

Bankinter earns 403.6 million euros in net profits, a 7.3% increase, and maintains steady growth in the year

- Earnings show growth in all margins. Gross operating income grew by 7.5% to 1,472.2 million euros, mainly from its customer businesses.
- Both customer lending (+4.8%) and customer funds (+10.7%) outperformed the sector.
- The bank's profitability (RoE, 13%) and NPL (2.92%) ratios continue to stand out, and its capital adequacy has improved, with a CET1 fully-loaded capital ratio of 11.7%.

25/10/2018. Bankinter Group has maintained its year-long trend of earnings growth in its main business lines, profitability above the sector average and a quality of assets that continues to improve quarter on quarter.

At 30 September, the Group had a net profit of 403.6 million euros and a pre-tax profit 552.9 million euros, up 7.3% and 6.8%, respectively, on the first nine months of last year.

The group's profitability is again a major indicator. Bankinter continued to stand out from other banks, with a return on equity (RoE) of 13%.

On the other hand, the group's quality of assets has seen similar dynamism. Its NPL ratio has hit record lows, falling 52 basis points (or 5 basis points with respect to last quarter) to 3.20%. Bankinter Spain's NPL ratio has reached an even better figure: 2.92, which is below half the sectoral average.

Furthermore, foreclosed property assets decreased considerably during the period, totalling 366.1 million euros (down from the 470.8 million euros recorded a year ago), with coverage ratio of 45%.

With reference to capital adequacy, the group's CET1 fully-loaded capital ratio has climbed 24 basis points this year. At the end of September, it stood at 11.70%, well above the regulatory requirements set for Bankinter in 2018 by the ECB .

As regards liquidity, Bankinter's commercial gap amounted to 3.7 billion euros. In parallel, the bank's loan-to-deposit ratio reached 105.9%.

Furthermore, maturities of wholesale debt issues are expected to total 800 million euros in 2019 and another 800 million in 2020. As a result, the bank has liquid assets valued at 13.2 billion euros and an capacity to issue 5.5 billion in covered bonds.

Solid growth in all margins.

The earnings presented by Bankinter Group continue the same growth trend in all margins as at the start year.

Net interest income is improving quarter on quarter, having reached 816.3 million euros as of 30 September 2018. This is a 6.7% increase from a year ago.

Gross operating income totalled 1,472.2 million euros, up 7.5% year on year. Fee income grew by 6.2% accounting for 23% of gross operating income. Asset management fees also performed particularly well, having increased by 7% with respect to the same period in 2017.

Lastly, pre-provision profit ended September 2018 with 720.7 millions, an 8.3% increase. This was despite higher costs during the period, which were up by 4.6% in banking and by 14.2% in Línea Directa. Still, this positive revenue performance afforded the Group an improved cost-to-income ratio on its banking operations (including amortisations), which decreased from 47.9% in September 2017 to 46.9%.

Bankinter Group's total balance sheet assets amounted to 76,280.7 million euros at the end of the third quarter, 9.2% more than at 30 September 2017.

Furthermore, total customer loans and receivables amounted to 54,750.9 million euros, a 4.8% year-on-year increase, even though reports in August indicate a 1.7% drop in customer lending across the sector.

Customer funds ended the quarter at 50,289.7 million euros, an outstanding 10.7% more than a year ago; while the sector only grew by 2.9%. Furthermore, off-balance-sheet managed funds (investment funds, pension funds and managed wealth) experienced even higher growth rate of 10.6%, for a total 28,546.3 million euros.

A diversified and profitable business.

These results indicate that Bankinter's customer business continues to be main driver of the group's profits.

With regard to the individual contributions of the various customer-based business lines to the group's gross operating income, the business that adds the most value is Corporate Banking, at 29%. The corporate loan book continued its trend to reach 23.7 billion euros at the end of September. This is a 7% increase from last year, despite a 4.5% decline in corporate lending across the sector as reported by Banco de España in August.

