

# Annual Report 2010



bankinter.



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## Bankinter Group Consolidated Balance Sheets as at 31 December 2010 and 2009 (thousand euros)

<b>ASSETS</b>	<b>2010</b>	<b>2009(*)</b>	<b>LIABILITIES AND EQUITY</b>	<b>2010</b>	<b>2009(*)</b>
CASH AND BALANCE WITH CENTRAL BANKS	196,401	505,265	LIABILITIES		
FINANCIAL ASSETS HELD FOR TRADING	1,875,834	3,584,841	FINANCIAL LIABILITIES HELD FOR TRADING	1,943,429	1,491,165
Debt instruments	1,275,490	2,852,908	Trading derivatives	854,126	611,866
Equity instruments	87,769	110,335	Short positions in securities	1,089,303	879,299
Trading derivatives	512,575	621,598			
Memorandum items: Loaned or advanced as collateral	984,898	1,969,940	OTHER FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS	88,745	278,727
OTHER FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS	35,727	16,361	Customer deposits	88,745	278,727
Equity instruments	35,727	16,361	FINANCIAL LIABILITIES AT AMORTISED		
Memorandum items: Loaned or advanced as collateral	-	-	COST	48,479,559	48,985,541
FINANCIAL ASSETS AVAILABLE FOR SALE	3,100,215	3,345,065	Deposits from central banks	3,301,646	2,208,200
Debt instruments	2,961,894	3,254,182	Deposits from credit institutions	2,462,457	5,374,913
Equity instruments	138,321	90,883	Customer deposits	24,176,201	21,782,602
Memorandum items: Loaned or advanced as collateral	1,227,514	1,483,368	Marketable debt securities	16,895,422	17,971,994
			Subordinated liabilities	1,118,631	1,117,817
			Other financial liabilities	525,202	530,015
LOANS AND RECEIVABLES	44,126,944	43,669,718			
Loans and advances to credit institutions	1,601,470	3,786,135	MACRO-HEDGING ADJUSTMENTS TO FINANCIAL LI- ABILITIES	-	-
Loans and advances to customers	42,525,474	39,883,583			
Memorandum items: Loaned or advanced as collateral	693,928	626,720	HEDGING DERIVATIVES	40,441	65,010
HELD TO MATURITY INVESTMENTS	3,241,573	1,621,669	LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE	-	-
Memorandum items: Loaned or advanced as collateral	1,770,513	689,056			
			LIABILITIES UNDER INSURANCE CONTRACTS	654,923	625,620
MACRO-HEDGING ADJUSTMENTS TO FINANCIAL ASSETS	1,308	9,754	PROVISIONS	71,090	75,888
			Pension funds and similar obligations	7,836	129
HEDGING DERIVATIVES	171,917	189,987	Allowances for contingent risks and commitments	22,268	29,742
			Other provisions	40,986	46,017
NON-CURRENT ASSETS HELD FOR SALE	271,537	238,017			
			TAX LIABILITIES	183,846	228,785
INVESTMENTS	29,593	34,678	Current	41,789	65,075
Associates	29,067	33,304	Deferred	142,057	163,710
Jointly controlled entities	526	1,374			
			OTHER LIABILITIES	110,249	133,838
PENSION-LINKED INSURANCE AGREEMENTS	7,690	-			
			<b>TOTAL LIABILITIES</b>	<b>51,572,282</b>	<b>51,884,574</b>
RE-INSURANCE ASSETS	2,657	13,495			
TANGIBLE ASSETS	456,569	475,636	EQUITY	2,579,695	2,582,890
Property, plant, and equipment	456,569	452,645	SHAREHOLDERS' EQUITY	2,602,488	2,553,002
For internal use	444,396	440,137	Capital	142,034	142,034
Assigned on lease	12,173	12,508	Registered	142,034	142,034
Real-estate investments	-	22,991	Issue premium	737,079	737,079
Memorandum items: acquired under financial lease	-	-	Reserves	1,648,910	1,524,487
			Accumulated reserves (losses)	1,636,260	1,504,864
INTANGIBLE ASSETS	358,209	377,043	Accumulated reserves (losses) of enterprises carried by the ownership method	12,650	19,623
Goodwill	161,836	161,836	Less: treasury shares	(1,753)	(538)
Other intangible assets	196,373	215,207	End-of-year results attributed to parent company	150,730	254,404
TAX ASSETS	164,375	246,055	Less: dividends and remunerations	(74,512)	(104,464)
Current	70,563	104,368			
Deferred	93,812	141,687	VALUATION ADJUSTMENTS	(22,793)	29,888
			Financial assets available for sale	(22,994)	29,774
OTHER ASSETS	111,428	139,880	Exchange differences	201	114
Other	111,428	139,880	NON-CONTROLLING INTERESTS	-	-
<b>TOTAL ASSETS</b>	<b>54,151,977</b>	<b>54,467,464</b>	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>54,151,977</b>	<b>54,467,464</b>
<b>CONTINGENT RISKS</b>	<b>2,361,188</b>	<b>2,263,430</b>			
<b>CONTINGENT COMMITMENTS</b>	<b>9,258,379</b>	<b>9,209,725</b>			

(\*) Shown solely for purposes of comparison

**Bankinter Group Consolidated Income Statement corresponding to financial years ended  
31 December 2010 and 2009 (thousand euros)**

	(Debit) Credit	2010	2009
INTEREST AND SIMILAR INCOME		1,202,577	1,672,477
INTEREST EXPENSE AND SIMILAR CHARGES		(652,624)	(879,898)
<b>NET INTEREST INCOME</b>		<b>549,953</b>	<b>792,579</b>
INCOME FROM EQUITY INSTRUMENTS		14,456	10,934
SHARE OF RESULTS OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD		10,958	16,234
FEES AND COMMISSIONS INCOME		261,479	270,726
FEES AND COMMISSIONS EXPENSE		(65,976)	(68,493)
GAINS/LOSSES OF FINANCIAL ASSETS AND LIABILITIES		71,152	63,513
Held for trading		16,794	68,020
Other financial assets at fair value through profit and loss		10,835	958
Financial instruments not measured at fair value with changes to profit and loss		46,572	(2,852)
Other		(3,049)	(2,613)
EXCHANGE DIFFERENCES (net)		49,319	25,275
<b>OTHER OPERATING INCOME</b>		<b>708,172</b>	<b>470,458</b>
Income from insurance and reinsurance policies issued		681,080	445,334
Other operating income		27,092	25,124
<b>OTHER OPERATING EXPENSES</b>		<b>(497,190)</b>	<b>(336,044)</b>
Expenses from insurance and reinsurance policies		(473,901)	(300,359)
Other operating expenses		(23,289)	(35,685)
<b>GROSS INCOME</b>		<b>1,102,323</b>	<b>1,245,182</b>
ADMINISTRATIVE COST		(593,514)	(578,825)
Personnel expenses		(332,934)	(325,040)
Other general administrative expenses		(260,580)	(253,785)
DEPRECIATION AND AMORTISATION		(62,183)	(53,463)
PROVISIONS		(815)	(29,628)
IMPAIRMENT LOSSES ON FINANCIAL ASSETS (NET)		(216,666)	(220,502)
Loans and receivables		(216,281)	(218,705)
Other financial instruments not measured at fair value through profit and loss		(385)	(1,797)
<b>PROFIT FROM OPERATIONS</b>		<b>229,145</b>	<b>362,764</b>
IMPAIRMENT LOSSES ON OTHER ASSETS (net)		(800)	(10,562)
Goodwill and other intangible assets		-	(10,561)
Other assets		(800)	(1)
GAINS/LOSSES UNDIPOSAL OF ASSESTS NOT CLASSIFIED AS NON-CURRENT ASSETS HELD FOR SALE		(895)	(5,270)
NEGATIVE GOODWILL ON BUSINESS COMBINATIONS		-	-
GAINS/LOSSES UNDIPOSAL ON NON-CURRENT ASSETS FOR SALE NOT CLASSIFIED AS DISCONTINUED OPERATIONS		(22,236)	(991)
<b>PROFIT BEFORE TAX</b>		<b>205,214</b>	<b>345,941</b>
INCOME TAX		(54,484)	(91,537)
<b>PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS</b>		<b>150,730</b>	<b>254,404</b>
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS (net)		-	-
<b>CONSOLIDATED INCOME FOR THE YEAR</b>		<b>150,730</b>	<b>254,404</b>
Profit (loss) attributed to the parent company		150,730	254,404
Profit (loss) attributed to non-controlling interests		-	-
<b>EARNINGS PER SHARE</b>			
Basic earnings (euros)		0.32	0.57
Diluted earnings (euros)		0.32	0.57

(\*) Shown solely for purposes of comparison

**Bankinter group consolidated statements of recognised income and expense corresponding to financial years ended  
31 December 2010 and 2009 (thousand euros)**

	Financial year 2010	Financial year 2009
<b>CONSOLIDATED PROFIT FOR THE YEAR</b>	150,730	254,404
<b>OTHER RECOGNISED INCOME AND EXPENSES</b>	(52,681)	28,256
<b>Financial assets available for sale</b>	<b>(75,383)</b>	<b>40,360</b>
Valuation differences	(42,800)	47,778
Amounts transferred to income statement	(32,583)	(7,418)
Other reclassifications	-	-
<b>Cash flow hedging</b>	<b>-</b>	<b>-</b>
Valuation differences	-	-
Amounts transferred to income statement	-	-
Amounts transferred to the initial book value of the hedged items	-	-
Other reclassifications	-	-
<b>Hedging of net investments in foreign businesses</b>	<b>-</b>	<b>-</b>
Valuation differences	-	-
Amounts transferred to income statement	-	-
Other reclassifications	-	-
<b>Exchange differences</b>	<b>124</b>	<b>8</b>
Valuation differences	124	15
Amounts transferred to income statement	-	(7)
Other reclassifications	-	-
<b>Non-current assets for sale</b>	<b>-</b>	<b>-</b>
Valuation differences	-	-
Amounts transferred to income statement	-	-
Other reclassifications	-	-
<b>Actuarial differences in pension plans</b>	<b>-</b>	<b>-</b>
<b>Entities accounted for using the equity method</b>	<b>-</b>	<b>-</b>
Valuation differences	-	-
Amounts transferred to income statement	-	-
Other reclassifications	-	-
<b>Statement of comprehensive income</b>	<b>-</b>	<b>-</b>
<b>Corporate Tax</b>	<b>22,578</b>	<b>(12,112)</b>
<b>TOTAL RECOGNISED INCOME AND EXPENSES</b>	<b>98,049</b>	<b>282,660</b>
Attributable to the parent company	98,049	282,660
Attributable to non-controlling interests	-	-

(\*) Shown solely for purposes of comparison

**Bankinter Group consolidated statements of cash flow for financial years ended  
31 December 2010 and 2009 (thousand euros)**

	2010	2009
<b>NET CASH FLOWS FROM OPERATIONS</b>	<b>1,544,877</b>	<b>1,215,178</b>
<b>Consolidated profit for the year</b>	<b>150,730</b>	<b>254,404</b>
<b>Adjustments to obtain the cash flow from operations</b>	<b>355,446</b>	<b>334,856</b>
Depreciation	62,183	53,463
Other adjustments	293,263	281,393
<b>Net increase/decrease in operating assets</b>	<b>1,385,732</b>	<b>582,993</b>
Financial assets and liabilities held for trading	1,709,007	(1,356,711)
Other financial assets at fair value through profit and loss	(19,366)	(7,175)
Financial assets available for sale	169,082	1,995,893
Loans and receivables	(635,403)	51,844
Other operating assets	162,412	(100,858)
<b>Net increase/decrease in operating liabilities</b>	<b>(389,472)</b>	<b>116,507</b>
Financial assets and liabilities held for trading	452,264	684,799
Other financial liabilities at fair value through profit and loss	(189,982)	(326,326)
Financial liabilities at amortised cost	(591,222)	(872,953)
Other operating liabilities	(60,532)	630,987
<b>Corporate tax collections/payments</b>	<b>42,438</b>	<b>(73,582)</b>
<b>NET CASH FLOW FROM INVESTMENT ACTIVITIES</b>	<b>(1,731,950)</b>	<b>(1,580,380)</b>
<b>Payments</b>	<b>(1,977,565)</b>	<b>(1,615,959)</b>
Tangible assets	(69,192)	(143,430)
Intangible assets	(7,436)	(273,102)
Investments	-	(6,349)
Non-current assets held for sale and associated liabilities	(281,033)	-
Held to maturity investments	(1,619,904)	(1,193,078)
<b>Collections</b>	<b>245,615</b>	<b>35,579</b>
Tangible assets	50,665	26,122
Intangible assets	-	9,457
Investments	5,604	-
Non-current assets held for sale and associated liabilities	189,346	-
Held to maturity investments	-	-
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>(121,790)</b>	<b>488,333</b>
<b>Payments</b>	<b>(167,802)</b>	<b>(154,335)</b>
Dividends	(110,408)	(130,442)
Subordinated liabilities	(50,000)	-
Acquisition of internal equity instruments	-	(5,597)
Other payments linked to financing activities	(7,394)	(18,296)
<b>Collections</b>	<b>46,012</b>	<b>642,668</b>
Subordinated liabilities	40,000	250,000
Issue of own equity instruments	-	361,416
Disposal of own equity instruments	6,012	31,252
<b>EFFECT OF EXCHANGE-RATE VARIATIONS</b>	<b>-</b>	<b>-</b>
<b>NET INCREASE/DECREASE OF CASH OR EQUIVALENT (A+B+C+D)</b>	<b>(308,864)</b>	<b>123,131</b>
<b>CASH AND EQUIVALENT AT START OF PERIOD</b>	<b>505,265</b>	<b>382,134</b>
<b>CASH AND EQUIVALENT AT END OF PERIOD</b>	<b>196,401</b>	<b>505,265</b>
<b>MEMORANDUM ITEMS:</b>		
<b>BREAKDOWN OF CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>196,401</b>	<b>505,265</b>
Cash	105,492	97,933
Balances equivalent to cash at central banks	90,659	406,938
Other financial assets	250	394
<b>Total cash and equivalent at end of period</b>	<b>196,401</b>	<b>505,265</b>

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**Bankinter Group consolidated statements of changes in equity corresponding to the financial years ended  
31 December 2010 and 2009 (thousand euros)**

	EQUITY ATTRIBUTABLE TO THE PARENT COMPANY								Non-controlling interests	Total equity	
	Capital	Issue premium	Accumulated reserves (losses)	Less: Treasury shares	End-of-year-results attributed to the parent company	Less: dividends and remuneration	Total shareholders' equity	Valuation adjustments			
<b>Opening balance at 31/12/2009</b>	<b>142,034</b>	<b>737,079</b>	<b>1,524,487</b>	<b>(538)</b>	<b>254,404</b>	<b>(104,464)</b>	<b>2,553,002</b>	<b>29,888</b>	<b>2,582,890</b>	<b>-</b>	<b>2,582,890</b>
Adjustments due to changes to accounting criteria	-	-	-	-	-	-	-	-	-	-	-
Adjustments due to errors	-	-	-	-	-	-	-	-	-	-	-
Adjusted opening balance	142,034	737,079	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 into other equity instruments	-	-	-	-	-	-	-	-	-	-	-
Reclassification of other equity instruments into financial liabilities	-	-	-	-	-	-	-	-	-	-	-
Distribution of dividends / Remuneration of shareholders	-	-	-	-	-	(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)	-	-	-	-	-	-	-	-	-	-	-
Discretionary 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	737,079	1,648,910	(1,753)	150,730	(74,512)	2,602,488	(22,793)	2,579,695	-	2,579,695

	EQUITY ATTRIBUTABLE TO THE PARENT COMPANY								Non-controlling interests	Total equity	
	Capital	Issue premium	Accumulated reserves (losses)	Less: Treasury shares	End-of-year-results attributed to the parent company	Less: dividends and remuneration	Total shareholders' equity	Valuation adjustments			
<b>Opening balance at 31/12/2008</b>	<b>121,768</b>	<b>395,932</b>	<b>1,326,197</b>	<b>(44,016)</b>	<b>252,289</b>	<b>(88,798)</b>	<b>1,963,372</b>	<b>1,632</b>	<b>1,965,004</b>	<b>-</b>	<b>1,965,004</b>
Adjustments due to changes to accounting criteria	-	-	-	-	-	-	-	-	-	-	-
Adjustments due to errors	-	-	-	-	-	-	-	-	-	-	-
Adjusted opening balance	121,768	395,932	1,326,197	(44,016)	252,289	(88,798)	1,963,372	1,632	1,965,004	-	1,965,004
Total recognised income and expenses	-	-	-	-	254,404	-	254,404	28,256	282,660	-	282,660
Other changes in equity	20,266	341,147	198,290	43,478	(252,289)	(15,666)	335,226	-	335,226	-	335,226
Increases in capital or provision fund	20,266	341,147	(6,046)	-	-	-	355,367	-	355,367	-	355,367
Capital reductions	-	-	-	-	-	-	-	-	-	-	-
Conversion of financial liabilities into capital	-	-	-	-	-	-	-	-	-	-	-
Increases in other equity instruments	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial liabilities into other equity instruments	-	-	-	-	-	-	-	-	-	-	-
Reclassification of other equity instruments into financial liabilities	-	-	-	-	-	-	-	-	-	-	-
Distribution of dividends / Remuneration of shareholders	-	-	-	-	-	(135,954)	(135,954)	-	(135,954)	-	(135,954)
Operations with shares / contributions to equity (net)	-	-	(12,822)	43,478	-	-	30,656	-	30,656	-	30,656
Transfer between net worth entries	-	-	132,001	-	(252,289)	120,288	-	-	-	-	-
Increases (reductions) due to business combinations (net)	-	-	83,667	-	-	-	83,667	-	83,667	-	83,667
Discretionary contributions to social funds and projects (savings banks)	-	-	-	-	-	-	-	-	-	-	-
Payments with equity instruments	-	-	-	-	-	-	-	-	-	-	-
Other increases (reductions)	-	-	-	1,490	-	-	1,490	-	1,490	-	1,490
Closing balance as at 31/12/2009	142,034	737,079	1,524,487	(538)	254,404	(104,464)	2,553,002	29,888	2,582,890	-	2,582,890

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# Chairman's Letter



Pedro Guerrero  
Chairman



Dear Shareholders,

Yet another year, I feel obliged to commence my presentation of the Annual Report with a mention about the serious economic downturn affecting the world economy. It began in the summer of 2008 and has been particularly severe during this financial year, especially as regards the banking sector.

In 2010 the world economy showed some symptoms of recovery, although the speed varied depending on the geographical area. In general, the emerging economies have attained very high growth rates; China increased its GDP by almost 10%, India by over 8% and Brazil by around 5%. The United States and Germany have also registered a strong recovery, with growth rates in the vicinity of 3%.

However, Spain and other European countries have been very severely affected by the problems in refinancing public and private debt, and the pressure that this context has imposed on governments to apply drastic austerity measures, by slashing public expenditure and increasing fiscal pressure. In our country some very important measures were taken in the month of May, following the Greek debt crisis, with effects that were felt in the second half of the year and which will still be evident throughout 2011.

Without a doubt, 2010 was the most intense of the recession for the Spanish financial system. Our economy is a prime example of the asymmetries in the recovery process.

However, during the year GDP changed signs: from negative to a modest positive in the last quarter, although unemployment levels remain intolerably high and represent the main challenge for the upcoming quarters.

In my opinion, 2011 will mark the point of inflection for the economy, even in Spain. The solvency crisis in the Eurozone is easing and international finance is starting to flow back to our economy, albeit under what are still very costly conditions.

In any case, the year 2011 is set to be crucial for the Spanish credit system.

On the one hand, the Savings Banks will make decisive progress in their restructuring and consolidation process, especially after the dynamic imposed by Royal Decree, the Financial System Reinforcement Act, of 18 February last.

On the other hand, a reversal in income statement trends is to be expected based on the much lower requirements for provisions (in the light of the effort made in 2010) and improved margins, as the conditions for wholesale finance and new deposits are eased.

These circumstances will have a particularly positive effect on Bankinter's accounts.

I would like to highlight the fact that in this context of crisis, and in such a competitive sector, we were selected by the prestigious journal The Banker, which belongs to the Financial Times group, as "Bank of the Year in Spain 2010". In the jury's opinion and as stated literally in their decision, this award is for "the bank's good performance and solvency levels in one of the European economies facing the greatest difficulties and for the successful placement of its debt issue on the wholesale markets in very complicated market conditions, which demonstrated the bank's credibility to the world's major investors".

You will find comprehensive information on our solvency level, the quality of our assets and the figures in our balance sheet and economic results, in the pages of this annual report, as well as in the letter from the Chief Executive Officer, and therefore it is not my intention to go into detail on these matters.

I do however want to reflect briefly on a specific and very important point: our solvency level.

The history of this crisis, which started with the problem of the subprime mortgages and was unleashed in all its fury with the fall of Lehman Brothers in September 2008, demonstrates that the banks' solvency problem was never about their capital ratios (which are the result of the application of complicated formulae) but rather the quality of their assets.

As regards this point, asset quality, Bankinter has an absolutely exceptional positioning within the Spanish financial system.

Our non-performing loans ratio is the lowest in the sector, 2.87% at the end of 2010, approximately half the average for the sector, with a high level of hedging, 66.43% compared to the average of 51% recorded in comparable banks. At 228 million euros, our figure for credit investment considered substandard by the Bank of Spain is almost negligible, as it accounts for 0.5% of our credit investment.

Most important of all is our exposure to the real estate sector, which is considered to be the Achilles' heel of the Spanish credit system, and which is almost symbolic in Bankinter, thanks to our prudent foresight: just 1 billion euros of the 320 billion euros that the Spanish banks and savings' banks have committed to the sector.

This means that our figure for foreclosed assets is also almost negligible compared to our competitors: 378 million euros at the close of 2010.

There is no doubt that all of these reasons were instrumental in the prestigious rating agency Standard & Poor's having maintained our rating in the review carried out in the month of February. We are among a few Spanish banking institutions (Santander and BBVA) to maintain the same S&P short and long term rating as we had in 2008.

The health of our Balance Sheet and the degree of commitment shown by our shareholders to the Bankinter project place us in a privileged position from which to leverage the opportunities that the profound crisis affecting our financial system may present.

Finally, I don't want to miss this opportunity to comment on the changes that were made in 2010 in the bank's management structure. The most important of these was the appointment of María Dolores Dancausa as the bank's Chief Executive Officer. She takes over from Jaime Echegoyen, who has had a long and brilliant career in the bank. Another major change was that the current Vice-Chairman, Alfonso Botín, undertook executive duties linked to Risks and Strategy.

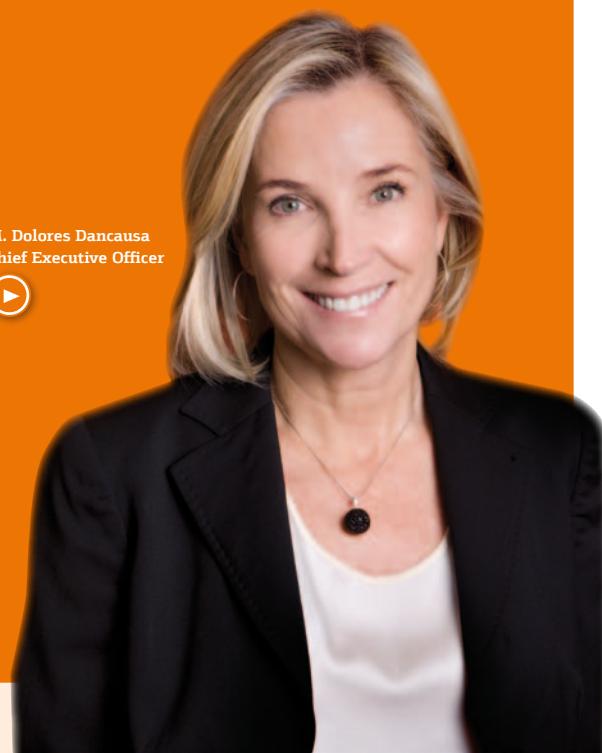
As you know, María Dolores Dancausa had up to now been Chief Executive Officer of LDA, a subsidiary of the bank that has had an exceptionally good track record since it was founded in 1995.

All of these changes and new additions mark the commencement of a new era in which Bankinter will continue to promote a unique, distinctive business model, based on technology, multichannelling and quality of service; with the focus being on profitable growth and leveraging the opportunities that the market presents. In short, a hope-filled future built on the basis of a successful past.

As shareholders you may rest assured that we will not neglect our aim to continue creating value for all of you and making Bankinter the bank that we all wish for.

Many thanks

# Letter from the Chief Executive Officer



M. Dolores Dancausa  
Chief Executive Officer



Dear Shareholders,

It is an honour for me to address all of you for the first time since my appointment as Chief Executive Officer of Bankinter on 21 October last and report on the bank's results in 2010.

Bankinter has been my home since 1990, for the last 21 years. I have worked here for almost all my professional career and it is to this bank that I owe the privilege of several professional experiences that are unique from many perspectives. For example, contributing to lead the earliest efforts in encouraging and promoting women's participation in managerial posts at the bank, setting up Linea Directa Aseguradora, or holding various posts in the latter that enriched and exercised my business knowledge and experience, culminating at the start of 2008 in my being appointed Chief Executive Officer of the insurance company.

In this new responsibility that has been entrusted to me as Chief Executive Officer of Bankinter, I believe that it is my obligation to return to the bank part of what I have received from it, by helping it attain, with tenacity, perseverance and determination, the results that the collective talent of its employees and the trust of its shareholders and customers deserve.

To recap on the results obtained in the last financial year, Bankinter closed the year with a profit before tax of 205.21 million euros, entirely generated on a non-recurring basis, with no extraordinary items, and taking into account significant anticipated costs and provisions, which makes these results even more laudable. This enables us to keep the unrealised gains in our balance sheet intact, as they are still there, as part of the bank's Assets.

It should be pointed out that compared to those obtained last year, these results were affected by the impact on the interest margin of the interest rates situation, and more specifically, by the rigidity of the mortgages, our main Asset product, when adapting prices to market fluctuations.

However, a change in trend is already expected in 2011, due to various different factors: A possible rise in interest rates, limited growth of problematic assets, easing of the deposits war in the sector, a low level of wholesale financing maturities in 2011 and more active management of differences. All these factors imply the possibility of improved interest margins for the coming year.

We have had to content with the impact of the deposits war, and the doubts surrounding sovereign debt, which have pushed up financing costs. We have also been affected by the uncertainty in the markets, which has influenced the Variable Income and Asset Management charges.

As regards the bank's gross margin, it is important to highlight that 35% comes from strategic products not dependent on credit activity and with major growth potential, such as Insurance, Security Services or Asset Management. A year ago, these products contributed 25%. This is therefore a positive detail, which confirms that Bankinter's decision to diversify income sources was the right one, particularly in the context of the recession.

We have continued to focus on very prudent management of risks, liquidity and capital, ensuring strict cost control and ensuring that our customers receive the maximum quality service. This prudence when accepting Risks is evident in our non-performing loans ratio figures: after three consecutive years of crisis, Bankinter has managed to restrict its non-performing loans ratio to 2.87%, which is half the figure published by the Financial System. Moreover, as proof of the quality of our assets, the bank has a repossessed asset portfolio valued at 378 million euros, which represents a mere 0.6% of the total for the sector, while our participation in the total credits and deposits in the sector stands at 2%.

As regards our solvency level, we closed 2010 with a level that is adequate for our risk profile. The bank has the highest coverage ratios for all types of assets: 66.43% cover for non-performing loans (compared to 51% for comparable banks), 28% cover for repossessed assets (compared to 18% for comparable banks) and 51% cover for problematic assets, compared to an average of 27% for similar banks. Other figures such as the 157 million euros in general provisions, or the 573 million euros surplus in shareholders' equity also demonstrate the bank's solvency level.

Leaving the purely economic data aside, in these few months as Chief Executive Officer I have also been able to see this bank's huge human and material potential, its values, its exceptional and distinctive personality and the great talent of the people in it.

Not only do we have a bank with great potential. The group also consists of an excellent General Insurance Company, Linea Directa; an Insurance Broker; a Fund Management Company with an excellent reputation; a Consumer Credit Institution, Obsidiana, and since October of this year we also have a new Technology and Operations company, Gneis Global Services, which will be key in the important efficiency improvements that we have planned to attain. We also operate in the Life Assurance sector where we have a joint venture with Mapfre, which is obtaining very satisfactory results for both parties.

Finally, the *Fundación para la Innovación* (Foundation for Innovation) is an exchange forum and a huge warehouse of ideas, discoveries and inventions that are contributed on an ongoing basis by the most brilliant names in world science.

It is on these solid foundations that I intend to build a new stage of growth and development, in which we will continue to promote a unique and profitable business model, supported by impeccable quality service to our customers, giving them the possibility of reaching us via different channels, either presence-based or remote, and also by the level of our technology or the ability to innovate and adapt before our competitors to any new trend or change in external circumstances or to the changes in social habits.

Before I finish, I would like to assure you all of my firm determination to promoting a new era of development for the bank, leveraging the synergies between the various companies in the group and the opportunities presented by the market, improving our reputation and bringing Bankinter to much higher growth and profitability figures.

The year that has just started is not going to be an easy one for the financial sector. The restructuring of the sector, particularly the Savings Banks, and the difficulties encountered in managing balance sheets at a time of major tension on the markets, will have an impact on how the year unfolds. However, Bankinter looks ahead from a solid financial position and is able to generate results in adverse circumstances. We aim to beat our competitors in terms of generating results, efficiency and risk quality.

My first obligation is to continue generating value for all of you, dear shareholders. However, I know that this is only possible if we know how to stimulate, encourage and leverage the collective talent of the 4,500 excellent professionals that make up our staff, and if this talent is placed at the service of our current and future customers, who will find the answer to their financial needs at Bankinter. A fast, efficient and affordable response to what they ask us for. When we have achieved this, then we will be able to give you, the shareholders of Bankinter, the remuneration and return on investment that your trust in us has earned for you.

Many thanks

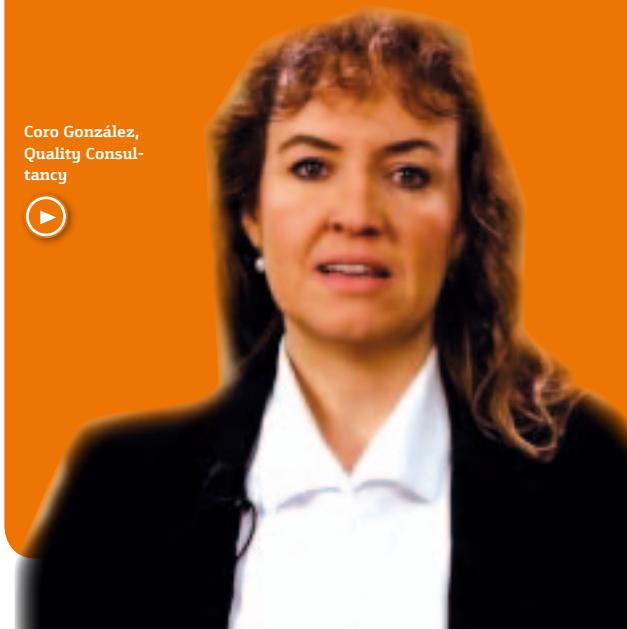
# 1

## Quality Management



*Quality of service is one of the competitive advantages at Bankinter, reflected in the degree of customer fidelity and loyalty. The bank has widened its gap in terms of quality, closing the financial year with an NSI 5.3 points higher than the average for the private individuals market.*

Coro González,  
Quality Consultancy



**Customer satisfaction is reflected in customer loyalty rates. In December 2010, its churn rate was 6.6%, one of the lowest rates in the sector.**

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

## Bankinter's quality reflects the trust of our customers.

At Bankinter, quality reflects the spirit with which all professionals undertake the challenge of being exceptional in their daily work, with a view to offering the best value proposal on the market and achieving the maximum satisfaction of our customers in their dealings with the bank.

As a result of the effort made by the retail networks to increase the degree of proximity to the customer in a context of particular economic difficulty like the current situation, customer satisfaction with the service received from the bank increased in 2010.

This satisfaction is also reflected in the degree of customer loyalty, as the churn rate stood at 6.6% in December 2010, one of the lowest in the sector, and in the likelihood of customers recommending Bankinter as a financial institution (NSI 78.2), as proof of their trust in the bank.

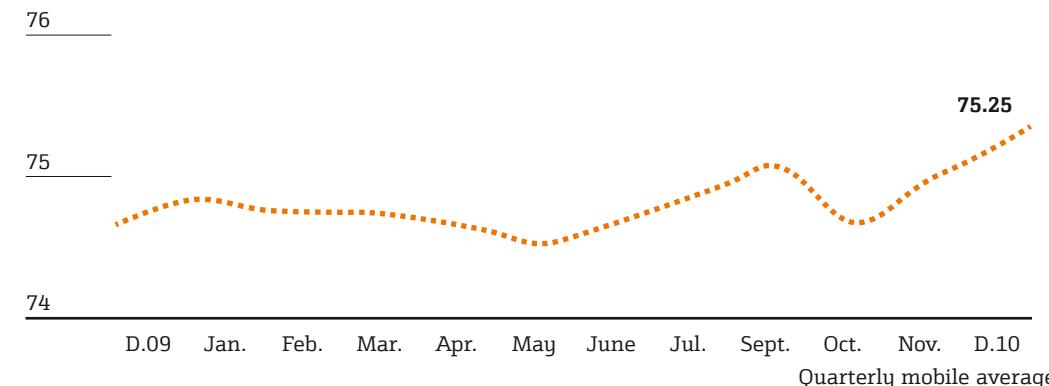
In 2010, the aspects most valued by customers were: the care and attention received at the bank branches, the dedication of the professionals in the Branch Network and of the specialised managers (whose training, professionalism and ability to advise are

the object of special praise), the clarity and transparency of the information received, the high standard of quality offered on service platforms and the operational support for their financial operations. Better scores were also given to the extent that the commercial network understands and adapts to meet customers' needs and the range of products and services available to deal with their financial and non-financial needs.

All of this data is the result of the over 8,000 surveys that Bankinter performs via external companies on its customers every month with a view to assessing their degree of satisfaction with the service received. This information is then used to implement improvement measures.

On the basis of the opinions expressed by the customers themselves, it may be said that in 2010 Bankinter widened the qualitative gap that separates it from the rest of its competitors, attaining an NSI of 75 points in the quality of service rendered to private individuals (5.3 points higher than the market average) and an

### Overall satisfaction with the bank (NSI out of 100)



**Customer perception is measured on a monthly basis with a view to guiding improvement measures in all of the bank's divisions.**

NSI of 71.2 in the case of companies (2 points higher than the average for banks).

The survey system also includes the bank's employees and networks. Therefore, for example, the bank's Central Services are assessed twice yearly by the Branch Network, to ensure that their priorities for improvement are always geared towards customer satisfaction. As a result of this focus, internal customer satisfaction rose by 1.8 points in 2010, reaching an NSI of 70.9 points.

The ongoing challenge faced by Bankinter is to exceed the expectations of those that choose the bank for its quality of service. In this regard, we should highlight the importance of customer participation in the surveys carried out, because their opinion - materialised in over 3,000 comments per month - is decisive in managing the bank's quality.

