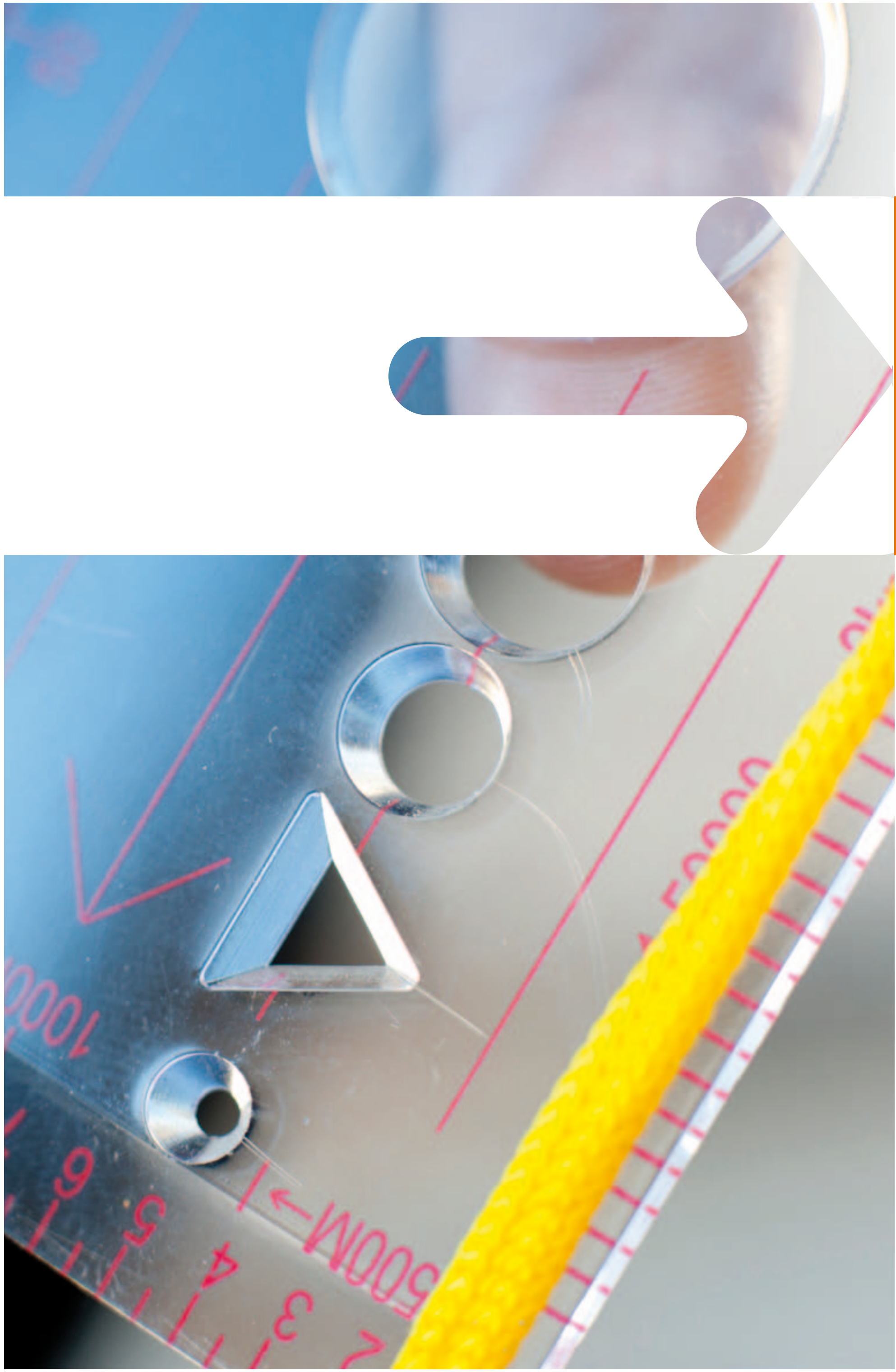
Annual Report 2011

bankinter.



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Key Figures

Bankinter Group Consolidated Balance Sheet as at 31 December 2011 and 2010 (€000s)

ASSETS	31/12/11	31/12/10 (*)	LIABILITIES AND EQUITY	31/12/11	31/12/10 (*)
CASH AND BALANCES WITH CENTRAL BANKS	412,795	196,401	LIABILITIES		
FINANCIAL ASSETS HELD FOR TRADING	2,415,506	1,875,834	FINANCIAL LIABILITIES HELD FOR TRADING	2,360,584	1,943,429
Debt instruments	1,768,879	1,275,490	Trading derivatives	857,273	854,126
Equity instruments	101,733	87,769	Short positions in securities	1,503,311	1,089,303
Trading derivatives	544,894	512,575			
Memorandum items: Loaned or advanced as collateral	*1,768,879*	*984,898*	OTHER FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS	-	88,745
OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS	31,377	35,727	Customer deposits	-	88,745
Equity instruments	31,377	35,727	FINANCIAL LIABILITIES AT AMORTISED COST	52,929,285	48,479,559
Memorandum items: Loaned or advanced as collateral	-	-	Deposits from central banks	7,006,897	3,301,646
			Deposits from credit institutions	3,260,647	2,462,457
FINANCIAL ASSETS AVAILABLE FOR SALE	4,776,069	3,100,215	Customer deposits	25,505,317	24,176,201
Debt instruments	4,644,306	2,961,894	Marketable debt securities	15,540,242	16,895,422
Equity instruments	131,763	138,321	Subordinated liabilities	958,170	1,118,631
Memorandum items: Loaned or advanced as collateral	*3,074,142*	*1,227,514*	Other financial liabilities	658,012	525,202
LOANS AND RECEIVABLES	47,167,367	44,126,944			
Loans and advances to credit institutions	1,779,395	1,601,470	MACRO-HEDGING ADJUSTMENTS TO FINANCIAL LIABILITIES	-	-
Loans and advances to customers	45,387,972	42,525,474			
Memorandum items: Loaned or advanced as collateral	950,667	693,928	HEDGING DERIVATIVES	68,677	40,441
HELD TO MATURITY INVESTMENTS	3,150,931	3,241,573	LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE	-	-
Memorandum items: Loaned or advanced as collateral	-	*1,770,513*			
			LIABILITIES UNDER INSURANCE CONTRACTS	642,782	654,923
MACRO-HEDGING ADJUSTMENTS TO FINANCIAL ASSETS	11,463	1,308	PROVISIONS	64,122	71,090
			Pension funds and similar obligations	5,245	7,836
HEDGING DERIVATIVES	118,651	171,917	Allowances for contingent risks and commitments	20,626	22,268
			Other provisions	38,251	40,986
NON-CURRENT ASSETS HELD FOR SALE	308,514	271,537			
			TAX LIABILITIES	189,555	183,846
INVESTMENTS	28,341	29,593	Current	70,572	41,789
Associates	26,301	29,067	Deferred	118,983	142,057
Jointly controlled entities	2,040	526			
			OTHER LIABILITIES	149,425	110,249
PENSION-LINKED INSURANCE AGREEMENTS	5,140	7,690			
			TOTAL LIABILITIES	**56,404,430**	**51,572,282**
REINSURANCE ASSETS	3,928	2,657	EQUITY	3,086,996	2,579,695
TANGIBLE ASSETS	466,901	456,569	SHAREHOLDERS' EQUITY	3,118,641	2,602,488
Property, plant and equipment	466,901	456,569	Capital	143,076	142,034
For internal use	435,354	444,396	Registered	143,076	142,034
Assigned on lease	31,547	12,173	Issue premium	737,079	737,079
Real estate investments	-	-	Reserves	1,711,705	1,648,910
Memorandum items: acquired under finance lease	-	-	Accumulated reserves (losses)	1,700,635	1,636,260
			Accumulated reserves (losses) of enterprises accounted for using the equity method	11,070	12,650
INTANGIBLE ASSETS	338,040	358,209	Other equity instruments	404,812	-
			Remaining equity instruments	404,812	-
			Less: treasury shares	-742	-1,753
Goodwill	161,836	161,836	End-of-year results attributed to parent company	181,227	150,730
Other intangible assets	176,204	196,373	Less: dividends and remuneration	-58,516	-74,512
TAX ASSETS	159,271	164,375			
Current	55,742	70,563	VALUATION ADJUSTMENTS	-31,645	-22,793
Deferred	103,529	93,812	Financial assets available for sale	-29,248	-22,994
			Exchange differences	206	201
OTHER ASSETS	97,132	111,428	Other valuation adjustments	-2,603	---
Other	97,132	111,428	MINORITY INTERESTS		
TOTAL ASSETS	**59,491,426**	**54,151,977**	**TOTAL LIABILITIES AND EQUITY**	**59,491,426**	**54,151,977**
CONTINGENT RISKS	2,439,670	2,361,188			
CONTINGENT LIABILITIES	9,208,807	9,258,379			

(*) Shown solely for purposes of comparison

Bankinter Group Consolidated Income Statement corresponding to financial years ended 31 December 2011 and 2010 (€000s)

	(Debit) Credit	
	2011	**2010**
INTEREST AND SIMILAR INCOME	1,636,295	1,202,577
INTEREST EXPENSE AND SIMILAR CHARGES	-1,093,620	-652,624
NET INTEREST INCOME	**542,675**	**549,953**
INCOME FROM EQUITY INSTRUMENTS	16,491	14,456
SHARE OF RESULTS OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	14,675	10,958
FEES AND COMMISSIONS INCOME	265,641	261,479
FEES AND COMMISSIONS EXPENSE	-66,758	-65,976
GAINS / LOSSES ON FINANCIAL ASSETS AND LIABILITIES (net)	59,162	71,152
Held for trading	11,910	16,794
Other financial assets at fair value through profit and loss account	97	10,835
Financial instruments not measured at fair value through profit and loss account	45,987	46,572
Other	1,168	-3,049
EXCHANGE DIFFERENCES (net)	38,678	49,319
OTHER OPERATING INCOME	716,231	708,172
Income from insurance and reinsurance policies issued	686,960	681,080
Other operating income	29,271	27,092
OTHER OPERATING EXPENSES	-482,315	-497,190
Expenses from insurance and reinsurance policies	-455,442	-473,901
Other operating expenses	-26,873	-23,289
GROSS INCOME	**1,104,480**	**1,102,323**
ADMINISTRATIVE COST	-580,823	-593,514
Personnel expenses	-329,965	-332,934
Other general administrative expenses	-250,858	-260,580
DEPRECIATION AND AMORTISATION	-64,098	-62,183
PROVISIONS (NET)	-28,175	-815
IMPAIRMENT LOSSES ON FINANCIAL ASSETS (NET)	-158,229	-216,666
Loans and receivables	-156,196	-216,281
Other financial instruments not measured at fair value through profit and loss account	-2,033	-385
PROFIT FROM OPERATIONS	**273,157**	**229,145**
IMPAIRMENT LOSSES ON OTHER ASSETS (net)	-1,244	-800
Goodwill and other intangible assets		
Other assets	-1,244	-800
GAINS / LOSSES ON DISPOSAL OF ASSETS NOT CLASSIFIED AS NON-CURRENT ASSETS HELD FOR SALE	25,205	-895
NEGATIVE GOODWILL ON BUSINESS COMBINATIONS	-	-
GAINS / LOSSES ON NON-CURRENT ASSETS HELD FOR SALE NOT CLASSIFIED AS DISCONTINUED OPERATIONS	-56,970	-22,236
PROFIT BEFORE TAX	**240,148**	**205,214**
INCOME TAX	-58,921	-54,484
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**181,227**	**150,730**
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS (net)	-	-
CONSOLIDATED PROFIT FOR THE YEAR	**181,227**	**150,730**
Profit (loss) attributed to the parent company	181,227	150,730
Profit (loss) attributed to minority interests		
EARNINGS PER SHARE		
Basic earnings (euros)	*0.38*	*0.32*
Diluted earnings (euros)	*0.35*	*0.32*

(*) Shown solely for purposes of comparison

Bankinter Group Consolidated Statements of Recognised Income and Expense corresponding to financial years ending 31 December 2011 and 2010 (€000s)

	Financial year 2011	Financial year 2010
CONSOLIDATED PROFIT FOR THE YEAR	181,227	150,730
OTHER RECOGNISED INCOME AND EXPENSES	-8,852	-52,681
Financial assets available for sale	**-8,934**	**-75,383**
Valuation differences	-3,202	-42,800
Amounts transferred to income statement	-5,732	-32,583
Other reclassifications	-	-
Cash flow hedging	**-**	**-**
Valuation differences	-	-
Amounts transferred to income statement	-	-
Amounts transferred to the initial book value of the hedged items	-	-
Other reclassifications	-	-
Hedging of net investments in foreign business	**-**	**-**
Valuation differences	-	-
Amounts transferred to income statement	-	-
Other reclassifications		
Exchange differences	**7**	**124**
Valuation differences	71	124
Amounts transferred to income statement	-64	-
Other reclassifications	-	-
Non-current assets for sale	**-**	**-**
Valuation differences	-	-
Amounts transferred to income statement	-	-
Other reclassifications	-	-
Actuarial differences on pension plans	**-**	**-**
Entities accounted for using the equity method	**-2,603**	**-**
Valuation differences	-2,603	-
Amounts transferred to income statement	-	-
Other reclassifications	-	-
Statement of comprehensive income	**-**	**-**
Income tax	**2,678**	**22,578**
TOTAL RECOGNISED INCOME AND EXPENSES	**172,375**	**98,049**
Attributable to the parent company	172,375	98,049
Attributable to non-controlling interests	-	-

(*) Shown solely for purposes of comparison

Bankinter Group Consolidated Statements of Cash Flow corresponding to the financial years ending 31 December 2011 and 2010 (€000s)

	2011	2010(*)
NET CASH FLOW FROM OPERATIONS	**186,683**	**1,544,877**
Consolidated profit for the year	**181,227**	**150,730**
Adjustments to obtain the cash flow from operations	**303,560**	**355,446**
Depreciation	64,097	62,183
Other adjustments	239,463	293,263
Net increase/decrease in operating assets	**-5,257,528**	**1,385,732**
Held for trading	-539,672	1,709,007
Other financial assets at fair value through profit and loss account	4,350	-19,366
Financial assets available for sale	-1,684,541	169,082
Loans and receivables	-3,153,285	-635,403
Other operating assets	115,621	162,412
Net increase/decrease in operating liabilities	**4,925,031**	**-389,472**
Held for trading	417,155	452,264
Other financial liabilities at fair value through profit and loss account	-88,745	-189,982
Financial liabilities at amortised cost	4,528,111	-591,222
Other operating liabilities	68,510	-60,532
Corporate tax collections/payments	**34,393**	**42,438**
NET CASH FLOW FROM INVESTMENT ACTIVITIES	**88,879**	**-1,731,950**
Payments	**-96,239**	**-1,977,565**
Tangible assets	-86,202	-69,192
Intangible assets	-8,618	-7,436
Investments	-1,418	-
Non-current assets held for sale and associated liabilities	-	-281,033
Held to maturity investments	-	-1,619,904
Collections	**185,117**	**245,615**
Tangible assets	37,487	50,665
Intangible assets	-	-
Investments	2,000	5,604
Non-current assets held for sale and associated liabilities	54,988	189,346
Held to maturity investments	90,642	-
NET CASH FLOW FROM FINANCING ACTIVITIES	**160,754**	**-121,790**
Payments	**-88,067**	**-167,802**
Dividends	-58,352	-110,408
Subordinated liabilities	-	-50,000
Acquisition of own equity instruments	-	-
Other payments linked to financing activities	-29,715	-7,394
Collections	**248,821**	**46,012**
Subordinated liabilities	-	40,000
Issue of own equity instruments	211,568	-
Disposal of own equity instruments	31,380	6,012,212
Other inflows linked to financing activities	5,873	--
EFFECT OF EXCHANGE-RATE VARIATIONS	**-**	**-**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)	**436,316**	**-308,864**
CASH AND CASH EQUIVALENTS AT START OF PERIOD	**196,401**	**505,265**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**632,717**	**196,401**
MEMORANDUM ITEMS:		
BREAKDOWN OF CASH AND CASH EQUIVALENTS AT END OF PERIOD	**632,717**	**196,401**
Cash	114,751	105,492
Balances equivalent to cash with central banks	517,966	90,659
Other financial assets	-	250
Total cash and cash equivalents at end of period	**632,717**	**196,401**

(*) Shown solely for the purpose of comparison

Bankinter Group Consolidated Statements of Changes in Equity corresponding to the financial years ended 31 December 2011 and 2010 (€000s)

	EQUITY ATTRIBUTABLE TO THE PARENT COMPANY										Non-controlling interests	Total equity
	SHAREHOLDERS' EQUITY								Valuation adjustments	Total		
	Capital	Issue premium	Accumulated reserves (losses)	Other equity instruments	Less: Treasury shares	End-of-year results attributed to parent company	Less: dividends and remuneration	Total shareholder 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 recognised income and expenses	-	-	-		-	181,227	-	181,227	-8,852	172,375	-	172,375
Other changes in equity			62,795	404,812	1,011	-150,730	15,996	334,926	-	334,926	-	334,926
Increases in capital or provision 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) due to business combinations (net)	-	-	-		-	-	-		-		-	
Discretional contributions to social funds and projects (savings banks)	-	-	-		-	-	-	-	-	-	-	-
Payments with equity instruments	-	-	-12,771		-	-	-	-12,771	-	-12,771	-	-12,771
Other increases (reductions)	-	-			-	-	-	-	-	-	-	-
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**

	EQUITY ATTRIBUTABLE TO THE PARENT COMPANY								Non-controlling interests	Total equity
	SHAREHOLDERS' EQUITY						Valuation adjustments	Total		
	Capital	Accumulated reserves (losses)	Less: Treasury shares	End-of-year results attributed to parent company	Less: dividends and remuneration	Total shareholder equity				
Opening balance at 31/12/2009	**142,034**	**1,524,487**	**-538**	**254,404**	**-104,464**	**2,553,002**	**29,888**	**2,582,890**	**-**	**2,582,890**
Adjustments due to changes in accounting criteria	-	-	-	-	-	-	-	-	-	-
Adjustments due to errors	-	-	-	-	-	-	-	-	-	-
Adjusted opening balance	142,034	1,524,487	-538	254,404	-104,464	2,553,002	29,888	2,582,890	-	2,582,890
Total recognised income and expenses	-	-	-	150,730	-	150,730	-52,681	98,049	-	98,049
Other changes in equity		124,423	-1,215	-254,404	29,952	-101,244	-	-101,244	-	-101,244
Increases in capital or provision fund			-	-	-		-		-	
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	-	-	-	-	-97,250	-97,250	-	-97,250	-	-97,250
Operations with shares / contributions to equity (net)	-	-244	-1,215	-	-	-1,459	-	-1,459	-	-1,459
Transfer between net worth entries	-	127,202	-	-254,404	127,202	-	-	-	-	-
Increases (reductions) due to business combinations (net)	-	-	-	-	-		-		-	
Discretional contributions to social funds and projects (savings banks)	-	-	-	-	-	-	-	-	-	-
Payments with equity instruments	-	-	-	-	-	-	-	-	-	-
Other increases (reductions)	-	-2,535	-	-	-	-2,535	-	-2,535	-	-2,535
Closing balance as at 31/12/2010	**142,034**	**1,648,910**	**-1,753**	**150,730**	**-74,512**	**2,602,488**	**-22,793**	**2,579,695**	**-**	**2,579,695**

(*) Shown solely for the purpose of comparison

Letter from the Chairman

Pedro Guerrero
Chairman

Dear Shareholders,

The economic environment in which we had to conduct our business in 2011 was once again extraordinarily difficult.

Far from abating, the sovereign debt crisis which broke out in the spring of 2010 intensified further in 2011, spreading from the so-called peripheral eurozone countries (Greece, Ireland and Portugal) to reach its very heart, particularly affecting Spain and Italy, where risk premiums rose to levels that are not sustainable in the medium term.

Against this backdrop, financing in the international markets has been practically closed to Spanish banking institutions since the first quarter of 2011.

Economic activity inevitably slowed under the impact of private sector's deleveraging, restrictive fiscal policies and financing difficulties, to the point where leading institutions currently see the Spanish economy sliding into recession with 2012 growth close to zero in the eurozone as a whole.

However towards the end of the year there were two particularly important events.

Firstly, the European Central Bank, as well as reducing its key lending rate for the second consecutive time, announced two auctions of three-year, fixed rate liquidity in unlimited amounts. In the first of these, held on 21 December, more than €489 billion were allocated to 523 credit institutions.

This measure led to an immediate easing of risk premiums, particularly at short terms, such that the Spanish Treasury is currently issuing paper at below 2%, whereas at one stage last autumn it was having to pay more than 5%.

Secondly, following Spain's general election of 20 November last, the new government which came to power with an absolute majority in Parliament took drastic fiscal measures in the first few days of this year aimed at reducing the public deficit, and announced that in the following few weeks it would undertake the long awaited reforms of the labour market and the financial system.

By the time these words reach you, these new regulations will probably have come into being, in whole or in part.

In telling you this my purpose is to convey to you that, although the situation is very bad, and likely to deteriorate even further in the immediate future, at long last the necessary steps are being taken, in Spain and Europe-wide, for us to start out on the road to recovery.

In Spain the necessary reforms are being undertaken to favour job creation, boost competitiveness and restore confidence to the markets.

In Europe generally, there seems to be increasingly general agreement that the degree of austerity must be compatible with economic growth, and that for this to be so it is essential that financing be kept flowing to the private sector.

The latest decisions of the European Central Bank undoubtedly point in this direction.

Despite having been immersed in the extraordinarily adverse economic situation referred to, Bankinter turned in a performance for 2011 that I would venture to describe as brilliant.

With a new and highly motivated management team we have succeeded in reversing the earnings trend, achieving a 20.2% increase in net income compared with the previous year, which is something truly exceptional for a Spanish bank in 2011.

I would like to highlight a few aspects of these results that I consider important.

1. First of all, the results are practically all of a recurring nature.
2. They were achieved in part by increasing lending by 1.68% (as against an average reduction of more than 3% for the sector as a whole) and improving the ratio of deposits to loans.
3. Commission income was up, and the interest margin grew continuously quarter after quarter, in spite of the difficulties stemming from an environment in the grip of a deposits war.

4. Our insurance business is becoming increasingly important, and within this LDA's contribution has been very significant indeed, with outstanding results in another sector which is also going through difficult times.
5. We have set aside extraordinary provisions, over and above those required by the rules, in the amount of €36 million.

I would like to spend a few moments on this last point in view of its special significance. The quality of Bankinter's assets is the best in the Spanish credit system.

Our non-performing loans ratio at year-end was 3.24% (the best in the system and less than half the average), with a coverage of 52% and a substantial generic provision cushion (€115 million).

Adding substandard risk and repossessions to non-performing loans, the ratio rises to 4.6%, which is relatively even better, at around one third of the sector average.

But the real difference is to be found in our exposure to the real estate sector, which is considered the weakest point of the Spanish banking system (in view of the potential losses) and on which it seems financial reform will be focused as regards provisioning requirements.

Here our presence is almost a token one, approximately one eighth of what might be expected taking our overall market share into account, and our problem real estate loans amount to some €605 million compared with more than €175 billion for the system as a whole.

As regards solvency, there was significant strengthening over the course of the year, particularly following the successful issue of subordinated convertible bonds, such that at year-end our core capital ratio as per Royal Decree-Law 2/2011 stood at 9.47%.

For all these reasons - results, solidity and solvency - our stock was one of last year's best performers from the Ibex 35, gaining more than 14%, although the price is still a long way below what we consider an acceptable level for the potential of this Bank.

Moving on to other matters, at Bankinter we believe our commitment to creating value should not be confined to our shareholders, even though they are our raison d'être as a company, but that, without detriment to them, it must extend to other stakeholder groups with which the Bank interacts.

With customers, this commitment finds expression in attention to quality. At the end of 2011 Bankinter's average NSI (Net Satisfaction Index) in commercial banking was 74.6, maintaining its lead over the market average by 4.86 points. The customer churn rate fell to 5.69% from 6.64% in 2010.

With our employees, the commitment finds expression in the implementation of policies and initiatives relating to training, professional development, managing talent, equality, work-life balance, etc.

I am proud to be able to tell you that for the eighth year in a row Bankinter was chosen as one of the best places to work in Spain by the prestigious Great Place to Work® Institute, this year being in seventh place, as well as being the only financial institution on the list.

Regarding social issues, our value creation focuses, as you well know, on the area of accessibility and disability and that of environmental management. For further information on our activity in this sphere, which has been considerable and has received significant recognition, I would refer you to the Corporate Responsibility Report included in the documentation sent to you.

I wish to make special mention of the Bankinter Foundation for Innovation, one of the best examples of how the Bank seeks to define itself. This is an open, multidiscipline institution which seeks to encourage innovation in our business and educational fabric as a unique advantage which is sustainable over time and as an essential lever for economic growth and job creation.

The intense and varied activity of the Foundation through its various programmes has received glowing international recognition, being considered by the University of Pennsylvania in its prestigious Go-To Index as one of the world's top twenty thinktanks in the field of science and technology, in a ranking headed by the Max Planck Institute and which features no other Spanish institution.

I should like to close by thanking all those who work for Bankinter for their efforts, their willingness to make personal sacrifices, their enthusiasm and their good work in these difficult times for the banking sector.

Ladies and gentlemen, the sojourn in the wilderness is proving long and hard - much more so than any of us could have imagined at first.

However, we are starting to see the fruits of Bankinter's prudence, sound management and appropriate strategy.

Proof of this can be seen in the results of this past year.

Thank you.

Letter from the CEO

María Dolores Dancausa
CEO

Dear Shareholders,

It is a great pleasure for me to address you all on the conclusion of my first full financial year as CEO of Bankinter, in which we have seen very satisfactory results.

This past year 2011 was one of the most difficult since the present crisis started in 2008, as is well described by our Chairman in this very annual report. In his letter, the Chairman sets out extensively and clearly both the complex circumstances we have had to come through and the factors making this year's results a great achievement with a very solid base, with the best quality of assets in the Spanish credit system, the lowest levels of non-performing loans in the sector and very limited exposure to the real estate sector.

In this regard I am proud to say that Bankinter succeeded in posting net income for 2011 of €181.2 million, representing an increase of 20.2% on 2010, in line with the objective we had set ourselves, and endorsing the appropriateness of our strategy in this difficult environment.

Moreover, while profits could have been considerably higher, the Bank preferred to strengthen its provisions for repossessed assets ahead of the expected new regulatory requirements.

In this respect I would like to highlight the fact that the quality of the Bank's assets this past year has once again been well above that of the market as a whole, and this continues to be one of our main strengths. Our non-performing loans ratio stands at 3.2%, which is less than half that of the financial system as a whole, while our portfolio of problem assets in general, and repossessed real estate assets in particular, is much smaller than that of other financial institutions. Furthermore, our coverage rates are among the highest in the system: 52% for non-performing loans, as against 49% at other comparable banks; 36% coverage for repossessed assets, compared with 27%; and 45% coverage for problem assets, as opposed to 30% at comparable banks. All this means that the impact of the new regulations on our future earnings will be considerably less than for many of our competitors.

Throughout 2011 we complied diligently, i.e. promptly and conscientiously, as was to be expected, with all the requirements imposed on us by the regulatory authorities for our business, in terms of capitalisation, loan provisions and new levies such as those for the Deposit Guarantee Fund. And in 2012 we will continue to respond swiftly and conscientiously to all the new demands that may arise. However, as in 2011, we will continue to be critical of anything we consider unfair or simply unnecessary for the end that it purports to pursue.

In 2011 we were alert to opportunities for growth through acquisition, but nothing that fitted our model sufficiently well and at the right price came to fruition. We wish to grow, but without committing any irrational acts. If we find something that is the right fit for our business model and management values, we will consider it. And if it is not, we will not consider it, even though 2012 has been declared the great year of bank mergers. We have demonstrated that at our current size we are capable of being an example for the sector and of making a contribution to society. We do not subscribe to the oft-repeated view that there is room for only six giant banks in Spain. We believe there is room for everyone who does things well, is efficient, prudent and executes risk policies rigorously, professionally and disinterestedly.

Over the course of 2011 we maintained and developed the various business lines that form our group and the various channels through which we interact with our customers, and it is our intention to continue developing each of these lines.

Our presence in the world of insurance has proved a success, and an endorsement of our decision to enter it, translating into a contribution of 30% of the total gross income.

Also to be noted are the much improved figures for new customers captured relative to the previous year. During 2011 we were able to attract more than 95,000 new customers to the Bank, 55% more than in 2010, nearly 26,000 of them belonging to the high income segments, a particularly important group in our business strategy.

Our consumer finance subsidiary Obsidiana turned in excellent results, which is quite an achievement in a field where currently many fear to tread. In 2012 we shall continue to back the model that Obsidiana has managed to deploy with such success.

As far as the capacity of branches and banking networks is concerned, Bankinter has a great advantage in not sharing one of the main problems faced by the sector as a whole - overcapacity in its networks. We therefore followed a cautious policy in this respect in 2011, keeping our size modest but big enough to reach all those customers who require face-to-face service. Our Branch Network is also complemented by a highly qualified Agent Network and a network of Virtual Offices serving large corporate customers and their employees. And we will of course continue to drive and develop remote relations by telephone and internet with those customers who want them and who feel entirely at ease without physical branches or face-to-face service.

