

Bankinter Group's operations and customer business are starting 2020 off with the same strength and robustness from last year, despite hardships from the current interest rate environment and the (still incipient) financial impact of the coronavirus.

Results in this quarter's accounts are split for the first time between banking operations and Línea Directa Aseguradora, as is necessary since shareholders in the last AGM voted to redistribute its share premium in the form of company shares once its float obtains the required authorisation.

Pre-tax profit from banking operations ended the first quarter at 140 million euros 17.2% decrease from March 2019. Net profits from banking amounted to 101.1 million euros, down 17.4%, mainly owing to increased provisioning to prevent a downturn in business in the wake of the coronavirus crisis. Provisions totalled 107.3 million euros, versus 55.1 million euros in the same period in 2019.

With Línea Directa's profit of 29.1 million euros, **Bankinter Group's net profits at 31 March totalled 130.3 million euros**, 10.1% less than in the same period in 2019.

In regard to key ratios, return on equity (RoE) stood at 10.23%. Capital adequacy –one of the bank's strong suits– ended the quarter at a CET1 fully loaded capital ratio of 11.47%, 327 basis points above the European Central Bank's minimum capital requirement for the bank this year.

In terms of liquidity, the funding gap (between lending and customer deposits) amounted to 800 million euros, resulting in the loan-to-deposit ratio of 100.5%.

Bankinter is anticipating 800 million euros in wholesale issues to become due this year, in addition to 200 million euros in 2021 and 1 billion euros in 2022. To cope, the Group has 13.6 billion euros in liquid assets and can issue up to 6.2 billion euros in covered bonds.

The bank's quality of assets also makes it one of the most robust banks in the financial system, thanks to its proven track record of sound risk management – certainly handy in difficult times like these. Its robustness is clearly seen in its NPL ratio of 2.58% –compared to 2.87% a year ago– up by just 7 basis points from the end of 2019.

Foreclosed property assets fell substantially to a total amount of 274.3 million euros, versus 328.6 million euros a year ago. The coverage ratio for foreclosed assets was 44.5%.

Greater margins all round.

All account margins at the end of the first quarter reveal that, despite the current environment, Bankinter's business continues strong and capable of increasing revenues.

Net interest income totalled 307.8 million euros, a 14.1% increase from the same date in 2019, notwithstanding additional difficulties posed by interest rates.

Gross operating income reached 436.3 million euros, up 8.2%. Net interest income totalled 123 million euros in the quarter, a 7.6% increase suggesting increasing operations in more value added customer businesses like asset management, securities trading and others. Collected fees account for 28% of gross operating income.

Operating profit, at 31 March, stood at 247.3 million euros, up 10.3% from a year ago, as operating costs rose 5.6% (including costs from EVO, which did not exist a year ago). In fact, without EVO Banco on the books, the group's banking costs would decrease by 7% in Spain and by 6% in Portugal. This suggests a considerable improvement in the banking cost-to-income ratio with amortisation, down from 44.4% a year ago to 43.3% on the bank of increased revenues.

Balance sheet figures

With regards to Bankinter's balance sheet, the Group's total assets amounted to 86,586.9 million euros at 31 March, up 10.6% from the first quarter of 2019.

Customer loans and receivables rose to 61,068 million euros, a 9.4% increase with respect to the same date a year ago. New lending in Spain (without EVO Banco) grew by 6%, even though it decreased by 1% across the financial system, according to figures from *Banco de España* in February.

At the end of the first quarter, customer funds totalled 59,289.7 million euros, a 15% increase from a year ago. In Spain (without EVO), they grew by 9%, above the industrial average, which had climbed 4% as of February.

A sound and resilient customer business in a complex environment.

The customer business continues to underpin the bank's profits, showing signs of strength despite the impact of decreasing operations felt only at the end of the quarter.

In corporate banking, total lending amounted to 25.9 billion euros, up 8.2% from 23.9 billion euros a year ago. In Spain along, corporate lending increased by 6.9%, even though it shrunk by 1.8% across the banking system according to *Banco de España* figures from February. Over half of loans (52%) are attributed to corporations, where lending increased by 9%.

Corporate lending has three main drivers of revenues. One is international trade finance, which increased its gross operating income by 15% and new lending by 14% from the first quarter in 2019. Another is investment banking, spearheaded by Bankinter Investment, which grew its loan book by 24%, originating 13% more new loans than a year ago. The last one is its transactional business, where net interest income rose by 11% and fee income, by 13%.

In commercial banking, focused on retail customers, total assets of private banking customers – a segment of particular importance to the bank's strategy – amounted to 36 million euros at 31 March 2020, a 4% decrease from last year caused mainly by the market effect.

Personal banking reached 22.5 million euros in managed wealth, virtually the same figure it had reached a year ago, despite the impact from markets.

Commercial banking's favourable performance in customer deposits and loans can be seen in the positive results obtained from key products in the bank's strategy, such as the salary accounts and mortgages. Total salary accounts, a real magnet for new customers, ended the quarter with a balance of 10.798 billion euros, up 3.5% from a year ago.

New mortgage origination was also significant in the first quarter, growing by 647 million euros or 4% with respect to the same quarter in 2019. 61% of mortgages are fixed rate. Total

mortgages amount to 27 million euros (not including EVO Banco), with a loan-to-value ratio of 56%.

Consumer credit operations, run by Bankinter Consumer Finance in Spain and Portugal, and by Avantcard –the consumer credit outfit acquired in Ireland along with EVO Banco–, sustained very positive indicators at the start of the year. Total customers amounted to 1.7 million, up 9% from a year ago, with a loan balance of 2.9 million euros, a 16% increase with respect to 31 March 2019. New consumer lending in the first quarter totalled 280 million euros, 29% more than in the first quarter of 2019.

As for EVO Banco, it now has 494,000 customers (with 56,800 new customers in the first quarter), 3.2 billion euros in deposits, 232 million euros in off-balance sheet funds and a mortgage balance of 893 million euros, of which 77 million euros correspond to new mortgages taken out in the first quarter.

All the business lines mentioned above are being streamlined by the bank's potent digital operations, which have seen a considerable spike with the current lockdown. Since 13 March, 21% more new customers have been signed. The bank's broker app also added 70% more new users and saw an 8% increase in digital sales, which account for 43% of total sales.

Also, as a result of this robust digital infrastructure, since the state of alarm (*estado de alarma*) was declared, a considerable number of employees have been able to work remotely. Out of over 6,000 bank employees, 5,076 have been teleworking.

Lastly, special mention is in order for the good quarter at Línea Directa Aseguradora, which is presenting its results separately from the group's banking operations for the first time. Its key performance indicators include 3.17 million insured risks, up 3% from a year ago, and 2% more new premiums issued, totalling 223.1 million euros.

The insurer's net profits in the quarter amounted to 29 million euros, a 9% increase with respect to the same quarter in 2019. Línea Directa Group's combined ratio stands at 86.7%, with an RoE of 33%.