

Bankinter

Results Presentation 9M2018

25 October 2018



Regulatory framework



Bankinter presents its financial statements in accordance with the regulations that apply to the Group, set out in the Code of Commerce and other company regulations and in the International Financial Reporting Standards adopted by the European Union.

Bankinter advises that this presentation contains forward-looking statements. These can be found in various parts of this document and include, without limitation, statements concerning our future business development and economic performance. While these statements represent our judgement and future expectations about our business development, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from our expectations. These factors include, but are not limited to, (1) the general market, and macro-economic, governmental and new regulations, (2) the variation in local and international securities markets, currency exchange rates and interest rates as well as change to market and operational risk, (3) competitive pressures, (4) technological developments, (5) changes in the financial position or credit worthiness of our customers, obligors and other counterparties.

S

Summary

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	9M18	YoY
Loan book	€54,8bn	+5%
Gross operating income	€1.472M	+8%
NPL ratio	3,20%	-52bps
Net Income	€404M	+7%
CET1 Fully Loaded	11,70%	+19bps
ROE	13,0%	+66pbs

C

Content

.....

- Results
- Risk Management
- Businesses
- Summary



bankinter.

R

Results

9M18

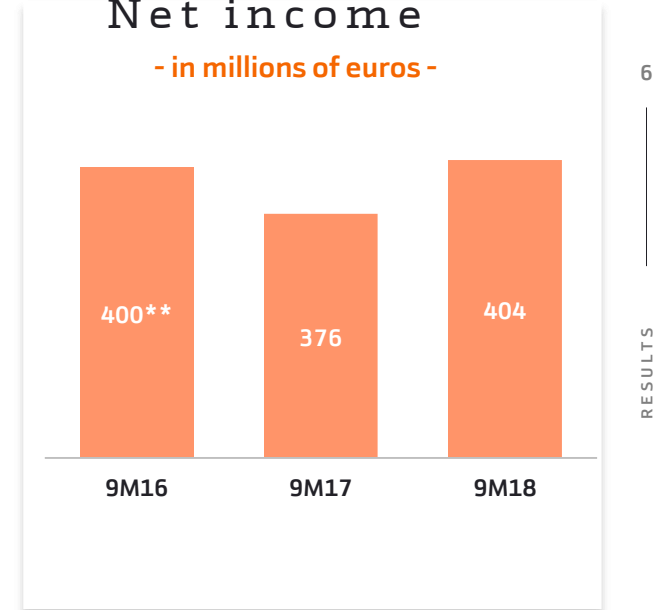
P&L account 9M18

- in millions of euros -

	Bankinter Group		
	9M18	9M17	Dif. % 18/17
Net interest income*	816,3	765,0	6,7%
Net fees and commissions	332,4	313,0	6,2%
Other income/expenses	283,3	241,3	17,4%
Trading income	40,3	49,8	-19,1%
Gross operating income	1.472,2	1.369,1	7,5%
Operating expenses	-751,5	-703,4	6,9%
Pre-provision profit	720,7	665,7	8,3%
LLP and other provisions*	-167,7	-148,1	13,2%
Earnings before tax	552,9	517,6	6,8%
Net profit	403,6	376,0	7,3%

Net income

- in millions of euros -



* 2017 figures adjusted for comparative purposes due to IFRS 9 impact in Portugal

**Inc. extraordinary profit from Bankinter Portugal purchase

P&L account

- in millions of euros -

	Bankinter Group				
	3Q18	2Q18	3Q17	QoQ	YoY
Net interest income*	273,4	271,1	257,0	0,9%	6,4%
Net fees and commissions	107,7	115,8	103,5	-7,0%	4,0%
Other income/expenses	103,2	79,6	92,4	29,6%	11,7%
Trading income	10,6	10,4	15,6	1,8%	-32,1%
Gross operating income*	494,9	476,9	468,5	3,8%	5,6%
Operating expenses	-248,2	-251,0	-232,7	-1,1%	6,7%
Pre-provision profit	246,7	225,9	235,8	9,2%	4,6%
LLP and other provisions*	-51,6	-64,0	-49,9	-19,4%	3,4%
Earnings before tax	195,1	161,9	185,9	20,5%	5,0%
Net profit	142,4	118,2	135,0	20,5%	5,5%

* 2017 figures adjusted for comparative purposes due to IFRS 9 impact in Portugal

