

## PRICE SENSITIVE INFORMATION

In compliance with Article 226 of the Spanish Securities Market Act (*Ley del Mercado de Valores*), Bankinter hereby announces the following information:

The board of directors of Bankinter, S.A. ('**Bankinter**') has voted to propose, at its next annual general meeting to be held in March 2020, the distribution in kind of its entire share premium (totalling EUR 1.184 billion) by delivering to its shareholders shares of its subsidiary, Línea Directa Aseguradora, S.A., Compañía de Seguros y Reaseguros ('**Línea Directa Aseguradora**').

For this purpose, Línea Directa Aseguradora's entire share capital has been valued at EUR 1.434 billion, based on the advice received from experts. Therefore, with the distribution of the share premium amount stated, 82.6% of Línea Directa Aseguradora's share capital shall be delivered to Bankinter shareholders. Once those shares have been delivered to distribute the share premium, the bank shall retain a minority shareholding of 17.4% in the insurer. This distribution complies with the provisions of Article 41 of Bankinter's corporate by-laws.

Prior to the distribution, Línea Directa Aseguradora shall pay Bankinter a dividend in the amount of EUR 60 million, thus bringing the insurer's capital adequacy ratio to around 180%.

Due to its robust situation, Bankinter can consider this extraordinary distribution to its shareholders, which will have a limited impact on the Group's profitability and even increases its consolidated CET1 capital ratio by 5 basis points.

If this proposal is approved in the next annual general meeting, the dividend in kind shall be effectively distributed once it has been authorised by regulators. Furthermore, the admission to trading of the Línea Directa Aseguradora shares shall be requested, foreseeably in the second half of 2020.

The board of directors was assisted by the financial advisory services of Citigroup Global Markets Limited for this distribution.

\* \* \*

Please note that Bankinter shall present this transaction to analysts and investors on 19 December 2019 at 9.00 am. This presentation can be streamed via *webcast* (in English) on the Bankinter Group corporate website ([www.bankinter.com/webcorporativa](http://www.bankinter.com/webcorporativa)).

A recording of the presentation will be made available to anyone interested on the corporate website for a minimum period of one month. Otherwise, the presentation may be heard via telephone, according to the information available on the corporate website.

In attachment are a press release regarding this transaction and the presentation to analysts and investors.

\* \* \*

**Bankinter, S.A.**

Madrid, 18 December 2019

## Bankinter to propose taking Línea Directa public and distributing share premium to shareholders as shares of the company

- The share premium amounts to 1.184 billion euros. This would equal a current reasonable estimated market value of 82.6% of Línea Directa's share capital, which will be distributed to the bank's shareholders.
- Once the deal is final, Bankinter shareholders will also become shareholders of Línea Directa, which will become an independent, publicly-traded insurer.
- The goal is to split the direct insurance business from the banking business for each company to implement their own strategies independently in the future.

**18 December 2019** Today, the board of directors of Bankinter voted to propose, at the next annual general meeting, the distribution in kind of the full share premium (totalling 1.184 billion euros) by delivering to shareholders 82.6% of the share capital of its subsidiary, Línea Directa Aseguradora. Accordingly, the bank would maintain a minority shareholding of 17.4% of the insurer on its books.

The current reasonable estimated market value of 82.6% of Línea Directa Aseguradora to be delivered to Bankinter shareholders amounts to 1.184 billion euros, which accounts for 100% of the share premium to be distributed. For this purpose, based on advice received from experts, Línea Directa Aseguradora's entire share capital has been valued at 1.434 billion euros.

The number of shares representing Línea Directa's share capital is expected to be adjusted so that each Bankinter shareholder will receive one LDA share for each Bankinter share.

Once approved at the annual general meeting (scheduled for March 2020), the transaction will be submitted for required regulatory authorisation, after which delivered shares will be distributed and admitted to trading (foreseeably in the second half of 2020).

Before the transaction, Línea Directa will pay Bankinter a 60-million-euro dividend, bringing its capital adequacy ratio to around 180%, higher than its peers' in Europe.

This transaction aims to separate the direct insurance business from the purely banking business, so that each company can follow their own future strategies independently and operate in their respective regulatory environments with a capital structure and dividend policy that fit their needs.

Bankinter's banking operations are currently robust and solvent. They have grown significantly in terms of size, profitability and diversification (with a presence in four European countries and various business types), with a very balanced contribution from its several business lines.

Due to such robustness, the bank can consider carrying out this extraordinary distribution to its shareholders, which will have a limited impact on the Group's profitability and even increase its consolidated CET1 capital ratio by 5 basis points.

**Línea Directa Aseguradora, a great investment for Bankinter.**

Since its founding in 1995, Línea Directa has gone from being a project created from the ground up to becoming a leading direct insurer in Spain, with results based on solid growth on the back of a disciplined risk and cost base management approach and a clear focus on technology. Currently, the company has over 3 million customers, making it the fifth leading insurer in issued motor premiums, with a market share of almost 7% in motor coverage.

In 2009, Bankinter acquired the 50% of Línea Directa Aseguradora it did not control from Royal Bank of Scotland for 426 million euros. Since then, the insurer has paid out 1.058 billion euros in dividends. If this board proposal passes, Bankinter shareholders will have direct ownership of 82.6% of this company, with a current estimated market value of 1.184 billion euros.

**"Proposed distribution of  
share premium"**

19 December 2019

**bankinter.**



**lineadirecta.com**

**bankinter.**

# Executive summary

- Bankinter's Board of Directors shall propose to the next AGM, the in-kind distribution of the entire share premium by delivering to its shareholders 82.6% of Línea Directa Aseguradora ('LDA') shares, which will subsequently be admitted to trading.
- This distribution aims to split the direct insurance business from the banking business, thus allowing each company to implement their own strategies independently in the future.
- Línea Directa has been a great investment for Bankinter and its shareholders. Founded in 1995, it became a top insurer in the direct insurance market, with a sustainable and profitable business model and outperforming its peers.
- Following the distribution, LDA will be an independent, publicly traded insurer, with an estimated market value of € 1.434bn.
- Bankinter's banking operations are very robust at this time, for which it can carry out this extraordinary distribution to its shareholders with a limited impact on the group's profitability ratios and also better consolidated solvency ratios.