All through 2011 we strove untiringly to boost our efficiency, overhauling and fine-tuning all our banking processes. Behind these efficiency improvements stands Gneis, our technology company, which also took the first steps towards competing in the outside world with the services and technology we have always been so proud of at Bankinter.

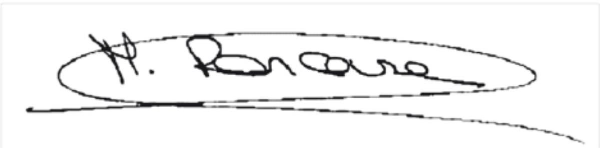
And, contrary to current popular ideas about banking, in 2011 we gradually increased our lending to segments in which the risk was manageable, the return acceptable and the terms reasonable. It is our intention to continue applying these same criteria throughout 2012.

Last year I made a commitment to you to drive a new stage of development of the Bank. Now, looking back, I sincerely believe that we have managed successfully to overcome all the difficulties, in search of that longed-for future of growth and profitability.

In concluding, I should like to convey to you my firm conviction that, with the confidence gained from the achievements of 2011 and building on the strengths that we have developed over the past few months, we shall be able to come through this crisis unscathed and to post satisfactory results in 2012.

I do not wish to close without expressing my appreciation to the more than 6,000 employees of the group, thanks to whose training, talent, effort and commitment we have been able to achieve the results presented in this Annual Report. They are the backbone of our institution, and it is thanks to them that we shall be able to meet our primary obligation, which is to generate value for you, the shareholders.

Thank you.



Service quality is a fundamental part of Bankinter's sales strategy. In 2011, the level of customer satisfaction with the service they received rose, which demonstrates the level of trust and commitment they feel towards the Bank.

1 Quality Management

The quality of Bankinter is a true reflection of our customers' trust.

The customer churn rate was reduced from 6.6% in 2010 to 5.7% for 2011.

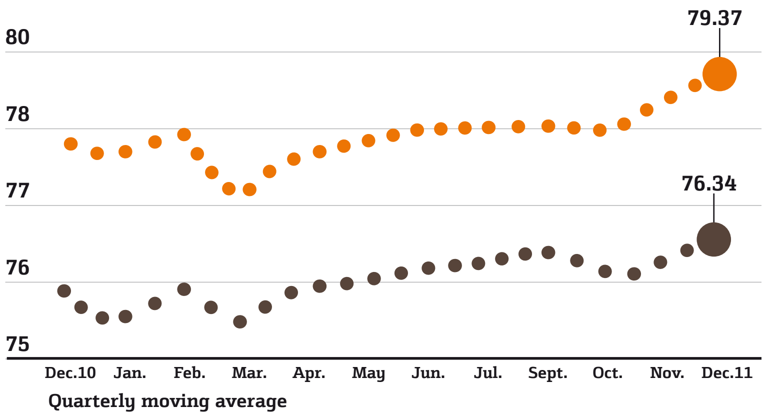
Excellence in service quality is a fundamental part of Bankinter's sales strategy. It constitutes the very essence of its personality: thinking and acting to develop products and services that meet customers' needs; facilitating their relationship with the Bank by means of a wide range of multi-channel banking; and bringing clarity and transparency to the information, providing effective responses to every need.

Bankinter's corporate culture bases its sales strategy on improving customers' experience of their relations with the Bank, and this has enabled the institution to differentiate itself from its competitors.

In 2011 Bankinter's customers expressed increased levels of satisfaction with the service received, thanks above all to the increased quality indices perceived in the Branch Network and on the Bank's service platforms (Telephone, Internet, Mobile and Online Broker). At the same time, the Bank's customer churn rate, which was already low, fell even further during the year, from 6.6% in 2010 to 5.7% in December 2011.

In short, the results reflect the degree of customer confidence in and commitment to the Bank, which is in turn the result of a highly satisfactory experience in their relations with our professionals and in making use of its multi-channel facilities.

Overall satisfaction with the Bank (NSI out of 100)



Recommend Bankinter Overall satisfaction

The Bank measures its customers' satisfaction using a Net Satisfaction Index (NSI) with a scale of scores from 0 to 100.

The factors most highly valued were the service and attention received from employees, their speed and effectiveness, their qualifications, professionalism and dedication.

Quality in the various networks, channels and customer segments of the Bank.

– The factors most valued by customers in their dealings with the Bank's Branch Network are the service and attention they receive from employees, the agility and effectiveness with which queries and banking transactions are handled, employees' qualifications and professionalism in giving advice, and the dedicated service provided by personal account executives.

– Although the economic situation and the market uncertainties hampered their work, the Personal Finance, Private Banking and Personal Banking account executives managed to boost customer satisfaction with their account handling and advisory services over the course of 2011.

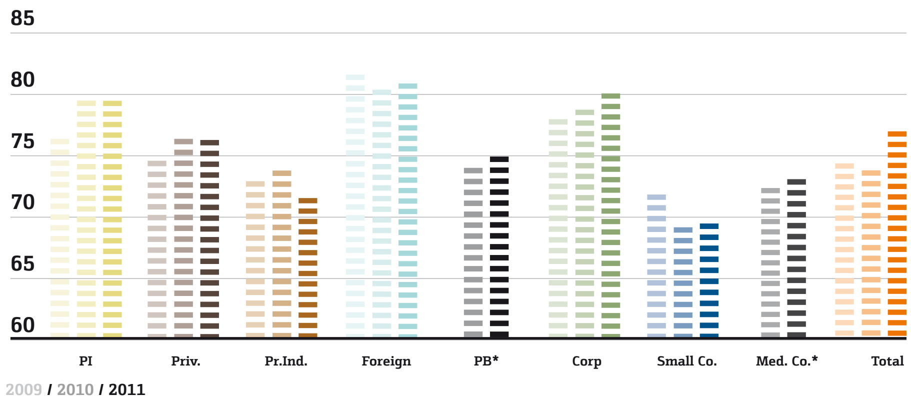
– In Banking for Private Individuals, the satisfaction index fell, essentially due to the "reduced flexibility in negotiating charges for services", although in the second half of the year these customers' level of satisfaction rose thanks to their perception of an improvement in the quality of service received from the Bank.

– As for Corporate Banking customers, the highest rated aspects were the dedication and professionalism of their account executive, the excellent support for their transactions and the functioning of the website.

Customer segments: Overall cumulative satisfaction as of December 2011 (NSI out of 100)

	2009	2010	2011
Personal Finance	76.66	79.74	79.45
Private	74.78	76.60	76.38
Private individuals	73.47	73.73	71.55
Foreign customers	81.82	80.22	80.48
Personal Banking*	-	74.52	74.93
Corporate	77.01	78.87	79.99
Small Companies	71.87	69.21	69.70
Medium Companies*	-	72.23	72.84
Total	74.50	74.44	75.91

*Segments created in 2010



Bankinter's customers have the advantage of being able to choose when and how to interact with the Bank. They have a wide range of banking channels available through which to meet their requirements for transactions or information.

– As regards the non face-to-face channels (Telephone, Internet, Mobile and Online Brokerage) the most highly valued factors were the functioning of the platforms (availability, response times and security), the easy customer interface and the wide range of transactions and queries they can carry out.

– Bankinter's multi-channel approach sets it apart from other banks and enables it to intensify its relations with customers by means of technology, adapting to their preferences and offering fast and efficient solutions to their transactional and information needs. Customers greatly appreciate the advantages offered by this varied multi-channel proposition.

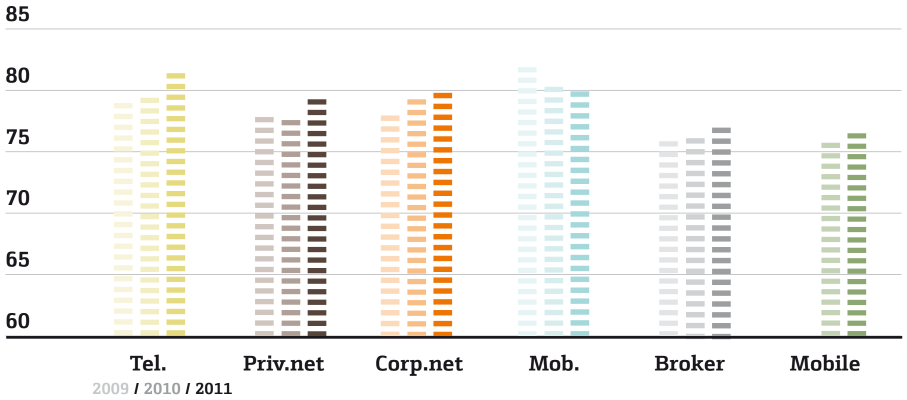
In order to enhance customer experience in their dealings with Bankinter, we survey their level of satisfaction with the service received through all the relational channels on a monthly basis. Each customer segment, distribution network and service platform has annual quality objectives established. 80.6% of customers are highly satisfied with the level of service they receive, and 76% would recommend Bankinter as a financial institution.

Customer satisfaction is managed by analysing their evaluations of service attributes as well as their comments or complaints and the quality indicators of the internal processes. Every month the trend is monitored at all levels of the organisation in order to guide the actions to be carried out for improvement.

During 2011 Bankinter's Quality area undertook various initiatives aimed at improving customer satisfaction: new contact paths (e-mail and digital channels) to ascertain their opinions and their experience in signing up for products and using the key services clave; identification of the best internal quality practices; improvements to management information so as to reduce the number of complaints, as well as playing a more active part in the launch process for the Bank's products.

Service platforms: Overall cumulative satisfaction as of December 2011 (NSI out of 100)

	2009	2010	2011
Telephone Banking	79.20	79.78	80.85
Private internet customers	77.89	79.01	79.09
Corporate internet customers	77.17	79.07	79.86
Mobile	82.64	80.50	80.11
Online Broker	75.79	75.73	76.16
Mobile Banking	-	75.20	76.39



The 'Bankinter sales style' is based on the Bank's values: agility, enthusiasm, integrity and originality.

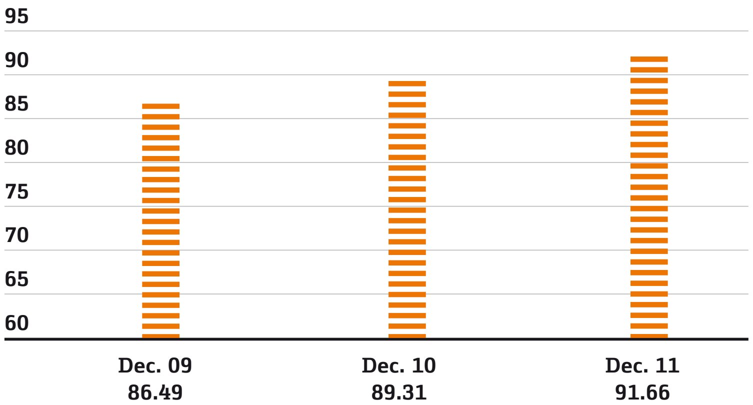
Bankinter sales style, characteristic and different.

In 2011 progress was made in implanting the 'Bankinter sales style', a characteristic and different style of performing the sales function in the Branch Network. This model establishes behavioural guidelines for the Bank's professionals to follow in their dealings with customers, based on the Bank's values (agility, enthusiasm, integrity and originality).

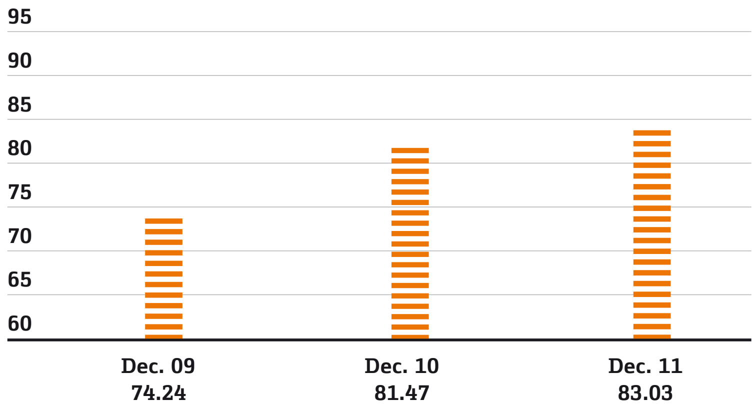
In 2011 outside observers made 1,098 visits to the offices of the sales network (mystery shopping) to evaluate the degree of compliance with the sales protocol in attending to customers and potential customers. The objective was to identify aspects which could be improved so as to enable the offices to demonstrate at all times why Bankinter is a distinctive bank and superior to its competitors. To that end, the way telephone calls are handled in the office, structural aspects of the office and customer management are all evaluated. With regard to this last point, particular weight is given to agility in attending to customers and the way they are treated (friendliness, dedication, privacy), commercial acumen in understanding the customer's needs and the quality of explanation of products and of advice given to help the customer take the best decision in signing up for a product or service or becoming a customer of the Bank.

The results obtained show a high degree of compliance with this protocol in the Bank's sales network evidencing the level of commitment of its professionals.

Telephone helpline degree of compliance with protocol (%) Scale of 0 to 100



Face-to-face service: degree of compliance with protocol (%) Scale of 0 to 100



The factors that most set Bankinter apart from other banking institutions are: customer service and attention, agility, transparency, professional advice and the quality of its online service.

Private Individuals (NSI)

74.6

+4.9 points relative to the market average

A different Bank that seeks to be the best for private customers

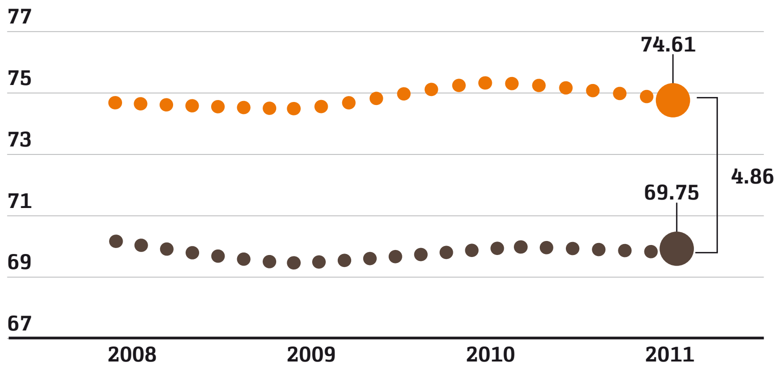
Quality is Bankinter's most important competitive advantage. Every six months Bankinter has a market study carried out by an independent firm in order to ascertain finance sector customers' perception of the quality of the service they receive from their financial institutions. According to this study, Bankinter is substantially ahead of its competitors. In 2011 Bankinter's customer satisfaction index was 4.9 points above the market average for private individuals.

The factors that most set Bankinter apart from other banking institutions are: the service and attention received from its professionals, agility in handling transactions and queries, the transparency of the information received by customers (a very important factor given that economic and financial conditions have changed since the pre-crisis years), professional advice and the quality of its online service.

Bankinter vs. the Private Individuals Market in 2011 (cumulative data)

	2009	2010	2011
Market	69.41	69.79	**69.75**
Bankinter	74.35	75.09	**74.61**
GAP	4.94	5.30	**4.86**

Data in the study:
Universe: Population aged over 18, holders of current or savings accounts with financial institutions.
Geographical scope: Municipalities of more than 50,000 inhabitants throughout Spain, plus all provincial capitals (except Ceuta and Melilla).
Sample: 1,405 interviews
Sampling error: ±2.50% working with a level of confidence of 95.5% (2 sigmas) and worst case p = q = 50.
Survey methodology: Computer-assisted telephone interview.
Source: Inmark 2011



Bankinter Market

A different Bank that seeks to be the best for corporate clients

The results of the market study in the Business segment indicate that in the current economic climate, in which access to financing is relatively difficult and services tend to be more expensive, customers of Bankinter appreciate the support and service they receive from the Bank all the more. In 2011 Bankinter extended its lead over the market as a whole by four NSI points and 14 points for the "would recommend" item.

The factors most appreciated by customers are our employees' training and professionalism, speed in handling transactions, the online service and transparency of information and terms and conditions of products and services.

Corporate (NSI)

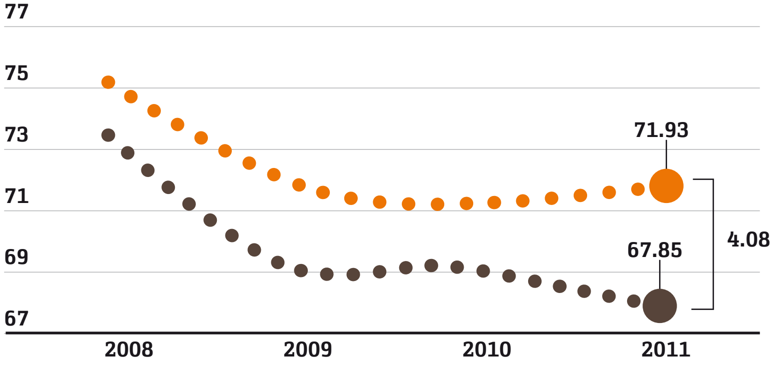
71.9

+4.1 points relative to the market average

Bankinter vs. the Corporate Market in 2011 (cumulative data)

	2009	2010	2011
Market	69.35	69.14	**67.85**
Bankinter	72.04	71.21	**71.93**
GAP	2.69	2.07	**4.08**

Data in the study:
Universe: Spanish companies (excluding retail trade and hotel and catering) with sales of between €0.5 million and €5 million approximately.
Geographical scope: The whole of Spain (except Ceuta and Melilla).
Sample: 1,111 interviews.
Sampling error : ±3.0% working with a level of confidence of 95.5% and worst case p = q = 50.
Survey methodology: Computer-assisted telephone interview.
Source: Inmark 2011



Bankinter Market

The attributes most highly valued in the branches and the business centres with the highest levels of customer satisfaction in 2011 were as follows: service and attention; agility in handling queries and processes; meeting commitments made; transparency of information; proactive safeguarding of the customer's interests and advice that is appropriate to their needs and preferences.

The highest-scoring departments of the Bank's central services and regional organisations owed their scores largely to: effective work, flexible adaptation to the needs of their in-house customers and excellent service and attention.

	First Half-Year	Second Half-Year
Branch with more than 600 active customers:	Mollet del Vallés (Barcelona)	Vigo Main Branch (Pontevedra)
Branch with fewer than 600 active customers:	Griñón (Madrid)	Valdepeñas (Ciudad Real)
Branch geared to Foreigners:	Los Cristianos (Tenerife)	Rojales (Alicante)
Business Centre:	Linares (Jaén)	Linares (Jaén)
Private Banking Centre:	Granada PBC	Tenerife PBC
Corporate Centre:	C.G. Cantabria	C.G. Vitoria (Álava)
Personal Finance Centre:	Asturias PFC	Asturias PFC
Personal Banking Branch	Palma Mallorca Ag. 3	Blanes (Gerona)
Region	Levante Sur (South-East Spain)	Madrid Main Branch
Organisational Risks Team	Madrid East Organisation	North Organisation
Operations Centre	Guarantee Centre	Guarantee Centre
Central Service	Quality Management	Personal Finance
Virtual Banking Organisation	Balearic Islands Organisation	Aragon, Navarra, Rioja and Soria Organisation
Agents Network Organisation	Las Palmas Organisation	Las Palmas Organisation

A different Bank which takes resolute action in the event of an incident

Customer Service

Customer Service (CS) 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 their communication 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 by providing management information to the institution's business and support areas.

Customer Services received a total of 7,307 complaints and claims from customers in 2011, representing 4.1 per million transactions compared with 8.4 in the previous year:

Total number of Complaints and Claims:	2010	2011
Total number of complaints (non-financial)	3,987	1,403
Total number of claims (financial)	10,535	5,904
Total financial Complaints and Claims	14,522	7,307

There were 5,904 claims of a financial nature, 53.4% of which were resolved in the customer's favour:

Financial claims:	2010	2011
Number of claims settled in customer's favour	6,357	3,155
In customer's favour (%).	60.34	53.44
Number of claims settled in the Bank's favour	4,178	2,749
% in Bank's favour	39.66	46.56
Total financial claims	10,535	5,904

48.7% of cases were resolved in less than 48 hours:

Timeframes	2010	%	2011	%
0 days	5,738	39.51	2,321	31.76
1 to 2 days	2,588	17.82	1,240	16.97
3 to 6 days	2,194	15.11	1,178	16.12
7 to 10 days	888	6.12	991	13.56
> 10 days	3,114	21.44	1,577	21.58
Total	14,522	100.00	7,307	100.00

External Ombudsman

This body, which is independent of the Bank, is represented by José Luis Gómez-Dégano, to whom customers may address their claims whether it is because they disagree with the resolution provided by Customer Service or because they prefer to deal directly with him. In 2011 he processed 487 claims (40.9% fewer than in 2010) of which 249 were resolved in the Bank's favour (51.1%) and 208 in the customer's (42.7%).

External Ombudsman:	2010	2011	Change (%)
Incidents processed	824	487	-40.90
Settled in the customer's favour	271	208	-23.25
Settled in the Bank's favour	486	249	-48.77
Excluded	67	30	-55.22

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. In 2011, 194 claims were submitted to this body and 93 were resolved, 30 of them in the customer's favour:

Bank of Spain:	2010	2011	Change (%)
Claims processed	539	194	-64.01
Settled in the customer's favour	154	30	-80.52
Uncontested	39	12	-69.23
Settled in the Bank's favour	164	40	-75.61
Pending settlement	116	101	-12.93
Outside Bank of Spain jurisdiction	66	9	-86.36
Filed		2	

The in-house service culture is promoted by means of satisfaction surveys in which the departments that provide services to other areas of the Bank and to the Branch Network are evaluated by employees.

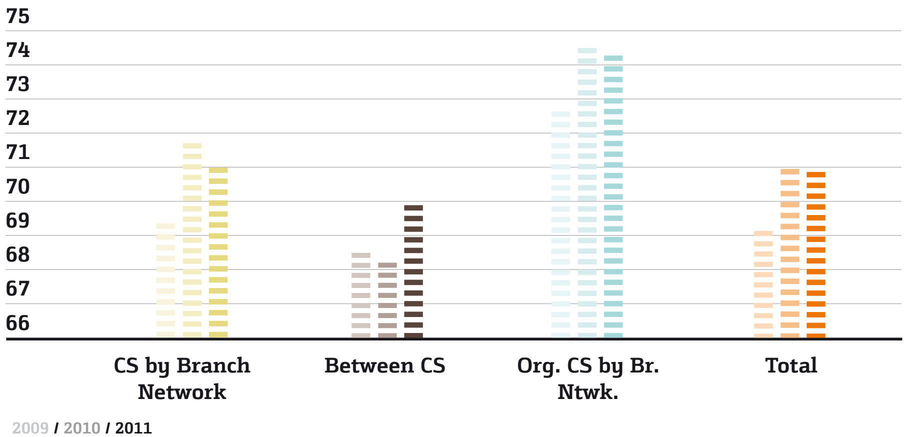
A different Bank that seeks improvement by evaluating and involving in-house customers

The involvement of Central Services in the quality which the Bank offers its customers finds expression in its constant supervision of the services that are most important to customers and in the continuous improvement of the associated working processes and methods.

The in-house service culture is promoted by means of internal customer satisfaction surveys in which the departments that provide services to other areas of the Bank and to the Branch Network are evaluated by the employees that make use of these services. This dynamic facilitates awareness of internal customer needs and leads in turn to improvement activities aimed at achieving better service to the end customer.

Internal surveys: Overall Satisfaction with Central Services (NSI out of 100) (Cumulative)

	2009	2010	2011
CS Assessment by the Branch Network	69.35	71.71	**71.00**
Assessment between CS	68.34	68.16	**69.98**
Organisation CS Assessment by Branch Network	72.60	74.44	**74.20**
Total	69.14	70.95	**70.79**



Innovation forms an important part of Bankinter's identity. This past year the Bank confirmed its commitment to this strategic factor by setting up the Centre for Innovation, manned by a team of employees drawn from different areas of the Bank.

2

Innovation

Establishment of the Centre for Innovation

In 2011 Bankinter confirmed its commitment to banking innovation by setting up the Centre for Innovation, an initiative which benefited from the encouragement and direct participation of the Bank's senior management.

This centre brings together a multi-disciplinary group of employees drawn from various areas of the Bank as well as from services and technology provider Gneis (a subsidiary) and the Foundation for Innovation. Its basic objectives are: to develop new products and services for customers, to design new ways of distributing them in both the physical and digital worlds, and to find the business models for these products that are most appropriate for both the Bank and its customers.

The activity of the Centre for Innovation goes well beyond mere product research and design. For example it makes product prototypes, tries them out with real customers, tests the associated business model and finally, after confirming that they will be well received, launches them commercially.

The Centre for Innovation also works actively on creating an environment to encourage innovation through the participation of different players: customers, employees, companies from a variety of sectors, entrepreneurs, universities and other bodies. In short, different groups which work together to define and construct the Bank of the future by creating winning financial products and distribution channels to support the Bank's relations with its customers.

The customer at the centre of design

During 2011, customer-focused design work took on a particular importance, with emphasis being placed on the construction of product interfaces and the quest for a relationship model, especially in remote channels such as the Internet and the mobile phone. This task will continue during 2012, with the launch of a new series of products and services based on these concepts of simple, user-friendly design which we have grouped together under the name 'intuitive banking'.

One important feature of the Centre for Innovation is its structure, designed to reduce development times and costs of the products and services constructed to an absolute minimum. This will enable Bankinter to catch the market unawares and steal a march over its competitors.

Distance channels and the digital world

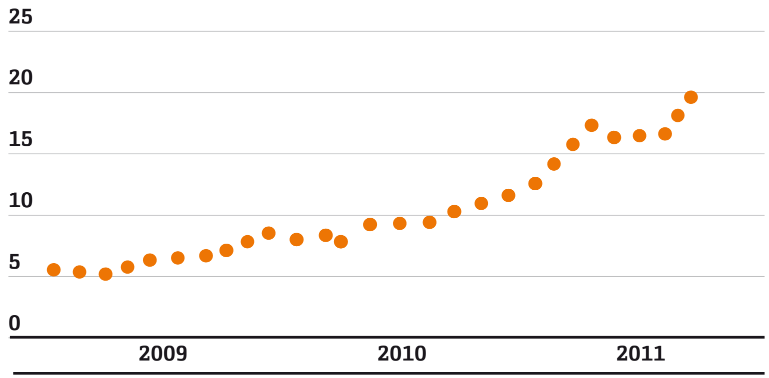
Bankinter's differentiation in the sector has tended historically to derive from its technology and the multi-channel experience. During 2011 Bankinter once again stood out by developing new solutions that made life easier for customers. Such is the case with the new way of accessing online banking using iPads and similar tablets, using contextual design and being adapted to suit the customer's situation at any given moment.

The Bank also continued to develop its versions of online banking for new mobile devices such as iPhone and Android, incorporating new functionalities which offer customers the convenience of accessing their bank from anywhere and using whichever device they prefer.

Each solution is specially adapted in terms of both design and content. This means that customers have different functionalities for a telephone or a personal computer, since their needs in interacting with the Bank will also differ depending on which device they are using.

This drive for mobility led to an increase of more than 107% over the course of 2011 in the number of active online customers, with the penetration rate going from 8% in January to 19% in December.

Increases in the percentage of Bankinter customers banking by mobile (telephones and tablets) compared with those using Bankinter Internet (personal computer) (%)



Biometrics

Of all the various mobile solutions launched over the course of 2011, one which aroused particular interest was the pilot scheme carried out with customers to try out a technology enabling access to the securities trading application via iPhone using iris recognition. The system requires only the use of the camera in the mobile device, and constitutes an important advance in security compared with the traditional customer identification and authentication protocol based on user names and passwords.

This application was recognised by the magazine Financial World in its annual Innovation Awards held with the IFS School of Finance as the 'Most Innovative Application of Technology - Customer Facing Functionality'.

NFC

Bankinter continued to work during the year on a number of pilot schemes for payment by mobile using NFC (Near Field Communications) technology. More specifically it took part in the pilot scheme run by Telefónica on its Madrid campus, offering Telefónica employees who were also Bankinter customers the possibility of storing their credit card data in the mobile phone and being able to use it directly to make payments in various merchant outlets in the area.

As a result of its various initiatives in NFC, Bankinter was a finalist in the BAI-Finacle Global Banking Innovation Awards in the 'Most Disruptive Innovation in Banking' category.

Conclusions

We can conclude that nowadays innovation in banking is no longer just an important differentiator but a necessary requirement. Distribution through digital channels, as well as the need to simplify the interfaces for interaction between customer and financial institution, are demands that the market is increasingly imposing on the banking sector.

In this regard, Bankinter's Centre for Innovation is designed to respond to that challenge, focusing innovation efforts as much as possible on improving products, services, distribution channels and customer relations. This Centre also helps to ensure that these innovations reach the customers in an appropriate form and generate value for the Bank.

In summary, Bankinter is seeking through all these actions to consolidate its successful track record in innovation which has enabled the Bank to offer its customers products that are differentiated and better suited to each particular need and situation, focusing efforts on the customer and on the requirements of the market.

Video Call Service

The video-call service is a channel for interaction between Bankinter and its customers that uses the power of the Internet to offer an interactive, multimedia, personalised advisory service that is totally specialised according to the specific needs of the customer.

This service, which forms part of the Bank's multi-channel strategy, is available to customers while they are browsing the website, through which they can contact a Bankinter account executive who will provide them with assistance and information online, free of charge.

This service also has a version for deaf people, aimed at bringing banking operations to people with impaired hearing by means of interaction in sign language.