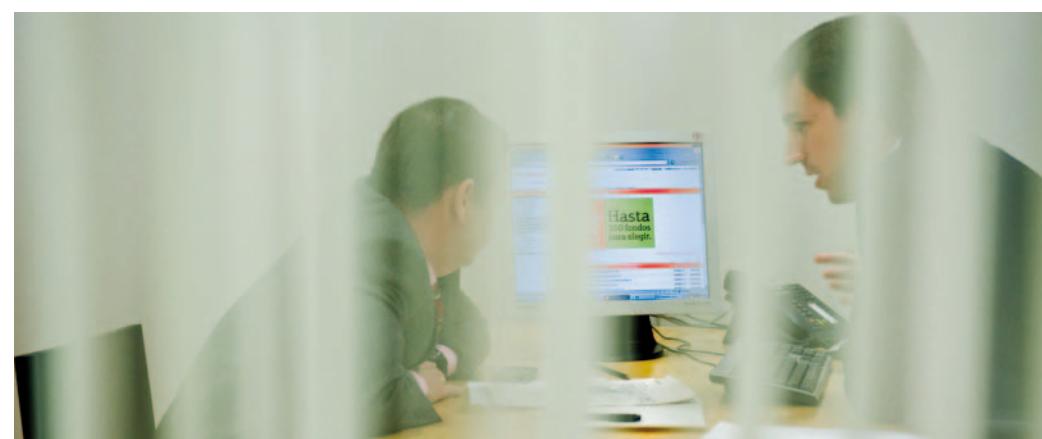
Every month, Bankinter asks over 8,000 customers for their opinion of the main variables that have an impact on how their quality is perceived. The questionnaires are revised and updated on a regular basis by independent consultants that carry out a qualitative and quantitative study with each customer segment.

The assessment affects all customer segments (Personal Finance, Private Banking, Personal Banking, Private Individuals, Foreigners, Corporate Banking, Companies and Small Companies), distribution networks (Branch Network, Remote Networks, Agents Network and Virtual Branches) and service platforms (Telephone, Internet, Mobile, Broker and Video Call Banking).

The conclusions regarding customer perception are managed using different scales. Therefore, the bank's management sets annual quality targets for each customer segment, distribution network and service platform; the business departments define the plans to be

implemented in order to meet those targets; and each territorial organisation and business centre implements specific measures for improvement based on the satisfaction indices, opinions, suggestions and complaints submitted by their customers.

The surveys provide specific detailed information on customer opinions regarding the bank as a whole and its territorial organisation, and the specific centre or branch to which they belong. They are all given the information they need to develop specific plans for improvement.



The challenge faced in 2010 was to learn more about each customer segment in order to understand their different needs and offer customised management.

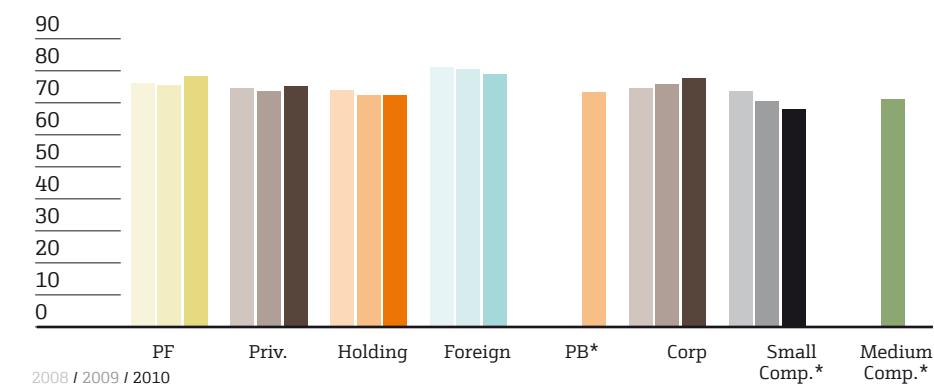
In terms of segments, the high level of satisfaction of customers in the Personal Finance, Private Banking, Corporate Banking and Foreigner segments is notable, as is the positive trend registered in the new customer segments, which are starting to perceive the differential management tailored to meet their specific features.



**Customer segments: Accumulated Overall Satisfaction in December 2010 (NSI out of 100)**

	2008	2009	2010
Personal Finance	77.57	76.66	79.74
Private Banking	75.76	74.78	76.60
Private Individuals	75.13	73.47	73.73
Foreign Customers	82.52	81.82	80.22
Personal Banking*	-	-	74.52
Corporate Banking	75.85	77.01	78.87
Small Companies*	74.87	71.87	69.21
Medium Companies*	-	-	72.23

\* New segments in 2010: with a view to enhancing customer management, the small and medium enterprises segment was transformed into two new segments (Small Enterprises and Medium Enterprises) and the new Personal Banking segment was created in the Private Individuals segment.

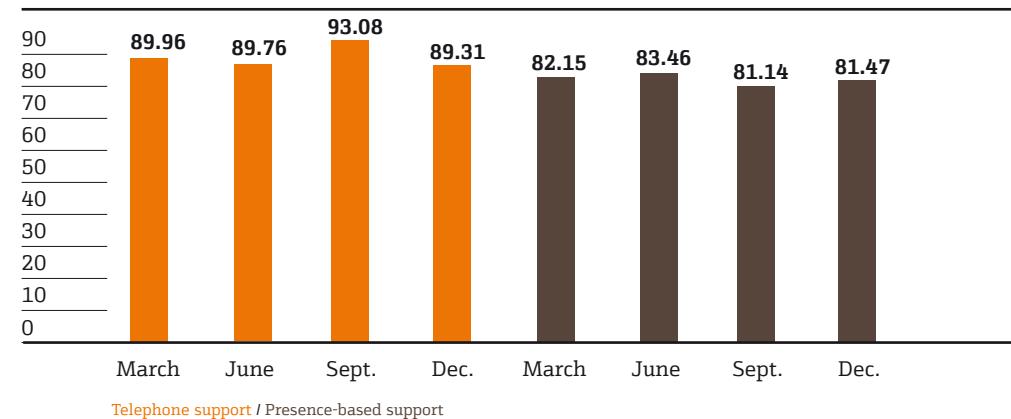


**The feature that Bankinter customers most appreciate is the attention and care they receive from the employees at the bank branches.**

As regards the distribution networks, the highlight is the positive trend in customer perception of the Branch Network. This was aided by the signing this year of a commercial-style protocol aimed at bringing the Bankinter values to every interaction with customers and future customers, by defining behavioural guidelines for the bank's professionals and equipping them with a measurement system to enable ongoing improvement. The measurements of the degree of compliance with this protocol indicate a high level of implementation in both telephone- and presence-based customer care.



**Satisfaction Index with telephone and presence-based support**



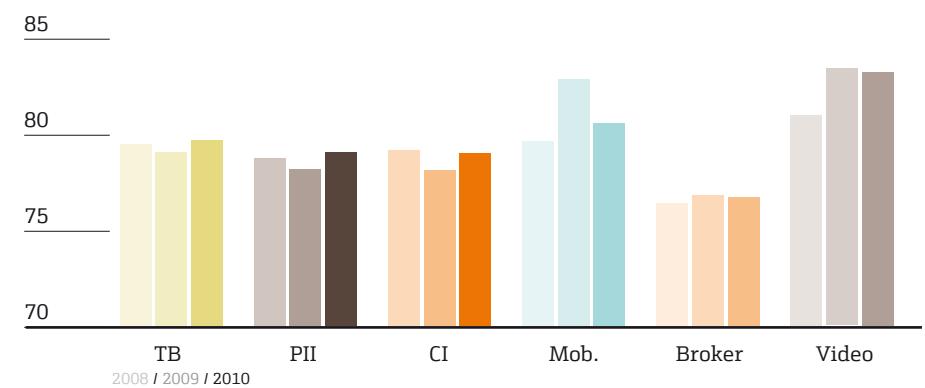
**Being able to choose when and how to deal with the bank is an advantage provided to Bankinter customers, who have access to a broad-ranging multichannel banking offering that is constantly evolving and being improved.**

Bankinter's customers display a high degree of satisfaction with the institution's service platforms, which are the object of intense use because of their availability, optimal functioning and ease of use; factors that are appreciated by customers and which contribute towards streamlining and simplifying their dealings with the bank.



**Service platforms: Accumulated Global Satisfaction in December 2010 (NSI out of 100)**

	2008	2009	2010
Telephone Banking	79.68	79.20	79.78
Private Individuals Internet	78.42	77.89	79.01
Corporate Internet	79.36	77.17	79.07
Mobile phones	79.51	82.64	80.50
On-line Broker	75.96	75.79	75.73
Video Call	81.84	83.32	83.29



All of the professionals and the entire organisation in Bankinter take part in the challenge of building an ever better bank for its customers

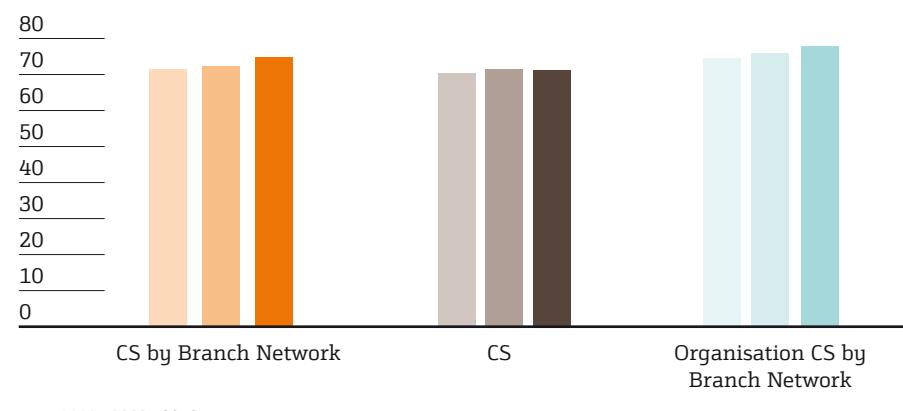
The bank's Central Services make a very significant contribution towards optimising customer perception. Quality is part of their management model and is aimed at ongoing improvement of operational support and the bank's service platforms in two different ways: improving processes (by managing service standards, meeting annual improvement targets and supervising supplier quality) and internal customer perception of the service received.

All Bankinter divisions are the object of twice-yearly assessment by the Branches Network and by the divisions to which they render service. The aim is to find out how they are perceived by their 'internal customer' and be able to take steps towards increasing their satisfaction and, consequently, that of the bank's customers

Quality is one of the strategic pillars at Bankinter and, as such, the remuneration of all employees is linked towards improving the satisfaction of their internal and external customers.

**Internal surveys: Overall Satisfaction with Central Services (NSI out of 100) (Accumulated data)**

	2008	2009	2010
CS Assessment by the Branch Network	68.41	69.35	71.71
CS Assessment	67.44	68.34	68.16
Organisation CS Assessment by Branch Network	71.27	72.60	74.44
Total	68.65	69.14	70.95



**Bankinter aspires to be an exceptional bank, to achieve excellence, to be the best bank for private individual customers.**

## Bankinter compared to the market in the private individuals segment

In the market study that the bank carries out via an independent company on a quarterly basis to ascertain the perception that financial sector customers have of the quality they receive from their banks, the conclusion is that Bankinter remains 5.3 NSI points ahead of the market in the private individuals segment.

The factors that set Bankinter apart from other institutions are linked to the professionalism of its employees (care, advice and speed in dealing

with operations), the varied offering of channels through which it is possible to deal with the bank, clarity, transparency and compliance with deadlines and conditions agreed upon in the services.

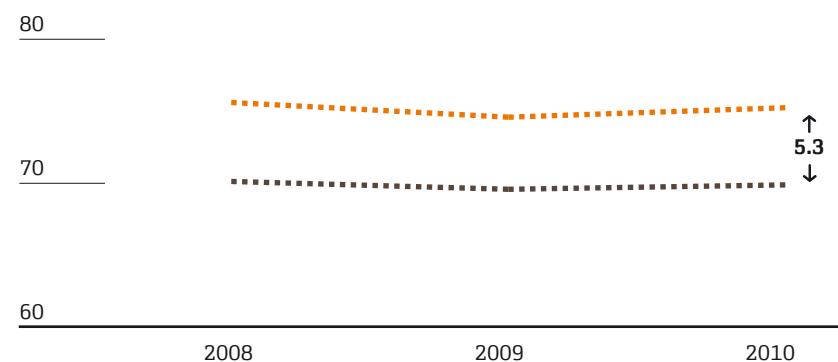
This information is incorporated into quality management in the commercial network as a source for learning and implementing improvement measures to apply to the attributes and territorial areas where the scores are lower than the market averages.



### Bankinter compared to the market in the private individuals segment 2010 (Accumulated Data NSI)

	2008	2009	2010
<b>Bankinter</b>	75.50	74.35	75.09
Market	70.09	69.41	69.79
GAP	5.41	4.94	5.30

Data in the study:  
Universe: Population aged over 18, holders of current or savings accounts in financial institutions.  
Geographic scope: Spain. Towns with over 50,000 inhabitants  
Sample: 1,405 interviews per quarter.  
Sampling error: ± 2.50%  
Survey methodology: Computer-assisted telephone interview.  
Source: Inmark 2010



## Bankinter compared to the market in the corporate segment

The study is also extended to the corporate segment, on a twice-yearly basis. The data obtained indicate that in 2010 Bankinter remains above the market average, with a 2-point NSI difference. The factors that are most valued at Bankinter are linked to the branches, the training and professionalism of the employees, the Internet platform and the operational support that they receive from the bank. Together they translate into a greater likelihood of recommending Bankinter as a bank that others should work with.



Corporate (NSI)

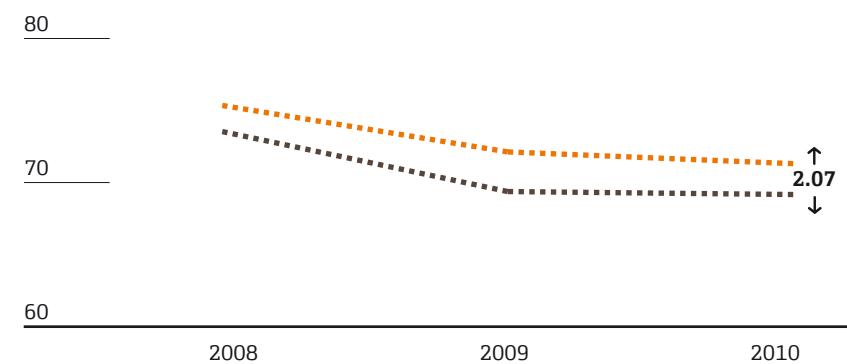
**71.21**

↑2.07 points with respect to the market average

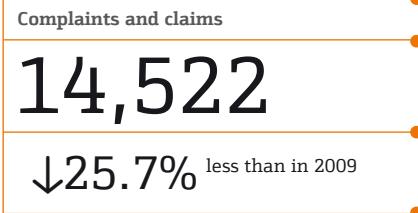
### Bankinter compared to the market in the corporate segment 2010 (Accumulated Data NSI))

	2008	2009	2010
Bankinter	75.32	72.04	71.21
Market	73.57	69.35	69.14
GAP	1.75	2.69	2.07

Data in the study:  
Universe: Spanish companies with an approximate turnover of between 0.5 and 5 million euros.  
Geographic scope: The whole of Spain (except Ceuta and Melilla).  
Sample: 1,292 interviews every six months  
Sampling error: ± 3.0%  
Survey methodology: Computer-assisted telephone interview.  
Source: Inmark 2010



As well as guaranteeing that complaints will be dealt with properly and quickly, the aim is to prevent them.



## Customer Care Service

Bankinter customers have a broad range of channels through which to communicate their complaints to the bank, in the certainty that they will be attended to properly and dealt with quickly.

This work is done by the Customer Care Service, which centralises complaint management with the mission of ensuring a high standard of quality in dealing with complaints, by means of equality of criteria, setting ambitious annual targets

to bring down the number of complaints and response timeframes, in coordination with all of the bank's divisions.

During 2010, the number of complaints and claims per million transactions fell by 26.4%, dropping to 8.3 per million (compared to 11.4 in the previous year).

The total number of complaints and claims stood at 14,522, 25.7% less than in the previous financial year. As regards financial claims, the figure dropped from

the 14,947 registered in 2009 to the 10,535 of this year, of which 60.3% were settled in the customer's favour.

### Timeframes for dealing with financial exceptions

As regards the timeframe for resolution, 57.3% of exceptions were answered in under 48 hours, with a 4.8% improvement in the ratio compared to the previous year.

	2009	2010
<b>Total number of Complaints and Claims:</b>		
Total no. of complaints (non-financial)	4,609	3,987
Total no. of claims (financial)	14,947	10,535
Total Financial Complaints and Claims	19,556	14,522
<b>Financial claims:</b>		
No. of claims in customer's favour	8,757	6,357
In the customer's favour (%).	58.59	60.34
No. of claims in the Bank's favour	6,190	4,178
% in the Bank's favour	41.41	39.66
<b>Total financial claims</b>	<b>14,947</b>	<b>10,535</b>

### Timeframes for dealing with financial exceptions

Timeframes	2010	%	2009	%
0 days	5,738	39.51	7,001	35.80
1 to 2 days	2,588	17.82	3,271	16.73
3 to 6 days	2,194	15.11	2,492	12.74
7 to 10 days	888	6.12	1,437	7.35
> 10 days	3,114	21.44	5,355	27.38
	<b>14,522</b>	<b>100.00</b>	<b>19,556</b>	<b>100.00</b>



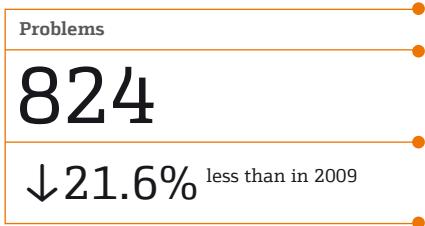
### **External Ombudsman.**

With a view to finding solutions for their claims and complaints, Bankinter customers also have the option of submitting their demands to the External Ombudsman. This is a body that is independent from the bank, represented by José Luis Gómez-Dégano, to which customers may resort if they disagree with the decision or if they prefer to submit their complaints to this body directly.

In 2010, the External Ombudsman processed 824 exceptions, 21.6% fewer

than in 2009; of these, 486 were settled in the bank's favour (58.9%) and 271 in the customer's (32.8%).

Customers that are in disagreement with the response provided to their complaint from the External Ombudsman or the Customer Care Service may submit it to the Complaints Service run by the Bank of Spain. In 2010, this higher instance processed 539 exceptions (4.6% more than in the previous year), of which 423 were settled: 154 in the customer's favour and 164 in that of the bank.



	2009	2010	% Var.
<b>External Customer Ombudsman:</b>			
Incidents processed	1,051	824	-21.60
Settled in the customer's favour	261	271	3.83
Settled in the Bank's favour	571	486	-14.89
Excluded	219	67	-69.41

	2009	2010	% Var.
<b>Bank of Spain:</b>			
Claims settled	515	539	4.66
In the customer's favour	55	154	180.00
Uncontested	39	39	0.00
In the Bank's favour	58	164	182.76
Pending settlement	361	116	-67.87
Outside the jurisdiction of the Bank of Spain	2	66	3,200.00

## Acknowledgement to branches and centres that were most valued by their customers in 2010

The bank's centres and branches that received the best scores from their customers during the year, as recognition for their commitment and accuracy in catering for their needs, were as follows:

	<b>1st semester</b>	<b>2nd semester</b>	<b>Accumulated for the year</b>
Best branch > 600 active customers	Cuenca	Cuenca	Cuenca
Best branch < 600 active customers	Villajoyosa	Griñón	Griñón
Best Foreign Customers office:	Santa Pola	Santa Pola	Santa Pola
Best Business Centre	Écija	Écija	Écija
Best Private Banking centre:	CBP Albacete	CBP Almería	CBP Almería
Best Corporate Banking Centre	Agrupación C.G. Ciudad Real	Agrupación C.G. Cantabria	Agrupación C.G. Cantabria
Best Personal Finance centre:	CFP Madrid OP	CFP Alicante	CFP Madrid OP
Best Private Banking centre:	Algeciras	Villajoyosa	Villajoyosa
Best Area	Andalusia Costa del Sol	Levante Sur (South-East Spain)	Levante Sur (South-East Spain)
Best Risk team:	Tenerife	Castilla La Mancha-Extremadura	Tenerife
Best Operations Centre	Guarantees	Guarantees	Guarantees
Best Central Service	Quality Management	Telephone Platform	Quality Management
Best Virtual Banking Organisation	Balearic Islands	Balearic Islands	Balearic Islands Organisation
Best Regional Headquarters for Agent Network:	North Organisation	Navarra - Aragon - Rioja - Soria	Andalusia Organisation

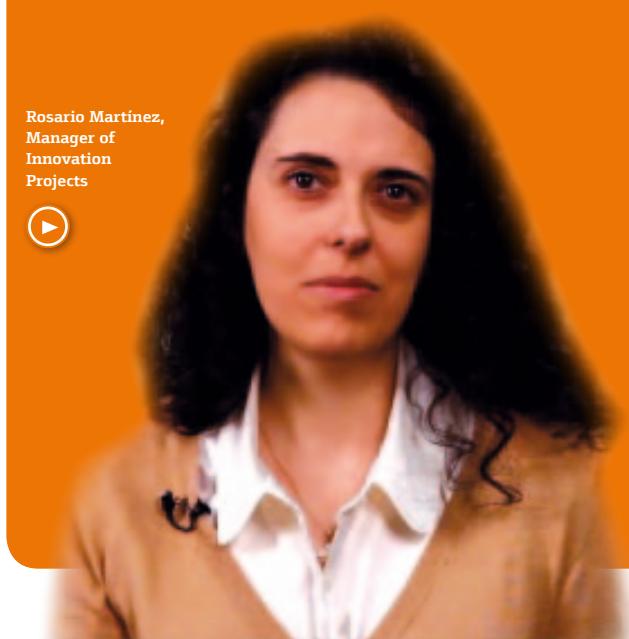
# 2

## Innovation



*Innovation is embedded in Bankinter's DNA. It is the foundation on which the bank's business strategy is based and around which its products and services are built. Special attention was paid in 2010 to developing digital customer relation channels. with a particular focus on mobility.*

Rosario Martinez,  
Manager of  
Innovation  
Projects



## Innovation

Innovation is embedded in Bankinter's DNA. It is the foundation on which its differential products and services are built. The aim is to reach new customer groups and identify new distribution channels.

This year, activity in Innovation was focused mainly on four aspects: developing new commercial techniques, promoting quality as a lever of growth, developing digital relation channels and access to new customer and product groups.

### **Developing new commercial techniques**

The first aspect mentioned led to the development of a new commercial-style protocol, jointly built by the bank's employees and customers. In developing this project, a 'systematic innovation' methodology that the bank applies in its most strategic projects was used. This methodology includes different techniques for analysing the challenge to be met, interviews with customers, brainstorming sessions and feasibility and

implementation studies. This commercial-style protocol was satisfactorily rolled out throughout the entire bank in the course of 2010.

The innovative activity regarding the development of new commercial techniques also triggered the creation of an advanced training methodology in high performance centres integrated in the commercial network itself, identifying best commercial practices and sharing them with the rest of the organisation. There have also been improvements in commercial planning, with the creation of an absolutely innovative automatic customer relation management system (CRM), called CRM 2.0, which combines the customers' needs, the salespeople's schedules and the products on offer.

### **Quality as a lever of growth**

Quality has been the basis on which the systematic innovation process has been applied and it has led to the development of three horizontal projects throughout the entire organisation. These are: automatic and personalised quality management

(CQM<sup>®</sup>), a model that develops independent advice from managers to customers and which vouches for strict compliance, and finally, an emotional CRM, i.e. a customer relations model based solely on emotional aspects and designed to meet their needs in this regard.

### **Developing digital relation channels**

Promoting customer relations with the bank through the various digital channels that are available continues to be a priority for the bank. To be specific, the mobile telephone is being consolidated as a communication channel between customers and the bank.

In 2010, different mobile applications were developed for smart phones, such as iPhones, Blackberrys or Androids, as well as for tablet-type computers, such as iPads, aimed at both customers and employees. Therefore, the penetration of mobility among Bankinter customers continues to rise, making the bank one of the main world leaders in this ratio.



This year Bankinter launched the iPhone version of an application that allows to shares to be traded on 25 international markets, as well as the prices and indices on these markets to be checked.

Work has also continued on the development of the mobile banking version for the various devices existing on the market, including new transactions and procedures, as well as better designs for these devices.

In 2010, over 80,000 different customers used their mobile telephones to log on to the bank's applications, with a 75% interannual growth in the number of customers.

Work also continued, in collaboration with Línea Directa Aseguradora, on the development of solutions based on 'augmented reality' for mobile telephones. Special mention should be made of an application that allows

both the insurance company's and the bank's customers to find the nearest ATMs, bank branches and garages on the basis of their location and direction (which are detected by the telephone), and precise instructions as to how to get there.

In collaboration with VISA, the bank has worked on the deployment of a pilot payment scheme using the mobile telephone for the bank's employees, based on Near Field Communication. The knowledge acquired and the success of the pilot scheme place the bank in an excellent position at the starting line for

the foreseeable mass-scale development of the mobile telephone as a means of payment.

Another digital relation channel on which work has been ongoing during 2010 is the video call service, which enables any customer to contact a manager (general or specialising in a particular area) via the bank's website using an interactive system that includes video, audio and chat. One important development that should be highlighted this year is the launch of a special video call version for people with auditory disabilities, enabling a customised remote financial advisory service for deaf people, based on sign language.

#### **Access to new customer and product groups**

In its role as a virtual mobile carrier, Bankinter continues to offer its customers its mobile telephony and 3G Internet service under the Bankinter brand, with steady growth being registered in the last two years, reaching almost 30,000 contracts. This telephony service is making it possible to bring the customer the latest technologies and services that have arisen from the

convergence between banking and telecommunications, such as services based on geolocation or proximity, such as the pilot mobile telephone payment scheme mentioned previously.

### Conclusions

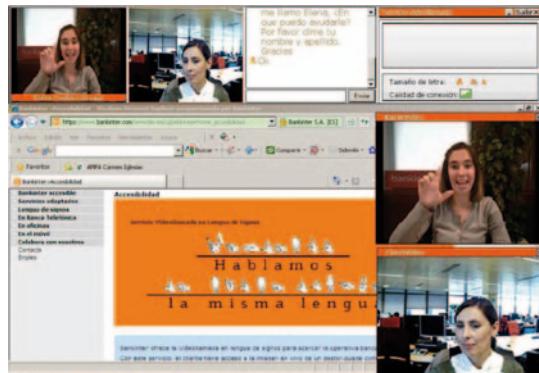
Bankinter has a systematic innovation model that is being rolled out to the entire organisation.

The model includes mechanisms for gathering ideas from customers, employees and the leaders in each field, as well as processes for filtering and refining these ideas, or the creation of projects based on these ideas and mechanisms for measuring the return to the organisation.

This model is always supported by the latest technologies, as an opportunity for developing new ideas and projects. All innovation projects are always associated with a business plan before they are launched, which serves to leverage the profitability and growth targets set by the bank. The customer is always at the heart of the design.



## Video Call Service



Innovation, Technology and Quality are the essential pillars on which this service, which seeks permanent reinvention in order to give customers the best, is based.

For example, this year an adapted version was launched, called the "Video Call in Sign Language Service", a new Bankinter relation channel specifically for deaf people, which avails of the possibilities of the Internet to offer a financial advisory service that is interactive, multimedia, customised and adapted to meet the needs of these people.

### Features of the service:

- Communication may be in Sign Language (two-way imaging between customer and manager) or in writing (via chat).
- The service is offered in two sign languages: Spanish and American Sign Language.

- The manager can provide remote guidance to the customers regarding how to browse the Bankinter website or any other that they may require.
- The manager can display any information on screen in several formats. The customer can also show their banking advisor any document they have in their computer, just as if they were together in an office.
- It is possible to send any documentation in encrypted form in real time and on a two-way basis, which is a safe and confidential way of exchanging information without the need for the customer to have an e-mail address.

"Video Call in Sign Language" is more than just an interpreting service; it is staffed by deaf personnel specialising in Spanish and American Sign Language with experience and training in finance, thus offering a complete banking service according to Bankinter's quality standards.

In terms of quality, the Video Call Service is assessed by customers with an NSI (Net Satisfaction Index) of 83.3 points, one of the best weighted in the bank.

Another advantage of the Video Call Service is that it contributes towards reducing the environmental impact, as it avoids the customers and employees having to travel. The bank estimates that in the last year, the service avoided travel that would have generated over 42 tonnes of CO<sub>2</sub>. It also promotes responsible paper consumption, as it encourages that documents be forwarded to customers digitally by computerised means.

# 3

People



*Bankinter offers an excellent workplace that motivates its employees and enables them to develop all their potential and insofar as possible, strike a balance between their personal lives and their work. The commitment and responsibility of the people that work at Bankinter are the bank's main assets.*

Maria Tutusaus,  
People  
Management  
Consultant



Total employees	<b>4,543</b>
50.47% women	
49.53% men	

## Managing people in a different socio-economic environment

### People management model

Bankinter's most important asset is its staff. That is why the People Management division works to offer its professionals an excellent, motivating and attractive workplace, where they can develop all of their potential and where it is possible to strike a balance between their personal, family and professional lives.

The human resource management model at Bankinter is based on commitment to its employees, trust in their responsibility, training focused on advancing professional development, promotion, talent management and an adequate remuneration policy.

302 professionals joined Bankinter in 2010 (91 men and 211 women).

Bankinter remains committed to steady employment: 95.6% of the people that work for the bank have permanent contracts. Bankinter's current staff is young (average age 38 years), highly qualified (75.1% have a university degree), with a high level of proficiency

in English (31.7%). They are also from diverse academic backgrounds (97 different qualifications), have extensive experience (average of 11 years working for the bank). The staff is balanced in terms of gender (50.5% women) and nationalities (34 different nationalities: Andorra, Argentina, Belgium, Bosnia Herzegovina, Brazil, Bulgaria, Canada, Chile, China, Colombia, Cuba, Denmark, Ecuador, Finland, France, Germany, India, Ireland, Italy, Morocco, Mexico, Netherlands, Pakistan, Panama, Peru, Romania, Russian Federation, Spain, Sweden, Switzerland, United Kingdom, Uruguay, U.S.A, Venezuela).

### Training and professional development

Bankinter firmly believes that training represents a great opportunity for growth and development, for both the people that make up the organisation and for the bank in its own right. That is why, despite the circumstances, Bankinter has continued to support training initiatives for its employees. This year's investment was lower and Bankinter has tried to

mitigate this by propitiating internal training, albeit maintaining the same philosophy of practical training, geared towards customer satisfaction and adapted to the qualities of each person in terms of ability, skill, attitude and aptitudes for optimal performance.

376 courses were offered during 2010. The average number of hours of training per person was 32.5, with 83.4% of staff participating. In the case of the network, training was received by 97.8% of employees. Teaching efforts focused on technical training (advisory service, markets, products and policies and risk control). The knowledge of the bank's own professionals was taken into account and priority was therefore given to internal training. On a parallel basis, training on 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 on-line training).

**Bankinter maintains its commitment to job stability** (95.61% of staff have permanent contracts) **and quality employment:** training and professional development.

By availing of the internal experience and knowledge acquired via the *Fundación de la Innovación* (Foundation for Innovation), new training projects have been consolidated, such as the one that was defined for the Talent group, with a view to promoting new ideas and innovation in products and services, and in short, bringing the knowledge and innovation of world-class experts into the company. The bank's management team have participated along with the teaching team in this initiative. During the course of 2010, a management programme was also organised with the IESE business school, aimed at 253

directors and executives in the bank, as well as the Management Committee, with a view to supporting the communication, implementation and alignment of the strategic plan at every level of responsibility in the organisation.

The bank's interest in enhancing and updating people's skills means that training is still an element that sets Bankinter apart as a company. Bankinter leverages internal experience and its capacity for innovation to achieve the maximum personal and professional development for people, in line with the bank's strategy.

The bank is also committed to providing incentives for the careers of the employees with less visibility, so that their talent can blossom and be acknowledged. For this reason, 603 people were identified in the potential assessment in 2010. This assessment is only carried out by the people managers and it allows to identify the people that have the highest potential for development and the lowest visibility. In short, it brings out hidden talents and supports their professional development.

This scheme makes it possible to draw up policies and practices that promote the professional development of this group.

	2009	2010
People with potential	<b>532</b>	<b>503</b>
people with talent	<b>100</b>	<b>100</b>
potential promotions	37	12
%	6.95	2.39
men	16	6
%	3.01	1.19
women	21	6
%	3.95	1.19
promotions in talent	6	3
%	6.00	3.00
men	4	0
%	4.00	0.00
women	2	3
	2.00	3.00

	2009	2010
<b>people on the Talent Development Programme</b>	<b>632</b>	<b>603</b>
men	307	293
%	48.58	46.36
women	325	310
%	51.42	49.05
Internal rotation of people with talent	<b>25</b>	<b>35</b>
	25.00	35.00
Internal rotation of people with potential	<b>131</b>	<b>155</b>
	24.62	29.14

**100% of applications  
for conciliation  
measures submitted in  
2010 were granted.**

### **Committed to equality and to conciliation of work, personal and family life.**

#### **Equality**

Bankinter encourages in its organisation the values of equal opportunities, non-discrimination towards people, diversity, the inclusion of the disabled and respect for the fundamental rights of its employees and representatives.

To this end, it keeps the Equality Plan drawn up in 2007 up to date. Not only that; this year the bank set up a protocol

for prevention and action for any situation of harassment at work, which will be notified to the staff during the first semester of 2011.

True to the aforementioned principle of equality, Bankinter has a balanced staff, which is reflected in the percentages in which it is distributed in terms of gender: 49.5% men and 50.5% women.

#### **Conciliation of work, personal and family life.**

Bankinter continues to devote its efforts towards guaranteeing that its

professionals have a unique workplace where they can develop their professional careers and where they have the possibility of striking a balance between their work, personal and family lives, in response to a demanding social situation.

Bankinter firmly believes that this is only possible with a set of values, a corporate culture, an appropriate management model and a team of people managers that are involved with and committed to the project.

Taking these circumstances into account, Bankinter is committed to a model that is results-oriented and which trusts professionals to be responsible. For this reason, it offers alternatives that make flexibility in time and space a possibility.

Thus, in 2010, 35.5% of employees availed of the teleworking system and 63.5% have a Blackberry or corporate mobile.

In order to facilitate the conciliation of work, personal and family life for its employees, Bankinter offers different measures that may be grouped in the following categories:

<b>Staff Distribution according to gender</b>	<b>Percentage 2009</b>	<b>Percentage 2010</b>
Male	50.19	49.53
Female	49.81	50.47
	<b>2009</b>	<b>2010</b>
<b>Net number of newly hired members of personnel in the last year</b>	<b>211</b>	<b>302</b>
%	4.73	6.62
net number of newly hired male members of personnel	57	91
%	27.01	1.99
net number of newly hired female members of personnel	154	211
%	72.99	69.87
increase in number of newly hired female members of personnel	170	132

<b>Staffing trends</b>			
	<b>2008</b>	<b>2009</b>	<b>2010</b>
Workforce	4,483	4,509	4,543
Male	2,292	2,263	2,250
Female	2,191	2,246	2,293

<b>Male and Female Promotions</b>		
<b>male and female promotions</b>	<b>2009</b>	<b>2010</b>
% women	1.59	1.20
% men	1.48	1.01

**Internal training was reinforced, by availing of the available technologies:**  
video-conferencing, data-conferencing and on-line training.