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# Strategic rationale

- 1 Strategic flexibility**

By creating two publicly-traded entities, Bankinter and LDA's management will be able to design their own strategies independently.
- 2 Stronger banking business**

With robust and diversified banking operations , Bankinter can carry out this extraordinary distribution to its shareholders with a limited impact on the group's profitability ratios and also better consolidated solvency ratios.
- 3 Direct market access**

LDA will have direct access to capital markets at its own sector multiples for any inorganic growth opportunities that arise in the future.
- 4 Shareholder options**

More options for Bankinter shareholders, who will be able to decide if they want to keep their exposure to the direct insurance sector in Spain or not.
- 5 Regulatory environment**

Optimisation of LDA and Bankinter in their respective regulatory environments, so each group can operate under a capital structure and dividend policies that best suit their needs.
- 6 Aligned incentives**

Improvement of Bankinter and LDA's ability to align incentives to senior managers with the performance of each business independently.

# Transaction details

## Legal structure

- At its next AGM, Bankinter will propose the in-kind distribution of its entire share premium (pursuant to Article 41 of its corporate by-laws) by delivering to its shareholders 82.6% of its LDA shareholding.
- The number of shares in which LDA's share capital is divided will be adjusted to facilitate the distribution ratio, so that each shareholder will receive one LDA share for each Bankinter share.
- LDA's market value is estimated to be € 1.434bn.
- LDA will pay Bankinter an extraordinary dividend before the transaction, which will leave its solvency ratio at aprox. 180%, above its peers in the EU

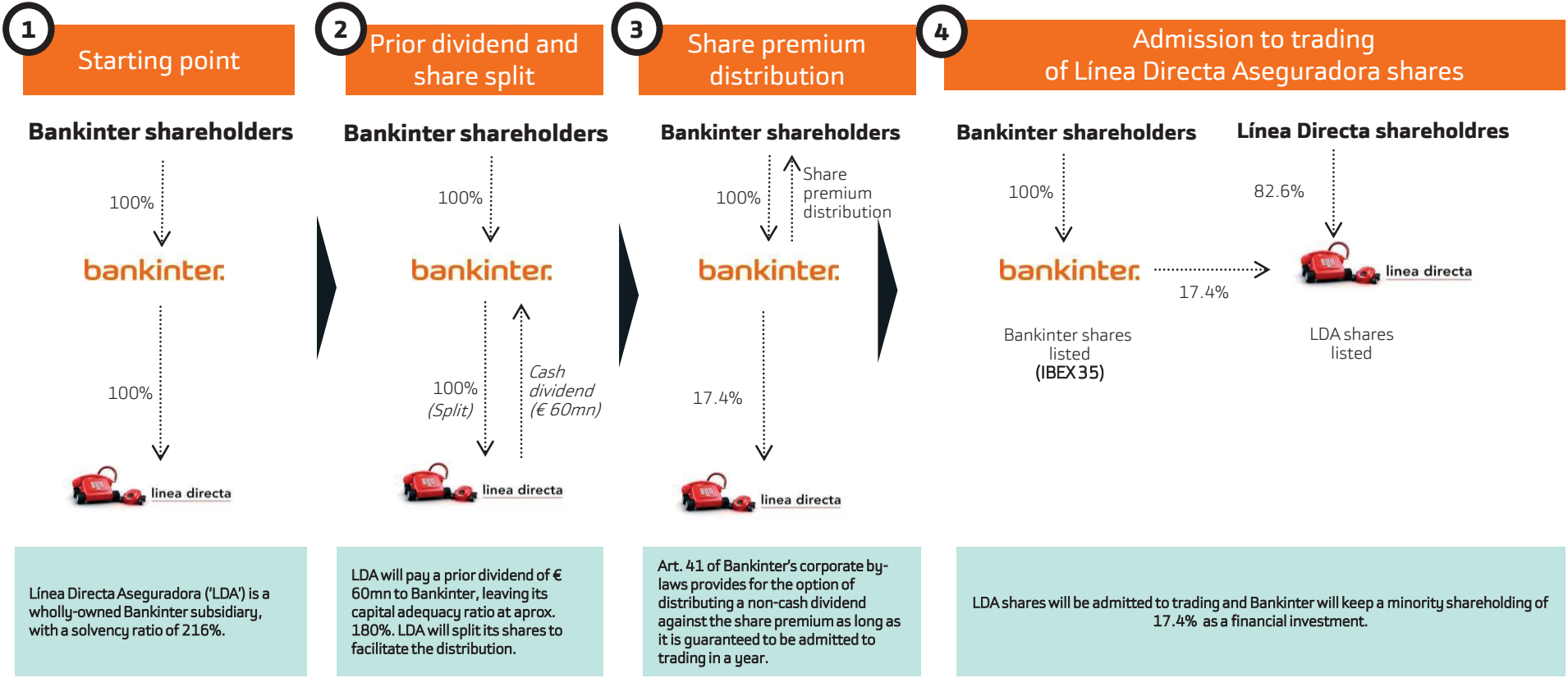
## Regulatory authorisation

- This transaction will be subject to regulatory authorisation and administrative procedures as required.
- ECB
  - Ministerio de Economía y empresa
  - CNMV
  - Dirección General de Seguros y Fondos de Pensiones ('DGSyFP')

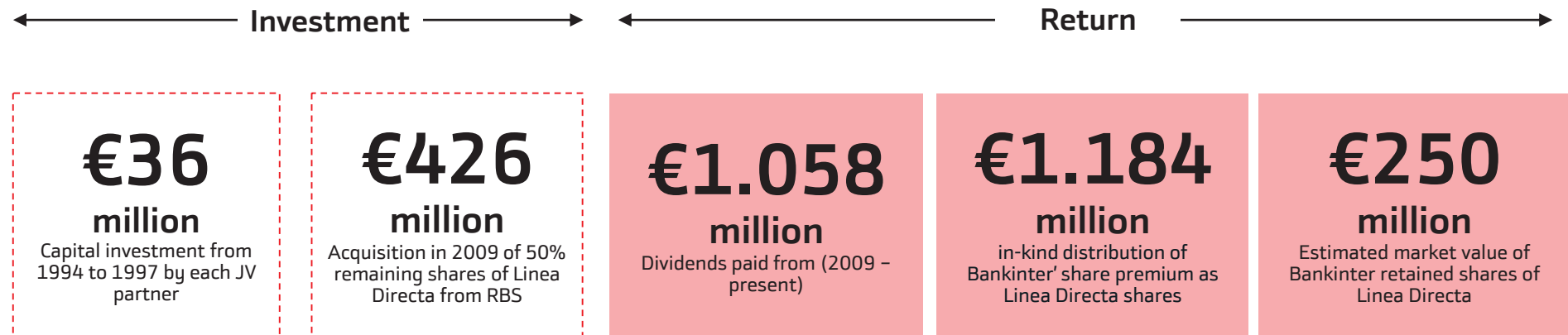
## Impacts of the distribution

- Línea Directa Aseguradora's governance model will be adapted to satisfy requirements for publicly-traded entities.
- Internal Audit is the only function shared with Bankinter; however, it will be split off prior to the distribution.
- Business agreements between Bankinter and LDA will be upheld at market conditions following the transaction.
- LDA shares are expected to be admitted to trading in the second half of 2020; Bankinter's shareholding will be 17.4%.