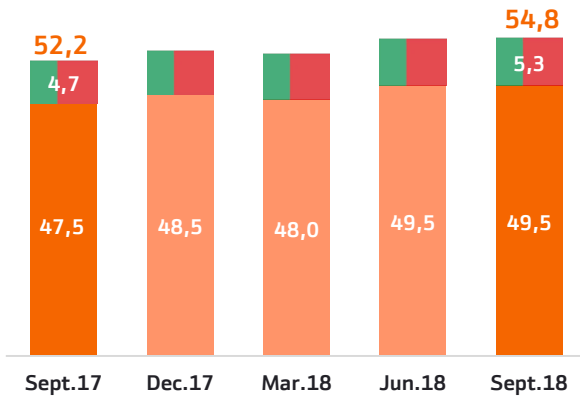
L Loans and receivables

- in billions of euros -

+2,6bn

+4,8%

Sector* -1,7%



Bankinter Spain

Bankinter Portugal

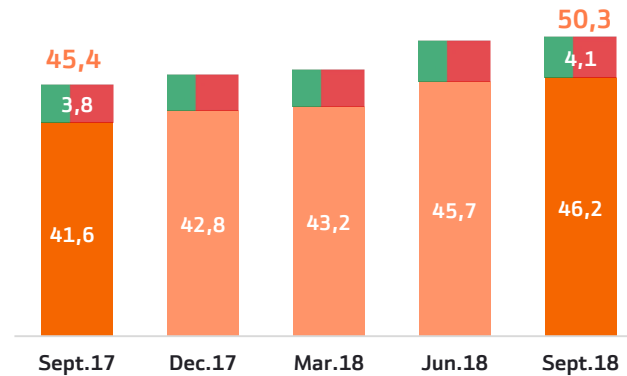
R Retail funds

- in billions of euros -

+4,9bn

+10,7%

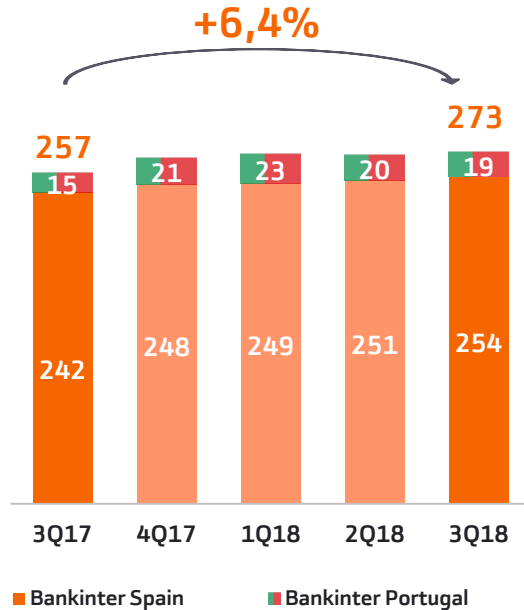
Sector* +2,9%



NII

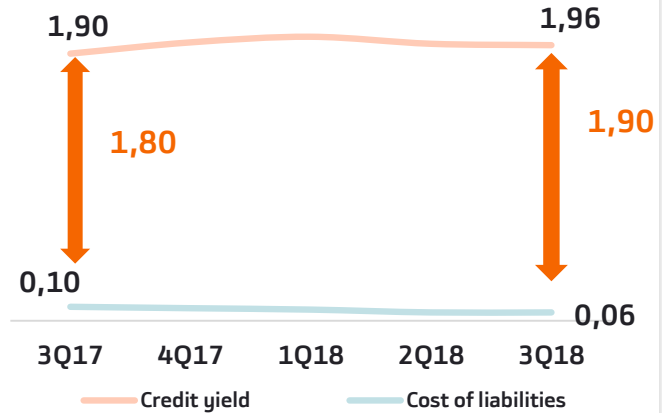
Net Interest Income*

- Quarterly performance in millions of euros -



Customer margin*

- quarterly in % -



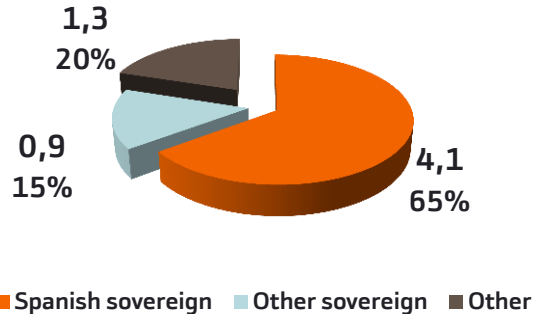
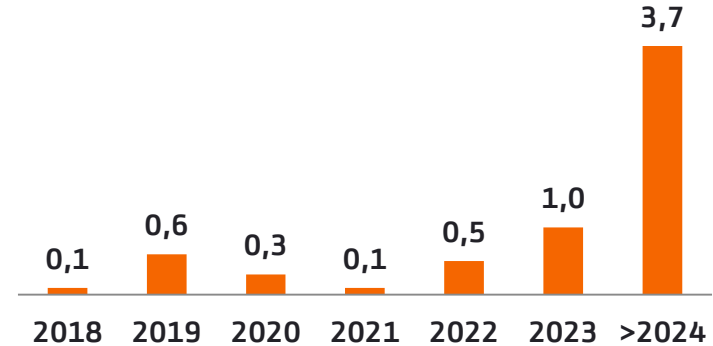
AL

ALCO portfolio

- in billions of euros -

ALCO portfolio	Amort.	Fair Value	Total
Nominal amount (€bn)	2,4	3,9	6,3
Duration (years)	4,1	2,0	2,8
Avg. maturity (years)	13,0	4,9	8,0
Yield (%)	2,5	2,8	2,7
Unrealised gains (€bn)	0,14	0,23	0,37

Maturities (bn €)



Spanish sovereign Other sovereign Other

F Fees

Net fee Income

332M€

YoY

+6,2%

Contribution to total income

23%

- Breakdown of received fees in millions of euros -

Asset management	122M€	+7,0%
Payments & collections	73M€	+9,2%
Brokerage & custody	56M€	+0,6%
Life insurance & Pensions	48M€	+6,9%
FX differences	39M€	-0,5%
Risk transactions	39M€	+4,4%
Other	36M€	+8,6%

Total received: **+5,6%**

Total paid: **+3,1%**

OI

Other Income

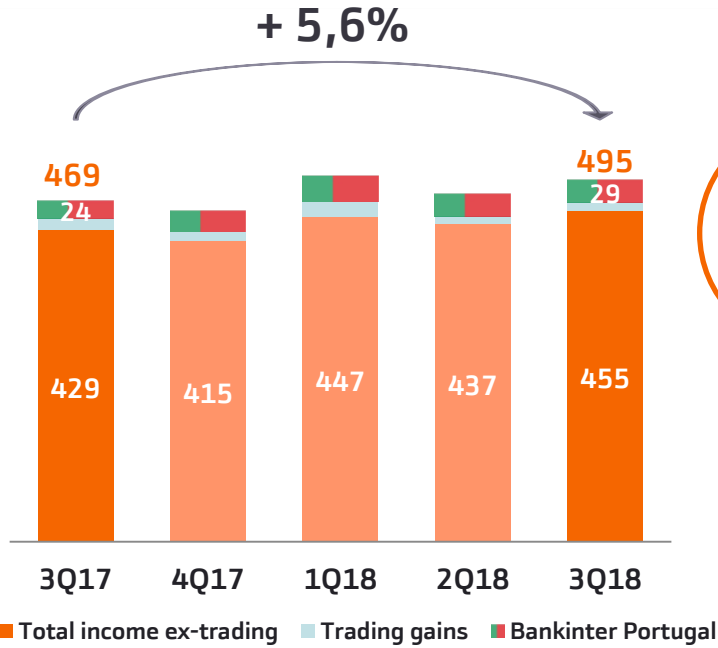
- in millions of euros -

	9M18	9M17	YoY
LDA insurance margin	296,3	261,7	13,2%
Other income/expenses	-13,0	-20,4	-36,0%
of which regulatory expenses	-35,7	-34,1	4,7%
Total other operating income	283,3	241,3	17,4%