The general features of the service are:

1. Customers can see and speak to one of the Bank's specialist account executives, free of charge.
2. They can write questions and receive written replies through an online 'chat' facility.
3. Account executives can guide customers through the pages of Bankinter's website and send them documentation in real time in complete safety and confidence.

Bankinter's people management model promotes motivation and commitment, seeking to align employees' work with corporate objectives. The people working at Bankinter are our prime asset.

3 People

The key to achieving differentiation lies in how intangible assets are managed: knowledge, integration of corporate values into everyday activity, commitment to employees, relations with stakeholder groups, etc.

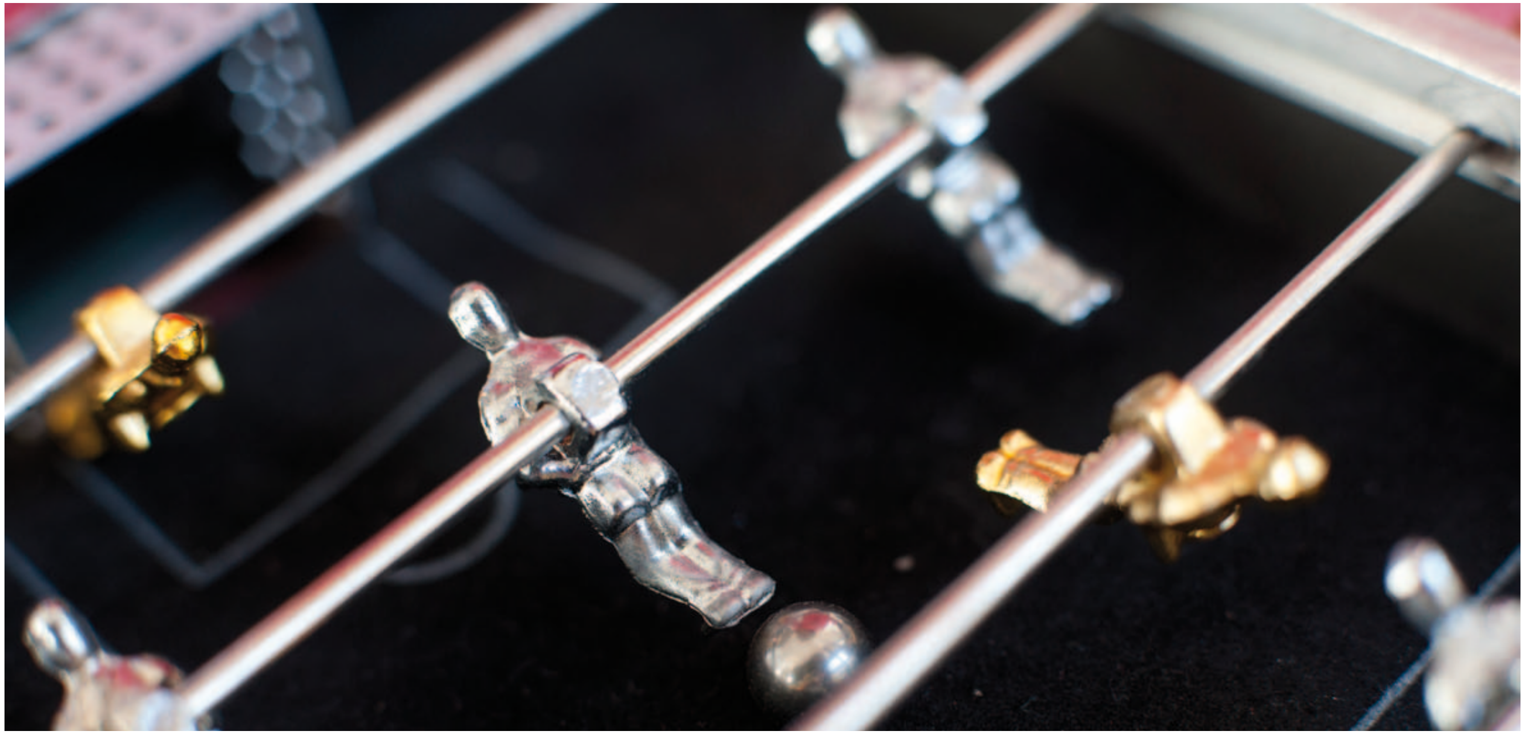
Intellectual Capital

Bankinter's model of intellectual capital provides us with important information for assessing the entity's capacity for creating value and for managing the contribution of intangible assets to its business strategy.

The Bank's strategic focus is based on differentiation. The key to achieving this differentiation lies in how intangible assets are managed: knowledge, integration of corporate values into everyday activity, commitment to employees, relations with stakeholder groups, etc.

Bankinter's intellectual capital model is structured in three blocks of information (human, structural and relational capital), depending on the different nature of the intangible assets under consideration in each case.

The purpose of this structure is to provide uniform information relevant to Bankinter from a strategic point of view, so that not only shareholders, but also customers and society at large have access to comparable data which can be used to determine the Bank's current value.



Human Capital

This refers to the attitudes, skills and knowledge of employees and teams that provide value to the organisation, as well as its capacity to regenerate its human capital though training and learning.

The main objective of Bankinter's people management policy is to achieve a professional workforce that is committed, responsible, trained, motivated and aligned with the Bank's objectives and its business model.

Bankinter is committed to equality and diversity. The Bank has not only achieved a sustained reduction in the difference between the numbers of men and women, but in 2011 the proportion of women in the workforce actually exceeded that of men, at 50.7%.

This year, in view of the climate of crisis, Bankinter has focused on professional development of the existing workforce rather than adding to it. Thus during 2011 30.3% of Bankinter employees took part in development programmes (talent, career plans, promotions).

The average age of Bankinter's employees is 39 years, and they are highly qualified: 77% hold a university degree and 33.5% have advanced skills in English. They also have a high degree of diversity, with employees holding 103 different academic qualifications, from 29 different nationalities and with a wealth of varied experience. Employees' average length of service in the Bank is twelve years.

These data reinforce the policies applied by People Management, which are based on principles of equality and non-discrimination allowing all employees to pursue their professional development on an equal footing.

To this end Bankinter expends considerable effort on training, and even in a year like this past one, 78.1% of the total workforce and 89.0% of the sales force took part in some form of training.

Other strategic pillars of people management at Bankinter are employee commitment and motivation. In 2011 we carried out 38 different corporate volunteer projects, in which 520 employees took part, representing 12.4% of the total workforce. Additionally, 32.8% of employees took part in discussion forums. There were 510 suggestions for improvements and 1,890 contributions to knowledge communities

The percentage of employees with stock and convertible bond programmes held steady at 40.4% in 2010 and 41% in 2011.

Indicator	2007	2008	2009	2010	2011
Descriptive Indicators					
Number of employees	4,530	4,483	4,509	4,543	**4,210**
Average age (years)	35.95	36.71	37.38	38.00	**39.00**
Experience					
Average length of service (years)	9.56	10.25	11.00	11.00	**12.00**
Average length of service (years) as % of 40 years (professional lifetime)	23.90	25.63	27.50	27.50	**30.00**
Diversity					
Breakdown by sex					
Male (%)	51.79	51.13	50.19	49.53	**49.31**
Female (%)	48.21	48.87	49.81	50.47	**50.69**
Graduates (%)	72.56	73.44	73.79	75.13	**76.96**
Employees with advanced English language skills (%)	35.41	35.76	34.33	31.70	**33.47**
Number of nationalities represented	28	25	26	34	**29**
Number of different academic qualifications	89	91	91	97	**103**
% of workforce holding the three most common degrees at Bankinter	42.94	44.23	45.73	49.24	**60.48**
Corporate Volunteer Work					
Number of different volunteer projects carried out		18	39	49	**38**
% of employees participating as volunteers in the various projects carried out		4.89	9.47	13.91	**12.35**
Ability and development					
Employees who received training (%)	100.00	95.48	95.63	83.42	**78.08**
Average number of hours training per employee as % of 350 (average postgraduate course load)	18	16	15	9	**9**
Average number of hours training per employee	62.17	56.17	53.61	32.46	**31.29**
Average number of hours training per employee trained	58.66	58.83	56.06	38.91	**40.08**
Investment in training as % of total payroll	3.26	2.00	1.30	0.90	**0.8**
Investment in training per employee (euros)	1,257	733	519	359	**299**
Investment in training per employee trained (euros)	1,186	768	543	430	**383**
Employees with access to Virtual Classroom from their workstation (%)	100	100	100	100	**100**

*note:

- The dates for conducting the working climate survey, hitherto done at year-end, have been changed in view of the workload for group employees at the time of year-end closing of accounts. Since it is biannual, the study for the last period will be carried out at the beginning of 2012.
- As regards variable remuneration, the model has been changed, and as a result no data are available. The purpose of the 2011 Variable Incentive is to adapt the Bank's remuneration system to the new environment, which calls for prudence as regards the fixed portion of remuneration and flexibility for the variable part. It is also important for remuneration to be tied to the Bank's profitability, unlike the situation with the previous system of variable remuneration, and that it should be allowed to extend to the entire workforce regardless of salary structure.
- The following data for 2010 have been restated, since they had been incorrectly reported: Number of Employees taking part in Quality Actions and Projects/Total Workforce; Percentage of Employees meeting or exceeding Assigned Objectives; PBT/Number of Employees; Customer Resources per Employee; Loans and Advances per Employee.

Indicator	2007	2008	2009	2010	2011
Training actions in Virtual Classroom as % of total different training actions	17.09	4.41	8.17	7.18	5.97
Number of different training initiatives	474	431	404	376	412
Average number of courses per employee	9	9	10	10	8
Total number of courses taught	1,384	1,294	1,323	1,349	1,158
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 (%)	55.39	50.30	37.41	40.41	40.97
Satisfaction index*	79	N.A.	79	N.A.	N.A.
Motivation index (%)*	73	N.A.	76	N.A.	N.A.
Participation in opinion poll (%)*	81	N.A.	82	N.A.	N.A.
External rotation index	10.53	8.94	4.10	5.89	10.29
Employees participating in Quality Projects and Actions as % of total headcount	5.30	5.49	5.34	2.66	0.59
Employees participating in Discussion Forums as % of total headcount	39.03	39.04	34.80	33.92	32.78
Employees with variable remuneration (%)	59.93	76.09	74.65	69.78	N.A.
Persons with flexible remuneration %		11.62	18.92	24.87	30.74
Employees who have received awards (%)	72.60	76.49	70.75	70.83	0.00
Recognition index (%)	13.97	14.03	12.51	9.30	2.07
Variable remuneration as % of total payroll	13.51	14.75	14.58	13.74	N.A.
New hires in the past year as % of total workforce	22.38	7.49	4.68	6.65	2.76
% of employees who meet or exceed their assigned objectives	85.16	5.22	29.32	98.99	N.A.
Personnel expenses (thousands of euros)	298,294	260,877	325,040	332,934	329,965
Number of contributions to knowledge communities	2,181	2,171	2,011	2,037	1,890
Number of suggestions for improvements	413	421	442	496	510
Value creation (thousands of euros)					
PBT/Number of employees	106.94	75.17	76.72	45.17	57.04
Contribution to GDP per employee	185.27	153.04	149.76	119.01	119.70
Productivity (thousands of euros)					
Customer funds per employee	8,559	8,330	8,879	8,784	9,015
Loans & receivables per employee	8,296	8,955	8,845	9,195	10,120

Structural Capital

Structural capital is defined as the value of the internal systems and of the corporate structure and culture. It is the knowledge that the Organisation succeeds in specifying, systematising and internalising in its individuals and teams. Sound structural capital facilitates a better flow of knowledge and leads to increased efficiency of the Organisation.

Bankinter bases its corporate culture on its four values: Agility, Enthusiasm, Integrity and Originality, which are shared and undertaken by the entire organisation.

These values reflect not only transparency of information, with 97.2% of all management information being available to all employees, but also the involvement of the hierarchical levels in drawing up the group's strategic plans. 31% of these professionals are directly involved in decision making.

In view of the flexibility required by the business, and embracing the strategies required by today's changing conditions, Bankinter promotes internal rotation in line with the experience and knowledge of each professional and based on the principles of equality and non-discrimination. In 2011 this rotation involved 22.3% of employees.

Indicator	2007	2008	2009	2010	2011
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 (%)	96.61	97.00	97.20	97.30	97.20
De-layering and Transparency					
Persons participating in 360° evaluation	4,165	4,456	4,398	N.A.	N.A.
Average number of evaluators per employee evaluated (applications sent / total headcount evaluated)	11	12	12	N.A.	N.A.
Average number of persons assessing each Management Committee member (applications sent / members of the management committee)	81.00	74.00	87.00	N.A.	N.A.
Flexibility (%)					
Internal job rotation	29.95	26.87	26.04	35.12	22.28
Employees who have logged on remotely (%)	35.70	35.78	35.64	35.48	46.84
Number of remote log-ons	141,443	146,303	122,634	103,034	121,637
Time logged on remotely per user (min.)	11,963	10,009	7,305	6,198	5,725
Employees accessing the Internet daily from the Bank's platform	69.65	62.25	91.52	95.80	103.17
Employee suggestions implemented (per thousand)	75.71	54.91	80.42	-	-
Employees with corporate laptops (%)	28.68	30.23	27.86	27.36	27.72
Employees with corporate mobiles or BlackBerrys (%)			50.12	63.50	63.06
Technology and process quality					
Employees with Intranet access / total staff	100	100	100	100	100
Number of employees contributing to development and maintenance of Intranet content	146	152	340	197	369
Employees with access to e-mail / total staff	100	100	100	100	100
MIPs on central host/staff	0.97	1.07	1.18	1.17	1.35
Daily e-mail traffic (daily average in a 7-day week)	375,536	NA	210,608	279,817	282,915
Number of quality actions and projects carried out	96	0	N.A.	40	0
Number of quality actions and projects winning awards	0	0	N.A.	N.A.	0
Branches with Internet stations and telephones connected to Telephone Banking (%)	100	100	100	100	100

*note:
- There are no data on De-layering and Transparency, due to a change in the frequency of the 360° evaluation process as a result of which it was not carried out in 2010 or 2011.
- No data are available for the number of quality actions and projects carried out or the number of quality actions and projects winning awards, since there were no calls for tender in 2011.

Relational Capital

Relational capital refers to the value of a company's relationships with the outside world: customers, suppliers, social partners, society etc.

Bankinter continues to be committed to keeping its levels of quality and customer service among the highest in the market. To this end it pays attention, among other things, to resolving any customer incidents as quickly as possible. In 2011 the percentage of financial incidents resolved within 48 hours rose to 48.7%.

We would also point to the efforts made to maintain and continue developing channels other than the Branch Network, thus supporting the multi-channel offering for which Bankinter is a market benchmark.

In this regard, transactions carried out through channels other than the Branch Network continue to account for around 60% of the total, with the figure for this past year coming in at 62.6%. Channels such as the Internet continued to show good customer penetration rates. The figure for 2011 was 24.8%.

Indicator	2007	2008	2009	2010	2011
Customer Relations					
Number of non-specialised and foreign branches	360	372	369	367	**366**
Number of Virtual Branches	552	407	399	371	**359**
Number of Bankinter Agents	996	920	683	543	**496**
Number of Centres for Medium-Sized Businesses	161	145	102	89	**81**
Number of corporate centres	51	51	47	47	**47**
Number of Private Banking management and advice Centres	47	51	62	47	**59**
Employees per Branch or Management Centre	7.32	7.24	7.77	8.05	**7.63**
Staff directly involved in the business (%)	74.83	75.46	81.46	75.74	**76.75**
New active customers (%)	12.57	10.80	4.73	4.80	**6.23**
Annual growth in Average Total Assets (%)	11.24	7.24	7.05	-0.75	**4.33**
New active customers per employee	21	19	8	8	**11**
Quality and customer satisfaction					
% of financial incidents resolved within 48 hours	70.6	50.02	52.53	57.33	**48.73**
Number of complaints to Ombudsman per active customer	7.56	8.99	14.87	11.25	**6.67**
Number of complaints processed by the Bank of Spain per active customer	1.50	1.55	6.65	7.35	**2.66**
Multi-channel development					
Transactions through channels other than Branch Network as % of total Bank transactions	68.84	67.86	67.04	63.67	**62.56**
New customers through channels other than Branch Network as % of total new customers	39.10	42.45	47.11	42.87	**41.99**
Telephone Platform					
Calls answered by Telephone Platform / Staff	1,608	1,385	963	824	**700**
Enquiries and incidents reported to Telephone Banking managed via e-mail / telephone banking staff	210	209	197	275	**349**
Active Telephone Banking users as % of total active customers	68.89	73.84	62.78	61.35	**55.54**
Transactions via Telephone Banking as % of Bank total	6.00	6.07	5.27	5.67	**4.73**
Calls managed by the automatic service (%)	54.16	50.43	44.91	43.11	**44.56**

*note:
- the data for 2010 on Annual Growth in Average Total Assets and % of calls handled by answering machine have been restated since they had been incorrectly reported.

Indicator	2007	2008	2009	2010	2011
Agents Network and Virtual Banking					
Growth in number of Virtual Banking customers (%)	4.83	4.04	3.46	2.25	**1.94**
Virtual Banking transactions through channels other than Branch Network / total transactions of Virtual Banking customers (%)	98.93	99.02	98.79	98.85	**98.67**
% growth in number of Agents Network customers	11.84	8.01	6.84	2.47	**3.31**
Agent Network transactions through channels other than the Branch Network / Total transactions of Agent Network customers (%)	96.76	96.76	97.88	97.73	**97.85**
Internet					
Internet customers as % of total customers	27.2	24.94	24.92	24.90	**24.76**
Transactions through bankinter.com as % of Bank total	55	53.76	54.89	51.38	**50.20**
Internet log-ons per active user	107.86	99.06	99.30	93.62	**94.47**
Equities activity through Bankinter Broker (%)	80.97	88.43	72.61	69.14	**57.56**
New customers signed up by Internet as % of total new customers signed up by the Bank (%)	15.19	21.42	3.87	4.26	**2.85**
Shareholder and investor relations					
Channels available to shareholders and investors	9	8	8	8	**8**
Number of publications aimed at shareholders and investors	19	19	34	34	**35**
Support for Education, Culture and Innovation					
Alliances and collaboration projects with academic and research institutions	73	71	72	61	**22**
Number of conferences organised by the Bankinter Innovation Foundation to disseminate its findings among Spanish businesses.	10	8	13	13	**20**
Number of experts (scientists, economists, sociologists, businessmen etc.) who participate in the forums organised by the Bankinter Innovation Foundation.	183	220	277	299	**326**
Brand awareness					
Awards or public recognitions received by Bankinter	18	25	30	30	**23**
Positive and neutral assessments made in reports on Bankinter in the media in the target market	95.28	82.84	88.55	79.52	**79.48**
Social Action					
Number of agreements reached to include people with disabilities on the staff	6	6	7	6	**4**

Bankinter's people management model promotes motivation and commitment, seeking to align employee behaviour with corporate objectives.

Managing people, with a view to the future

In a situation of serious economic crisis (such as the present one) and far-reaching restructuring of the financial system, the objectives of organisations necessarily involve striving to be ever more productive in a market environment beset by challenges and in a constant state of flux.

In this context, Bankinter has undertaken the alignment of its human resources management policies with its business strategy with a view to thus achieving a positive effect on the profit and loss account. The Bank has focused its efforts on profit-mindedness, avoiding unnecessary or inappropriate expense and helping to build a high-performance organisation equipped to face the future.

People management model

Bankinter's people management model promotes motivation and commitment, seeking to align employee behaviour with corporate objectives.

Bankinter's People and Knowledge Management area has taken up the challenge of creating an excellent workplace with the right conditions for developing the potential of our professionals, where they can feel proud of what they do and enjoy working with their colleagues and achieve a reasonable work-life balance.

Against a backdrop of a deteriorating national and world economic situation in which uncertainty, unemployment and social unease have come to the fore, Bankinter has pursued a people management strategy very much in line with the Bank's business and with the flexibility demanded by the situation, adjusting the workforce to these demands and providing the training which these new circumstances require.

In this respect during 2011 Bankinter continued to invest in training, promoting employees' development and recognising its professionals' talent and hard work.

Unlike in previous years, in 2011 there was only one formal event to recognise employees who, irrespective of their age or position, had distinguished themselves through their motivation, commitment and hard work. The number of employees thus recognised was 87.

Training

78.1% received training

Development and talent

By managing talent, Bankinter seeks to respond to the needs of the entire workforce for professional development, career plans and quality training. 30.3% of the Bank's professionals took part in professional development programmes in 2011 (talent, career plans, promotions, etc.) and 78.1% received training.

Retaining talent

Retaining talent is one of the main challenges in human resources management, and one that becomes even more essential in times of crisis.

Bankinter promotes career development based on merit and on active management of talent within the organisation. Talent management has a strategic value for the Bank, and is the main driver of change and differentiation in the medium term. For employees' professional development, Bankinter has policies of in-house rotation, specific career management for executives and processes for handling vacancies.

Once talented employees have been identified by means of performance evaluations, training, rotation and promotion policies are designed in accordance with specific needs so that the employees can acquire the necessary experience and knowledge to develop a successful professional career path.

These employees are monitored closely by the People and Knowledge Management area in collaboration with their line managers.

491 employees took part in the talent management programme during 2011 (220 men and 271 women). Their situation in the programme is reviewed annually and their professional development is monitored individually.

Indicator	Persons identified as having talent (%)	Total workforce (%)
Internal job rotation	15.88	22.28
Gross external rotation	0.49 (4.27 of the group)	10.29
Promotions	3.05	2.28

Apart from this, 689 employees had career plans in 2011 (40.2% men and 59.8% women) and 2.3% were promoted.

Professional training and development

Security of job tenure is increasingly rare in all organisations, including those in the public sector. Nonetheless stability of employment is still an essential value in the business world, as much for companies as for the employees themselves.

Bankinter resolves this apparent contradiction by developing what has come to be known as the 'employability' of its professionals, defined as "the set of factors that enable a person to possess the know-how, skills, aptitudes and professional attitudes needed to remain attractive in the market".

Consequently Bankinter keeps the value of its human capital constantly updated and strives to achieve a working environment that is different, unique and motivating, in which employees can develop their professional careers to the full, in the best possible conditions.

This past year the training objectives for the branch sales network focused on promoting the development of personal skills in the direction of strategic business objectives, while for the central services staff areas they were geared to consolidating knowledge and improving teamwork.

The quest for efficiency

During this past year we sought to increase efficiency as shown in training ratios, and we succeeded in reducing the budget by 22% with a reduction of just 8% in the number of hours training. In doing so we applied a mix of face-to-face and online training, both in-house and external, with stress placed on data-conferences. Bankinter thus maintains its philosophy of practical training geared to business and customer satisfaction and suited to participants' capabilities, skills and attitudes for best performance.

This past year we focused on:

A. Knowledge, skills and attitude

In 2011 we offered 412 different courses (10% more than in 2010), with an average of 31.3 hours of training per participant and involving 78.1% of the total workforce and 89.0% of the branch network workforce. Efforts focused on technical training (advice, markets, products and risk policies and control), making use of the knowledge of the Bank's professionals to deliver high-quality in-house training.

Similarly, training in skill development was managed with a view to perfecting sales techniques, improving quality of service and attracting new customers. In both cases, with the support of the technologies available in the Bank (video-conferencing, data-conferencing and online training). Lastly, on a face-to-face basis, courses on attitude were held, specifically a course on Managing Aspiration and Optimism, which reached a large part of the workforce.

B. Training of the talent group

With the aim of promoting the development of the most talented professionals with the greatest potential, over the course of 2011 Bankinter selected 106 employees for the Talent programme and another 380 for the Potential programme, in accordance with the MPA test, a personality that seeks to provide a picture of behavioural tendencies in different professional situations and circumstances.

During 2011 the employees in the Talent programme started the training sessions with courses on emotional intelligence, leadership, communication and leadeship coaching.

C. Commitment. The 'Implica' Project.

The 'Implica' project is designed to bring the Bank's values closer to all employees, with the aim of:

1.- instilling enthusiasm and commitment to recognise and project the spirit of the Bank.
2.- reconciling the principles underpinning Bankinter's culture with the demands made by business and turning this combination into a driver of future success.
3.- implanting the Bankinter culture in a structured and practical way into daily work and conduct.

Within this programme, 70 people were trained to train others in turn ("train the trainer"). A total of 223 meetings were held, to which 3,893 people were invited, 3,360 of whom attended (86.3%).

D. High Performance Centres

Drawing their inspiration from the philosophy of the High Performance Centres (HPCs) in sport, which seek to improve the performance of the most talented athletes, Bankinter's HPCs are branches selected for their successful models for attracting and/ or handling customers. Sales personnel with high potential are invited to these centres to spend four days honing their skills and learning from experts in a programme where the emphasis is very much on the practical.

Forty HPCs were selected in 2011 and 137 employees were trained in them.

E. Online Training

The training website, which is part of the Bank's Intranet and as such accessible to all employees, continues to be the key tool for the planning, control and execution of training plans.

Here all employees can check the calendar for all the courses they plan to take and those they have been instructed to attend by the Training area. They will also find all the online courses that are available to the workforce (a total of 22 over the course of the year) and links to the virtual schools with which Bankinter has courses running, which in 2011 were EFITE Techrules School of Finance and the insurance course at the ICEA, the Spanish insurance companies association.

The Training website contains a specific space with mandatory courses, which include those on the Prevention of Money Laundering, the MiFID Directive, the Prevention of Risks in the Workplace and the Organic Law on Data Protection. Other recommended courses include one on Time Management aimed at meeting the requirements for certification of the Family-Responsible Company model, and the video on the Declaration of Human Rights, which addresses the first principle of the United Nations Global Compact, on responsibility for complying with these rights and ensuring that others in one's sphere of influence also comply with them. The Law on Insurance Intermediation was also made available, and mandatory, for the branch network.

In this space weekly articles are also published on various topics aimed at informing, entertaining, updating and motivating employees. These articles are accompanied by videos, links and documents reinforcing the messages.

Remuneration

Policies on salaries and the granting of incentives carry a greater power of conviction than any argument used in a meeting, speech, pamphlet or e-mail.

Equally, it is necessary to be consistent when taking decisions, setting objectives whether for individuals or groups, establishing fixed and calculating variable remuneration.

Salaries and employee benefits

Bankinter's pay policy seeks to provide fair remuneration for individual effort and team work, avoiding discrimination on the grounds of sex, race or for any other reason, and ensuring compliance with the law and the industry's collective employment agreements.

Remuneration consists of a fixed and a variable component. The factors influencing fixed remuneration are the function performed, the responsibilities taken on, experience in the position, training and the performance of the person occupying the position. Levels of remuneration are in line with the Bank's culture, with teamwork being given more weight than individual work.

As for variable remuneration, Bankinter has a variable incentive called Annual Incentive 2011, applicable to the entire workforce except for employees who receive specific bonuses. This incentive is established individually, taking into account the function and duties performed. Its purpose is to ensure a proper correlation between the resulting levels of remuneration and the development of results, and is calculated in accordance with the system described as follows:

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.

Furthermore, for employees involved in sales work, an annual sales bonus is established, linked to achievement of individual targets and thus to value and wealth creation. The purpose of this bonus is to provide incentives and reward the sales activity of employees in the business centres, in accordance with the Bank's overall objectives and the sales strategy established each year.

Apart from this, with the aim of enabling employees to optimise their income, in 2008 a system of flexible remuneration was introduced, which allows employees to choose how they wish to receive their remuneration. It is a voluntary system involving an individual agreement between the Bank and the employee to modify the composition (not the total amount) of the employee's remuneration package. It involves a novation, i.e. cancelling the existing employment contract and signing a new one. By virtue of this agreement, employees can choose on an individual and voluntary basis to replace monetary remuneration with non-monetary remuneration (product), consisting of a number of different products that are offered to them and which generally include some kind of tax benefit, as well as the advantages of group buying.

The aim is to enable employees to maximise their remuneration, in two main ways: the Bank's bargaining power as regards prices for certain products and/or services, and the tax advantages linked to these products when purchased via this system. 30.7% of employees currently use some flexible compensation product.

Since October 2009, employees have been able to opt to purchase Bankinter shares with financial benefits. In 2011, 41% of employees had share and convertible bond programmes.

Promoting communication within the Bank among all employees and areas of activity and between different hierarchical levels is one of the differentiating features of Bankinter's corporate culture.

Internal communication

Internal communication needs to be understood by company management in terms of strategy, and all the more so in times of crisis, when transparency, effectiveness and speed play a fundamental role in looking after a vital element of the company - the human team.

This is an activity to which Bankinter gives special attention. In so doing it seeks to establish agile and transparent communication that enables the organisation to function effectively and makes people feel committed to the objectives of a common project with which they are familiar and of which they form part.

Promoting communication within the Bank among all employees and areas of activity and between different hierarchical levels is one of the differentiating features of Bankinter's corporate culture. In this regard, there are many possible communication routes available to employees: Intranet (with more than 20 communities), in-house forums, corporate videos, postings of results, in-house magazine, institutional meetings, messaging service, building screens, data-conferences, etc.

Though these communication channels the Bank maintains and promotes free-flowing contact among all employees regardless of level, which facilitates awareness of the organisation's needs, the in-house level of satisfaction among the workforce and the setting and timely communication of the targets to be attained.

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. It handles everything to do with employees' personal, medical and financial details with due confidentiality. It also respects the personal communications of its employees via the Internet and any other means of communication.

