

## Bankinter ends the first quarter with a net profit of 145 million euros, up 1.4%, with growth in all business lines

- Strong growth in customer funds (+10%) and loan book (+5%), outperforming the sector average in Spain.
- The CET1 fully-loaded ratio stood at 11.80%, 360 basis points above the European Central Bank's minimum requirement for the bank this year.
- Bankinter continues to lead its peers in profitability (12% RoE) and non-performing assets (2.87% NPL ratio).

**25 April 2019.** Bankinter Group has come into 2019 maintaining the same growth trend from the previous year, on the back of a diversified and profitable customer business that is sustainable in the future.

The Group's income statement ended the first quarter with 145 million euros in net earnings and 198.6 million euros in pre-tax profit. This indicates a 1.4% increase in both cases with respect to same period one year ago, despite the current interest rate environment.

Bankinter Group's main strengths include its profitability, with a return on equity (RoE) of 12.6%, making it a leader among major Spanish banks.

On the other hand, the Group's quality of assets has earned it one of the most sound positions in the sector, with a non-performing loan ratio of 2.87%, which has decreased by 16% year-on-year and represents half the average of the financial system.

In this connection, foreclosed assets also saw a substantial decrease to a gross amount of 328.6 million euros, compared to the 398.2 million euros recorded a year ago. The coverage ratio for foreclosed assets was 45.5%.

In regard to capital adequacy, one of the bank's other strengths, the fully-loaded CET 1 ratio ended the quarter at 11.80%. This represents a significant 360-basis-point margin with respect to the bank's minimum capital requirement from the European Central Bank for this year.

Moreover, its funding gap (the difference between customer loans and deposits) amounted to 3.2 billion euros. In parallel, the loan-to-deposit ratio ended the quarter at 105.1%, 360 basis points above the ratio reported in the first quarter of 2018.

Lastly, the bank has 800 million euros in wholesale funding maturities for this year and next year, respectively; no maturities are expected for 2021. To handle them, the Group has a high volume

of liquid assets amounting to 12.5 billion euros as well as the ability to issue 6.9 billion euros in covered bonds, well above the figures from the end of last year.

### **Margins continue on growth trend**

All of Bankinter Group's income statement margins at the end of the first quarter show figures higher than the same period of 2018. This proves the bank's ability to continue to generate higher revenues.

Net interest income totalled 275.4 million euros, 1.3% more with respect to the same period in 2018, despite an interest rate environment that remains unchanged at levels that make banking operations challenging.

Gross operating income amounted to 505.4 million euros, up 1%. Net fee income stood at 114 million euros in the year, growing by 5.1% and accounting for 23% of this margin.

On the other hand, pre-provision profit at 31 March amounted to 254.3 million euros, 1.8% more than a year ago. With operating expenses almost flat year on year, this indicates an improved cost-to-income ratio for banking operations (including amortisations), which went from 46.6% last year to 46.5% on the back of higher revenues.

With regards to Bankinter's balance sheet, the Group's total assets amounted to 78,287.2 million euros at 31 March, up 9.8% from the first quarter of 2018.

Customer loans rose to 55,801.4 million euros, a 5.4% increase with respect to the same date a year ago. Bankinter Spain's loan book totalled 50.2 billion euros which, compared to the 48 billion euros recorded a year ago, increased by 5% while lending across the industry once again declined by 2.1%, according to Banco de España figures from February.

Customer funds ended this first quarter at 51,579.4 million euros, which means a 9.6% increase year-on-year. From this total, 47.3 billion euros correspond to Spain, with 9% growth in 12 months, versus 6.1% growth across the industry according to February data.

### **Complementary business lines showing steady growth**

Bankinter's earnings indicate that, quarter-on-quarter, organic growth is the basis for its efficient progress of its recurrent customer business.

Out of its five strategic business lines, Corporate Banking contributed the most to the bank's gross operating income (27%). The loan book for this segment has continued to grow, reaching 23.9 billion euros versus the 22.7 billion euros from a year ago. From this figure, 22.6 billion euros correspond to loans to companies in Spain, a 4.3% increase from a year ago. This contrasts with a 5.7% decline in lending to companies across the industry based on Banco de España figures from February. This means Bankinter has increased market share in this business.

Half of the corporate loan book come from transactions with mid-corporates and SMEs, which have increased by 8%, respectively. The remaining 50% proceed from large corporates. Overall, Corporate Banking has increased its number of active customers by 4%.

As part of its strategy to become a reference for corporates, Bankinter is promoting its international trade finance operations to support their business transactions abroad. This is

shown by the growth of Bankinter's International Trade Finance loan book, which has climbed 25% to 4.6 million euros. This activity's gross operating income has increased by 16%.

Investment banking is another area within the Corporate Banking business where Bankinter is making progress, demonstrated by its 20% increase in lending for a total 2.3 billion euros, with a 75% increase in fee income and a 31% increase in gross operating income.

Bankinter Group's second strategic activity pivots on Commercial Banking, which focuses on individuals and accounts for 26% of the bank's gross operating income. Under this area, Private Banking and Personal Banking, segments, in which the bank has become a reference in the Spanish market, rise to prominence.

Assets under management in Private Banking amount to 37.5 billion euros (versus the 35.8 billion euros a year ago; a 5% increase). Despite the 1.2 billion-euro increase in portfolios caused by the market effect, net new money from Private Banking customers in the first quarter totalled 1.8 billion euros.

In Personal Banking, managed wealth also increased by 5%, reaching 22.5 billion euros.

Commercial Banking's performance in terms of customer deposits and lending is also significant. For instance, the figures for key products to the bank's strategy, like payroll accounts and mortgages, stand out in particular. The total balance of payroll accounts grew by 23% and amounts to 8.7 billion euros.

Also noteworthy is the bank's new mortgage origination in Spain during the first quarter. It increased by 9% with respect to the same period in 2018, on the back of a rigorous risk policy demonstrated by the fact that the granted amounts for this type of financing make up 65% of the collateral put up by loan applicants in the 'loan-to-value' ratio.

Within new mortgages, 33% of which are fixed-rate loans, Bankinter has ended the quarter with a market share of 5.8% in new mortgage origination. Total mortgage back book amounts to 22.2 billion euros in Spain, with a 59% loan-to-value ratio and 7% consisting of fixed-rate mortgages.

Moreover, Línea Directa Aseguradora, a wholly-owned Bankinter subsidiary, accounted for 20% of gross operating income, with a 7.2% increase in premiums and a 7.7% increase in the number of insured risks from a year ago. It now has 3.08 million customers. Línea Directa Group's combined ratio stands at 87.6%, with an RoE of 38%.

Consumer lending, operated by Bankinter Consumer Finance, continued to show a successful growth, with an increase of 31% in its loan book (which amounted to 2.1 million euros) and of 18% in its number of customers (now at 1.3 million).

Meanwhile, Bankinter Portugal, the latest business line to join the bank, showed a robust drive for another consecutive quarter. Its pre-tax profit climbed 16% to 22 million euros. Both lending and customer funds grew by 12% to 5.6 million and 4.3 million euros, respectively.

All these business lines thrive on a mainly digital customer base, as 92.7% of our customers interact with the bank via mobile device, PC or tablet; and 66% use the digital signature for their bank transactions.

Special mention is in order for the corporate transaction Bankinter expects to complete next quarter: the already announced acquisition of the retail operations of EVO Banco and its consumer finance subsidiary in Ireland, Avantcard. With these new businesses, Bankinter Group will boost its geographical diversification by entering a new market in the Eurozone, and further expand its customer reach with new, younger and fully digital users. All this will lead to an advance in Bankinter Group's trajectory.