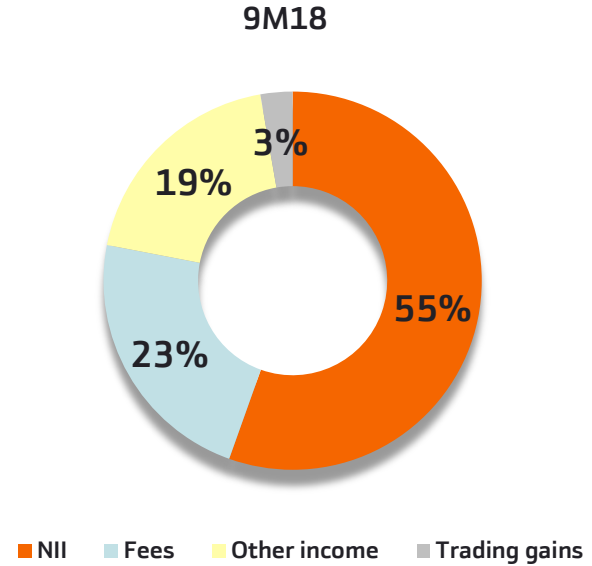
TI

Total Income

- in millions of euros and breakdown in % of contribution to total income -



+6,9%
customer
business
vs. 3Q17



E

Operating Expenses

- in millions of euros -

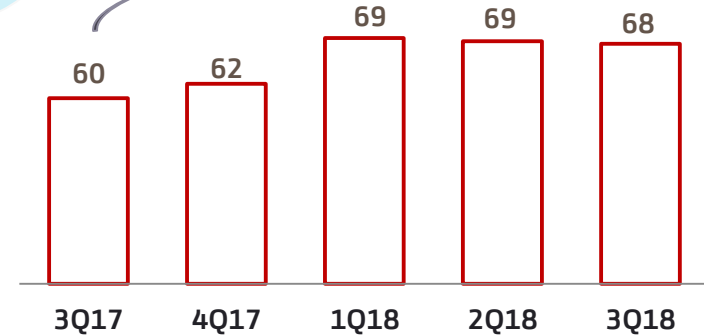
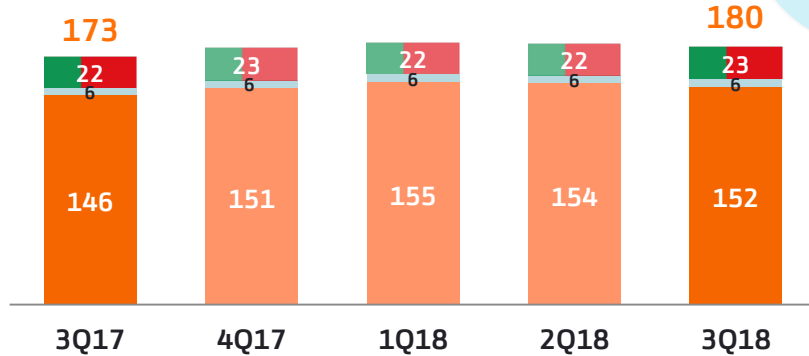
Banking business

+ 4%

Total Expenses
9M18
€752M

Linea Directa

+15%



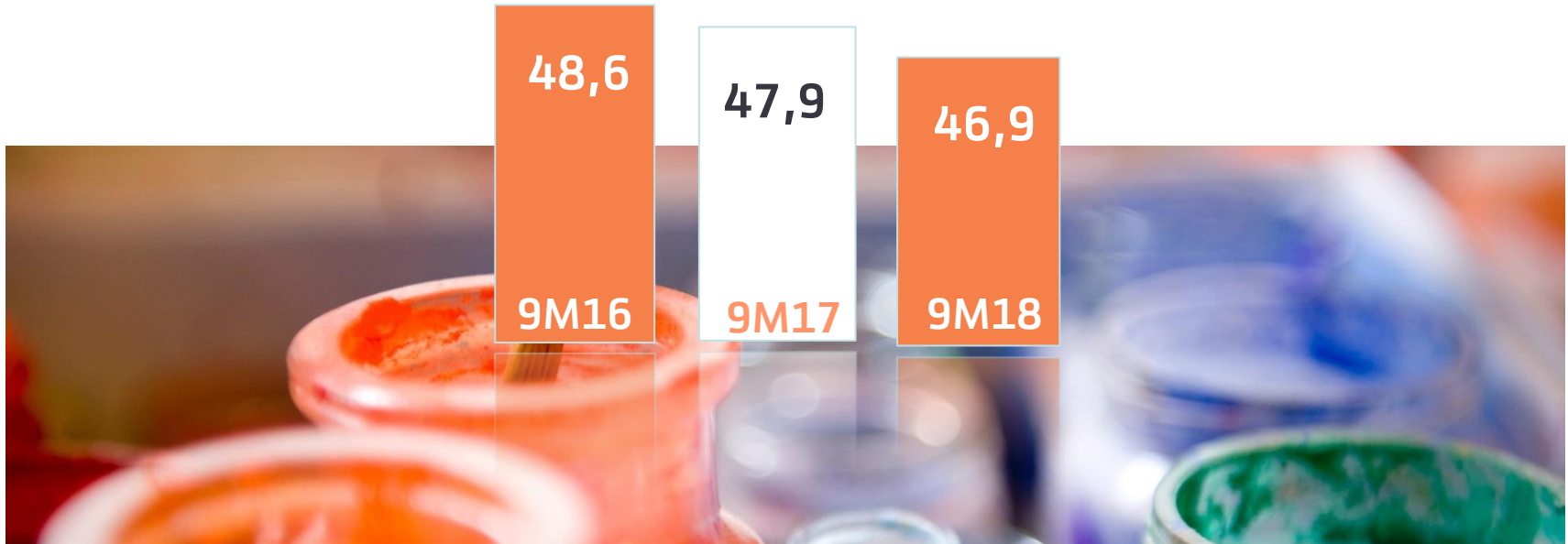
■ Banking activity Spain ■ Intang. Amortization ■ Bankinter Portugal

CI

Cost-to-income

- Banking cost-to-income ratio in % -

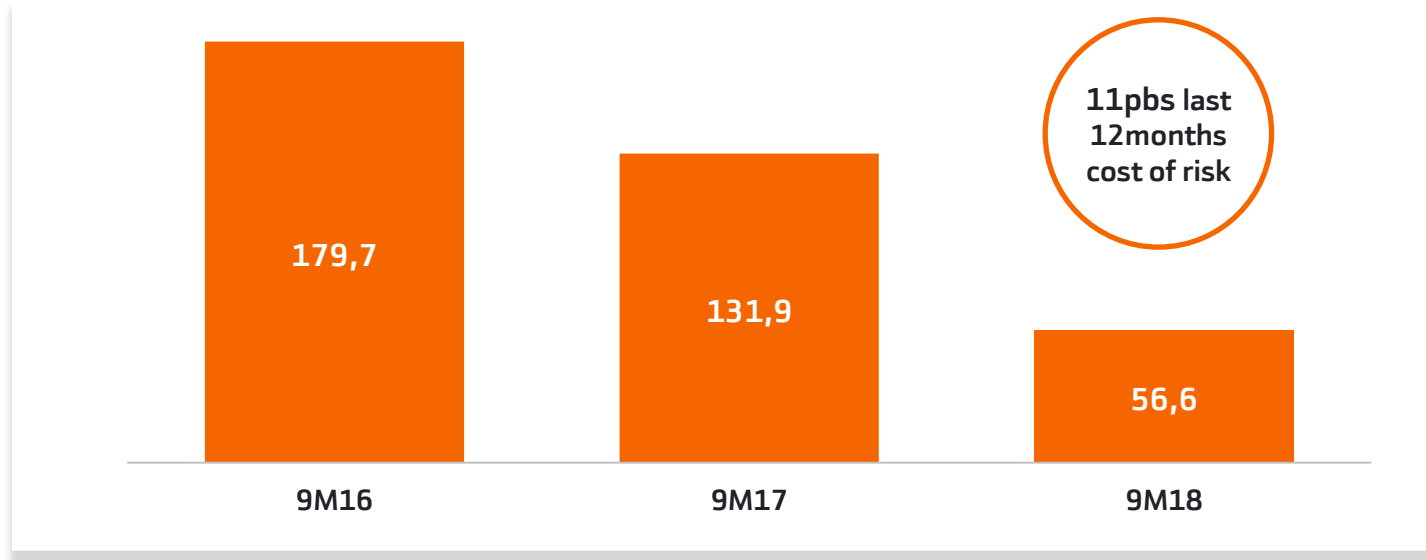
- Including depreciation and amortization -



