	5,281

Bankinter has 76,541 shareholders. The main features of the shareholder structure are as follows:

— Resident shareholders hold 69.6% of the share capital.

— Non-residents hold 30.4% of the share capital.

— Treasury stock at year-end consisted of 76,316 shares.

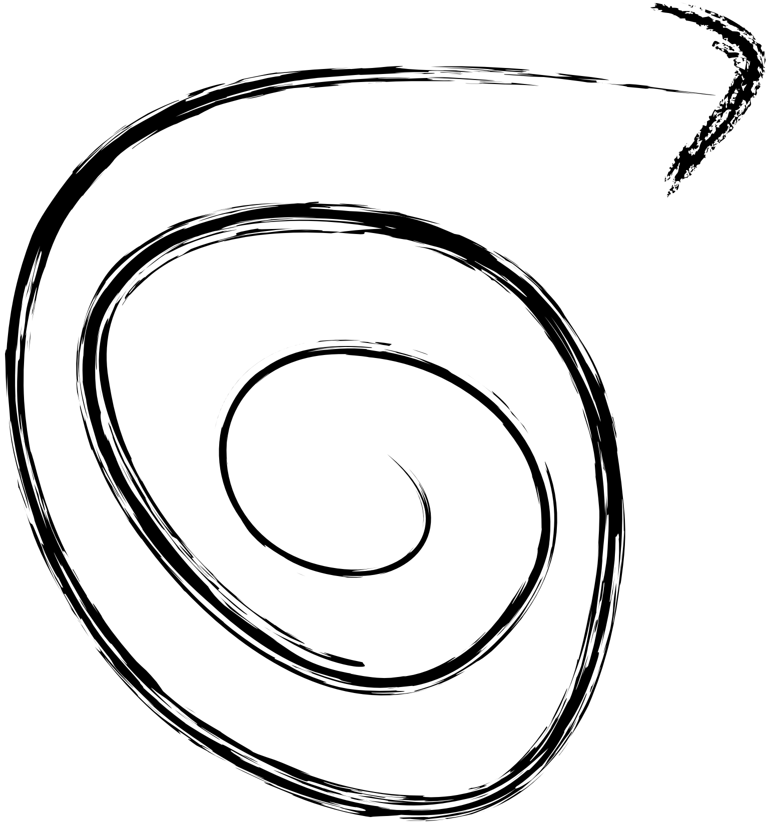
— Shareholders of record holding more than 10% of the share capital at 2012 year end are shown in the following table:

Shareholders with a holding greater than 10%	Total Shares	%
Cartival, S.A.	131,565,493	23.34
Crédit Agricole	85,146,775	15.10

Summary by type of shareholder	No. of Shareholders	%	No. of Shares	%
Residents	75,841	99.09	392,381,742	69.60
Non-residents	700	0.91	171,424,399	30.40
Total	**76,541**		**563,806,141**	

Share ownership structure by number of shares as at 31 December 2012				
Brackets	**No. of shareholders**	**%**	**No. of Shares**	**%**
From 1 to 100 shares	26,920	35.17	340,746	0.06
From 101 to 1,000 shares	22,834	29.83	10,128,432	1.80
From 1,001 to 10,000 shares	22,780	29.76	73,334,667	13.01
From 10,001 to 100,000 shares	3,773	4.93	86,690,869	15.37
More than 100,000 shares	234	0.31	393,311,427	69.76
Total	**76,541**		**563,806,141**	

Share capital and treasury stock						
%	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**
January	0.04	0.01	0.01	0.84	1.06	0.02
February	0.13	0.01	0.01	0.84	1.03	0.03
March	0.11	0.01	0.01	0.64	1.03	0.02
April	0.12	0.02	0.01	0.92	1.03	0.02
May	0.28	0.09	0.02	0.14	1.03	0.02
June	0.13	0.06	0.02	0.06	1.03	0.03
July	0.72	0.02	0.01	0.01	1.02	0.02
August	0.42	0.06	0.01	0.01	1.02	0.02
September	0.17	0.01	0.01	0.01	1.02	0.15
October	0.10	0.01	0.01	0.01	1.01	0.09
November	0.16	0.01	0.03	0.01	0.96	0.95
December	0.01	0.03	0.09	0.02	0.88	1.05



other business

Bankinter Asset Management

Total assets of investment funds managed by Bankinter Asset Management at the end of 2012 stood at €3.59 billion, representing a fall of 2% relative to the end of 2011.

The fall was due essentially to the decline in money market funds, the loss of faith in the sovereign debt of certain countries, which also led to long-term fixed income investments being shunned, and high market volatility during the year.

As well as its own funds, Bankinter also sells the funds of 47 international asset managers to round out its own range of funds in terms of both geographical diversification and asset classes. In 2012 these international funds' assets increased by 41.7%.

Including these international funds, total assets of the funds sold by Bankinter (both own and third party), amounted to €5.03 billion at the end of 2012, compared with €4.74 billion one year earlier, representing an increase of 6%. This growth exceeds that of the average of our competitors, according to data from Ahorro Corporación.

During 2012 Bankinter launched a total of 17 guaranteed funds: seven equity funds and ten fixed income funds, this last category being the one that aroused most interest among investors, not only with Bankinter but with all Spanish asset managers.

In Bankinter, guaranteed funds accounted for 24.3% of total assets subscribed in 2012, compared with 20.8% the year before.

Bankinter Asset Management is adapting its current fund offering to the new needs of our customers. This process, which started in 2012 and will continue in 2013, will involve the merging of a significant number of funds, resulting in a simpler range of funds with more assets.

In terms of profitability, Bankinter Asset Management managed to have several of its funds ranked among the best of the year.

'Bankinter Bolsa España', a Spanish equities fund that invests mainly in Ibex35 companies, obtained a positive return for the year of 5.7%, which compares very well with its benchmark index, the Ibex35, which showed a negative return of 4.7%.

Other funds that performed particularly well in 2012 were 'Bankinter Multiselección 25 Fi' and 'Bankinter Multiselección 50 Fi'. These are global multi-asset funds invested in fixed income, equities, currencies and commodities. These funds posted returns of 6.3% and 9.1% respectively for 2012.

Bankinter Bolsa España

+5.7%
return in 2012

Equities

This area groups together all the business and income generated by the deposits and operations of customers in stock and derivatives markets through the various instruments and channels that the Bank makes available to them.

Bankinter continues to lead the market in terms of value offered to retail investors operating on the stock market. During 2012 we continued to incorporate improvements to the online broker, such as those made to the ETF page, with new search functionalities, a training "classroom", etc., and a new scorecard that helps clients track their investments more easily. All this is rounded out with the reports provided by the Bank's analysis department, which include *technical analysis* to help clients with their decision making.

During 2012 the advisory activity was intensified by holding working sessions, colloquiums and courses for customers, delivered by specialists from the Bank's various regional organisations, which were attended by more than 6,000 people.

Bankinter offers a wide range of products and services for stock market investors, including spot trading on the national market and the main international markets, as well as transactions involving derivatives, warrants and futures. Also worthy of note is the possibility of operating on credit, making the most of opportunities in both bull and bear markets, or investing in a broad range of ETFs, exchange traded funds, which enable investors to combine the agility of a stock market investment with the possibility of diversification offered by investment funds. Lastly, customers have access to various tools to help them manage risk. For example they can select the type of order to be sent to the stock market: stop, dynamic, referenced and linked orders, with conditions and restrictions, etc.

At the close of 2012, one in every five customers had at least one securities account with Bankinter. The nominal value in custody at year-end stood at €8.87 billion. The cash value in custody stood at €17.83 billion at the close of 2012, representing a decrease of 0.2% compared with 2011.

Equities activity during 2012, measured by the number of orders, was 16.5% down on the previous year. The reasons are, on the one hand, the lack of financial transactions, and on the other hand the fall in activity as a result of the uncertainty in the markets and clients' preference for high-yielding deposits.

The volume traded by clients in monetary terms was also down, by 23% compared with 2011, in line with the market figures published by BME, the Spanish stock market operator. As a result of these significant falls in both numbers of orders and volumes traded, 2012 gross profit for this division fell by 7.6% compared with 2011.

The possibility of operating via different channels is of key importance for this business, and this is one of the distinctive advantages of Bankinter's value proposition. For example, 76.9% of variable income operations are performed via the Internet, 19.8% via the branches, 0.9% via the Telephone Banking service and 2.3% via mobile telephone.

In terms of quality as perceived by customers, we would highlight the fact that the 'Recommend Bankinter Broker' item had an NSI of 77.9 points and that other items also stand out, such as 'Availability' (NSI 79.7), 'Ease of Use' (NSI 76.9) and 'Transaction Speed' (NSI 79.4).

During 2012 the advisory services activity was intensified

Obsidiana

Bankinter Consumer Finance continues to consolidate its position in the consumer finance sector, strengthening its distribution of *revolving* cards through its strategic alliances. Its main mission is to meet customers' financing requirements by providing them with flexible means of payment for managing their day-to-day finances.

In line with previous years, the Bank made significant investments in marketing in order to promote the growth of the business. The Company pursued a risk management policy focused on the risk-return trade-off, adjusting the price of each offer in line with the customer profile so as to ensure profitability.

As a result Bankinter Consumer Finance saw its customer base grow by 7% compared with 2011, reaching a total of 451,914 cards issued at year-end.

The quality of the portfolio increased substantially, with the fall in average customer lending being cut back from 14% in 2011 to just 1% in 2012, ending at €323.27 million. Gross operating profit grew by 3% during the year, to €58.8 million; and the cost of NPLs continued its downward trend, thanks mainly to the in-house Recoveries unit.

In short, 2012 was very positive for Bankinter Consumer Finance, which contributed solid profits to the Group's results.

The Bankinter Consumer Finance customer base grew by

7%

relative to 2011, reaching a total of

451,914

cards issued

Línea Directa Aseguradora

Línea Directa Aseguradora, a wholly-owned Bankinter subsidiary, holds fifth place in the national ranking of motor insurance companies by volume of premiums written, with a turnover of more than €650 million in 2012. This company has shown the highest growth rate in the sector for the past few years, consolidating its position as a benchmark for quality, profitability and job creation, with a workforce of nearly 2,000 professionals and a portfolio of more than 1.96 million policies.

In terms of how it operates, a salient characteristic of Línea Directa is its use of the telephone and the Internet as the only distribution methods, eliminating intermediation costs and investments in physical branch networks, enabling it to pass on the savings to the end customer and to offer high-end products at very competitive prices.

At present, Línea Directa operates in the Motor and Home branches, relying on efficiency, technology and specialisation as the main drivers of its growth and service, for which it attained a Net Satisfaction Index score of 80.95 which is close to excellent.

Home

Despite the stagnation of the Spanish property market, Línea Directa's Home insurance business ended the year with more than 200,000 policies (50,000 more than in 2011), establishing itself, after just five years of operation, as one of Spain's leading Home insurers.

During 2012 Línea Directa worked to improve efficiency in handling Multi-risk accidents, optimising the updating of provisions and all the payment processes. It also improved increases in average premiums and control of cost of claims, priorities that have made it one of the most profitable, flexible and competitive propositions in the sector.

Innovation as business opportunity

In line with its commitment to innovation, in 2012 Línea Directa launched Penélope Seguros, the first company to be created by and for women, in the preparations for which more than 500 women drivers took part, creating a dynamic, open and flexible product which offers unique cover in the market specifically aimed at women. Línea Directa also became the first insurance company to distribute its insurance through latest generation

Portfolio Línea Directa

1.96
million policies

€650 m
premiums written

80.95
NSI Average

mobile phones, enabling it to quote prices to customers in less than three minutes.

The value of responsibility

Línea Directa is firmly committed to responsible business practices in which values such as safety, equal opportunities, transparency, integrity, employee development and respect for the environment form an essential part of its corporate culture. For this reason, to continue contributing value both to the company itself and to its main stakeholder groups, in 2012 the company developed and implemented a specific corporate responsibility plan in which all existing initiatives in the organisation were systematised.

The plan, managed, coordinated and supervised by a specific Committee, is structured in four distinct areas of action: Home, Highway, Climate and Corporate. In the first two cases, actions are constructed around the concept of safety, which is an absolutely strategic area for the company. The climate field of action rests conceptually on sustainability and respect for the environment, while the corporate field of action includes various initiatives with people as their common denominator, combining a number of different actions and programmes relating to integration, corporate volunteer work, work-life balance and ethical conduct.

We should also mention that 2012 was the first year in which Línea Directa carried out two different studies on road safety, which analysed drivers' decision-making processes in driving and identifying danger spots in Spain's major cities, and which were widely reported in the media. Línea Directa also held the 9th edition of the Journalists Road Safety Award, which once again had record numbers of attendants and had the participation, support and collaboration of the Director General for Traffic, María Seguí, and the Deputy Prime Minister, Soraya Sáenz de Santamaría.

Awards and distinctions

During this past year Línea Directa won several awards and recognitions, notably the 'Ability Awards' granted for ambitious policies for the inclusion of people with disabilities in the 'Private Sector Major Corporate' category. Still in the field of CSR, in 2012 the company received the Fundación Alares award, and was considered for the first time by MERCO (Monitor Empresarial de Reputación Corporativa, or Corporate Reputation Monitor) as one of the 100 businesses with the best reputation and one of the best companies to work for in Spain.

Gneis

Gneis Global Services provides technological and operational services to Bankinter and carries out projects for it in these fields. This company brings together all the people from the Bank's former Technology and Operations divisions.

These services are of great importance in Bankinter, since they are closely linked to the company's strategic pillars of multi-channel access, quality of service, innovation and people, as well as providing great efficiency gains for the Group.

Growth in revenues from new business lines

The transformation of Gneis into a service company selling its own solutions enabled a series of business lines to be launched with innovative and competitive products in the fields of banking software, information and data management and multi-channel access. The following are two examples of this:

- **Bluesoc:** A standard-setting product in information security, and one of the most advanced solutions in market monitoring and correlation, giving customers improved protection for their IT assets as well as ensuring compliance with legal and regulatory obligations by providing real time visibility of what is happening in the networks, data centres, etc.
- **GEM - Short messaging platform:** A solution allowing customers to use a mobile phone as a channel for communication and distribution of the company's products. This has been a major success for Bankinter. The platform is designed to serve both financial and non-financial service companies, and roll-out has already started for other banks in Latin America through a joint service with Telefónica.