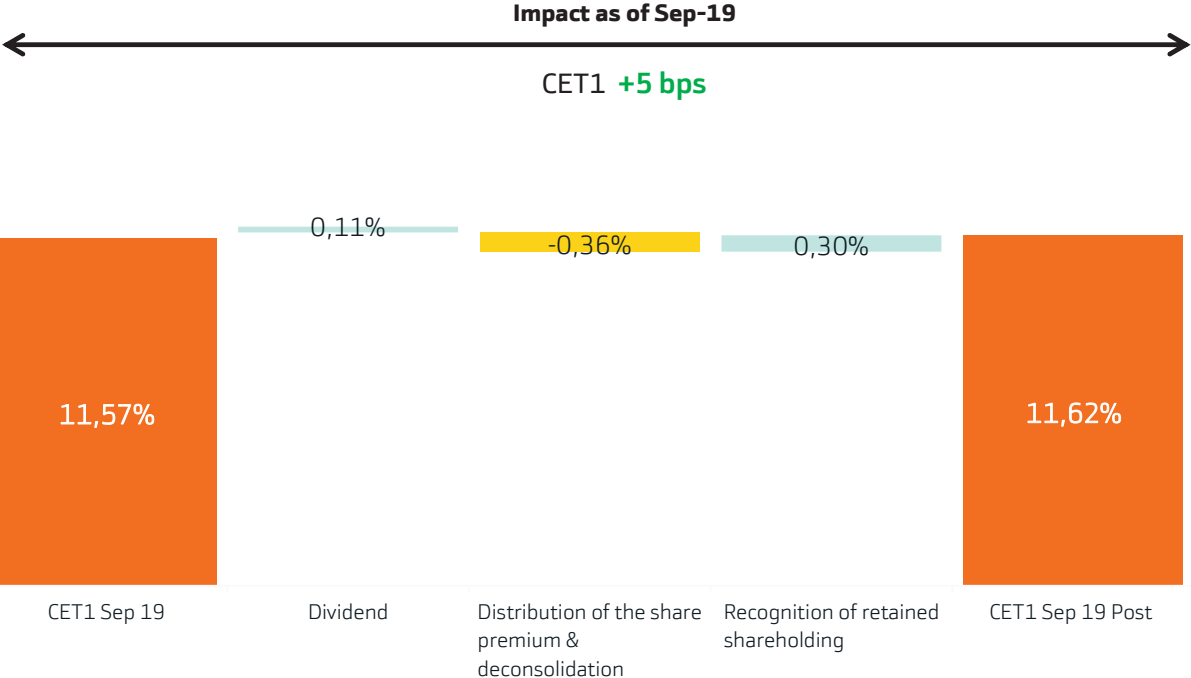
# The transaction will be carried out with the distribution of Bankinter's share premium as LDA shares



# Linea Directa a great financial investment, with a clear value generation for Bankinter shareholders



# The split of Linea Directa will account for a positive 5bps impact on Bankinter' CET1



# The transaction will generate in 2020 aprox. €1bn in profits and therefore the reduction of Shareholders equity will be less than €0,2bn

Shareholder' equity reduction by

≈ -€1,2MM

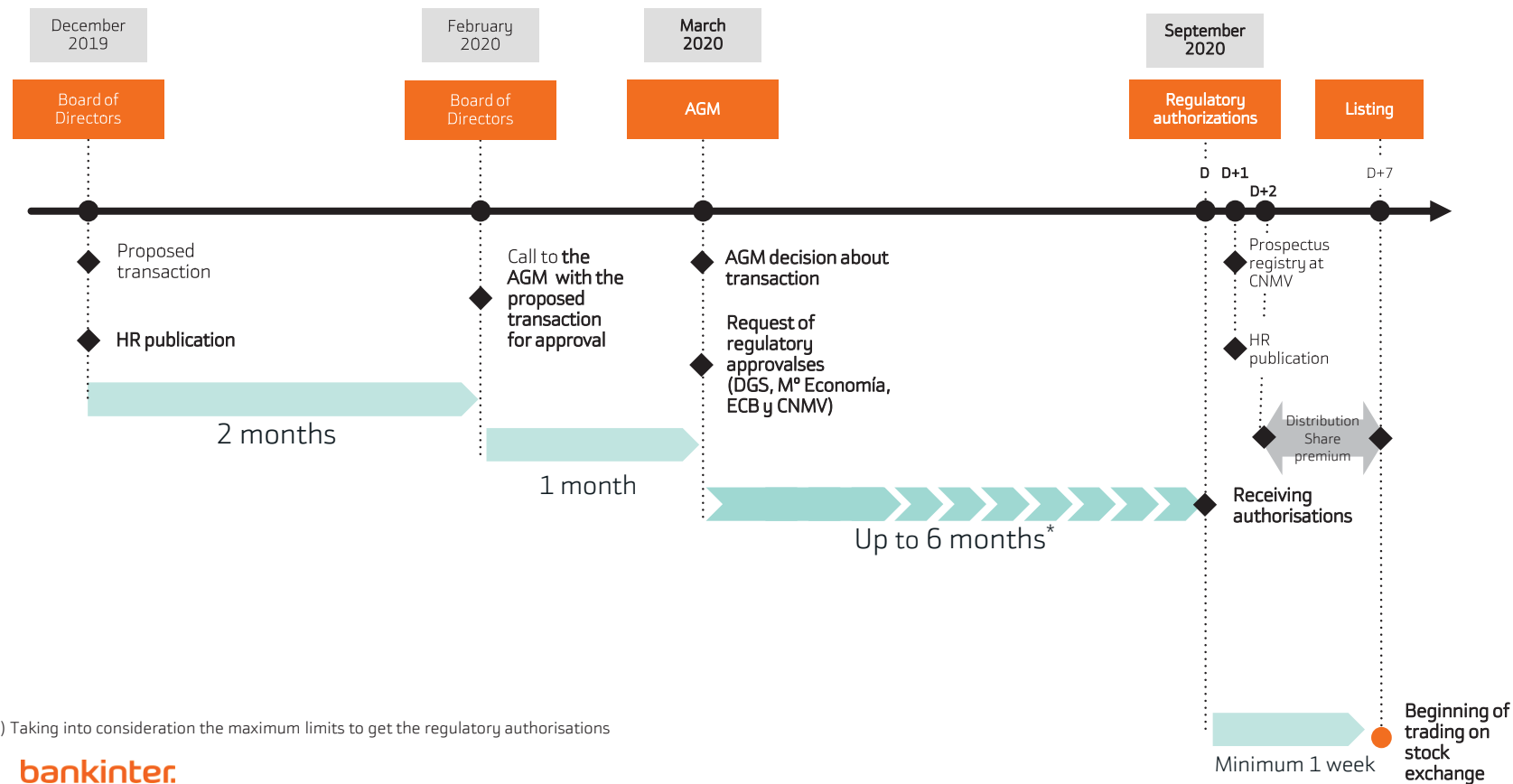
- Bankinter will distribute the share premium of €1.184 billion in the form of LDA shares
- Est. valuation of 100% LDA: 1.434Mn
- Retained investment in LDA: 17,4%
- Total share premium: 1.184Mn