CR

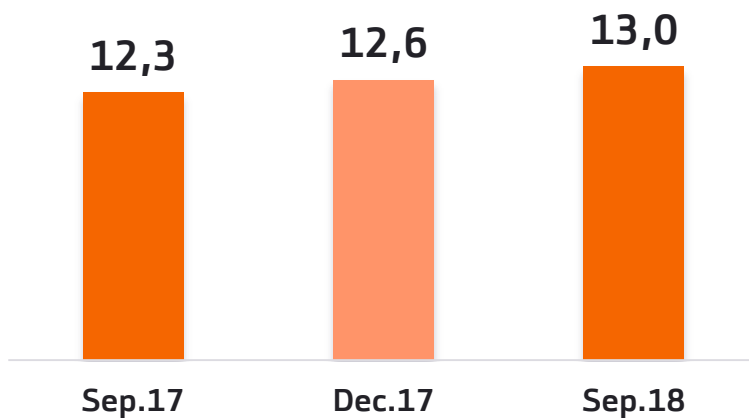
Cost of Risk

- in millions of euros -



ROE

- Annualised in % -





Risk management

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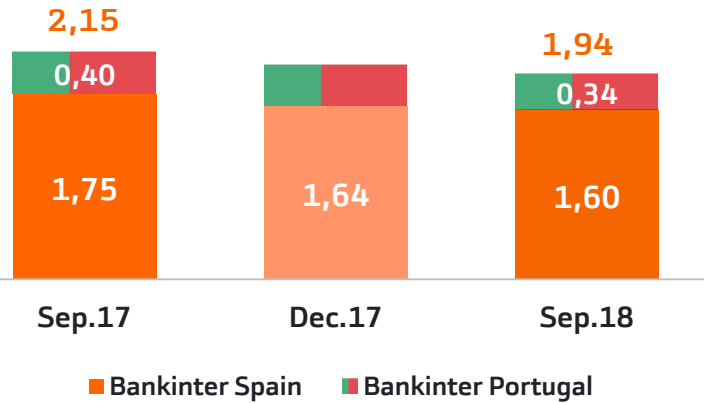
CR

Credit risk

Non-performing loans

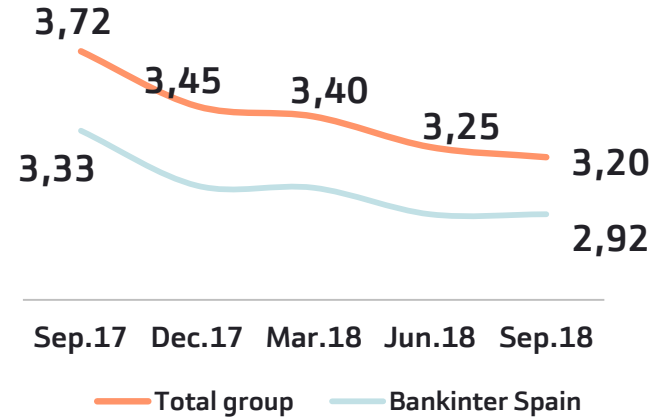
- in billions of euros -

-9,7%



NPL ratio

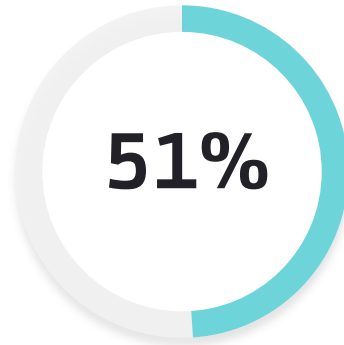
- in % -



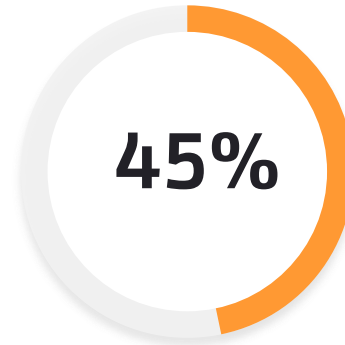
C

Provision coverage

- in %-



NPL coverage



**Foreclosed
asset coverage**

F

Foreclosed assets -in millions of euros-

Sep-18

Total balance: €366M

-22%

Book value of sold assets

111M€

Total sale price of assets

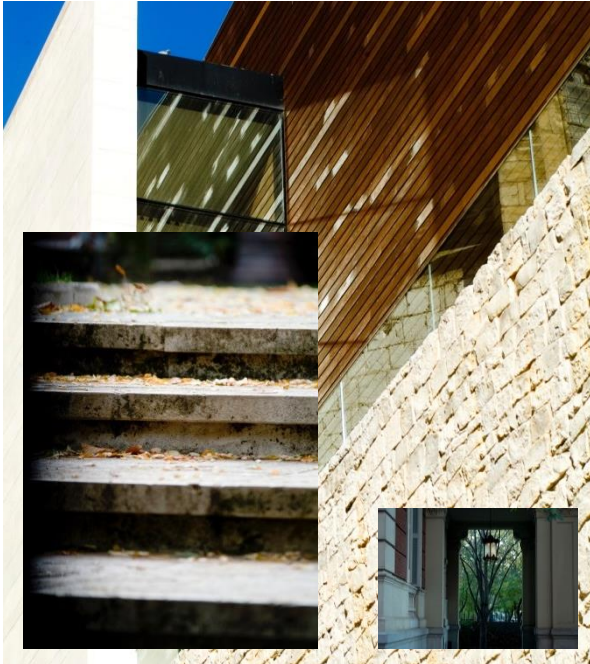
76M€

Average discount on sold assets

-32%

Average coverage on sold assets

42%





CET1 solvency ratio

Breakdown of 'fully loaded' CET1 ratio
- in % -

CET 1 "fully loaded"