During 2012 Gneis maintained contacts with numerous potential customers in Spain, Europe and Latin America, which helped it to fine-tune its solutions and prepare for the launch of new service lines.

Gneis, a shared services company

Gneis is in the process of becoming the Bankinter Group's shared services company. The synergies that this generates is leading to substantial savings as well as a considerable increase in efficiency. One example is the setting up, in the last quarter of the year, of the new contact centre for the Group, serving both Línea Directa and Bankinter and using the latest generation technology.

Bancassurance

As in the past few years, 2012 saw continued growth in Bankinter's fee income from Bancassurance operations, which were 2% ahead of the previous year. This year too, the increase is related to insurance selling that is increasingly decoupled from banking products.

Breaking it down by business lines, we see that the Bankinter Seguros de Vida life insurance brokerage business continues to generate significant growth in commissions, thanks to the business lines created during the previous years, most notably endowment policies.

Also in line with previous years, intermediation in non-life insurance continued to focus on products not linked to banking transactions but offering appropriate cover to customers in both their working and private lives.

The total amount of premiums handled by Bankinter was €111 million, which generated €41.4 million in brokerage commissions.

Assets managed by Bankinter in pension and provident funds increased by €140 million during the year, from €1.25 billion at year-end 2011 to €1.39 billion at the end of 2012.

The Bank sells a total of 30 funds, of which 18 are individual pension funds, two are funds belonging to the employment system and one is a provident association to which ten provident funds belong, two more than in 2011, both with guaranteed fixed income.

The composition of the portfolio by asset class is very well balanced and has been repositioned in line with the investor profile of the Bank's customers. 30% of this portfolio is in short-term fixed income, 29% is in guaranteed fixed income, 26% is in equities and the remaining 15% is invested in mixed funds and long-term fixed income.

Another highlight of 2012 was the incorporation of the new company Bankinter Seguros Generales, a joint venture between Bankinter and Mapfre to develop non-life insurance business (except for motor, home and travel assistance). This company started operations in January 2013 after obtaining the necessary administrative approvals.

This new joint project will involve strengthening Bankinter's insurance business as well as boosting fee income in the coming years.


innovation
twenty12

innovation

Innovation

Centre for Innovation

The Bankinter Centre for Innovation came into being in 2011 as the result of the Bank's firm strategic commitment to innovation in banking.

The Bankinter Centre for Innovation consolidated its activity in 2012, collaborating on the development of new solutions for the Bank's customers as well as designing, constructing and launching innovative businesses.

The Centre for Innovation worked together with the Bank's business units to ensure that innovation reached the end customer. In this regard the Centre collaborated actively on initiatives such as improving the value proposition in capturing and managing customer savings aimed at making saving more exciting: targeted saving, online savings management interface and savings planning. It also collaborated on the development of a comprehensive international business proposition for the Bank's corporate customers. This development includes the integration of third-party services, enabling companies to obtain from Bankinter everything they need to venture into exports or international expansion.

Moreover, Bankinter, as an institution which is renowned for its product and service innovation, continued to promote, through the Centre for Innovation, all these successes and advances, helping to underpin this recognition internationally.

New International Business website.

Savings management website for private individual customers.

COINC (coinc.es)

COINC is a new savings portal created by Bankinter, the purpose of which is to help users achieve specific goals, making saving easy and even enjoyable.

This portal has been designed specifically for a 100% online environment based on the latest Web 2.0 browsing trends and the social networks concept of relations and ties. COINC represents an innovative way for users to manage their banking affairs and savings objectives practically, intuitively and simply.

COINC brings together the advantages of the traditional savings format (safety and profitability, since it is based on a remunerated current account) and the facilities of the Internet and the social networks.

COINC is open to all, although it is more particularly suited to experienced Internet users who feel comfortable using online tools and who habitually use the social networks in their daily lives and wish to make their dreams come true but prefer to do so in a fun way and without having to use the traditional banking systems.

COINC opened to customers in October 2012, offering individual goal-based savings.

During 2013 a further series of functionalities will be launched on COINC, such as a joint savings option and the ability to publish goals on the main social networks, so that friends and relations can be asked to contribute to their attainment. 2013 will also see the launch of the mobile version of COINC and exchange of goals at merchants, which will contribute value to users and help them realise their dreams more sooner.

Comparison Website (comparador.com)

Internet users are increasingly turning to services that compare products and services as a prior step to buying or subscribing to them; and this trend has also spread to the field of finance.

In line with this trend, there has been a proliferation of websites dedicated to comparing products of similar characteristics offered by different companies.

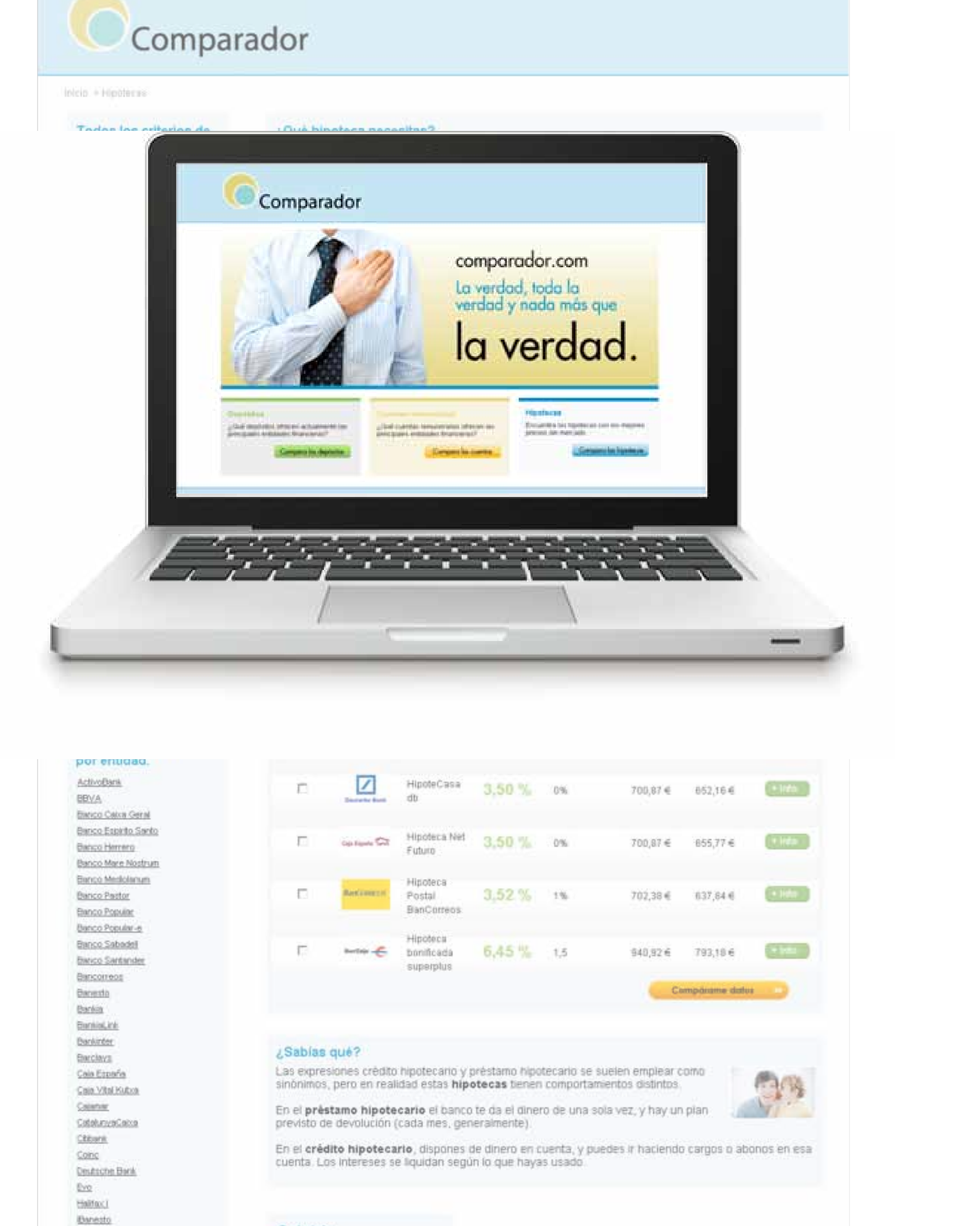
During 2012 Bankinter revamped its comparador.com website, completely redesigning and re-launching it, with a view to making it a leading website for comparing financial products.

This redesign focused on substantially enhancing the customer experience and the transparency of the information shown.

The portal provides online comparisons of the financial products most in demand and most searched for on the Internet, such as mortgages, deposits, remunerated accounts, payroll accounts and deposits and accounts with gifts.

The website is designed with a very simple visual interface to enable users to find the information they need with just a few clicks. Special emphasis was also placed on price transparency, this being its main added value compared with the other competitors. Very similar products are always compared showing the best prices in the market, as opposed to interminable lists of sponsored products. Similarly, although comparador.com does have spaces for advertising, these are not invasive.

In due course we will extend the offering to new products and services, including non-financial ones of interest to users.



Payment by mobile phone

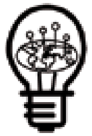
Bankinter is committed to bringing ‘convenience’ to customers by means of technology, and for that reason it continues to develop payments by mobile phone.

In this regard it has developed a product called ‘Bankinter Financial Portfolio’ which enables a small group of users to pay in merchant outlets using Bankinter debit or credit cards available via a mobile terminal. It will be possible to make this solution available to all Bank customers during 2013, as the other parties involved in the model, particularly merchants and mobile phone manufacturers, continue to join it.

Bankinter Foundation for Innovation (FIBK)

Aligned with Bankinter’s strategy of innovation, 2003 saw the establishment of the Bankinter Foundation for Innovation, whose mission is to promote and consolidate innovation in the Spanish business world, strengthening its long-term commitment to continue creating long-term value for all groups, and especially for entrepreneurs and other agents of change in our economy.

The Foundation’s activities find expression in its three projects:



Future Trends Forum

Think-tank focusing on detecting and analysing trends in innovation with a view to encouraging innovation in the Spanish business fabric

Akademia

Programme to incentivise innovation and entrepreneurship among Spanish students

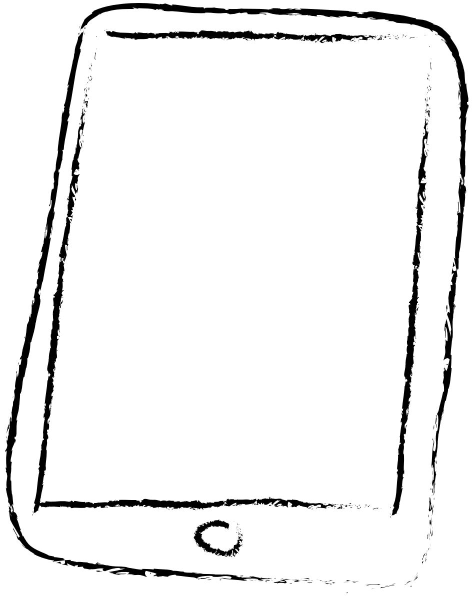
Entrepreneurs

Programme aimed at supporting entrepreneurs and fostering an entrepreneurial culture in Spain

During 2012 the Future Trends Forum was recognised by the University of Pennsylvania’s Think Tanks and Civil Societies Program as the world’s 19th ranked think tank, and the only Spanish one, specialising in science and technology, as included in the Global Go-To Think Tank Index.

Detailed information on the Foundation can be found on the website fundacionbankinter.org and in the Sustainability Report.

Future Trends Forum recognised as the best Spanish science and technology think tank and one of the world’s top 20



Technology and Operations

Gneis

Gneis Global Services provides technological and operational services to Bankinter and carries out projects for it in these fields.

Transformation of the operating model

Gneis continued to pursue the transformation of Bankinter's operating model, centralising management of the operations by concentrating the *back-offices* and operating departments. This leads to greater efficiency in the service, as well as a level of specialisation that translates into improved quality for the customer and more exhaustive control of operating risks.

These changes have relieved the branches of some of their administrative workload, allowing them to focus more on the sales activity and customer service.

This transformation is being carried out using the most advanced tools and technologies in the market, such as BPM (business process management) and digitisation, which enable us to automate and control the asks executed within the processes and so provide information with which to optimise the time it takes to carry out the activities.

This reengineering of processes has produced notable improvements in the internal organisation, optimising the operating procedures and enabling us to handle a similar volume of transactions in 2012 to that of the previous year but at a lower cost.

Optimisation of IT infrastructure

During 2012 significant efficiency improvements were made thanks to the optimisation of the operating systems in the IT infrastructures.

The Bank continued the process of outsourcing with IBM, in which Gneis consolidated the maintenance and control of the processes, the knowledge and the strategic decisions on the technology, sub-contracting operations and making them more efficient. Also, infrastructure services to other members of the Group were expanded, leading to significant savings by reducing unit costs per transaction to the benefit of Group results.

Service differentiation

Improvements to business information

It is becoming ever more necessary to have exhaustive and detailed management and business information. Therefore Gneis carried out a pioneering project for Bankinter on improving the monitoring and control of the sales network's annual sales objectives with open reports at all levels of the organisation (this being a differentiating feature), for the heads of sales and senior management.

This *Business Intelligence* tool enables us to transform data into information and information into knowledge. In this way we can improve the business decision making process by using business criteria and customer segmentations, creating allocation rules for selected levels and distributing the sales objectives in calendar form.

The platform eliminates manual controls and centralises the information, avoiding possible risks and errors and also enabling simulations and trend analyses to be carried out to compare periods so as to monitor the Bank's strategy and its alignment with tactical and operating decisions.

Quality services

The in-house quality surveys showed a general improvement compared with the previous year in all services provided by Gneis to Bankinter, with particularly good results for the User Service Centre, the Guarantees department and the Support Service for International Transactions.