- Care and attention to family members.
- Arrangement of working hours and everyday transactions.
- Training, well-being and leisure.

100% of applications for conciliation measures in 2010 were granted.

#### Bankinter, a family-friendly company

In accordance with its sincere interest in offering working conditions that allow professionals to strike a balance between their work, personal and family lives, Bankinter has organised a number of specific activities in relation to conciliation.

After undergoing a process to ascertain its suitability, Bankinter joined the *Red Concilia* network in 2010, a group of 19 companies led by the Directorate-General of Equal Opportunities at Madrid City Council.

This set of companies that make up this Network stand out for their determined commitment to applying measures that facilitate the conciliation of work, personal and family lives, as an element of

quality to optimise their human resource management policies and therefore operating as an organisation that encourages other companies in Madrid to take steps in the area of conciliation.

In this context, Bankinter has since joined taken an active part in the specific activities carried out by the *Red Concilia* network, such as drafting a number of workbooks and participating in the conference held to present them, as well as in other activities organised with a view to meeting the network's specific needs.

In 2010, Bankinter was also certified as a family-friendly company (referred to using the Spanish acronym 'efr'). The 'efr' certificate is granted by the Fundación Másfamilia to companies that have implemented measures aimed at promoting conciliation and equal opportunities. A family-friendly company might be defined as "one that makes an effort so that its employees may strike a balance between their work and their families, something that is essential for their well-being and their ability to commit to the company". There are many advantages associated with the process of obtaining 'efr' certification, such as:

- Attracting and retaining talent.
- Competitiveness.
- Attracting socially responsible investment.
- Reputation and brand enhancement.

#### 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 family-friendly company and a good place to work.



### **Bankinter, a great company to work for in Spain**

#### **Top Employers / Best Place to Work**

For yet another year, and despite the difficult context, Bankinter is still one of the best places to work in Spain, as may be seen from the recognition given by both the Great Place Institute and the CRF Institute of the bank's human resource practices.

The CRF Institute has acknowledged Bankinter for the fourth year in a row as a 'Top Employer', a seal of quality granted in 2010 to 34 companies that it considers "are ahead in their professional career proposals". To reach this conclusion, every detail of human resource management has been analysed: salary and benefits, professional opportunities and training policies.

Bankinter was also selected for the seventh year in a row by the Great Place Institute in 6th place in its ranking of the best companies with over 1,000 employees to work for in Spain. This was the highest position of the financial companies and including companies from sectors such as the pharmaceutical industry, information

technologies, distribution and professional services. This sixth place means Bankinter went up 2 places in the ranking compared to 2009.

### **Organisational changes: new structure for the Management Committee and the Coordination Committee**

In October 2010, the Board of Directors of Bankinter appointed María Dolores Dancausa as Chief Executive Officer of the bank. Alfonso Botín, currently Vice-Chairman, took on executive functions linked to Risks and Strategy.

The hiring of María Dolores Dancausa marks the start of a new phase in which Bankinter will continue to promote a unique, differential business model, based on technology, multi-channelling and quality of service, geared towards profitable growth and leveraging the synergies between the different companies in the group and the opportunities that the market presents. In order to tackle this new challenge, the Management Committee and the Coordination Committee were restructured.

The main focus of the new organisation is on the commercial aspect, as regards everything related to attracting, retaining and relating to customers. To this end, the 'Customers' organisation was divided into 'Commercial Banking' and 'Corporate and Company Banking'. A Product Research and Development division was created to provide support to both areas.

Another change in the organisation was the creation in October of Gneis, a 100% Bankinter Group holding specialising in the provision of technology and process services to the Group and with the vocation of extending its capacities to other companies as well. Therefore, 620 Bankinter employees joined Gneis, while remaining in the same workplace, which has become the corporate headquarters of the new company.

**Through corporate volunteering, Bankinter seeks to involve its employees in various social initiatives of their own choice.**

### **Salaries and employee benefits**

Bankinter's remuneration policy aims to compensate individual effort and also collective work, while avoiding discrimination for reasons of sex, race or any other grounds and guaranteeing compliance with legislation and sector-specific agreements.

Remuneration consists of a fixed and a variable component.

- The factors that influence the fixed remuneration are the office held, the responsibility undertaken and experience on the job.
- The variable remuneration element is also established on the basis of the function performed and the responsibility assumed but also has a significant weighting related to quality. this is true for 100% of employees and it depends on the perception that external and internal customers have of their good management.

Variable remuneration tied to result targets and performance is implemented throughout the Bank. In 2010, 69.64% (70%) of staff received variable remuneration.

There is also a commercial bonus, which is linked to achieving individual targets and therefore to the creation of value and wealth. The objective is to provide incentives and prizes for the commercial activity of the people that work in the business centres. However, it should be noted that this bonus is not considered to be a substantial part of this remuneration.

The remuneration system is intended to lend flexibility to employee remuneration. To this end, a voluntary compensation scheme has been implemented with an individual agreement being made between the Bank and the employee to modify the composition (but not the amount) of the employee's compensation package. Under this agreement, the employee can choose on an individual and voluntary basis to replace monetary remuneration with non-monetary remuneration, consisting of a number of different products that are offered to them and which generally include some tax benefit.

This system enables the employee to maximise their remuneration, in two ways mainly: the Bank's ability to negotiate prices for certain products and/or services, and for the tax advantages arising from

some products purchased via this system. 24.9% of employees currently use some flexible compensation product.

Since October 2009, employees can opt to purchase Bankinter shares, subject to financial benefits. In 2010, 40.4% of employees had share programmes and convertible bonds.

### **Corporate Volunteering**

Bankinter continues to promote corporate volunteering with a view to benefiting the community and more specifically, people with disabilities or the more disadvantaged groups in society. This project aims to involve employees and get them to participate in different initiatives of their own choice, grouped according to social themes as diverse as the following: disability, environment, childhood etc. The intention is to lead with a corporate business model that shows greater solidarity and is more participative and committed to the problems in its surroundings.

The 'Mueve.te' volunteering programme is structured in three categories in which the various initiatives that are carried out are grouped:

- 1. 'Propón and Mueve.te' (Propose and Move):** This option allows employees to register their volunteering proposals, grouped under themes such as disability, environment, digital literacy and sport. There is a maximum budget for every proposal, and a minimum number of volunteers in order that it may be carried out.
- 2. 'Mueve.te con Bankinter' (Move with Bankinter)** enables employees to take part in activities proposed by Bankinter, grouped in the same themes. Many of the bank's employees have taken part in volunteering initiatives via this modality.
- 3. 'Moverse con otros' (Move with others).** In this category, employees are given the chance to take part in volunteering days in collaboration with other companies.

The bank's directors are regular participants in the various volunteering activities, to show the support and the importance that the bank attributes to this project as a fundamental part of value creation among the staff.

During 2010, 13.9% of employees took part in the 49 different volunteering projects that were carried out.





F C O  
JAVIER  
ABENGOZAR  
CARRASCO S A  
FRANCISCO AGULLO  
MONTERO M<sup>a</sup> ROSARIO ALA/  
ON VILLANUEVA CARLOS ALAR-  
CON URBINA ELENA ALCANTARA CANO  
JOSE MIGUEL ALEDO DOMENECH JESUS ALE-  
JO SERRANO JESUS JAVIER ALMAJANO PEREZ FE-  
LIX ALONSO MARTIN MIGUEL ALONSO PEREZ RICARDO  
EIRO LAURA ALONSO SANCHEZ MARIA LUISA ALONSO VEGA  
ERTO ALVAREZ CORREA VANESSA ALVAREZ ORGAZ DAVID ALVA-  
ALFONSO AMOR CABADO CRISTINA ANDRADE GARCIA RAMON ANTEQ-  
EZ PEDRO IGNACIO ARNEDO MARTINEZ ION ARRIETA BEIZTEGUI PATRICIA AS-  
ER CECILIA CRISTINA BARNEY RUIZ-BRAVO MERCEDES BARRETO ROMANI BORJA  
JANDRO BEITIA REGULEZ ADRIAN BEJAR BIDDLECOMBE JERONIMO BELDA LOPEZ JOSE  
IGNACIO BLANCO ESTEBAN ABILIA BLANCO HERNANDEZ MARIA LOURDES BLANCO POLAINO  
FCO. JAVIER BORREGUERO GONZALEZ M. DOLORES BRAVO GORGONIO FRANCISCO BURRUEZO MAR-  
BEL CAJAL CARMONA SUSANA CALDERON BONO ANA MARIA CALERO ARTERO M. MAGDALENA CALVO  
ANTONIO CANTO BAJAL TERESA CAPELLA CALLAVED FCO. JAVIER CAPON RUIZ M<sup>a</sup> VICTORIA CARRAFFA POR-  
CASILLAS DIAZ PATRICIA CASTA/EDA VAZQUEZ ANTONIO JESUS CASTILLO GALLARDO RAMON CATALA PEREZ EN-  
BAR LAURA MARIA COBOS SERRANO ENCARNACION COLAO MARIN MARTINA COLLAR DIAZ ALPIO CONDE HERRERO  
DO DURO MARIA TERESA CUIBILLO MUÑOZ BAENA JORGE CUESTA ROJO M<sup>a</sup> LUISA DE GUZMAN REDONDO RAFAEL DE LA CRUZ  
TINEZ LEIRE CABAJAS SERNA M ARANAZU CABELLO CRISTIANO ANGELA MARIA CACERES JIMENO IS-  
Perez JOAQUIN CAMPOS TOBAJAS FCO. JAVIER CANALES ALMENDROS MARCELINA CANCHO ROSADO JOSE  
TEL A CARMEN CARRETERO RIVAS FCO. IGNACIO CARTAGENA MARTINEZ CARMEN CASADO SOLA FCO. JAVIER  
RIOQUE CERRADA PARAMIO JOSE EMILIO CERVERA LLAVADOR FCO. JOSE CHECA GRACIA CARMEN M<sup>a</sup> CIDONCHA ESCO-  
JOSE PEDRO CORCHON LOPEZ MARIA JOSE CORDERO PEREZ LAIA COSTA DORCA FRANCISCO CRUZ GARCIA DIANA CIUDRA-  
DO BUTIJA DAVID DE LA FUENTE DEL CAMPO VIGO DE LA PEA BERRAONDO ANA MARIA DE LA TAJADA GOMEZ ROSA MARIA DEL-  
GADO CARRERA LAURA DELGADO RODRIGUEZ ELISABETH DE LINOS ESCOFFET YOLANDA DEL PINO CRESPO BEATRIZ DE MENDOZA RODRIGUEZ FERNANDO DE PABLO MTNEZ DE UBA PLACIDO DE SANTIAGO FRESNILLO MARIA PILAR DE TERAN TEMPRANO ANA  
CRISTINA DE U/A TARRAGO OLGA MARIA DIAZ RAMOS MARIA DEL MAR DIAZ TORRES EDUARDO DIEZ ANDRES JOSE GABRIEL DIEZ BADOS ROSA MARIA DIEZ MADRO/E DIEZ M. ELISA M. DOMINGUEZ ALONSO JESUS DOMINGUEZ BENITO NATALIA DOMINGU-  
EZ RODRIGUEZ VICTOR DOMINGUEZ RODRIGUEZ SUSANA DOMINGUEZ YA/EZ ALEJANDRO DURAN RODRIGUEZ JUAN CARLOS EGUILAR GARAY M ISABEL ENCINAS BAYAN JOSE MARIA ENCINOSO JIMENEZ BARBARA L. ESCALONA PLAZA LUIS ESCUREDO  
CASADO LUIS MANUEL ESPESO SALAS JAVIER ESPINAR RAMOS MARIA TERESA ESTEVEZ GARCIA MARIA TERESA FALCON BRITO ANA ISABEL FERNANDEZ ALVAREZ LAZARO MANUEL FERNANDEZ BECERO JUAN CARLOS  
FERNANDEZ FERNANDEZ JON FERNANDEZ GIL ROSA MARIA FERNANDEZ GONZALEZ ANTONIO FCO. FERNANDEZ LOPEZ MIRIAM FERNANDEZ ORTAL IGNACIO FERNANDEZ OSO FCO. JOSE FIGUEROA FIGUEROA FCO JAVIER FIOL MAS RAQUEL FLOREZ  
MEDINA FCO. JAVIER FRADE JAS LAPE/A FCO JAVIER FUENTE COBO ROSA FUENTES CASTELLANOS FCO. JOSE FUENTES SANCHEZ JOSE LUIS GALAN GENER ANA BELEN GALAN LOPEZ YOLANDA GALLEGOS ALVARO VICENTE GALVAN ALVARO AL-  
BERT GAMISANS FUENTE ELISA GARCIA ARIAS MARIA ISABEL GARCIA ARRAZOLA JESUS GARCIA BENITO MARIA GARCIA CRUZ MARIA ISABEL GARCIA FCO JAVIER GARCIA GOMEZ JUAN CARLOS GARCIA GONZALEZ SARA GARCIA  
GONZALEZ VICTOR MANUEL GARCIA GONZALO LORETO GARCIA JIMENEZ MARIA CARMEN GARCIA MARTINEZ ANGEL ANTONIO GARCIA MIGUEL GALLEGOS LUIS MIGUEL GARCIA MONJE DAVID GARCIA MORAL JAVIER GARCIA MORENO GER-  
MAN GARCIA NIETO JOAQUIN GARCIA RODRIGUEZ LAURA GARCIA VERA MONICA GARRIDO VILCHEZ RAQUEL JAVIER GARCIA RODRIGUEZ ESTHER GARVI MONCLUS ISAAC GASPAR MERINO VICTOR GASSO SOLER RICARDO GIL FALCON SUSANA GOMARA GUTIERREZ  
M ANGELES GOMEZ ALONSO ANGEL GOMEZ BOURGON ISAIAS GOMEZ DIEGO ROMAN GOMEZ JIMENEZ FERMÍN JOSE GOMEZ RODRIGUEZ M CONCEPCION GONZALEZ AGUADO BEATRIZ GONZALEZ ARGUEDAS ESTIBALIZ GONZALEZ  
CALZADA FRANCISCO A. GONZALEZ ESCASO M<sup>a</sup> DEL CORO GONZALEZ GONZALEZ CONCEPCION GONZALEZ LOPEZ YOLANDA GONZALEZ MAROTO ANGEL GONZALEZ MIRAGAYA EMILIO GONZALEZ MORA ERIKA W. GONZALEZ  
PEREZ JESUS GONZALEZ QUINTANILLA DIANA GONZALEZ VENTURA CAROLINA GONZALEZ VILLALBA ALFREDO JESUS GONZALEZ RODRIGUEZ JUAN ISIDRO GOTOR NONAY JUDITH GUERRES GUTIERREZ JUAN CARLOS GUIL-  
LEN SUER CARMEN GUITARD MARIN MARTINA GUTIERREZ GARCIA FERNANDO HAFNER RODA M<sup>a</sup> ESTHER HEREDIA LOPEZ J. JAVIER HERNANDEZ BERMEJO JAIME HERNANDEZ MARCOS ANTONIO HERNANDEZ MAR-  
TINEZ LOURDES FAB. HERNANDEZ MEDINA GEMMA MARIA HERNANDEZ P. DE LEON NURIA HERRERO BARAMBIO RESTITUTO A. HERRERO RODRIGUEZ LUCIA HIGUERAS ESCOBAR JOSE MIGUEL HURTADO GONZALEZ  
ADRIAN INCHAURRAGA ZUBIAURRE MARIA INZA RDGUEZ FERRO JUAN CARLOS JIMENEZ CORTES MARIA SOLEDAD JIMENEZ FERNANDEZ LAURA JIMENEZ RODRIGUEZ MANUEL JIMENEZ RODRIGUEZ RUIZ VALENTIN  
JIMENEZ RUIZ PALOMA JIMENEZ VIANA ENCARNACION JULIAN VINAGRE RODRIGO LARA HERNAIA MARIA JOSE LARRUBIA MERINERO JESUS MIGUEL LASTRAS GONZALEZ JUAN MARIA LATORRE ARMEN-  
DARIA MONICA LAVIA/ A QUEREJETA JUAN ALBERTO LEAL LIZCANO ALBERTO LEBRATO MARTINEZ REBECA LEDESMAS GONZALEZ CARLOS LEJO TURIEL AMAYA TERESA LIBERAL URRIETA ANGEL LLA-  
MAS LLAMAS M<sup>a</sup> JOSEFA LLAVERO HERRERA ESTHER MARIA LLORENTES RINCON RUBEN LOBO GOMEZ MARIA TERESA LOPEZ ASEÑO JAVIER LOPEZ ENSE/AT JORGE LOPEZ GALAN FRANCISCO A.  
LOPEZ GARCIA JOSE ANTONIO LOPEZ GARCIA M<sup>a</sup> DEL CARMEN LOPEZ GARCIA JUAN LOPEZ GONZALEZ RICARDO LOPEZ LAPE/A BARBARA LOPEZ MOLINA MARCO ANTONIO LOPEZ RUIZ FRUNDI-  
NA LOSADA RODRIGUEZ ARTURO LOZANO GOMEZ RICARDO MA/AS JIMENEZ TEODORO MADRID SANZ RICARDO A. MADRIGAL JIMENEZ PATRICIA MAGDALENO PEREZ JUAN IGNACIO MAN-  
ZANEQUE ANGULO CARLOS A. MARCHAN BURRIEL ARANTZA MARCO CRISTOBAL DAVID MARINA VERDE MARIA MERCE MARIN DOMINGO SILVIA MARQUEZ MARTIN M<sup>a</sup> ALEJANDRA  
MARRUPE GARCIA FRANCISCO J. MARTIN BARTOLOME LAURA MARTIN CHICHARO ANTONIO PEDRO MARTINEZ ANDREU ALMUDENA MARTINEZ BARTOLOME SERGIO MARTINEZ  
CAVA CAMACHO M<sup>a</sup> PILAR MARTINEZ FERNANDEZ JUAN PATRICIO MARTINEZ PRIETO RITA MARIA MARTINEZ RODRIGUEZ MARIA IRENE MARTINEZ RUBIO ROSA MARIA  
MARTIN FINEZ LUIS MARTIN LPEZ-QUESADA HONORATO MARTIN MAROTO MARAVILLAS MARTIN MARTIN CARLA MARTIN MORENO ANGEL MARTIN PALOMINO  
JORGE MARTIN POYATOS MARIA JOSE MARTIN RODRIGUEZ CARMELA MASEDA PEREZ JESUS MARIA MATEO CERVERA AURORA MARIA MATEO DELGADO PEDRO ANTO-  
NIO MATEU CALDES ADOLF MATEU ROMAGUERA OSCAR MAZON RODRIGUEZ NATALIA LUCIA MELERO BERMEJO ELENA MENCHERO SANCHEZ MARIA JESUS MENDA/A  
ORTOLA MANUEL MENENDEZ DEL CERRO ANA BELEN MERINO RODRIGUEZ MIRIAM MORA EXPOSITO JUDIT MORENO DOMINGUEZ M. ALMUDENA MORENO NAVARRO  
MANUEL MORENO PACHECO LORENA MOROTE SORIANO AITOR MOZO IZAGUIRRE ESTE LUIS MUÑOZ LOPEZ ADOLFO MURILLO MARTINEZ ANA MURUZABAL P.D/ IR-  
ARTE ROSA MARIA NARDIZ ARRARTE JOSE NARROS BORRAJO JUAN NAVARRO ESTE VICENTE NAVARRO MONZON ANDREEA MARIA NICULCEA X PEDRO RICARDO  
NORZA MORENO MARIA GEMA NIUEZ MARTINEZ MANUEL OCAYA RUBIA ASIER ODRIZOZOLA URBIETA SEBASTIAN M. OJEDA GARTNER CARIDAD E. OLIVA NAVARRO  
TATIANA ORDO/EZ MARTIN MARIA ORELLANA RODRIGUEZ PEDRO ORGAZ CIRU JAVIER ORIBE CARBAJO SEBASTIAN H. ORTEGA MIRANDA ROCIO ORTEGA OPORESAS JE-  
SUS ORTEGA SALAZAR CAROLINA ORTIZ CAMACHO JAIME ORTIZ ESTELLER ANA ISABEL ORTIZ VIVIANO SOTO JAIME OTAO/ARANGUREN JOAQUIN OTAMENDI  
COLLIADS MARIA PILAR PABLO-BLANCO OLIDEN MARC ADOLFO PAJARES COSTAL MANUEL PALLARES ALVAREZ MARTA PAMPIN RODRIGUEZ ANTONIO MARIA  
PASCUAL TORRES M<sup>a</sup> LUISA J. PASTOR OLLERO MELANIE MEHRI PEIKARIAN X JUAN CARLOS PEINADO CIFUENTES VERONICA PERALDO X VALENTIN PEREIRO DIAZ  
MARIA PEREZ AYO MANUEL PEREZ CABALLERO M. ROSARIO PEREZ ESCAJADILLO SUSANA PEREZ GARCIA COVADONGA ANA PEREZ GOICOECHEA CARLOS PEREZ  
NAVARRO NARQUIS PEREZ RAMOS PEDRO PERICAS MIR JUAN PINTO HEREDERO JESUS PLAZA VILLASE/IR IVAN PONCELA GONZALEZ MARIA JOSE PONCE  
SANchez JUAN LUIS POVEDA CHACON M<sup>a</sup> JOSE POZO GARCIA PABLO PRADOS DEL RIO CELIA PRELLEZO BESOY MARTA PRIETO NAVARRA MARIA ESTER PUE-  
BLA GONZALEZ IGNACIO QUINTANA URRUTIA ANGELA RAZOQUIN ORBEGOZO GEMA REBOLLO GUERRERO EVA FELICISIM RECIO GARCIA JOSE LUIS RELAO  
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TERESA REY REGUEIRO CARLOS REY RUIZ OSCAR RINCON GARCIA M. ESTHER RISQUEZ SUSI MIQUEL RIUBRUNGET GURDUMI M<sup>a</sup> CARMEN ROBLES RO-  
MANO M. NATIVIDAD RODEIRO SERVIA SERGIO RODRIGUEZ CRESPO JOSE RAMON RODRIGUEZ DORREGO BELEN RODRIGUEZ FERNANDEZ MARIA JOSE-  
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BORDON PALOMA SANCHEZ CHACON JUAN FCO. SANCHEZ RAMOS ISABEL SANCHEZ SANTOYO ARTURO SANDOVAL CARBONELL JUAN  
SANTIAGO SANJUAN RAMIREZ ARITZ SAN PEDRO GOMEZ DE S. DARA SANTANA SANCHEZ ALFREDO SANTOS ESPINEL FCO. JAVIER  
SANZ CERVERA EUGENIO SANZ MORENO M<sup>a</sup> ISABEL SANZ NIUEZ PILAR SANTO PINTO YOLANDA SANZ REY JORGE SANCHEZ MAYENDIA  
ALCANTARA IGNACIO SERRA MENDEZ DAVID SERRANO DE MIGUEL ENRIQUE SERRANO FUERTES ELENA MARIA SIERRA BONILLA  
JAIME SIGUENZA CLEMENTE JOSE RICARDO SILVA MELGAR MARIA ANGELA SUAREZ FOLLENTE LUIS SUAREZ VAZQUEZ-PIM.  
MARIA LUISA TOME NOGALES ELOI TORRENT JAUME ESTHER TORRIJOS MU/OZ MANUEL TOVAR CARO ROCIO TRIGUERO  
TOME GERARDO UGARTE MORENLIA JULIO URCOLA LOPEZ MARIA URIANTE GOIZUETA ELENA USERO REBOLLO M.  
ROSARIO VALLANO VERGARA RICARDO VALLES LOPEZ VICTOR VALVERDE VILLANUEVA SONIA ISABEL VARELA  
GONZALEZ MARIA CARMEN VAZQUEZ ABEIJON NATALIA VAZQUEZ DIAZ SABELA VAZQUEZ GABALDON  
ANA MARIA VAZQUEZ GONZALEZ FERNANDO VEDIA SALDA/A MARIA ESTHER VELASCO ARRIBAS  
GEMMA MARIA VENTURA DELGADO PATRICIA J. VERA FERNANDEZ HILDA MARY VERA ROD-  
RIGUEZ ROCIO VERA SOTO RAFAELA VERGARA RUIZ JUAN DE DIOS VIANA ARIZA ANA  
VICARIO MARTIN PILAR MARIA VICARIO VALERIO SARA VICENTE LORENTE  
ROSA ANA VIEJO GONZALEZ M<sup>a</sup> GEMA VIVANCOS ALVAREZ DAVID VI-  
VAS GARCIA CARMEN ZAFRA CERES ELENA ZALDIVAR APARI-  
CIO IKER ZORRILLA RODRIGUEZ

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## Intellectual capital

### Introduction

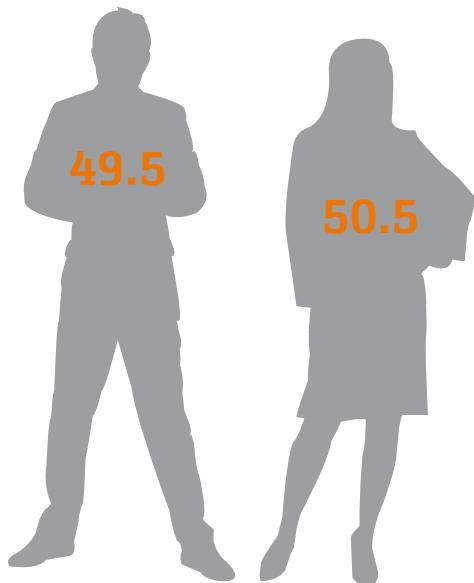


Bankinter's intellectual capital model provides relevant information to assess the value creation capacity and manage the contribution of intangible assets in the company's business strategy.

In a difficult socio-economic context like the current situation, managing intangible assets is a key variable in differentiation and value creation in companies. The knowledge, originality and commitment of employees and relations with stakeholders will be the instruments that will be used to achieve this.

Bankinter's intellectual capital model is arranged 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 and relevant information about Bankinter from a strategic point of view, so that not only the shareholders, but also the customers and society in general have comparable data available to them that is useful for determining the Bank's current value in this respect.

**Bankinter maintains its commitment to a balanced team of personnel.**



### **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 through training and learning.

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

Bankinter remains committed to a balanced staff. Not only has the bank steadily reduced the imbalance between men and women; in 2010 the percentage of women on staff actually exceeded that of men, at 50.5%. This, together with the increase in staff numbers (34 more than in 2009, despite the context), demonstrates how important people are to Bankinter in creating value in the company.

Bankinter has a young (average age 38 years) and highly qualified staff (75.1% have a university degree and 31.7% have a high level of proficiency in English). The bank's personnel is also very diverse, as there are employees with 34 different nationalities.

As part of its people management strategy, Bankinter is committed to initiatives that promote professional development for its employees. To this end, the bank invests great effort in training. This year, however, in view of the circumstances, the investment was slightly lower than in the previous financial year. 85.4% of staff received training, with the average number of courses per person being 10 and a total of 1,349 courses organised (26 more than in 2009).

The commitment and motivation of its employees are a major component in the Bankinter human resources strategy.

For example, mention should be made of the 49 different corporate volunteering projects carried out in 2010 (10 more than in 2009), in which 632 employees, or 13.9% of the staff, took part, compared to 9.5% in the previous year.

The various share and convertible bond schemes for employees should also be mentioned. The percentage of employees taking part in these schemes rose from 37.4% in 2009 to 40.4% this year.

INDICATOR	2006	2007	2008	2009	2010
<b>Descriptive indicators</b>					
Number of employees					
	3,981	4,530	4,483	4,509	4,543
Average age (years)	36.50	35.95	36.71	37.38	38.00
<b>Experience</b>					
Average length of service (years)	10.27	9.56	10.25	11	11
Average length of service (years) as % of 40 years (professional lifetime)	25.68	23.90	25.63	27.50	27.50
<b>Diversity</b>					
Breakdown by sex					
Male (%)	53.10	51.79	51.09	50.19	49.53
Female (%)	46.90	48.21	48.91	49.81	50.47
Graduates (%)	71.94	72.56	73.44	73.79	75.13
Employees with advanced English language skills (%)	39.56	35.41	35.76	34.33	31.70
Number of nationalities represented	23	28	25	26	34
Number of different qualifications	95	89	91	91	97
% of workforce holding the three most common degrees at Bankinter	42.68	42.94	44.23	45.73	49.24
<b>Corporate Volunteer Work</b>					
Number of different volunteer projects implemented			18	39	49
% of employees participating as volunteers in the various projects implemented			4.89	9.47	13.91

INDICATOR	2006	2007	2008	2009	2010
<b>Ability and development</b>					
Employees who received training (%)	100.00	105.97	95.48	95.63	83.42
Average number of training hours per employee as % of 350 (average post-grad. course load)	16	18	16	15	9
Average number of training hours per employee	56.91	62.17	56.17	53.61	32.46
Average number of training hours per employee trained	56.45	58.66	58.83	56.06	38.91
Investment in training as % of total payroll	2.8	3.3	1.9	1.3	0.9
Investment in training per employee (euros)	1,027	1,257	733	519	359
Investment in training per employee trained (euros)	1,019	1,186	768	543	430
Employees with access to Virtual Classroom from their workstation (%)	100	100	100	100	100
Training actions in Virtual Classroom as % of total different training actions	18.50	17.09	4.41	8.17	7.18
Number of different training initiatives	400	474	431	404	376
Average no. of courses per employee	8	9	9	10	10
Total no. of courses taught	1,121	1,384	1,294	1,323	1,349
Index of application of training in the job performed (%)	100.00	100.00	100.00	100.00	100.00
<b>Commitment and motivation</b>					
Employees participating in stock and convertible debenture ownership programs (%)	62.72	55.39	50.30	37.41	40.41
Satisfaction index (%)	N.A.	79	N.A.	79	N.A.
Motivation index (%)	N.A.	73.00	N.A.	76.00	N.A.
Participation in opinion poll (%)	N.A.	81	N.A.	82	N.A.
External rotation index	9.74	10.53	8.94	4.10	5.89
Employees participating in Quality Projects and Actions as % of total headcount	7.54	5.30	5.49	5.33	6.33
Employees participating in Debating Forums as % of total headcount	43.26	39.03	39.04	34.80	33.92
Employees with variable remuneration (%)	68.70	59.93	76.09	74.65	69.78
Persons with flexible salaries %			11.62	18.92	24.87

\* twice-yearly surveys

<b>INDICATOR</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Employees who have received awards (%)	78.80	72.60	76.49	70.75	70.83
Recognition index (%)	21.60	13.97	14.03	12.51	9.30
Variable remuneration as % of total payroll	14.45	13.51	14.75	14.58	13.74
New hires in the past year as % of total workforce	16.18	22.38	7.49	4.68	6.65
% of employees with variable remuneration who meet or exceed their targets	89.84	85.16	5.22	29.32	3.12
Personnel expenses (thousand euros)	227,336	298,294	260,877	325,040	332,934
Number of contributions to knowledge communities	2,456	2,181	2,171	2,011	2,037
Number of suggestions for improvements	734	413	421	442	496
<b>Value creation (thousand euros)</b>					
PBT/Number of employees	79.46	106.94	75.17	76.72	47.77
Contribution to GDP per employee	166.36	185.27	153.04	149.76	119.01
<b>Productivity (thousand euros)</b>					
Customer funds per employee	8,210	8,559	8,330	8,879	8,967
Loans & receivables per employee	7,951	8,296	8,955	8,845	8,779

Bankinter bases its corporate culture on its values: **Flexibility, Enthusiasm, Integrity and Originality.**

### **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 the increased efficiency of the Organisation.

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

These values are reflected in the transparency of information. It is no surprise that 97.3% of management information is available to all employees.

31% of hierarchical levels are involved in drawing up the group's strategic plans, which demonstrates that the bank's professionals are directly involved in decision-making.

In response to the flexibility that the business demands and the new circumstances require, Bankinter promotes internal rotation in line with the experience and knowledge of each professional and based on the principles of equality and non-discrimination. The figure for this rotation stood at 35.3% in 2010.

INDICATOR	2006	2007	2008	2009	2010
<b>Management and strategic management</b>					
Hierarchical levels involved in preparing the Group's strategic plans (%)	33	29	31	31	31
Employees that know the company's objectives (%)	100	100	100	100	100
Management information available to 100% of employees (%)	96.45	96.61	97.00	97.20	97.30
<b>De-layering and Transparency</b>					
Number of people participating in 360° evaluation**	3,874	4,165	4,456	4,398	N.A.
Average number of assessors per person assessed **(applications sent/ total staff assessed)	11.00	11.00	12.00	12.00	N.A.
Average number of persons assessing each Management Committee member (applications sent/ members of the management committee)**	75.80	81.00	74.00	87.00	N.A.
<b>Flexibility (%)</b>					
Internal job rotation	34.46	29.95	26.87	26.04	35.28
Employees who have logged on remotely (%)	38.46	35.70	35.78	35.64	35.48
Number of remote log-ons	104,546	141,443	146,303	122,634	103,034
Time logged on remotely per user (min.)	10,757	11,963	10,009	7,305	6,198
Employees accessing the Internet daily from the Bank's platform	61.97	69.65	62.25	91.52	95.80
Employees with corporate laptops (%)	23.66	28.68	30.23	27.86	27.36
Employees with corporate mobiles or blackberry (%)				50.12	63.50
<b>Technology &amp; process quality</b>					
Employees with Intranet access/ total staff	100	100	100	100	100
Number of employees contributing to development and maintenance of Intranet content	104	146	152	340	197
Employees with access to e-mail/ total staff	100	100	100	100	100
MIPs at central host / staff	0.88	0.97	1.07	1.18	1.17
Daily e-mail traffic (daily average in a 7-day week)	336,690	375,536	N.A.	210,608	279,817
Number of quality actions and projects carried out*	141	96	0	N.A.	40
Number of quality actions and projects that won awards*	10	0	0	N.A.	N.A.
Branches with Internet stations & telephones connected to the Telephone Banking platform (%)	100	100	100	100	100

\*note: there are no data on the number of quality projects and actions carried out or the number of quality projects and actions awarded prizes, as the project assessment committee does not meet until March 2011.

\*\* In relation to the 360° assessment process, the regularity with which it takes place was changed from this year onwards and therefore there are no data in 2010



### Relational Capital

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

Bankinter maintains its commitment to reach the highest positions in the market as regards quality and customer care standards. In order to achieve this, among other initiatives, it devotes its efforts towards dealing with exceptions quickly and efficiently. In 2010, the percentage of financial exceptions dealt with in under 48 hours rose to 57.3%.

Mention should also be made of the bank's effort to continue to develop channels other than the Branch Network for its customer relations, thus consolidating its multi-channel offering. In this regard, transactions performed via channels other than the Branches Network accounted for 63.7% of the bank's total transactions. Channels such as the Internet maintain customer penetration levels of 24.9% and the percentage of new customers won over via this channel went from 3.9% in 2009 to 4.3% this year.