Shareholder' equity increase by

≈ +€1MM

- The revaluation of the LDA participation will generate a positive p&l impact

# To be proposed at the AGM in March 2020, pending the regulatory approvals afterwards



(\*) Taking into consideration the maximum limits to get the regulatory authorisations

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# **LDA is currently a highly attractive business, operating with full autonomy and independence**

**Leading franchise in the direct motor insurance industry**

**Consistently growing ahead of the market**

**Strong brand recognition and technological reference in the industry**

**Vast potential for growth and diversification**



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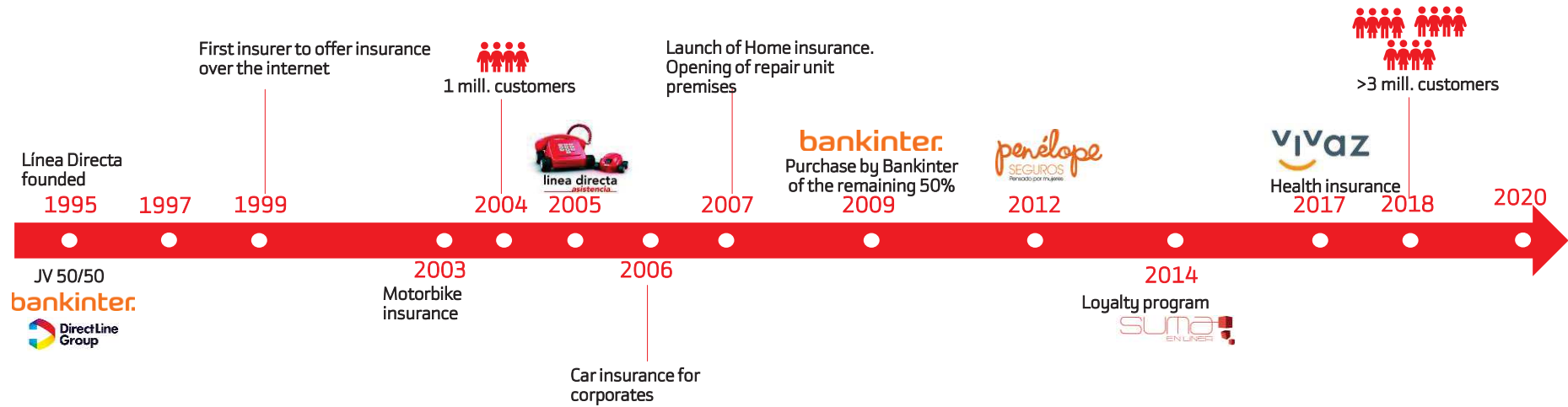
**Disciplined risk and cost base management**