Complementing this, Bankinter's systems have high quality ratings thanks to the excellent levels of availability – close to 100% - of the services offered to customers and the response times of all the websites, including sales sites and the Intranet, etc.

Innovative redesign of websites

During 2012 we completed the website redesign project, which sought to facilitate the creation, editing and publication of content in a simpler and more flexible way by making content and presentation independent of the website to facilitate design changes.

The most secure bank

Gneis provides Bankinter with one of the most secure platforms in the market. In 2012 we continued to implement new controls and technological and organisational measures designed to manage security and technological risks, which contributes towards ensuring compliance with the requirements made of the Bank by its special interest groups and with its contractual and regulatory obligations.

This commitment to security of information and business continuity finds expression in various achievements such as the advances made in early detection of incidents concerning security of information, as in the case of fraud in the use of credit cards. This enables us proactively to detect increasingly sophisticated attempts at fraud that threaten our IT security.

By way of external validation of security, the following milestones have been passed:

- First bank to obtain ISO 27001 certification for Information Security Management System (2006). The Bank has retained this certification, with a number of improvements.

- Since 2008 the Bank has held BS 25999 Business Continuity Management certification, demonstrating to customers and shareholders its commitment to quality, security, continuous improvement and customer satisfaction.

- In 2012 this last certification was adapted to the ISO 22301 Societal Security - Business Continuity Management Systems standard, Bankinter being the first entity in the world with this certification. To obtain it, Bankinter and Gneis were subjected to an exhaustive review of the organisational and technical aspects associated with business continuity management, their operating processes for detecting and responding to incidents and their risk management, by means of rigorous, methodical and periodic analysis. This internationally recognised certification demonstrates the Bank's leadership and commitment to service quality and professional excellence.

These achievements evidence the Bank's compliance with the highest standards of quality and professional rigour in managing the security of information and the business continuity of its computer platforms and systems.

ISO/IEC 27001 ISO 22301

Evolution of technology

In 2012 the Bank continued its determined pursuit of IT architecture evolution, in order to ensure that this factor, technology, continues to be one of the Bank's competitive advantages and so to be able to meet the challenges of the coming years.

One highlight of this was the substantial progress made towards implementing an SOA (Service-Oriented Architecture) which will enable us to grow quickly and efficiently in new functionalities.

Another was the start of the renewal of the online channel architecture, which achieved:

- Execution architecture. This includes the framework in which the applications will be executed. As well as maintaining the existing requirements (scalability, availability, response time, multi-language, multi-device, multi-brand, security) it includes the following requirements depending on the type of channel.

    - Intranet.
        - High productivity in development.
        - Ease of maintenance.
        - Freedom in use of technology.

    - Internet.
        - High degree of scalability of the solution.
        - Accessibility (in enriched model).
        - Reasonable productivity.
        - Ease of maintenance.

    - Other devices (at present telephones and tablets).
        - Combination of website development, since it is so easy to roll out in centralised form, with certain native characteristics such as touch screen capability.

- Life cycle architecture. They include a set of tools for solution development, roll-out, teamwork and quality control.

- Integration with existing architecture.

Lastly, we must point out that our efforts in technologically evolving architecture were recognised in 2012, when we were finalists in ICMG's Global Enterprise & IT Architecture Awards 2012 for the standardisation and automation architecture developed for banking transactions.

Corporate sustainability

February 2012 saw the launch of the Sustainable Office, equipped with technological devices that reduce emissions by 64kg of CO_2 per week, making the office an attractive place for customers. These devices included:

- Efficient equipment.
- Video-conference systems to cut down on business trips.
- Digital notice board.
- Energy-managing software.
- Tablets for sales personnel.

One highlight of this was the substantial progress made towards implementing an SOA (Service-Oriented Architecture) which will enable us to grow quickly and efficiently in new functionalities

channels and networks

Multi-channel banking

The mobile phone channel is becoming an ever more popular way for customers to conduct their business with the Bank, although the Internet continues to be the channel used most.

During this past year, 50% of all customer transactions were carried out over the Internet, 7.2% by mobile phone and 4.4% by means of Telephone Banking.

The penetration rates for active Bankinter customers habitually operating through the Internet channel continue to increase year after year, reaching 60.7% at the end of December. Breaking this down by customer type, we see that in the Private Individuals segment the percentage was 59.3%; in Personal banking 57.1% and in Private Banking 64.0%. The same trend can be seen in the companies segment, where the penetration rate was 77.1% for Businesses and 82.5% in Corporate Banking.

Quality remains one of the pillars on which the Bank's value proposition from the various Internet platforms is based. In this regard, bankinter.com ended the year with 79.1 NSI points for overall satisfaction, with an NSI of 74.8 for broker.bankinter.com and 80.3 for the empresas.bankinter.com portal.

Important milestones

bankinter.com

- During this past year the information on Delegated Wealth Management was included so as to enable clients to monitor their investments online.
- Improvements to simulators for investment funds and pension plans.
- Adaptation to mobile devices for transfers to ATMs.
- New procedure for subscribing online to Bankinter commercial paper.

broker.bankinter.com

- Improvement to information and operating procedures for warrants.
- Inclusion of a scorecard providing customers with an overall view of all their positions, orders, stock quotations, news and other information of interest.
- Alert area that can be personalised by the customer for credit transactions and futures.

empresas.bankinter.com

- New graphic web design and migration to Content Manager.
- Online requests for certificates.
- Multi-company global position.

The penetration rates for active Bankinter customers habitually operating through the Internet channel continue to increase year after year, reaching 60.7% at the end of December.

Distribution networks

Branch network

General branches

They serve all Bank customers, complementing the management of existing customers with winning over new prospects, both private individuals and companies.

During 2012 work continued on adapting branch interiors to the new corporate image, and at year-end 254 branches had been refurbished, representing 69.2% of the total. This new image, which is modern and functional, facilitates the work of the sales teams and is highly rated by customers.

We would point out that in 2012, in contrast with trends in the sector, Bankinter's network of full-service branches remained practically intact relative to the previous year, and in fact even increased by one branch in net terms compared with 2011. 98% of branches have an ATM.

In such a persistently difficult environment as the present one, Bankinter considers it of vital importance to keep customer service specialised by type of customer by means of a highly qualified sales force. This positioning enables the Bank to continue offering an excellent quality of service from this distribution network and consequently to continue gaining market share.

Business Centres

At the end of the financial year, Bankinter had a network of 76 Business Centres, distributed among the 12 regional organisations of which the Bank is composed, with a total headcount of 190 specialists.

These Centres are mainly located in industrial estates where there is a high density of medium-sized enterprises which receive specialised and close-at-hand sales attention.

Private Banking Centres

During 2012 this business was thoroughly reorganised, and the minimum asset requirements for customers to be served in these specialist centres were raised. The Private Banking centres are managed by a highly skilled workforce, in order to provide an appropriate response to the these clients' specific management and advisory needs.

At the end of 2012 these centres numbered 38, with a workforce of 171.

Corporate Centres

Larger businesses and major corporates are attended to in the Bank's 45 Corporate centres spread among the 12 regional organisations.

These centres have a workforce of 197.

367
General branches

76
Business Centres

38
Private Banking Centres

45
Corporate Centres

	31/12/2012	31/12/2011	12/11
General branches	367	366	1
Business Centres	76	81	-5
€ millions			
Average funds	20,098.08	17,917.80	2,180.28
Average loans and receivables	39,344.77	38,344.77	1,007.19
Overall satisfaction (points)	75.06	75.99	-0.93

Agent Network

The origins of the Agent Network go back to 1992, when the bank decided to create an external network of agents, consisting of liberal professionals with links to the advisory sector, to develop part of its financial business in an efficient manner.

Bankinter has one of the largest networks in Spain, consisting of 478 financial agents who sell all kinds of savings and investment, equities, means of payment and derivative products. Being a Bankinter agent means being able to market the bank's best products and services in highly competitive conditions. Their business is directed at high profile clients who require the personalised attention of a highly qualified professional.

Continuing with the strategy of classifying agents, we made further progress with segmentation by activity, volume of business and degree of commitment to the Bank. This rationalisation was accompanied by the entry of 52 new agents, selected according to strict criteria of experience and qualification, who ensure the best and most personal financial advisory services.

The Agents Network has a successful past and an even more promising future, contributing more and more differential value to the high-end customer segment. With this experience behind it, it faces the challenges of the coming years with the confidence that it will maintain its well-established leadership, defend its level of quality and quicken its growth.

	31/12/2012	31/12/2011	12/11
No. of Agents	478	496	-3.63%
€ millions			
Average funds	1,044.00	1,008.30	3.54%
Average loans and receivables	1,866.20	1,920.53	-2.83%
Gross Margin	21.92	21.37	2.57%
Efficiency	62.46	63.11	-1.03%
NSI (points)	73.62	74.03	-0.55%
Churn rate	5.07	5.93	-14.50%

Virtual Banking/Banca Partnet

Bankinter's virtual branches continue to represent a unique model for collaboration between a bank and another company, public agency or professional society or association.

In 2012 the network's name was changed to Banca Partnet, with a view to bringing the name into line with its spirit: a network formed by the alliance between the Bank and its *partners* via virtual offices and catering to its employees, associates, customers, suppliers, in short all the business surrounding it.

Through a virtual branch, financial products and services are offered to the partner's employees, members, customers and suppliers. The success of the model lies in the fact that Bankinter and its partner (company, professional association, etc.) share management of the Branch. The Bank provides the capital, the technology and the financial products, while the partner facilitates access to the banks and people they usually deal with. Both share the profits generated by this business, which may even be distributed to the Virtual Branch customers.

The major Spanish companies and multinationals established in Spain have signed such collaboration agreements with Bankinter. At year-end there were 353 virtual branches, carrying on their activity in a large number of sectors: consulting and advice, technology, pharmaceuticals, energy, tourism and associations and other professional bodies.

In 2012 Banca Partnet made significant efforts in developing the Private Banking segment with our partners, offering personalised attention and advice as well as the most appropriate range of products and services for each branch and each customer.

The customers of the Virtual Branches continue to present one of the highest scores on the satisfaction index of all the Bank's networks, with 76.7 NSI points in December 2012. This high degree of customer satisfaction is partly due to the advice and personalised service they receive, as well as their profile as users of efficient channels: they use the Internet and the mobile phone as their main channels for interacting with the Bank. This past year the network made considerable efforts to develop technology, working on a new process for signing up new customers online, which will contribute to greater efficiency.

The percentage of transactions carried out by Partnet customers through bankinter.com was 61% in December, with a further 24% being conducted by mobile phone.

The business of the Virtual Branches is of particular importance to Bankinter, with total assets of €3.88 billion and pre-tax profit of €18.3 million. It also accounts for 36,612 customers, i.e. 5% of the Bank's active customers.

€ millions	31/12/2012	31/12/2011	12/11
Branch Offices	353	359	-1.67
Average funds	1,395.55	1,559.01	-10.48
Average loans and receivables	1,806.31	1,866.03	-3.20
Gross Margin	40.99	38.60	6.17
Efficiency	43.14	42.18	2.28
NSI (points)	76.69	75.91	10.28
Churn rate	5.67	5.31	6.78

Remote network

Handling Area

This area, previously called Telephone Banking, continued to focus on two things: quality of service (maintaining the long-standing high level of customer satisfaction) and reactive sales work, which continued to increase in 2012, centred on the products most profitable for the Bank.

Distance Care Area

This area brings together the care of customers from different segments, in some cases exclusively, as with Personal Banking and Partnet, and in others as a support network, as in the case of the Small Enterprises and Private Individuals segments.

Remote Branches

This is the business area that looks after customers who come to the Bank through bankinter.com and Telephone Banking. We should highlight the excellent figures for new accounts achieved in 2012, more than double those of the previous year. Both management and advisory services for customers in the various segments are handled through the Bank's remote channels, Internet and Telephone Banking.

Telephone activity by service	% of calls abandoned	% TSF
2012	5.70	79.7
2011	4.94	81.5
Diff. %	15.38%	-2.21%

Telephone activity by service	2012	2011	Diff. %
Received	2,594,294	2,828,107	-8.27%
Issued	299,504	277,560	7.91%

Customer surveys on service	2012	2011	Diff. %
Handling Area	79.86	80.85	-1.22%

No. of customers, customer care area	2012	2011	Diff. %
Private individuals	295,327	274,731	7.50%
Personal	9,382	8,258	13.61%
Small companies	20,638	22,979	-10.19%

Remote Branches	2012	2011	Diff. %
Average funds (millions of euros)	430.37	388.17	10.87%
Average investment (€ millions)	956.24	1,032.21	-7.36%
Ordinary Margin (€ millions)	11.74	13.14	-10.65%
Overall satisfaction (points)	70.62	70.36	0.37%
Active customers	29,484.00	29,529.00	-0.15%

Marketing and CRM

Sales Planning

During this past year Bankinter consolidated and extended the use of the tool for assignment of sales objectives for all the Bank's segments and networks, which was of great help in achieving the objectives set for winning over new customers. It also ensured that all sales teams had their product sales objectives and individual account executives' sign-up volumes confirmed in the first few weeks of the year. All sales employees have been able to keep direct track of their progress against major objectives on a weekly basis.

In a year in which pricing was of fundamental importance, Sales Planning continued to roll out the tool developed in the previous year which allows detailed weekly monitoring of prices and anticipates due dates.

This past year work continued on deploying and promoting the use of the new system for monitoring prices and differentials which keeps the teams informed on a weekly basis of the prices of the main products. It also makes it possible to manage the proactive setting of personalised prices and differences for all customers, depending on their level of risk and return.

We also continued the actions started in the previous year in terms of carrying out projects aimed at enhancing revenues, reviewing all the services and products to check whether charges are commensurate with their cost to the Bank and the value they contribute to the customer.

CRM

CRM plays a strategic role in the activity of the Bank's various areas and businesses, providing the necessary knowledge and tools for launching sales actions and comprehensively managing customer relations. It also provides statistical analyses, models and relevant information to assist in decision-making.

CRM took part from the beginning in the new High Income client strategy, providing quantitative and qualitative information for monitoring the business and adapting sales actions to the new profiles.