INDICATOR	2006	2007	2008	2009	2010
<b>Customer Relations</b>					
Number of non-specialised and foreign branches	332	360	372	369	367
Number of Virtual Branches	527	552	407	399	371
Number of Bankinter Agents	1,003	996	920	683	543
Number of SME Management Centres	124	161	145	102	89
Number of Business Management Centres	50	51	51	47	47
Number of Private Banking Centres	41	47	51	62	61
Employees per Branch or Management Centre	7.28	7.32	7.24	7.77	8.05
Staff directly involved in the business (%)	74.13	74.83	75.46	81.46	75.74
New active customers (%)	14.46	12.57	10.80	4.73	4.80
Annual growth in Average Total Assets (%)	17.51	11.24	7.24	0.00	-0.75
New active customers per employee	24	21	19	8	8
<b>Quality and customer satisfaction</b>					
% of financial incidents resolved in 48 hours	81.81	70.6	50.02	52.53	57.33
Number of complaints to Ombudsman per active customer	7.55	7.56	8.99	14.87	11.25
Number of complaints processed by the Bank of Spain per active customer	1.78	1.50	1.55	6.65	7.35
<b>Multi-channel banking development</b>					
Transactions through channels other than Branch Network as % of total Bank transactions	68.67	68.84	67.86	67.04	63.66
New customers through channels other than Branch Network as % of total new customers	47.19	39.10	42.45	47.11	42.87
<b>Telephone Platform</b>					
Calls answered by Telephone Platform / Staff	1,894	1,608	1,385	963	824
Enquiries and incidents reported to Telephone Banking and managed via e-mail/ telephone banking staff	274	210	209	197	275
Active Telephone Banking users as % of total active customers	67.10	68.89	73.84	62.78	61.35
Transactions via Telephone Banking as % of Bank total	6.90	6.00	6.07	5.27	5.67
Calls managed by the automatic service (%)	55.95	54.16	50.43	44.91	4.37

<b>Agents network and Virtual branches</b>					
Growth in number of Virtual Banking customers (%)	6.10	4.83	4.04	3.46	2.25
Virtual Banking transactions via channels other than Branch Network / total Virtual Banking customer transactions (%)	98.87	98.93	99.02	98.79	98.85
Increase in number of Agent Network customers (%)	9.40	11.84	8.01	6.84	2.47
Agent Network transactions through channels other than Branch Network / total Agency Network customer transactions (%)	97.15	96.76	96.76	97.88	97.73
<b>Internet</b>					
Internet customers as % of total customers	27.28	27.2	24.94	24.92	24.90
Transactions through bankinter.com as % of Bank total	53.71	55	53.76	54.89	51.38
Internet log-ons per active user	104.6	107.86	99.06	99.30	93.62
Variable income activity carried out via Bankinter Broker (%)	78.46	80.97	88.43	72.61	69.14
New customers signed up by Internet as % of total new customers signed up by the Bank (%)	16.29	15.19	21.42	3.87	4.26
<b>Shareholder and investor relations</b>					
Channels available to shareholders and investors	9	9	8	8	8
Number of publications aimed at shareholders and investors	24	19	19	34	34
<b>Support for Education, Culture and Innovation</b>					
Alliances and collaboration projects with academic and research institutions	66	73	71	72	61
Number of conferences organised by the Bankinter Innovation Foundation to disseminate its findings among Spanish businesses.	11	10	8	13	13
Number of experts (scientists, economists, sociologists, businessmen etc.) who participate in the forums organised by the Bankinter Innovation Foundation.	148	183	220	277	299
<b>Brand awareness</b>					
Awards or public recognitions received by Bankinter	21	18	25	30	30
Positive and neutral assessments made in reports on Bankinter in the media in the target market	97.61	95.28	82.84	88.55	79.52
<b>Social action</b>					
Number of agreements reached to include people with disabilities on the staff	5	6	6	7	6

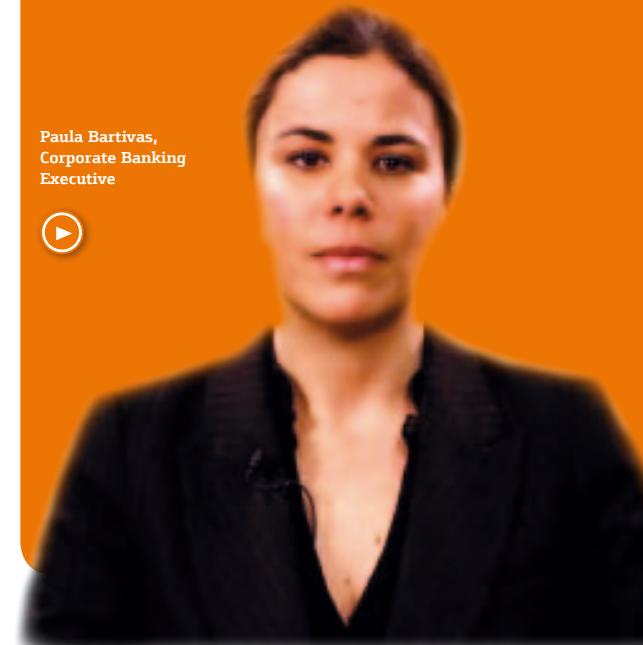
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## Business



*In a year that was the worst of the recession as far as Spain was concerned, Bankinter has consolidated its strategy of sustainable growth in the businesses and customer segments where the bank provides the highest value, including the High Income and corporate segments.*

Paula Bartivas,  
Corporate Banking  
Executive



## Economic and financial environment

In 2010 the world economy showed signs of recovery, although its pace varied widely from one geographical region to another. Emerging economies such as China and India now play an essential role in the development of the global economy, with double-digit growth rates and burgeoning internal demand. In contrast, the developed countries are experiencing a more moderate pace of recovery, with high unemployment rates and property markets that refuse to pick up.

As 2010 wore on, the burden of the recession was gradually shifted away from the private sector and onto governments, in some cases even bringing their solvency into question. Concerns about the sustainability of public finances became particularly serious in the Eurozone, forcing governments to introduce austere cost-cutting programmes. Central banks found themselves forced to put job creation and growth before combating inflation.

Europe took the brunt of the solvency crisis. Greece's financing difficulties in May and those of Ireland in November made the adoption of financial assistance programmes inevitable. Contagion to other European countries is an open risk, and the widening of spread differences on the bonds of the most vulnerable states has come to represent a serious obstacle to European economic recovery. However, after the ECB started to play a more active role in the matter, the situation, whilst remaining delicate, may have stabilised.

For Spain, 2010 was the most intense year of the recession, Spain's economy being a clear example of the asymmetrical nature of the recovery process. However during the year (in Q3) GDP changed from negative to slightly positive, although the level of unemployment is intolerable and represents the main challenge for the coming quarters. Tax increases and higher energy costs were the primary obstacles in the way of a recovery in private consumption and corporate capital expenditure.

### Interest and currency rates

The absence of inflationary tensions in the developed economies, combined with incipient or non-existent economic growth, meant that any increase in interest rates by the central banks was not necessary throughout 2010. Key lending rate levels remain at historical lows so as not to hinder recovery, and no change in this attitude is expected in the short term. Even in the United Kingdom, where inflation amply exceeded the central bank target, key lending rates have remained unaltered so as not to hinder the incipient economic growth.

In the emerging economies, where growth rates have recovered more quickly, some pricing tensions have surfaced, with the immediate response of moderate increases in intervention rates. This was the case of China, although the phenomenon is not exclusively restricted to this country.

The following table shows the changes in the key lending rates made by the main central banks since 2007, the year in

which the economic downturn officially began and after which the interest rates in the various countries started to fall.

The asymmetries in economic recovery depending on geographical areas has given rise to an abnormally high inconsistency in currencies throughout 2010. The two most significant trends were, on the one hand, the appreciation of the currencies in the emerging economies, particularly in Asia/ Pacific, and on the other hand, the weakening of the Euro compared to the U.S. dollar. The first of these trends may be explained by the faster rate of recovery offered by the emerging economies, while the depreciation of the Euro reflects the doubts posed regarding the solvency of some of the economies that make up the Eurozone. The attitude of the European Union in the tensest stages, more reactive than proactive, and the resistance of

the ECB to adopting a leadership role in dealing with the recession, have not helped the Euro at all.

One debate that will remain on the table is the pressure exerted by the United States to revalue the Yuan, although the increase in interest rates in the Asian giant could lead to advances in this regard. The yen and the Swiss franc have played the role of 'shelter currencies', as both currencies rose significantly compared to the Euro and the dollar in 2010.

	2007	2008	2009	2010
Euro Zone	4	2.5	1.00	1.00
US	4.25	0.25	0.0/0.25	0.0/0.25
United Kingdom	5.5	2	0.5	0.5
Japan	0.5	0.1	0.1	0.0/0.1

## Stock markets

Contrary to what might be deducted at first glance, 2010 was a good year for the markets, except in Europe and Japan. The progress in the U.S. and in the emerging countries was significant, double digits in many cases (see the following table), although the perspective from the Eurozone was somewhat disappointing. This statement is particularly valid in the case of the Spanish stock market, which dropped -17.4%, one of the worst records at international level. Even Japan, despite presenting a slightly negative net annual balance after years of high instability, managed to improve as the year progressed.

The European decoupling was due to the profound solvency crisis affecting the Old Continent. However, its impact on the rest of the indexes was very limited and therefore global recovery continues its course.

The volatility of the stock markets, both American and European, has been falling since the end of the first quarter to levels that are close to their historical average,

which indicates a trend that could hypothetically be consolidated in 2011.

The following table shows the changes in the main stock markets in 2010 and 2009, in local currency throughout:

	References	2009 (%)	2010 (%)
Spain	Ibex35	29.8	-17.4
USA	S&P 500	23.5	12.8
USA	Nasdaq	53.5	19.2
Europe	EuroStoxx 50	21.0	-5.8
United Kingdom	FTSE 100	22.1	9.0
Germany	DAX	23.8	16.1
France	CAC	22.3	-3.3
Japan	Nikkei	19.0	-3.0
China	Shanghai (B)	127.6	20.6
Brazil	Bovespa	82.7	1.0
India	Sensex	81.0	17.4

## Capital Markets and Treasury

Bankinter maintained an active presence in the fixed income markets as a government bond and bills market maker and joint leading issuer of Spanish Treasury securities; as well as in the corporate bond market, with an active distribution desk. Bankinter also continued to be very active as an issuer and distributor of warrants.

Bankinter pursued an active, careful and efficient liquidity and capital policy,

keeping access open to the European short- and long-term capital markets and the various instruments available. Bankinter's good image and solvency meant that the issues carried out were very well received.

To obtain liquidity the Bank used short-term issue programmes both on the domestic market through commercial paper programmes, and on the international market, with the Euronotes

programme. The average balances in the year were 1,395 billion euros and 1,347 billion euros, respectively.

To complete the capital and liquidity requirements, 2,150 billion euros of listed mortgage bonds and 900 million euros of subordinated debt were issued. 40 million euros were also issued in subordinated debentures.

Type of issue	Issue date	Amount
Senior Debt	15/01/10	900.00
Mortgage bond	09/04/10	1,000.00
Subordinated Debt	07/07/10	40.00
Mortgage bond	26/07/10	400.00
Mortgage bond	23/09/10	750.00

**Bankinter has made a firm commitment to offering flexible products tailored and adapted to suit every customer's needs.**

#### Lending portfolio by geographical areas

Branch network	Average balance	Diff. 2010/2009	Lending (%)
Regional HQ Catalonia	5,028,713	180,278	13.10
Regional HQ Levante (Eastern Spain)	4,875,432	-101,693	12.71
Regional HQ Northern Spain	3,003,288	-470	7.83
Regional HQ Navarra - Aragon - Rioja	2,143,529	69,788	5.59
Regional HQ Las Palmas	988,198	29,542	2.58
Regional HQ Tenerife	692,226	-15,755	1.80
Regional HQ Balearic Islands	898,573	78,423	2.34
Regional HQ North-Western Spain	2,998,535	198,792	7.81
Regional HQ Madrid West	5,718,135	412,852	14.90
Regional HQ Madrid East	4,097,112	135,994	10.68
Regional HQ Madrid Corporate Banking	1,775,197	397,261	4.63
Regional HQ Castilla la Mancha - Extremadura	1,333,001	71,244	3.47
Regional HQ Andalusia	4,820,851	324,495	12.56
Branch network	38,372,948	1,780,795	100

## Customer funds and loans and receivables

In the last financial year, Bankinter consolidated its sustainable growth strategy, focusing on a healthy increase in customer resources and maintaining stable and profitable loans and receivables.

The bank has continued to place the focus on the lines of business that are

already mature, without forgetting to create new products, services and tools to aid marketing and without overlooking quality, multi-channelling and innovation, which are still its basic pillars.

This has enabled it to commit to offering flexible products that are tailored and adapted to suit every customer's personal needs. Therefore, as in previous years, the commercial network has received intense training on both products and management tools.

### Credit Investment

Despite the current economic situation in general and the credit situation in particular, Bankinter has maintained its commitment to profitable, diversified and, in terms of asset quality, healthy growth in lending to both households and businesses, as is reflected in the high proportion of total lending that is covered by in rem guarantees, particularly mortgages, in credit activity as a whole. These factors, together with appropriate policies for risk approval and control, enable Bankinter to post one of the

lowest non-performing loans ratios in the market.

Mortgage lending continues to be one of the pillars of our lending, despite the adjustment caused by the stagnation of the property market, although we should also point to the growing importance of financing associated with corporate business, which is becoming a key segment for developing the Bank's financing activities.

At 31 December 2010, the Bankinter Group's average ex-securitisation lending amounted to 43,252 billion euros, representing an increase on December 2009 of 4.0%, and the non-performing loans ratio, ex-securitisation, was 2.9%.

There was no change in the selective strategy applied to the mortgage business, either in terms of types of customers or in the quality of the loan assets generated. Consumer finance follows, with the consolidation of pre-authorised personal loans, a simple and direct financing formula, and one which the customer can access through any channel.

Cards issued  
**920,327**

Mortgage loans with in rem guarantees rose by 4.8% to 29,865 billion euros in 2010. As is becoming customary, most of this annual lending corresponds to customers with medium or high economic profiles.

As regards business finance in the legal entities segment, it continues to be supported by a comprehensive offering of products and services (all-in management of payments, factoring, financing lines etc.) directed at small and medium company customers, most of which can be managed via remote channels such as the internet, telephone or mobile phone banking.

Like in previous years, Bankinter has joined as a collaborating institution in the various ICO lines of credit. These lines of credit are intended to finance projects and the liquidity needs of self-employed workers and enterprises.

#### Means of payment

##### Cards

The two main benchmarks that measure credit and debit card business improved in 2010. The number of operations performed using Bankinter cards in businesses and ATMs amounted to 53.83 million transactions in the year, for a total volume of 3,913 million euros, which represent increases of 3% and

1.7%, respectively, compared to 2009. As regards the number of cards issued, the figure was 920,327.

##### Consumption

2010 saw reductions in the personal loan business, in terms of new operations and volume. The number of new personal loans was 8,553, compared to 11,487 in 2009; and the average limits granted were 13,270 euros compared to 13,688 euros in the previous year. This meant reductions of 25% and 3% respectively. The consolidation of pre-authorised personal loans continues a simple and direct financing formula, and one that the customer can access through any channel.



## Customer funds

Bankinter closed 2010 with 39,905 billion euros in customer resources, a figure that is 0.2% higher than in 2009, when it stood at 39,839 billion euros.

<b>CUSTOMER RESOURCES</b>			<b>difference</b>	
<b>Thousand euros</b>	<b>2009</b>	<b>2010</b>	<b>Amount</b>	<b>%</b>
Creditors	21,867,330	23,009,083	1,141,753	5.22
Public administrations	494,874	387,036	-107,838	-21.79
Resident sectors	20,689,558	21,891,258	1,201,700	5.81
Sight accounts	9,573,778	8,611,726	-962,052	-10.05
Term deposits	6,129,519	9,577,074	3,447,555	56.25
Asset repos	4,986,261	3,702,457	-1,283,803	-25.75
Non-resident sectors	589,727	595,596	5,869	1.00
Valuation adjustments	93,171	135,193	42,021	45.10
Marketable debt securities	17,971,994	16,895,422	-1,076,572	-5.99
<b>Total</b>	<b>39,839,324</b>	<b>39,904,505</b>	<b>65,181</b>	<b>0.16</b>

<b>OFF-BALANCE SHEET RESOURCES UNDER MANAGEMENT</b>			<b>difference</b>	
<b>Thousand euros</b>	<b>2009</b>	<b>2010</b>	<b>Amount</b>	<b>%</b>
Investment funds	5,216,266	3,958,823	-1,257,443	-24.11
Pension funds	1,213,089	1,246,968	33,879	2.79
Commercial Paper	25,403	25,403	0	0.00
Government bonds held to maturity	175,471	282,818	107,347	61.18
Wealth management	1,401,168	1,429,710	28,542	2.04
<b>Total Off-balance-sheet funds</b>	<b>8,031,397</b>	<b>6,943,722</b>	<b>-1,087,675</b>	<b>-13.54</b>

In 2010 Bankinter maintained its personalised offering of deposits at attractive interest rates and adaptable to all customers.

Continuing with the commercial policy implemented last year, in 2010 Bankinter maintained the customised offering of deposits at attractive interest rates that may be adapted to all customers, with a view to attracting customers and balance, as well as retaining the balance that the bank already had.

On the other hand, the bank has also promoted its offering of deposits whose profitability is linked to the hiring and maintenance of other associated products. Customers that are more committed to the bank with various products are therefore able to obtain a better return on their balances.

Structured deposits have also been consolidated as a stable product proposal. Over 30 different proposals in this range to the value of over 100 million euros were marketed during the year. Therefore, despite the fact that a significant number of structured deposits expired during the year, the outstanding balance stands at 332 million euros.

At the end of the year, Bankinter started to issue structured bonds, which it has marketed very successfully to its customers, in some cases exceeding the amount initially offered.

As regards current accounts, the highlight is the launch of the *Cuenta Nómica Plus* (Payroll Plus Account) aimed at the bank's best customers, which adds to the advantages of the *Cuenta Nómica* (Payroll Account) a remote IT support and data recovery service provided by the company Lázarus, and a free bill protection insurance policy provided by Groupama.



### **Inversión Delegada (Delegated Investment)**

During 2010, Bankinter decided to relaunch its portfolio management service for Investment Funds, Pension Plans/ EPSVs and Securities, as an interesting alternative for customers seeking to delegate the management of part of their equity to Bankinter, under the new name "Inversión Delegada" (Delegated Investment). Customers are offered two types of management: 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 without specified risk control.

2010 ended with 258.4 million euros and 5,352 portfolios, distributed as follows: investment funds (169.5 million euros and 2,926 portfolios); pension plans (72.4 million euros and 2,029 portfolios); EPSVs (12.3 million euros and 260 portfolios); and in Securities, 4.2 million euros and 137 portfolios.

This relaunch was leveraged by the creation of new portfolios to balance the

offering, the unification and modification of the charges system and the creation of a new objective benchmark in portfolios, in a bid to give the customer a real, objective benchmark for their expectations as regards return.

Moreover, as part of adapting the portfolio management system to the requirements of the MiFID Directive, the customer may only open a particular portfolio if it matches their investment profile.

### **International business**

Contrary to what had occurred in the previous two financial years, in 2010 there were clear signs of recovery in foreign trade, as the aggregate figures for imports and exports rose by around 5% compared to 2009.

Even better than this trend, the margin provided by the bank's international business rose above 6%, with the main contributors to this improvement being the lines of business associated with documentary operations, currency risk hedging and international guarantees. It is important to highlight too that Bankinter maintained the credit

investment balances associated with foreign trade, thereby confirming its determined commitment to this strategic sector in our country's economy going forward.

2010 was also a year of growth and consolidation in the 3 basic pillars in our commercial model:

- **International Business Experts Group.** A call centre specialising in advisory services and monitoring international operations, which recorded a total of 21,000 calls from customers during the year.
- **On-line Currency Broker,** responsible for over 50% of currency operations performed in the cash and forward markets.
- **International Operations Centre,** which this year once again recorded an improvement in the NSI for quality perceived by the customers that it supports.

## High Income

In 2010, Bankinter continued to strengthen its Equity Services offering for High Income customers. Within this area, the products most sought after by our customers were investment properties, particularly retail premises and offices located in the business districts of cities, with strong lease contracts.

There was also demand for assets with businesses requiring low management, with predictable positive flows from the

outset and long-term contracts, such as rotating car parks or service stations.

In the first semester of the year there was appreciable demand for renewable energy generation assets, especially photovoltaic solar power plants, operating under Royal Decree 661/2007 and new ones commissioned under the terms of Royal Decree 1578/2008.

On the other hand, there has been ongoing demand for investing or disinvesting in unquoted companies

and we also collaborated in obtaining investors to increase the capital of a company before it was listed on the MAB (Alternative Stock Market).

Finally, our customers' needs for family protocol services were met, in this case with the collaboration of reputed collaborators.



61,585 new customers attracted in 2010.

## Customer segments

Bankinter's average resources at the close of 2010 amounted to 17,898.8 million euros, a 2.1% increase on the figure for 2009. As regards average investment, which stood at 43,039.1 million euros, there was also an increase of 2.86%, which demonstrates that the bank's customer lending activity remains buoyant, despite the adverse economic environment.

The number of active customers the bank had at the end of 2010 was 732,305, of which 61,585 were new customers.

In terms of quality, the bank's Net Satisfaction Index (NSI) according to

customer perception of the service received, stood at 74.4 points.

As regards the quarterly survey carried out on the private individuals segments, at the end of 2010 Bankinter had increased its advantage over the rest of the market to 7.3 points, the largest gap since the year 2007.

As usual, the channel most used by customers for their dealings with the bank was once again the Internet, through which 51.4% of all Bankinter transactions are carried out.

Some 40% of customers use two channels to interact with the bank, and 24% of customers even use any one of three channels, depending on their particular requirements.

<b>Thousand euros</b>	<b>2009</b>	<b>2010</b>	<b>Diff €</b>	<b>% Diff.</b>
Average resources	17,528.96	17,898.79	369.83	2.11
Average loans and receivables	41,842.85	43,039.06	1,196.21	2.86
Gross Margin	887,421.98	850,104.75	-37,317.23	-4.21
NSI (points)	74.52	74.44	-0.08	-0.11
Active customers	773,952	732,305	-41,647	-5.38
New customers	73,307	61,585	-11,722	-15.99

The bank has 47 Private Banking Centres **distributed throughout Spain.**

### **Private Banking**

Private Banking ended 2010 with 54,202 active customers, which represents 3,810 customers more than at the start of the year.

By year-end, 6,437 billion euros were being managed, of which 56% correspond to typical equity and the remaining 44% to intermediation.

On the other hand, the average investment figures increased by 13.4% compared to 2009, reaching 3,164 billion euros.

As regards earnings, there was a 7.9% drop as a consequence of the economic situation and the continued uncertainties and tensions on the financial markets, meaning that customer investments

mostly took refuge in deposits, in many cases, "high rate" deposits.

As for the commercial activity, the success recorded by some product types such as risk life assurance should be noted, of which a total of 4,560 policies to the value of 603 million in insured capital were taken out.

As regards the installed capacity, the bank has 47 Private Banking Centres in operation, spread throughout Spain and staffed by personnel with experience in dealing with this customer profile. In order to ensure that the skills of these employees remain high, the specific training programmes have been revamped and reinforced, to adapt them to the requirements of the new MiFID regulations. In this regard, numerous internal courses have been provided for the whole workforce.

As well as these centres specialising in customer support and advisory services, the Private Banking segment continues to be supported by multiple channels as the formula for relating to customers via the channel that best suits their preferences.

With a view to maintaining direct relations with customers and prospects in the segment and giving them advice on the situation of the stock markets and markets, 26 meetings were held during the year in various cities in Spain. These participative events provided attendants with first-hand knowledge of the opinion of the bank's expert analysts, its consultancy department and other international consultants, regarding the financial situation of the markets and the most interesting investment opportunities.

On a lighter note and in the spirit of solidarity, the bank organised 7 charity concerts to raise funds for Cáritas, attended by customers from this segment as guests. This successful series of concerts included the participation of the Czech National Symphony Orchestra conducted by Inma Shara, one of the most brilliant representatives of the new generation of conductors in Spain.

The CRM (Customer Relationship Management) Department is still, ever increasingly, a key component in offering a customised high quality service and one of the reasons for the good impression that customers have of the service received from the bank. The Net Satisfaction Index for the segment stood at 76.60.

<b>Million euros</b>	<b>2009</b>	<b>2010</b>	<b>Diff. %</b>
Average resources	3,585.48	3,784.17	-5.25
Average loans and receivables	3,164.12	2,789.41	+13.43,
Gross Margin	76.53	83.06	-7.86
NSI (points)	76.60	74.78	1.82

**Bankinter is the third-placed bank in terms of the number of collective investment societies managed, according to the Inverco ranking.**

### **Personal Finance**

2010 was a year marked by an adverse macroeconomic situation and markets that caused customers to display a certain aversion to risk.

In this context, Bankinter made a serious effort to increase both its direct relations with Personal Finance customers and the activity to attract new prospects.

In this regard, the work of the teams devoted to advisory services took on a special relevance. This was acknowledged by the customers themselves, who improved their opinion of the service they receive in our regular customer satisfaction surveys.

This meant that the main business variables have continued to improve considerably, both as regards customer resources and in investment. Moreover, earnings from Personal Finance, measured according to the gross margin, rose by 7% in interannual terms.

Service quality, a fundamental factor on which our Personal Finance activity is based, was in 2008 perceived by customers to be worthy of a very high score, with a satisfaction index of almost 80, which clearly places us above the average for the sector.

The value proposal from Personal Finance, which focuses on comprehensive advisory services and management of customer equity, has continued to improve, with customised solutions and relevant contributions from the Equity Services and Legal and Fiscal Advisory departments, in a bid to meet the complex needs of customers with higher equities.

The increase in the number of SICAVs managed by Bankinter Gestión de Activos amounted to 10 new companies created during the year. Once again, it was the institution that recorded the highest growth in the Spanish financial sector and consolidated its position, with 250 SICAVs, as the third bank in terms of the number of collective investment societies managed, according to the Inverco ranking.

	<b>2009</b>	<b>2010</b>	<b>% Diff.</b>
Average resources (Million euros)	2,186.12	2,389.23	9.29
Average loans and receivables (Million euros)	1,530.45	1,635.77	6.88
Gross Margin (€ thousand)	48,855.23	52,434.37	7.32
NSI (points)	76.66	79.74	3.08

**For yet another year, the mortgage portfolio maintained its excellent risk quality, with a non-performing loans ratio of 1.07%, a figure that remains one of the lowest in the sector.**

### **Banking for Private Individuals**

As mentioned in the Report for 2009, Bankinter created a new line of business called Personal Banking in this year. For this reason, in the early months of the year, the customers with the highest income and equity were transferred from Private Individuals to the new Personal Banking segment. This fact explains the variations existing between the data shown for this year and those that were shown in the previous year's report.

Bearing this premise in mind, the Private Banking segment totalled 447,096 active customers in 2010.

Total average assets at the close of 2010 amounted to 16,291 billion euros. In balance sheet terms, the year ended with average funds of 2,474 billion euros; 79% of which are typical funds and the remaining 21%, brokerage. The increase

in typical funds in the year amounted to 27 million euros. Lending stood at 16,236 billion euros at year end.

Mortgage lending was the best performing product this year, with a total of 7,080 mortgage transactions completed, amounting to a total of 1,023 billion euros.

The Bank's mortgage portfolio maintained its excellent risk quality for yet another year, with a non-performing loans ratio of 1.1%, 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-performance in the financial sector.

There was intense commercial activity in this segment during the year. Mention should be made of the boost given in strategic fields to certain variable income products and to life assurance.

In variable income, at year-end the figure for the deposit portfolio was 481 million euros. Operations performed by customers totalled 242,516.

In life assurance, a total of 25,958 policies were sold to customers in this segment, for an insured capital of 1,481 billion euros.

Lastly, in terms of quality, this customer segment closed the year with an accumulated NSI of 73.7.

<b>Million euros</b>	<b>2009</b>	<b>2010</b>	<b>% Diff</b>
Average resources	1,921.90	1,949.29	1.43
Average loans and receivables	16,281.14	16,235.89	-0.28
Gross Margin	193.17	162.56	-15.84
NSI (points)	73.47	73.73	0.26



## Personal Banking

If 2009 was the year in which Bankinter started to offer differentiated management to certain customers that due to their income and equity levels, required differentiated support within the Private Banking sector, 2010 marked the official launch of this segment, which was given the name "Personal Banking". The most relevant facts in the creation of this segment were:

- Notification to customers to inform them that they belonged to this new segment, by means of a specific marketing initiative.
- Creation of a specialised sales network to deal with this group of customers.
- Internal accounting independence, with a separate income statement and balance sheet, and individualised monitoring of retail activity indicators, quality, efficiency etc.

The financial year 2010 opened with 96,771 customers from among those with the highest income and equity in the Private Individuals segment, which is the reason why they were selected to join the new Personal Banking segment.

At the end of December, the number of active customers stood at 104,986, which represents an 8.5% increase during the course of the year. Throughout 2010, a total of 13,166 new customers were won over, with the mortgage being the most important catalyst in this process, especially in the middle of the year. The financial year ended with 3,523 mortgages granted to new customers. The specialised sales network created to deal specifically with this customer group consists of 308 managers based throughout the network of officers, and 12 remote managers.

These people have been given specific training, based on advice on products of priority importance for this type of

customers (investment funds, variable income, insurance etc.) and on tools designed for this group, such as Financial Planning. This planning and advisory service is to help the customer to maintain a certain economic situation during their retirement or to attain a financial goal in the middle or long term. This tool was used to make 9,135 planning proposals to customers during the year.

The commercial activity in the segment is organised via the CRM, which enables the bank to maintain the desired frequency of contact with each customer and to adapt the offering of services and products to each customer's needs, preferences and risk profile.

As regards the opinion expressed by the customers regarding the quality of service received, the accumulated satisfaction index for the year stood at 74.5, an indicator that has been rising throughout 2010.

As regards the balance sheet, Personal Banking ended the year with total average customer resources under control amounting to 3,877 billion euros and average loans and receivables totalling 7,024 million euros, which represents a 3.3% increase on the month of December 2009.

In order to correctly interpret the results provided below, it is important to highlight that some of the data are in blank because there is no information from 2009, as the segment was created in January 2010.

<b>Million euros</b>	<b>2009</b>	<b>2010</b>	<b>% Diff.</b>
Average resources	2,851.34	2,678.83	- 6.05
Average loans and receivables	6,797.02	7,023.64	3.33
Gross Margin	108.85	91.61	-15.83
NSI (points)	--	74.52	--

Personal Banking segment created in 2010

**Bankinter's Corporate Banking segment closed the year with a 17.3% increase in the gross margin.**

### **Corporate Banking**

The general slump in economic activity recorded in 2009 continued in the financial year 2010, translating in practice into lower turnovers in companies and progressive worsening of income statement figures, which has led to an increase in the non-performing loans ratios and bankruptcy scenarios on the market. Despite these negative circumstances, Bankinter's Corporate Banking segment managed to end the year with a growth rate of 17.3% in the gross margin, thanks on the one hand, to the increase in the financial margin, derived from adequate management of the interest differences, in which an increase of 19% was achieved, and to the ongoing improvement in fees, with a 14% increase compared to 2009. The final figure for profit before tax at year-end stood at 50.1 million euros, with the non-performing loans ratio remaining at 2.25% of total investments.

As regards the items on the balance sheet and despite the recession mentioned previously, the average credit investment increased by 12.9%, reaching 6,757 billion euros in December and exceeding 10,390 billion euros including signing risks. These figures were compensated with a 12.3% growth rate on the other side of the balance sheet, with the average resources figure reaching 4,191 million euros.

The value proposal for clients continues to be based on differentiation through constant enhancement in service quality, with satisfaction rates that are much higher than those of our competitors. The accumulated satisfaction index in December reached 78.9 points, with a 1.86 point improvement in December 2009.

Bankinter continues to maintain its commitment in the Corporate Banking segment to a multi-channel management model, offering products and services that are in line with the activities pursued by

this type of customers, and a permanent concern for innovation, especially via the corporate website. This website, which is among the most highly reputed in the entire financial sector, currently channels 79.2% of the total customer transactions, guaranteeing fast, efficient solutions in their daily operations.

In short, it may be said that in 2010, Corporate Banking remained true to its principles of quality and innovation and was able to end a complicated year on a brilliant note, keeping the main management ratios for its business very high, with a gross return on assets or ROA of 2.7%; with excellent operational efficiency - ratio of total costs to operational earnings - of 23.4%; and most importantly of all, with the solidity and quality of its credit portfolio, all of which are variables that characterise business at Bankinter.

<b>Million euros</b>	<b>2009</b>	<b>2010</b>	<b>% Diff.</b>
Average resources	3,730.57	4,190.82	12.34
Average loans and receivables	5,987.79	6,757.26	12.85
Gross Margin	158.10	185.48	17.31
NSI (points)	77.01	78.87	1.86

The balance sheet for small and medium enterprises is built on solid assessment of credit risk.

### **Small and medium enterprises**

In 2010 Bankinter continued to show its commitment to the small and medium enterprise segment, which is still relevant for generating income in the Group. In this financial year, our network of offices managed to attract 8,968 new customers to the bank, generating earnings that were slightly (3.5%) lower than the figures for 2009, but with a cash flow that was 2.3% higher.

The growth in typical resources in December 2010 stood at 2.4%, compared to the same date in 2009, while average loans and receivables contracted by

2.0%. The balance sheet for SMEs is still built on the basis of a very solid credit risk assessment, with quality 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 2010, Bankinter's value proposal for this customer segment, which is unique and highly competitive, continued to focus on global client management, service quality and multi-channelling.

As in previous financial years, the increase in client activity was managed through the most efficient channels. It should be highlighted here that 80% of transactions completed in 2010 were performed through remote channels.

<b>Million euros</b>	<b>2009</b>	<b>2010</b>	<b>% Diff</b>
Average resources	2,836.75	2,904.41	2.38
Average loans and receivables	7,201.29	7,057.55	-2.00
Gross Margin	206.03	198.92	-3.45
NSI (points)	72.04	71.21	-0.83

## Foreign Customers

In 2010 the Foreigners segment reached the figure of 25,607 active customers and was maintained as a sub-segment of Private Individuals focusing on citizens from other countries that buy a second home on the Spanish coast, for which they apply for finance and specialised services.

Average total assets climbed at year-end to 801 million euros, compared to 850 million euros in 2009, which represents a 5.8% drop.

In terms of the balance sheet, the year ended with average controlled resources to the value of 223.1 million euros. 89.8%

are typical resources and the remaining 10.2%, brokerage.

The mortgage activity was reduced in this year. The property slump led to an increase in the stock of homes in coastal areas, leading to excess supply. However, the price adjustment that occurred and the better evolution in other European economies leads us to believe that the mortgage activity will pick up shortly. At year-end, the figure for investment stood at 796.1 million euros, with a total of 237 mortgage operations completed for a total volume of 31 million euros.

There was significant commercial activity during this year and special mention

should be made of the boost to insurance. As regards risk life assurance, 789 policies were sold to customers in this segment, with an insured capital to the value of 57.2 million euros.