11,70%

Leverage ratio

5,1%

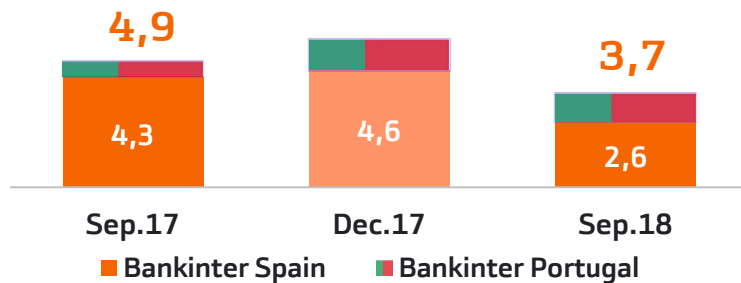
Total capital

14,3%

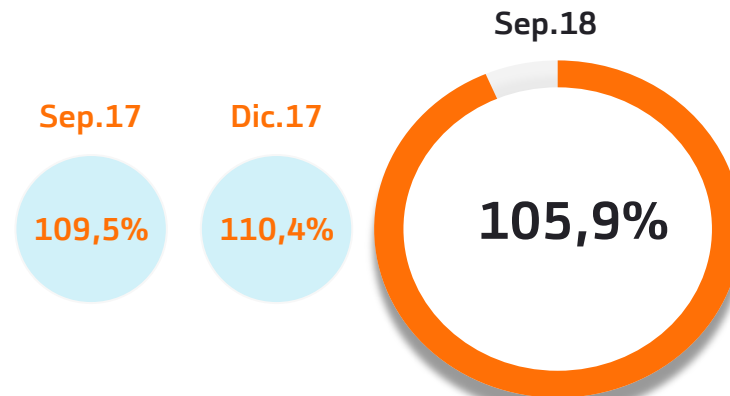


L Liquidity

Commercial gap
- in billions of euros -



Loan-to-deposit ratio
- in % -



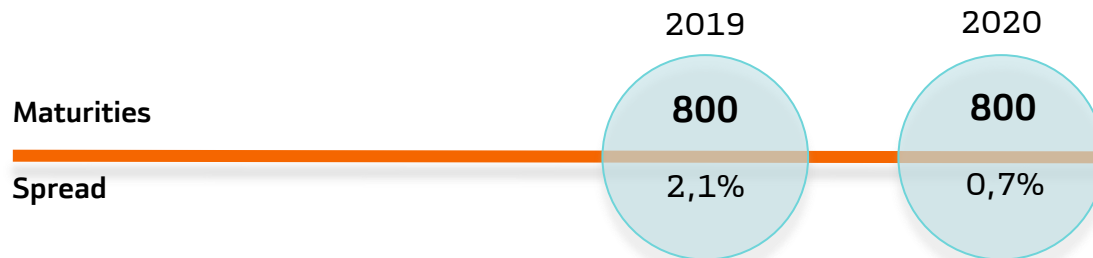
M

Wholesale funding maturities

- in millions of euros -

Liquid assets

13.200



Covered bond issuance capacity

5.500



B Businesses

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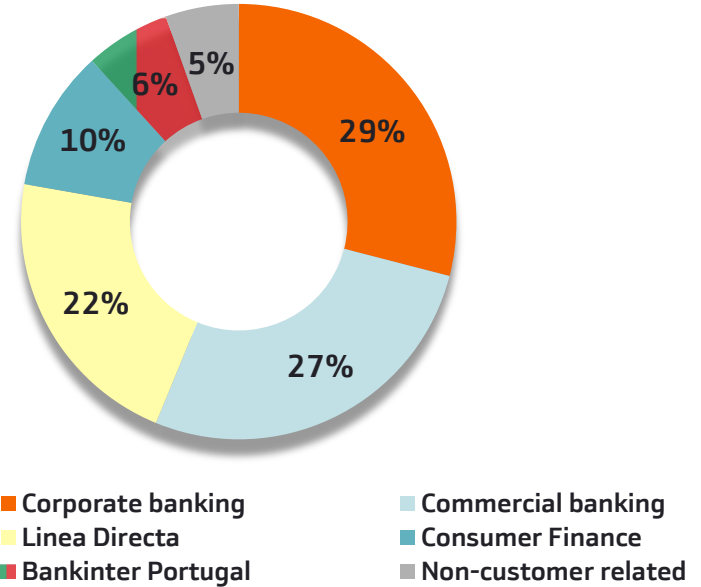


CN

Contribution to Total Income by business

- en % -

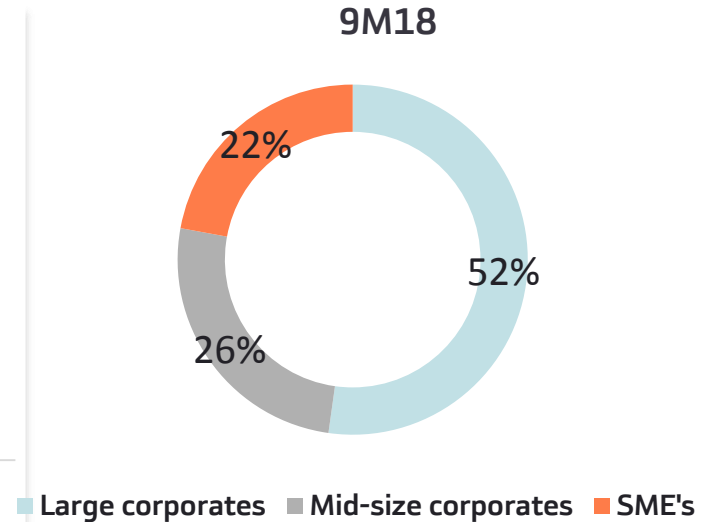
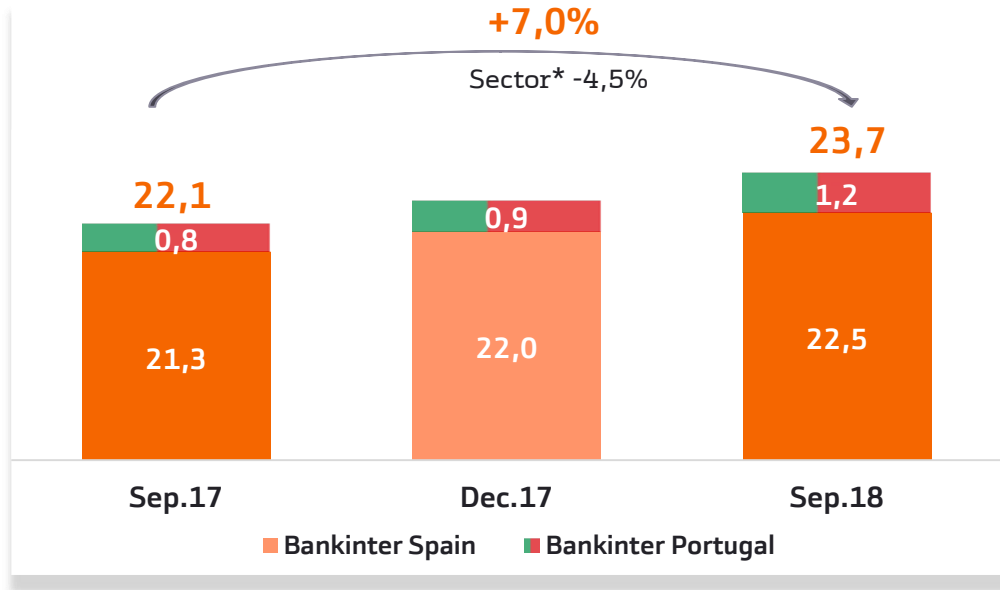
9M18