**Ability to maintain high payout ratio**

**Highly profitable business with RoE above 35%**

**Very limited business association with Bankinter**

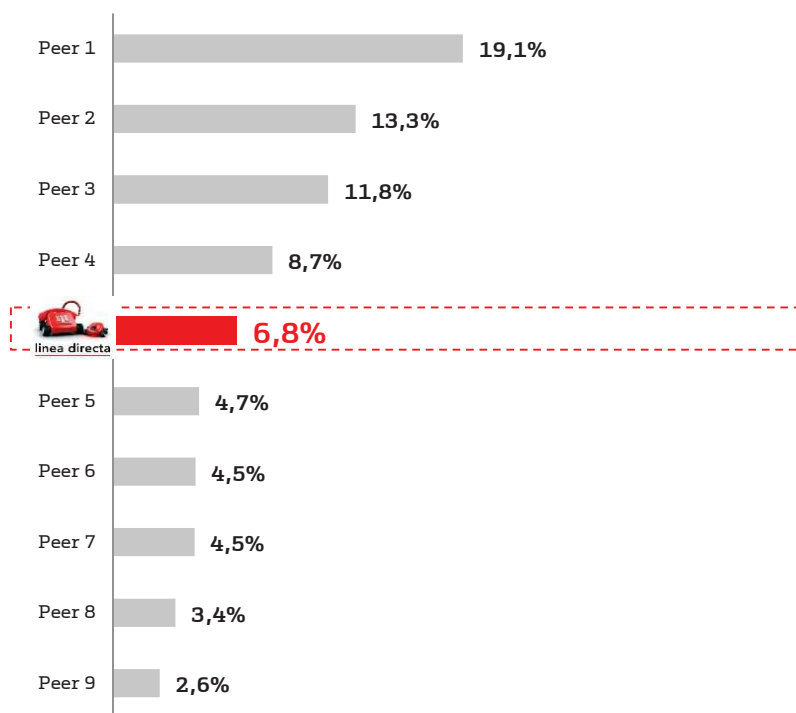
# Linea Directa a story of success



**LDA has grown from zero to become one of the leading direct insurance companies in Spain**

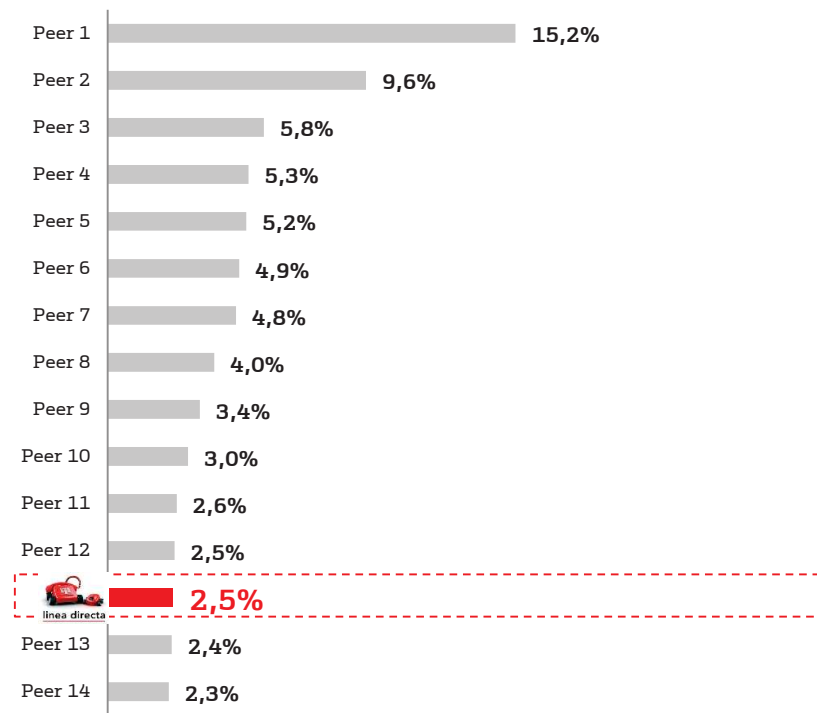
# Linea Directa is no. 5 auto insurer in Spain (by issued premiums)

Market shares in Auto insurance (as of Sep-2019)



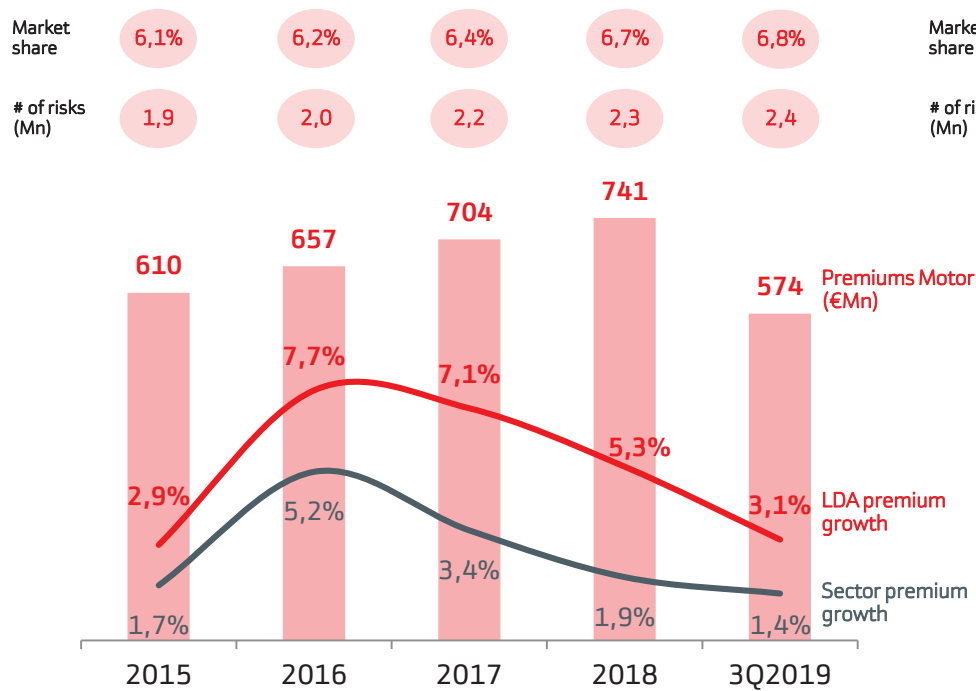
Source: ICEA

Market shares in Home insurance (as of Sep-2019)



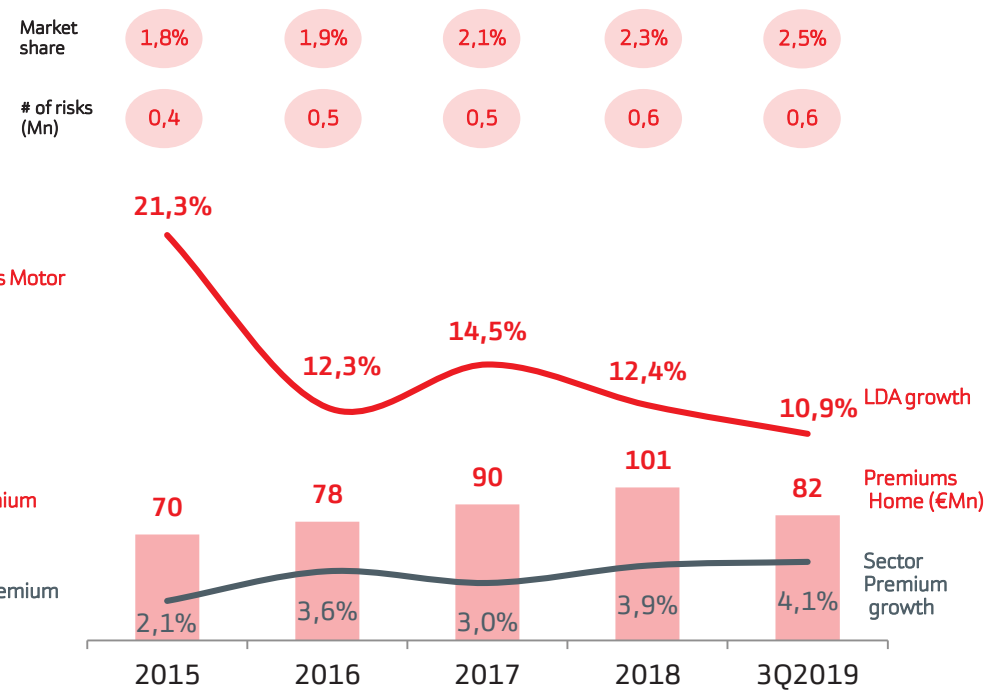
# Recurrently outperforming the market growth in the last few years

Market shares and market growth in **Auto insurance** (LDA vs sector)