In 2012 we invested in updating the multi-channel sales action launch and management tool with a view to speeding up the process of generating campaigns and maximising real-time actions over the Internet.

In terms of activity, 43 million sales actions were carried out in the year, both reactive and proactive, in Branches, Telephone Banking, Internet and Mobile, with actions being concentrated on the centres that involve added value for the sales network. Also, 20.1 million direct communications were sent to existing and potential customers by letter, e-mail and SMS.

In the private individuals segment, sales actions via CRM focused on forming closer ties with customers, capturing resources, retaining balances, consumer finance and insurance.

In the companies segment, sales actions via CRM focused on ICO, tax, business indicators and price management.

During this past year we increased the number of actions aimed at winning over new customers with sales offerings of the 5% Payroll Account and the 4.25% Deposit by means of a

combination of geoCRM techniques and synergies with other companies with a strategy of events and advisory working sessions for high income potential customers.

In the last quarter we launched a campaign to capture contact details of private individuals in order to enhance customer relations and boost operating efficiency through the use of remote channels. The response rate was 16%. At the end of 2012 the Bank held the mobile phone numbers of 76% of private individual customers and the e-mail addresses of 62%, with statutory consent given to the sending of sales offers. For companies, the figures were 46% for mobile numbers and 41% for e-mail addresses.

We also developed new CRM activity scorecards in Business Intelligence, enabling us to monitor the results of sales actions more exhaustively.

From the analytical point of view, CRM was the key this past year to monitoring the objectives set by each segment, as well as in certain strategic issues with repercussions for the Bank. Equally, we continued to focus as always on studying the sales activity of each segment and the customer profiles in the various businesses.

We consolidated the models for classifying deposit customers and customer churn models for all private individual segments, thanks both to the models' predictive capabilities and to the success of customer retention actions deriving from them.

Marketing

The marketing role is essential in the Bank's strategy. It defines, designs and develops the most appropriate lines of communication for launching new products and services, provides sales support material and conducts specific campaigns and events to attract new customers.

Knowledge of the market is vital in order to meet customers' needs. That is why it is so important to work in coordination with all of the Bank's business areas on implementing plans for sales campaigns focused on attaining the strategic targets that have been set.

Bankinter considers it essential to maintain fluid ongoing sales communication with customers. During 2012 the Bank made active use of direct marketing campaigns, sending out more than 20 million sales messages in various formats (letter, e-mail, SMS, etc.) Activity in 2012 notably included the following sales campaigns:

– 5% Payroll Account Campaign, one of the leading products for winning over new customers, in both the Private Individuals and Personal Banking segments.

– 4.25% Deposit Campaign designed to capture resources and with advertising in newspapers, on the radio and online.

– Campaigns for pension plans, personal loans and equities.

– Launch of the Bankinter Shopping Club loyalty programme.

– In the companies segment we would note the campaigns promoting the ICO financing lines aimed at supporting businesses' growth, as well as taxes, social security and international operations.

– Other highlights were the change of name from Virtual Banking to Banca Partnet, and the support actions for the Agents and IFAs by means of various events aimed at boosting business.

In 2012 Bankinter also launched a new project focussed on capturing resources from non-customers, called COINC, which was promoted via various online advertising strategies.

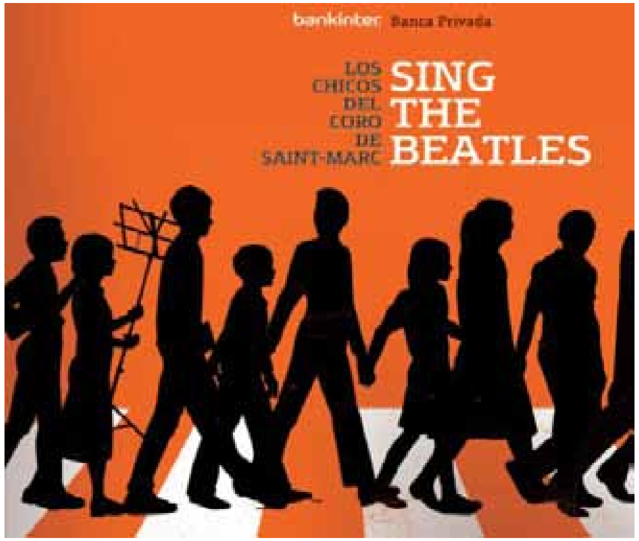
With the aim of capturing more new customers for Private Banking, some 40 finance advisory working sessions were held in various major Spanish cities, at which experts from the Bank offered their views on how to cope with the current economic situation. Another highlight was the concert tour of eight Spanish cites, in June, with the *Saint-Marc Choristers*, which was attended by 7,900 existing and potential customers.

Communications Manager

The Communications Manager, reporting to Marketing, continues to ensure the level of quality and compliance with brand standards in all operational, transactional, legal and regulatory communications. The scope of action covers all formats and channels that Bankinter uses to communicate with its customers.

Another of the area's responsibilities is the monitoring of cost savings and control, driving initiatives for improvements and efficiency in communications with existing and potential customers.

During this past year Communications Management continued the work of launching campaigns to update contact details, which together with other savings and efficiency initiatives enabled us to make further progress along the savings path on which we set out in 2009. These initiatives contributed to our ending 2012 with significant savings in mailing costs, reducing the number of envelopes used by 870,520 compared with 2011 and with the corresponding saving in postage.



the human factor

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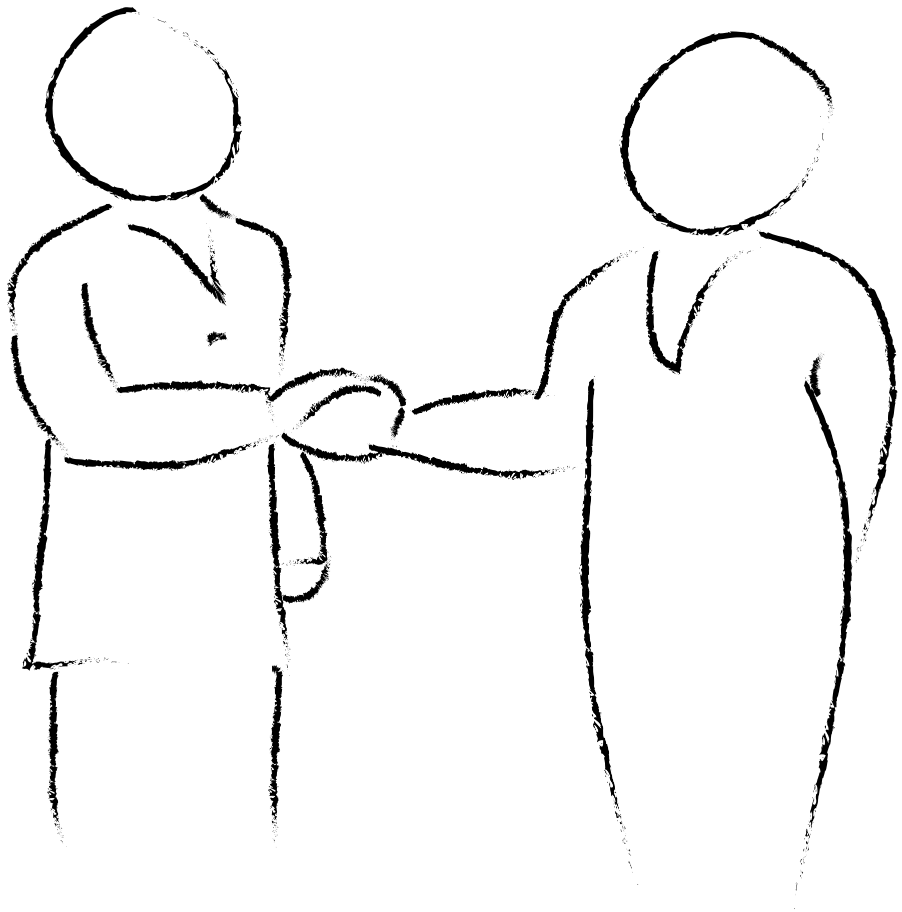


persons

Thinking about People, Bankinter's management model

Bankinter has been working for many years to create the best working conditions, in which employees can develop their full potential.

To this end, the People Management area seeks by aligning its policies to create an excellent workplace where employees feel proud of what they do and where it is possible to balance their personal and professional lives.

Although the macroeconomic scenario this past year was marked by the restructuring of the financial sector and uncertainty on all sides, Bankinter continued to work wit the same conviction that its employees are its main asset.

People management model

This year the strategy behind the people management model was adapted to the new circumstances by stressing professionals' motivation and commitment to achieving business results.

A model that has sought to strengthen the communication strategy and alignment with business, managing the demands for flexibility with in-house rotation policies appropriate to the experience and knowledge of each professional.

To this end we continued to invest in training, recognising talent and encouraging employees' direct participation. Thus in 2012, 1,243 employees took part in discussion forums.

Rotation

In a year in which opportunities in the labour market were few and far between, the Bank opted to promote and encourage internal rotation as a route to employees' professional development.

In 2012 the number of vacancies advertised on the Intranet increased sixfold, and a total of 292 people took part voluntarily.

Moreover the Group's natural development and the organisational changes led to opportunities for promotion, and 90 employees took on new posts with greater responsibilities.

Training

Bankinter firmly believes that training represents a great opportunity for growth and development, both for the people that make up the organisation and for the Bank itself.

During 2012, despite the reduced investment, Bankinter continued to support training initiatives for its employees.
To maintain efficiency in training ratios, we placed increased emphasis on in-house training, taking advantage of employees' knowledge, as well as online courses and data-conferences.

In 2012 we offered 479 courses, with an average of 37.3 hours of training per participant and involving 96.1% of the total workforce and 98% of the branch network workforce.

Training efforts focused on:

– Technical training:on advisory services, investment funds, pension plans, tax, the prevention of money laundering, products (insurance, ETFs, equities and fixed income, as well as a greater emphasis on new product features), updates on Basel rules, international trade, etc.

20
direct search processes, with 272 candidates

40
vacancies advertised, with 292 candidates

– Training in software applications: Business Intelligence, Share Point, Excel, E.piphany, and various product applications.

– Skills training, specifically those relating to the improvement of sales techniques, attracting new customers, increasing customer satisfaction and time management and sales planning.

– Improvement of attitude, led by experts in motivation, with courses on managing optimism and aspirations.

– Specific plan for people managers, which seeks to instil a common management style in executives who have other people working for them.

– And as part of the Corporate Social Responsibility training plan, a number of courses were planned, both in classroom form for the network and the Sustainability Committee and as data-conferences.

Salaries and employee benefits

Bankinter applies a salary structure comprising two types of remuneration, always adapting the levels to the Bank's culture.

1.- A fixed portion, the factors influencing which are the function performed, the responsibilities taken on, experience in the position and the performance of the person occupying it.

2.- A variable portion, which is geared to the achievement of objectives and which incorporates principles requiring the remuneration policy to be compatible with appropriate and effective risk management.

It applies at individual level to the entire workforce, except for employees entitled to receive specific bonuses.

This incentive is also based on the function performed and the responsibilities assumed, but, unlike the fixed portion, its purpose is to ensure a proper correlation between the resulting levels of remuneration and the development of results. Therefore it is calculated in accordance with the following system, which ensures its compatibility with the Bank's business strategy, objectives, values and long-term interests:

The Bank sets up an incentive fund depending on the profit before tax (PBT) of its banking business, so below a certain degree of achievement of the target PBT for the year no such fund is set up and therefore no annual incentive is paid. Similarly the fund is capped at a certain maximum amount. Additionally, payment of this incentive is conditional upon achievement of the objectives established for each area.

As well as their salary, Bankinter employees also receive benefits that go beyond those required by law, such as advances and loans for housing or other needs, tuition fee allowances for themselves or their children, home help allowances, insurance, etc. All full- and part-time employees have the same benefits, as do, in general, temporary staff, with the exception of loans and advances, to which only employees with more than six months service are entitled.

One of the objectives is to lend flexibility to employee remuneration. For that reason, and to enable employees to optimise their salaries, in 2008 we established a system of flexible remuneration, which remains in force.

This is a voluntary compensation scheme with an individual agreement being made between the Bank and the employee to modify the composition of the employee's compensation package. Pursuant to this agreement, monetary payment is replaced by payment in kind (product), chosen individually and voluntarily by the participant from the products made available, which generally have some kind of tax benefit.

The Bank provides welfare benefits in excess of those legally required

The benefit to the employee is that it maximises remuneration in two main ways: through the Bank's negotiating power as regards the price of certain products and/or services, and through the tax advantages accruing to certain products contracted through this system. 35.2% of employees currently use some flexible remuneration product.

Since October 2009, employees have been able to opt to purchase Bankinter shares with financial benefits. In 2012, 40.2% of employees had share programmes and convertible bonds.

Respect for employees' rights and interests

The Bankinter Group guarantees the effective exercise of the rights of unionisation, association and collective bargaining, as well as the right to privacy in the legally established terms and in accordance with the specific provisions laid down to this end in the Bank's Code of Professional Ethics. The Bank handles all personal, medical and financial particulars with due confidentiality. It also respects the personal communications of its employees via the Internet and any other means of communication.