Bankinter, a great company to work for in Spain

In spite of the difficult situation through which we are going, Bankinter was once again selected as one of the best places to work in Spain, as shown by the recognition from both the Great Place to Work® Institute and the CRF Institute for Bankinter's human resources practices, including the Bank in their annual lists of best working environments.

The CRF Institute acknowledged Bankinter for the fifth year in a row as a 'Top Employer', a seal of quality granted in 2011 to 43 companies that it considers "are ahead in their professional career proposals". The companies certified by the CRF Institute as Top Employers in Spain in 2011 essentially give priority in their human resources areas to managing talent, training and development, leadership development, employee commitment and cultural and organisational change.

The companies that take part complete a questionnaire based on human resources policies and practices, grouped into five criteria, which in turn contain the main HR management trends.

These five criteria are:

Corporate culture.
Professional career.
Training and development.
Secondary benefits and working conditions.
Primary benefits.

Bankinter was also selected, for the eighth year in a row, by the Great Place to Work® Institute, occupying seventh place in the ranking of best places to work in Spain with more than 1,000 employees and the only Ibex 35 company to be selected.

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The global economy in 2011 again had to contend with a complex crisis situation. In this environment, Bankinter consolidated its strategy of sustainable growth based on increasing its customer resources and changing the composition of the lending portfolio.

4 Business

Economic and financial environment

After showing some signs of recovery in 2010, the global economy again had to contend with a highly complex environment in 2011. During the past year the shift in the epicentre of the crisis away from the private sector towards states was confirmed, and it eventually became clear that to overcome this crisis will involve a process of deleveraging that will probably take several years.

The most serious problems of indebtedness continued to be concentrated in the euro zone, as in 2010. Following the 2010 rescues of Greece and Ireland in May and November respectively, Portugal joined the list in April 2011, with a financial assistance package of approximately €78 billion being assigned to the country.

However the most difficult period was probably the summer, which saw a resurgence of distrust in the economic cycle and in investment in practically any type of asset, however small the implicit risk. In this context the very survival of the euro was openly questioned, and at the time of writing this issue has still not been completely resolved, although the tensions have eased appreciably. As a consequence of this, the economies of the euro zone started to be classified informally into two groups - peripheral and core. While initially the peripheral group comprised a small number of countries, Spain among them, as time went by circumstances showed that more and more members of the "core" group were moving into the peripheral group.

Italy was the first economy to join the group of peripherals, with it becoming immediately clear that it presented a worse risk profile than Spain, to the point where subsequently it has become increasingly clear that the "core" group is very small, if indeed it even exists at all. It eventually became clear over the course of 2011 that the indebtedness of the euro zone states is the principal obstacle to global economic recovery, and that the deterioration in the perception of the solvency of the euro zone is something that directly affects and involves all member states without exception. This change of perspective was made particularly clear towards the end of the year when Germany encountered serious, albeit short-lived, difficulty in refinancing its borrowing. Moreover, other states' risk profile also deteriorated over the course of the year as events unfolded. Austria, initially considered informally as part of the "core", lost this status when Hungary, to which Austria has significant exposure, especially in its financial sector, suffered new financing problems.

In spite of the foregoing, in the last quarter of the year two singular events laid the bases for an incipient stabilisation: the coordinated action of the main central banks of the advanced economies in September and a much more proactive focus on the part of the ECB since Mario Draghi took charge of the institution in November. Additionally, a positive decoupling of the US economy seems to be setting in, confirmation of which will be seen, if indeed this is so, as 2012 progresses.

Interest and currency rates

2011 was characterised by an environment of ever lower central bank director rates and the appreciation of currencies considered as safe havens.

The persistent weakening of the world economy led to growth being given priority, even at the risk of producing some resurgence in inflationary stresses, so central banks again reduced their key lending rates, as in the case of the ECB and of the Brazilian Central Bank. The push for growth came to take precedence over practically all other considerations, and a useful tool for this, which (usually) brings about immediate results, is monetary policy.

Deep uncertainty about the euro's survival, together with a highly unstable market environment, led to capital outflows into currencies considered more reliable and regarded as safe havens, such as the Swiss franc and the yen. In the case of the former, with the Swiss franc having reached virtual parity with the euro, the Swiss economy began to experience a rapid slowdown, giving rise to an internal situation ripe for the Swiss National Bank to be asked to formally intervene in order to devalue the currency. This course of action showed that, given a situation as complex as this from a global point of view, even the central banks of developed countries can find themselves forced from within to adopt protectionist measures to safeguard their own economies, as was the case with the forced devaluation of the Swiss franc in order to reactivate exports.

In the case of the yen, its appreciation is the result of a combination of two factors: the search for a currency with a very low risk profile and the fact that Japan is one of the few first-tier economies currently offering positive real rates (although its intervention rate is zero or close to zero, it continues to suffer deflation).

Policy rates (%)	2007	2008	2009	2010	2010
Euro zone	4.00	2.50	1.00	1.00	**1.00**
USA	4.25	0.25	0.0/0.25	0.0/0.25	**0.0/0.25**
UK	5.50	2.00	0.50	0.50	**0.50**
Japan	0.50	0.10	0.10	0.0/0.1	**0.0/0.1**

Note: At the end of each financial year

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

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

Stock exchanges

While on the stock markets 2010 was a year that could be described as mixed from an overall point of view, 2011 was mostly negative. The only exception among the major stock markets was that of the United States, where indices closed either flat, like the S&P 500, or with modest gains, like the NASDAQ 100.

Events are largely explained by the return of high volatility, increased solvency risk and great uncertainty about corporate earnings and the direction of the economic cycle itself.

The ultimate causes of the losses on the stock markets in 2011 were the accentuation of the solvency crisis in the euro zone and the export of its effects on the cycle even to emerging economies, and the earthquake in Japan. It was not until indications emerged towards year-end of a possible positive de-linkage of the US economy that its stock market indices started to perform better.

The following table shows the changes in the major stock markets in 2011 and 2010, all in local currency:

Geographical area	Contents	Change % 2010	Change % 2011
Spain	Ibex 35	-17.4	-13.1
United States	S&P 500	12.8	0.0
United States	NASDAQ 100	19.2	2.7
Euro zone	EuroStoxx 50	-5.8	-17.1
UK	FTSE 100	9.0	-5.6
Germany	DAX	16.1	-14.7
France	CAC	-3.3	-17.0
Japan	Nikkei	-3.0	-17.3
China	Shanghai (B)	20.6	-29.3
Brazil	Bovespa	1.0	-18.1
India	Sensex	17.4	-24.6

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.

Capital Markets and Treasury

Bankinter maintained a presence in the fixed-income markets as a government bond and note market maker and co-leader in Spanish Treasury issues, as well as in the corporate bond market, with a distribution desk which is very active in all these markets. Bankinter also continues to be very active as an issuer and distributor of warrants.

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.

In Spain, access to the short-term markets was by means of the programme of promissory notes, while in the international market the Commercial Europaper programme was used. The average balances in the year were €1.016 billion and €354 million respectively.

At long term, we issued €5.63 billion of mortgage-backed bonds and €1.5 billion of senior debt, of which €1.4 billion is guaranteed by the Kingdom of Spain. In both cases a substantial portion is retained in the balance sheet.

As regards issues affecting solvency ratios, mandatory convertible bonds were issued in an amount of €405 million, and an issue of €47 million in subordinated debt was offered in exchange for other, older convertible securities.

Rate	Issue Date	Amount
Mortgage bond	14/01/11	20,000,000
Mortgage bond	20/01/11	500,000,000
Subordinated Debt	10/02/11	47,250,000
Tap issue of covered bonds	17/03/11	400,000,000
Convertible Notes	11/05/11	404,811,950
Tap issue of covered bonds	13/05/11	600,000,000
Tap issue of covered bonds	13/05/11	600,000,000
Senior	13/07/11	100,000,000
Mortgage bond	28/09/11	1,000,000,000
Mortgage bond	06/10/11	10,000,000
Mortgage bond	01/12/11	1,500,000,000
Tap issue of covered bonds	19/12/11	1,000,000,000
Backed senior	29/12/11	1,400,000,000

It has been decided to commit to offering flexible products tailored and adapted to suit each customer's needs.

Customer funds and loans and receivables

In 2011 Bankinter consolidated its strategy of sustainable growth, focusing on increasing customer resources and changing the composition of the lending portfolio in order to boost profitability.

The Bank continued to place emphasis on mature business lines, without neglecting the creation of new products, services and sales-aid tools - all, of course, without losing sight of quality, multi-channel access and innovation, which continue to be basic pillars of the Bank.

In this way it was decided to commit to offering flexible products that are tailored and adapted to suit each customer's needs. Consequently, as in previous years, employees in the sales network received intensive training on both products and management tools.

Lending

Just as in the early part of the year the economic situation showed a slight improvement, only to weaken again progressively as the year wore on, so too the credit environment followed a similar trajectory. Nevertheless, Bankinter slightly increased its total customer lending compared with the previous year, while consolidating the trend of previous years in the shape of a decline in lending to households and a significant increase in lending to businesses. In carrying out this process, the Bank has improved the overall profitability of its lending portfolio while maintaining its cautious criteria for approving and controlling risks, thus enabling it to continue exhibiting the best asset quality in the system.

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

Cumulative average balance of Customer Resources (€ million)

Lending	Average balance	Difference 2011/2010	Difference (%)
Loans	28,418.60	182.94	0.65
Lines of Credit	5,962.65	141.13	2.42
Investment in fc	5,952.80	42.09	0.71
Other investments	2,057.63	84.61	4.29
Commercial risk on customers	1,090.42	-7.74	-0.70
Total	43,482.10	443.03	1.03

The structure of the portfolio shows a very significant proportion of collateralised loans associated with HNW profiles and a good quality of assets generated, which together with the lending to businesses produces an optimal balance between safety and profitability. Average outstandings of mortgage loans to customers were €21.7766 billion, 0.9% less than in the previous year.

As regards financing of companies, the portfolio of products and services aimed at customers in the various categories of legal person was improved. These products and services include comprehensive management of payments, factoring, financing of foreign trade, etc., and are all accessible remotely through the various different channels.

Mention should be made of the preferential funding provided by the ICO (Instituto de Crédito Oficial, the Spanish State Credit Agency) for onward lending to SMEs, in which Bankinter participated to a very significant extent in terms of year-on-year growth. We signed €889.2 million worth of loans and finance leases with our corporate customers, which represents 4.4% of the total financing provided by the system as a whole under these ICO facilities.

Balances by centres (€000s)

Lending	Average balance	Difference 2011/2010	Difference (%)
Regional HQ Catalonia	5,029,982	1,269	0.24%
Regional HQ Levante (Eastern Spain)	4,770,424	-105,008	-20.01%
Regional HQ Northern Spain	2,944,158	-59,130	-11.27%
Regional HQ Navarra - Aragon - Rioja	2,195,580	52,051	9.92%
Regional HQ Las Palmas	968,513	-19,685	-3.75%
Regional HQ Tenerife	663,093	-29,132	-5.55%
Regional HQ Balearic Islands	937,372	38,799	7.39%
Regional HQ North-Western Spain	3,009,627	11,093	2.11%
Regional HQ Madrid West	5,804,455	86,320	16.45%
Regional HQ Madrid East	4,000,737	-96,376	-18.36%
ORG.MADRID CORPORATE BKG	2,350,363	575,166	109.58%
ORG.CAST-MANCHA-EXTR	1,347,759	14,759	2.81%
Regional HQ Andalusia	4,875,671	54,820	10.44%
BRANCH NETWORK	38,897,834	524,887	100%

Card transactions

42.3 millions of transactions

+1.5% compared with 2010

Volume of card transactions

€2.291 billion

+0.8% compared with 2010

Means of Payment

Cards

The two main metrics of the cards business both improved slightly in 2011. The number of transactions carried out using Bankinter cards at merchant outlets reached 42.3 million for the year, with a total volume of €2.291 billion, representing increases of 1.5% and 0.8% respectively relative to 2010, while the number of cards issued came to 916,730.

Consumer

In unsecured loans, we continued to focus on pre-approved loans, which are available to the majority of active private individual customers. Their main feature is the quick, easy sign-up via the Bank's various channels, the Internet being the one used most, with 58% of pre-approved contracts, representing 54% of all unsecured loans.

Customer funds

Bankinter ended the year with €27.8314 billion in cumulative average customer resources, 8.3% more than in 2010 when the figure was €25.691 billion.

In line with the previous year's sales policy, in 2011 Bankinter maintained its personalised offering of deposits at attractive rate of interest adaptable to all customers with the aim of increasing both the number of customers and their total balances while at the same time retaining existing ones. As part of this effort we launched new products at different terms as well as staggered interest rate deposits and deposits in foreign currencies. These measures led to an increase of 34.4% in these products.

On the other hand, the Bank has also promoted its offering of deposits the profitability of which depends on customers' signing up for and maintaining other associated products. In this way customers making full use of the bank can boost their remuneration.

Structured products, both bonds and deposits, were also consolidated as a stable offering 24 different proposals in this range to a value of over €300 million were marketed during the year. As a result, and despite the fact that a significant number of structured products matured during the year, outstandings amount to €513 million.

Turning to investment funds, 2011 saw total assets under management fall by 12.4%. Part of the reason was the stock

Average funds

€27.8314 billion

+8.3% compared with 2010

Cumulative average balance of Customer Resources (€ million)

Average customer funds controlled	Average balance	Difference 2011/2010	Difference (%)
Average funds	**20,874.16**	**2,948.20**	**16.45**
Deposits and term liabilities	11,585.11	2,964.66	34.39
Current accounts and sight deposits	8,362.35	-5.58	-0.07
Other resources	926.70	-10.89	-1.16
Intermediation	**6,957.22**	**-807.83**	**-10.40**
Investment funds	4,747.68	-674.43	-12.44
Pension funds	1,243.73	40.76	3.39
Other intermediation	965.81	-174.16	-15.28
Total average resources controlled	**27,831.39**	**2,140.37**	**8.33**

market effect, which reduced the asset value of funds invested in equities and mixed funds, while at the same time there was a move by customers out of investment funds, essentially money market funds, and into deposits, in view of the higher returns available on the latter.

However, despite pension funds also being subject to the market effect, this segment showed growth of 3.4% in AUM.

With regard to current accounts, a salient point was the launch of the payroll account campaign aimed at attracting new customers and offering what are possibly some of the best terms available in the market. This campaign led to record growth in the number of new payroll accounts opened in the year, which reached 43,426.

Discretionary Portfolio Management

In 2011 Bankinter continued to offer management services for portfolios of investment funds, pension plans/EPSVs (Entidades de Previsión Social Voluntaria or "Voluntary Social Welfare Entities") and securities, as an attractive alternative for customers seeking to delegate the management of part of their assets to Bankinter. This business, launched in 2010 under the name Delegated Investment, makes two kinds of management available to customers: risk management and fundamental management. In the first case, the aim is to obtain the maximum profitability while controlling risk; and in the second, the aim is to obtain the maximum profitability but without specific risk control.

The year 2011 ended with €229.6 million and 5,151 portfolios, with the following breakdown: investment funds (€144.7 million and 2,740 portfolios); pension plans (€67.7 million and 1,986 portfolios); EPSVs(€13.2 million and 276 portfolios); and securities, €3.99 million and 149 portfolios.

It is important to emphasise that the majority of risk management portfolios outperformed their profitability targets in 2011 and nearly all fundamental management portfolios beat their benchmarks.

In the case of risk management, there are several different portfolios to choose from, although in adapting the Delegated Investment (discretionary portfolio management) service to the requirements of the MiFID (Markets in Financial Instruments Directive) it has been stipulated that certain types of portfolio can be made available only to customers with an appropriate investor profile.

International business

Continuing the trend first seen in 2010, foreign trade continued to recover in 2011 and has now become one of the mainstays of the Spanish economy as it starts to improve. More specifically, imports and exports grew by about 12% compared with the previous year.

In line with this growth trend, the margin contributed by the Bank's international business grew by 16% overall, and by 22% in the corporate sector, with trade finance lines, international guarantees and exchange risk hedges making the biggest contributions.

The distance channels like the Internet are fundamental tools for customers in conducting their day-to-day international business with Bankinter. More than 80% of customers' international payments are conducted over the Internet, and in 2012 efforts will focus on expanding the range of products and services available through this channel, with a view to facilitating customers' handling and monitoring of all their foreign trade transactions.

For 2012 Bankinter has set itself the goal of deepening and enriching the support it offers to customers in their international activity. To this end a project has been initiated with two main axes:

- Creating a range of new services to facilitate international trade, not limited to banking in the strict sense but extending to the essence of our corporate customers' international activity or process of internationalisation.

- Developing 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. And also increasing the offering of services available via the distance channels, so as to put customers in close touch with all their international business handled through Bankinter.

Average loans and receivables grew by €443 million, 1.0% more than in 2010.

Customer Segments

Bankinter ended 2011 with a very significant increase in average resources, which grew by 16.5% to reach €20.874 billion.

At the same time, average loans and receivables grew by €443 million, 1.0% more than in 2010.

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, endorsing the Bank's growth strategy which is to a large extent based on excellence in service quality.

As as result, quality as perceived in the private individuals segments was 4.9 index points above the market average at December closing.

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

€ million	2010	2011	% Diff.
Average funds	17,925.96	20,874.16	2.11
Average loans and receivables	43,039.07	43,482.10	2.86
Quality NSI	74.44	75.91	-4.21

There is growing interest in mature energy sources such as mini-hydroelectric stations and wind farms.

High Income

During 2011 Bankinter continued to offer its HNW customers alternative investments with which to diversify their assets. The assets most in demand were 'buy to let', particularly commercial buildings and shops, preferably located in privileged commercial zones, occupied by first rate tenants and with solid leases.

There was also continuing demand for businesses needing very little management, relatively unaffected by the crisis, with predictable positive cash flows from the outset and long-term contracts in place. Among these types of assets the most notable feature was the demand for short-stay car parks.

Apart from this, in the world of energy from renewable sources, there is growing interest in mature energy sources such as mini-hydroelectric stations and wind farms, preferably already in operation and with financing and project guarantee.

It is important also to point out the demands for both investment and disinvestment in unlisted companies. Above all investors were looking for businesses with an international dimension, stable turnover and solid financial situation.

Private Banking

During 2011, which was a very difficult one due to the debt crisis and the highly volatile markets, Private Banking continued to work on intensifying its relations with customers, seeking a proximity which is more necessary than ever in this difficult environment.

This being so, CRM (Customer Relationship Management) plays an ever more vital role in the way we work, helping to ensure that all customers receive a personalised, quality service.

At the end of the year, Bankinter decided to tighten the selection criterion for customers in this segment, in order to concentrate on those that really need and properly appreciate the specialised professional advisory services offered by the account executives. As a result the number of customers handled in Private Banking fell to 46,278 at year-end after a large number were transferred to the Personal Banking segment.

The product most in demand this past year was what we termed the 'super-deposit', which led to total customer deposits increasing by 27.5% compared with the previous year.

Loans and advances grew by 10.4% relative to 2010, reaching €2.575 billion at year-end.

Also, as part of the policy of comprehensive advice to customers, we continued to push sales of pure life assurance.

As in 2010, advisory service sessions were once again held with existing and potential customers in several Spanish cities, in view of how much they are appreciated by those attending them, who value highly the advice offered on the situation in the markets and the economy in general by the specialists whom the Bank makes available to them.

This year a total of 26 sessions were held, with an average of 200 existing and potential customers attending each. These sessions benefited from the collaboration of specialists from the Bank's Analysts, from Bankinter Asset Management and from other international managers who, as well as analysing the market situation, also spoke of the most attractive investment opportunities.

NSI Private Banking

76.4

In a repeat of the previous year's highly successful initiative featuring the Czech National Symphony Orchestra conducted by Inma Shara, in 2011 Bankinter once again organised a series of charity concerts to raise funds for Cáritas.

This time Inma Shara, one of the most brilliant representatives of the new generation of Spanish conductors, took her music to seven Spanish cities with a series of concerts which customers of the bank attended as special guests.

Lastly, we should mention the good results once again obtained by the segment in terms of quality of service, with an NSI for the year of 76.4.

€ million	2010	2011	% Diff.
Average resources	2,945	3,755	27.53
Average loans and receivables	2,332	2,575	10.40
Gross Margin	58	75	30.42
NSI (points)	76.60	76.38	-0.29

NSI Personal Finance

79.5

Personal Finance

2011 constituted a new challenge for Personal Finance. On top of the risks deriving from an economic slowdown bordering on recession came the euro crisis, at the centre of which were the peripheral euro zone countries.

In this difficult environment, Bankinter fell back on the strengths inherent in its balance sheet and business model, as well as its commitment to service and proximity in offering advice to its customers which have always characterised the Bank in general and the Personal Finance segment in particular. In this regard the results of the quality surveys carried out with customers showed high levels of customer satisfaction, despite an environment in which distrust and apathy had taken hold in investors' minds.

For Personal Finance 2011 was another year of increased revenues (up 21%) as regards both interest margin and commissions, which increased by 6%.

It was also an excellent year in terms of attracting new customers, with the number of active customers increasing by 21%.

The Personal Finance area's value proposition is based on comprehensive advisory and management services for customers assets. Consequently, the Wealth Services and Legal and Tax Advice departments, as well as the Wealth Management unit, seek to attend to the complex needs of the Bank's HNW customers, showing a high degree of involvement in their approach.

The number of SICAVs (open-ended collective investment companies) managed by Bankinter Asset Management rose by three (new companies) over the course of the year. Bankinter continues to be a leading institution in the Spanish financial system as regards the growth of this type of investment vehicle designed specifically for HNW customers, consolidating its position, with 253 SICAVs at the end of December, as the third biggest institution in terms of the number of collective investment companies managed, according to Inverco's ranking.

€ million	2010	2011	% Diff.
Average resources	2,426	2,939	21.16
Average loans and receivables	1,706	1,785	4.63
Gross Margin	48.32	58.26	20.56
NSI (points)	79.74	79.45	-0.36

Private individuals' transactions

290,580

+20% compared with 2010

Private individuals

The Private Individuals banking segment reached a total of 432,524 active customers in 2011. Average total assets for the year were €15.816 billion.

As regards the balance sheet, the Bank ended the year with average total funds of €2.733 billion, representing an increase of €307 million. It should also be pointed out that 82% (€2.240 billion) of these total funds are normal customer deposits.

Loans and advances stood at €16.081 billion at year-end.

During 2011 a total of 2,841 mortgage loans were signed for an amount of €329 million. This mortgage portfolio continues to maintain its excellent risk quality, with a delinquency rate of 1.7%, a figure that remains one of the lowest in the sector. This is particularly worthy of mention in a year that saw a substantial increase in non-performing loans in the financial sector.

During 2011 a substantial sales effort was made, focused on strengthening existing ties with these customers by offering them products such as payroll accounts, of which some 29,000 were opened by both new and existing customers. The power of this product in attracting new customers was shown by the 8,500 people who became customers in the last nine months of the year by opening a payroll account.

Also noteworthy were the efforts made in selling strategic products such as life insurance, as well in stimulating the equities business, where customers carried out 290,580 transactions, 20% more than in the previous year.

In pure life assurance, a total of 20,000 policies were sold to customers in this segment, for an insured capital of 1 billion.

Lastly, in terms of quality, this customer segment closed the year with a cumulative NSI of 71.5.

€ million	2010	2011	% Diff.
Average resources	1,933.04	2,239.66	15.8
Average loans and receivables	16,202.9	15,765	-2.7
Ordinary income	131,08	123.28	-5.95
NSI (points)	73,73	71.55	-3.05

With the aim of offering a better service, we continued to focus on training, specialisation and advisory skills for the team of account executives dedicated to providing sales service to the customers in this segment.

Personal Banking

This past year was one of consolidation for this customer segment, which in effect had been created the year before in order to provide a differentiated sales treatment to certain customers who in view of their level of income or assets need and demand a personalised service. Until 2010 these customers had been handled by Private Individuals Banking.

The following were the major milestones for 2011:

1. Attracting new customers. A total of 14,322 new customers were signed up, a percentage well in advance of 2010.
2. Growth in the number of active customers. The segment ended 2011 with 133,240 active customers, representing an increase of 27% on 2010. These figures are partly influenced by customers being transferred from other segments, although even if that effect is eliminated the percentage is still very positive: 17% more.
3. Customer churn rate. The customer churn rate in Personal Banking fell from 4.0% in December 2010 to 3.8% in December 2011.
4. Growth in Deposits. In 2011 normal customer resources deposits increased by 17.5%, mainly due to the decisive influence on this section of the increase in term deposits.
5. Sales activity. This past year was very positive in terms of selling products, the focus being mainly on equities, insurance and deposits, in line with customer demand.

In organising the sales activity of this segment, CRM continues to play a fundamentally important role, enabling frequency of customer contact to be maintained and facilitating the adaptation of the range of products and services to their needs, preferences and risk profile.

With the aim of offering a better service, we continued to focus on training, specialisation and advisory skills for the team of account executives dedicated to providing sales service to the customers in this segment. In this regard special attention was given to training on products such as equities, investment funds and the specific advisory tools such as Investment Adviser and Personal Financial Planning.

As for customers' opinions as expressed through the quality surveys, overall satisfaction as measured by the NSI came in at 74.9, while satisfaction with the personal account executive scored 80.5 NSI points.

€ million	2010	2011	% Diff.
Average resources	3,307	3,887	17.5
Average loans and receivables	7,815	7,820	0.06
Gross Margin	94.87	97.92	3.21
NSI (points)	74.52	74.93	0.05

We succeeded in maintaining the main business management ratios in Corporate Banking at very satisfactory levels, with a gross ROA of 2.9% and an excellent cost/income ratio.

Corporate Banking

The year 2011 was marked by the accentuation of problems already existing in a number of euro zone economies and by the uncertainty caused by the contagion effect on tight liquidity and rising risk premiums of the countries involved.

In Spain's case this general situation was exacerbated by the further decline in activity in the real estate market and the relative weight of the construction sector in the country's economy, which has led to a general slide in companies' business volumes and a deterioration in rates of arrears and insolvencies in the market.

Despite this general situation, the Corporate Banking sector continued with its growth strategy, managing to end the year with a 33%increase in gross income. This is due on the one hand to an increase in the financial margin thanks to successful management of interest rate differentials, where an increase of 42.4% was achieved, and on the other to the constant improvement in commission revenue, which was up by 16.3% on the previous year. All of which enabled us to arrive at a final pre-tax profit figure of €150 million.

As regards the balance sheet, despite the climate of recession referred to above, average loans and advances grew by 13.5%, reaching €7.6768 billion in December. This growth was matched by an increase of €495.1 million on the other side of the balance sheet, with average resources reaching €4.7002 billion.

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 points, 1.1 points more than in December 2010.

In its Corporate Banking segment, Bankinter continues to push its multi-channel business model, offering products and services in accordance with the activity of these types of customers, and with a constant focus on innovation, especially via the companies' website, one of the most highly regarded in the whole financial sector and through which 94% of all transactions are channelled, ensuring that customers receive solutions that are quick and efficient in their day-to-day operations.

In this difficult environment we succeeded in maintaining the main business management ratios in Corporate Banking at very satisfactory levels, with a gross ROA of 2.9% and an excellent cost/income ratio of 20.3%.

To summarise, Corporate Banking continued to focus on quality and innovation, and managed to end a difficult year in brilliant fashion, maintaining the main business management ratios and above all the solidity of its lending portfolio, all of which are variables that characterise the business of Bankinter.

€ million	2010	2011	% Diff.
Average resources	4,205.05	4,700.22	11.78
Average loans and receivables	6,762.58	7,676.83	13.52
Ordinary income	173.35	230.57	33.00
NSI (points)	78.87	79.99	1.42

Transactions via remote channels

84%

Small and medium-sized enterprises

A major effort was made in 2011 to increase the level of relations with these types of customers, offering them products and services which, by providing new solutions for their day-to-day operating requirements, enable us to boost the perceived value contribution in these two segments. And all this without neglecting growth in the number of customers, with 9,390 new customers attracted over the course of the year.

This growth strategy enabled us to generate 9.8% more revenue than in 2010, while at the same time increasing customer deposits (by 8.6% relative to 2010) and managing lending appropriately, although lending shrank by 3.5% compared with the previous year as a result of lower investment activity by SMEs.

The balance sheet for the SME business is still based on very solid credit risk assessment, with high-quality and diversified investments. A high percentage of the finance granted is still with a mortgage guarantee, and the strategy of maintaining a low concentration in the sectors that are most severely affected by the economic downturn continues.

In 2011, 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.

As in previous financial years, the increase in customer activity was managed through the most efficient channels. It should be highlighted here that 84% of transactions completed in 2011 were performed through remote channels.

€ million	2010	2011	% Diff.
Average resources	2,906	3,154	8.55
Average loans and receivables	7,056.2	6,810.5	-3.48
Ordinary income	186.13	204.36	9.79
NSI (points)	71.21	71.90	0.97

NSI Foreign Customers

80.5

Foreign customers

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

This business, which is run as a sub-segment within that of Private Individuals, ended 2011 with 24,283 active customers.

Average total assets in 2011 were €738 million, compared with €800 million in 2010, representing a decrease of 7.7%.

In balance sheet terms, the year ended with average customer resources of €218 million, of which 90.9% were conventional accounts and deposits and 9.1% intermediation.

Mortgage activity once again declined during the year. However, the cumulative price adjustment to date, together with the appreciation of sterling as an alternative safe haven and the UK's improved growth prospects justify a certain degree of optimism in the speedy recovery of this activity, given that British citizens are the main customers in the segment.

