

Bankinter Group ended the third quarter of 2020 with its customer business continuing to grow at a good rate in all business lines despite the current situation, increased capital adequacy and a contained non-performing loan ratio. However, Bankinter has also considerably increased total NPL coverage to mitigate the economic impact of the pandemic, in line with the strategy of prudence followed during this period.

Profit before tax for the banking business, which is presented separately from Línea Directa Aseguradora, amounted to 153.3 million euros, 68.5% less than at 30 September 2019, due to the absence this year of the extraordinary items of 2019 and, in particular, the provisions made to help withstand the impact of the coronavirus crisis, which this quarter have increased by 51 million euros because of the worsening macroeconomic environment and the latest forecasts published by Banco de España, and total 243.5 million euros in these nine months.

However, the profit from the recurring banking business (i.e. stripping out these provisions and last year's extraordinary item of 57.3 million euros resulting from the acquisition of EVO) is only 7.6% lower year-on-year, at 396.8 million euros.

Línea Directa's pre-tax profit amounted to 132.9 million euros, 22.9% higher than last year.

Overall, Bankinter Group's net profit at the end of the third quarter was 220.1 million euros, down 50.5% on the same period in 2019.

Of particular note among the main ratios is the greater degree of capital adequacy, with a CET1 fully-loaded capital ratio of 12%, far above the ECB's minimum requirement and perfectly suited to the type of business the Bank carries out and its NPL ratio.

Here, it is worth mentioning that Bankinter is in a much better position than its competitors, with an NPL ratio which, despite the current situation, has improved by 22bp year-on-year and now stands at 2.51%. The Bank has also increased its total NPL coverage by almost 11 percentage points, up to 61.7%.

Profitability, an area in which Bankinter holds a privileged position, has been hit by the increased provisions, with return on equity (RoE) standing at 7.1%. Stripping out the effect of the extraordinary provisions, the Bank's RoE at the end of the third quarter would be 10.86%, which is above the cost of capital.

In terms of liquidity, for the first time the Bank achieved a greater proportion of deposits than loans, with a ratio of 101.3%.

Bankinter expects maturities of wholesale issues of 800 million euros this year, 200 million euros in 2021 and 1,000 million euros in 2022, and has liquid assets amounting to 20,300 million euros and capacity to issue up to 2,300 million euros of covered bonds.

Growth in margins due to higher volumes.

There was significant growth in all margins which shows that the Bank's business has stood up well to this difficult period.

Net interest income in Q3 2020 reached 927 million euros, an 8% rise year-on-year, thanks mainly to the higher volume of lending.

Gross operating income reached 1,296.3 million euros, an increase of 4.6% from a year ago. Of this, 71% came from net interest income and 28% from fees, almost a third of which (359 million euros) came from the asset management business, with the securities business also acquiring an important role and contributing fee income of 69 million euros, 26% higher than in the same period in 2019.

Pre-provision operating profit at the end of Q3 2020 rose by 6.8% year-on-year to 694.6 million euros, with operating costs substantially lower (-3%) compared to the third quarter of 2019. The banking business' amortised cost-to-income ratio stands at 48.1%, an improvement of 100 basis points compared to last year.

Balance sheet figures.

Bankinter Group's total balance sheet assets at 30 September were 96,845 million euros; a year-on-year increase of 15%.

Customer loans and receivables rose to 63,344.3 million euros, up 6.7% on last year. Focusing on the business in Spain (and excluding EVO Banco) the number of loans increased by 6.2%, compared to a sector average of 2.2% according to Banco de España figures to August.

Customer retail funds amounted to 62,638.7 million euros, a rise of 9.6%. In Spain, (excluding EVO) they were up 11%, compared with a sector average to August of 8.7%.

Intensive management and marketing activity.

The banking business has remained particularly solid over the period and Bankinter has created new value propositions for its customers, continued to implement measures to help mitigate the effects of the crisis and carried out intensive activity in customer management, service and advice.

In the corporate banking business, central to the Bank's strategy, the loan book reached 27,900 million euros, 12% more than a year ago. Of this loan book, 38% corresponds to large companies with turnover of more than 50 million euros; 24.4% to medium-sized companies with turnover between 5 million and 50 million euros; 18.3% to small businesses with turnover below 5 million euros and the rest to other kinds of businesses or organisations. Bankinter is keeping non-performing loans under control in all these segments, despite the problems caused by the crisis. The NPL ratio is 7.1% in small businesses and 3.8% in medium-sized enterprises.

Focusing solely on the business in Spain, the corporate loan book grew by 14.5%, compared to the sector average of 7.6% according to Banco de España figures to August. A key factor in this growth has been the major activity in financing with loans guaranteed by the Instituto de Crédito Oficial (ICO). Up to the end of September, 7,200 million euros of them had been granted, of which 5,000 million euros has already been drawn down.

In commercial retail banking, the assets under management (AUM) of private banking and personal banking customers continued to increase slightly, despite the poor performance of the markets in the period, which had a negative impact on the loan book. Private banking AUM were up 1% at 39,300 million euros and net new assets (NNA) worth 1,500 million euros were obtained. Personal banking AUM were 4% higher at 24,000 million euros, with 1,300 million euros in NNA.

The Bank's intensive marketing activity has driven the strong performance of its salary accounts in their different formats (two of our star products), which have experienced year-on-year growth of 23%, with a portfolio totalling 11,800 million euros. At the end of Q3 2020, the mortgage portfolio, excluding EVO, amounted to 27,200 million euros, up from 26,700 million euros a year ago.

New mortgage loans in these three quarters were down just 7% year-on-year, to 1,938 million euros (excluding EVO), in spite of the economic standstill, and this figure even beat that of 2018. Of these loans, 60% were fixed rate, with a loan to value of 61%.

Turning to Bankinter Portugal, the recurring business continued to perform well, with growth in margins all round: +10% in net interest income, +11% in gross operating income and pre-provision profit which went up by 60%. This was backed up by a reduction in costs of 8%. However, Bankinter Portugal recognised 8 million euros of provisions in the period to cover the impact of a macroeconomic downturn, which together with the fact that the Bank has stopped releasing provisions, as it did in previous years, led to pre-tax profit falling 36% to 33 million euros.

The Bankinter Consumer Finance business, which operates in Spain, Portugal and Ireland, has been hit by a general reduction in household consumption, resulting from the long period of lockdown and a lack of confidence in the economy, which has led to a 21% fall in new lending compared to the same period in 2019. Even then, the loan book grew by 4% year-on-year, to 2,900 million euros, with an NPL ratio of 8.2%. The Avantcard is also doing very well in Ireland and this quarter the division has increased its business activities to include mortgages under the "Avant Money" brand.

Moving onto EVO Banco, we want to highlight the major expansion in its mortgage business (with a loan book of over 1,000 million euros, up 28% on September 2019) and the 30% rise in its total number of customers, which together pay tribute to the innovative nature of the institution. During Q3 2020 it has had the milestones of launching a fully digital mortgage, the inclusion of voice AI in its Customer Service Area and a customer security system using voice biometrics.

Línea Directa Aseguradora, which is presenting its earnings separately from the banking business this year, obtained net profit of 100 million euros (+22% year-on-year), with an RoE of 35% and a combined ratio of 83.3%. Its Solvency II ratio is 264%.

The Company had 3.19 million insured risks (up 1.4% on last year) and the volume of written premiums increased by 0.6% year-on-year to 675.1 million.