Adela Martin Ruiz Adrian Bejar Biddlecombe África Fernández De Armas Agustín García Félix Alejandro Ibarra Olsen Alfredo Santos Espinel Ana Garrido Revilla Ángel González Miragaya Ángel Jesús Gómez Arrayas Antonio María Pascual Torres Beatriz De Mendoza Rodríguez Belén López Martin Belén Rodríguez Fernández C. Alberto Pérez Lafuente Carlos A. Marchan Burriel Carlos Cesar Dagnino Pardo Carlos Lejo Turiel Carlos Muñoz Gómez Catalina Morejón Villanueva Cesar Calvo Medina Covadonga Ana Pérez Goicoechea Cristina Pérez Serrano Cristina Sanz Martínez Daniel Diez Fernández Daniel Gutiérrez Esteban David Marina Verde David Villaseca Díaz Diana Cuadrado Duro Dimas Blanco Muñoz Eduardo Hernández Elena Gil Ramperez Eloy Antonio Lagos Lizan Emilio González Rodríguez Emma Montserrat Rodríguez Fco Javier Abengozar Carrascosa Fco Javier García Gómez Fco. Javier Capón Ruiz Fco. Javier García Gómez Fco. Javier García Zaragoza Fernando Díaz Gómez Fernando Hafner Roda Fernando Pardo Del Castillo Francisco Agullo Montero Galia María Triviño Ortiz Gregorio Juanes Monje Guillermo López-Doriga Suarez Guillermo López-Tapia Guzmán Idoia Larrea Mera Ignacio Serra Méndez Ismael Sierra Ruiz Jerónimo Belda López Jesús Amador Castrillo Joaquín Beltran Núñez Jorge Carlo Righetto Zarza Jorge G. Andreo Ramírez Jorge López Galán José María Molina Mancha José Pedro Corchón López Juan Alberto Leal Lizcano Juan Carlos Martin Hidalgo Juan José Escolar Moreno Juan Luis Muñoz Navarro Juan Navarro Esteve Lucia Higueras Escobar Lucia Molpeceres Molpeceres Luis Demetrio Tahoces De San Juan Luis E. Reviriego Agudo Luis Ignacio Pérez Rojas Luis Saenz De Tejada López M. Ángeles González De Aza Mª Mercedes Hernández Gómez Mª Victoria Carraffa Portela Marcelina Cancho Rosado María Carmen García Martínez Maria Gema Núñez Martínez María Isabel García García Maria Teresa Estévez García María Teresa López Asenjo María Tutusaus Delgado Marta De Miguel Silva Melanie Mehri Peikarian X Mercedes Alcojor Moreno Miguel A. Martín Martín Miguel Angel De La Fuente Ramos Miguel Artola Menéndez Mónica Rey Tobalina Natalia Lucia Melero Bermejo Natalia Méndez Olmos Nicola M. Roomans X Nicolás Moya García-Lujan Nieves Luis Sánchez Octavio García Medrano Oscar Alberto Varela García Oscar Ricoy Trasancos Pedro María Sagüés González-Est Pedro Villalta Ramírez Pelayo Brime Menéndez Ramón G. García Grijelmo Raquel Azcárraga Bonilla Raúl Rojo Calderero Rebekka Keough X Ricardo A. Madrigal Jiménez Roberto Giménez Serrano Rosa Fuentes Castellanos Rosa María Diez Madroñero Diez M. Rosario Martínez Toledo Rubén Cordón Calvo S. Patricia Alandi Tartalo Santiago Cordova Naranjo Sara García González

2012 Recognition Survey

If you know it, why don't you acknowledge it?

In 2012 the Bank recognised the people who had distinguished themselves by their motivation, commitment and hard work.

Human capital

Indicator	2012	2011	2010	2009	2008
Descriptive Indicators					
No. of employees	4,068	4,210	4,543	4,509	4,483
Average age (years)	39.58	39.00	38.00	37.38	36.71
Experience					
Average length of service (years)	12	12	11	11	10.25
Average length of service (years) as % of 40 years (professional lifetime)	30.00	30.00	27.50	27.50	25.63
Diversity					
Breakdown by sex					
Male (%)	48.80	49.31	49.53	50.19	51.13
Female (%)	51.20	50.69	50.47	49.81	48.87
Graduates (%)	76.72	76.96	75.13	73.79	73.44
Employees with advanced English language skills (%)	34.19	33.47	31.70	34.33	35.76
No. of nationalities represented	29	29	34	26	25
No. of different qualifications	72	103	97	91	91
% of workforce holding the three most common degrees at Bankinter	50.07	60.48	49.24	45.73	44.23
Corporate Volunteer Work					
No. of different volunteer projects carried out	30	38	49	39	18
% of employees participating as volunteers in the various projects implemented	9.83	12.35	13.91	9.47	4.89
Ability and development					
Employees who received training (%)	96.06	78.08	83.42	95.63	95.48
Average No. of training hours per employee as % of 350 (average post-graduate course load)	11	9	9	15	16
Average No. of training hours per employee	37.32	31.29	32.46	53.61	56.17
Average No. of training hours per employee trained	38.85	40.08	38.91	56.06	58.83
Investment in training as % of total payroll	0.6	0.8	0.9	1.3	1.9
Investment in training per employee (euros)	236	299	359	519	733
Investment in training per employee trained (euros)	246	383	430	543	768
Employees with access to Virtual Classroom from their workstation (%)	100	100	100	100	100

Indicator	2012	2011	2010	2009	2008
Training actions in Virtual Classroom as % of total different training actions	6.26	5.83	7.18	8.17	4.41
No. of different training initiatives	479	412	376	404	431
Average no. of courses per employee	8	8	10	10	9
Total No. of courses taught	840	1,158	1,349	1,323	1,294
Rate of application of training in the job performed (%)	100.00	100.00	100.00	100.00	100.00
Commitment and motivation					
Employees participating in stock and convertible debenture ownership programmes (%)	40.22	40.97	40.41	37.41	50.30
Satisfaction index	58	N.A*	N.A*	79	N.A*
Motivation index (%)	72	N.A*	N.A*	76	N.A*
Participation in opinion poll (%)	77	N.A*	N.A*	82	N.A*
External rotation index	5.59	10.29	5.89	4.10	8.94
Employees participating in Quality Projects and Actions as % of total headcount	-	0.59	2.66	5.34	5.49
Employees participating in Discussion Forums as % of total headcount	30.56	32.78	33.92	34.80	39.04
Persons with flexible remuneration %	35.15	30.74	24.87	18.92	11.62
Employees who have received awards (%)	N.A.**	89.33	70.83	70.75	76.49
Recognition index (%)	2.75	2.07	9.30	12.51	14.03
New hires in the past year as % of total workforce	2.19	2.76	6.65	4.68	7.49
Personnel expenses (€000s)	323.080	329.965	332.934	325.040	260.877
No. of contributions to knowledge communities	1,399	1,890	2,037	2,011	2,171
No. of suggestions for improvements	156	510	496	442	421
Value creation (thousands of euros)					
PBT/No. of employees	37.90	57.04	45.17	76.72	75.17
Contribution to GDP per employee	115.83	119.70	119.01	149.76	153.04
Productivity (thousands of euros)					
Customer funds per employee	8,903	9,015	8,784	8,879	8,330
Loans & receivables per employee	10,339	10,120	9,195	8,845	8,955

N.A*: No survey carried out in these years
N.A.**: Information not available until March 2013

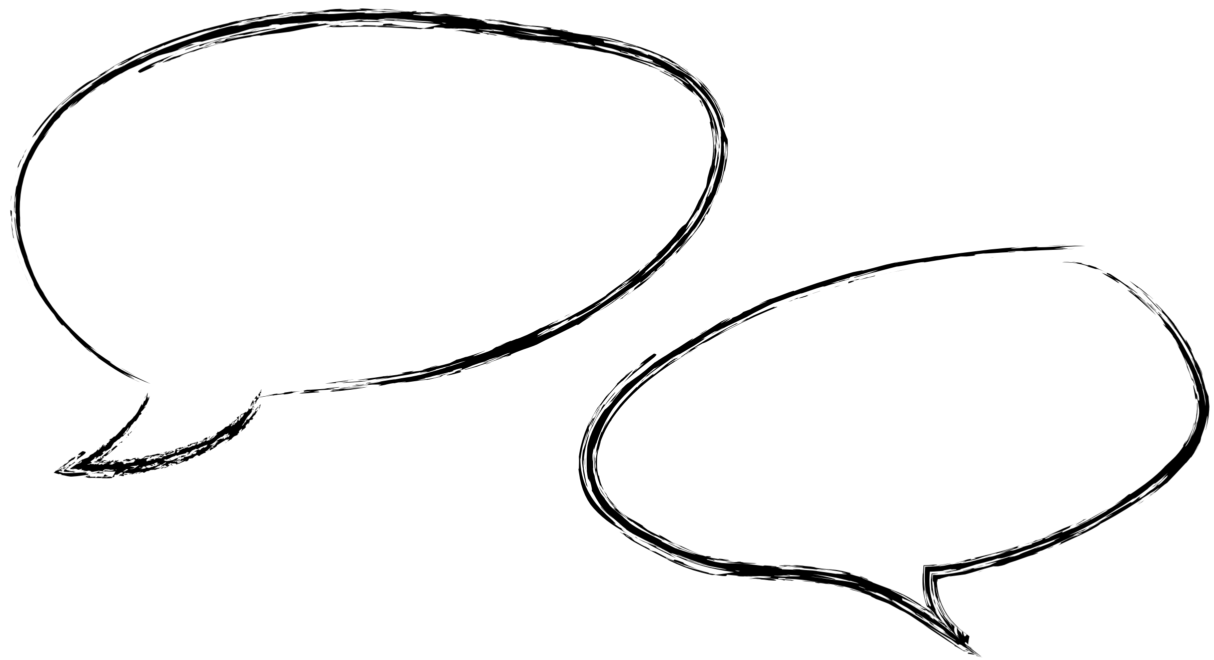
Structural capital

Indicator	2012	2011	2010	2009	2008
Management and strategic management					
Hierarchical levels involved in preparing the Group's strategic plans (%)	29	31	31	31	31
Employees who are familiar with the company's objectives (%)	100	100	100	100	100
Management information available to 100% of employees (%)	97.20	97.20	97.30	97.20	97.00
De-layering and Transparency					
Persons participating in 360º evaluation	N.A.	N.A.	N.A.	4,398	4,456
Average No. of evaluators per employee evaluated (applications sent/total headcount evaluated)	N.A.	N.A.	N.A.	12.00	12.00
Average No. of persons evaluating each Management Committee member (requests sent/ members of the management committee)	N.A.	N.A.	N.A.	87.00	74.00
Flexibility					
Internal job rotation (%)	19.80	22.28	35.12	26.04	26.87
Employees who have logged on remotely (%)	31.22	46.84	35.48	35.64	35.78
No. of remote log-ons	114,093	121,637	103,034	122,634	146,303
Time logged on remotely per user (min.)	9,621	5,725	6,198	7,305	10,009
Employees accessing the Internet daily from the Bank's platform	97.32	103.17	95.80	91.52	62.25
Employees with corporate laptops (%)	27.88	27.72	27.36	27.86	30.23
Employees with corporate mobiles or BlackBerrys (%)	63.74	63.06	63.50	50.12	N.A.
Technology and process quality					
Employees with access to Intranet/total workforce	100	100	100	100	100
No. of employees contributing to development and maintenance of Intranet content	352	369	197	340	152
Employees with access to e-mail / total staff	100	100	100	100	100
MIPs on central host/staff	0.98	1.35	1.17	1.18	1.07
Daily e-mail traffic (daily average in a 7-day week)	278,360	282,915	279,817	210,608	N.A.
Branches with Internet stations and telephones connected to Telephone Banking (%)	100	100	100	100	100

Relational capital

Indicator	2012	2011	2010	2009	2008
Customer Relations					
No. of non-specialised and foreign branches	367	366	367	369	372
No. of Virtual Branches	353	359	371	399	407
No. of Bankinter Agents	478	496	543	683	920
No. of centres for medium-sized businesses	76	81	89	102	145
No. of corporate centres	48	47	47	47	51
No. of Private Banking Centres	38	59	47	62	51
Employees per Branch or Management Centre	7.69	7.61	8.05	7.77	7.24
Staff directly involved in the business (%)	76.72	76.75	75.74	81.46	75.46
New active customers (%)	7.82	6.23	4.80	4.73	10.80
Annual growth in Average Total Assets (%)	4.32	4.33	-0.75	7.05	7.24
New active customers per employee	14	11	8	8	19
Quality and customer satisfaction					
Financial incidents resolved within 48 hours (%)	51.63	48.73	57.33	52.53	50.02
No. of complaints to Ombudsman per active customer	7.21	6.67	11.25	14.87	8.99
No. of complaints processed by Bank of Spain per active customer	2.65	2.66	7.35	6.65	1.55
Multi-channel development					
Transactions through channels other than Branch Network as % of total Bank transactions	63.35	62.56	63.67	67.04	67.86
New customers through channels other than Branch Network as % of total new customers	42.66	41.99	42.87	47.11	42.45
Telephone Platform					
Calls answered by Telephone Platform/Staff	608	700	824	963	1,385
Enquiries and incidents reported to Telephone Banking and managed through e-mail/ Telephone Banking staff	388	349	275	197	209
Active Telephone Banking users as % of total active customers	54.42	55.54	61.35	62.78	73.84
Transactions via Telephone Banking as % of Bank total	4.38	4.73	5.67	5.27	6.07
Calls managed by the automatic service (%)	40.45	44.56	43.11	44.91	50.43

Indicator	2012	2011	2010	2009	2008
Branch network and Virtual Banking					
Growth in No. of Virtual Banking customers (%)	1.63	1.94	2.25	3.46	4.04
Virtual Banking transactions via channels other than Branch Network/Total Virtual Banking customer transactions (%)	97.73	98.67	98.85	98.79	99.02
Increase in No. of Agent Network customers (%)	1.58	3.31	2.47	6.84	8.01
Agent Network transactions through channels other than Branch Network / total Agency Network customer transactions (%)	97.25	97.85	97.73	97.88	96.76
Internet					
Internet customers as % of total customers	25.59	24.76	24.90	24.92	24.94
Transactions through bankinter.com as % of Bank total Total Bank (%)	48.98	50.20	51.38	54.89	53.76
Internet log-ons per active user	87.73	94.47	93.62	99.30	99.06
Variable income activity carried out via Bankinter Broker (%)	57.86	57.56	69.14	72.61	88.43
New customers signed up via Internet as % of total new customers signed up by the Bank (%)	2.99%	2.85%	4.26%	3.87%	21.42%
Shareholder and investor relations					
Channels available to shareholders and investors	8	8	8	8	8
No. of publications aimed at shareholders & investors	45	35	34	34	19
Support for Education, Culture and Innovation					
Alliances and collaboration projects with academic and research institutions	19	22	61	72	71
No. of conferences organised by Bankinter Foundation for Innovation to disseminate its findings among Spanish businesses	16	20	13	13	8
No. of experts (scientists, economists, sociologists, businessmen, etc.) who participate in the forums organised by the Fundación de la Innovation BK	361	326	299	277	220
Brand awareness					
Awards or public recognitions received by Bankinter	22	23	30	30	25
Positive and neutral assessments made in reports on Bankinter in the media in the target market	86.97	79.48	79.52	88.55	82.84
Social Action					
No. of agreements reached to include people with disabilities on the staff	4	4	6	7	6



quality

Quality

Bankinter's value proposition to its customers is based on excellent quality of service, constant innovation in products and services and a wide range of multi-channel banking options facilitating their dealings with the Bank.