Loans and advances at the end of 2011 stood at €734 million, with a total of 172 mortgage loans having been signed during the year for a total volume of €19 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 80.5 at year-end.

€ million	2010	2011	% Diff.
Average resources	203,262	197,908	-2.63
Average loans and receivables	795,219	733,988	-7.70
Gross Margin	14.3	12.81	-10.42
NSI (points)	81.82	80.48	-1.64

Comprehensive customer service

Transactional Business

Financing

Lending

Investment Banking Advice

Bankinter Investment Banking

In 2011 Bankinter made a new area of activity available to its customers: the Investment Banking area.

This area aims to turn the Bank into a comprehensive provider of financial services. Bankinter's Investment Banking offers customers a highly qualified advisory service on mergers and acquisitions, capital markets transactions, structured financing and project finance, covering the entire range of activities relating to these fields.

The Mergers and Acquisitions activity includes, inter alia, the following:
– Acquisition or disposal of businesses or assets.
– MBOs (Management Buyouts).
– Corporate transactions in family firms.
– Searches for investors and capital.
– Takeover bids.
– Independent valuations, feasibility studies and business plans.

Capital Markets includes:
– Capital issues (IPOs, MAB Alternative Stock Market).
– Capital increases.
– Debt issues.

Structured Financing includes:
– Project finance.
– Asset finance.
– Financing of acquisitions.
– Restructurings and refinancing operations.
– Sale and lease-back transactions.

The current economic context, marked as it is by uncertainty and volatility, will lead to an increase in the number of sector consolidation processes aimed at improving business productivity. In short, it is a new scenario in which significant opportunities may arise for investment, growth, alliances, etc.

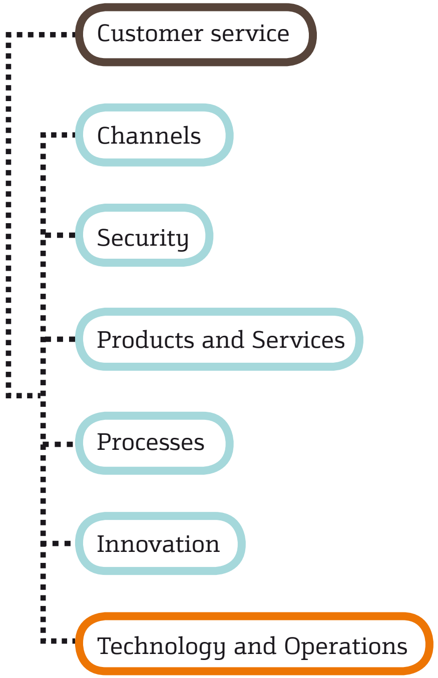
In this environment, Bankinter is determined to stay close to its customers, providing them with all the advice needed to face the new challenges with success. Bankinter's proposition seeks to provide support to customers both in managing their business and personal assets and in granting the credit and financing needed for their activity, thus rounding out the range of financial services. In short, helping them take the strategic decisions that are so important for the life and future of their businesses.

Bankinter's Investment Banking area is 100% committed to the customer, through a team of highly qualified and experienced professionals who are well equipped to offer their services based on a set of fundamental and inalterable principles which include:

– Excellence in quality	→ Differentiation factor
– Creativity and flexibility	→ Every customer is unique
– Total availability	→ The customer comes first
– Ethical and objective approach	→ The best advice to the customer Avoid conflicts of interest

The Technology and Operations areas are important generators of efficiency within the Bankinter group. These areas are grouped together in Gneis, a company established in 2010 to provide operating and IT services to both group companies and third parties.

5 Technology



Technology

The Technology and Operations areas are of great importance to Bankinter. They are an important driver of efficiency in the group and are linked inseparably to the Bank's strategic pillars: multi-channel access, quality, innovation and people.

In October 2010 Bankinter launched Gneis Global Services, the Bankinter group company specialising in the provision of technology services and processes, bringing together all the employees from the former Technology and Operations areas in a single company. Gneis manages all the Bank's technological and operating services and projects.

Innovation in order to get close to customers. 2011 saw the launch of the first project to come from Bankinter Labs. This innovative Bankinter product development laboratory enables customers and specialists of the Bank to collaborate online in a closer and more pleasant way with the object of arriving at products and functionalities better suited to the users' needs.

An advantageous model of operating processes. Gneis has designed for Bankinter one of the most advanced operating models in the market. Using technologies and tools such as digitisation and BPM it enables the processing of the Bank's transactions to be centralised, relieving the branches of the administrative workload and thus allowing them to focus more on sales activity and customer service.

Gneis' centralised transaction processing not only makes for greater service efficiency but also allows a greater degree of specialisation by transaction type, which in turn leads to better customer service quality.

Following a thorough overhaul of Bankinter's operating model which was installed some years ago, Gneis made further progress in 2011 towards the objectives it has set: to deliver top quality in the services provided, at the lowest possible cost and controlling operating risks.

In doing so it relies mainly on innovation, re-engineering and the incorporation of the latest technologies, seeking to make further advances in simplifying and industrialising Bankinter's operating processes. All this has to be done bearing in mind that any change or modification in the processes has to be aligned so that the end customer receives a service that is quick, simple and top quality.

To this end the main tools are:

- Business Process Management (BPM) tools enabling the various milestones of a process to be monitored and controlled and the status of the requested transaction to be readily ascertained at any time.
- The Genesys intelligent workload distribution system, a pioneer banking system, which efficiently distributes incoming requests depending on the operator profile, the SLA (service level agreement) pertaining to each specific transaction, the teams available to complete it, etc.

These tools, together with process re-engineering and automation of activities, also require a change in the previously task-based internal organisational model towards an evolved model based on processes.

In 2001 a very similar overall volume of transactions was handled, although a more detailed examination reveals very significant differences in the composition. For example the proportion of new mortgage loans was considerably lower, while on the other hand there was some growth in other services such as import-export transactions.

This new model enabled us to reduce the number of employees dedicated to operating processes by 20%, with significant cost savings as a result.

Quality products and services

Gneis provides both tools and resources for the Bankinter areas to perform their functions, such as technological and operating support for the functioning of products and services offered to customers.

In this regard, and complementing the operating model, Bankinter's systems have excellent levels of availability and response times, allowing it to offer top quality customer service through all the channels.

First institution in Spain to be certified simultaneously ISO 27001 BS 25999.

ISMS ISO/IEC 27001:2005 Certificado: IS508474

BCMS BS 25999-2:2007 Certificado: BCMS 536886

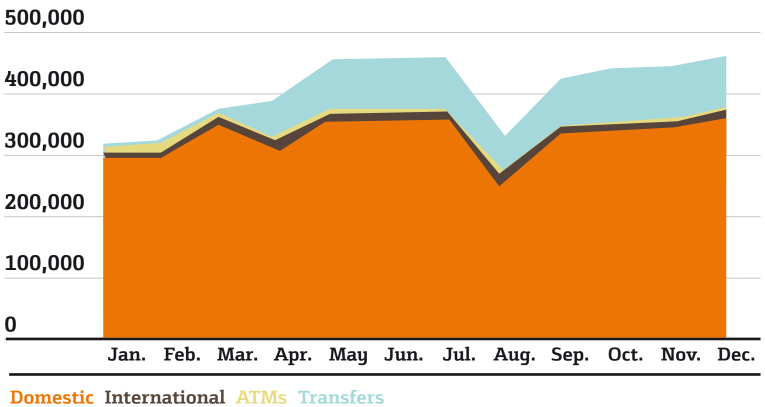
Technological Risks and Security

Safe banking

In response to the ever more sophisticated attempts at online fraud, the efficacy of the Bank's IT security, supported by customer awareness campaigns, enable Bankinter to continue being looked to as a benchmark in the field of online security in the financial services market.

Through Gneis, Bankinter has one of the safest platforms in the market, constructed around the Security CRM, which enables infections in customers' devices to be detected, precautionary blocks to be effected and appropriate subsequent advice to be given.

Transactions analysed by the Security CRM



This platform is continually being improved, with the incorporation of new tools, techniques and processes for ongoing prevention and containment of attempted fraud so as to afford customers maximum security.

By way of external validation of these practices, Bankinter again renewed its ISO 27001 (Security Management System) and BS 25999 (Technological Continuity Management System) certification, demonstrating its commitment to achieving the best standards of service security.

Development of online service to customers

2011 was a year of technological advance in Bankinter's remote channels.

In parallel with the launch of new applications for smartphones and touchpad tablets, new versions were also launched of the broker.bankinter.com and bankinter.com websites, as well as of Bankinter's corporate website, all with enhanced usability and functionalities.

Bankinter, with a long track record of distinctions ever since becoming the first bank to launch online banking in Spain, received the prestigious 'Best Consumer Internet Bank in Spain' award for 2011 from Global Finance, thus maintaining its benchmark position in the market.

6 Channels and Networks

Bankinter offers its customers a wide choice of ways of operating and interacting with the Bank. For the past ten years the Internet has been the channel most used for this interaction, with 50.2% of all transactions being conducted online in 2011. The mobile phone for its part is confirming its position as a habitual channel for conducting banking transactions.

Multi-channel banking

For the past ten years, the Internet has been the channel of choice for customers to interact with the Bank. In 2011, 50.2% of all transactions were conducted though this channel. At the same time 4.9% of transactions were handled by mobile and 4.7% by Telephone Banking.

The penetration rates for active Bankinter customers operating through the Internet channel continue to increase year after year. At the end of December, the penetration rate in the Private Individuals segment was 59.2%, in Private Banking 57.4%, in Personal Banking 62.9% and in Personal Finance 61.1%.

For companies, the penetration rate was 68.5% for Small Enterprises, 77.2% for Medium Enterprises and 84% in Corporate Banking.

Quality continues to be one of the pillars on which the Internet platform is based, and a source of continuous improvement in the customer experience. In this regard, bankinter.com ended the year with 78.3 NSI points for overall satisfaction, with an NSI of 76.1 for broker.bankinter.com and 81.1 for the empresas.bankinter.com portal.

Significant milestones during 2011

www.bankinter.com

- A dedicated area has been created for managers and entrepreneurs.
- Reactivation of passwords by OTP.
- Social Networks.

broker.bankinter.com

- Redesign of the sales area, with improved navigation, visibility and tabs as well as clearer information on products and services.
- Migration to Content Manager.
- Option of contracting international futures.
- Expansion of the range of options on financial transactions.
- Incorporation of new ETF orders.

empresas.bankinter.com

- Personalisation of most frequent access points.
- Guarantees with scanned signatures.
- Weekly webmail - automatically generates a single document containing all the company's e-mail for that week.
- Information on estimated commission prior to executing a transaction.

Distribution networks

Branch network

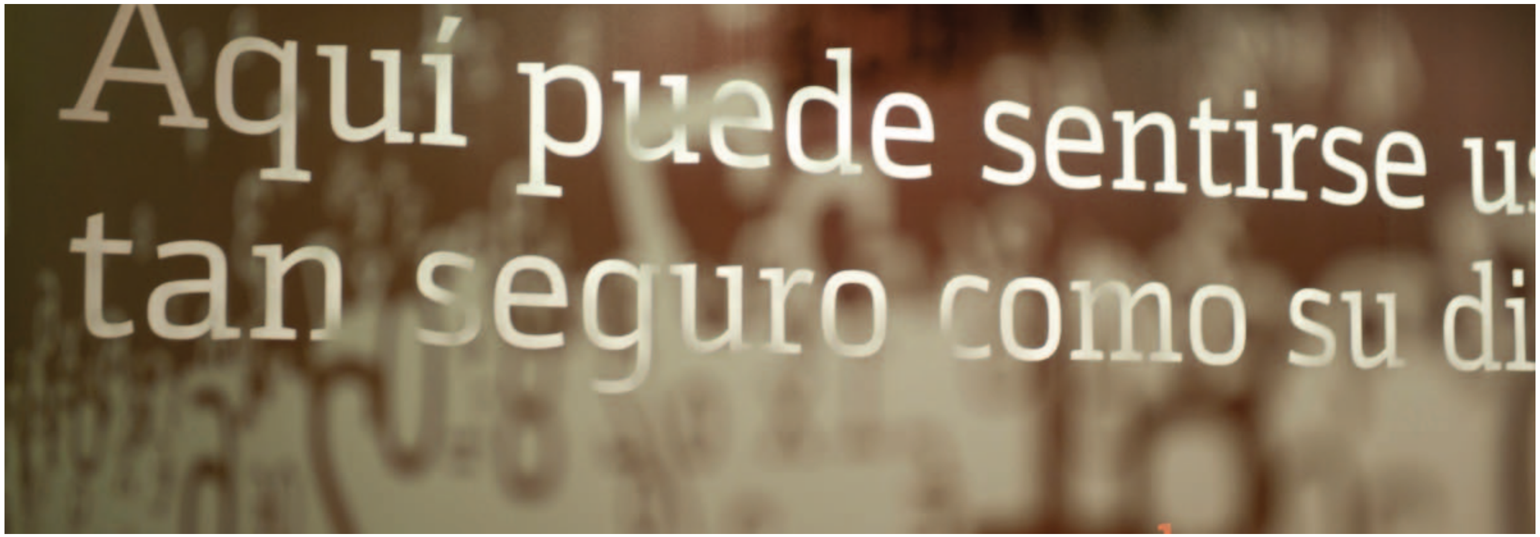
At year-end Bankinter had a network of 366 'universal' branches servicing all the Bank's customers and also involved in attracting new customers, both private individuals and companies, institutions, etc.

The basis for carrying on sales activity continues to be CRM (customer relationship management), a tool which enables us to approach the customer with an appropriate degree of frequency and with the right products.

During 2011 work continued on adapting branch interiors to the new corporate image, and at year-end 212 branches had been refurbished, representing 58.2% of the total. This new image, which is modern and functional, facilitates the work of the sales teams and is highly rated by customers.

During 2011 the installation of ATMs in the branches was also largely completed, with 358 branches now equipped, equal to 97.8% of the network.

To carry out the activities of attracting and managing customers at the 366 traditional offices forming the Branch Network, Bankinter has a team of professionals (branch managers, assistant managers, account managers, executives, authorised officers and clerical staff) whose task is to provide quality service and drive sales activity in all the business segments under their responsibility.



However Bankinter also has a large team of specialists in various customer segments working at a number of clearly differentiated centres:

Business Centres
At the end of the financial year, Bankinter had a network of 81 Business Centres, distributed among the Bank's 13 regional organisations, with a total headcount of 205 employees. 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 and Personal Finance Centres.
These centres, which are dedicated exclusively to comprehensive and personalised care of customers in the Private Banking and Personal Finance segments, numbered 59 at year-end, of which 13 are dedicated exclusively to customers of Personal Finance. The workforce in these centres, highly qualified to meet the requirements of these customers, comprises a total of 246 employees, of whom 44 are dedicated exclusively to Personal Finances.

Corporate Centres
The Bank currently has 47 Corporate Centres, staffed by a total of 199 professionals. These are centres where larger businesses and institutions receive specialist sales attention.

€ million	2010	2011	% Diff.
General branches	367	366	-0.27
Business Centres	89	81	-8.99
Average funds	15,194.10	17,917.79	17.93
Average loans and receivables	37,709.60	38,337.58	1.67
Overall satisfaction (points)	73.92	75.99	2.8

Being a Bankinter agent means being able to sell the Bank's best products and services on highly competitive terms.

Agents Network

The Agents Network was set up in 1992 as a strategic move for growth and profitability, with a concept based on a model of an association between the Bank and professionals from the world of finance and consulting. Bankinter and the agent share the margins earned on financial transactions without incurring the structural costs of traditional branches.

Bankinter currently has one of the largest networks of financial agents in Spain, consisting of 496 professionals who sell all kinds of savings and investment, equity, means of payment and derivative products. The strategy is geared to high-profile customers of Private Banking or Personal Finance requiring professional advice.

Being a Bankinter agent means being able to sell the Bank's best products and services to this type of customer in a highly competitive environment.

In line with the strategy embarked upon some years ago, Bankinter has continued with its work of segmenting the agents by activity, volume of business and commitment to the Bank. This segmentation has led to a process of rationalisation in the network, started two years ago, which involved 116 agents leaving us this past year and at the same time 69 new agents joining us. These agents were selected using rigorous criteria based on experience and qualifications so as to ensure the best and most personal financial advice.

The Bankinter Agent Network has a history of success and continues to have a promising future. It has an ever greater specific weight within the Bank's business, and faces the challenges of the coming years with the confidence that it will maintain its consolidated leadership, defend its level of quality and increase its growth.

€ million	2010	2011	% Diff.
Agents	543	496	-8.66
Average funds	940	1,008.3	7.27
Average loans and receivables	1,920.53	1,959.58	-1.99
Gross income	20.17	21.38	5.93
NSI (points)	74.91	74.5	-0.55

In 2011, Virtual Banking continued to base its business on:

Geared to providing management and advisory services to High Income customers: Personal Banking, Private Banking and Personal Finance.
Adapting the offering of products and services to the specific needs of the Virtual Branches.
Quality perceived by the customer. Aware as they are of being a crucial differential value, the Virtual Branches have the highest rates of quality of service in the Bank's networks and therefore in the market.
(NSI of Virtual Banking: 75.8).
Ceding part of the profit generated by the business to a partner.

Virtual Banking

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. 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 359 virtual branches, carrying on their activity in a large number of sectors: consulting and advisory services, IT, pharmaceuticals, energy, tourism, as well as professional associations.

The customers of the Virtual Branches continue to present one of the highest scores on satisfaction index of all the Bank's networks, with 75.8 NSI points in December 2011. 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 Bankinter. The percentage of transactions carried out by these customers through bankinter.com was 72% in December, with a further 15% being conducted by mobile phone.

The business of the Virtual Branches is of particular importance to Bankinter, with total assets of €4.1 million and pre-tax profit of €19.7 million, representing 8.2% of that generated by all the Bank's networks. It also accounts for 38,025 customers, i.e. 5.2% of the Bank's active customers. Moreover, this business is very firmly based: it is the network with the lowest arrears rate, at just 0.7%.

€ million	2010	2011	% Diff.
Branch Offices	371	359	-3.23
Average funds	1,424.45	1,559.08	9.45
Average loans and receivables	1,896.93	1,866.03	-1.62
Gross income	32.4	38.6	16.06
NSI (points)	79.34	75.76	-4.51

Remote network

In 2011 it was decided to bring together within this network all the distribution and customer handling activity that lies outside the Branch Network.

The Remote network currently covers the Telephone Banking system (administration), the Remote Branches and the handling of remote customers of the Private Individuals, Small Enterprises and Personal Banking segments of the Virtual Branches (Distance Care).

Consequently a significant restructuring of teams, account executives and staff took place in these areas in 2011.

Handling Area

This area, referred to as Telephone Banking, continued to focus on handling on two axes: quality of service (maintaining the high level of customer satisfaction) and reactive sales activity, which increased by 70% compared with 2010.

	2010	2011
Quality	79.78	**80.85**
Calls		
Received	3,515,244	**2,828,107**
Issued	312,799	**277,560**
TSF and abandoned calls		
% of calls abandoned	7.31	**5**
% TSF	85.56	**81.5**
Global Sales	14,499	**24,550**

Distance Care Area

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

	Number of customers
Private individuals	274,731
Personal	7,833
Private	478
Small companies	22,979

Remote Branches

This is the business area that looks after customers captured through bankinter.com and Telephone Banking. After this capture, the customers in the various segments are managed and advised via the Bank's remote channels: Internet and Telephone Banking, which makes it possible to obtain a good efficiency ratio.

€ million	2010	2011	% Diff.
Active customers	28,283	29,529	4.41
Average funds	366.77	388.17	5.83
Average loans and receivables	1,093.94	1,032.21	-5.64
Gross income	14.15	13.14	-7.14
NSI (points)	72.73	71.14	-2.19

Sales initiatives

40,000,000

+37% compared with 2010

Marketing and CRM

In 2011 it was decided to merge the Brand and Reputation function with those of Marketing and CRM, thus giving the Bank's whole brand image a better arrangement and consistency and bringing the business closer to these functions, which Bankinter considers crucial in its interaction with customers.

Sales Planning

During this past year Bankinter consolidated and extended the use of the tool for assignment of sales objectives for attracting and following up with new customers. These new customer reports proved very useful in attaining our set objectives. We also put in place monitoring of product sales and volumes contracted at account executive level, enabling each team member to see the sales achieved on a weekly basis. We also completed development of the tool for assignment of sales objectives and monitoring of progress on these objectives, enabling each salesperson to ascertain individual objectives and progress against them at a glance, on a weekly basis.

This year we implemented a system for tracking prices and differentials, available to all sales teams, which enables them to ascertain on a weekly basis the price situation of the main products and thus optimally to manage the process of setting personalised prices and differentials for each customer in line with the customer's levels of risk and profitability.

We continued to carry 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, with significant progress being made during the year.

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 decision making.

In terms of activity, we can summarise the year as having featured 40 million sales actions through the various channels, 37% more than in 2010; 14.4 million direct communications to customers (letters, e-mail and SMS), and 25.6 million sales actions in branches, by telephone banking and Internet, with a great effort to increase the number of actions available to the centres, which increased their sales activity and achieved excellent results.

With the objective of making further advances in attracting high-income customers, the Bank continued its strategy of holding conferences and advisory sessions. To facilitate the organisation of these events, the Bank identified potential customers and made this information available to the network, using an automated system based on GeoCRM technology.

The capture of contact details is essential in enhancing customer relations and savings costs through the use of more efficient channels. At the end of 2011 the Bank held the mobile phone numbers of 74% of private individual customers, the e-mail addresses of 42% and their statutory consent to receiving sales offers. For companies, the figures were 34% for mobile numbers and 45.4% for e-mail addresses.

In 2011 we consolidated the use of the Engloba CRM tool on BlackBerry with the incorporation of new functionalities improving the sales diary and making it easier to use.

We also developed CRM activity reports 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 introduced new models for classifying deposit customers and customer churn models for all private individual segments, adding to the existing models for propensity to purchase, product abandonment, emotional profile, etc. The positive experience gained encourages us to develop new models in 2012.

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 2011 the Bank made active use of direct marketing campaigns, sending out more than 14.4 million sales messages in various formats (letter, e-mail, SMS, etc.)

Among the activities carried out over the course of this past year, the following sales campaigns stand out:

- Launch of the “Sin Más” Mortgage, Spain's first mortgage allowing dation in payment.
- 4% Payroll Account Campaign.
- Launch of new equities tools.
- Life assurance and pension plan campaigns.
- Launch of a new Personal Financial Planning tool.
- Launch of new investment funds and products such as InverPlus.
- As far as high-income customers are concerned, a line of communication has been set up with specific materials which have served as a support to the sales team in selling an exclusive service, Delegated Wealth Management.
- Nationwide conferences and advice sessions with the participation of experts from the asset management and analysts departments of Bankinter. The sessions focused on analysing the current economic situation and preparing investment proposals.
- Lunches with existing and potential customers in the Personal Finance segment and leading businesspeople from each city.
- Charity concert tour with Inma Shara, covering seven cities, to boost brand awareness and attract new customers.
- In marketing to businesses, support for the sale of ICO facilities through customer communication campaigns, publicity in branches and business centres and online publicity.
- Action plan for communicating information about the business website, aimed at highlighting its main benefits.

Web-based e-mail customers

574,174

+123,039 compared with 2010

Communications Manager

The purpose of the Communications Manager, created in 2009, is to draw up brand standards for all operating, transactional, legal and regulatory communications and to ensure that they are of good quality and are complied with. The scope of action covers all formats, such as letters, e-mail and SMS, and all channels that Bankinter uses as a means of communicating with its customers.

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

One of the major milestones of the year was the increase in the number of customers with the 'active web-based e-mail' service which enables them to check their bank statements or bills from their computers, with benefits in terms of immediacy, confidentiality and respect for the environment.

During 2011 a total of 123,039 new customers were signed up for this service, bringing the total at year-end to 574,174. This increase in the number of customers, together with other savings and efficiency initiatives undertaken over the course of the year, such as the use of online channels for publicity, enabled us to cut down on the number of letters and envelopes used by five million.

Bankinter has always been characterised by its prudent and well-judged risk management supported by a qualified team of professionals and advanced information systems. The bank's NPL ratio in 2011 was less than half that of the financial system as a whole, which is eloquent testimony to the success of its risk management.

7 Risks

Basic principles of the risks function

The Board of Directors, which is the highest body responsible for Risk Management, determines the profile and defines the risk policy and the internal control systems. The risk strategy is set each year in the Framework Agreement.

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 Risks structure (Credit, Control and Recoveries and Global Management), as well as Market and Operational Risk report directly to the Executive Vice-chairman, respecting the principle of independence and segregation functions.

The identification, measurement, management, control and monitoring of the risks inherent in banking operations constitute a fundamental aim, always within a context of optimising the overall 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 main principles that govern Risk Management are as follows:

— Independence of the function.
— Alignment with strategic objectives.
— Integrated risk management.
— Management based on the risk-profitability trade-off.
— Mass use of automatic authorisation.
— Diversification of risk on customers, sectors, counterparties and markets.
— Identification, assessment and control of product risk, particularly when new products are launched.
— Importance of the quality of service factor in the risks function.

Credit risk

Organisation and functions

The Board of Directors establishes the strategy for each of the risks within the Framework Agreement on Risks, a document drawn up annually, and defines the Bank's risk profile. It also has the executive function of approval and control in matters of risks.

The Risk Committee, which is chaired by the Chief Executive Officer, is the body to which the Board of Directors delegates implementation of the risk policy. The faculties delegated to this Committee include the authorisation of transactions and deciding on the level of powers to be assigned to Committees at subsequent levels.

The next level of competence lies with the Credit Risk Committee, the Management of which comes directly under the Executive Vice-Chairman. The Risks Directorate is responsible for establishing 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 Individual Risks Unit.
    - The Corporate and Developer Risks Unit.
    - The Corporate Risks Unit.
- The Risk Processes Unit is in charge of defining and improving 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.

Structure and procedures

The organisational structure of the risk function in the institution combines a hierarchical structure with the delegation of powers. This combination is perfectly delimited by a series of rules that establish competencies, specify functions and create areas of responsibility, thus enabling the same strategic line to be maintained. Decision-taking in the Risk Committees is on a collegiate basis, representing the various areas involved.

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 the automatic authorisation of retail risks, in compliance with the objective of efficiency and the use of technology in authorisation.

Risk Map

Managing credit institutions' capital and solvency requires specific procedures to be established to control and manage risk-inducing factors that can lead to financial loss.

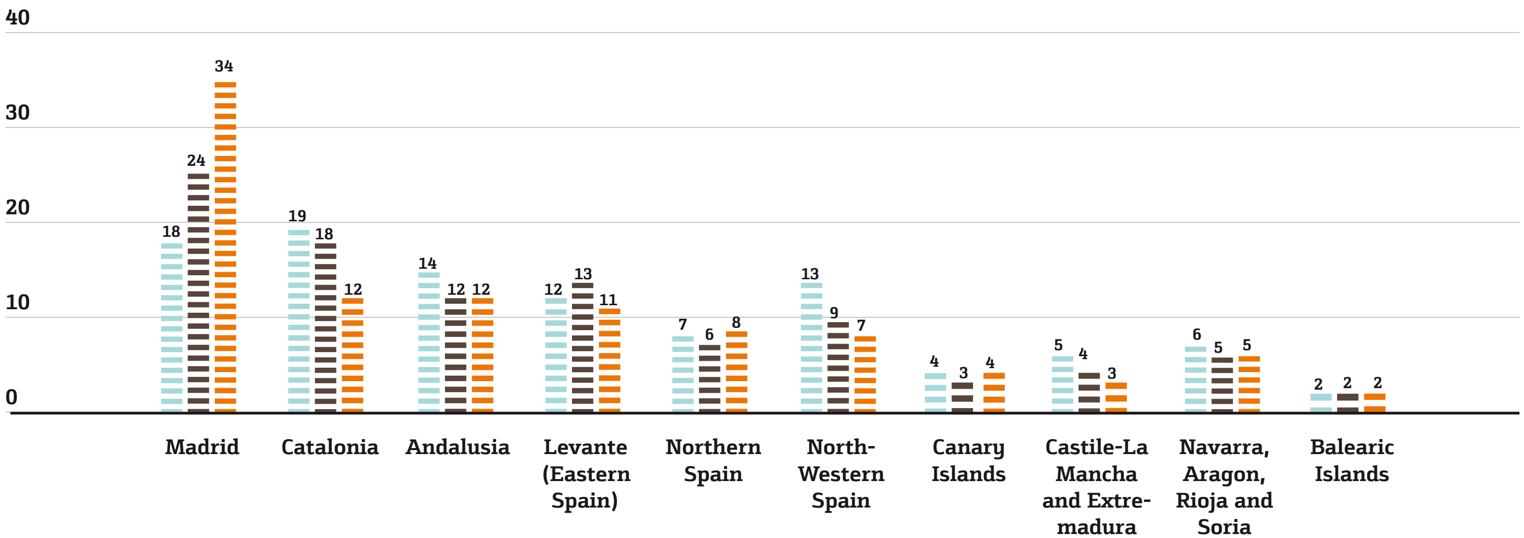
The Risk Map involves an exercise of detection, analysis and assessment of the potential impact (severity) of the risks inherent in the activity, as well as processes for monitoring and controlling them and measures for mitigating or if possible eliminating any remaining risk.

Concentration

The current financial crisis and the requirements of the Basel Accords both led to increased monitoring of the policy on business concentration.

Diversification by sector, geographical location, product and security, as well as by customer concentration, are the factors taken into account.