Lastly, Bankinter is committed for yet another year to providing a quality service. This enabled us to close the year with an accumulated NSI of 80.2%, the highest of all our segments.

<b>Million euros</b>	<b>2009</b>	<b>2010</b>	<b>% Diff</b>
Average resources	217.70	200.33	-7.98%
Average loans and receivables	844.90	796.06	-5.78%
Gross Margin	18.43	15.47	-16.04%
NSI (points)	81.82	80.22	-1.96%

# 5

## Technology and Operations



*Bankinter's technological capacity is one of the values that sets it apart from its competitors. The bank applies its technology towards enhancing the efficiency and quality of its services. This year marked the consolidation of 'Bankinter Labs', a collaborative forum where customers participate in creating new products and services.*

Juan Pinto,  
Analyst



**2010 saw the creation of Gneis, a company in which Bankinter has a 100% holding, entrusted with the task of integrating Technology and Operations, which provide strategic support to the companies in the Group.**

## Technology

Since 1 October 2010, Gneis Global Services, a company in which Bankinter has a 100% holding, has been responsible for the bank's Technology and Operations divisions. Both continue to be indispensable pillars for the bank's activity.

**Technology: Research and innovation to guarantee the stability of products, services and relation channels.**

Innovation and Technology form the main foundation on which the Bankinter Group's products and services are based.

Bankinter pays special attention to knowledge of remote channels and the use of the various devices by customers, who decide the type of channel they wish to use in their relations with the various companies in the Group.

The bank's technology - supported by ongoing research and innovation - directs processes in the most effective and most highly integrated manner, as a formula for obtaining knowledge and rolling out pioneering tools.

The contribution made by Gneis towards the attainment of the bank's business aims is that it provides the maximum efficiency and an optimal quality of service in all systems, achieving uptime ratios that are in fact close to 100%.

**New technologies and tools.**

In 2010 Bankinter redesigned the private individuals website, implementing an innovative content manager that lends it greater commercial force and dynamism. This year also saw the consolidation of 'Bankinter Labs', a collaborative forum where customers take part in the product design cycle by using the laboratory and the main social networks. To coincide with the first anniversary since it was founded, this initiative received an award from the magazine 'Comunicaciones Hoy' for being the best technological project in the Banking and Insurance category.

On a parallel basis, productivity was improved using hardware virtualisation techniques, which make equipment more

efficient and save in electricity, thus making a positive contribution towards environmental conservation; on the other hand, work is ongoing on the continuous enhancement and re-engineering of internal processes, the use of software factories etc.

Bankinter has created a powerful 'Business Intelligence' tool for management information (with the resulting simplification and ease of access), as well as other Business Process Management tools to work on processes that are managed automatically, with plausible results in terms of control and efficiency levels and of risk reduction.

Mention should also be made of the projects undertaken to strengthen customer relations in specific areas such as insurance, factoring or variable income, with the launch of 'Broker Plus' being the major development in the latter area.

Average response time remote processing	0.06 sec.
Average response time Internet	1.7 sec.

**'Bankinter Labs'**  
1st prize from the  
magazine  
**'Comunicaciones Hoy'**



### **Technological risk and customer security: a reference in the sector.**

Bankinter's protection strategy as regards its customers' security seeks to heighten their awareness through information, protection and advice, in order that they themselves may be active parties in protecting themselves.

In this regard, we should point out that 2010 was particularly notable for the proliferation of banking Trojans (software that is presented to the user as being legitimate and inoffensive, but which when run on the computer, enables cyber-criminals to remotely acquire the information used to access web services). This type of computer viruses are increasingly sophisticated and resistant to commercial antivirus programmes, although the Security CRM, which analyses and learns the profile of customer operations, enables the bank to detect the majority of infected systems at an early stage. The moment this happens the customer's Internet credentials are blocked. The customer is

then immediately notified and advised as to the measures that need to be taken.

Bankinter has introduced new authentication methods in its on-line procedures, such as electronic ID and 'Mobile OTP', which involves double signing with SMS messages to mobile telephones for operations in which money leaves the account.

This has enabled Bankinter to consolidate, and even improve, the position of privilege and trust that the bank and its customers have regarding e-fraud and other on-line threats, something that allows the bank to continue being a reference in the sector, year after year. In line with international practices and with a view to obtaining external ratification for these guarantees, in 2010 the bank's protection and security systems were audited by independent personnel of acknowledged prestige.



ISMS ISO/IEC 27001:2005 Certificado: IS508474



BCMS BS 25999-2:2007 Certificado: BCMS 536886

### **First Spanish bank to be certified simultaneously as BS 25999 and ISO 27001 compliant**

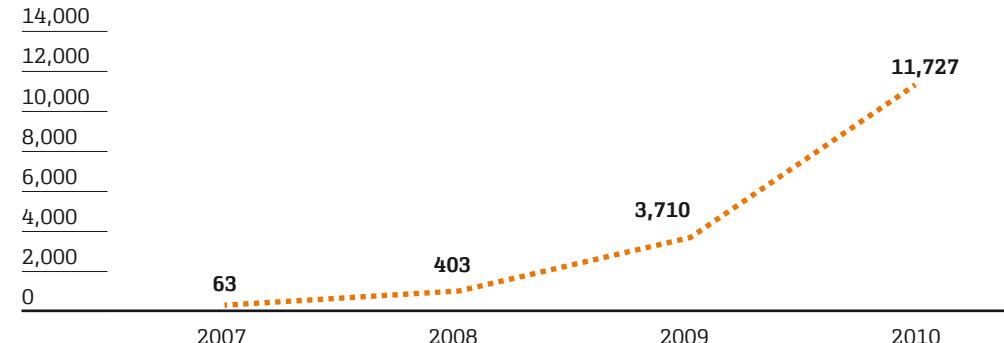
In 2010 the security and technological continuity guarantee for the bank's transactions over the Internet was re-certified.

The British Standard Institution (BSI), a certification body of international prestige, carried out a new re-certification review for both the ISO 27001 (Security management System) and the BS 25999 (Technological Continuity Management

System) standards with a view to validating correct maintenance of the system and its ongoing improvement cycle, which are indispensable for holding on to the certification granted.

Bankinter amply exceeded these requirements, which consolidates the bank's commitment to attaining the highest standards of quality and professional rigour in managing security and business continuity on platforms and systems.

### **Blocked on a precautionary basis**



## Transactions: Greater control and efficiency thanks to technology and process re-engineering.

Gneis pursues the simplification, specialisation and automation of operational processes, by resorting to innovation and incorporating the latest technologies. The aim is to achieve excellence in service and lend greater efficiency and stability to the bank's activities, while reducing operational risk on a parallel basis.

Gneis has an experienced human team, a high standard of commitment and dedication and an unwavering spirit of having a vocation to serve.

All of the above enabled changes to be made to the Bankinter operational model in 2010. While maintaining a similar volume of activity, the administrative tasks that were once allocated to the bank branches have been diverted to the Operations division - nowadays in Gneis; meaning that the branches are relieved of this time, which they can devote to commercial management.

For this transformation, various process automation and control tools were incorporated, facilitating re-engineering in order to achieve greater dynamism and substantial improvements in quality, speed and costs:

- Single platform incorporating business process management (BPM) technology, to request and handle requests from Bankinter branches to support centres.
- On a parallel basis, the creation of a balanced scorecard that has optimised operational monitoring from the branches.
- Contract scanning project.
- Centralised management of customer orders received by fax.
- Control and prevention in the means of payment process to reduce fraud by withdrawing compromised cards or generating alerts based on behaviour patterns.
- Call distributor, which has improved telephone support ratios in queries submitted by branches.

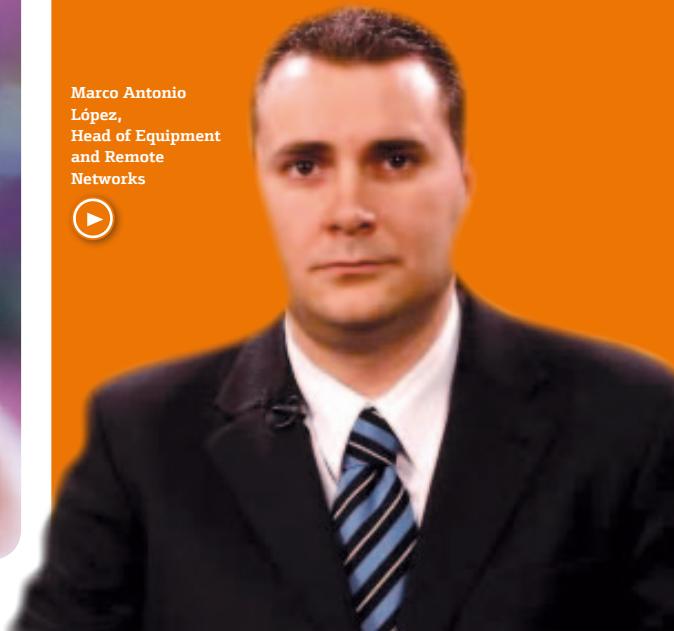
# 6

## Channels and Networks



*Bankinter customers have multiple systems available for relating and operating with the bank. Internet was the channel most used by customers, concentrating 51.38% of transactions performed. In turn, the mobile telephone has been consolidated as a regularly used channel for banking queries and procedures.*

Marco Antonio  
López,  
Head of Equipment  
and Remote  
Networks



**51.4% of bank transactions were performed over the Internet.**

## Channels

### Internet, the channel customers prefer to use in their dealings with Bankinter

In 2010 the Internet was the channel preferred by customers for dealing with the bank and performing their financial operations. 51.4% of the bank's total transactions were performed via this channel. We shall now go on to provide details of the penetration rates for the Internet among the bank's active customers:

	<b>Data as %</b>
<b>In private individuals</b>	
Private Individuals	57.68
Personal	66.15
Private Banking	60.96
Personal Finance	63.05
<b>In legal entities</b>	
Small companies	66.89
Companies	77.55
Corporate Banking	83.16

Quality remains one of the pillars on which customers' activity via the Internet is based. During 2010, customers gave an NSI score of 79.0 points for their overall satisfaction with bankinter.com. The score obtained by the Broker was 75.7 and in the case of the empresas.bankinter.com website, it was 79.1.

bankinter.com was redesigned and is now more streamlined

In 2010, the bankinter.com website improved as regards browsability, tab visibility and the clarity of the information provided on the products and services, with even more attention being invested in the page architecture. Moreover, the implementation of a content manager has concluded. This tool allows for greater speed in processing data, images and all contents displayed.

Various functional changes have also been made to this website during the year:

- The possibility of customers logging on to on-line operations using electronic ID was added to the traditional method of user/password identification.
- A more secure double authentication system, called OTP (one-time password) was also implemented, for operations in which money leaves an account, where

the user has to enter a second code that the bank sends to their mobile telephone by SMS.

- Internet notification system (post-it) that the bank uses to inform the customer of unusual or suspicious situations detected in their accounts. The customer may then solve the exception by means of on-line transactions.
- New 'market analysis' tab, with useful information on the stock market, investment funds, interest rates and currencies.
- Miscellaneous improvements in transactions: extending the period for which account transactions may be queried to 18 months, greater intelligibility in the most frequent error messages or new options of downloading applications for iPhone, Android, Blackberry and other mobile telephones.



**Broker Plus**  
**a professional trading tool provided to private individual customers.**

[empresas.bankinter.com](http://empresas.bankinter.com)

As a new development this year, it should be highlighted that web mail could be accessed from any part of the web, making it easier to locate documents. These may also be categorised according to products and generated in PDF format, with the possibility of linking several together in one.

New functionalities were also deployed in querying movements and bad debt data, according to CSB (Higher Banking Council) regulations 19 and 58. Companies were also released of the need to go to the branch to pay taxes, a transaction that is now possible via the website.

[broker.bankinter.com](http://broker.bankinter.com)

In 2010, the bank launched 'Broker Plus' on the market, an investment tool that integrates all of the transactions and queries available in the Broker, providing the customer with the most advanced technical analysis, graphs and real-time price quote tools in a single workspace.

**SMS text messaging platform**

Bankinter customers appreciate the value that they receive when the bank sends information by SMS - over 32 million messages in this financial year - informing them of their positions, operations or ongoing processes. Bankinter knows the mobile telephone numbers of 81.3% of its active customers in the private individuals segments. The Net Satisfaction Index for this service provided by the bank stood at 80.5 in 2010.



## Networks

### Branch network

At the end of the financial year Bankinter had a network of 367 "non-specialised" branches, which serve all Bank customers, and which complement the management of existing customers with winning over new prospects, both private individuals and legal entities.

Special mention is due to the efforts made in 2010 to provide offices with specialists in the capture and management of customers from a specific segment called

Personal Banking, who, whilst not being customers of the Private and/or Personal Finance segments, nonetheless require special attention due to their level of income or wealth.

The basis for developing the activities of sales teams continues to be the powerful CRM tool, which makes it easier to present customers with the products best suited to their profile and needs and the best market options at any given time and with the appropriate frequency.

During this financial year, work has continued on adapting the façades of the branches to Bankinter's new image. The year closed with 99.4% (365) of branches already adapted to this new image. As regards the interior of the branches, at the end of 2010 a total of 203 centres had been adapted to the new corporate identity, which represents 55.3% of all branches, with plans to reach 100% in the coming years.

As regards the ATM network, 2010 ended with 303 installed, which means that 83% of our branches already have these cash dispensers. The aim is to complete this network in 2011, until all of the bank's branches have ATMs

To carry out the activities of attracting and managing customers in the branch network, Bankinter has a team of professionals (managers, vice-managers, account managers, executives, authorised officers and clerical staff) whose task is to provide quality service and promote sales activity in all the business segments under their responsibility.

However Bankinter also has a team of experts 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 89 Business Centres, distributed among the 13 territorial organisations that comprise the Bank, with a total headcount of 219 employees. These Centres are mainly located in industrial estates where there is a high density of medium-sized enterprises, to whom they give specialised and close-at-hand commercial attention.

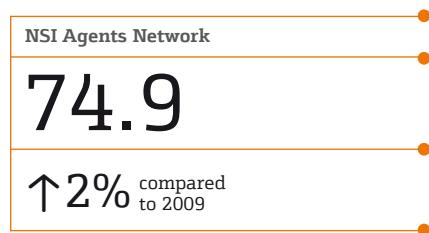
**Private Banking and Personal Finance Centres.**

The number of these centres - which are exclusively devoted to all-round, personalised care for customers in the higher equity segments: Private Banking and Personal Finance - stood at 61 at the end of the year, of which 14 were dedicated to the Personal Finance customers on an exclusive basis. The workforce in these centres, highly qualified to meet the requirements of these customers, comprises a total of 262 employees, of whom 43 are dedicated exclusively to Personal Finances.

**Corporate Centres**

The Bank currently has 47 Corporate Centres, staffed by a total of 196 professionals. These are centres where larger businesses and institutions receive specialist commercial attention.

	<b>31/12/2010</b>	<b>31/12/2009</b>	<b>Diff. %</b>
Non-specialised branches	367	369	-0.54
Business centres	89	102	-12.75
Private Banking and Personal Finance	61	62	-1.61
Corporate Banking	47	47	0.00
Average resources (million euros)	15,172.66	14,743.87	2.91
Average loans and receivables (million euros)	37,709.63	36,387.09	3.63
Net Satisfaction (points)	73.92	74.03	-0.11



### Agent Network

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

Nowadays, Bankinter has one of the most important financial agent networks in Spain, consisting of 543 professionals that market all kinds of savings and investment products, as well as variable income, means of payment and secondary products. Being a Bankinter agent means being able to market the bank's best products and services in highly competitive conditions. This network's strategy is geared towards customers with a high profile, from the Private Banking or Personal Finance segments, who require professional advisory services.

Aware of its growing importance, Bankinter is continuing with its commitment to the training and professional development of agents. Apart from the general training plans for these agents (induction courses on the bank's technological platforms and operational procedures), specific training is being organised on the advisory products regulated by the MiFID Directive, so that agents' qualifications in advisory services are a clearly distinctive feature that set them apart.

In 2010, work has continued on segmenting agents according to their activity, turnover and involvement with Bankinter. Along these lines, the bank has continued with the network rationalisation process commenced last year, in which 200 agents have left the network. The aim of this process is to

improve the results and the professional development of the agents that have the greatest involvement and the best possibilities for growing the business. This rationalisation was accompanied by the entry of 60 new agents, selected according to strict criteria of experience and qualification and who guarantee the best and most personal financial advisory services.

The Bankinter Agents 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.

	2010	2009	Diff. (%)
Agents	543	683	-20.50
Average resources (million euros)	938.15	934.31	0.41
Average loans and receivables (million euros)	1,959.57	1,977.14	-0.89
Gross / Ordinary Margin (million euros)	25.54	29.35	-12.98
Net Satisfaction (points)	74.91	73.00	1.91



## Virtual Banking

Bankinter's virtual branches continue to represent a unique model of 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.

In 2010, Virtual Banking has continued to base its business on the following:

- Focus on 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.

- An unswerving commitment to quality. 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, the market.
- Transfer of part of the profit generated by business with a partner.

The success of the model lies in the fact that Bankinter and its partner (company, professional association, 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.

Virtual Branch customers continued to be the most satisfied of all the Bank's networks in 2010, with an NSI score of 79.3 points. One of the factors contributing to the high degree of satisfaction of virtual branch customers is the advice and personal attention they receive thanks to the Bank's remote service platforms and the knowledge and management possibilities offered by Bankinter's CRM.

Virtual Banking continued to develop in 2010. 25 new branches were opened and the network obtained a profit before tax of 10.3 million euros and consolidation in the business of the Private Banking and Personal Finance customers.

Virtual Banking is increasingly important in Bankinter. At the close of 2010, this business accounted for 5% of the bank's active customers.

	2010	2009	Diff. (%)
Branches	371	399	-7.02
Average resources (million euros)	1,422.34	1,397.69	1.76
Average loans and receivables (million euros)	1,896.93	1,924.72	-1.44
Gross / Ordinary Margin (million euros)	36.30	37.43	-3.01
Net Satisfaction (points)	79.34	77.38	1.96

Off-site network customers



# 28,283



## Remote Networks

Remote Networks is the area of business that caters for customers that join the bank via bankinter.com and Telephone Banking.

As well as this initial stage of joining the bank, 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.

Remote Networks ended 2010 with 28,283 active customers.

The average resources of these customers stood, at the end of 2010, at 365 million euros; and lending, mainly residential mortgage loans, stood at 1,094 billion euros.

	2010	2009	Diff. (%)
Average resources (million euros)	364.97	452.47	-19.34%
Average loans and receivables (million euros)	1,093.94	1,132.92	-3.44%
Gross / Ordinary Margin (million euros)	16.43	21.42	-23.31%
Net Satisfaction (points)	72.73	73.73	-1.00



## Marketing and CRM

In 2010, the Commercial Planning role was merged with those of Marketing and CRM, thus lending greater consistency to the commercial support provided by these divisions.

### Commercial Planning

In 2010, Bankinter worked on the development of new tools for allocating commercial targets and monitoring new customers and the sale of products and contract volumes. This will lead to a more accurate allocation of targets and better commercial monitoring. In short, better planning for higher sales.

Also worthy of mention is all of the activity carried out regarding the definition of personalised prices and differences for all customers, depending on their level of risk and return. In this same direction, systems have been created that allow to control and find out the differences and charges that apply to operations in the main products on a daily basis.

Finally, projects have been started to improve earnings, by revising all services and products to verify if they are being

charged for in relation to the cost that they represent for the bank and the value that they provide to the customer.

### Marketing

The marketing role is essential in the bank's commercial strategy. In this regard, it defines, designs and develops the communication line that is most suitable for the launch of the bank's new products and service or of those that are already underway, providing supporting material for marketing them, organising events for winning over new customers and carrying out studies on competitors to test products and commercial approaches.

Knowledge of the market is vital in order to meet customers' needs. It is therefore important to work on a coordinated basis with all of the banks areas of business on implementing commercial campaign plans, focused on attaining the strategic targets that have been set.

Bankinter considers that it is essential to maintain regular and ongoing commercial communication with customers. In 2010, the bank made active use of direct marketing campaigns, sending out over 17,500,000 commercial communications

in different formats (e-mails, letters, SMS messages, popups etc.)

### Innovative Marketing

As regards the activity carried out during this year, the following commercial campaigns should be highlighted:

- Launch of 'Hipoteca 0,35' (0.35 Mortgage).
- Launch of Broker Plus.
- Campaign to transfer investment funds and pension plans.
- Organising events in various cities and sponsorships by Private Banking and Personal Finance.
- Charity concert tour to raise funds for Cáritas, with the participation of Inma Shara, with attendance being exclusive to Private Banking customers.
- A seasonal campaign organised in the last quarter, for taking out pension plans.

Also in 2010, the bank experimented in the search for new advertising channels and formats to reach customers through the use of new technologies. It was committed to the mobile telephone as an on-line marketing platform and made its first incursions in the world of social networks.



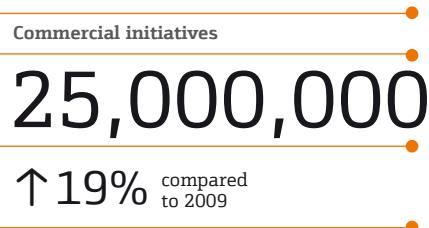
### **Marketing at Branches**

Large format advertising vinyl signs were the main element of external advertising at the branches this year, as over 3,500 vinyl signs were installed on Bankinter façades. This new format, together with the innovative commitment to digital poster systems, created significant brand notoriety.

### **Communications Manager**

The Communications Manager, which was created in 2009 as a new area within Marketing, was born of the need to guarantee the level of quality and compliance with brand standards in all operational and transactional communications. One of its main functions is to monitor savings and control costs, promoting optimisation initiatives in operational communications.

The field of action includes all communication formats, such as letters, e-mails, SMS and all the channels that Bankinter buses as a vehicle for communication with its customers.

**CRM**

CRM is a strategic component for the activity of the bank's various divisions, which provides knowledge and the tools that are needed to launch commercial initiatives.

CRM works to provide the network with commercial initiatives that are adapted to each customer's profile, thus propitiating a higher quality proposal for customer relations.

It also provides the bank's various areas and businesses with statistical analyses, models and relevant information that provides knowledge and aids them in decision-making. The aim is to achieve more contact, more satisfaction, more profitability and a higher retention rate.

In 2010, work was carried out to enhance the customisation and precision of the commercial initiatives sent out to customers through the various channels and sales platforms, which has led to an increase in product-hiring rates.

In terms of activity, we should highlight as relevant figures for the year the 25 million initiatives launched to customers, up 19% on 2009, the reduction in physical despatches and the increase in despatches via electronic channels. In this regard, we should highlight the importance of obtaining contact details from customers (mobile telephone and e-mail), in order to propitiate relations via the most efficient channels. The year ended with the bank knowing the mobile telephone numbers of 73% of private individual customers and the e-mails of 39%, and having obtained the statutory permission to send them commercial offers.

This year was also important as regards enhancing commercial tools, increasing the number of functionalities and allowing salespeople greater flexibility in management: new home page for the commercial schedule, new commercial alerts, new CRM application via Blackberry smartphones for the commercial network etc.

Finally, we should highlight that this year the Emotions CRM, CQM and Synergies models were developed and work is underway on the CRM for the deposit customer typology and the new customer churn model for all private individual segments, which will be available in the first quarter of 2011.

Also worthy of note is the development and roll-out in the bank of GeoCRM, which enables to avail of the potential of geographical and geostatistical analysis in various CRM models and studies.

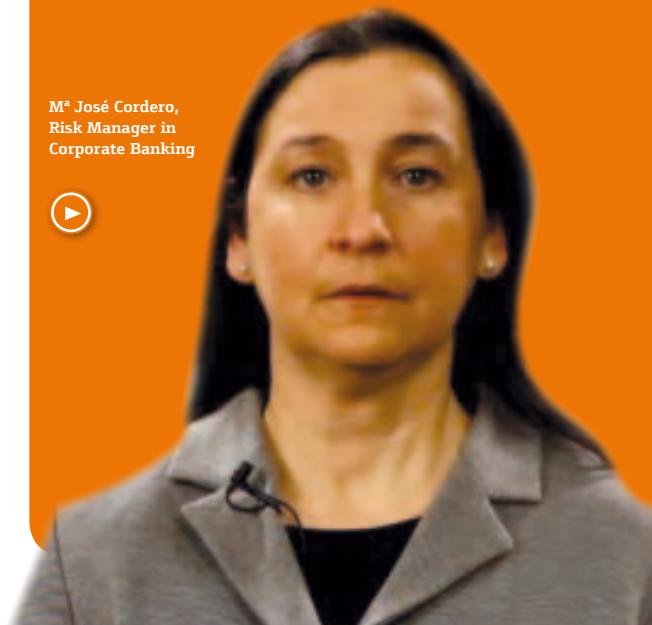
# 7

## Risk



A highly qualified team of people, a deeply-rooted culture of risk control and advanced information systems are the keys to the bank's competitive advantage in the area of risk. Bankinter's low non-performing loans ratio, which is the lowest in the system, is the consequence of an accurate strategy.

M<sup>a</sup> José Cordero,  
Risk Manager in  
Corporate Banking



## Risk management

Risk management is a fundamental principle that prevails throughout the Bank's divisions. The Board of Directors holds the highest responsibility and establishes the Bank's own risk profile, risk policy and internal control systems. The Framework Agreement on Risks sets the strategy in the area of risks on an annual basis.

The Board of Directors, through the Executive Committee, the Audit and Regulatory Compliance Committee (to which both Audit and Risks report on a regular basis), oversees and supervises accounting policies and systems and internal monitoring procedures, in regard to all risks inherent to the Bank's activities, and the prevention of money laundering in accordance with standing legislation.

The entire Risks structure (Credit, Control and Recoveries and Global management) as well as Market, Operational and Reputational Risk, is directly seconded to the bank's Executive Vice-Chairperson.

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

We are one of the few nationwide banks that have achieved approval from the Bank of Spain for the majority of our internal rating models. Moreover, all of the methodologies, systems and policies provided in the Basel II capital framework for managing and measuring risk and equity are in place at Bankinter. Supported by these models, risk-adjusted return is the management tool that perfectly combine the bank's solvency with sustainable value creation over time.

The main principles that govern Risk Management are as follows:

- Independence of the function.
- Alignment with the strategic objectives.
- Comprehensive risk management.
- Management based on the risk-profitability trade-off.

- Mass use of automatic authorisation.
- Diversification of the risk by clients, sectors, counterparties and markets.
- Identification, assessment and control of product risk, particularly when new products are launched.
- Relevance of the quality of service factor in the risks function.

### Credit risk

#### Organisation and functions

The Board of Directors establishes the strategy to be followed in respect of each individual risk in the Risk Framework Agreement, which is drawn up on an annual basis. It also decides on the basic guidelines for risk levels at the institution, indicating the policy for granting them; it also defines the next level of powers and decides how they should be delegated. As well as its executive and authorisation function in the area of risks, the Board is informed on a monthly basis as to the evolution of the main risk indicators.

The Risk Committee, which is chaired by the bank's Executive Vice-Chairperson, is the body to which the Board of Directors delegates implementation of the risk policy. Its delegated powers include approving operations and defining the powers of the committees at the next levels below. It also receives reports with comprehensive information on the evolution of customers, sectors and key matters that affect credit quality.

The next level of powers is the Credit Risk Committee, which is directly seconded to the Executive Vice-Chairperson. The Risks Directorate is responsible for drawing up the various risks policies and informing on how they are implemented. Its targets include the development of automatic authorisation systems and all risk processes, while always seeking maximum efficiency and quality.

The Credit Risk directorate is structured in various units:

- Risk approval and policies are entrusted to the Private Individual Risks Unit, the Enterprise and Developer Risks Unit and the Corporate Risks Unit.

- The Risk Processes Unit is in charge of defining and enhancing the various risk processes, including the IT systems for risks.

As well as their own functions, the various units actively intervene in the process of defining new products, deciding on the risk parameters and collaborating on the strategy for defining the client profile, as part of the marketing process, with the most efficient authorisation process always being set.

The Validation Unit has the function of validating the advanced risk models and their results, which is an indispensable requirement in calculating equity needs on the basis of internal estimates. This is an independent Unit within the Risks Directorate; it also performs a critical examination of the parameters used in building the models and tests their use in management.

#### **Structure and procedures**

The organisational structure of the risk function at 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 spheres of responsibility, thus enabling the same strategic line to be maintained. Decision-taking on the Risks Committees is on a collegiate basis, representing the various divisions involved.

The risk admission 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 automatic authorisation of retail risks, in compliance with the objective of efficiency and the use of technology in authorisation. The information from the systems is contrasted to ensure its accuracy.. Assessment of the risk premium and the customer return are an important part of the acceptance process.

## Risk map

The new Bank of Spain regulations on capital management and solvency of credit institutions require the implementation of specific procedures for controlling and managing risk factors that could lead to the materialisation of financial loss.

Bankinter has developed a methodology that allows for the detection, analysis and assessment of the potential impact (severity) of all of those practices and factors that are inherent to the activity

being carried out, and which can be instigators of risk; likewise the processes for following up and controlling these mitigation practices and measures, or where appropriate, if it is possible, the elimination of the residual risk affecting these practices.

## Concentration

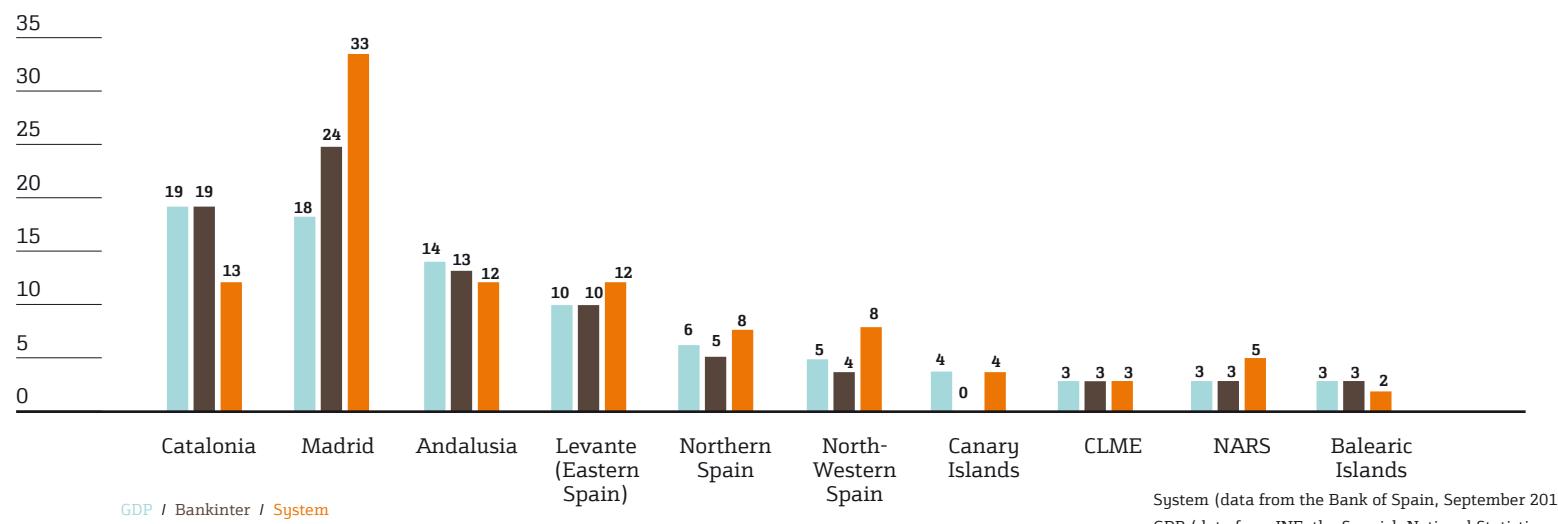
The recent financial crisis and the requirements in the New Basel II Accord have led to closer monitoring of the Institution's concentration policy. The aspects that are taken into account are

diversification according to sectors, geographical location, products and guarantees, as well as concentration in clients.

## Evolution

The worsening of the economic downturn was the main characteristic of 2010 for all financial institutions. In accordance with expectations, default continued to increase, although at lower levels than in 2009. If the existing default level is added to the assets foreclosed by the Financial Sector and assets classified as problematic

## Geographical Distribution (%)



System (data from the Bank of Spain, September 2010)  
GDP (data from INE, the Spanish National Statistics Institute, December 2009)

**70% of the credit portfolio has a mortgage guarantee.**

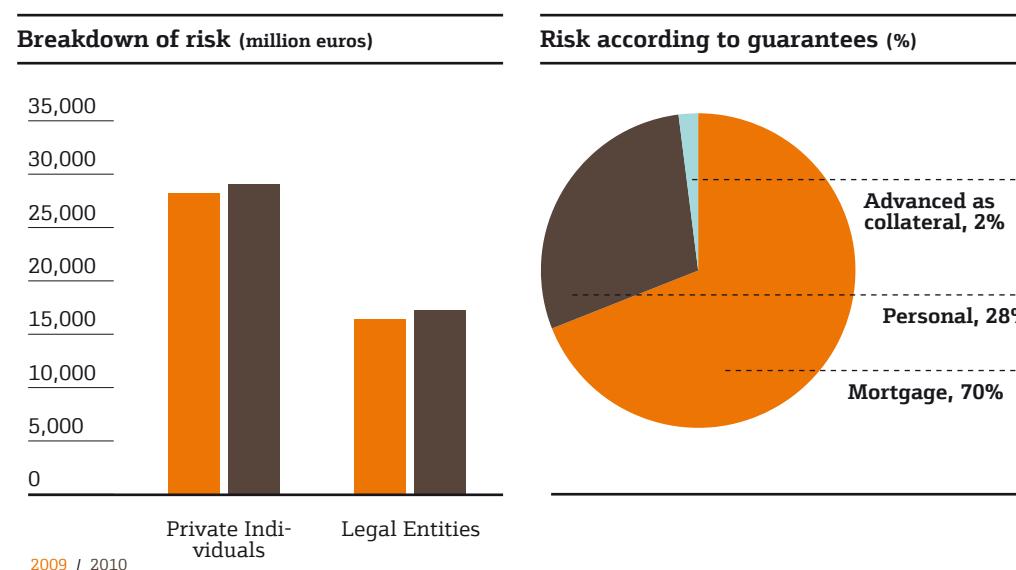
or substandard by the sector to which they belong or the limited expectations for repayment, the conclusion is that there has been significant impairment in the quality of credit risk throughout this year. Just like in previous years, in this area the differences in the quality of the portfolios were even more pronounced. The hedging that Financial Institutions have had to face increased considerably as a consequence of the volume of default and foreclosures and of the alteration in the Bank of Spain Circular regarding

provisions, which calls for greater coverage of default positions in a shorter period of time.

Bankinter once again stood out thanks to its strong credit portfolio. The risk culture that is integrated at all levels of the organisational structure is the pillar on which the balance sheet has been built and the reason for the excellent risk ratios.