In order to meet customers' expectations and thus increase the differential value of its sales offering and service, Bankinter has geared its initiatives to improving the customer experience in their relations with the Bank. The Bank implements these initiatives by means of personalisation (i.e. adjustment of the services to the financial needs and preferences of each customer), anticipating their needs and interests and making the relationship simple and easy by using the remote channels to resolve habitual needs.

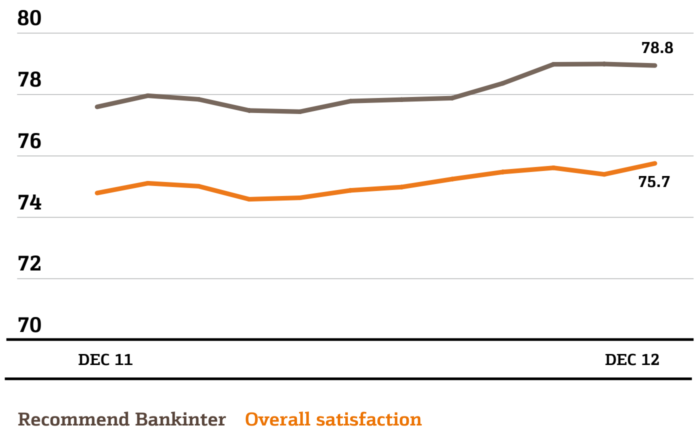
The results of this strategy show that in 2012 Bankinter increased the overall level of customers' satisfaction with the service they receive. There were also increases in their inclination to recommend Bankinter to their friends, relatives and companies, as well as in their loyalty and extent of ties to the Bank. The percentage of private individual customers deciding to change bank fell from 5.7% in 2011 to 5.2% in 2012. In the Companies segments this reduction was from 6.9% in 2011 to 6.6% in 2012.

The total number of customer complaints and claims received by Customer Service Department fell by 17.5% compared with 2011. Timeframes for dealing with complaints were also reduced: 51.6% of incidents were answered in less than 48 hours, which represents an improvement of nearly three percentage points on the previous year (48.7%).

Compared with the market as a whole, Bankinter is positioned well above the average of its competitors in the market studies on perceived quality: in Private Individuals it widened its lead to 7.4 points; and in Companies it maintained the gap at 4 points.

The results show recognition of the efforts made daily by all the Bank's professionals to make Bankinter an exceptional bank for its customers.

Trends in overall customer satisfaction and in whether customers would recommend the Bank (NSI out of 100)



1. These indices are calculated by weighting overall satisfaction and willingness to recommend for each customer segment as a function of the number of active customers in each segment and its contribution to gross profit. In 2011 they were weighted based on active customers and pre-tax profit.

To ascertain customers' perceptions and hear their suggestions for improvement and their expectations of the Bank, Bankinter continually carries out satisfaction surveys to measure the impact of the service they receive in its distribution networks and service channels as well as in the selling of specific products and services.

Trends in the degree of customer satisfaction and intention to recommend, together with complaints and claims to the Customer Service department are key factors for drawing up action plans in each of the various areas of the Bank.

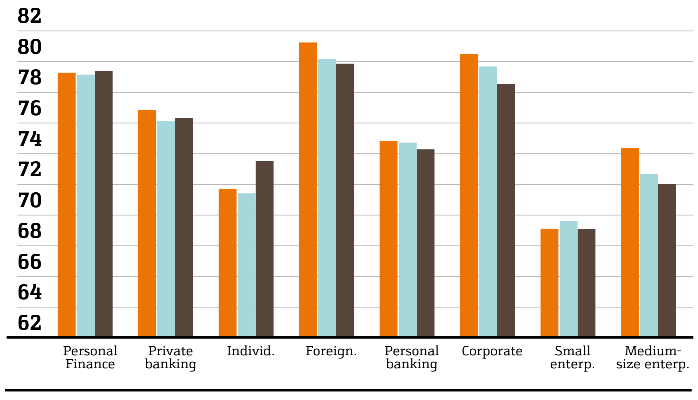
In 2012 Bankinter incorporated the Net Promoter Score (NPS) into its quality management indicators. This index measures customer inclination to recommend the Bank based on their experience, classifying them into "promoters", "neutral" and "detractors". The index is calculated by subtracting the percentage of "detractors" from that of "promoters". In 2012 the Bank's NPS was 24.2%.

All customer segments and service platforms have annual quality objectives in place and have incorporated NPS into their management as well as the overall satisfaction indicator. Both are measured monthly, and constitute the main source of information for improving customer service.

What customers value most in Bankinter is the combination of people (professionalism and advice) and its multi-channel approach (accessing the Bank from any device).

The factors rated highest by customers in their dealing with the Branch Network were employees' competence and professionalism, the treatment and service that customers receive at the branch, speed in resolving banking queries and procedures and the dedication and advice of their personal account manager.

Customer segments: Cumulative Overall Satisfaction in December 2012
(NSI out of 100)

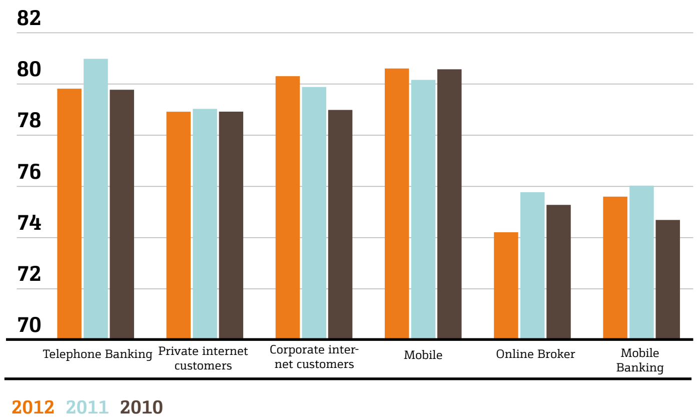


*Data for the Private Banking segment have been adjusted to take account of the resegmentation carried out during 2012

What customers value most in Bankinter is the combination of people and its multi-channel approach

By channel, the features most appreciated are: in Internet Services, the wide variety of transactions available and their functioning; regarding SMS messages, the immediacy with which information is received, and its usefulness; in the online Broker facility, the speed of execution of orders and its availability; and regarding the Telephone Platform, the way queries and customer transactions are dealt with.

Service platforms: Cumulative Overall Satisfaction in December 2012 (NSI out of 100)

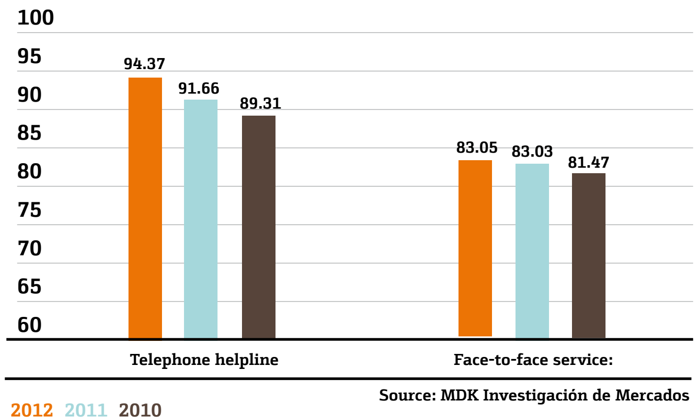


Branches with their own distinctive commercial style, aiming to project the Bank's values (agility, enthusiasm, integrity and originality) and a different personality to their existing and potential customers

Bankinter periodically evaluates its Branch Network's sales and customer service processes, using outside observers in order to identify aspects with room for improvement in relations with existing and potential customers and consequently to take the necessary action to improve their overall satisfaction.

In 2012 there were improvements in telephone and face-to-face customer service in the branches, in how customers were treated and the time devoted to them, in how products were explained (product knowledge and clarity of explanation) and in sales advice given.

Commercial style protocol (on a scale of 0 to 100)



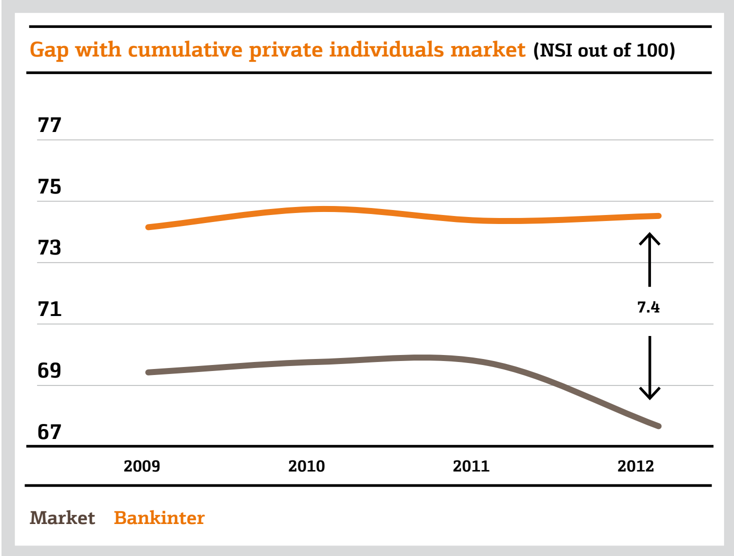
Source: MDK Investigación de Mercados

Bankinter's customers have maximum flexibility in being able to choose at any given time through which channel they prefer to sign up, get information, carry out transactions or personally contact Bank employees

Bankinter widened the gap over its competitors' average to 7.4 points in banking for private individuals

Every six months Bankinter has a market study carried out by an independent firm in order to ascertain the finance sector's private individual customers' perception of the quality of the service they receive from their financial institutions. According to these studies, Bankinter widened its lead over the average of its competitors from 4.9 points in 2011 to 7.4 NSI points in 2012 and to 9 points in NPS.

Bankinter is placed above the sector average in all aspects of service, differentiating factors being the handling of errors, transparency of information, attention and service in the branches, agility in handling transactions, advisory services and the offering of products and services.



	2012	2011	2010
Market	67.46	69.75	69.79
Bankinter	74.81	74.61	75.09
GAP	7.35	4.86	5.30

Data in the study:

Universe: Persons aged 18 and above who have a current or savings account with a financial institution.

Geographic scope: Municipalities of more than 50,000 inhabitants throughout Spain, plus all provincial capitals (except Ceuta and Melilla).

Size of sample: 2,833 interviews

Sampling error: ±2.50% working with a level of confidence of 95.5% (2 sigmas) and worst case p=q=50.

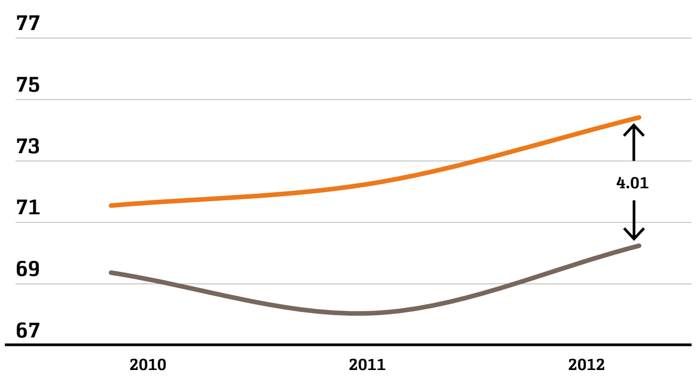
Research technique: computer-assisted telephone interview.

Source: Inmark 2012

Bankinter maintained its lead over the average of its competitors in the companies segment at 4 points

In the Companies segment, Bankinter maintained its 4-point lead over the market in the NSI, the differential factors being: speed of response and fast processing of financing transactions, employees' professionalism, flexibility and transparency in signing up for products.

Gap with cumulative business market (NSI out of 100)



	2012	2011	2010
Bankinter	74.01	71.93	71.21
Market	70.00	67.85	69.14
GAP	4.01	4.08	2.07

Universe: Spanish companies (excluding retail trade and hotel and catering) with sales of between €0.5 million and €5 million approximately.

Geographic scope: The whole of Spain (except Ceuta and Melilla).

Size of sample: 2,223 interviews

±3.0% sampling error working with a level of confidence of 95.5% and worst case p=q=50.

Research technique: computer-assisted telephone interview.

Source: Inmark 2012

Bankinter maintains a 4-point lead over the market in its NSI in the companies segment

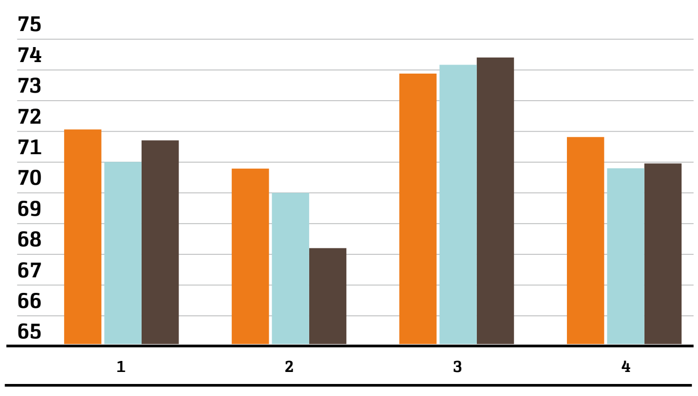
Central Services' commitment is to provide the necessary support to the business and to offer the best quality service to customers

Examples of Central Services' involvement in improving the quality of the Bank's service to its customers are their support to the sales and distribution networks, the development of new products and services and the optimisation of operating procedures with customers.

Analysis of in-house customer satisfaction surveys (as well as customer surveys), together with internal process indicators constitute the main sources of information for identifying priority improvement actions in each area.