Geographical Spread (%)



GDP / System / Bankinter

System (data from Bank of Spain, September 2011)
GDP (data from INE, the Spanish National Statistics Institute, December 2010)

Evolution

The year was once again characterised by a renewed resurgence in the crisis which had started in 2007, with a marked deterioration in macroeconomic variables. Although the first half of the year was better than that of the previous year, in the second half there was a sharp downturn which took us back to the darkest days of the crisis.

In this environment, the total risk of the financial system declined by 2.5% (latest figures available from the Bank of Spain website, as at October 2011). 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 2010, 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 NPLs we add repossessed assets and assets classified as substandard because of the sector they belong to or the unlikelihood of repayment capacity, the deterioration in the quality of credit risk has been very significant.

Analysis of Credit Risk (€ million)	2010	2011	Amount	% Diff.
"Computable risk" (total lending) excluding securitisation	46,291,139	46,802,151	511,012	1.10
Doubtful debts	1,329,980	1,515,766	185,786	13.97
Total provisions	883,477	786,080	-97,397	-11.02
Required provisions	883,477	786,080	-97,397	-11.02
General	156,971	114,769	-42,202	-26.89
Specific	726,507	671,312	-55,195	-7.60
Non-performing loans ratio excluding securitisation (%)	2.87	3.24	0.37	12.89
NPL ratio (%)	2.97	3.33	0.36	12.12
NPL ratio of the ex-securitised mortgage portfolio (%)	2.37	3.51	1.15	48.42
Non-performing loans coverage ratio (%)	66.43	51.86	-14.57	-21.93
Non-performing loans coverage ratio without real guarantee (%)	93.72	99.95	6.22	6.64

Over the course of the year new stress tests were carried out on banks' solvency, with the expected loss on loan portfolios as one of the basic variables. In a scenario of very sharp contraction in the economy, Bankinter demonstrated the quality of its lending compared to that of its competitors.

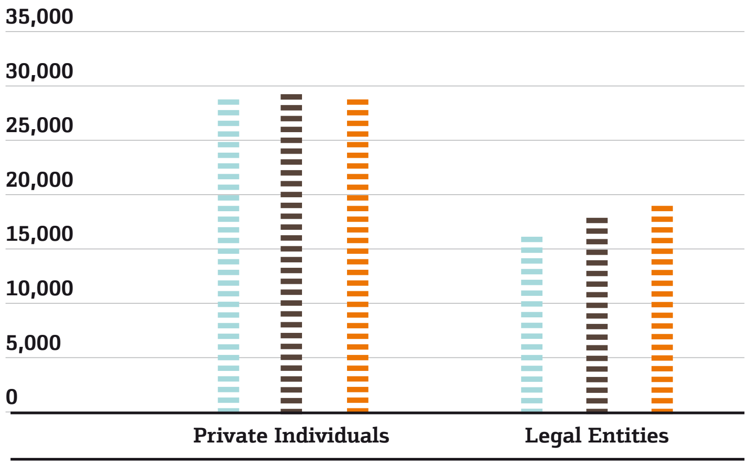
In this recession scenario Bankinter has demonstrated the strength of its lending built up over the years. As a consequence, and in contrast to the system as a whole, the credit risk grew by 1%, with most of the growth coming from lending to major corporates, which are less affected by the crisis, which will enable us to emerge further strengthened from this period. 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 3.2% compared with 2.9% the year before. This compares very favourably with the system (Bank of Spain: 5.8% in December 2010 and latest figure November 2011, 7.6%) as we are at less than half the average rate for the sector. As in 2010, SMEs were the worst affected segment, although it should be pointed out that in 2011 the private individuals business suffered the consequences of the persistence of the crisis.

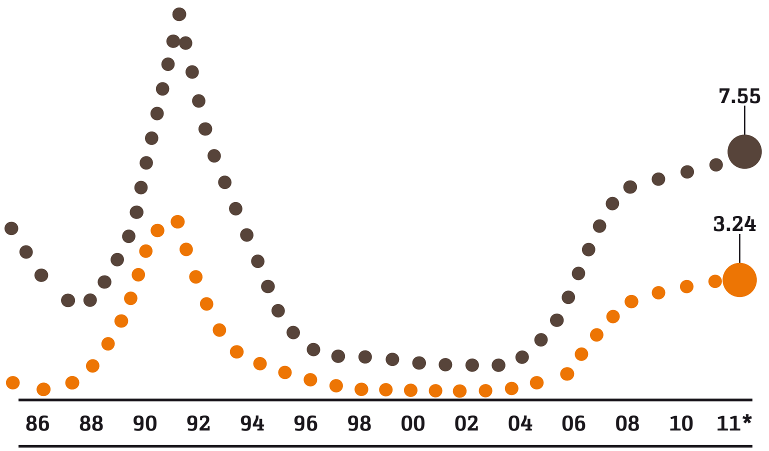
The volume of problem and repossessed assets continues to be insignificant in view of the Bank's size and in comparison with its competitors.

The volume of risk collateralised by mortgage is very high (68%), which reflects the well-judged credit approval policy pursued

Breakdown of risk (million)



Trend of NPL ratio System/Bankinter (%)



*Data for the Sector as at Nov. 2011

during the expansion cycle. Furthermore the LTV (loan to value) ratio continues to be low enough (57%) to cushion the fall in prices being suffered by the property market. Moreover, a high percentage (83%) of the mortgage portfolio is secured by residential properties, which have held up relatively well in this crisis as regards arrears.

One of the strengths of the portfolio is its very limited exposure to risk on developers (less than 3%). The restrictive policy pursued in approving loans to developers, and the absence of financing of land are what sets us clearly apart.

Explanation:
Although NPLs continued to increase in the SME segment, the monitoring policy aimed at greater reinforcement of collateral (56%) 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 2.4%.

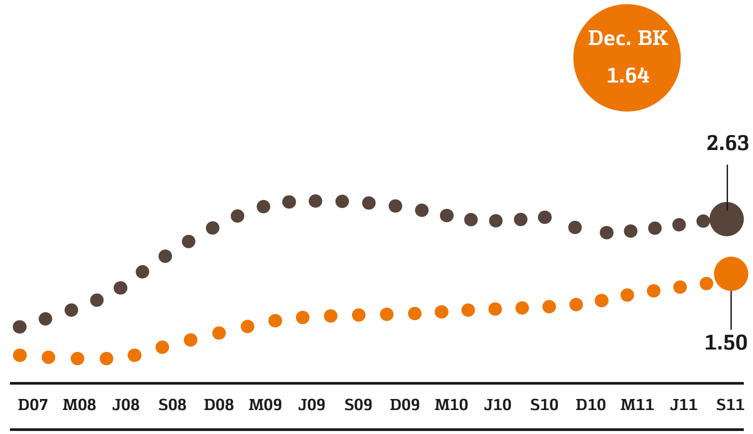
The most important product in the Private Individuals segment is the mortgage loan. In 2003, anticipating the change in cycle, the approval policy for this product was adapted, selecting customers with the highest income and setting a maximum LTV ratio of 80%, which once again sets us apart from the sector.

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 (25%).

Total Bank	% Transactions
LTV 00 - 10%	16.38
LTV 10 - 20%	11.21
LTV 20 - 30%	11.55
LTV 30 - 40%	12.36
LTV 40 - 50%	13.02
LTV 50 - 60%	12.93
LTV 60 - 70%	11.21
LTV 70 - 80%	6.91
LTV 80 - 90%	2.03
LTV 90 - 100%	2.39
TOTAL LTV BRACKETS	100

The NPL ratio (1.6% in December 2011) continues to be the best in the entire financial system, which in September 2011 (the latest information published by the Mortgage Association of Spain) had a ratio of 2.6% for this type of lending.

Arrears on residential mortgage loans to natural persons (%)

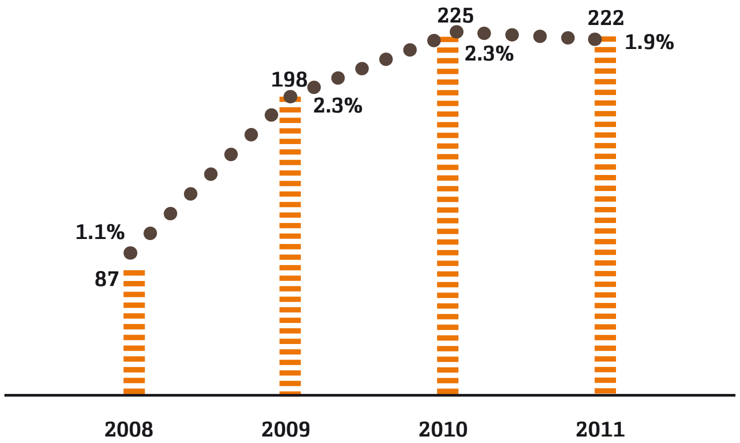


System / Bankinter (Data provided by the Spanish Mortgage Association)

Corporate Banking

In line with the strategy established by the Board of Directors, aimed at making full use of the Bank's competitive advantage in these years of crisis, this segment was the one with the most growth (14%). 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 rose to €11.449 billion while total NPLs, at €222 million, was still well contained, ending the year with an NPL ratio of 1.9%, which was less than the year before.
Explanation:

Delinquency: Balance (in € million) and ratio (%)



Corporate / Ratio

This growth continued on the basis of principles which remain fixed, notably:

- Monitoring of outstanding risks.
- Systematic use of rating models based on statistical rating, together with the subjective assessment by the Risks Committee.
- Prudent management of the customer portfolio.
- Optimisation of the risk/return trade-off.
- Long-term investment aimed at achieving lasting ties with customers.
- Diversification by sector and term.

Small and medium-sized enterprises

Credit risk totalled €7.085 billion, representing a 3% drop due to the economic slowdown. The non-performing loan ratio was 8.9% with a smaller increase than in the previous year.

The Bank has automatic decision models for risk management and teams of highly experienced risk analysts.

Diversification by sectors, which allows management by portfolios and greater dilution of the risk amongst them all.

It should be highlighted that 58% of the outstanding balance for SMEs has mortgage guarantees with an LTV ratio of 41%.

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.

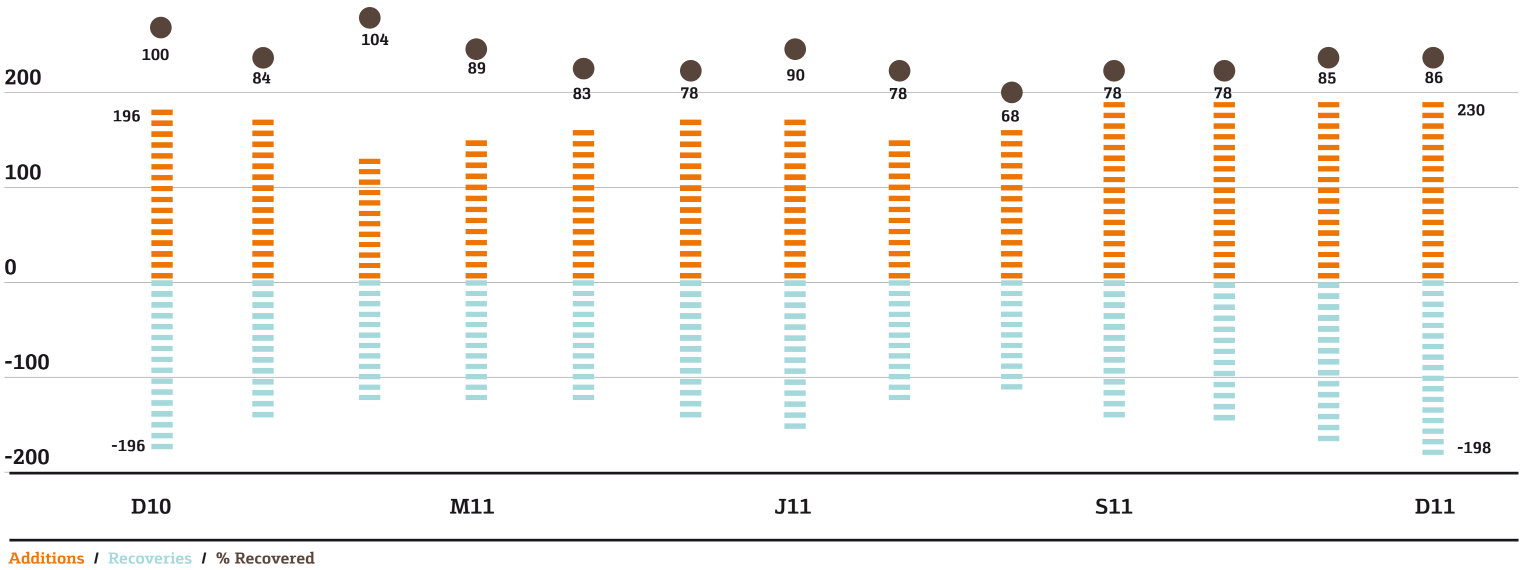
In 2011 the team's wide experience and the excellent functioning of the processes and tools enabled us to optimise the level of recoveries.

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

The year 2011 was characterised by a similar increase in non-performing loans to that of 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%, which greatly limited the increase to the final balance.

Our limited exposure to property developers, which have been most 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.

Additions to and recoveries on NPLs. Figures in € million

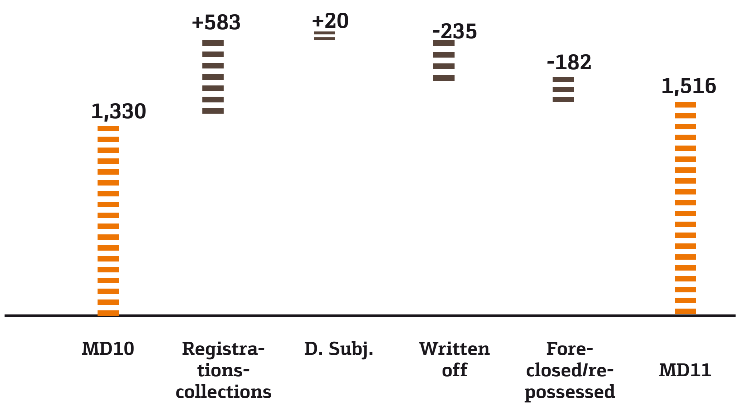


The Control and Recoveries Process involves:
1. Support from technology (CRM).
2. Traceability.
3. Integration of all information from all parties involved, external and internal.
4. Behavioural models (Basel II).

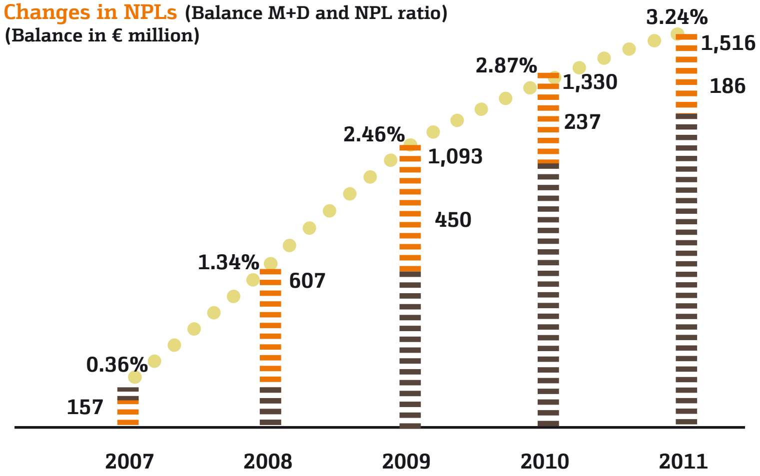
The Bank has various applications that allow the investment credit follow up to be carried out.
— Statistical Customer Alert.
— Risk rating "special watch" and "risk to be eliminated".
— Alert to centres.
— Back-testing.

Flows in non-performing loans in 2009 were as follows, with a total non-performing loans of €1.516 billion compared with €1.33 billion in 2010, which means there was an increase of €186 million in non-performing loans.

NPL Flows (€ million)



Changes in NPLs (Balance M+D and NPL ratio)
(Balance in € million)



Refinancing of customers with risk in excess of €500,000 in 2011 was less than 1% of total credit risk, with refinancing being considered to mean any change in credit risk conditions. The majority of refinancing operations have additional guarantees.

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

€000s	2010	2011
Starting balance, current year	1,093,101	1,329,980
(New cases - Recoveries M+D)	341,150	421,203
Written off	104,271	235,417
Closing balance YTD current year	1,329,980	1,515,766
Balance of Repossessed Assets	378,112	484,408

Purchase of real estate assets

Net acquisitions of assets in the Bank amounted to €106 million, with the current portfolio being €484.4 million in real estate assets.

Real estate assets are highly diversified in geographical terms and as regards property type, which makes them easier to sell. The volume of sales was €84.4 million.

The coverage of repossessed assets stood at 36.3% in December 2011.

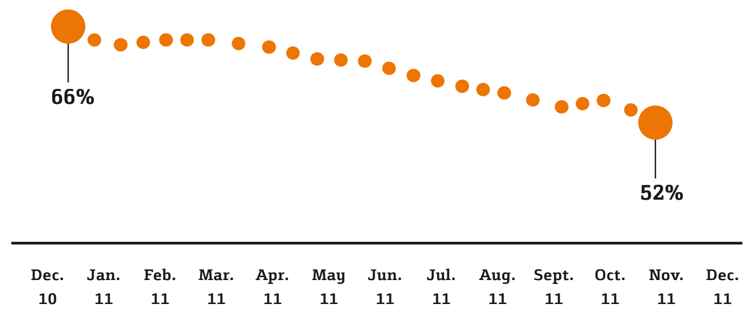
In the real estate asset portfolio, we should highlight the absence of property developments in progress and the limited number of non-urban plots, both of which are products with a much more limited market in the current situation.

Provisions

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

The doubtful mortgage portfolio with mortgage guarantees presents an LTV ratio of 48% 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.

The responsibility is to detect, analyse and evaluate the potential impact (severity) of all practices and factors inherent in the activity carried out and which may induce reputational risk, as well as the task of establishing processes for monitoring and controlling such mitigating practices and measures or, if applicable and possible, eliminating the risk inherent in them.

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

- Promoting the implementation of reputational risk policies.
- Monitoring mitigation actions for the most significant risks.
- Deciding on the proposals put to the Committee as possible reputational risk events.
- Validating compliance with procedures and protocols for identifying and assessing reputational risks, with particular emphasis where launches of new products or new business lines are concerned.

Internal risk scoring models

2011 was a year marked by a continuation of the economic crisis that had started in 2007. The internal models remained solid and highly efficient in their ability to discriminate.

The prolonged crisis is enabling us to gain a more precise understanding of the quality of the risks, the frequency of arrears and their actual losses in situations of deep recession such as the present one. We also carried out stress tests, both those required by the regulator and others for our own internal management purposes. Thanks to these stress tests we were able to establish that our previous estimates had been excessively conservative. We have now revised the methodology and obtained new estimates which, while still very conservative, are closer to reality.

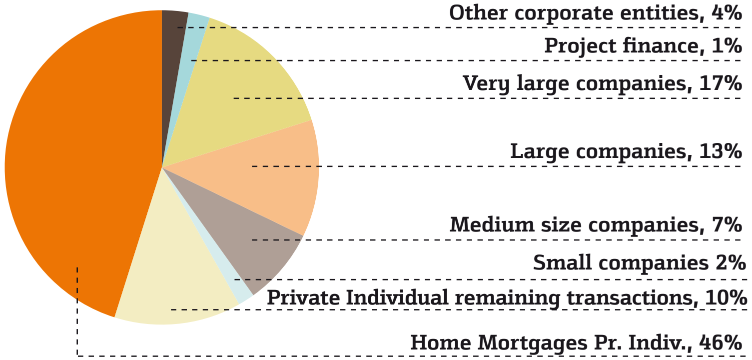
During 2011 progress was made with the development, improvement and validation of internal models. Bankinter continues with the regulatory use of Internal Rating Based models in the internal categories of home mortgages for private individuals, unsecured loans, small companies, medium-sized companies and 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 93% 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.

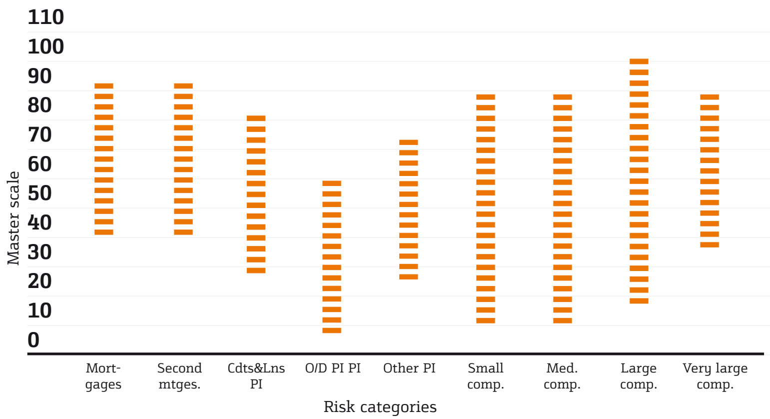
Distribution of credit risk by internal category (%)



The internal rating models provide, for each category, a score or internal rating of the level of risk assumed by the Bank with 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.

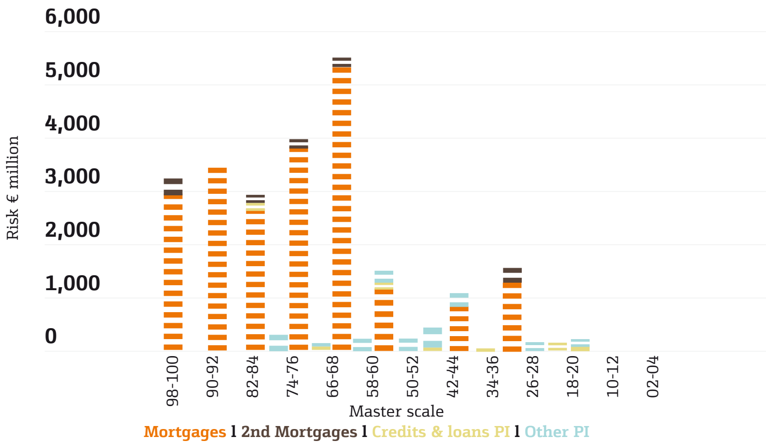
In each risk category, whether relating to private individuals or corporate entities, the range of probability of default associated with the rating of each one is different. In order to be able to compare the various credit risk categories, an internal master scale has been developed that gives a value 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 one with a relatively low probability of default and is therefore in the top part of the scale.

Location of risk categories on master scale

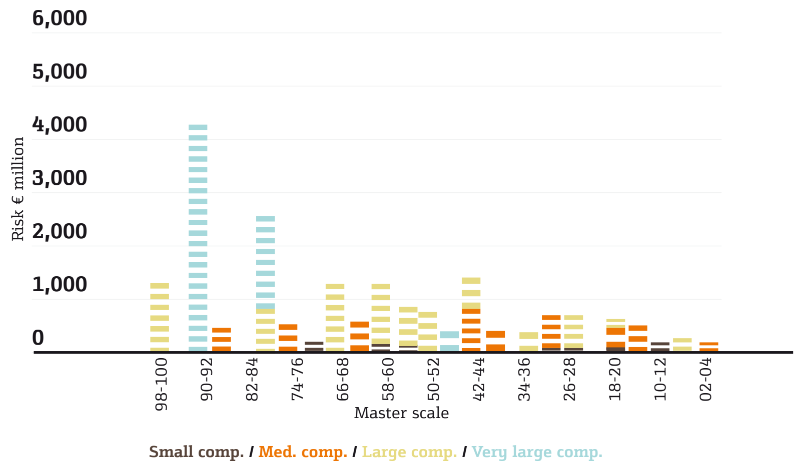


The breakdown of credit risk with private individuals and corporate entities according to the master scale is as follows:

Distribution of risk according to the master scale. Private individuals



Distribution of risk according to the master scale. Private individuals



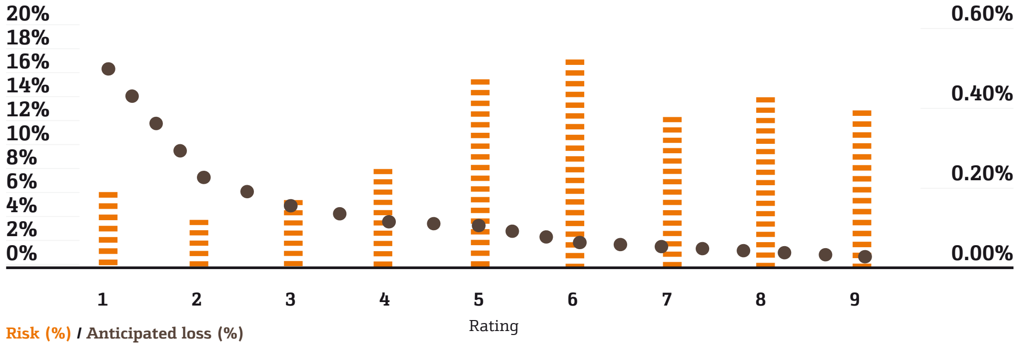
Bankinter has historical default databases that permit calculation, for each one of the categories, of the probability of default (as defined above), the severity (the average loss given default), and the expected exposure at the time of default.

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

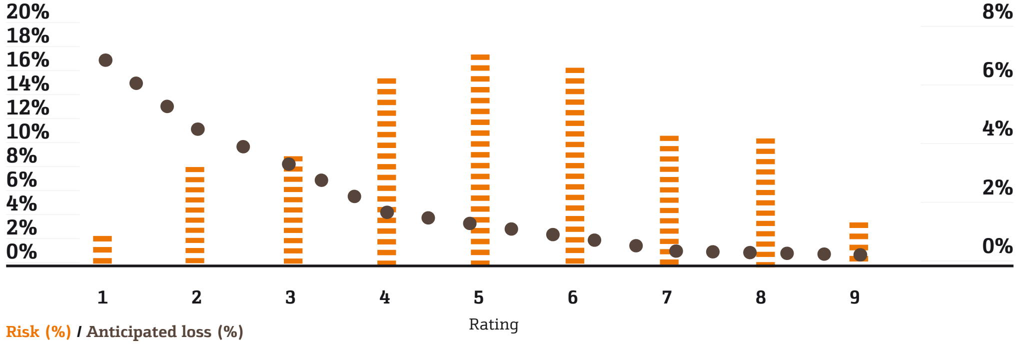
The expected loss is a key factor in estimating the risk premium that should be passed on in the transaction price as an additional cost of the lending activity.

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, 75% 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 0.3% of the risk exposure.