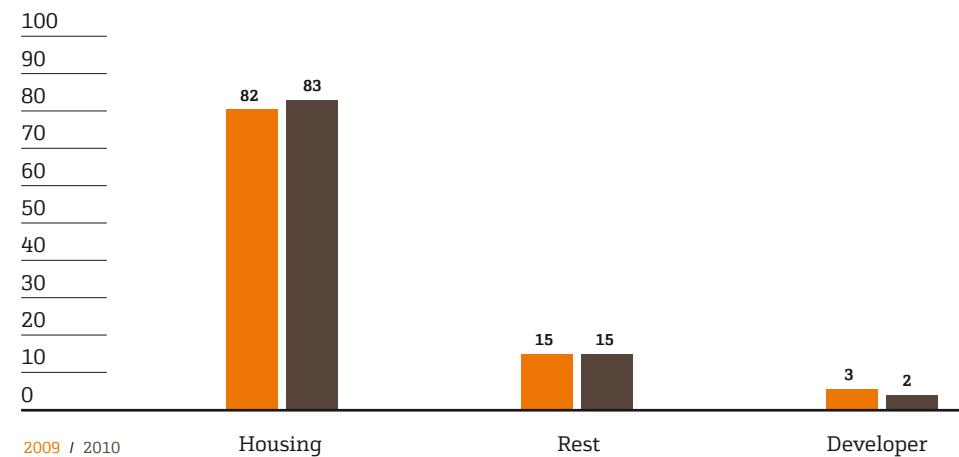
Exposure to credit risk with customers totalled 46,291 billion euros as at 31 December 2010, with a 4% increase on 2009, which compares very positively with the evolution in the system (according to a publication from the Bank of Spain with data from November 2010 it has remained stable). The quality of the assets (default ratio in December 2010 2.9%) and conscientious risk management have allowed to look for opportunities for growth in more valuable sectors and customers.

The Bank's credit risk includes a high percentage of mortgage guarantees, which reflects the conservative policy implemented in recent years.



70% of the credit portfolio includes a mortgage guarantee, with an LTV (loan to value, measures the proportion between the value of the house and the loan) ratio of 57%.

83% of the portfolio with mortgage guarantees corresponds to residential mortgages on houses. Exposure to other lower quality assets is residual, as may be seen in the graph.

**Breakdown of mortgage guarantee(%)**

The high percentage of mortgage guarantees for Companies and Small Companies, 57%, in December 2010, has proven to be an efficient risk policy in these times of downturn.

Another feature that is characteristic of the portfolio is the high level of risk diversification, reaching 71% with operations worth less than 600,000 euros.

The reduced exposure to housing developments (lower than 3%) and the non-existence of finance for plots, has once again allowed us to stand out clearly from the rest of the market. In the Spanish Financial System, default and foreclosures in this sector have had a severe effect on the Income Statement due to the high exposure.

RELATIVE	≤ 150	150 - 600	600 - 3,000	3,000 - 6,000	> 6,000	TOTAL
2010	2%	2%	2%	1%	3%	9%
≤ 3 MONTHS	2009	2%	2%	2%	1%	2%
	2010	3%	3%	3%	1%	3%
3 - 12 MONTHS	2009	3%	3%	3%	1%	3%
	2010	2%	1%	1%	0%	5%
12 - 36 MONTHS	2009	3%	1%	1%	0%	5%
	2010	26%	34%	9%	2%	73%
> 36 MONTHS	2009	27%	33%	8%	2%	73%
	2010	33%	38%	14%	4%	100%
<b>TOTAL</b>		<b>36%</b>	<b>38%</b>	<b>14%</b>	<b>4%</b>	<b>100%</b>

The personnel team, which is highly qualified and has a deeply rooted risk culture, supported by advanced information systems, is the main reason for the clear competitive advantage held by the Institution in the area of risks.

	<b>Credit risk</b>		
<b>Consolidated data</b>	<b>Value at risk</b>	<b>Guarantees</b>	<b>Available</b>
I) COMPANIES	<b>16,141</b>	<b>1,993</b>	
1. Purpose real estate development	1,082	41	373
2. Purpose construction	1,370	424	
3. Other purposes	13,689	1,528	
A. Large corporations	7,527	1,262	
B. SMEs and self-employed workers	6,162	267	
II) PRIVATE INDIVIDUALS	<b>27,996</b>	<b>162</b>	
1. Assets with 1st mortgage guarantee	25,713	0	
a) 1st home	22,938	0	
b) 2nd home	2,036	0	
c) Rest (garages, storage rooms etc.)	739	0	
2. Assets with other in rem guarantees	424	0	
3. Other signings	1,859	162	
<b>TOTAL RISK</b>	<b>44,137</b>	<b>2,155</b>	

#### Analysis of credit risk (million euros)

	<b>31/12/2010</b>	<b>31/12/2009</b>	<b>Amount</b>	<b>%</b>
"Computable risk" (total lending) excluding securitisation	46,291	44,401	1,890	4.26
Doubtful debts	1,330	1,093	237	21.67
Total provisions	883	814	70	8.59
Required provisions	883	814	70	8.59
General	157	398	-241	-60.54
Specific	727	416	311	74.71
Non-performing loans ratio excluding securitisation (%)	2.87	2.46	0.41	16.70
NPL ratio (%)	2.97	2.56	0.41	16.02
Non-performing loans ratio for mortgage portfolio ex-securitisation (%)	2.37	1.95	0.42	21.27
Non-performing loans coverage ratio (%)	66.43	74.43	-8.00	-10.75
Non-performing loans coverage ratio without real guarantee (%)	93.72	78.94	14.78	18.72

### Private individuals

The excellent credit quality of the bank's private individuals portfolio remains unaltered, with a non-performing loans ratio of 1.9%.

The most relevant product in the Private Individuals segment is the mortgage loan. The weight of our residential mortgage portfolio within the Bank's total investment has remained very high, up to 54%.

New mortgage operations have increased on the same period in 2009, which was a year in which there were less mortgage signings as a consequence of the recession. The profile for new mortgages is as follows:

	2008	2009	2010
LTV	59 %	63%	64 %
Term	323	324	347
Rating	5.39	5.52	5.9
Effort	39 %	28 %	28 %
Average amount	179,000	159,000	179,000
No. Operations	17,041	9,689	13,706
Limits (MM)	3,048	1,540	2,458

The admission policy for this product was adjusted in 2003, in anticipation of the change in the economic cycle. Since then, the Bank has selected customers with the highest incomes, with a maximum LTV of 80%, once again setting itself apart from other institutions in the sector.

90% of mortgages are processed by expert approval systems and 39% of the output in 2010 was automatically approved.

The RAROC (Risk-Adjusted Return on Capital) is a decisive variable in authorising operations, with the price therefore being matched to the risk that is inherent to the operation.

The average effort (measured as the percentage of income that the customer allocates to paying their mortgage loan instalments) in the mortgage loans signed in 2010 remained very low (26% in the case of 2010), mostly due to the interest rates that are relatively low.

The LTV ratio for the average mortgage portfolio is 59%, with less than 5% being over 80%.

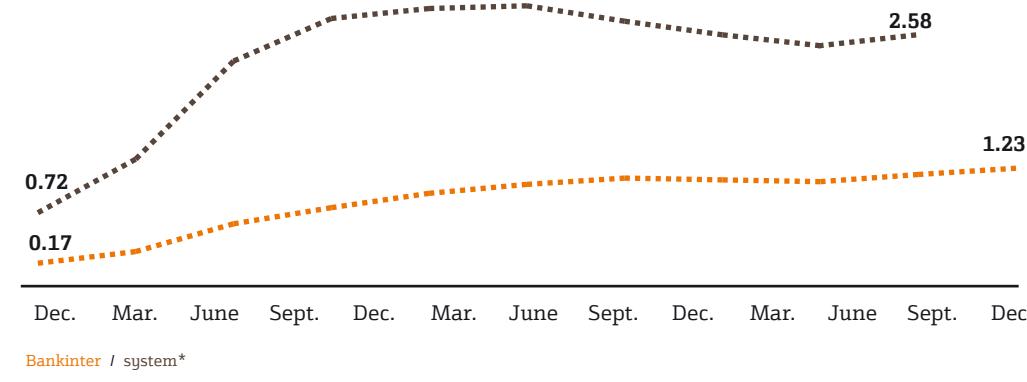
The NPL Ratio (1.23% in December 2010) is the best in the entire financial system, for which the ratio in June 2010 for this type of investment stood at 2.58%. (Source: Spanish Mortgage Association, valid to September).

TOTAL BANK	% OPERATIONS
LTV 00 - 10 %	15.3
LTV 10 - 20 %	10.78
LTV 20 - 30 %	11.16
LTV 30 - 40 %	12.2
LTV 40 - 50 %	12.93
LTV 50 - 60 %	13.03
LTV 60 - 70 %	11.88
LTV 70 - 80 %	8.1
LTV 80 - 90 %	2.29
LTV 90 - 100 %	2.32
<b>TOTAL LTV BRACKETS</b>	<b>100</b>

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**Non-performing loans ratio for home mortgages. Private individuals (%)**


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\*(Source: Asociación Hipotecaria Española (Spanish Mortgage Association), data available until September).

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**Portfolio profile**


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	2008	2009	2010
LTV (%)	59	57	59
Primary residence (%)	90	91	92
Term	225	219	217
Rating	5.64	5.54	5.6
Effort (%)	35	29	28
Average amount (euros)	112,000	111,000	115,000
Non-performing loans ratio (%)	0.61	1.12	1.23

## Corporate Banking

The total risk in Corporate Banking climbed to 10,005 million, a 16% rise on 2009. Despite the increase in the credit risk, the default balance remains contained, as the financial year closed with an NPL ratio of 2.3%, the same as the previous year.

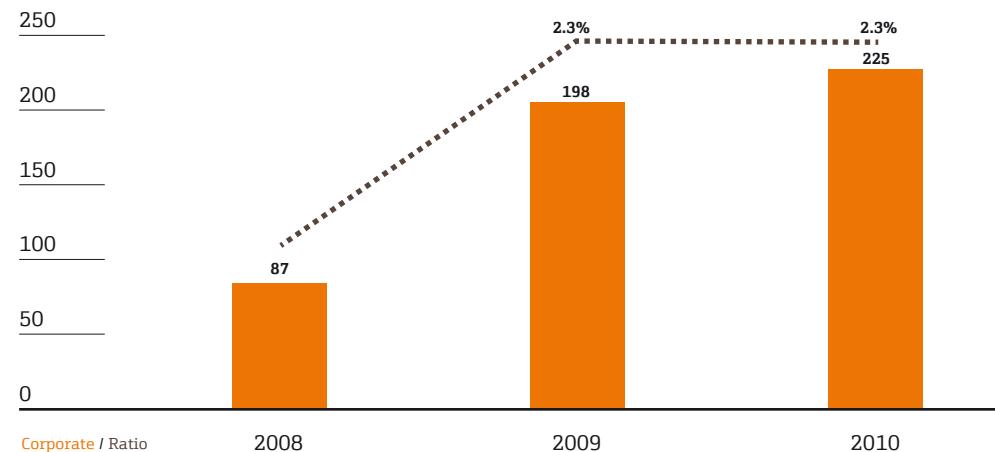
The principles in Corporate Banking remain unaltered, with the highlights being:

- Monitoring of current risks.
- Systematic use of rating models based on statistical rating and subjective assessment by the Risks Committee.
- Conservative customer portfolio

management.

- Optimisation of the dual notion of risk-return.
- Lending for specific purposes, with the objective of establishing long-term relationships.

**Non-performing loans ratio: Balance (in million euros) and ratio(%)**



**Credit risk template (Credit risk in thousand euros)**

RELATIVE	≤ 150	150 - 600	600 - 3,000	3,000 - 6,000	> 6,000	TOTAL
≤ 3 MONTHS	1%	3%	5%	2%	25%	37%
3 - 12 MONTHS	2%	4%	7%	3%	11%	28%
12 - 36 MONTHS	1%	1%	1%	1%	3%	7%
> 36 MONTHS	1%	2%	6%	3%	16%	28%
<b>TOTAL</b>	<b>5%</b>	<b>11%</b>	<b>20%</b>	<b>9%</b>	<b>56%</b>	<b>100%</b>

### **Small and medium enterprises**

The credit risk totalled 7,298 billion euros, representing a 3% drop due to the halting economy.

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

Diversification by sector, which makes management by portfolio possible with greater dilution of the risk among portfolios.

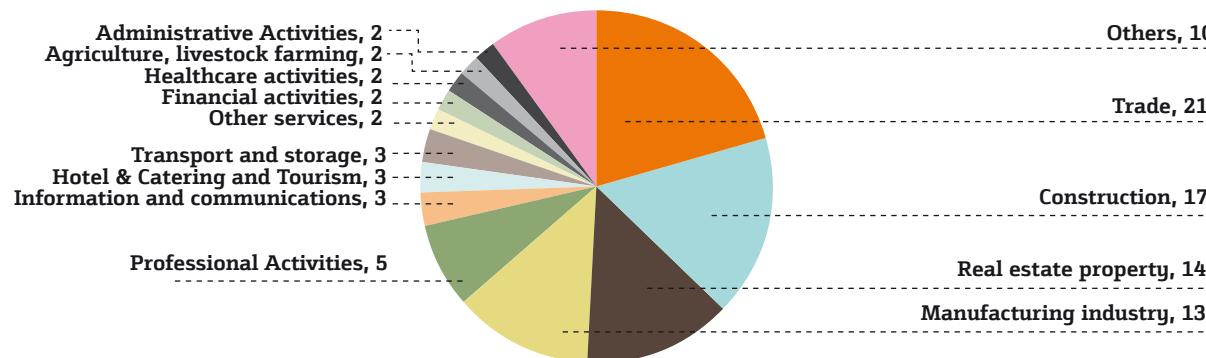
The economic situation has called for stricter risk policy as regards mortgage guarantees and partner involvement. Moreover, during the year a new centralised approval process was implemented for Small Companies, with a view to streamlining risk acceptance criteria and enhancing the efficiency of the process.

SME default increased in 2010, reaching a 7.7% ratio compared to the 5.8% in the previous financial year.

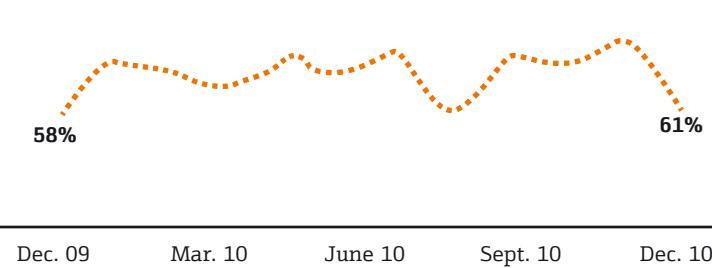
The level of recoveries over additions in the Small and Medium Enterprise segment has remained strong.

It should be highlighted that 48% of the outstanding balance for SMEs have mortgage guarantees with an LTV ratio of 42%.

**Sectoral Distribution Small and Medium Enterprises(%)**



**Non-performing loans ratio SMEs**



**2010 was characterised by an increase in the non-performing loans ratio that was lower than that of 2009.**

### **Control, Monitoring, and Recoveries**

The Control, Tracking and Recoveries Department is directly seconded to the Executive Vice-President, which guarantees that it functions on an independent basis. Its basic function is to direct and manage the processes for following up on and controlling credit investment with a view to anticipating possible decline in customer risk quality. It also defines and establishes the processes for recovering non-compliant positions.

Bankinter has had automatic systems in place for years for controlling and monitoring credit risk on a permanent basis. There are also processes for controlling the quality of data entered in the automatic authorisation systems and controlling the formalisation of credit operations.

2010 was characterised by an increase in default that was lower than that of the previous year as a consequence of the higher recoveries and similar volume of additions in line with the economic cycle. The anticipation and management of default has special relevance in these times and because of this we have dedicated some of our best resources to this activity.

The Control and Recoveries Process means:

1. The introduction of Risk CRM (Customer Relationship Management), both from the customer centres and from the Organisation, prioritising the warnings by means of the use of the risk agenda.
2. Computerising the recovery system with variables that allow recovery actions to be carried out according to sectors, customer ratings and severity.
3. Streamlined pre-litigious process, from notification to closure and notice to debtors.
4. Integration of the information from all recovery agents, internal and external, enabling daily monitoring of the entire process.
5. Development of behaviour models in accordance with the terms of Basel II and integration thereof in the customer statistical alert system

In addition to the function of the control and monitoring carried out by the Control Unit, it also assesses and monitors the control tools and applications used by the retail network.

The Bank has a variety of applications for monitoring loans and receivables predictively and reliably for each customer and centre or office. These tools allow us to establish mechanisms for special supervision of certain customers, with the aim of reducing or cancelling the credit risk in a short period of time:

- Statistical customer alert. The Statistical Client Alert System detects, on the basis of statistical analysis of the most predictive variables, customers with a higher probability of default.
- Risk Quality. Subjective classification by managers has enabled us to segment clients: those that require special surveillance and those that are classified as a risk to be eliminated. The subjective qualification linked to the objective qualification systems in line with certain variables (rating, risk evolution, problems etc.) has enabled us to anticipate breach situations.
- Office Alerts. The increase in staff in the economic boom years requires office by office

monitoring and therefore there is a statistical tool that complements the risk audits.

- Risk Anticipation.

This is a measurement tool which allows us to determine exactly whether or not risks are being properly anticipated. It measures the efficiency of the two systems described above (Statistical Customer Alert and Risk Quality).

### **Default Recovery and Management**

The Recovery Unit monitors non-performing operations and is responsible for recovering positions in default from the largest customers, from the time of detection of the problem until resolution.

Fast decision-making is still a decisive and distinctive factor in the Bank. Looking for specific solutions has in many cases allowed the customer to continue, with no impairment for the bank.

Collaboration with external recovery agencies for less important positions was of special relevance, enabling the freeing-up of resources in the retail network and

in the organisations, for tasks with a higher added value.

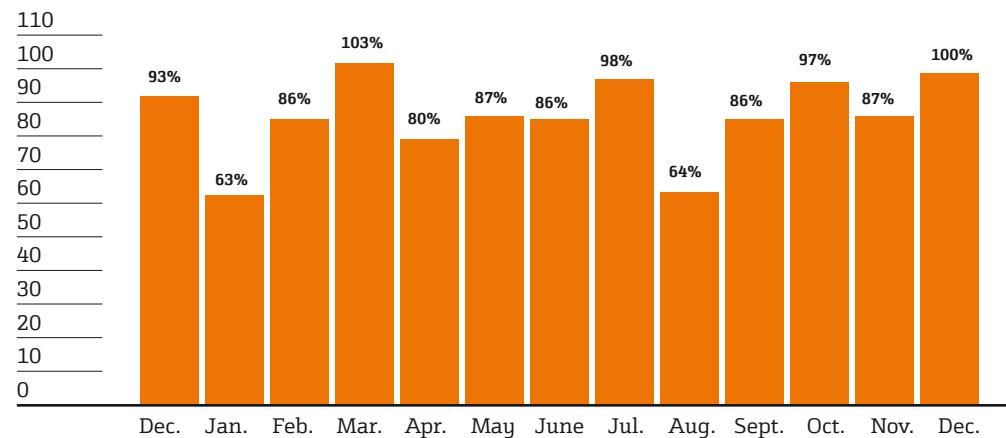
The level of recoveries over additions increased substantially and is now a benchmark in the sector.

The bank's strategy and business model in recent years, with a strong culture of credit risk management at all levels, is clearly reflected in the current default ratio, which stands at 2.89%, which compares to 2.5% in the previous financial

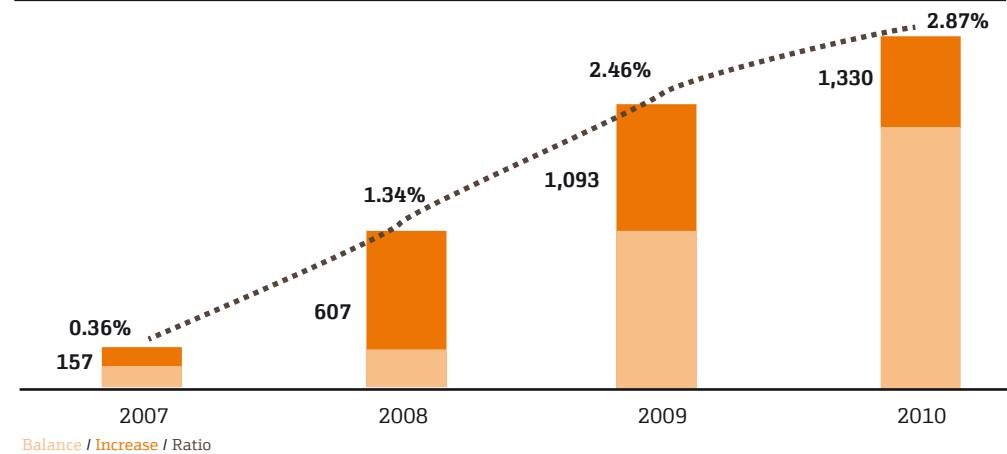
year, and is still among the lowest in the system.

This increase in default was most severely felt in the SME segment.

The default flows in this financial years were as follows: the default figure reached a balance of 1,330 billion compared to the figure of 1,093 billion in the financial year 2009. This means an increase of 237 million from one year to the next.



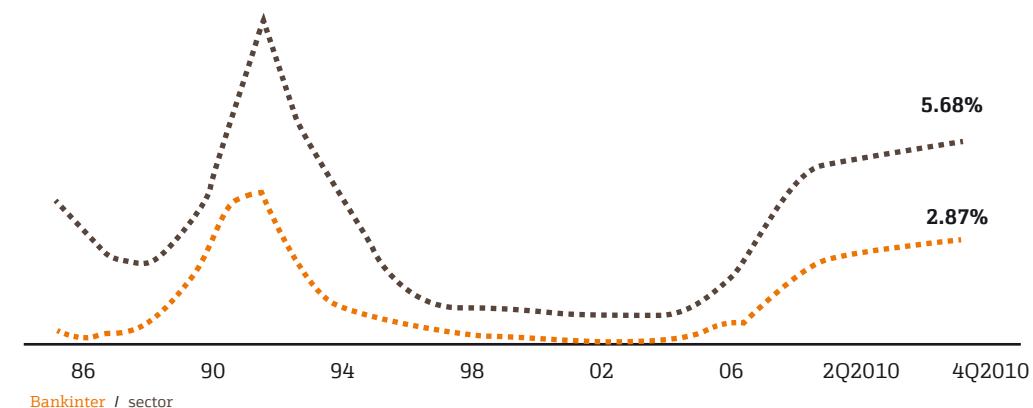
**Variation in non-performing loans (%) M+D Balance and non-performing loans ratio  
(balance in Million euros)**



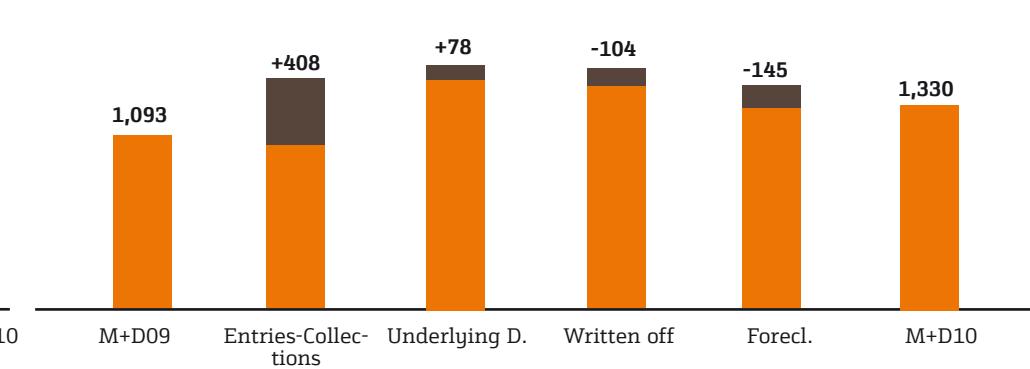
These balances include 78 million euros of doubtful balances for reasons other than default, as customers that had not yet defaulted but showed unequivocal signs of constituting bad debts in the short/mid term were classified as doubtful.

Refinancing of customers with risk in excess of 500,000 euros in the financial year 2010 accounts for 0.6% of credit risk, with refinancing being considered to mean any change in credit risk conditions. The majority of refinancing operations have additional guarantees.

**Evolution of the non-performing loans ratio system and Bankinter (%)**



**Non-performing loan flows(%)**



### Purchase of real estate assets

The purchase of real estate assets occasionally allows for more efficient recovery. It means that the assets are immediately available, with lower costs and terms than the litigation of positions and it contributes towards improving the client's situation insofar as leveraging is reduced.

Purchases of shares in the bank rose to 50 million, with the current portfolio being 378 million in real estate assets, which are highly diversified in geographical terms and as regards property type, which makes them easier to sell.

Turnover exceeded 84 million euros in the financial year.  
Hedging for foreclosed assets stood at 28% in December 2010.

Due to the limited presence of Bankinter in the development sector, real estate asset purchases are clearly lower than the average for the sector. Regarding the Bank's real estate portfolio, it is worth noting that it does not include any properties currently in the development

stage and that the proportion of rural land is very small; in the current situation the market for both these products is limited.

### Provisions

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

At the close of the financial year, the doubtful credit portfolio with personal

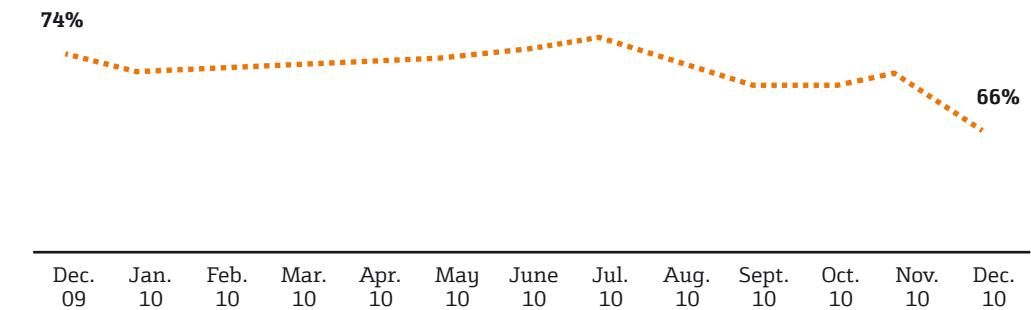
guarantees includes significant allocations as a consequence of the Bank of Spain Circular that significantly accelerated specific allocations.

The doubtful mortgage portfolio with mortgage guarantees presents an LTV ratio of 49.6% and given the excellent default ratio with mortgage guarantees and the high LTV, the losses in the mortgage portfolio are insignificant.

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### Allowance for non-performing loans(% hedging)

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**Reputational risk**

Reputational Risk is the risk that is inherent to taking steps with clients that may lead to negative publicity regarding practices and business relations, which may cause a loss of trust in the institution's moral integrity.

This activity aims to detect, analyse and appraise the potential impact (severity) of all such practices and aspects of the Bank's business as might involve reputational risk, and to establish processes to monitor and control such practices and implement measures to mitigate or, if possible, eliminate the risk.

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

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

## Internal risk scoring models

Bankinter continued to make progress in 2010 with the development and validation of internal models begun in previous years, and maintained regulatory use of Internal Rating Based models in the internal categories of home mortgages for private individuals, unsecured loans, small companies, medium size 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.

Like the previous financial year, 2010 was a particular complicated year for anticipating the variations and impairment in the quality of the system risk. During this financial year, Bankinter's risk models have demonstrated outstanding solidity, in so far as they have maintained and in some cases even improved their strong predictive and discriminating capabilities.

In parallel, increasing use continued to be made of internal models for rating and authorising transactions, and progress

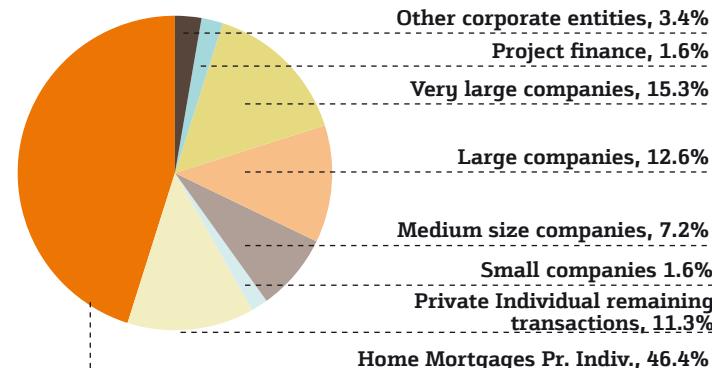
was made with the development of systems and procedures for managing risk-adjusted prices, application of risk-adjusted return measures to management, and monitoring of the overall risk profile of the lending portfolio.

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.

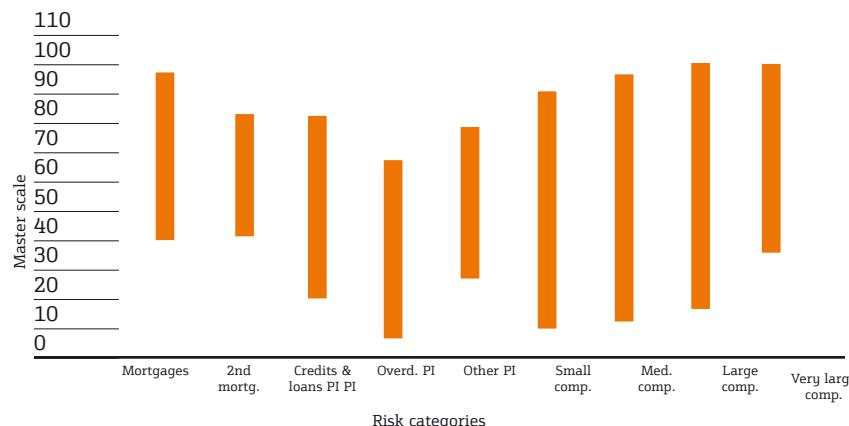
The internal rating models provide, for each category, a score or internal rating of the risk assumed by the Bank vis-à-vis each customer or transaction. Each of these ratings is associated with a certain probability of default (probability of a delay in payment longer than 90 days) and, accordingly,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

**Distribution of credit risk by internal category(%)**



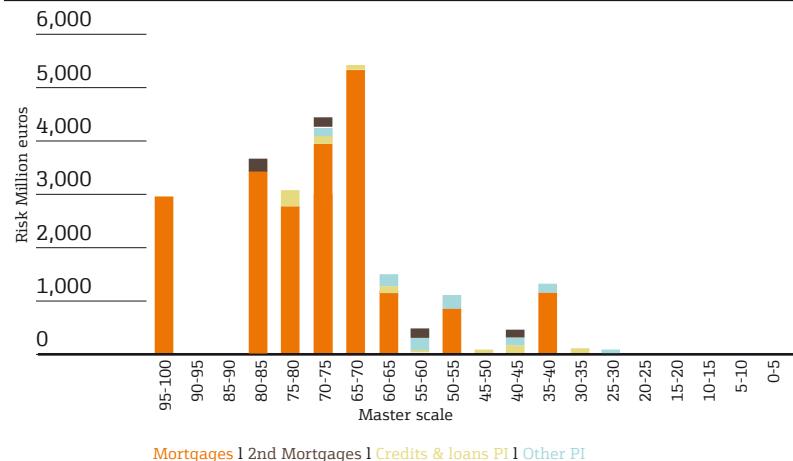
In each risk category, whether relating to private individuals or corporate entities, the range of probability of default associated with the rating of each one is different. In order to be able to compare the various credit risk categories, an internal master scale has been developed that gives a value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

#### Location of risk categories on master scale

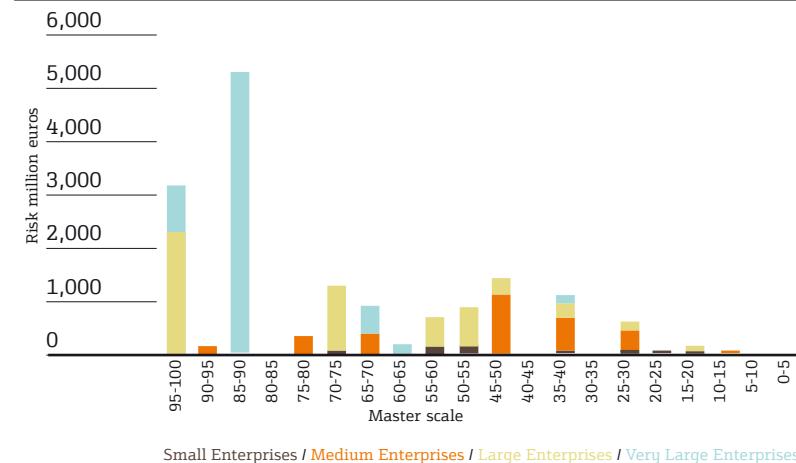


The breakdown of credit risk with private individuals and corporate entities according to the master scale is as follows:

#### Distribution of risk according to the master scale. Private individuals



#### Distribution of risk according to the master scale. Corporate entities



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 anticipated exposure at the time of default.

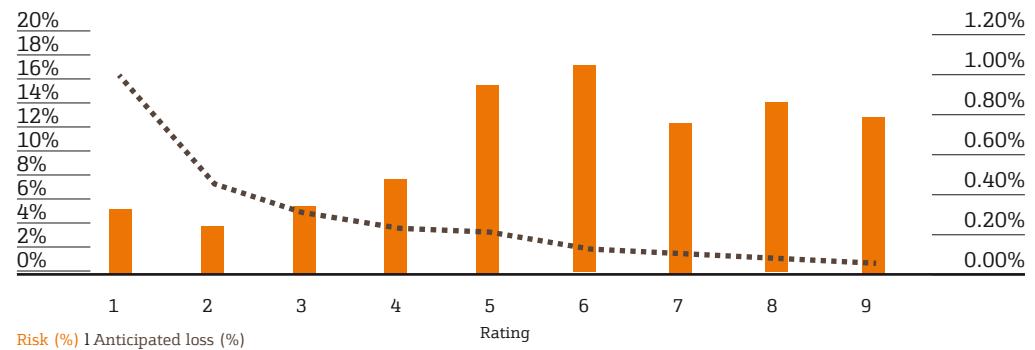
Probability of default, severity and exposure are the three factors required to calculate the anticipated loss.

The anticipated 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.

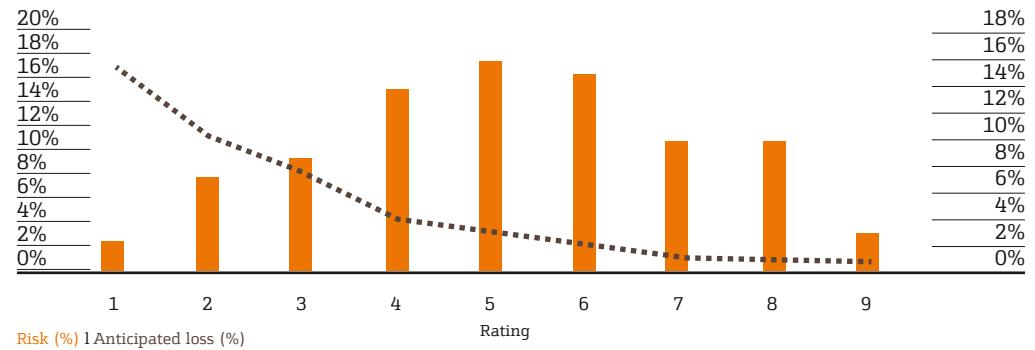
Bankinter's estimates of probability of default, severity and exposure, and therefore of anticipated loss, bear witness to the excellent quality of its portfolios. For example, in the mortgage portfolio, 75% of the exposure had a rating of 5 or higher, and the anticipated loss on the portfolio as a whole in situations of recession was 0.5% of the risk exposure.