As a result, in 2012 there was a marked increase in in-house customer satisfaction with the support received from the Bank's Central Services in achieving their business and end-customer service quality objectives.

In-house surveys of overall satisfaction with central services in 2012 (NSI out of 100) Cumulative data



	2012	2011	2010
1. CS Assessment by the Branch Network	72.07	71	71.71
2. Assessment between CS	70.78	69.98	68.16
3. Evaluation of Regional Organisation staff by Branch Network	73.91	74.2	74.44
4. Total	**71.82**	**70.79**	**70.95**

In 2012 there was a marked increase in in-house customer satisfaction with the support received from the Bank's Central Services

Recognition of the branches, centres and Central Services department most valued by their customers

The highest-scoring departments of the Bank's central services and regional organisations in 2012 were:

	First Half-Year	Second Half-Year
Branch with more than 600 active customers:	Córdoba Ag. 1	Blanes
Branch with fewer than 600 active customers:	A Coruña Ag. 2	Portugalete
Branch geared to Foreigners:	Los Cristianos (Tenerife)	Moraira
Business Centre:	C.E. Finestrat	C.E. Finestrat
Private Banking Centre:	C.B.P. Granada	C.B.P. Extremadura
Corporate Centre:	C.G.C. La Rioja	C.G.C. Jerez
Personal Finance Centre:	C.F.P. Alicante	C.F. Murcia
Personal Banking Branch	Palma de Mallorca Ag. 4	Arganda del Rey
Region	Levante Sur (South-East Spain)	Levante Sur (South-East Spain)
Organisational Risks Team	Madrid East	Balearic Islands
Operations Centre	Document Processing	Document Processing
Central Service	Private Banking and HNW Unit	Private Banking and HNW Unit
Bankinter Partnet Organisation	Balearic Islands	Levante (Eastern Spain)
Organisation of network of agents	Canary Islands	Northern Spain

Customer Service

The Customer Service department centralises the handling of complaints and claims relating to financial services provided by the Bank, the prevention and reduction of errors in the provision of services and the corresponding notifications to customers.

Its mission is to ensure a high level of quality in their resolution by means of applying uniform criteria and standardising response times, as well as promoting their reduction and providing management information to all areas of the Bank.

During 2012 the number of customer complaints and claims received per million transactions fell further, to 3.4 compared with 4.1 the year before.

There were a total of 6,027 complaints and claims in 2012, representing a reduction of 17.5% compared with 2011.

Financial claims numbered 5,205, of which 42.8% were settled in the customer's favour.

As regards the timeframe for dealing with these complaints, in 2012 51.6% of incidents were answered in less than 48 hours, which represents an improvement of nearly three percentage points on the previous year (48.7%).

Total number of Complaints and Claims:	2012	2011
Total No. of complaints (non-financial)	822	1,403
Total No. of claims (financial)	5,205	5,904
Total financial Complaints and Claims	**6,027**	**7,307**

Financial claims:	2012	2011
No. of claims in customer's favour	2,228	3,155
In customer's favour (%)	42.80%	53.44%
No. of claims in the Bank's favour	2,977	2,749
% in Bank's favour	57.20%	46.56%
Total financial claims	**5,205**	**5,904**

Timeframes	2012	Percentage	2011	Percentage
0 days	1,951	32.37%	2,321	31.76%
1 to 2 days	1,161	19.26%	1,240	16.97%
3 to 6 days	964	15.99%	1,178	16.12%
7 to 10 days	402	6.67%	991	13.56%
> 10 days	1,549	25.70%	1,577	21.58%
	6,027	**100.00%**	**7,307**	**100.00%**

External Ombudsman

Customers of the Bank can address their complaints to the External Ombudsman, an independent body represented by Mr. José Luis Gómez-Dégano, either because they disagree with the way Customer Service has resolved an issue, or directly if they so prefer.

The External Customers Ombudsman dealt with 539 incidents in 2012, 10.7% more than in 2011; of these, 254 were settled in the Bank's favour (47.1% of the total) and 261 in favour of the customer (48.4%).

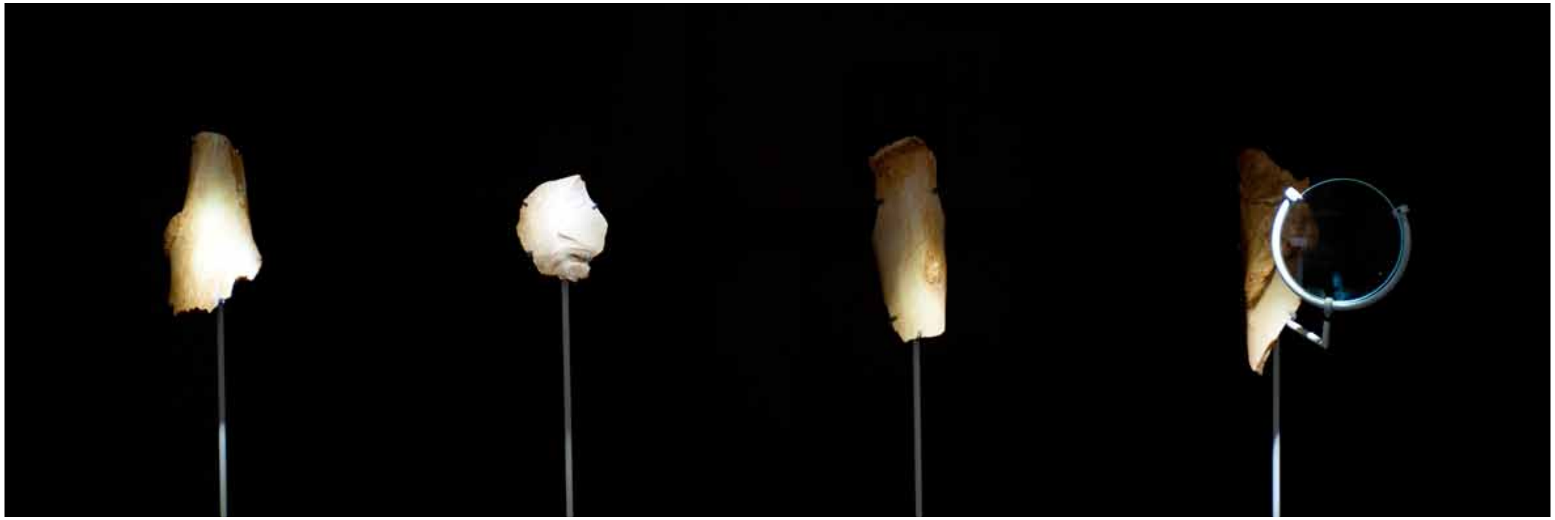
External Ombudsman	2012	2011	Change
Incidents processed	539	487	10.68%
Settled in the customer's favour	261	208	25.48%
Settled in the Bank's favour	254	249	2.01%
Excluded	24	30	-20%

Claims Service of the Bank of Spain

Customers disagreeing with the response from Customer Service or the External Ombudsman may address their claims to the Claims Service of the Bank of Spain.

Also, 198 incidents were handled by the Bank of Spain in 2012 (194 in 2011), of which 91 were resolved, 33 of them in the Bank's favour.

Bank of Spain	2012	2011	Change
Claims processed	198	194	2.06%
Settled in the customer's favour	29	30	-3.33%
Uncontested	23	12	91.67%
Settled in the Bank's favour	33	40	-17.50%
Pending settlement	107	101	5.94%
Outside Bank of Spain jurisdiction	6	9	-33.33%
Filed	0	2	---



corporate communication

External communication

The External Communications Division forms part of the Bank's People Management and Corporate Communication division. Its role is to serve as a bridge between Bankinter and its stakeholder groups, drawing up and communicating the Bank's corporate messages to its target audiences, especially through the media.

This is the area in charge of designing the corporate communication strategy forming the basis for the messages that the Bank decides to project to a particular audience at any given time to explain the mission, vision and values that differentiate it from the rest of the market. To achieve this objective, the External Communications Division maintains constant open and fluid relations with the media, both editors and journalists, providing them with truthful and up-to-date information on the Bank based on the interests of both.

To achieve its communication objectives and ensure its messages arrive correctly, the division decides not only on content but also on the most appropriate spokespersons and formats for each situation: press releases, press conferences, interviews, working breakfasts, off-the-record encounters, private meetings, management participation in forums and conferences, etc., and handles the needs deriving from each of these actions.

During 2012 Bankinter's presence in the media was far greater than would correspond to it if size were the only measure, and this helped to raise brand awareness and highlight the Bank's distinguishing values. Also, according to independent firms, information published on Bankinter obtained a score (based on how positive the news on the company is) 1.6 points higher than the sector average (on a scale of -10 to 10), with the third most positive news reports out of a group of eight banks studied.

All this is the result of a concerted effort of media relations based on transparency, openness, ease of relations and speed and quality of response and final work.

The External Communications Division also encompasses the Bank's Corporate Responsibility activities, in matters such as social and environmental action, all of which is reported on in more detail in the following chapter of the Sustainability Report.

Corporate Website

The Corporate Website is a tool that includes very useful information for the Bank's various stakeholder groups.

The website is divided into six sections in which information can be browsed on different subjects: About Bankinter, Corporate Governance, Regulatory Compliance, Financial Information and CNMV, Corporate Responsibility and Press Room.

For each of these subjects various tabs appear with the content organised as follows:

- **Home:** this is the front page of the corporate website, used to highlight the most important information.
- **About Bankinter**: this section contains various kinds of information about the Bank, such as the history of the Bank, company information, organisation chart, group websites, awards and recognitions obtained and a link to the Brand portal.
- **Corporate Governance:** contains the documents relating to the governance and administration of Bankinter and the effective workings of its Board and its Committees; Articles of Association, Regulations of the General Meeting of Shareholders, Regulations of the Board of Directors, Board Committees, major shareholdings, treasury stock and shareholders' agreements.
- **Compliance:** This includes the Internal Codes of Conduct, information prepared by our Analysis Department, anti-money laundering policy and the new directive governing European financial markets, MiFID.
- **Financial information and CNMV**: this section contains all the public financial information. The reports include the Banks' quarterly results, individual and consolidated financial statements, periodic public information, investors' diary, coverage by analysts, ratings and information on ADRs. This section also contains significant events published by the CNMV (the Spanish securities regulator) and information on Bankinter share prices and dividends paid.

- **Corporate Responsibility:** this contains the current report on Sustainability. There is also a section on the vision, mission and principles of corporate responsibility, including sustainability indices and rankings in which Bankinter features. It also includes information on the Bank's social action activities, its environmental management and the Bankinter Foundation for Innovation.

- **Press:** This section contains useful information relating to the media, such as press releases, photo and video galleries, current meeting notices and even a section for requesting information.

Information of an ad hoc nature is also published on the Corporate Website:

- The full texts of General Meeting notices and draft resolutions that the Board of Directors will present to the General Meetings are published on the website more than one month before the date of the meeting in question.

- Also, its interactive nature allows shareholders to remotely cast their votes electronically when a General Meeting has been called, or to delegate their votes if they prefer, and to obtain information on all the items on the agenda, draft resolutions and reports indicated in the Meeting notice.

- The quarterly results presentations can also be accessed online via webcast, questions may be posed in real time and all kinds of information may be requested either from the Shareholders Office, the department of External Communications or Investor Relations.

The contents of the website are openly accessible to all users and available in both Spanish and English at: https://webcorporativa.bankinter.com

Brand and Reputation

The brand is a symbol which identifies the combination of feelings, recollections and ideas that the various stakeholder groups associate with a given organisation, institution or product, or which indicate that certain goods or services have been produced or provided by a given person or company.

The Bankinter Brand represents the company's values based on a determined strategy of differentiation: Bankinter actively manages its brand with a view to ensuring that it clearly reflects the Bank's true essence at all times, so that perception and reality are one and the same.

One of the division's responsibilities is to keep a close watch on corporate reputation, in the sense of how the Bank's stakeholder groups regard its conduct based on the degree of fulfilment of its commitments to the various groups. Bankinter undertakes various actions to consolidate an appropriate image of the bank, measuring the degree of effectiveness and reacting promptly to any kind of crisis that might threaten the Bank's reputation or image business strategy.

Bankinter continues to believe in managing its brand and reputation as a differentiating element and a key factor in its

According to the RepTrak™ Pulse España 2012 study carried out by the Reputation Institute, Bankinter is perceived as the most reputable Spanish bank and the one with the best offering of products and services.

The report confirms that reputation has a direct impact on a company's profits, and that for every five-point improvement in the 'Pulse' reputation indicator the recommendation index goes up by 6.3%.

Results published recently by RepTrak™ Global Pulse suggest that 60% of purchasing decisions are based on the customer's perception of the company, ahead even of the characteristics of the product. Consumers want to know what is behind the products and services they consume, and this translates into a growing demand for transparency about corporate activities.

In order to meet this demand and to ascertain the state of health of its reputation, Bankinter has been working since 2008 on an econometric model based on Reptrack methodology as a tool for managing reputation. This model has been constructed and fed by the internal and external perceptions of the Bank's main stakeholder groups: customers, potential customers, public opinion and employees, which are analysed periodically.

The España RepTrak™ Pulse Study, which is carried out every year, evaluates the seven key aspects of corporate reputation: leadership, citizenship, financial results, working environment, offering of products and services, integrity and innovation, these last three being the areas in which Bankinter achieved the greatest increases in percentage and in terms of positioning.

The results of all these studies enable gaps between perception and reality to be identified, thus making it possible to personalise the messages sent to the various stakeholder groups in order to create value for the Bank and ascertain the main reputational risks. It is on this latter objective that the Bank is currently concentrating most intensely.

Bankinter has made a map of the main reputational risks, which serves to identify the potential threats to the institution and consequently draw up a crisis plan for rapid action as soon as they materialise.

The Reputation unit is also responsible for managing Bankinter's participation in the various awards and recognitions for which the Banks decides to put its name forward at any given time in line with its strategic positioning.

The awards and public recognitions received by the Bank in 2012 are a faithful reflection of the fact that its reputation has been maintained year after year at an acceptable level, thanks above all to the attitude of all the people forming part of it.