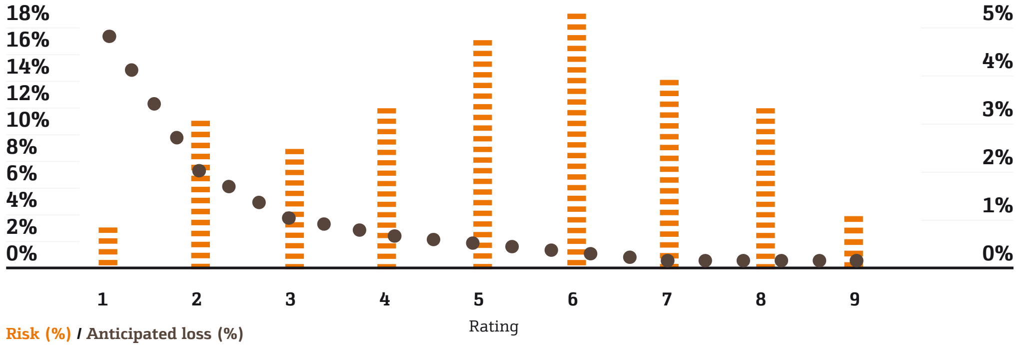
Distribution of home mortgages portfolio by rating



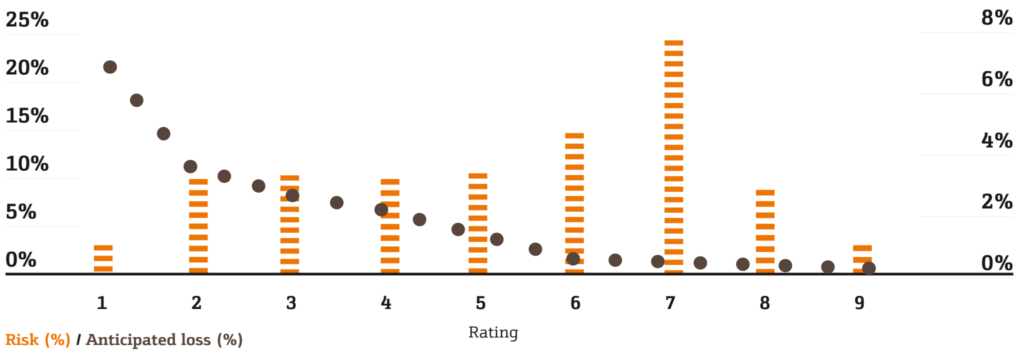
Distribution of the portfolio of Unsecured Credits and Loans to private individuals by rating



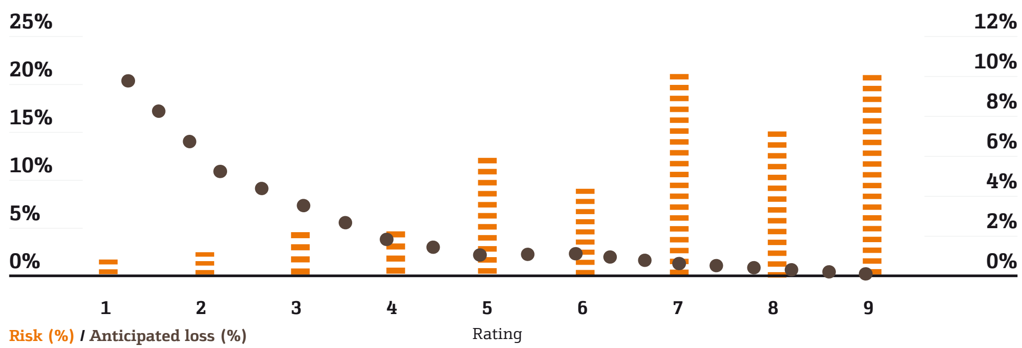
Distribution of the portfolio of other transactions with Private Individuals by rating



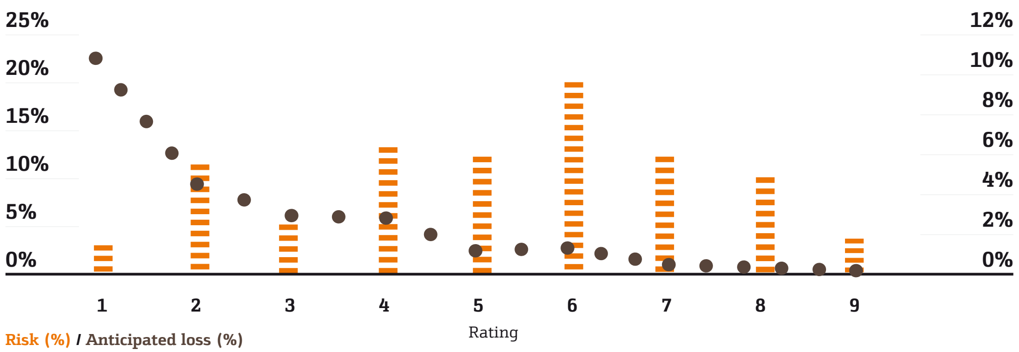
Distribution of the small companies portfolio by rating (%)



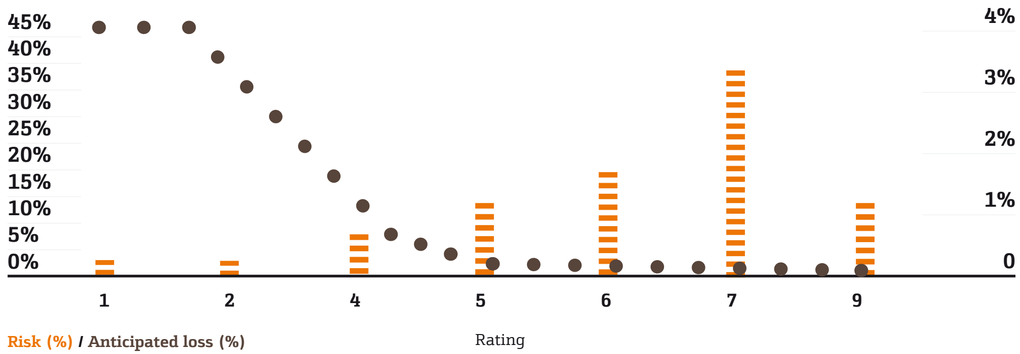
Distribution of the large companies portfolio by rating (%)



Distribution of the medium size companies portfolio by rating (%)



Distribution of the very large companies portfolio by rating (%)



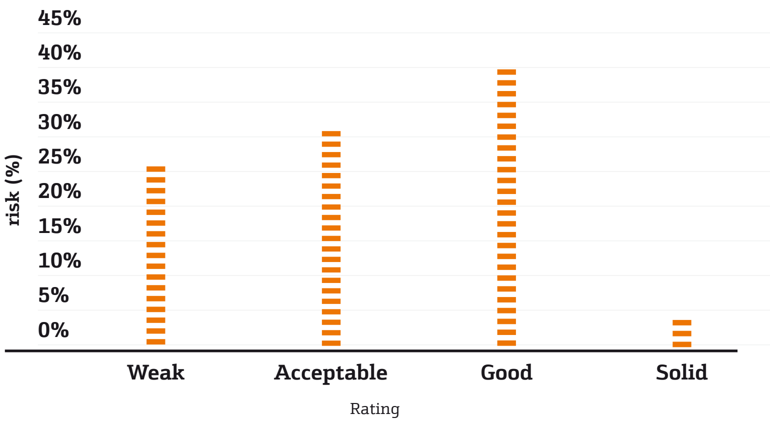
The low levels of expected loss are due both to the quality of the transaction acceptance systems and to the excellent recovery systems and methods for transactions that go into arrears.

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. In 2011, as in 2010, this portfolio was closely monitored and the credit ratings of the transactions in this category were reviewed to ensure that they were kept up-to-date at all times and consistent with the suddenness and severity of the economic downturn.

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



Economic capital

Economic capital is a quantitative risk measurement designed to measure all the quantifiable risks of an institution in a consistent and comprehensive manner. It can be defined as "the potential unexpected loss of an institution over a time horizon of one year, with a statistical level of confidence (determined on the basis of the rating desired by the Bank) taking into account all the main classes of risk".

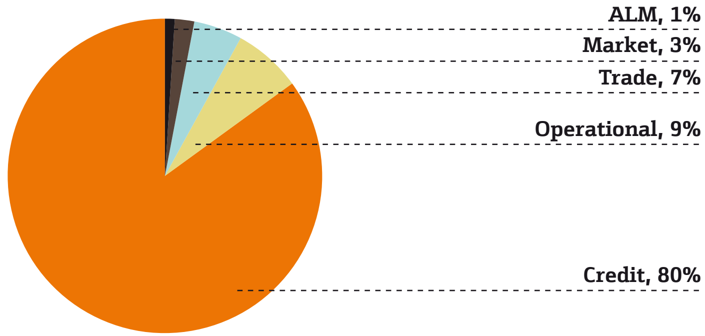
Economic capital methodologies provide an institution with uniform risk measurements for enhanced decision-taking regarding business strategy, management of risk concentrations and diversification (mobilisation and hedging of transactions and portfolios), capital planning and management of risk-adjusted prices and returns.

They also make it possible for the Bank to use a common metric to estimate the dimension of the most significant risks, their evolution and the assessment of current and foreseeable capital requirements based on the Bank's nature and business plans, and also make it possible to perform stress tests in adverse potential scenarios.

All this is a central component of the capital self-assessment process laid down in Pillar II of the Basel II Framework and transposed in Bank of Spain Circular 3/2008, which all advanced institutions must strictly follow.

The following shows the composition of economic capital according to risk types:

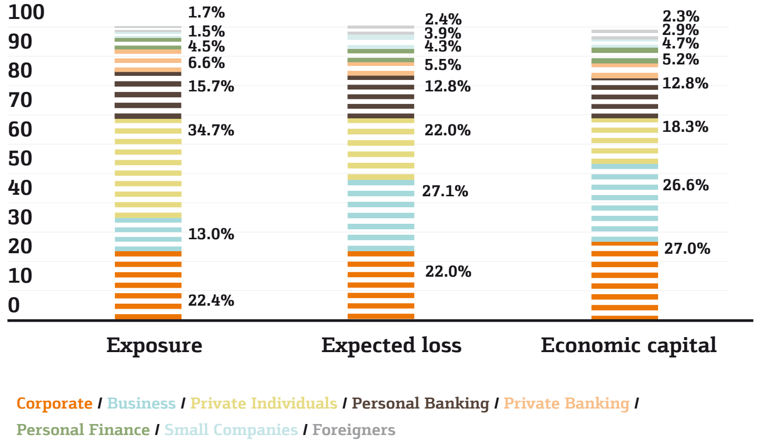
Contribution to economic capital by type of risk (%)



Economic capital methodologies also favour the rational allocation of the most limited of all financial resources, i.e. capital, to business units according to their share in the Bank's aggregate credit risk.

The breakdown of customer risk exposure, anticipated loss and economic capital by business segment is as follows:

Breakdown of exposure, expected loss, unexpected loss and economic capital by segment (%)



Structural risks

Market 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 purpose of Bankinter's policy on the management and control of structural risks and market risk is to neutralise the impact on the Bank's income statement of changes in interest rates, in the main market variables and in the balance sheet structure itself, by adopting the most appropriate investment or hedging strategies.

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

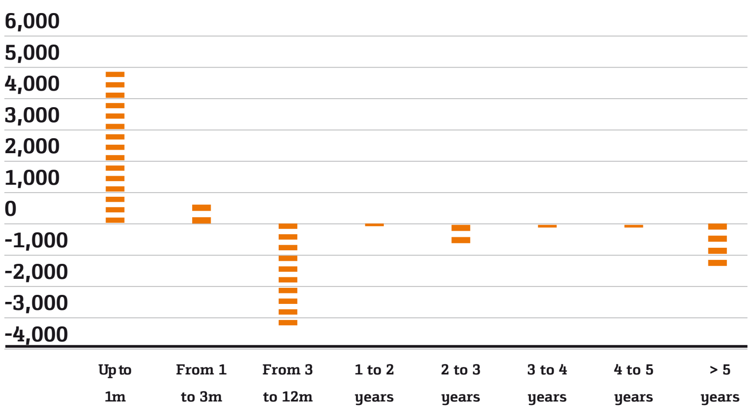
Structural interest rate risk is defined as the Bank's exposure to variations in market interest rates resulting from maturity and re-pricing gaps in the balance sheet asset and liability items.

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 measures adopted for managing structural interest rate risk are implemented in accordance with the structure of limits approved by the Board of Directors, these limits being defined in terms of the maximum mismatch that can be maintained between the total amount of assets and liabilities for each tranche in the interest rate risk map, the control and monitoring of which is carried out by Market Risk.

The situation of the interest rate risk map of the Bankinter Group as at the end of 2011 was as follows:

Diagram showing interest rate risk of Bankinter Group at year-end 2011
(€ million)



(*) Interest mismatch figures include Bankinter, Obsidiana and Línea Directa Aseguradora

Apart from this, dynamic simulation analyses are carried out. These tests enable us to estimate the sensitivity of the Bankinter Group's financial margin, for both the short and medium term, 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 Bankinter Group's financial margin to interest rate to +/- 100 bp parallel movements in market interest rates is approximately +/- 0.6% for a 12-month horizon.

At 2011 year-end the sensitivity of the Bankinter Group's economic value to parallel shifts of 200 basis points stood at 4.2% of its shareholders' equity.

Liquidity Risk

Structural liquidity risk is associated with the Bank's ability to meet the payment obligations undertaken and to finance its investment activities. To mitigate this risk, Bankinter performs coordinated management of its balance sheet assets and liabilities and, specifically, of calls on the capital markets.

The measures used to control the liquidity risk are the monitoring of 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, interbank assets and liabilities and other sources of financing. These analyses are carried out both under normal market conditions and simulating different liquidity need scenarios that could come about as a result of different trading conditions or changes in market conditions.

Market Risk

The Trading area, which is part of the Capital Markets Directorate, acts in the markets with the objective of taking advantage of business opportunities that arise.

In performing these functions, it uses the financial instruments that are most appropriate at any given time and the hedging necessary to mitigate market risk. Financial instruments traded must, as a general rule, be sufficiently liquid and appropriately hedged.

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

The market risk of the Treasury and Capital Markets activities and the limits thereon are measured using the Value at Risk (VaR) method, both overall and separately for each significant risk factor. Limits in terms of VaR are complemented by other measures, such as: stress testing, tests on sensitivities, stop loss and concentration.

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

We will now go on to describe the methodology for measuring the main market risk indicators.

Value-at-Risk (VaR)

Value-at-Risk (VaR) is defined as the maximum expected loss on a given portfolio of financial instruments, in normal market conditions, for a given confidence level and time horizon, as a result of movements in market prices and variables.

VaR is the main indicator used daily by Bankinter to measure and control in an integrated and overall manner the exposure to market risk from interest rate, equity, exchange rate, volatility and credit in the operations of Treasury and Capital Markets.

The method used to calculate the VaR is Historical Simulation, which is based on an analysis of potential changes in the value of positions using the historical movements of the individual assets forming them. VaR is calculated with a confidence level of 95% and a time horizon of one day.

The following table shows VaR values of the trading positions at year-end 2011:

million euros	Final
Interest Rate VaR	0.59
Equities VaR	0.47
Exchange Rate VaR	0.03
Volatility Rate VaR	0.02
Credit VaR	0.02
Total VaR	0.91

Confidence level 95%, time horizon of 1 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 2011 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 same 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 movements in interest rates, stock markets, exchange rates and credit and significant changes in volatility could have on the current portfolio. Changes recorded in relevant historical crises are also simulated. Additional scenarios derived from the recent market situation were also carried out in 2011, following the sovereign debt crisis that occurred in that financial year.

The following table shows the 2011 year-end stress test estimates for the Bank's trading positions, prepared using the scenario of most extreme movements in the various risk variables.

million euros	Final
Interest Rate Stress	0.61
Equities Stress	3.24
Exchange Rate Stress	0.37
Volatility Stress	0.48
Credit Stress	0.09
Total Stress	4.78

Applying the same scenarios to the positions of the portfolio of Línea Directa Aseguradora at the end of 2011, the stress amounted to €23.5 million.

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

Operational Risk

The definition of operational risk is that of the Basel Capital Accord (BIS II). It is defined as: "the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk". In general, it concerns risks encountered in processes, and they are generated internally by persons and systems, or as a consequence of external agents such as natural disasters.

Bankinter's 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 appropriate system for managing operational risk, and in line with best practices in the market, 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 defined for assessing, analysing, measuring and reporting risks and generating appropriate action plans for controlling 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.
- From the possible calculation systems for capital associated with operational risk in the framework of the Basel Accord, Bankinter has opted to apply the Standard Method. This method is reserved to institutions with efficient and systematic operation risk management.

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 frequency and severity levels of the risks, the existing control mechanisms and action plans for mitigating them.
- Registration of loss events arising, with the associated management information, sorted and classified in accordance with the Basel recommendations.
- Monitoring of risk by establishing indicators that provide information on trends in risk levels and alerts when unwelcome trends appear.
- Drawing up Business Continuity and Contingency Plans describing the alternative procedures to normal operations 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 falls to all the business and support units.

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

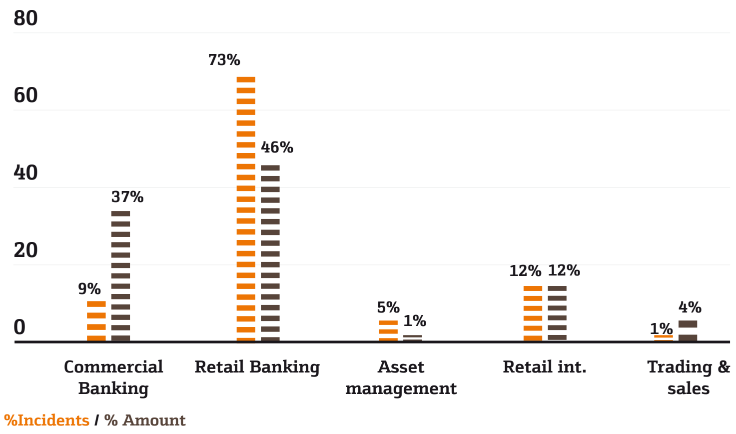
Board of Directors: Approves the policies and the management framework, establishing the level of risk that Bankinter is willing to assume.

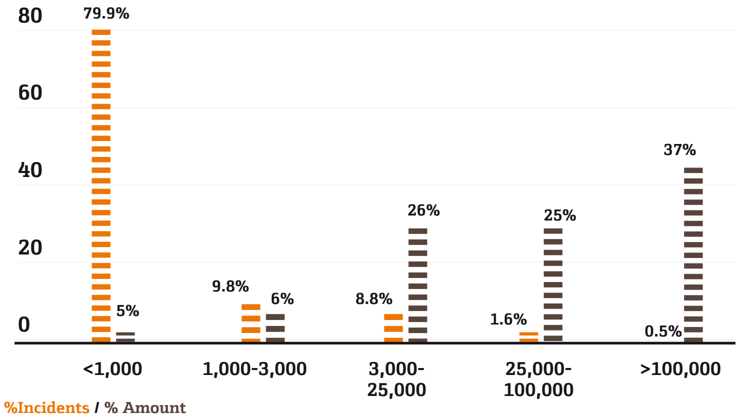
Operational, Reputational and New Product Risk Committee: An executive governing body on which Senior Management is represented and which undertakes the following main roles in managing operational risk:
– Promoting the implementation of active risk management policies.
– Tracking significant operational risks and the development of plans to mitigate them.
– 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 divisions and units with the methodologies, tools and procedures necessary for managing their operational risks.
– Promoting the drawing up 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 funding 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:





Insurance in managing operational risk

Bankinter uses insurance as a key element in managing certain operational risks, thus complementing the mitigation of such risks as by their nature 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.

Some examples are as follows: Insurance taken out with various companies of recognised solvency for contingencies affecting the Bank's premises (earthquakes, fire, etc.), internal or external fraud (robbery, disloyalty, etc.), employees' civil liability, etc.

Bankinter's net profit for 2011 was €181.2 million, which was 20.2% up on 2010. Moreover the Bank strengthened its solvency this past year, reaching a 9.36% core capital ration, while maintaining its ratio of doubtful debts at the lowest level in the sector.

8 Results

Accumulated net profit

€181.23 million

+20.2% compared with 2010

Results

The results presented by the Bankinter group for the year ended 31 December 2011 are based on the recurrent generation of profits, with the fundamentals improving quarter by quarter and these indicators thus confirming the solidity and profitability of the business. These results are based on improved net interest income, which grew throughout 2011, substantial improvements in efficiency and productivity, further strengthening of provisions, the solidity of commission revenue despite the difficult economic environment, and the consistency of the Group's insurance business as previously commented upon.

Bankinter's net interest income reached €542.7 million for 2011, barely 1.3% down on the previous year's figure, while the gross margin for the year came in at €1.1045 billion, 0.2% up on 2010.

For the year ended 31 December 2011, Bankinter obtained net accumulated profits of €181.2 million, representing an increase of 20.2% compared with 2010, and pre-tax profits of €240.2 million, 17% up on 2010.

As far as Bankinter's balance sheet is concerned, total assets stood at €59.491 billion (9.9% up on 2010) while customer credit was at €42.605 billion, an increase of 2%, demonstrating that Bankinter managed to increase its level of private and business loans slightly, despite the difficult environment of 2011.

In this regard we should add that the Bank continues to change its lending portfolio mix, with a shift towards greater emphasis on non-mortgage loans. There was an increase of 20% in Corporate Banking credit (reaching €8.481 billion) and 146.4% (to €951 million) in ICO funding.

Customer resources totalled €37.952 billion, 4.9% down on December 2010. However, there was a notable increase in retail deposits (accounts, term deposits and retail negotiable securities), which increased by 8.2% during the period.

Bankinter has maintained extraordinary quality in its assets, NPL figures and solvency. Accordingly, doubtful debts totalled €1.51577 billion at year-end, which represents 3.2% of the bank's computable risk, a ratio that is still less than half the sector average. In this respect the Bank's ratio of problem assets (doubtful debts + sub-standard + repossessed assets as a percentage of total computable risk) looks much more hopeful than that of the sector as a whole, with a total of €2.157 billion in problem assets giving a ratio of 4.6% compared with the 11.8% of comparable banks.

The NPL coverage ratio continues to be one of the highest in the system, reaching 51.9% at year-end. Total provisions for loan losses reached €786.08 million, 11.0% down on the figure for 2010.

In the area of equity, in accordance with BIS II regulations, solvency ratios, estimated in accordance with the Bank of Spain circular on the determination and control of minimum equity, were in a strengthened position at the close of 2011, with surplus equity of €995.6 million, 101.7% up on the figure for December 2010.

As for earnings per share, these stood at €0.40, compared with the €0.30 posted at the close of 2010, an increase of 18.8%. Also, BKT stock ended the year at €4.80, or in other words 14.3% above the 31 December 2010 price.

Income Statement (€000s)	Amount 2011	Amount 2010	Diff. Euros	Diff. %
Interest and similar income	1,636,295	1,201,406	434,889	36.20
Interest expense and similar charges	-1,093,620	-651,453	-442,167	67.87
Interest margin	542,675	549,953	-7,278	-1.32
Income from equity instruments	16,491	14,456	2,035	14.08
Share in results of entities accounted for using the equity method	14,675	10,958	3,716	33.92
Net fees and commissions	198,884	195,503	3,381	1.73
Income from financial transactions and exchange differences	97,840	120,471	-22,631	-18.79
Other operating income/expenses	233,916	210,982	22,935	10.87
Gross Margin	1,104,480	1,102,323	2,157	0.20
Personnel expenses	-329,965	-332,934	2,969	-0.89
Administrative expenses / Amortisation	-314,955	-322,764	7,808	-2.42
Provisions	-28,175	-815	-27,360	3,357.02
Losses from asset impairment	-158,229	-216,666	58,437	-26.97
Profit from operations	273,157	229,145	44,012	19.21
Gains/losses on elimination of assets	-33,008	-23,931	-9,078	37.93
Profit before tax	240,148	205,214	34,934	17.02
Corporate tax	-58,922	-54,484	-4,437	8.14
Consolidated result	181,227	150,730	30,497	20.23

Quarterly Income Statement (€000s)	Q411	Q311	Q211	Q111	Q410
Interest and similar income	456,741	445,221	393,567	340,766	330,169
Interest expense and similar charges	-307,568	-303,246	-257,064	-225,743	-220,016
Interest margin	149,173	141,976	136,504	115,023	110,153
Income from equity instruments	2,197	594	9,389	4,311	2,277
Share in results of entities accounted for using the equity method	4,291	3,882	3,273	3,228	3,491
Net fees and commissions	50,802	47,664	50,118	50,299	48,222
Income from financial transactions and exchange differences	28,071	27,905	16,654	25,209	14,980
Other operating income/expenses	59,249	59,753	57,380	57,534	55,726
Gross Margin	293,784	281,775	273,318	255,605	234,850
Personnel expenses	-78,447	-81,076	-83,111	-87,330	-87,181
Administrative expenses / Amortisation	-85,652	-73,645	-76,702	-78,957	-82,234
Provisions	-320	-5,393	-21,367	-1,095	-4,262
Losses from asset impairment	-42,786	-50,584	-41,302	-23,558	-50,515
Profit from operations	86,579	71,077	50,835	64,665	10,657
Gains/losses on elimination of assets	-42,352	-5,929	16,688	-1,415	-7,455
Profit before tax	44,227	65,148	67,524	63,250	3,202
Corporate tax	-10,010	-18,429	-15,800	-14,683	-1,497
Consolidated result	34,217	46,718	51,724	48,567	1,705

Cumulative Returns and Costs (%)	31/12/2011		31/12/2010	
	Weighting	Rate	Weighting	Rate
Deposits with central banks	1.09%	0.97%	1.02%	0.77%
Loans and advances to credit institutions	5.75%	1.69%	5.78%	0.64%
Loans and advances to customers (a)	72.18%	2.96%	74.23%	2.47%
Debt instruments	15.33%	3.59%	12.84%	2.84%
Equities	0.67%	4.31%	0.70%	3.78%
Average earning assets (b)	95.03%	3.04%	94.58%	2.34%
Other assets	4.97%		5.42%	
AVERAGE TOTAL ASSETS	100.00%	2.89%	100.00%	2.22%
Deposits from central banks	5.12%	1.28%	6.66%	0.99%
Deposits from credit institutions	13.30%	2.30%	9.34%	1.09%
Customer resources (c)	70.44%	2.21%	72.50%	1.53%
Customer deposits	42.39%	1.97%	38.77%	1.26%
Marketable debt securities	28.05%	2.58%	33.73%	1.86%
Subordinated liabilities	1.68%	4.77%	2.05%	3.94%
Average interest-bearing funds (d)	90.56%	2.11%	90.55%	1.31%
Other liabilities	9.44%		9.45%	
AVERAGE TOTAL FUNDS	100.00%	1.91%	100.00%	1.19%

VALUE ADDED TO GDP /€000s)	2011	2010
Employee salaries	329,965	332,934
Direct taxes	63,854	58,693
Corporate Income Tax	58,922	54,484
Other taxes	4,932	4,209
Remuneration of capital	58,516	74,512
Retained earnings	58,516	74,512
Surplus	186,808	215,691
Depreciation and amortisation	64,097	62,183
Allocation to Reserves	122,711	76,218
Other Provisions	0	77,291
TOTAL	510,850	540,651

The Bankinter Group has an efficient shareholder equity structure, with the creation of long-term value for shareholders being one of the Bank's strategic priorities. The Bank maintains levels of capitalisation that are appropriate to its prudent risk profile.

9 Shareholders' equity and Bankinter shares

Shareholders' equity

The Bankinter Group has an efficient shareholder equity structure, with the creation of long-term value for shareholders being one of the Bank's strategic priorities. In this regard the Bank maintains levels of capitalisation that are appropriate to its prudent risk profile and manages its capital by allocating it to the activities offering the best possible returns while at the same time safeguarding its solvency.

The group's total equity at the end of 2011 stood at €3.320 billion as per the solvency rules resulting from the application in Spain of the Basel II capital framework:

Shareholders' equity

			Difference	
€000s	31/12/2011	31/12/2010	Amount	%
Capital and Reserves	2,554,154	2,435,576	118,578	4.87
Other equity instruments	404,812		404,812	0.00
Capital in the form of a financial liability	168,165	343,165	-175,000	-51.00
Treasury shares	-742	-1,753	1,011	-57.66
Intangible and other assets	-296,820	-339,044	42,224	-12.45
Other deductions	-165,736	-174,658	8,922	-5.11
Tier I	2,663,833	2,263,284	400,549	17.70
Revaluation reserves	97,998	98,698	-700	-0.71
Subordinated financing	658,232	706,354	-48,122	-6.81
Generic provisions	54,678	76,852	-22,174	-28.85
Other deductions	-154,243	-174,658	20,416	-11.69
Tier II	656,665	707,245	-50,580	-7.15
Total Equity	3,320,498	2,970,529	349,969	11.78
Risk-weighted assets	28,454,731	30,963,938	-2,509,207	-8.10
Tier I (%)	9.36	7.31%	2.05	28.07
Tier II (%)	2.31	2.28%	0.02	1.03
Capital ratio (%)	11.67	9.59%	2.08	21.63
Surplus	1,044,120	493,562	550,558	111.55
Core without deductions	9.35	6.77%	2.59%	38.24
Core capital as per RDL 2/2011	9.47	6.92%	2.55%	36.83

Ratios estimated on the basis of the Circular on Determination and Control of Minimum Shareholders' Equity issued by the Bank of Spain.
The lower limit of shareholders' equity requirements provided for in Transitional Provision Eight of the aforementioned Circular is not applied.
Internal models are applied to the following portfolios: Home mortgages for private individuals, Small companies, Medium-sized companies, Project Finance and Unsecured loans.

Total equity considered as Tier I amounts to €2.664 billion, and Tier II stands at €656 million.

On 18 February 2011 the Spanish government passed Royal Decree Law 2/2011 (RDL 2/2011) on the strengthening of the financial system, aimed at bolstering the solvency of the country's credit institutions and their ability to withstand adverse scenarios. To this end, RDL 2/2011 established an additional ratio referred to as 'core capital' with a minimum of 8% to be reached by the institutions by 30 September 2011.

In April 2011 Bankinter issued €405 million worth of mandatory convertible bonds, divided into two tranches: Tranche I, for €175 million, subscribed by means of the conversion of preference shares; and Tranche II, for €230 million, subscribed in cash. This enabled the group to reach a capital ratio of 9.0% as at 30 September 2011. By year-end this ratio had risen to 9.5%.

Bankinter continues to have adequate solvency, which strengthened significantly in 2011 thanks to the abovementioned mandatory convertible bond issue, the active management of its risk profile and the sustained generation of recurring profits in an environment of deep economic and financial crisis.

In this context, the credit rating agencies adopted a tougher stance in 2011 towards all Spanish financial institutions whose business is mainly domestic, Bankinter being no exception. The ratings at year-end were as follows:

Ratings

	Short-term	Long-term	Outlook
Moody's	**P1**	**A2**	**Negative**
Standard & Poor's	**A2**	**BBB+**	**Negative**

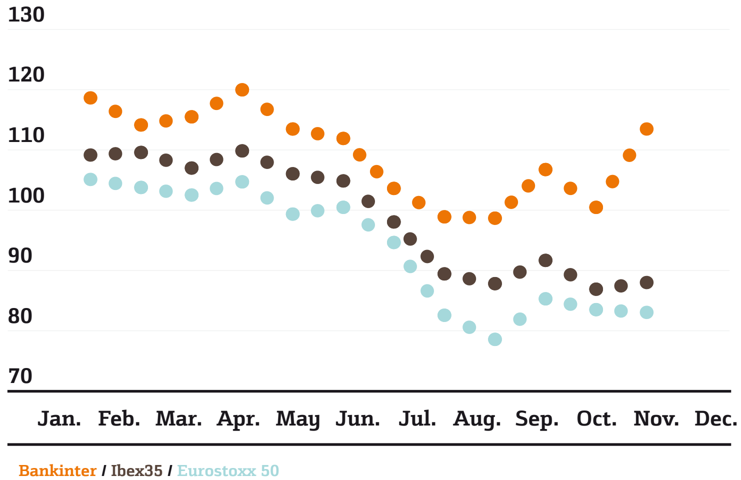
Over the course of the year 2011 the stock gained 14.3%.