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

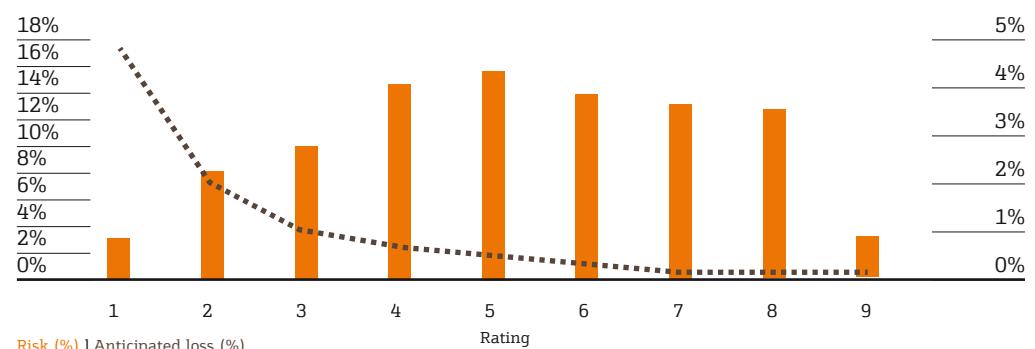
#### Distribution of home mortgages portfolio by rating

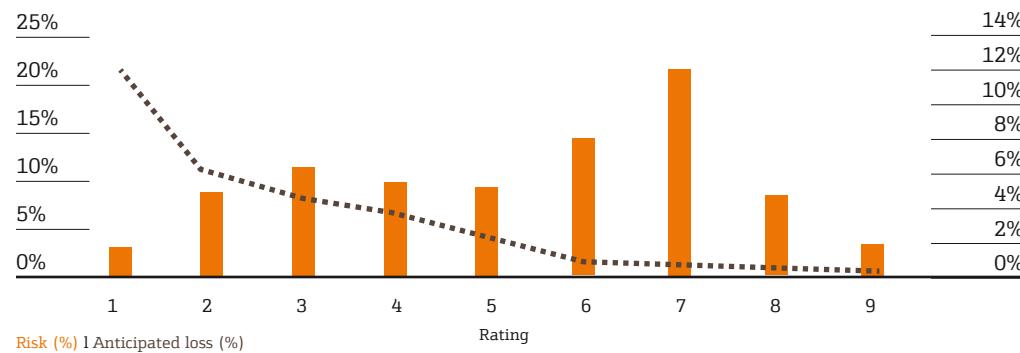
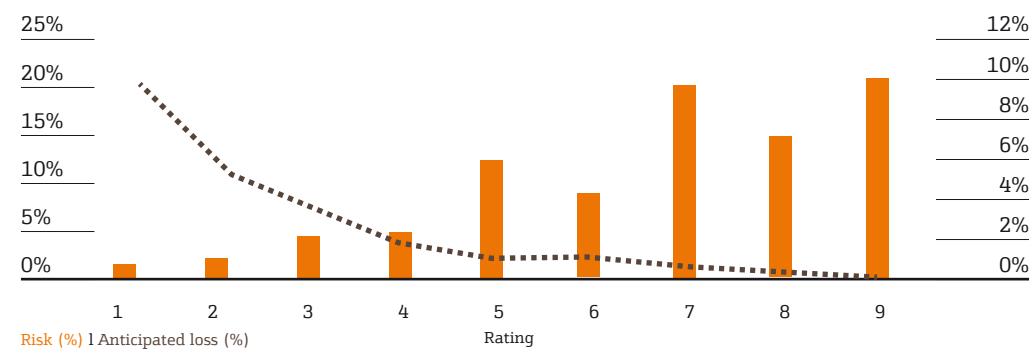
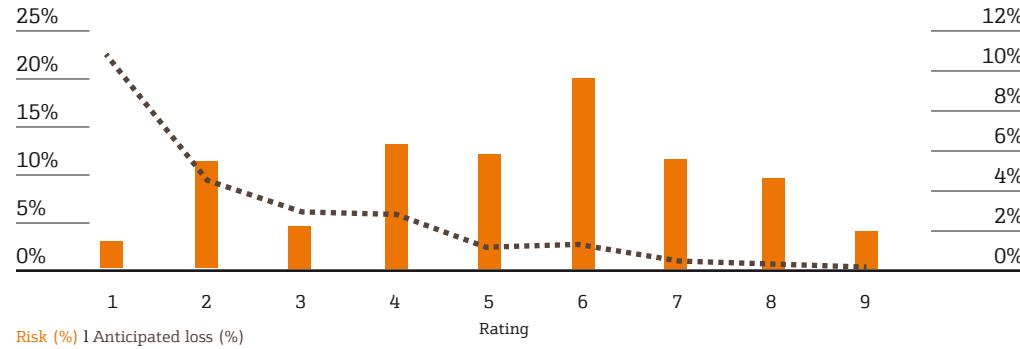
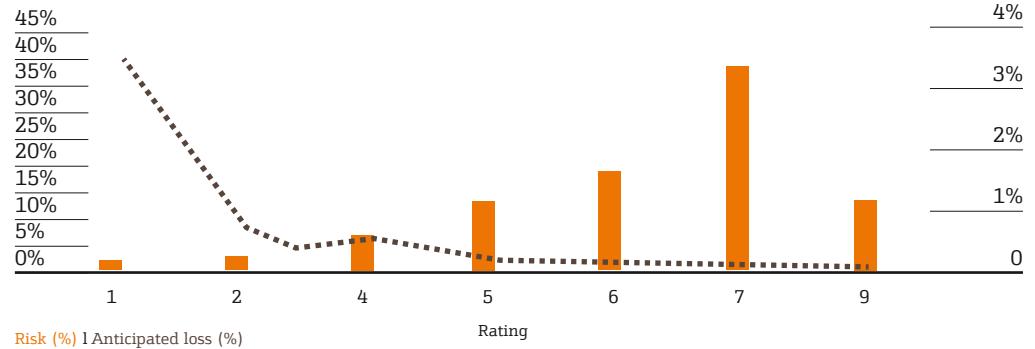


#### Distribution of the portfolio of Unsecured Credits and Loans to private individuals by rating



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



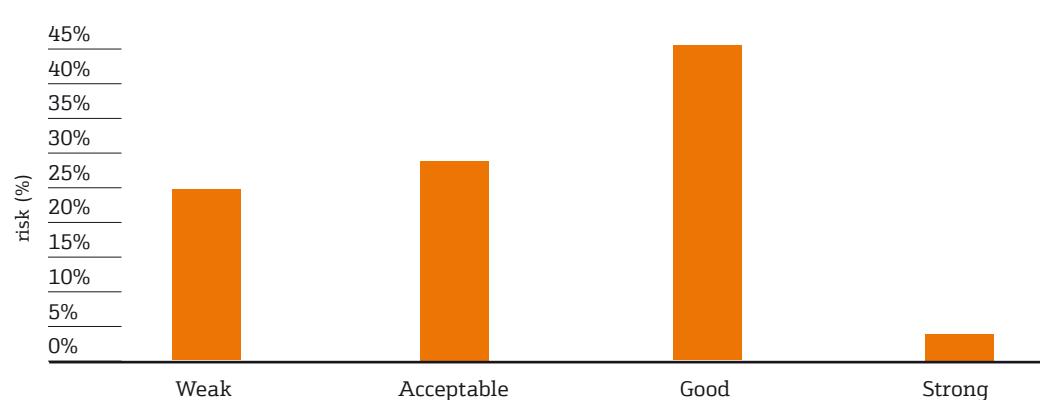
**Distribution of the small companies portfolio by rating (%)****Distribution of the large companies portfolio by rating (%)****Distribution of the medium size companies portfolio by rating (%)****Distribution of the very large companies portfolio by rating (%)**

## 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 the financial year 2010, as in 2009, this portfolio was the object of close monitoring and the credit ratings of the operations 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 deterioration.

The statistical processing of these assessments classifies transactions in this portfolio into four categories, with 'weak' being the worst and 'strong' 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 unanticipated 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 risks".

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.

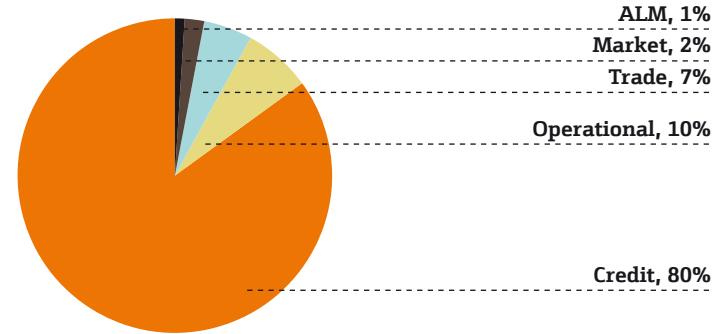
They also make it possible for the Bank to use a common metric to estimate the dimension of the most significant risks, their evolution and the assessment of current and foreseeable capital

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 the 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 (%)**

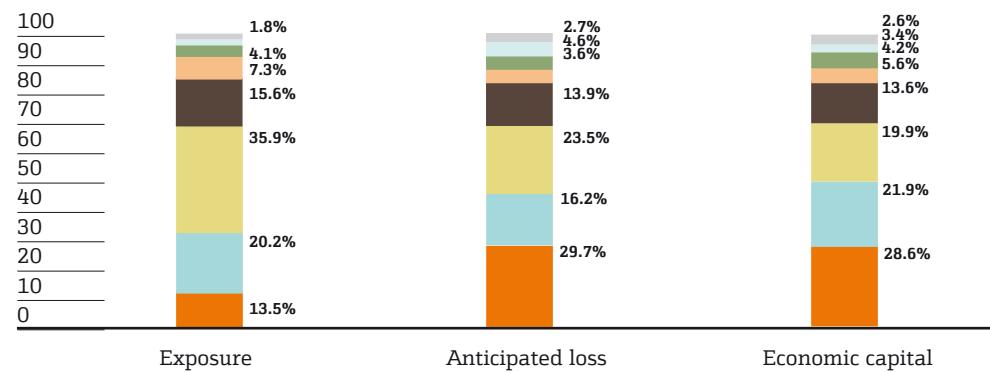


In the financial year 2010, Bankinter continued to make progress in the practical application of the economic capital measurements of its business units and customers. These methodologies require an ongoing effort in learning and enhancement in order to constantly evaluate the suitability of their application to the different aspects of management, maintaining in each case the proper conservative and precautionary approach.

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, anticipated loss and economic capital by segment (%)**



[Companies](#) | [Corporate](#) | [Private Individuals](#) | [Personal Banking](#) | [Private Banking](#) | [Personal Finance](#) | [Small enterprises](#) | [Foreign Customers](#)

### Risk-adjusted return

Bankinter was the first bank in the Spanish market to develop, in 1981, an analytical accounting system that enabled it to ascertain the profitability of its various products, customer segments and business units. Since then the Bank has continued to enhance these systems and their application to the business, within the framework of a culture of decentralised and flexible prices and management that constitutes one of its main competitive advantages. Apart from that, since 1990, the Bank has been developing and using different credit

transaction scoring and mechanised approval systems, which are now further strengthened with this additional information on quantitative credit risk measurements.

Through its systems and its culture, Bankinter is therefore in a privileged position to continue to incorporate risk quantification, in a natural way, into the setting of prices and the management of customers and businesses.

The new risk quantification methodologies make it possible to introduce standardised credit risk measurements into

management, particularly anticipated loss and economic capital. In turn, these measurements make it possible to take credit risk premiums into account in the different systems for calculating the profitability and assessing the economic performance of business units, customers and operations.

As a consequence of these advances, Bankinter was the only Spanish financial institution to receive a prize in the most recent edition of the Financial World Innovation Awards, scooping first prize in the 'Excellence in risk and management control' category.



## Hallmark of Innovation

*Financial World* Innovation Awards

### Winner – 2010

The Market Risk division, which is seconded to the Risks Directorate, **has the independent function of measuring, tracking and controlling the Institution's structural and market risks.**

## Structural risk

### 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 Market Risk division, which is seconded to the Risk Directorate, has the independent function of measuring, tracking 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 repricing 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.

To manage, measure and control interest rate risk, the Bank uses repricing gap analysis, which provides it with a simplified view of the balance sheet structure and enables it to estimate the impact of possible changes in interest rates.

The measures taken to manage structural interest rate risk are implemented in accordance with the structure of limits approved by the Board of Directors, which are defined as the maximum opening figures or the difference between the total asset and liability positions that

The measures adopted for managing structural interest risk are taken with a view to complying with the limit structure approved by the Board of Management

can be maintained for each Section of the interest rate risk map and which is controlled and monitored by the Market Risk Division.

The situation of the interest rate risk map of the Bankinter Group as at the end of 2010 was as follows:

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

At 2010 year-end the sensitivity of the Bankinter Group's economic value to

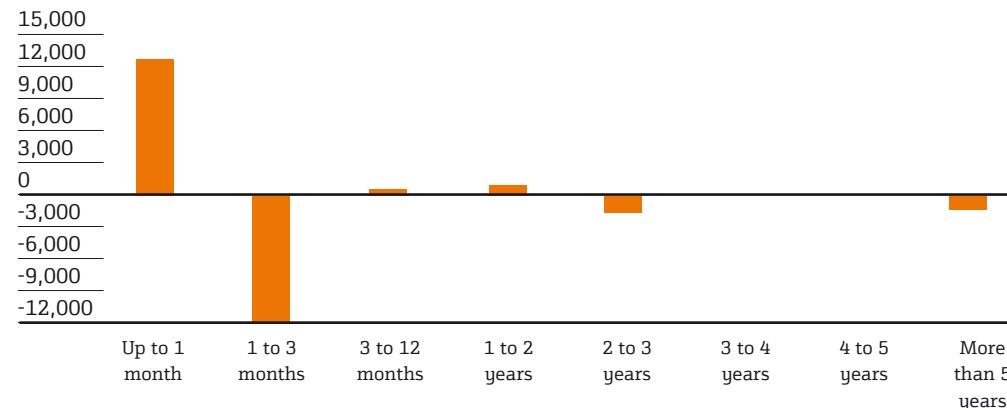
parallel shifts of 200 basis points stood at 1.1% of its shareholders' equity.

#### **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, and of calls on the capital markets.

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

**Bankinter Group's interest risk plan at the close of 2010 (million euros)**



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

**Each year the Bankinter Board of Directors approves limits and internal measurement procedures for the risk on each of the products and markets in which Treasury and Capital Markets trades.**

### **Market Risk**

In addition to providing overall interest rate and liquidity risk management services, Treasury and Capital Markets operates in the markets to take advantage of any business opportunities that may 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.

Each year the Bankinter Board of Directors approves limits and internal measurement procedures for the risk on each of the products and markets in which Treasury and Capital Markets trades.

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.

The following is a description of the methodology for measuring the main market risk measurements.

#### **Value at Risk (VaR)**

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

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

The methodology that is used to calculate VaR is 'historical simulation', which is based on analysing potential changes in position value, using for this purpose the historical variations of the individual assets that make it up. VaR is calculated with a confidence level of 95% and a time horizon of one day.

The table attached hereto informs as to the VaR values of the trading positions at the close of the financial year 2010:

Apart from this, Bankinter also monitors the VaR of the portfolio positions of its subsidiary, Línea Directa Aseguradora on a monthly basis, using the parametric method. The VaR of Línea Directa Aseguradora's portfolio, based on the same assumptions, as at 31 December 2010 amounted to 0.9 million euros.

	<b>Final</b>
Interest Rate VaR	0.87
Variable Income VaR	0.18
Exchange Rate VaR	0.01
Exchange Rate VaR	0.03
Credit VaR	0.00
<b>Total VaR</b>	<b>0.95</b>

Confidence level 95%, timeline 1 day

**Stress Testing estimates quantify the potential loss in portfolio value that would be caused by extreme changes in the risk factors to which same is exposed.**

### ***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 changes in interest rates, stock markets, exchange rates, credit and other significant changes in volatility could have on the current portfolio. Changes recorded in relevant historical crises are also simulated. Additional scenarios derived from the recent market situation were also carried out in 2010, following the sovereign debt crisis that occurred in that financial year.

The following table shows the 2010 year-end stress test estimates for the Bank's trading positions, prepared using the scenario of most extreme variations in the various risk variables.

million euros	<b>Final</b>
Interest Rate Stress	2.12
Variable Income Stress	3.36
Exchange rate Stress	0.06
Volatility Stress	0.42
Credit Stress	0.00
<b>Total Stress</b>	<b>5.95</b>

Applying the same scenarios to the positions of the portfolio of Línea Directa Aseguradora at the end of 2010, VaR amounted to 22.8 million euros.

**The basic purpose is to identify and mitigate the major operational risks on a preventive basis, seeking to minimise the possible losses associated with them.**

## Operational risk

The definition of operational risk used by Bankinter is that of the Basel Capital Accord (BIS II): "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, risk to be found in processes and that is generated internally by persons and systems, or as a consequence of external agents, such as natural catastrophes.

Our operational risk management model is inspired by the guidelines defined in the "Basel II" Capital framework agreement and complies with the Bank of Spain Circular 3/2008 on calculating and controlling Shareholders' Equity. It also incorporates the best practices from the sector that are shared in the CERO (Spanish Operational Risk Consortium) and CECON (Spanish Business Continuity Consortium) groups, of which Bankinter is an active member.

### Basic governing principles.

With a view to achieving an adequate system for managing Operational Risk and in line with the best practices on the market, Bankinter has laid down the following basic governing principles:

- The basic aim is the identification and mitigation of the greatest operational risk, seeking to minimise the possible losses associated thereto.
- Systematic procedures are defined for assessing, analysing, measuring and reporting risks and generating plans of action that are adequate in controlling them.
- With a view to exploring the bank's activities to draw up an inventory of the operational risks, the unit for analysis is the business unit. By analysing their risks, the bank's total risks are obtained by aggregating and consolidating the former.
- Of the possible Capital calculation systems associated therewith Operational Risk in the framework of the Basel Accord, Bankinter has adopted the Standard Method, which is reserved in Circular 3/2008 on Solvency to institutions that perform efficient, systematic management of operational risk.

### Operational Risk Management Framework

The Bankinter Management Framework for Operational Risk focuses on the following elements:

- Identification and evaluation of risks by way of the development of a risk map for the institution, showing the frequency and severity levels of such risk, the existing control mechanisms and action plans to mitigate same.
- Record of the operational risk events that have occurred, with the management information associated therewith, ordered and classified in accordance with the Basle recommendations.
- Monitoring of risk by establishing a panel of indicators that provides information on the evolution of existing operational risk levels and alerts on the appearance of undesired trends.
- Creation of Continuity and Contingency Plans describing the set of procedures that are alternative to normal operations and which are aimed at restoring activity in the event of an unforeseen interruption in critical services.
- Generating and disseminating management information that is suited to the needs of each governing body that has responsibilities in managing operational risk.

## Government Structure

Bankinter has chosen to follow a decentralised model in which responsibility for Operational Risk Management lies with the respective business and/or support units.

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

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

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

- To promote the implementation of Operational Risk management policies.
- To track significant operational risks and trends in mitigation plans.
- To ensure that the assessment protocol for risks associated with the launch of new products is followed, and authorise that they be marketed, as applicable.

**Operational Risk:** Seconded to the Risk Directorate, Operational Risk is responsible for the following main functions:

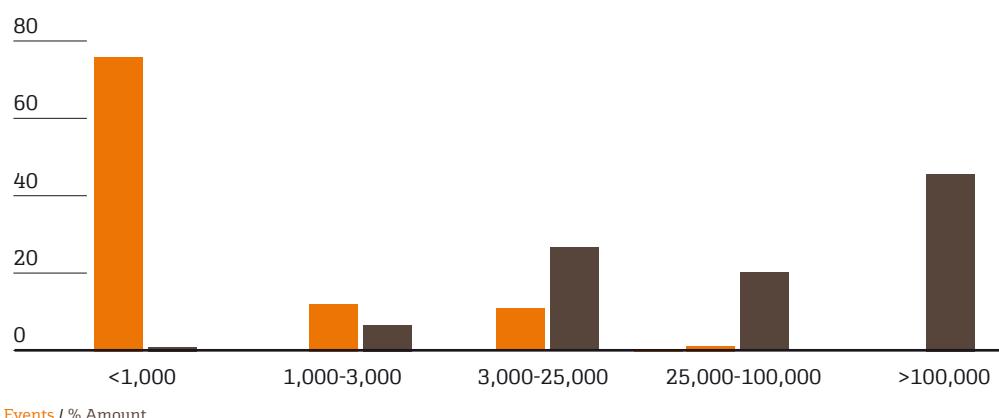
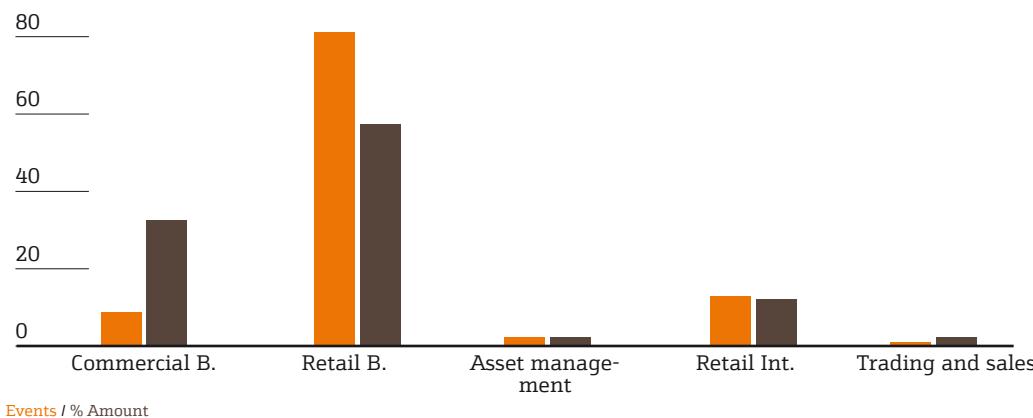
- Promoting management of operational risks in the various divisions, encouraging identification of same, allocation of responsibility for them, the formalisation of controls, the generation of monitoring indicators, the creation of mitigation plans, regular review and steps to be taken in the event of substantial losses or risk.
- Equipping divisions and units with the methodologies, tools and procedures that are necessary for managing their operational risk.
- Promoting the construction of contingency and business continuity plans that are adequate 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 main responsibilities:

- 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 for which it is responsible for running.
- Maintaining and testing the business continuity plans supported by the unit.

As regards databases on loss events, the Bankinter operational risk profile would be represented in the following graphs:



### **Insurance in managing operational risk**

Bankinter uses insurance as a key element in managing some operational risks, thus complementing the mitigation of those risks for which this is recommended due to their nature.

To this end, the Insurance Area and the various areas in Bankinter, taking into account both the operational risk assessments and the record of losses, assess the convenience 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, fires...), internal or external fraud (robbery, disloyalty etc.), civil liability for employees, etc.

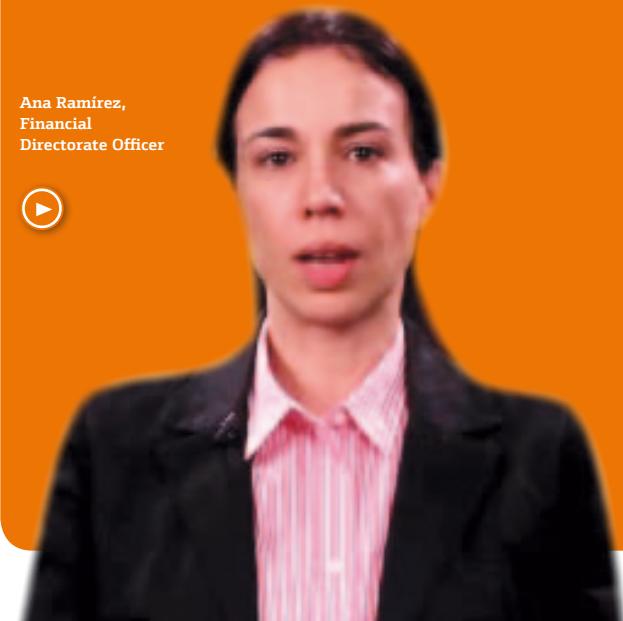
# 8

## Results



*The figure for profit before tax recorded by the Bankinter Group in 2010 was 205.21 million euros, generated on a recurrent basis, without any extraordinary amounts and including a major anticipation of costs and provisions amounting to 74.5 million euros. Bankinter remains extraordinarily strong as regards its solvency and non-performing loans ratio.*

Ana Ramírez,  
Financial  
Directorate Officer



## Results

In 2010 the Bankinter Group's earnings structure continued to be based on the generation of recurring profits which, unlike other institutions, do not include any extraordinary items.

As regards the various margins in the income statement, the interest margin was affected by the interest rate situation, and more specifically by the positive effect of the repricing' of mortgage loans included in the margin for 2009. At the end of 2010 this margin reached €550 million (30.6% less than in 2009), although if this repricing effect were not taken into account, the fall in the interest margin for the period would have been only 15.4%, as a result of the significant improvement in the financing structure over the course of the year.

It should be pointed out that the reduction in the interest margin will ease in 2011. Indeed a change of trend under this heading has already been anticipated for the coming financial year based on a number of different factors: A possible rise in interest rates, limited growth of

problematic assets, easing of the deposits war in the sector, a low level of wholesale financing maturities in 2011 and more active management of differences. All these factors imply the prospect of improved interest margins for the coming year.

As regards the gross margin (1,102.32 billion euros), whilst this represents a decline of 11.5% compared to the end of 2009, some 35% of this comes from strategic products that are not dependent on lending and which have growth potential, such as insurance, securities services, asset management etc. In December 2009 this percentage stood at 25%.

As such, it is a good indication of the success of the bank's income diversification strategy.

As a result of all these factors, Bankinter ended 2010 with profits before tax of 205.2 million euros (down 40.7%), and net profit for the year of 150.7 million euros (40.8% less than in 2009).

Turning to Bankinter's balance sheet, total assets stood at 54,025 billion euros (0.8% down on year-end 2009); loans and advances to customers stood at 41,771 billion euros, up by 4.7% on 2009. These figures bear witness to the fact that Bankinter has maintained a good level of activity in customer lending, which is a matter of vital importance in an economy hit by crisis. As regards customer deposits, at year-end they stood at 39,904 billion euros, representing a 0.2% increase on the December 2009 figure.

Bankinter's solvency and non-performing loan figures evidence extraordinary solidity, which is particularly noteworthy when compared with other financial institutions, especially bearing in mind the prevailing climate of crisis. Doubtful risks relating to customers stood at 1,330 billion euros, representing 2.9% of the Bank's calculated risk, a level that is half the sector average. Bearing in mind also that net additions to non-performing loans slowed over the course of the year compared with 2009, we may expect improved prospects for 2011.

At the same time, the ratio of cover for non-performing loans stands at 66.4%, one of the highest in the banking sector, compared with 51% for other comparable banks. Provisions for total bad debts increased by 8.6% relative to December 2009, to reach 883.5 million euros. These provisions amount to 990 million euros (13% more than in December 2009) if one includes the 106 million euros allocated for repossessed properties, which are covered to the extent of 28% of their

carrying amount, as against 18% for other comparable banks. I should once again be stressed that Bankinter's repossessed assets, the gross amount of which stands at 378 million euros, represent barely 0.6% of the total market.

As regards capital under Basel II Framework rules, the solvency ratios estimated in accordance with the Bank of Spain Circular on the determination and control of minimum capital ended

2010 at a level appropriate to Bankinter's risk profile, with surplus capital of 573.1 million euros.



**Income Statement (thousand euros)**

	2010	2009	Diff. euros	Diff. %
Interest and similar income	1,201,406	1,672,477	-471,071	-28.17
Interest expense and similar charges	-651,453	-879,898	228,445	-25.96
<b>Interest margin</b>	<b>549,953</b>	<b>792,579</b>	<b>-242,626</b>	<b>-30.61</b>
Income from equity instruments	14,456	10,934	3,522	32.21
Share in results of entities accounted for using the equity method	10,958	16,234	-5,276	-32.50
Net fees and commissions	195,503	202,233	-6,730	-3.33
Income from financial transactions and exchange differences	120,471	88,788	31,683	35.68
Other operating income/expenses	210,982	134,414	76,568	56.96
<b>Gross Margin</b>	<b>1,102,323</b>	<b>1,245,182</b>	<b>-142,859</b>	<b>-11.47</b>
Personnel expenses	-332,934	-325,040	-7,894	2.43
Administrative expenses / Amortisation	-322,764	-307,248	-15,516	5.05
Allocations to provisions	-815	-29,628	28,813	-97.25
Losses from asset impairment	-216,666	-220,502	3,836	-1.74
<b>Profit from operations</b>	<b>229,145</b>	<b>362,764</b>	<b>-133,619</b>	<b>-36.83</b>
Gains/losses on disposal of assets	-23,931	-16,823	-7,107	42.25
<b>Profit before tax</b>	<b>205,214</b>	<b>345,940</b>	<b>-140,725</b>	<b>-40.68</b>
Corporate tax	-54,484	-91,536	37,052	-40.48
<b>Consolidated result</b>	<b>150,730</b>	<b>254,404</b>	<b>-103,674</b>	<b>-40.75</b>

**Quarterly Income Statement (thousand euros)**

	<b>4Q10</b>	<b>3Q10</b>	<b>2Q10</b>	<b>1Q10</b>	<b>4Q09</b>
Interest and similar income	330,169	301,600	283,473	286,165	324,893
Interest expense and similar charges	-220,016	-173,489	-132,744	-125,204	-147,999
<b>Interest margin</b>	<b>110,153</b>	<b>128,111</b>	<b>150,728</b>	<b>160,961</b>	<b>176,894</b>
Income from equity instruments	2,277	475	9,995	1,709	1,721
Share in results of entities accounted for using the equity method	3,491	2,709	2,363	2,395	2,505
Net fees and commissions	48,222	47,320	50,136	49,824	51,171
Income from financial transactions and exchange differences	14,980	29,915	35,412	40,164	25,322
Other operating income/expenses	55,726	57,845	50,400	47,011	45,389
<b>Gross Margin</b>	<b>234,850</b>	<b>266,375</b>	<b>299,034</b>	<b>302,065</b>	<b>303,002</b>
Personnel expenses	-87,181	-81,710	-80,602	-83,441	-85,671
Administrative expenses / Amortisation	-82,234	-80,687	-80,923	-78,921	-83,036
Allocations to provisions	-4,262	1,143	1,873	432	-12,482
Losses from asset impairment	-50,515	-35,910	-83,945	-46,296	-53,096
<b>Profit from operations</b>	<b>10,657</b>	<b>69,211</b>	<b>55,437</b>	<b>93,839</b>	<b>68,718</b>
Gains/losses on disposal of assets	-7,455	-10,460	-3,672	-2,343	-3,774
<b>Profit before tax</b>	<b>3,202</b>	<b>58,751</b>	<b>51,765</b>	<b>91,496</b>	<b>64,944</b>
Corporate tax	-1,497	-14,938	-12,395	-25,655	-15,386
<b>Consolidated result</b>	<b>1,705</b>	<b>43,813</b>	<b>39,371</b>	<b>65,840</b>	<b>49,558</b>

<b>Yields and costs (%)</b>		<b>31/12/2010</b>	<b>31/12/2009</b>		
		<b>Weighting</b>	<b>Rate</b>	<b>Weighting</b>	<b>Rate</b>
Deposits held at central banks		1.02	0.77	1.05	1.05
Loans and advances to credit institutions		5.07	0.63	6.64	0.90
Money market transactions through counterparty entities		0.71	0.74	0.00	0.00
Loans and advances to customers (a)		74.23	2.47	71.17	3.81
Debt instruments		12.84	2.84	14.45	2.91
Variable income		0.70	3.78	0.69	2.89
<b>Average earning assets (b)</b>		<b>94.58</b>	<b>2.34</b>	<b>93.99</b>	<b>3.24</b>
<b>Other assets</b>		<b>5.42</b>		<b>6.01</b>	
<b>AVERAGE TOTAL ASSETS</b>		<b>100.00</b>	<b>2.22</b>	<b>100.00</b>	<b>3.05</b>
Deposits from central banks		6.66	0.99	5.58	2.16
Deposits from credit institutions		8.59	1.11	10.89	1.49
Money market transactions through counterparty entities		0.74	0.92	0.40	0.48
Customer resources (c)		72.50	1.53	71.83	1.89
Customer deposits		38.77	1.26	40.79	1.47
Marketable debt securities		33.73	1.86	31.04	2.44
Subordinated liabilities		2.05	3.94	1.69	3.24
Remuneration of financial-liability capital		0.00	0.00	0.03	0.00
<b>Average interest-bearing funds (d)</b>		<b>90.55</b>	<b>1.31</b>	<b>90.42</b>	<b>1.76</b>
<b>Other liabilities</b>		<b>9.45</b>		<b>9.58</b>	
<b>AVERAGE TOTAL FUNDS</b>		<b>100.00</b>	<b>1.19</b>	<b>100.00</b>	<b>1.59</b>

**Personnel expenses (thousand euros)**

	2010	2009	10/09 (%)
Salaries and bonuses paid to active staff	240,529	242,368	-0.76
Social Security contributions	61,248	55,671	10.02
Allocations to defined benefit plans	-	-	-
Contributions to defined plans	1,160	1,086	6.81
Severance packages	3,907	3,388	15.32
Remuneration based on other equity instruments	-	-	-
Other personnel expenses	26,090	22,527	15.82
<b>Total</b>	<b>332,934</b>	<b>325,040</b>	<b>2.43</b>

Bankinter's Contribution to Gross Domestic Product

**Other administrative overheads (thousand euros)**

	2010	2009	10/09 (%)
Taxes	4,382	4,273	2.55
Buildings and supplies	36,924	36,927	-0.01
Representation and travel expenses	6,446	6,772	-4.81
Material and miscellaneous outgoings	38,386	31,722	21.01
External services	64,517	61,001	5.76
Software and communications	63,045	66,334	-4.96
Advertising	38,872	32,398	19.98
Other expenses	8,008	14,358	-44.23
<b>Total</b>	<b>260,580</b>	<b>253,785</b>	<b>2.68</b>

The Bankinter Group's contribution to GDP in 2010 was 540.7 million euros, representing an increase of 19.9% on the previous year. This contribution can be broken down as follows:

**Value added to GDP (thousand euros)**

	2010	2009	10/09 (%)
Employee salaries	332,934	325,040	2.43
Direct taxes	58,693	95,809	-38.74
Corporate Income Tax	54,484	91,536	-40.48
Other taxes	4,209	4,273	-1.50
Remuneration of capital	74,512	127,202	-41.42
Retained earnings	74,512	127,202	-41.42
<b>Total</b>	<b>540,651</b>	<b>675,253</b>	<b>-19.93</b>

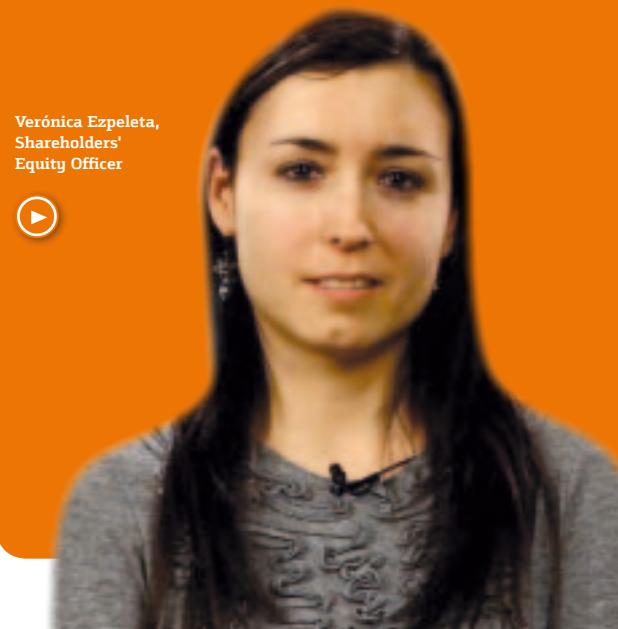
# 9

## Shareholders' equity and Bankinter shares



*In this regard, the Bank conducts appropriate equity management by assigning these limited resources to activities that generate the greatest possible returns. Bankinter has an adequate solvency ratio, which is supported by the main rating agencies.*

Verónica Ezpeleta,  
Shareholders'  
Equity Officer



## Shareholders' equity

The Bankinter Group has an efficient shareholders' equity structure, the creation of long-term value for shareholders being one of the Bank's strategic priorities. In this regard, the Bank conducts appropriate equity management by assigning these limited

resources to activities that generate the greatest possible returns.