Fee income from this business grew by 11.4% with respect to the first nine months of 2017, revealing a spike in new customers within this segment, with whom Bankinter maintains close and specialised business relations. Bankinter's expertise is particularly evident in its international business, which now accounts for 26% of all corporate gross operating income. Today, Bankinter is a major international banking brand in the market.

Commercial banking accounts for 27% of the bank's gross operating income. Within this business line, Private Banking and Personal Banking, two of the customer segments in which Bankinter has its largest market share, attained significant figures. In Private Banking, managed wealth at the end of the third quarter amounted to 37.1 billion euros, up 9% from a year ago, despite a decrease in its portfolios caused by the market effect. The bank has taken in 2.6 billion

euros in net new money from private banking customers. This is 31% more than in the same period of 2017, indicating an increase in commercial activity.

On the other hand, Personal Banking customers now hold 21.9 billion euros in managed assets, up 7% in spite of poor market performance. Net new money acquired from these customers in the last nine months of the year amounted to 900 million euros.

Retail funds, off-balance-sheet managed assets and new lending to retail banking customers also performed considerably well. In particular, the positive figures recorded for key products in the bank's strategy like payroll accounts, mortgages and investment funds are especially noteworthy.

At the end of September, the bank held 7.688 billion euros in payroll accounts, a 21% increase in the last 12 months. New home mortgage lending increased by 12% within the same period to 1.878 billion euros. Lastly, the bank's investment fund portfolio now amounts to 20.7 billion euros, of which 45% correspond to Bankinter funds and 55% to third-party funds. This highlights the bank's solid open-architecture strategy.

The third business line that contributed the most to gross operating income was Línea Directa, accounting for 22%. By the end of the third quarter, the number of risks insured by this subsidiary reached 2.96 million, with 6% increase in motor insurance policies and a 12% increase in home insurance policies. Premiums issued in the period totalled 639.2 million euros, up 7.3% year on year. In September, the combined ratio of this business stood at 87.6%; with an RoE of 39%.

The bank's consumer credit business, operated by Bankinter Consumer Finance, also maintained positive growth trends. It now has over 1.2 million customers, 22% more than a year ago, with a total of 244,000 new customers so far this year. Its loan portfolio totalled 1.8 billion euros, up 38% year on year.

Bankinter Portugal, the newest business line in the bank, continued to build on its positive performance from the past three quarters. Its loan book upheld the drive from this year growing by 12% from a year ago to reach a total of 5.3 billion euros in total credit and loans. In this regard, the increase in receivables from Corporate Banking customers was an outstanding 45%. Bankinter Portugal's deposits grew by 8% in the last twelve months, amounting to 4.1 billion euros. At the same time, its off-balance sheet managed funds increased by 17%.

Overall, Bankinter Portugal increased its year-on-year gross operating income by 20% to 93.2 million euros at the end of September, with 43.5 million euros in pre-tax profit, up 75% from a year ago.

Commitment to digitalisation

Bankinter's digital operations deserve its own chapter. In this activity, figures provide strong indications of the digital transformation taking place in the bank and with its customers. In recent years, an overwhelming 93.2% of customers have said they are digital users, meaning that they alternate between digital and physical channels to interact with the bank. 38% of the bank's customers contact the bank and carry out financial transactions only through digital channels.

Today, 30.8% of sales in Bankinter are completed digitally, a 3 percentage point increase with respect to a year ago. 86.4% of products such as personal loans are taken out through digital channels, along with 44.4% of investment funds and 40% of sold home insurance policies.

The most cutting-edge and modern services within Bankinter's digital operations include COINC, a financial portal with 157,000 customers (22% more than a year ago) and 1 billion euros in deposits; the new COINC mortgage, with over 700 mortgage applications; and Popcoin, the first robo-adviser of its kind to be launched by any bank and which now manages over 1,100 customer portfolios.