CB

Corporate/ SME banking

Loans and receivables
- in billions of euros and broken down in % -

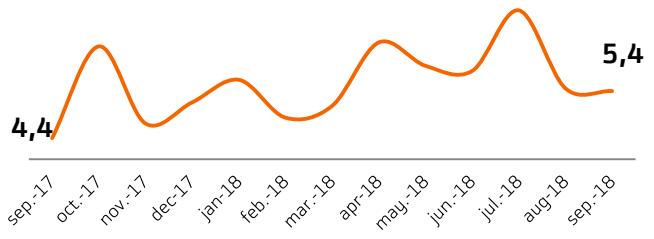


CB

Corporate/SME

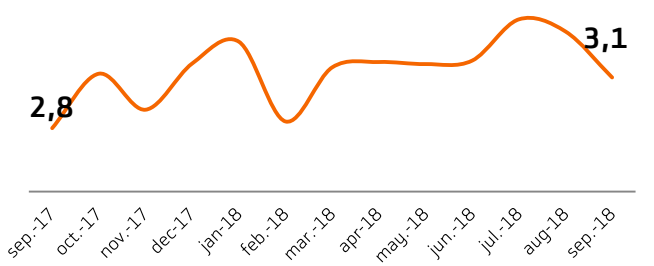
Relationship business
- in millions of euros -

Fees



vs.
Sep.17
+18%

NII



vs.
Sep.17
+11%

International banking

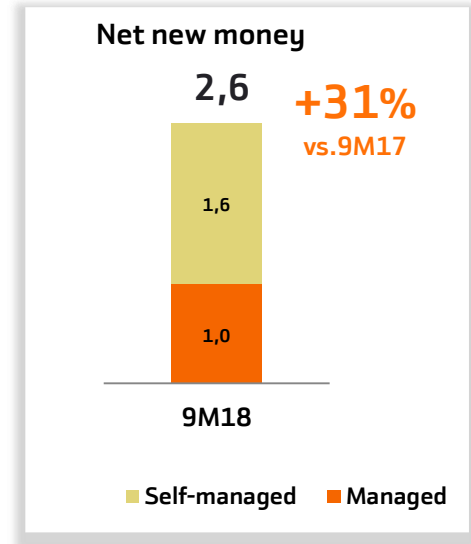
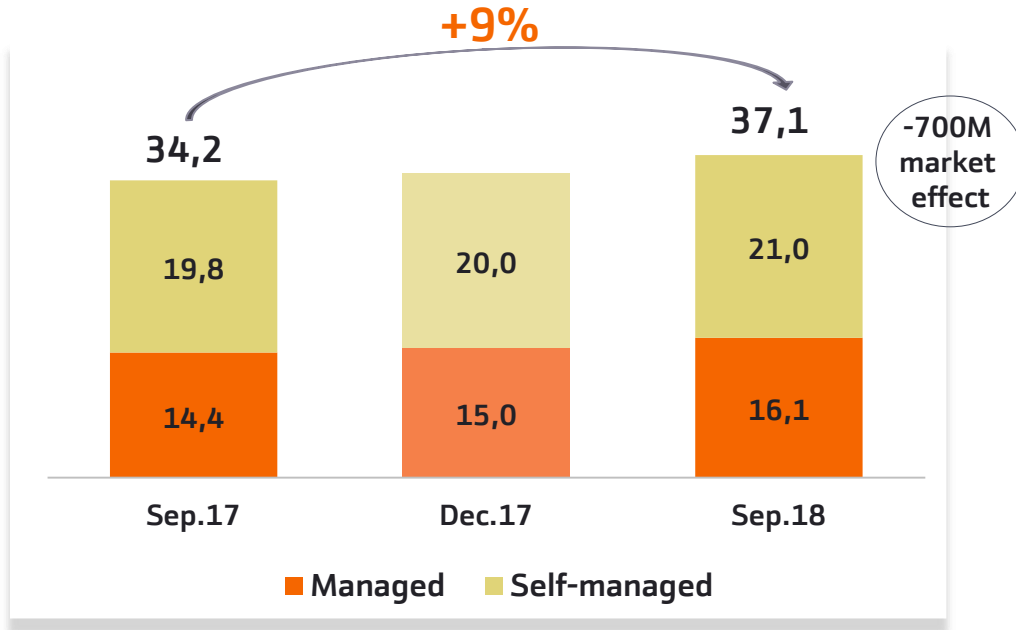
International
bkg. income
26% of
Corporate
bkg. income



PB

Private banking

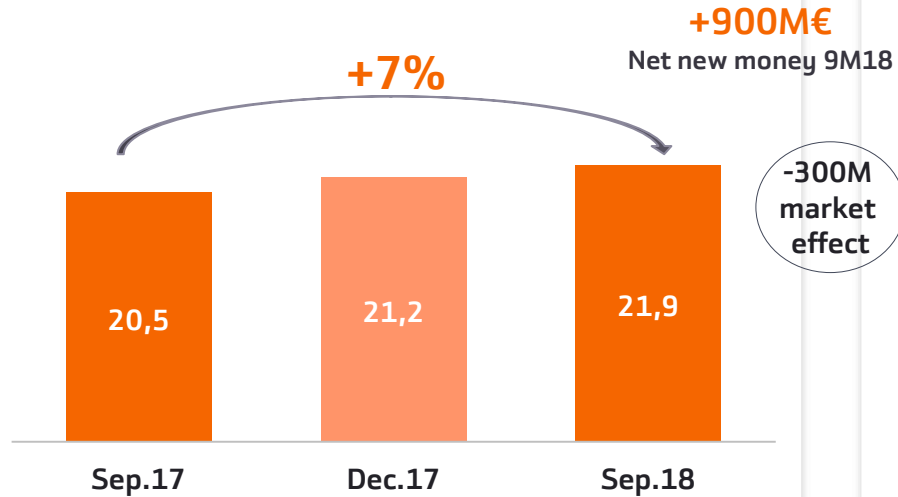
Customer assets
- in billions of euros -