Total regulatory capital based on the criteria of the Bank for International Settlements as set out in "Basel II" stood at 3,051 billion euros at the end of 2010.

On 8 March 2011, the Board of Management of Bankinter, SA agreed to issue subordinated bonds necessarily convertible to bank shares for a maximum value of 406 million euros and a three-year period. The total amount of the issue shall count for the purposes of the

### Customer funds (thousand euros)

	31/12/2010	31/12/2009	Diff. Amount	Diff. %
Capital and Reserves	2,435,084	2,357,522	77,561	3.29
Remuneration of financial-liability capital	343,165	343,165	0	0.00
Treasury shares	-1,753	-538	-1,215	225.92
Intangible and other assets	-339,244	-308,716	-30,527	9.89
Other deductions	-136,418	-79,085	-57,333	72.50
<b>Tier I</b>	<b>2,300,833</b>	<b>2,312,348</b>	<b>-11,514</b>	<b>-0.50</b>
Revaluation reserve	98,540	116,087	-17,547	-15.12
Subordinated finance	706,354	713,566	-7,212	-1.01
General provisions	81,731	203,683	-121,952	-59.87
Other deductions	-136,418	-79,085	-57,333	72.50
<b>Tier II</b>	<b>750,207</b>	<b>954,251</b>	<b>-204,044</b>	<b>-21.38</b>
<b>Total Equity</b>	<b>3,051,040</b>	<b>3,266,599</b>	<b>-215,559</b>	<b>-6.60</b>
<b>Risk-weighted assets</b>	<b>30,974,005</b>	<b>31,369,797</b>	<b>-395,793</b>	<b>-1.26</b>
Tier I (%)	7.43	7.37	0.06	0.81
Tier II (%)	2.42	3.04	-0.62	-20.39
Capital ratio (%)	9.85	10.41	-0.56	-5.34
<b>Surplus resources</b>	<b>573,120</b>	<b>757,015</b>	<b>-183,895</b>	<b>-24.29</b>

Bankinter Group's main capital ratio, allowing to reach 8.23% of main capital, which is higher than the new capital requirements imposed by Spain's Central Bank.

Bankinter chose this option to reinforce its capital because it is the option that best preserves the bank's profitability and solvency without increasing its production costs or reducing its recurrent income through the sale of latent capital gains, which the bank has not considered. It also contributes value to the shareholders,

by offering an interesting financial instrument with an attractive return. Total shareholders' equity considered to be TIER I amounts to 2,301 billion euros, and TIER II is 750 million euros. This means that the total shareholders' equity at the close of the financial year 2010 was 3,051 billion euros.

Bankinter continues to have an adequate capital structure that is endorsed by the main rating agencies, which once again gave Bankinter an excellent rating.

The ratings awarded by the principal rating agencies are as follows.

#### Rating agencies

	Short-term	Long-term
Moody's	P1	A1
Standard & Poor's	A1	A



## Bankinter shares

As a consequence of the situation of the markets, the evolution in the share value in 2010 was -41.9%, which together with the distributed dividend until the date of publication of this report, represented a negative return of -39.7%.

The salient per share data for Bankinter stock during the year are disclosed in the following tables:

The distribution of the results for the financial year 2010 on the date of publication of this report is as follows:

Date	Dividend per share (euros)	Number of shares	Treasury stock (own shares)	Shares with right	Amount (thousand euros)	Results for the year
July 2010	0.057080	473,447,732	74,095	473,373,637	27,020	2010
Oct. 10	0.052003	473,447,732	43,904	473,403,828	24,618	2010
Jan. 2011	0.048313	473,447,732	0	473,447,732	22,874	2010
Total	0.15740				74,512	

### Figures per share for the period (euros)

Earnings per share	0.32
Dividend per share	0.21
Carrying value per share	5.35
Price at start of year	7.15
Minimum price	3.88
Maximum price	7.48
Most recent price	4.16
Revaluation over the last 12 months (%)	-41.87

**As at December  
2010 there were 113  
thousand ADRs in  
circulation.**

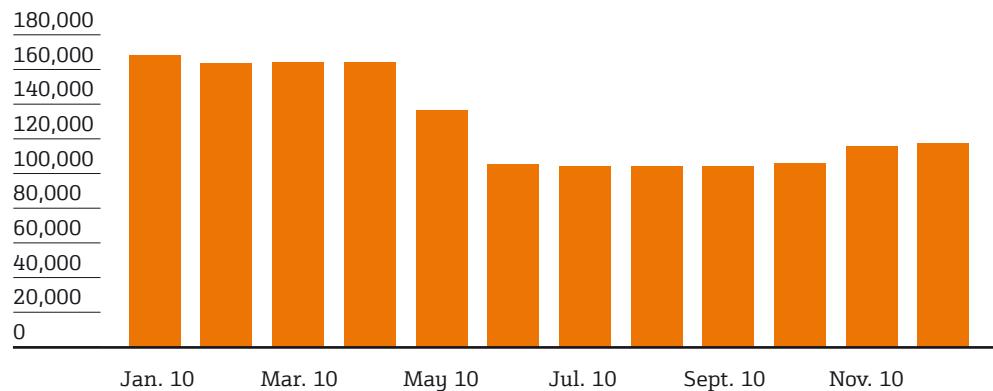
#### **ADRs**

ADRs are a type of product enabling US residents to invest in foreign companies by means of an ADR (American Depository Receipt) 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 2010 there were a total of 113 thousand ADRs in circulation.

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#### **Trends in Bankinter ADRs**

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### Share Capital and Treasury stock

As at 31 December 2010, the share capital of Bankinter, S.A. is represented by 473,447,732 registered shares with a face value of 0.3 euros each, fully subscribed and paid up; the same number as one year ago.

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

The structure of the share capital in Bankinter is represented by 81,732 shareholders, 4% more than at the end of 2009. This structure has the following characteristics:

- Resident shareholders hold 60.8% of share capital.
- Non-residents hold 39.2% of share capital.

- Treasury stock at year-end consisted of 407,921 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	24.70
Cartival S.A.	105,279,273	22.24

#### Summary according to shareholder type and number of shares

Summary by type of shareholders	Number of Shareholders	%	Number of Shares	%
Residents	81,005	99.11	287,680,427	60.76
Non-residents	727	0.89	185,767,305	39.24
<b>Total</b>	<b>81,732</b>		<b>473,447,732</b>	
<b>Share ownership structure by number of shares</b>				
Brackets	No. of shareholders	%	Number of Shares	%
From 1 to 100 shares	40,138	49.11	441,739	0.09
From 101 to 1,000 shares	23,093	28.25	10,963,998	2.32
From 1,001 to 10,000 shares	16,144	19.75	50,016,852	10.56
From 10,001 to 100,000 shares	2,172	2.66	51,433,040	10.86
More than 100,000 shares	185	0.23	360,592,103	76.17
<b>Total</b>	<b>81,732</b>		<b>473,447,732</b>	

#### Stock market ratios

	2010	2009
Price / theoretical book value (ratio)	0.78	1.38
PER (Price/Earnings Ratio)	13.05	13.30
Number of shareholders	81,732	78,626
Number of shares	473,447,732	473,447,732
Number of non-resident shares	185,767,305	229,314,567
Average daily trading (number of shares)	2,470,000	2,077,641
Average daily trading (thousand euros)	11,130	15,450



At the close of the financial year 2010, the Bankinter Group held 407,921 shares of treasury stock, compared to 72,599 shares in 2009.

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**Share Capital and Treasury shares (%)**

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	2005	2006	2007	2008	2009	2010
January	1.31	1.17	0.02	1.06	0.84	0.01
February	1.20	1.17	0.03	1.03	0.84	0.01
March	1.20	1.17	0.02	1.03	0.64	0.01
April	1.19	1.16	0.02	1.03	0.92	0.01
May	1.18	1.16	0.02	1.03	0.14	0.02
June	1.18	0.75	0.03	1.03	0.06	0.02
July	1.18	0.58	0.02	1.02	0.01	0.01
August	1.19	0.41	0.02	1.02	0.01	0.01
September	1.18	0.02	0.15	1.02	0.01	0.01
October	1.16	0.00	0.09	1.01	0.01	0.01
November	1.16	0.02	0.95	0.96	0.01	0.03
December	1.17	0.02	1.05	0.88	0.02	0.09

# 10

## Brand

...ntra descubrir la  
bolsa con el  
servicio Bankinter.

*A brand is the set of emotions, memories and ideas that we associate to an institution or product. The Bankinter brand makes the effort of highlighting what makes us different as an organisation and positions the bank as an honest, exceptional and modern institution.*

Dolores Luque,  
Office Manager



Since 2006 the Bankinter brand has been making a particular effort to highlight what makes us different as an organisation.

## Our brand in 2010: The history of an unceasing quest to stand out in a world of sameness.

2010 was characterised by being a hard year for the financial sector, where the general perception is the absence of differentiation between banks and savings banks.

It is in this situation that brand personality becomes more important and where Bankinter has made a greater effort with a single aim in mind: to continue to consolidate the trust that our audiences, employees, shareholders and customers have placed in Bankinter.



# Much more than a logo, a spirit

At Bankinter we know that the only way we can stand out from our competitors is our attitude. An attitude based on a unique spirit that inspires us to strive to improve on a daily basis.

The Bankinter experience:  
The Bankinter experience is one that highlights our daily effort to demonstrate innovation and know-how through quality, as well as our true commitment towards service and our customers, both internal and external. In other words, our experience as a different brand is based not only on what we do, but how we do it.

For Bankinter, the brand means the people. That is why we set up a brand commitment programme in 2010, with the sole objective of standing out for our attitude and our way of being and doing things. We know that our image (products, branches etc.) is important, but

that what's on the inside (our people) is the basis that supports us and builds our brand.

We know that it is this spirit and the fact of putting our views into practice every day that has led us to become a different brand, and what will enable us to continue developing our business successfully in the future.

# bankinter.

## Our strong and distinctive brand spirit makes us great

### What does our brand mean to Bankinter?

At Bankinter we see our brand from two standpoints: from the outside and from the inside. On the one hand, for those on the outside, a brand is a collection of emotions, memories and ideas that as a customer or investor we associate with an organisation, institution or product. On the other hand, from the inside, it may be defined as the feeling of belonging and commitment to the values and personality of the organisation by the employees, and how this is put into practice on a daily basis.



### The function of the brand in the present situation

Knowing what we are and where we're going is what enables us to remain true to the strategy of being a strong brand. That is why active brand management is essential in order to sustain trust and differentiation.

Now more than ever, the brand must strengthen with actions the trust placed in the Bank by customers, investors and employees.

In short, Bankinter wishes to remain true to itself as a bank that is modern, technological, pioneering and different.

### Roll-out of new branch design: 2010

Within the Banks' particular multi-channel strategy, the branches are the most visible signs in terms of the brand. 2010 was characterised by significant progress in the area of consolidating our brand image: The year ended with 99.4% of branch façades and 55.3% of branch interiors completely in line with the principles 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.

## **Image of Bankinter compared to banks and savings banks: market study**

In the current economic context, it is still very interesting to see how the investment and effort that Bankinter is making in rolling out its new visual image at the branches is acknowledged by both customers and non-customers. In the study comparing Bankinter to its competitors carried out by the company Inmark on a quarterly basis, we observed this difference and complete change in score as regards the Branch Facilities attribute.

Bankinter went from an average score of 1.6 points less than its competitors in the fourth quarter of 2008 to a score that was 6.6 points higher, in the fourth quarter of 2010. This proves that the effort we are making in rolling out our new visual image and branch style is bearing fruit.

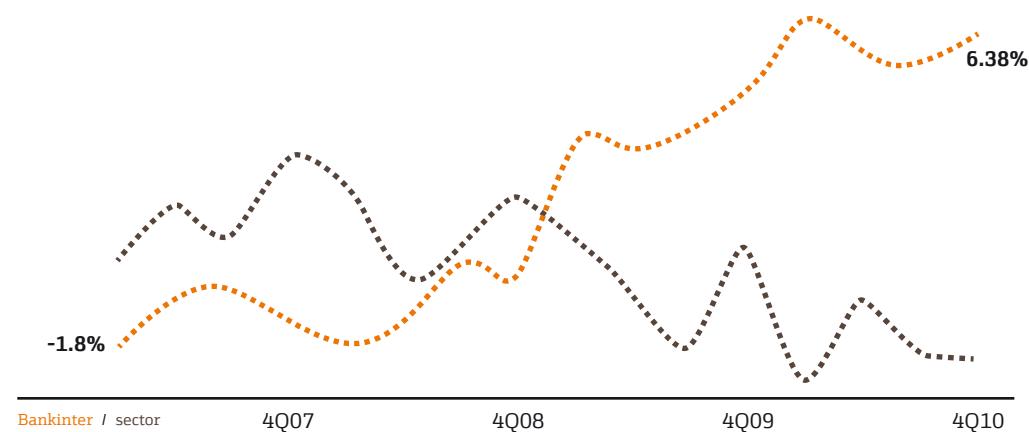
## **Branch audits: brand module**

In line with the effort in all aspects of rolling out the new brand image at the branches, Bankinter's Internal Audit Area introduced a Brand module in its branch intervention audits in 2008. This process contributes to making the importance of attention to detail trickle down throughout the organisation. The trend in our results has been increasingly positive since then. We have gone from having 6% of branches with very good scores in 2008 to 58% in 2009. The trend throughout 2010 has been equally positive.

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**Market study into Bankinter compared to banks / savings banks. Branch installation**

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## **BAPI: Brand Attributes Perception Indicator**

We have also been measuring the consumer experience of the brand (or perception, in the case of non-customers) since 2007, using an internal brand attribute / characteristic perception indicator. The trend registered in these years has revealed the consistency of this experience. Since 2006, perception of our brand attributes (innovation, originality, distinctiveness, enthusiasm, integrity, new branch image...) has continued with a score of 4 on a scale of 1 to 5. The score is 3.65 points among our customers and 3.09 points among non-customers. The stability in the evolution of this indicator is the result of the consistency of our brand strategy.

### **Other indicators**

The ability of the Bankinter brand to attract customers, win them over and ensure their loyalty is evident in other internal indicators, such as our customers' loyalty levels: the customer churn rate is only 6.64%, and overall satisfaction with the bank stood at 75 at the end of 2010.

### **More management tools**

The understanding that consistency is what builds the brand and makes it strong is what inspires Bankinter to perform active brand management. A number of tools and mechanisms have been developed, enabling us to apply our criteria, both those that are linked to our visual identity and those that are linked to behaviour; and to specifically monitor how they are applied and how they contribute towards developing the business. These mechanisms include a Brand Portal that is accessible to both employees and suppliers, and an operational Brand Committee.

### **Recognition**

Thanks to all the effort invested in managing our brand, we received recognition from Superbrands in 2010, the only financial institution to receive this recognition in the year.

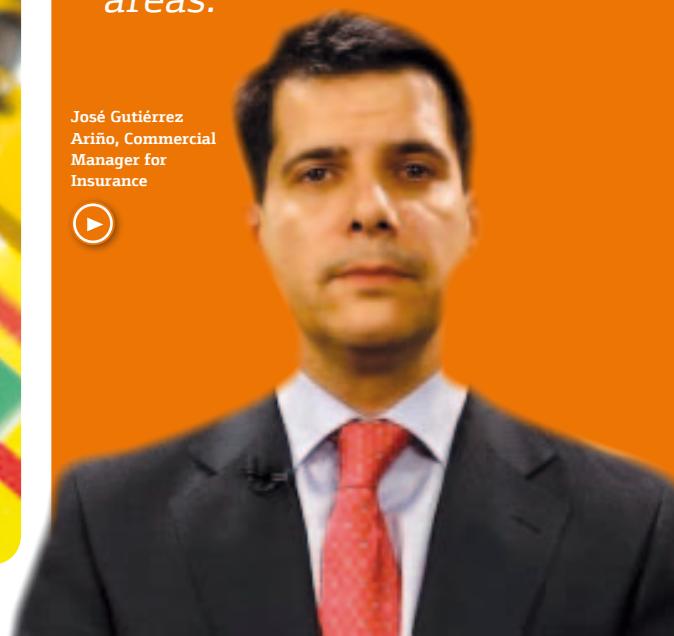


# 11

## Other business

*Bankinter is maintaining its strategy of diversifying income not dependent on credit activity and with potential for growth, such as insurance, security services, asset management etc. As part of these new businesses, in 2010 Bankinter set up Gneis Global Services, a company in which it has a 100% holding and which combines the Group's Technology and Operations areas.*

José Gutiérrez  
Ariño, Commercial  
Manager for  
Insurance



Investment funds	<b>5,108</b>	billion euros
Pension funds	<b>1,247</b>	billion euros
Wealth management	<b>1,430</b>	billion euros

#### Investment funds by Category (%)

Monetary	42.86
Other fund management companies	22.50
Guaranteed	13.52
Variable income	10.60
LT fixed income	3.85
Mixed funds	3.01
ST fixed income	1.84
Alternative management	1.43
General	0.32
Other	0.06
Total	100

## Bankinter Asset Management

Bankinter markets the investment funds of its own fund management company, Bankinter Gestión de Activos, and those of 17 others at international level. This enables the institution to offer its customers a diversified proposal for investment in this type of products.

Investment fund assets managed by Bankinter Gestión de Activos at the end of 2010 amounted to 3,959 billion euros, which represents a 24.11% drop on the figure for the end of 2009. This drop is mostly due to the sharp fall in monetary funds, a total of 884 million euros of total equity managed.

Total fund assets managed by Bankinter (from its own fund management company and others) amounted to 5,108 billion euros at the close of 2010, which represents a 13.4% drop compared to the same date in 2009; a figure that is comparable to that of its main competitors. (Source: Inverco).

Asset distribution in the investment funds portfolio varied significantly in 2010 compared to the previous year. A

considerable amount of equity invested in monetary funds was diverted towards high-rate deposits. This meant that monetary funds went from representing 52% of the total portfolio of funds marketed by the bank in 2009 to representing just 42.9% at the end of 2010.

As regards variable income funds, the instability in the stock market in 2010 led to a considerable drop in the amount of equity invested in this type of funds, mostly affecting those investing in the Eurozone. Similarly, the loss in credibility of the sovereign debt of certain countries also led to a rejection of fixed income funds.

In 2010, Bankinter launched a total of 13 new guaranteed variable income funds, 3 new guaranteed fixed income funds and an inverse exchange-traded fund on Eurostoxx 50. These funds are intended to complete the broad range already offered by Bankinter Gestión de Activos.

In terms of profitability, Bankinter Gestión de Activos managed to have several of its

funds ranked among the best in the year. One such fund was the 'Bankinter Quant', an absolute return fund that achieved a return of 22.88%, while the Spanish stock market fell by over 17% in the year.

As regards SICAVS, Bankinter is still the bank that is growing the most in terms of this instrument, used for investing large amounts of capital. Assets managed in the Bank's SICAVs increased by 5%, to reach 1.4 billion euros in December 2010, with a 4% increase, to 250, in the number of companies compared with the end of 2009. These figures place Bankinter in third position in the Inverco ranking, with an 8% market share.

**Bankinter continues to lead the value proposal offered to retail investors operating on the stock market. The bank consolidated its leadership in 2010 by launching 'Broker Plus' and 'Broker Touch'.**

## Variable income

This heading contains the activity and income generated by customers' deposits and operations on the stock and derivatives markets via the various instruments and channels provided by the bank.

Bankinter continues to lead the value proposal offered to retail investors operating on the stock market. In 2010, the bank consolidated its leadership by launching 'Broker Plus', an advanced trading tool that gives customers faster customised access in their daily operations. Also in 2010, the bank presented the new 'Broker Touch', a version of the Broker for mobile phones adapted to touch-screen devices such as the iPhone and Android telephones.

Bankinter offers a wide range of products and services for stock market investors, including cash operations on the national market and the main international markets, as well as operations 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 the hiring of a broad range of ETFs, listed funds that allow 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, linked, with conditions and restrictions etc.

At the close of 2010, one in every five customers had at least one securities account in Bankinter. The face value managed in December 2010 stood at 8,872 billion euros, which represents a 2.8% increase on the same figure at the close of 2009. The cash value managed stood at 18,875 billion euros at the close of 2010.

The variable income activity in 2010, measured as the number of orders, was 17.6% less than in 2009. As regards the volume of cash traded by customers,

it was also 15.1% less than in 2009, as a consequence of the difficulties and uncertainties of the last year. As a result, the gross margin obtained in this area fell by 11.7% in the same period under consideration.

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 proposal. For example, 85.7% of variable income operations are performed via the Internet, 11.6% via the branches, 1.3% via the Telephone Banking service and 1.3% via mobile telephone.

In terms of perceived quality, it should be highlighted that according to the customer surveys, the "Recommend Bankinter Broker" attribute has an NSI of 81.44 points and that other attributes also stand out, such as "Availability" (NSI 80.90), 'Ease of Use' (NSI 78.23) and "Speed of Operations" (NSI 80.72).



## Obsidiana

Bankinter Consumer Finance continues to consolidate its position in the consumer finance market. On the one hand, by distributing revolving credit cards and loans under its main brand, Obsidiana. On the other, by strengthening its current alliances and looking for new opportunities.

The risk control initiatives carried out last year had the consequence of good default results, with a clearly downward trend. In this regard, the achievements of the recoveries unit should also be highlighted, in its second year of existence. Its work has served to manage defaults in the friendly and judicial stages internally, with better results and costs.

However, the financial year 2010 was not as positive as might have been expected. Average investments in customers this year stood at 379 million euros, which represents a 10% drop on the previous year. The drop in consumption in the current economic climate and the adjustment of provisions, according to the new regulations issued by the Bank of

Spain, contributed to diluting the bank's earnings this year.

The investment policy continues to focus on the dual notion of risk-return, with the price of each offer being adjusted to the customer profile so as to guarantee the return. Moreover, in line with the macroeconomic situation, costs and marketing investments have continued to be the object of control.

Growth lines continue to focus on the segments with deserving risk and return profiles. This is why, during this financial year, Bankinter Consumer Finance has limited its growth, reaching, at the close of the year, 414,146 cards issued, a slight decline of 7% compared to the same figures in 2009.

The satisfaction of these more than 400,000 customers was also a key factor in the profitability of the business in the financial year 2010. The mission of Bankinter Consumer Finance is to meet the financing needs of customers, providing them with the most suitable

financial products and services at any given time, but above all providing them with flexible payment for managing their everyday financial needs.



## Línea Directa Aseguradora

Línea Directa Aseguradora is currently the fifth largest insurance company in terms of turnover in the national car insurance sector, after only 15 years in the market. Its growth rate, which is unprecedented in the sector, is based on organic and sustainable development, on a policy by policy basis, without having resorted to mergers or takeovers. The company's business model - direct and without intermediation - is based on direct contact with the customer and a firm commitment to technology, innovation and quality in all products and services, which enables it to offer agile, versatile products to all its customers.

In 1995 it was the first company in Spain to sell insurance by telephone on a mass scale and in 1999 it became the first insurance company to distribute its products over the Internet. Since 2008, Línea Directa has also been offering Home Insurance, a branch that has also contributed towards its transformation, by winning over 120,000 customers in just three years, thanks to a product that is transparent, straightforward and customisable, so that the customer only takes out the components that they really need.

As part of its commitment to the diversification and profitability provided by the company, Bankinter bought the 50% of shares in Línea Directa that it did not hold from Royal Bank of Scotland, thus becoming its sole shareholder and owner.

### One obsession: Quality

Línea Directa has a staff of over 1,800 professionals, of 21 different nationalities. Throughout 2010, Línea Directa has maintained its commitment to quality in employment - with almost 94% of contracts being permanent - and to conciliation, with measures like teleworking and flexitime. For these reasons, it was awarded the EFR certificate by the Fundación Másfamilia, recognising Línea Directa as a family-responsible company.

In 2010 Línea Directa won the Madrid

Excelente Award for customer trust, a prize that is added to the quality seal obtained in the previous year and which consolidates it as a benchmark company in value-added services and excellence.

### Main values for Línea Directa Aseguradora in 2010

The Group closed 2010 with a profit before tax of 94.4 million euros and a turnover from premiums in excess of 685.2 million euros, 3.58% more than the previous year. Over 6.6 million calls were handled. The company also recorded record figures in Home Insurance, with a 74.8% of turnover in a single year. All of the above is supported by a high standard of service quality perceived by its customers, obtaining an average Net Satisfaction Index (NSI) of 75 points.

	Car	Home	Línea Directa
Portfolio	1,683,917	113,637	1,797,554
Accrued premiums	666,636,651	18,538,902	685,175,553
Increase in Portfolio	49,055	44,285	93,340

**Gneis is founded, an autonomous business project that provides technological and operational support to the companies in the Bankinter Group**

**gneis.**  
Una idea Bankinter

## Gneis

On 1 October 2010, Bankinter set up Gneis Global Services, a 100% holding, which combines the bank's Technology and Operations area.

Several aims are pursued by this strategic decision, including the following: to highlight Bankinter's technological capacity - one of its most highly recognised values -, to achieve greater speed and efficiency, attain a high operational specialisation to generate synergies between the companies that make up the Group and, finally, to make it possible to market to third

parties innovative products and services generated on an internal basis to produce additional profits.

Going forward, new businesses and corporate opportunities may be integrated and the Group may eventually go international.

As a result of the creation of Gneis, 620 of the bank's employees were transferred to this company, while maintaining their usual workplace: the Bankinter building in Tres Cantos (Madrid), which became

the corporate headquarters of the new company.

Since October, therefore, the activity of the Technology and Operations areas - described in another section in this Report - has acquired a new status: not only is it intended to provide an optimal, efficient service to the bank and the rest of the companies; it also has to design and implement its own strategy as a company in its own right.

**76% increase on the previous year in premiums sold in the risk life business.**

**The trend in general insurance was also noteworthy, with growth rates of 18.71% in charges.**

## Insurance

2010 was one of the best yet for Bankinter's Life Assurance company (Bankinter Seguros de Vida). The following should be highlighted:

- 76% growth compared to the previous year as regards premiums sold in the risk life business.
- 41.5% increase on the total figure for the issue of risk life premiums compared to 2009, reaching a volume of 54.6 million euros.

These figures make Bankinter Seguros de Vida one of the fastest-growing life assurance companies in the country.

Due to the difficulties that affected the mortgage market, 2010 saw an increase in the sales of specific products not directly linked to this market or its products, with magnificent results obtained. These are products with fixed capital and a simple process for simple purchase and

distribution via Internet; all of which are enhanced by the added value of specific advice regarding each customer's coverage needs.

The trend in general insurance was also very noteworthy in 2010, with growth rates of 18.71% compared to 2009 in charges, reaching a figure of 19.6 million euros.

We should also mention the launch in the Home Insurance segment of the new Hogar Línea Directa insurance, which is tailored to suit every customer's coverage needs.

As regards both life assurance and general insurance, the level of dissociation from the bank's mortgage products is ever increasing. This illustrates that the insurance business is an activity that is increasingly important in the bank and of greater transcendence in its own right.

As for the pension funds business, there was a 2.79% increase in comparison to 2009, as a result of the tax benefits associated with this product, the standard of management implemented by Bankinter Gestión de Activos and the bank's enhanced commercial activity. Total assets in 2010 amounted to 1,247 billion euros.

# Appendix

## Information for shareholders and customers

The Statutory Annual Report of Bankinter S.A. is presented at the Annual General Meeting and is available to all the Company's shareholders. The information contained in it concerns the period from 1 January 2010 to 31 December 2010 unless specified otherwise. The previous Statutory Report, for 2009, was published on 17 de March de 2010.

This document, prepared by all the Bank's divisions, is addressed to shareholders, customers and any other stakeholder that has dealings with the Bank with no restriction whatsoever.

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

Our advertising is subject to prior control by the Bank of Spain or the Spanish National Securities Market Commission (CNMV) and no significant incidents were recorded. In addition, we are members of INVERCO and have signed up to their 'General Code of Advertising Conduct of Collective Investment Undertakings and Pension Funds'.

Bankinter has a medium term objective to extend the scope of information provided to include companies over which exercises

control or significant influence, and which have relevant sustainability impact.

As far as possible and where it has been considered relevant for analysing trends, data for 2009 have been included in order to guarantee the completeness and comparability of the information.

## Bankinter Telephone Banking telephone numbers:

<b>Service</b>	<b>Service schedule</b>	<b>Customer care telephone</b>
Care to customers from the Personal Banking, Private Banking and Finance segments	8 am to 10 pm, Monday to Saturday, except national holidays	
Private Individuals Virtual Banking	9 am to 6 pm, Monday to Saturday, except national holidays	901 13 23 13
Private Individuals Actual Branch Network	9 am to 6 pm, Monday to Saturday, except national holidays	
Remote Networks and Branch Network		
Sign Language Video Call Customer Care Service	9 am to 2 pm, Monday to Saturday, except national holidays	
Customer care in English	9 am to 6 pm, Monday to Saturday, except national holidays	901 135 135
Customer Care Support Service.	9 am to 6 pm, Monday to Saturday, except national holidays	901 113 113
Assistance with web browsing ( <a href="http://particulares.com">particulares.com</a> )	8 am to 12 midnight, Monday to Sunday, except for Christmas Day, New Year's Day and 6th January, when the service is closed. Christmas Eve and New Year's Eve from 8 am to 10 pm	902 365 563
Technical assistance to Telephone Service users	8 am to 10 pm, Monday to Saturday, except national holidays	Private Individuals 902 365 563 Legal Entities 902 365 656
Traditional product specialists	8 am to 10 pm, Monday to Saturday, except national holidays	2nd customer care hotline 901 13 23 13
Insurance specialists	8 am to 6 pm, Monday to Saturday, except national holidays	2nd customer care hotline 901 13 23 13
Stock market specialists	8 am to 10 pm, Monday to Saturday, except national holidays	902 13 11 14

**Shareholders Office**

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## Board of Directors:

The composition of the Board of Directors of Bankinter S.A. is as follows:

<b>Office</b>	<b>Name / Corporate Name</b>	<b>Office</b>
Chairman	Pedro Guerrero Guerrero	Executive
Deputy Chairman	Cartival, S.A. *	Executive
Chief Executive Officer	María Dolores Dancausa Treviño	Executive
Director	José Ramón Arce Gómez	Independent non-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 directors

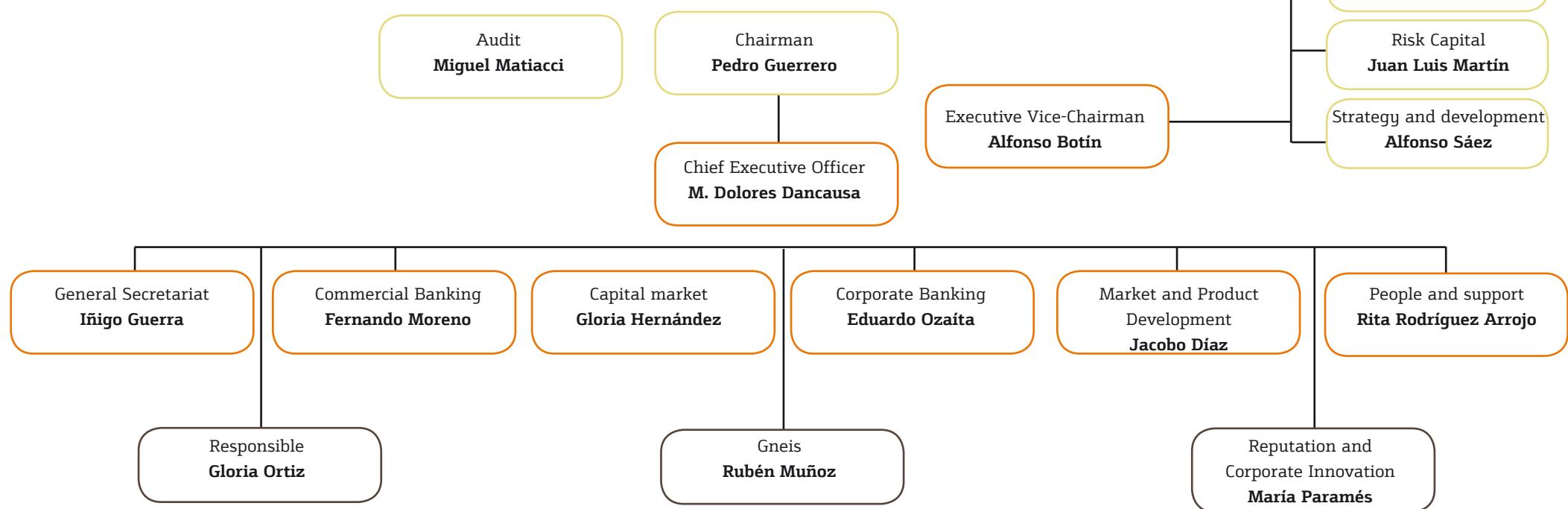
\* Cartival S.A.: Company represented on the Board of Directors by Alfonso Botín-Sanz de Sautuola y Nevada, representing significant shareholder Jaime Botín-Sanz de Sautuola.

\* Marcelino Botín-Sanz de Sautuola y Naveda: Linked to significant shareholder Cartival, S.A.

\* Fernando Masaveu Herrero: Related to the significant shareholder S.A. Tudela Veguin.

## Management Structure

### Management Committee and Coordination Committee



In orange: Management Committee

In orange + brown: Coordination Committee

### 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
Antonio Berdiel Bitrian	Navarra - Aragon - Rioja - Soria
Joaquín da Silva Castaño	North-Western Spain
Luis Fernando Azcona López	Northern Spain
José Pérez Jiménez	Tenerife

The 2010 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](mailto:comunicacion@bankinter.es)

The list of Bankinter Branches and Agents is published as an offprint of this Report.

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