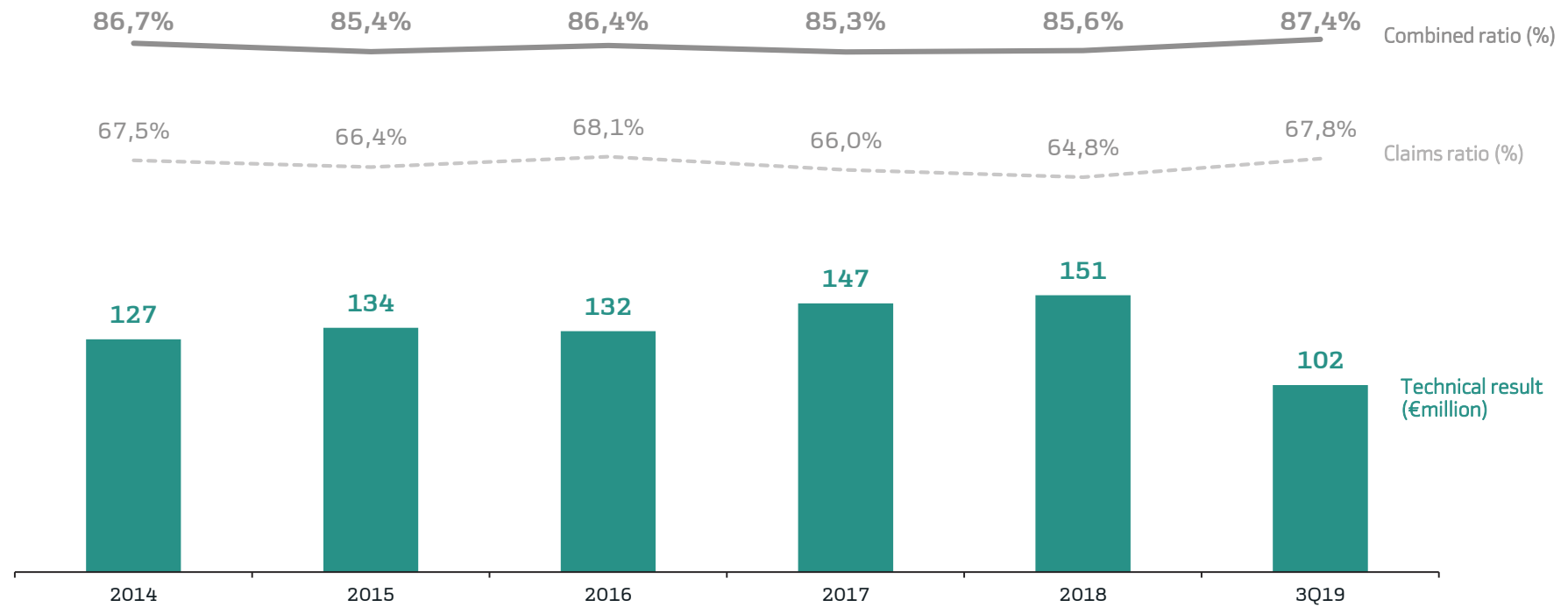
Source: ICEA. Market share as a % over total premiums

Market shares and market growth in **Home insurance** (LDA vs sector)



# Results based on solid growth supported by disciplined risk management and cost control

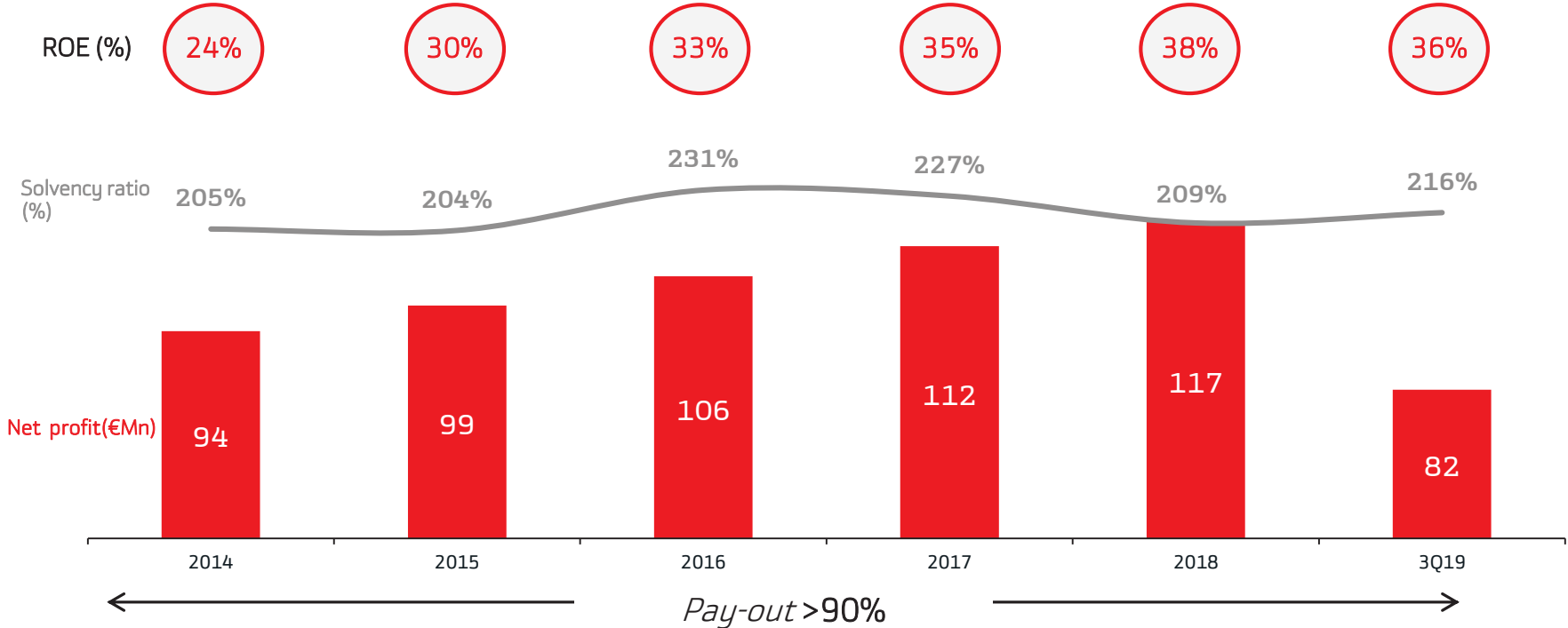
Linea Directa insurance technical result (€million), Claims and combined ratios (in %)



