

Bankinter posts Q1 2013 net of €50.4 million, up 1.9%

- Net commission revenue up 14.9% thanks to good results in strategic business lines
- Growth in profit before provisions (total revenue less expense) allows balance sheet to be further strengthened
- Bankinter bolsters its solvency, with EBA capital ratio at 10.4% - or 10.8% after the recent capital increase.

29 April 2013. The Bankinter Group has started 2013 by improving its first quarter results compared with the same period of last year. This was achieved in a very difficult environment, in which the Group nonetheless managed to maintain excellent asset quality and to further strengthen its solvency, liquidity and financing structure.

For the quarter ended 31 March 2013, Bankinter posted a net profit of €50.4 million, on a pre-tax profit of €67.8 million, representing increases of 1.9% and 6.8% respectively on Q1 2012. These positive results were based on growth in all business lines, and particularly those of strategic importance to the Bank, such as private banking. At the same time, cost containment was crucial, leading to significant improvements in banking efficiency as reflected by the remarkable 43.2% cost/income ratio.

The quality of Bankinter's assets remains well above that of the sector as a whole, with an NPL ratio of 4.5% (compared with the sector's 10.4% at the end of February), a portfolio of problem assets smaller than those of other banks - provisions against which have been strengthened - and with coverage that remains at good levels: 47.5% of NPLs and 37.3% of repossessed assets.

Bankinter's portfolio of repossessed assets, with a gross value of €627.9 million, is small, diversified, of high quality and with very little plots in its portfolio. Furthermore, sales are proceeding apace, with gross sales of these assets representing 72.7% of gross new additions during the quarter.

As regards solvency, Bankinter strengthened its position during the quarter, achieving an EBA capital ratio of 10.4% at 31 March, which reached about 10.8% thanks to the recent capital increase that was carried out entirely from the asset revaluation reserve.

It should also be pointed out that the €1.2 billion maturing in Q1 2013 were financed in the market through two issues of mortgage-backed bonds during the quarter for

€0.5 billion each and an issue of bonds to the EIB for €0.2 billion. The Bank also has €8.2 billion in liquid assets with which to meet the maturities of the coming years.

Along the same lines, the Bank reduced its liquidity gap by €1.4 billion during the quarter and continued to strengthen its retail funding, as can be seen from the trend in the deposits-to-lending ratio which, at 31 March 2013, was 69.1%, compared with 62.2% one year earlier.

Solid customer business in strategic segments

As for the various margins in the income statement, net interest contracted due mainly to the sharp fall in the one-year EURIBOR, the main benchmark for mortgage lending, with the consequent impact on this portfolio. The interest margin came to €132.6 million for the first quarter, 19.4% down on the same period of 2012. We should point out that this contraction in the interest margin has come to an end and will gradually recover throughout 2013 as a result of a strategy of active re-pricing of margins on non-mortgage lending as well as the reduced cost of retail funding.

Gross profit for the quarter was €320.6 million, up by 2.7% on Q1 2012. This increase was a result of the good performance of net commission revenue, which grew by 14.9% YoY thanks to the good progress made in private banking and corporate transactions as previously mentioned. Profit before provisions, at €153.7 million, grew by 6.7% compared with the first quarter of last year, thus further strengthening the balance sheet.

Turning to Bankinter's balance sheet, total assets ended the quarter at €57,756.3 million (4.7% less than March 2012). Total resources under the Bank's control stood at €46,435.6 million, representing an increase of 2.4%. Among these, we would highlight retail resources (sight accounts, deposits and promissory notes) which were up by 6.5%, and above all those managed off-balance sheet (investment funds, pensions and discretionary portfolio management), which increased by 22.1%.

Customer lending amounted to €41,015.7 million, 2.3% less than a year before. Nonetheless, focusing specifically on lending to businesses, the volume increased by 8.5%, reaching €16.5 billion, as a result of the change in the Bank's lending portfolio mix, towards more non-mortgage lending and consequently better spreads.

As for business with customers, Bankinter maintained the favourable trend shown last year, with a 3.7% increase in the number of new customers for the quarter, the private banking segment performing particularly well in this regard.

The results of the Bank's strategy of focusing on this segment can be seen in the volume of assets of these clients, which is 4% up on Q4 2012. Moreover, the main investment vehicles used by these kinds of clients have performed well, with the number of discretionary management contracts increasing tenfold compared with the first quarter of 2012 and SICAV mutual funds now numbering 262, which is 5.6% more than a year ago, and representing a market share of 8.8%.

A similar trend is shown by the insurance business, which makes a notable contribution to the Group's results.

In this regard, Línea Directa continues to grow faster than the sector as whole, with more than two million insurance policies at the end of the quarter, 6% more than at 31 March 2012. In relative terms, the growth in home insurance policies stands out – 34.4% up on March 2012 – as does that in the number of motor insurance policies, at 1.8 million, a growth rate of 2.4% over the same period, which is particularly satisfactory in a year that saw a 3.2% fall in car sales to private individuals.

Within the customer business strategy, service quality continues to form the basis on which the Bank's activity relies. According to the results of analyses carried out by an independent firm based on the opinions of the customers themselves, Bankinter's Net Satisfaction Index (NSI), in the private individuals segment, stood at 75.5 at the end of the quarter, almost one point above the March 2012 figure.

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KEY FIGURES Q1 2013

	31 March 2013	31 March 2012	Difference	
			Amount	%
Gross profit (€ millions)	320.6	312.2	8.4	2.7
Pre-tax profit (€ millions)	67.8	63.5	4.3	6.8
Net profit attributable to the	50.4	49.4	0.9	1.9

Group (€ millions)				
Total assets (€ millions)	57,756	60,622	-2,866	-4.7
Total lending (€ millions)	41,015	41,974	-958	-2.3
Retail resources (€ millions)	25,178	23,644	1,535	6.5
Assets under management / in custody (€ millions)	9,070	7,430	1,640	22.1
NPL ratio (%)	4.5	3.67	0.83 p.p.	
Cost/income ratio (%) *	43.2	45.8	-2.6 p.p.	
EBA capital ratio (%)	10.35	7.58	2.77 p.p.	

*Excluding LDA