Main awards received in 2012 in the various disciplines and categories

Bankinter's Internal Communication

Internal communication is a fundamental tool for attaining a high degree of integration and motivation in the workforce and getting employees involved in corporate objectives. It generates value for the company and at the same time improves the working and social climate.

The new technologies have revolutionised the way we inform people of things and the speed and ease with which we can do so. Notice boards have been replaced by intranets, bulletins have evolved into digital communications for employees, and circulars have become meetings in which dialogue and participation are the keynotes. Employees see how their problems and the ideas and solutions they can put forward for any of the challenges faced are listened to and taken into account.

Bankinter is a good example of the use of new technologies in handling internal communication. Its strategy is based on disseminating the corporate culture, managing its intellectual capital and identifying initiatives. The speed of response to requests for information and the appropriateness of the language used are two key factors in its internal communication.

Internal communication actions in 2012

Prominent among actions carried out in 2012 by the Internal Communications area were those aimed at bringing the Bank's Management and strategy closer to employees.

Notable among them were:

- Annual Convention: held on 3 February at Kinépolis, Madrid. It was attended by 23% of the Bank's employees.

  In view of the importance of this meeting, as well as employees, other guests attended: members of the Board of Directors, some representatives of Línea Directa Aseguradora, Agents and professionals from the Virtual Branches.

  During the five hours that the convention lasted, there were 14 presentations, with the participation of the CEO and the management team.

  It was transmitted by Intranet to the rest of the workforce that were unable to attend, and was followed by 1,440 employees.

- CEO's quarterly meetings with employees to inform them of the Bank's results, objectives and priorities for the period. The meetings are held in the various regional organisations and in Central Services.

- Another of the tasks performed by the Internal Communication department in 2012 was the running and renewing of the Bank's Intranet, completely redesigning its home page. This was aimed at:

- Greater visibility and organisation of tools.

- Focus on important news.

- Greater visibility of business objectives.

As a two-way channel of communication between employees and Management, various surveys were conducted: "Opina" ("Say what you think") and "EFR" ("Empresa Familiarmente Responsable", literally "Company showing Responsibility towards the Family", i.e. work-life balance).

We also sought to motivate and give recognition to our employees by means of various actions:

- 25 years service celebration, which in 2012 brought together 47 people who joined the Bank in 1987 in an event which included a private visit to the Thyssen-Bornemisza museum and a lunch at the Westin Palace Hotel in Madrid.

- "Open Day" Christmas party at Tres Cantos, which was attended by some 400 adults and by more than 1,000 children, who took part in various children's activities.

- Christmas card competition. In 2012 there were 1,510 entries, 17% more than in 2011, of which 1,454 were from employees' children and 56 from employees themselves.

The Bank's communication channels were maintained: the magazine Com.unica, the vacancies notice board and the various e-mail notifications to the workforce. Support was also lent to specific communication plans of various areas of the Bank, such as the transformation of Private Banking, the presentation of Bankinter Partnet and the launch of COINC.

Following ten 10 years of uninterrupted publication, the magazine Com.unica marked its 100th issue in January with a special edition featuring 100 different people and showing the best covers, interviews, reports, games and other entertaining features of the past ten years.

Topics covered by the magazine in 2012 included notably: Gneis' market entry, the presentation of the new Centre for Innovation, Bankinter's first sustainable branch office; the launch of Bankinter Partnet en Seville; 25 years of Bankinter Seguros de Vida; the Foundation for Innovation's Future Trends Forum; the transformation of Private Banking, the twentieth anniversary of the Remote Network, the launch of the new COINC portal, etc.

One of the main objectives of Internal Communications for 2013 is the 2.0 project to incorporate the latest technologies, the scorecard with measurement of channels, the alternative proposal to the Annual Convention, the new formats for internal communication (video, radio and modernised Intranet), the review of recognition with a more continuous programme and bringing internal communication closer to the business.

Social Networks

Bankinter's presence on the social networks continued to grow, and the Bank consolidated this channel as a new medium for relations with customers and a meeting point with the general public.

The Bank's active presence on the various social networks has provided support to the sales campaigns and to various communication exercises.

Through the social profiles, Bankinter gets close to its public, not just with information on the Bank and its products and services, but also sharing other kinds of content such as financial updates and news about technology and banking innovations.

One of the items most keenly followed by users is the Bankinter Blog. Posts on the blog are made 'viral' through the Bank's various profiles on social networks. During 2012, Bankinter opened two new sections in the blog: 'News in brief from the Analysis department' and 'News in brief from the Fund Manager'. In these two sections the Bank's analysts and members of the fund manager contribute topical economic news items, a flexible and dynamic content that has been much appreciated by its followers.

Queries concerning 'customer service' are dealt with on all profiles, but Twitter and Facebook are customers' favourites for this purpose.

Bankinter has been a pioneer in networks such as Foursquare, which in 2012 gave 393 locations, notably of the branch network and 24-hour ATMs.

The Bank's Twitter channel is now fully established, ending the year with 11,804 followers, making it one of the most followed in the financial sector.

Bankinter also maintains profiles on other social networks such as Google+, LinkedIn, YouTube, Facebook and Instagram. In particular they feature actions such as that carried out on Instagram, where a photography contest was held, called #NaranjaBankinter, for which there were 217 entries and which ended with an exhibition of the ten finalist photographs in the hall of the Bankinter building on Madrid's Paseo de la Castellana.

As regards its Facebook profile, which had 17,142 fans at the end of the year, the Bank carried out, together with its Corporate Responsibility division, one of the initiatives most appreciated by its fans. The community members voted to choose the five finalist projects of the 1st Socially Involved and Committed Gala.

Network of Coordinators

In May 2012 Bankinter established its 'network of coordinators'. This network consists of 30 Bank employees from different geographical regions and with very different functions in the organisation.

Their mission is to transmit within their regional area or organisation the actions carried out in the various profiles and, in parallel with this, to identify the local issues in their organisation that are suitable for publication on the social networks.

They also collaborate on training and assistance whenever doubts or queries are raised by employees in their area.

Their function has become an enriching experience and without doubt an essential one. These employees combine their respective functions in the Bank with this new mission.

Links to Bankinter's social network profiles:

LinkedIn:
http://linkd.in/Xk7QSx

Foursquare:
http://bit.ly/ZH7gCH

Twitter: http://bit.ly/ZqTm2B

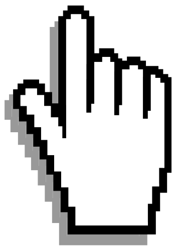
Facebook:
http://on.fb.me/TKUsHy

Google+:
http://bit.ly/VPbKBu

YouTube: http://bit.ly/13isiX4

Instagram: http://bit.ly/U4e0FJ

Link to Blog:
http://bit.ly/Xk7HP3



appendix

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Information for shareholders and customers

The Statutory Annual Report of Bankinter S.A. is presented at the Annual General Meeting of Shareholders and is available to all the Company's shareholders. The information contained in it covers the period from 01 January 2012 to 31 December 2012 unless otherwise specified. The previous Statutory Report, for 2011, was published on 13 February 2012.

This document, prepared by all the Bank's divisions, is addressed to shareholders, customers and any other stakeholder group that has dealings with the Bank.

Quarterly consolidated earnings reports are published in January, April, July and October and are available to shareholders.

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Service	Office hours	Telephone
Customer service for customers of Personal and Private Banking and Finance	8 am to 10 pm Monday to Saturday, except national holidays	902 132 313
Private individuals	9 am to 6 pm Monday to Friday, except national holidays	
Insurance specialists	9 am to 6 pm Monday to Friday, except national holidays	
Customer service in English	9 am to 6 pm Monday to Friday, except national holidays	902 888 835
Customer Service Support	9 am to 6 pm Monday to Friday, except national holidays	900 802 081
Internet technical assistance (particulares.com)	8 am to 10 pm Monday to Friday, Saturdays from 9 am to 3 pm, except national holidays	902 365 563
Stock Exchange and Investment Specialists	8 am to 10 pm Monday to Friday, including national holidays if there are markets	902 131 114
International Business Specialists	8 am to 6 pm Monday to Friday except: - July and 1-15 September, 8 am to 6 pm Monday to Thursday, Fridays 8 am to 5 pm; August, 8 am to 3 pm Monday to Friday	902 882 000
Telephone Banking SMEs		902 888 855
Internet technical assistance (empresas.bankinter.com)		902 365 656

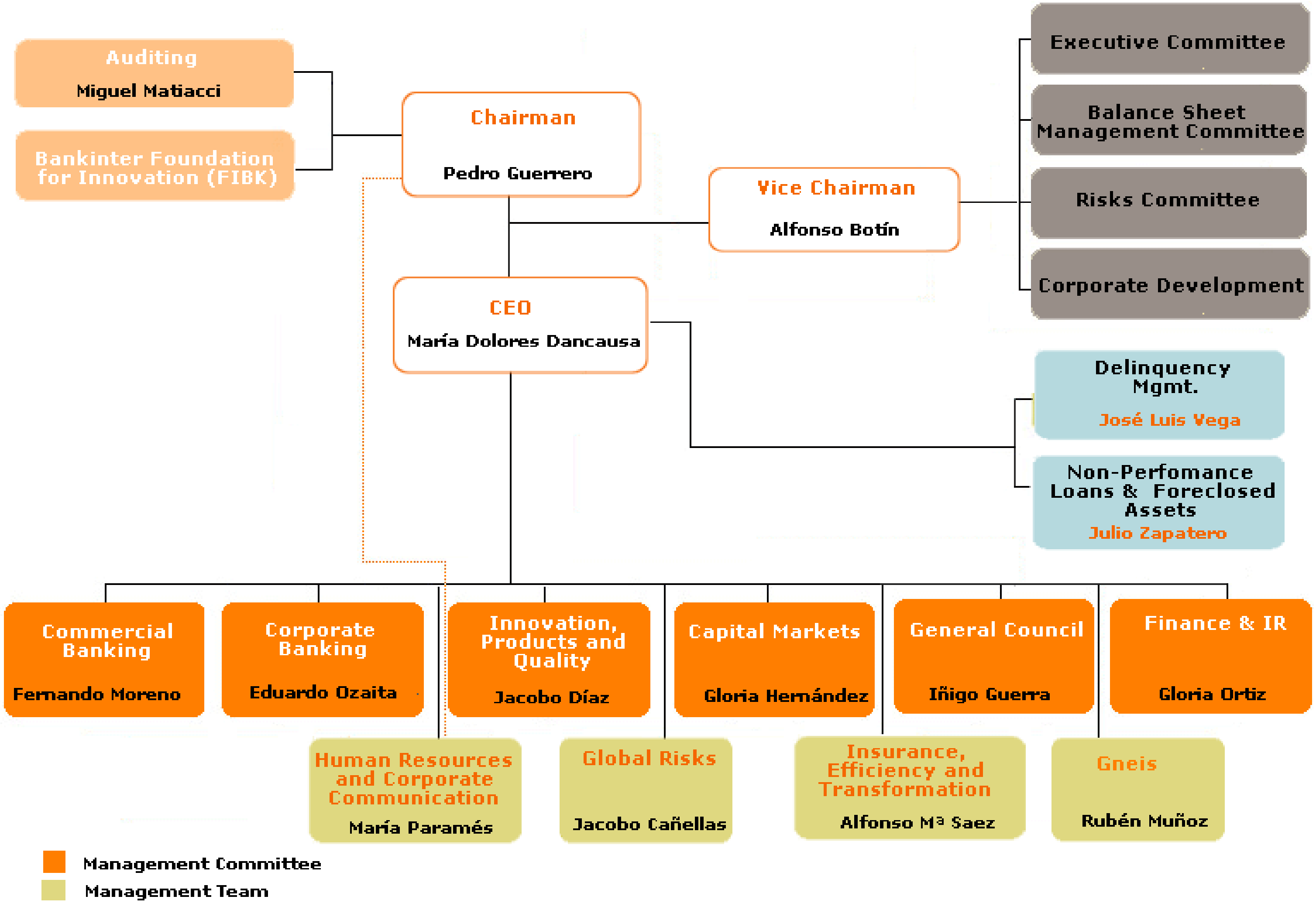
Board of Directors of Bankinter

The Board of Directors of Bankinter S.A. as at December 2012:

Position	Name/Company Name	Office
Chairman	Pedro Guerrero Guerrero	Executive
Deputy Chairman	Cartival, S.A.*	Executive
CEO	María Dolores Dancausa Treviño	Executive
Director	Marcelino Botín-Sanz de Sautuola y Naveda*	Non-executive proprietary
Director	Fernando Masaveu Herrero	Non-executive proprietary
Director	John de Zulueta Greenebaum:	Independent non-executive
Director	Jaime Terceiro Lomba	Independent non-executive
Director	Gonzalo de la Hoz Lizcano	Independent non-executive
Director	José Antonio Garay Ibargaray	Independent non-executive
Director/Secretary to the Board of Directors	Rafael Mateu de Ros Cerezo	Other non-executive directors

* Cartival S.A.: Company represented on the Board of Directors by Alfonso Botín-Sanz de Sautuola y Nevada, representing significant shareholder Jaime Botín-Sanz de Sautuola.
* Marcelino Botín-Sanz de Sautuola y Naveda: Related to significant shareholder Cartival, S.A.

Management Structure



Organisation Managers

Juan Carlos Barbero	Andalusia
Lucas Peinado Mataix	Balearic Islands
Juan Manuel Castaño Escudero	Castilla la Mancha-Extremadura
Eduard Gallart	Catalonia
José Luis Dionisio Cervantes	Levante (Eastern Spain)
Marta Centeno	Madrid East
Juan Villasante	Madrid West
Enrique Becerril	Madrid Corporate Banking
Antonio Berdiel Bitrián	Navarre - Aragon - Rioja
Joaquín Da Silva Castaño	North-Western Spain
Luis Fernando Azcona López	Northern Spain
José Pérez Jiménez	Canary Islands

The 2012 Bankinter Report is available on the Bank's Corporate Website.
Copies can be obtained from the Bankinter External Communication Department
or by sending an e-mail to: comunicacion@bankinter.es
The list of Bankinter Branches and Agents is published as an offprint of this Report.

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