Source: company financial information reported

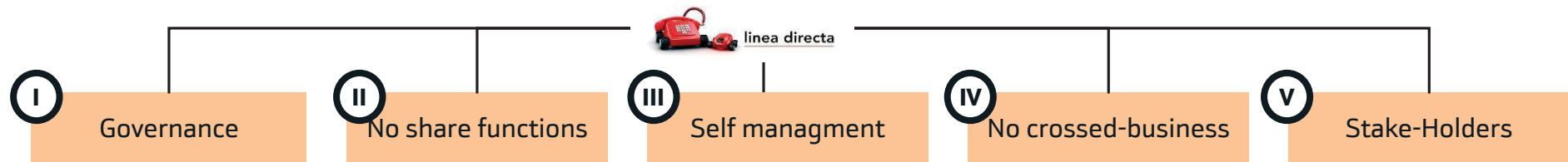
# LDA consistently maintains an attractive profitability, that it has enabled a 90% pay-out ratio while keeping high solvency levels

Net profit (€million), ROE (%) and Solvency ratio (%)



Source: company financial information reported

# LDA highly independent business with limited impact from the transaction



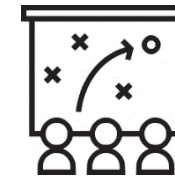
- Board of directors
- Internal control committee
- Compliance committee
- Remuneration committee
- Auditor committee



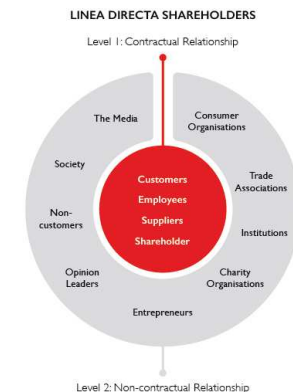
- Internal Audit is the only share function at group level. A new independent unit will be created.



- Independent strategy
- Financial targets
- Separate IT platform
- Operative structure independent



- Minimum impact from crossed business relationship
  - a. Home insurance
  - b. Credit cards
  - c. Virtual branch
  - d. Auto loan Project
  - e. Investments advisory



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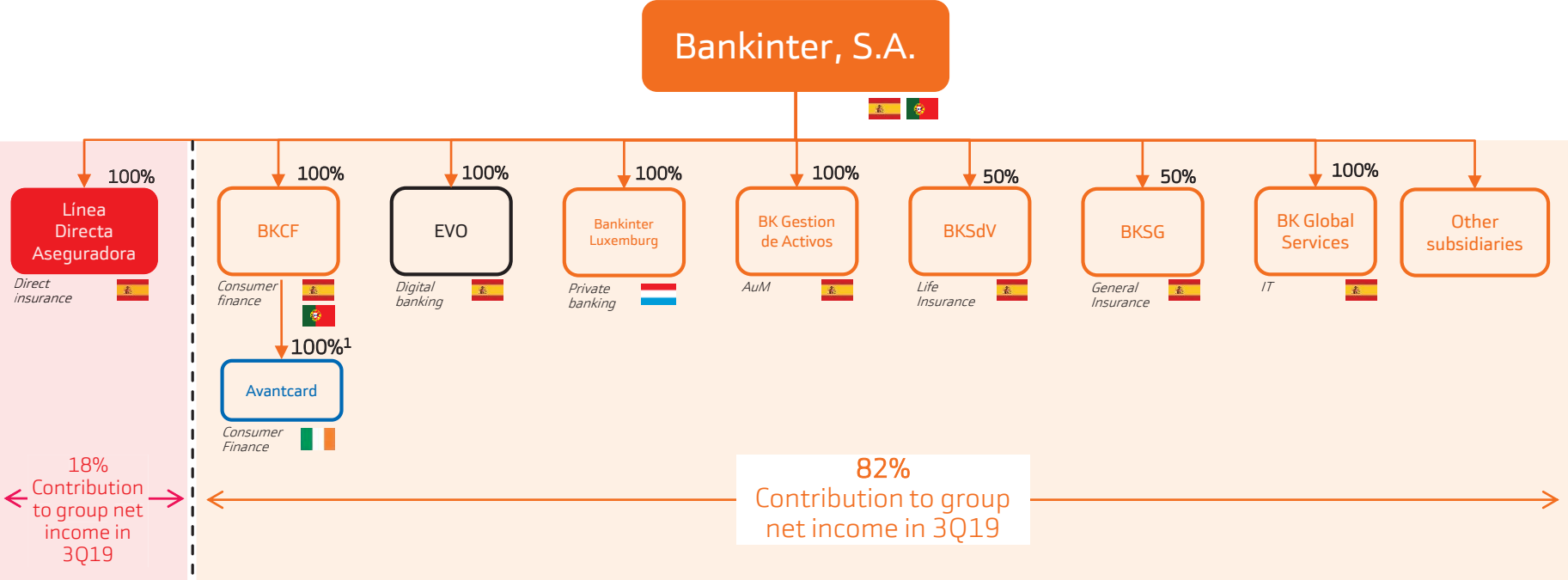
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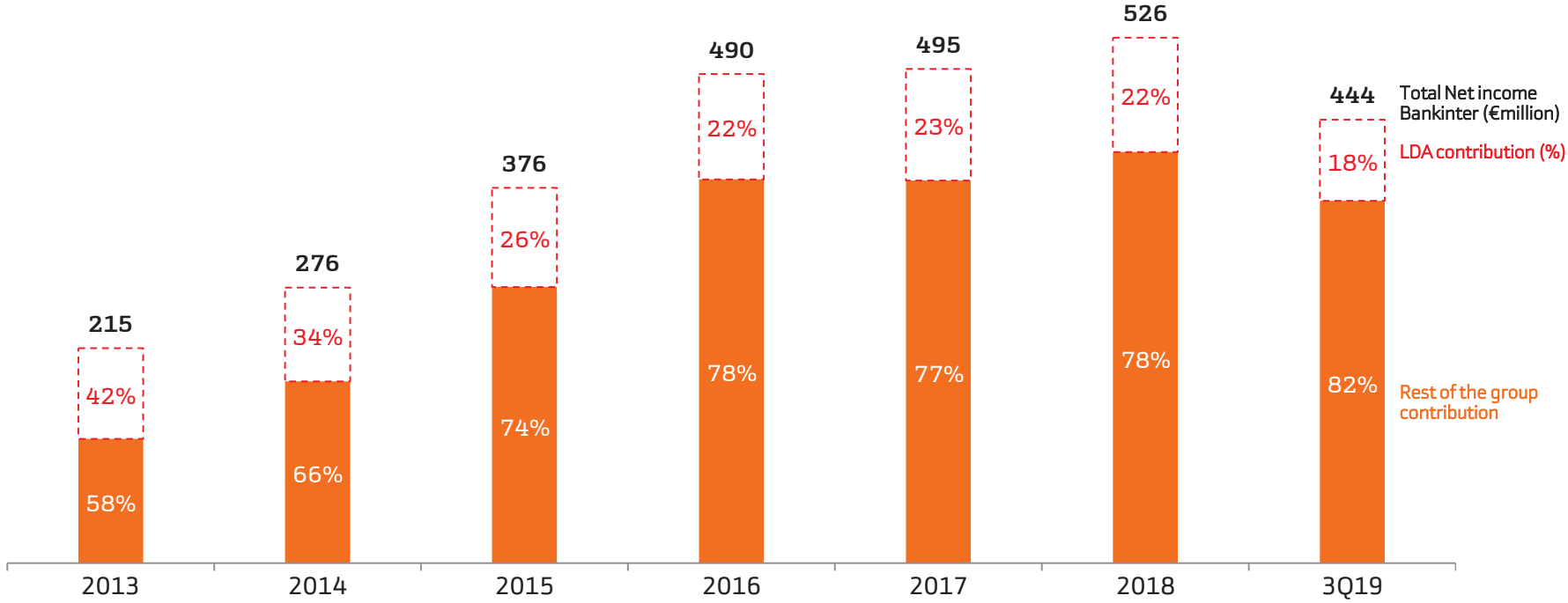
# Bankinter will keep the banking business, that accounts for over 80% of total group net income