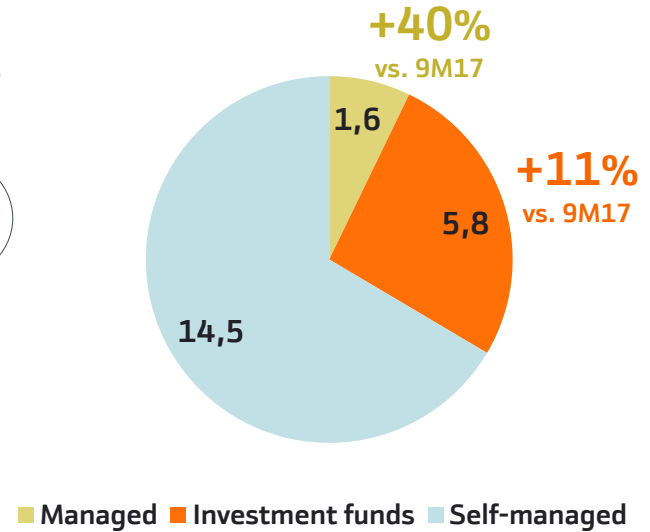
PB

Personal banking

Customer assets
- In billions of euros -



Breakdown by asset type



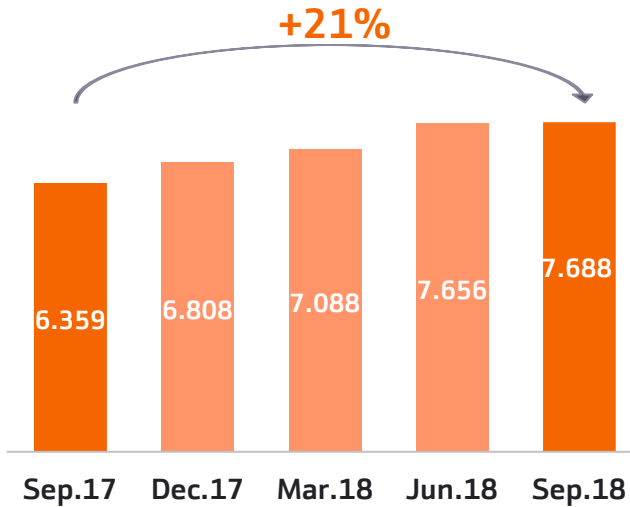
RB

Retail banking

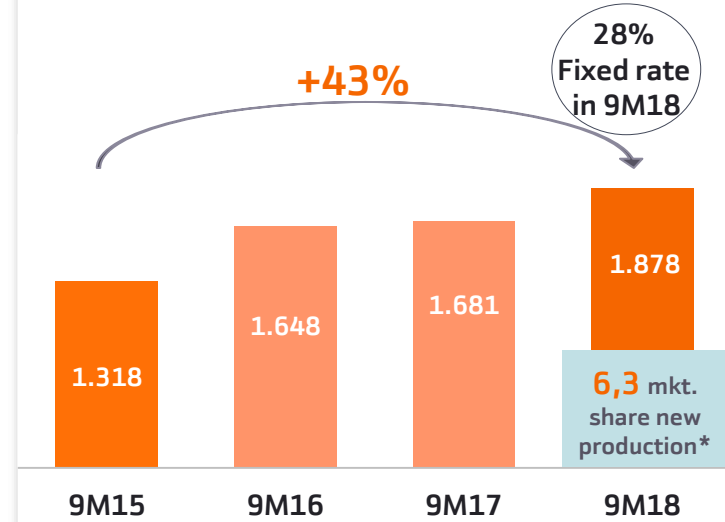
Customer deposits and loans

- In millions of euros -

Payroll account balances



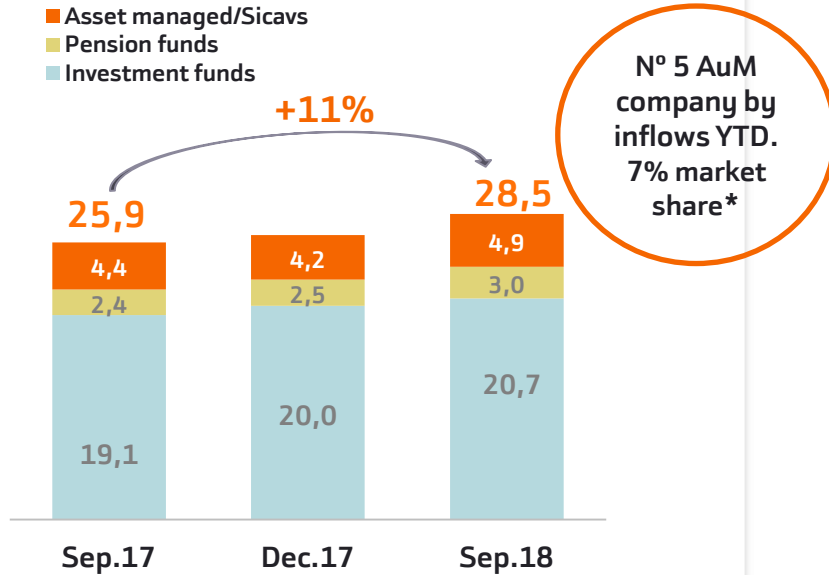
Residential new mortgage production



AM

Asset management

Off-balance sheet funds
- in millions of euros -



Breakdown by Investment fund type
- en % -



Funds managed by Bankinter

- YoY variation in % -

Money markets
and S/T fixed inc.



Equities



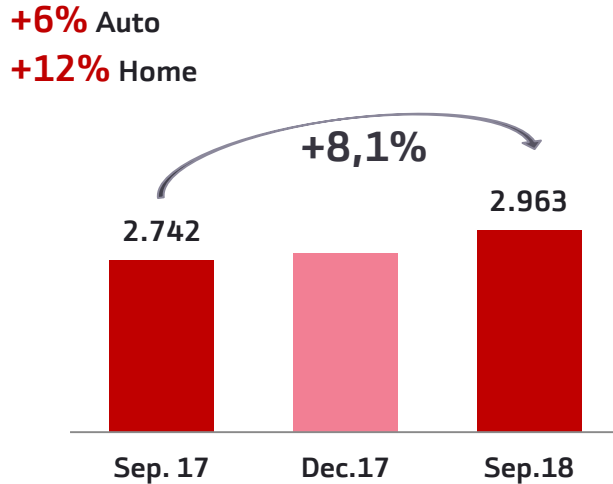
Guaranteed



L/T fixed
income

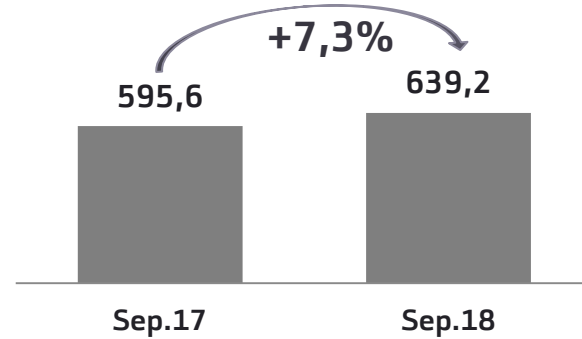
Linea Directa

Number of risks insured
- in thousands -



Issued premiums
- in millions of euros -

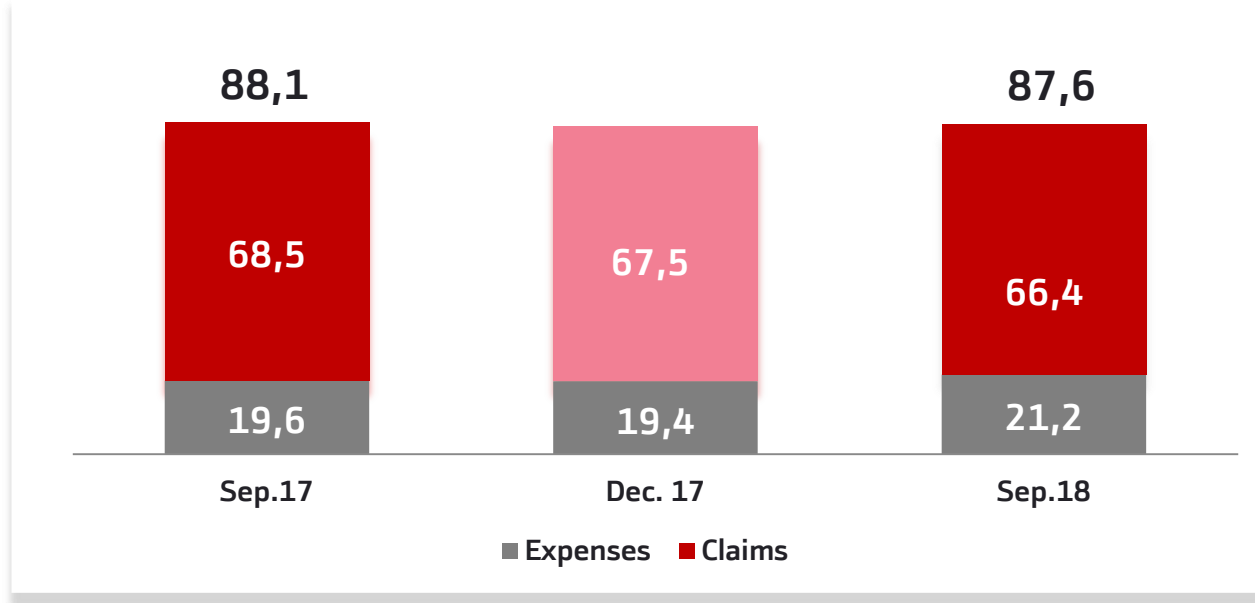
+6% Auto vs. 2,4% sector*
+13% Home vs. 3,4% sector*