Bankinter shares

Despite the market situation, the share price rose by 14.3% in 2011, which, when the returns from the dividend distributed up to the date of publication of this report are taken into account, represents a return of 18%.

The figure shows a comparison between the performance of Bankinter's shares (+14.3%), the Ibex 35 (-13.1%) and the EuroStoxx 50 (-18.5%) in 2011.

Performance of Bankinter stock (%)



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	0.38
Dividend per share	0.15
Theoretical book value per share	5.56
Share price at start of year	4.156
Lowest price	3.45
Highest price	5.29
Latest price	4.75
Revaluation over the last 12 months (%)	14.29

The distribution of profits for the financial year 2011 as at the date of publication of this report is as follows:

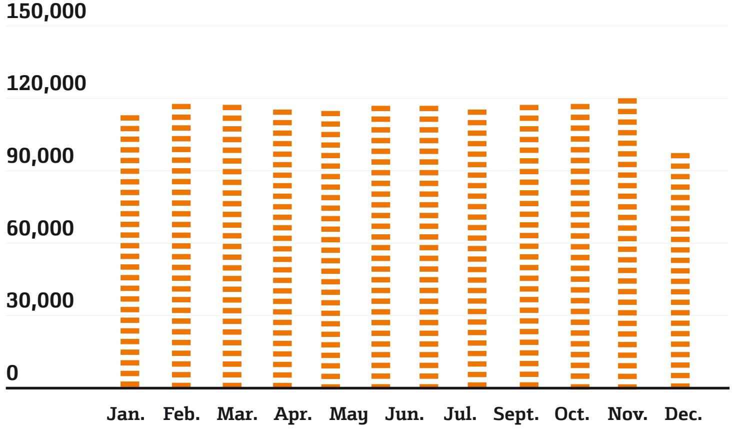
Date	Dividend per share (euros)	Number of shares	Treasury stock (own shares)	Shares with rights	Amount (€000s)	Results for the yr.
Jul-11	0.05193	473,447,732	82,973	473,364,759	24,582	2011
Sep-11*	0.052	473,447,732	43,904	473,416,404	24,619	2011
Jan-12	0.048313	476,919,014	71,203	476,847,811	23,038	2011
Total	0.152243				72,239	

*the September 2011 dividend was in the form of a scrip dividend

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. As of December 2011 there were a total of 113,000 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 2011, by 476,919,014 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	2011	2010
Price / theoretical book value (times)	0.85	0.78
PER (price / earnings, times)	12.5	13.05
Number of shareholders	71,932	81,732
Number of shares	476,919,014	473,447,732
Number of shares held by non-residents	191,316,496	185,767,305
Average daily trade (number of shares)	1,231,000	2,470,000
Average daily trade (€000s)	5,281	11,130

Bankinter has 71,932 shareholders. The main features of the shareholder structure are as follows:

– Resident shareholders hold 59.88% of the share capital.
– Non-residents hold 40.12% of the share capital.
– Treasury stock at year-end consisted of 162,620 shares.

Shareholders of record holding more than 10% of the share capital at 2010 year-end are detailed in the following table:

Shareholders with a holding greater than 10%		
Name	Total Shares	%
Crédit Agricole	116,927,050	24.52
Cartival S.A	106,671,902	22.37

Summary by type of shareholder	Number of Shareholders	%	Number of Shares	%
Residents	71,215	99.00	285,602,518	59.88
Non-residents	717	1.00	191,316,496	40.12
Total	71,932	100.00	476,919,014	100.00

Share ownership structure by number of shares				
Brackets	Number of Shareholders	%	Number of Shares	%
From 1 to 100 shares	32,198	44.76	352,496	0.07
From 101 to 1,000 shares	21,325	29.65	9,278,682	1.95
From 1,001 to 10,000 shares	16,159	22.46	47,193,165	9.90
From 10,001 to 100,000 shares	2,073	2.88	47,558,581	9.97
More than 100,000 shares	177	0.25	372,536,090	78.11
Total	71,932	100.00	476,919,014	100.00

At the end of 2011, the Bankinter Group held 162,620 treasury shares, compared with 407,921 shares in 2010.

Share capital and treasury stock						
%	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
January	1.17	0.02	1.06	0.84	0.01	**0.01**
February	1.17	0.03	1.03	0.84	0.01	**0.01**
March	1.17	0.02	1.03	0.64	0.01	**0.01**
April	1.16	0.02	1.03	0.92	0.01	**0.02**
May	1.16	0.02	1.03	0.14	0.02	**0.09**
June	0.75	0.03	1.03	0.06	0.02	**0.06**
July	0.58	0.02	1.02	0.01	0.01	**0.02**
August	0.41	0.02	1.02	0.01	0.01	**0.06**
September	0.02	0.15	1.02	0.01	0.01	**0.01**
October	0.00	0.09	1.01	0.01	0.01	**0.01**
November	0.02	0.95	0.96	0.01	0.03	**0.01**
December	0.02	1.05	0.88	0.02	0.09	**0.01**

The current environment obliges companies to manage their corporate reputation rigorously. Bankinter remains decisively committed to actively managing its brand, as the main symbol of its corporate identity and a key element in its strategy of differentiation.

10 Brand

Bankinter has continued to place its faith in active management of its brand and corporate reputation as a differentiating and key factor within its business strategy.

Reputation

The current environment obliges companies to manage their corporate reputation consistently and rigorously. Results published recently by RepTrackTM Global Pulse 2011 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 provide an effective response to this demand and to ascertain the state of health and validity of its corporate reputation, Bankinter has been working since 2008 on an econometric model based on Reptrack™ methodology as a tool for managing its reputation. This model has been constructed and fed by internal and external perceptions of the Bank's main stakeholder groups: customers, potential customers, public opinion and employees, which the Bank analyses periodically.

In 2011 the Bank moved ahead with reputational metrics, extending them to institutional heads and opinion leaders as well as influential people in the financial sector and society in general, with a view to ascertaining these groups' perceptions and opinions of Bankinter and this being able to draw up plans for interacting with them.

The results of all these studies enable us to identify the gaps between perception and reality by means of a balanced scorecard, and provide us with the possibility of personalising the messages to be sent to stakeholder groups in order to create value for the Bank as well as identifying its main reputational risks.

As well as designing a map of the main reputational risks, which will enable us to identify the main threats to the Bank, we are also working on drawing up a new crisis plan for the early detection, assessment and management of aspects that may prove to be sources of threats to our reputation, as well as on managing their mitigation once the reputational risk goes from threat to reality.

Brand

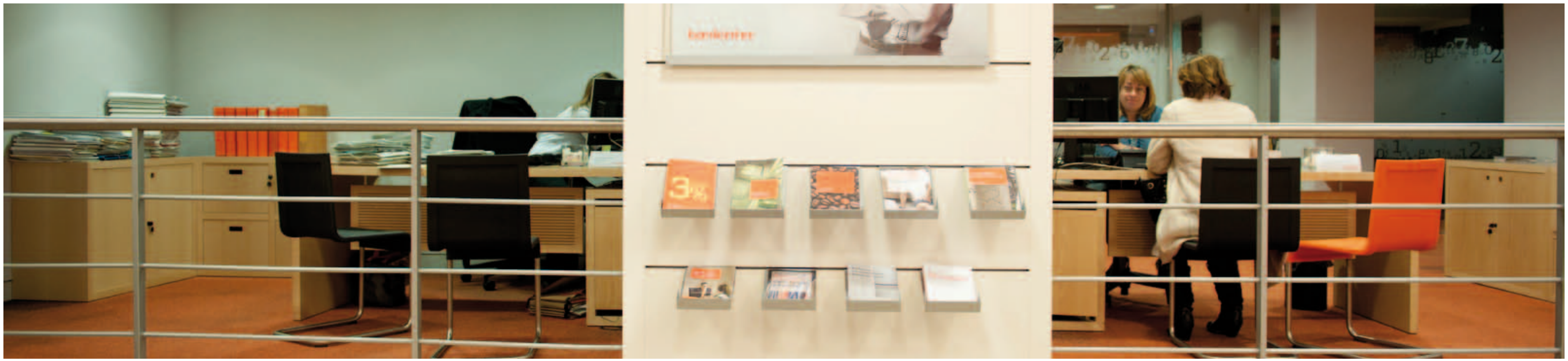
In today's society, the pressure of competition and the development of the markets have further boosted the strategic value of the corporate brand. In this regard Bankinter sells not only financial products and services but also an image that makes us instantly recognisable and different. This image is mainly transmitted in the form of our brand, which finds physical expression through our logo, our corporate colours and letter style, our values and many other aspects to which we pay attention.

The Brand Management area's mission is to define and construct a corporate identity profile that enables us to have some influence on the image that different audiences, both internal and external, have of the Bank. Management of the brand accordingly comprises actions in a wide variety of fields and therefore is of a clearly transversal nature: it affects and is affected by what happens in many spheres of the organisation.

One of the most important is the one that concerns employees. Mindful of the fact that it takes time for the results of brand and reputation building to be seen, in 2011 we conducted a 'brand engagement' project, with the specific aim of differentiating the Bank through the attitudes, demeanours and actions of the employees themselves.

It is the employees who are closest to the reality of the Bank, so they are the main link and connection with all audiences. They are the leading ambassadors for the brand vis-à-vis customers and potential customers, and it is thanks to them that brand and reputation management continues to work.

This link enables Bankinter to continue fighting for survival in a difficult environment in which financial institutions are finding it difficult to continue to set themselves apart from the crowd.



Branch Audits: Brand Module

Throughout the year Bankinter kept up its strategic efforts in managing and instilling the brand image in the branches, as the most visible symbol of the Bank in terms of corporate identity, making notable progress in 2011 on consolidating this identity, as evidenced by the 58.2% of branch interiors that have been brought into line with the guidelines and requirements of the new visual image.

Our branches are a key point of contact between Bankinter and its customers, as well as being the workplace of a large proportion of its employees, so they must faithfully reflect the Bank's values. It was for this reason that in 2008 the Internal Audit area introduced a 'brand module' in the branch audit inspections. This process helps to convey to the whole organisation the importance of attention to detail in anything that concerns corporate identity. The trend in our results has been increasingly positive since then. From just 6% of offices rated 'very good' in 2008, the rate rose to 57% in 2009, and in 2011 the same trend has held, with 68% of branches given positive assessments.

Recognition

In recognition of its efforts in brand management, in 2011 Bankinter won an award from Superbrands, the world's leading authority on branding. Bankinter was the only Spanish financial institution to win such an award in 2011.

In 2011 Bankinter continued to seek business that does not depend on lending, as part of a strategy of revenue diversification. The distribution of insurance, equities, investment and pension funds and cards contributes significantly to the generation of profits.

11 Other business

Bankinter Asset Management

The total assets of the investment funds managed by Bankinter Asset Management at the end of 2011 stood at €3.664 billion, representing a fall of 7.4% relative to the end of 2010.

The fall was due essentially to the decline in money market funds, while loss of faith in the sovereign debt of certain countries also led to fixed income investments being shunned, and high market volatility led to a flight out of equity funds too.

As well as its own funds, Bankinter also sells funds from 34 international asset managers to round out its own range of funds.

Including these international funds, total assets of the funds sold by Bankinter (both own and third party), amounted to €4.701 billion at the end of 2011, representing a decline of 7.9% compared with the end of 2010 (source: Bankinter), This decline is less than the average decline of its competitors, according to data from Ahorro Corporación.

During 2011 Bankinter launched ten guaranteed funds, four equity funds and six 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's case it came to account for 11% of total assets in 2011 as against 3% in 2010.

In terms of profitability, Bankinter Asset Management managed to have several of its funds ranked among the best of the year. Bankinter Kilimanjaro, an absolute return fund, is number one on the list in the VDOS High Volatility Alternative category, with an annual profitability of 12.6%.

Bankinter Asset Management is adapting its current fund offering to the new needs of our customers. This process, which started in 2011, will involve the merging of a significant number of funds, resulting in a simpler range of funds with more assets.

Investment funds

€4.701 billion

Pension funds

€1.253 billion

Wealth management

€1.293 billion

We have attached the breakdown of investment funds by category as at the end of 2011.

Money market funds	38%
Externally managed funds	22%
Guaranteed	21%
Equities	10%
Fixed Income, long-term	3%
Fixed Income, short-term	2%
Mixed funds	3%
Alternative management	1%
Total	100%

As regards SICAVs, The Bank saw its assets under management fall by 7.6%. Current AUM stand at €1.293 billion. Despite this decline in terms of assets, Bankinter maintained its market share at 5.3%. It also succeeded in increasing the number of SICAVs managed, bringing the total to 253, which is 8.2% of the total number in the market, situating Bankinter as Spain's third biggest asset manager.

These figures confirm the Bank's satisfactory performance for the year, placing it among the top positions in the SICAV ranking.

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 offer a high value added proposition to the retail investor operating on the stock exchange. During 2011 the Bank continued to expand its range of products, enabling access to the major international futures markets (CME, NYMEX, CBOT, NYSE Liffe and NYSE Liffe US), thus covering underlying assets not only of stock market indices but also interest rates, currencies and commodities.

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 for better risk management, such as the possibility of selecting 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 2011, one in every five customers had at least one securities account with Bankinter. The nominal value in custody in December 2011 stood at €9.096 billion, representing a 2.5% increase on the figure at the close of 2010. The cash value in custody stood at €17.855 billion at the close of 2011.

Measured by the number of orders, equities activity in 2011 was up by 7.1% on 2010, two exceptional events having influenced this - the convertible bond issue and the payment of an 'alternative dividend'. The actual volume traded by customers in monetary terms was down on 2010, by 4.1%, as a result of the difficulties and uncertainties of this past year in which the major stock market indices were in negative territory. Despite this, the gross margin obtained in this area increased by 4.4% compared with 2010.

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. Thus 79.1% of equities transactions were carried out by Internet, 18.1% in the branch offices, 1.2% via Telephone Banking and 1.6% by mobile.

In terms of quality as perceived by customers, it should be highlighted that the 'Recommend Bankinter Broker' item had an NSI of 82.2 points and that other attributes also stand out, such as 'Availability' (NSI 81.1), 'Ease of Use' (NSI 78.4) and 'Transaction Speed' (NSI 81.4).

Obsidiana

Bankinter Consumer Finance is consolidating its position in the consumer finance sector, strengthening its distribution of revolving cards and loans through its strategic alliances.

In 2011 we increased our investment in marketing in order to drive the growth of the business, following a policy focused on the risk/return trade-off and adjusting the price of each offer in line with the customer profile so as to ensure its profitability.

During this past year Bankinter Consumer Finance saw its customer base grow by 2% compared with 2010, reaching a total of 424,232 cards issued at year-end.

The progress made in attracting new customers was accompanied by good results for non-performing loans, which continued in their downward trend thanks mainly to the work done by the in-house recoveries unit.

Average lending and advances to customers this year came to €326 million, representing a decrease of 14% compared with the previous year, but with a notable improvement in the quality of the portfolio.

In terms of results, 2011 was positive, with the consumer finance business making a solid contribution to group profits.

Obsidiana's mission is to attend to customers' financing needs, providing them with the most appropriate financial product or service at any given time but above all facilitating flexible payment for managing their day-to-day finances.

Satisfaction levels among the more than 400,000 customers continued to improve in 2011, this being a key factor in making the business profitable.

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, with a turnover of more than €676 million in 2011. Línea Directa has now established itself as an engine of job creation, growth and profitability, with a workforce of 1,900 and a portfolio of more than 1.86 million customers at year-end.

The history of Línea Directa is a true success story. In 1999, just four years after its establishment, it had its first year of profit; and in 2004, without having resorted to mergers or acquisitions, it signed up its one millionth customer, a singular feat in the Spanish insurance market. One of the keys to its success has been its capacity for innovation, since although it started out specialising in motor insurance, it has managed to adapt to its customers' needs, offering versatile products in the motorcycle, corporate fleet and home insurance markets. In 2011 it rounded out its offering with insurance for trucks and agricultural machinery, consolidating its position as the only direct company with a comprehensive offering for the entire motor branch.

A salient characteristic of Línea Directa is its use of the telephone and the Internet as the only form of distribution and its application of the latest technologies in all its processes, enhancing quality and greatly reducing processing times and costs.

Home insurance, engine of growth

In a very difficult economic context in which once again plummeting sales of new vehicles and the move away from comprehensive into other, simpler kinds of cover have weighed heavily on insurance sector turnover and profits, Línea Directa's Home Insurance business line has consolidated its role as an engine of growth, efficiency and profitability. The increase in the portfolio registered by this business line in 2011 was over 42.5%, ending the year with more than 160,000 policies, nearly 50,000 more than in the previous year. The volume of premiums written grew by nearly 50%, which is quite an achievement considering the fall in consumption and the stagnation of the Spanish real estate market.

The value of responsibility

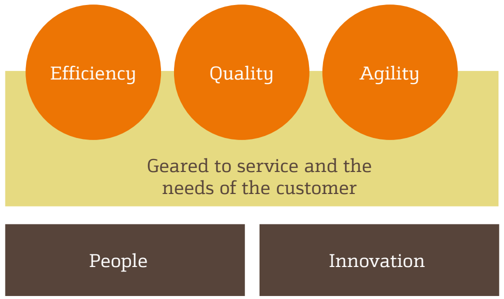
Línea Directa is firmly committed to responsible business practices in which values such as safety, equal opportunities, transparency, integrity, employee development and respect for the environment form an essential part of its corporate culture. For this reason, and to continue contributing value both to the company itself and to its main stakeholder groups, in 2011 the company developed and implemented a specific corporate responsibility plan in which all relevant initiatives existing in the company were organised and systematised.

The plan, managed, coordinated and supervised by a specific Committee comprising the management team of Línea Directa, 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.

During 2011 Línea Directa received various awards, such as the Telefónica Movilforum Award for its Conecta2 application, developed to check risks before issuing an insurance policy; the Randstad Foundation Award for its policy of integration of people with disabilities, and the ICEA Award to the company playing the greatest role in combating fraud.

Línea Directa again held the Línea Directa Road Safety Awards for Journalists which was a great success in terms of participation and attendance, with a 40% increase in the number of entries compared with the previous year and string support from the Directorate General of Traffic and the Ministry of Public Works and Transport.

Indicator	Línea Directa
Portfolio	1.86 million
Premiums billed	€676.9 million
Increase in Portfolio	70,000 policies



Gneis Global Services

Gneis Global Services is a wholly-owned subsidiary of Bankinter specialising in the provision of technology and process services.

Having been established on 1 October 2010, it started to consolidate itself as a company with its own identity in 2011, succeeding in considerably raising the profile of technology and processes in the group's strategy.

The launch of Gneis has facilitated the strategic decision-making necessary to improve the service to Bankinter and the development of business with companies outside the group.

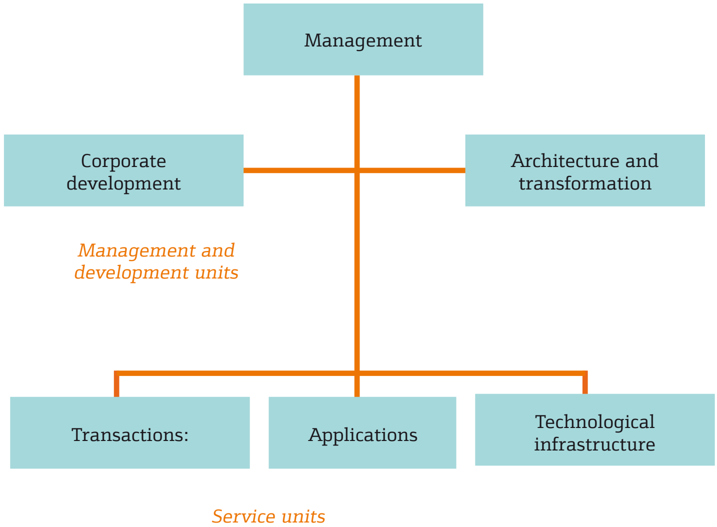
Gneis provides the entire range of services required in the financial sector: operating processes, project development, IT security, digital channels, management of technological assets, data management, systems operation, telecommunications, user service, etc.

In providing these services, Gneis has given priority to efficiency, quality and agility, relying on the experience and qualification of its employees and on the innovative spirit that is so deeply rooted in the company.

Thus in 2011 a special effort was made to boost efficiency. On the one hand, for the ongoing processes activity, there were further reductions in consumables used in processing by the systems, continuing the downward trend started in mid-2009. On the other hand, the efforts made to reduce general and personnel expenses by means of efficiency drives and process optimisation led to very significant cost savings.

Organisation

Gneis is organised into units focused on providing the abovementioned services, supported by transversal areas which focus on development and transformation both of the company and of the technological and operating products and services it offers, thus achieving an appropriate balance between the Bank's short- and long-term needs.



Innovation in processes and technology

Gneis stands out by virtue of its incorporation of new technologies and tools to improve service to its customers.

The innovative nature, flexibility and skills of the employees of Gneis play a fundamental part in its successful progress in implementing tools and new technologies in the service of customers to obtain the best results.

In this respect Gneis has a pre-eminent position in the market, examples of this being:

- The optimisation of processes based on re-engineering and innovative tools:
  - BPM, for the mechanisation and technological orchestration of processes.
  - Genesys, for improved distribution of tasks.

- The more easily accessible, more comprehensive management information made available to the whole Bank (using the Business Intelligence tool) which, using the best infrastructures in the field, enables analyses to be performed and management and control reports, analytical models and balanced scorecards to be used.
  Or the Content Manager, to which Bankinter's websites have migrated, and which offers greater flexibility, efficiency and development time.

- The advances in the improvement of Gneis' own architecture, both technical, with the first trials of the service orientation application (SOA), and functional, with a series of changes aimed at improving service.

Gneis opens its services to new companies

Gneis has transformed itself into a service company with the ability to sell its own solutions, this being one of its strategic objectives. Thus some very important steps were taken in 2011:

Provision of services to other Bankinter group companies
With effect from January 2012 Gneis has taken over the running of the technological infrastructure of Línea Directa Aseguradora, as it had already done for Bankinter, thus increasing the volume of activity in this area by a third and obtaining significant synergies and savings in efficiency and quality of service for the group.

Sale of software and security services.
Since October 2011 Gneis has been solely responsible for the Bluesoc product and brand, Bluesoc being an advanced IT security solution based on Bankinter technology with a significant group of users in the Spanish market.

International growth:
In the summer of 2011, Gneis entered into a strategic alliance with Bankinter and Telefónica for the development of mobile products and services for the Latin American financial service market, which will lead to the first joint business projects being carried out during 2012.

Recognition

In its first full year of operations Gneis received a number of awards recognising its employees' good work, notably the Global Finance award for Best Consumer Internet Bank in Spain, a 'Diamante de Compra' award for the outsourcing of the IT Services and a Dintel award for the Bankinter operational model.

Insurance

The Bank's insurance business maintained its steady growth pattern in 2011, with an increase of €1.2 million in commission income compared with 2010. This growth is all the more impressive in that the insurance activity is increasingly being decoupled from mortgage lending and from other banking products in general.

One important reason for the year's good results is the Bank's focus on creating specific products for each need, a notable example being the launch of group life insurance schemes aimed at covering companies' requirements whether they are legal (pension commitments) or private (social benefits).

Another was the performance of property and casualty, where, as in the case of life insurance, the idea is to base the sale on the customer rather than on any linkage to banking transactions.

The figures for the other types of insurance, pure life assurance and accident insurance, were also excellent, with turnover increasing significantly - by €28.3 million compared with 2010 - and total premiums written of €72.087 billion.

As a result the contribution made by the Bank's insurance business to commission revenue was €40.5 million.

The pensions business also continued on its established growth trajectory, reaching €1.2533 billion in assets at year-end. In doing so it applied new sales strategies aimed at encouraging saving through pension plans and a number of other products geared to market circumstances.

A

Appendices

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 1 January 2011 to 31 December 2011 unless otherwise specified. The previous Statutory Report, for 2010, was published on 23 March 2011.

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, with no restriction whatsoever.

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

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E-mail: rolarte@bankinter.es

Bankinter Telephone Banking telephone numbers:

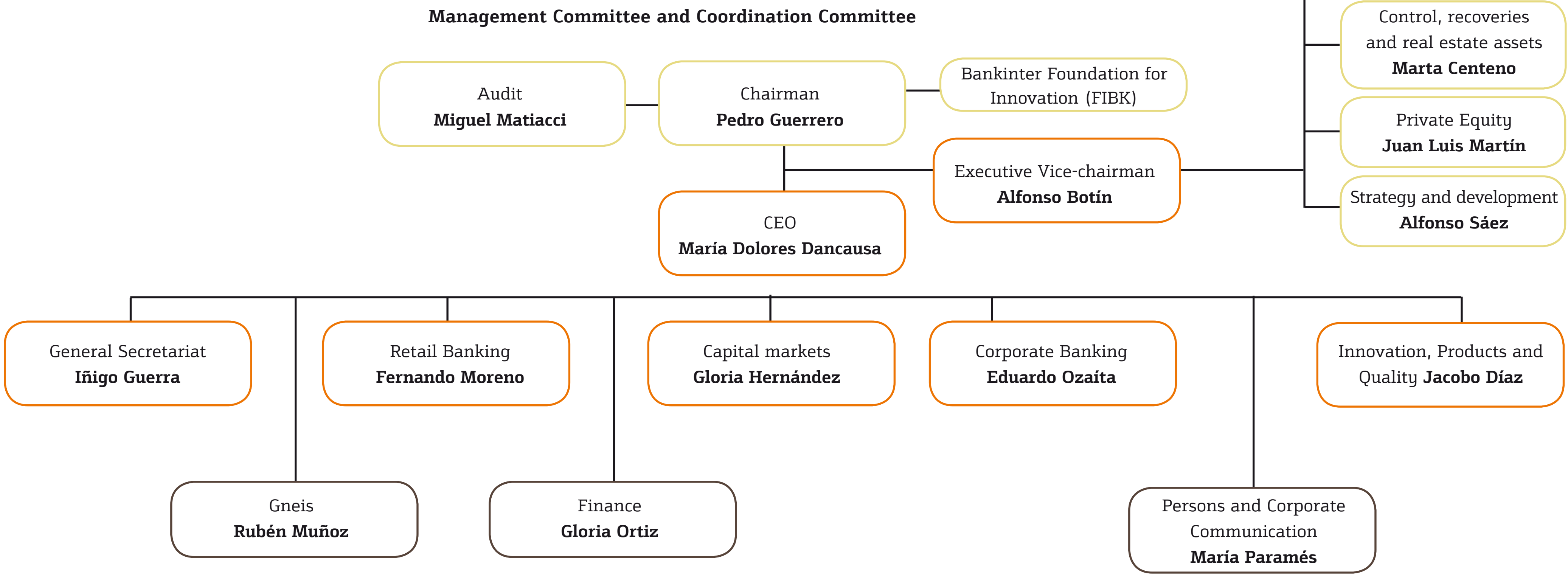
Service	Service hours	Customer service telephone no.
Customer service for customers of Personal and Private Banking and Finance	8 am to 10 pm Monday to Saturday, except official national holidays	901 13 23 13
Private individuals	9 am to 6pm Monday to Friday, except official national holidays	
Insurance specialists		
Customer service in English	9 am to 6pm Monday to Friday, except official national holidays	901 135 135 - 902 888 835 (w.e.f. April)
Customer Service Support	9 am to 6pm Monday to Friday, except official national holidays	901 113 113- 900 802 081 (w.e.f. April)
Internet technical assistance (particulares.com)	8 am to 10 pm Monday to Friday and Saturdays from 9 am to 3 pm	902 365 563
Stock Exchange and Investment Specialists	8 am to 10 pm Monday to Friday, including national holidays if there are markets	902 13 11 14
International Business Specialists	8 am to 7 pm Monday to Thursday and 8 am to 6 pm on Fridays Whole month of July and 1-15 September, 8 am to 5 pm August from 8 am to 3 pm Monday to Friday	901 88 20 00
Telephone Banking for SMEs		901 15 15 15 - 902 888 855 (w.e.f. April)
Internet technical assistance (empresas.bankinter.com)		902 365 556

Board of Directors

Position	Name/Company Name	Office
Chairman	Pedro Guerrero Guerrero	Executive
Deputy Chairman	Cartival, S.A. *	Executive
CEO	María Dolores Dancausa Treviño	Executive
Director	John de Zulueta Greenebaum:	Independent non-executive
Director	Jaime Terceiro Lomba	Independent non-executive
Director	Marcelino Botín-Sanz de Sautuola y Naveda*	Non-executive proprietary
Director	Fernando Masaveu Herrero*	Non-executive proprietary
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 director

* 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.
* Fernando Masaveu Herrero: Related to significant shareholder S.A. Tudela Veguín.

Management Structure



Organisation Managers

Juan Villasante Cerro	Andalusia
Lucas Peinado Mataix	Balearic Islands
Juan Manuel Castaño Escudero	Castile la Mancha-Extremadura
Antonio Fayos Crespo	Catalonia
Sebastián Alvarado Díaz-Agero	Las Palmas
José Luis Dionisio Cervantes	Levante (Eastern Spain)
José Luis Vega Riestra	Madrid East
Alfonso Alfaro Llovera	Madrid West
Enrique Becerril	Madrid Corporate Banking
Antonio Berdiel Bitrián	Navarre - Aragon - Rioja - Soria
Joaquín Da Silva Castaño	North-Western Spain
Luis Fernando Azcona López	Northern Spain
José Pérez Jiménez	Tenerife

The 2011 Bankinter Report is available on CD-Rom.
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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