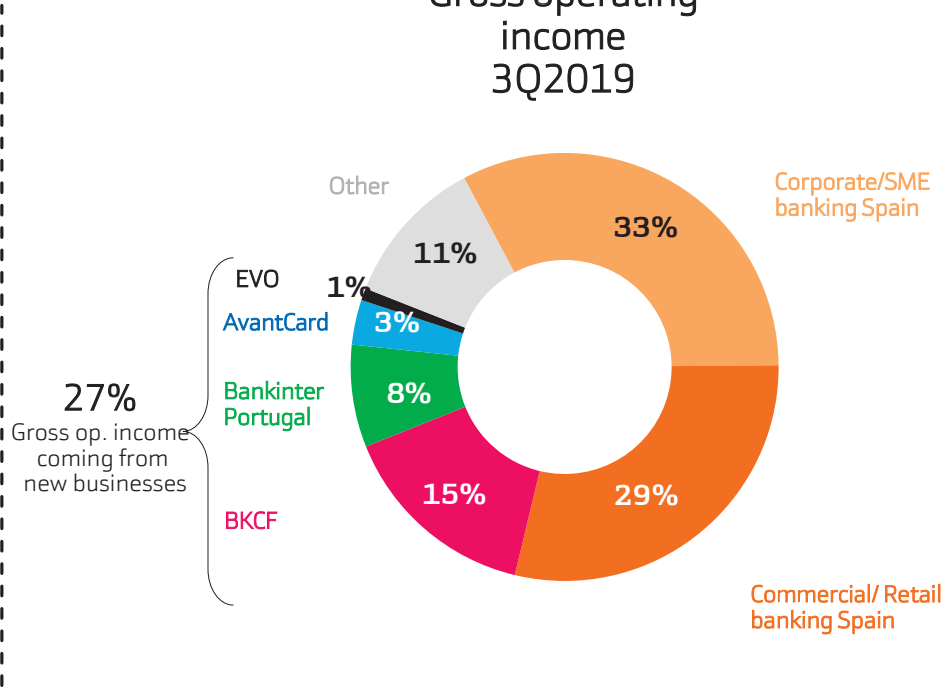
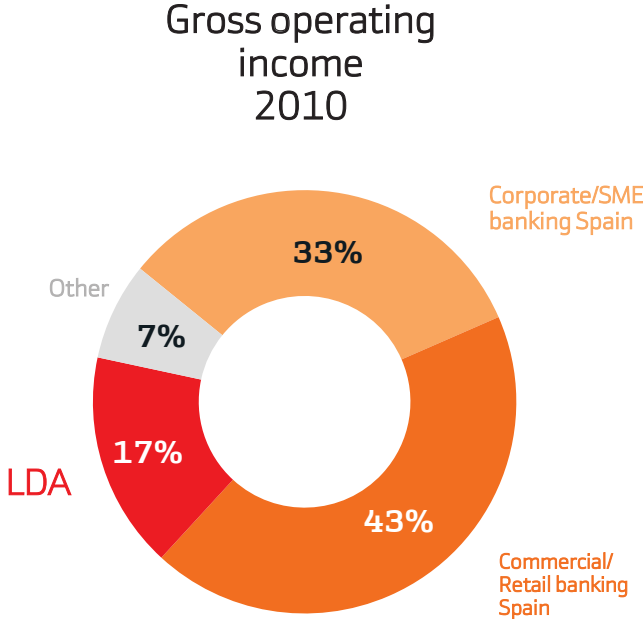
(1) Avantcard is in the process of becoming a subsidiary of Consumer Finance (BKCF). Currently Avantcard is a 100% subsidiary of EVO Banco.

# The contribution to net income of the banking business grows faster than the one from insurance

Relative contributions to the Group's net income (€million and %)



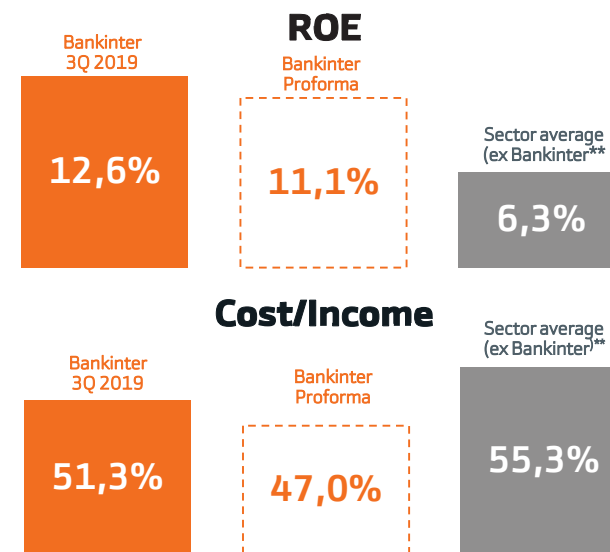
# The business model allows us to maintain and adequate diversification post transaction



# Pro-Forma P&L impacts

## Proforma p&l Post transaction

€ million Sep-2019	Total group	LDA adjusted	Pro-Forma
Gross operating income*	1.545	-290	1.255
Operating expenses	-793	204	-589
Pre-provision profit	752	-87	665
Earnings before tax	588	-86	502



\*An estimated profit of €14million for the al 17,4% LDA share is accounted as of sep-2019

\*\*Average for the Spanish business published by the quoted banks

Thank you

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