LD

Combined ratio

- in % -



P&L account 9M18

- in millions of euros -



<u>linea directa</u>	9M18	9M17	Dif. %
Net written premium	639,2	595,6	7%
Net earned premium	605,6	564,5	7%
Net claims cost	-392,9	-378,2	4%
Operating expenses and other	-128,0	-110,3	16%
Technical result	84,7	76,0	11%
Net investment income	25,0	25,9	-4%
Underwriting result	109,7	101,9	8%
Other income/expenses	4,5	4,0	13%
Earnings before tax	114,2	105,8	8%
Net profit	83,3	76,9	11%

ROE
39%

Solvency II ratio
214%

CC

Consumer Finance

1,2 million

Customers

+ 22% of Sep.17

244 thous.

New customers YTD

+12% of Sep.17

€1,8bn

Loan book

+38% of Sep.17

Risk-adjusted return

9,0%

NPL ratio

8,2%

Cost of risk

3,2%

Bk Portugal

Business indicators

€5,3bn

Loans **+12%** o/9M17

Retail banking
€4,1bn +5%

Corporate/ SME
€1,2bn +45%

€4,1bn

Retail funds **+8%** o/9M17

Off-balance sheet
+17% o/9M17

P&L account

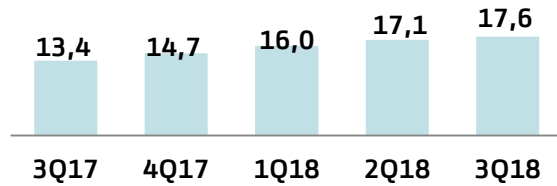
- in millions of euros -

	9M18	9M17	YoY
Net interest income	62,6	51,9	21%
Net fees and commissions	31,9	25,8	24%
Gross operating income	93,2	77,6	20%
Operating expenses	-67,2	-64,1	5%
Pre-provision profit	26,0	13,5	93%
LLP and other provisions	17,5	11,3	54%
Earnings before tax	43,5	24,8	75%

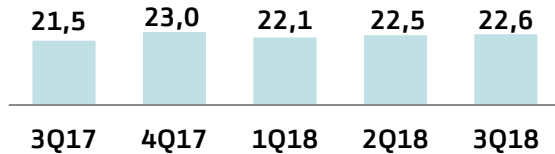
Bk Portugal

Business indicators

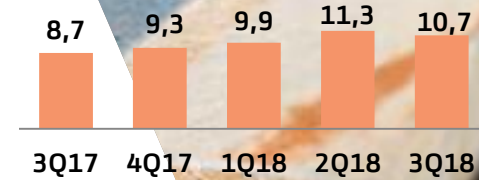
Quarterly recurrent NII
- in millions of euros -



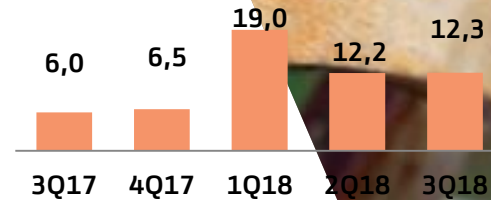
Quarterly op. expenses
- in millions of euros -



Quarterly fee income
- in millions of euros -



Quarterly PBT
- in millions of euros -





S Summary

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S Summary

€404M

Net Income

+ 7%

€1.472M

Total Income

+ 8%

NII
+ 7%

Fees
+ 6%

Balance Sheet

€55bn

Loan book

+ 5%

€50bn

Retail funds

+ 11%

ROE

13%

NPL ratio

3,20%

CET1 "FULLY LOADED"

11,70%

Bankinter

Results Presentation 9M2018

25 October 2018



Glossary

In addition to financial information prepared in accordance with IFRS Standards, this document includes alternative performance measures ('APMs'), based on the Guidelines on Alternative Performance Measures published by the European Securities and Markets Authority on 30 July 2015 (ESMA/2015/1057) ("the ESMA Guidelines"). Bankinter uses certain APMs, which have not been audited, in order to provide a better understanding of the company's financial performance. These measures should be considered additional information, and in no case do they substitute the financial information prepared in accordance with the IFRS Standards. Furthermore, the manner in which Bankinter defines and calculates these measures may differ from other similar measures calculated by other companies and, therefore, may not be comparable. The ESMA guidelines define APMs as a financial measure of past or future financial performance, of financial situation or of cash flows, except for a financial measure defined or detailed in the applicable financial reporting framework. Pursuant to the recommendations set out in the guidelines previously mentioned, the APMs that have been used are described below.

Alternative performance measure	Definition
ALCO	Asset - Liability Committee
CET1	Common Equity Tier 1
Combined ratio	Indicator that measures the net earned premium from non-life insurance policies. It is the sum of the net claims ratio and the cost ratio, divided by net earned reinsurance premiums.
Cost of risk	This metric includes the total NPL cost as of the reporting date. It includes losses from impaired assets (NPL provisions) and gains and losses on asset disposals.
Cost-to-income ratio	This is the result of dividing the sum of the staff costs, other general administrative expenses and depreciation and amortisation expenses, by the gross margin.
Foreclosed assets	Available-for-sale foreclosed assets
Foreclosure coverage	Calculated as the balance of the provisions divided by the balance of foreclosed assets.
Loan-to-deposit ratio	The loan-to-deposit ratio is the quotient of total loans divided by customer deposits.
NPL coverage	Calculated as the balance of the provisions divided by the balance of doubtful loans (with off-balance sheet exposure).
NPL ratio	Calculated as the balance of doubtful loans (with off-balance sheet exposure) divided by the balance of the total risk.
RoE (Return on equity)	This is the result of dividing attributed net profit by shareholders' equity on the date (excluding the profit/loss for the year, dividends and remunerations and valuation adjustments). In the denominator, average own funds are the moving average of own funds available during the last 12 calendar months or the corresponding period.
RWAs	Risk-weighted assets
SREP	Supervisory Review and Evaluation Process

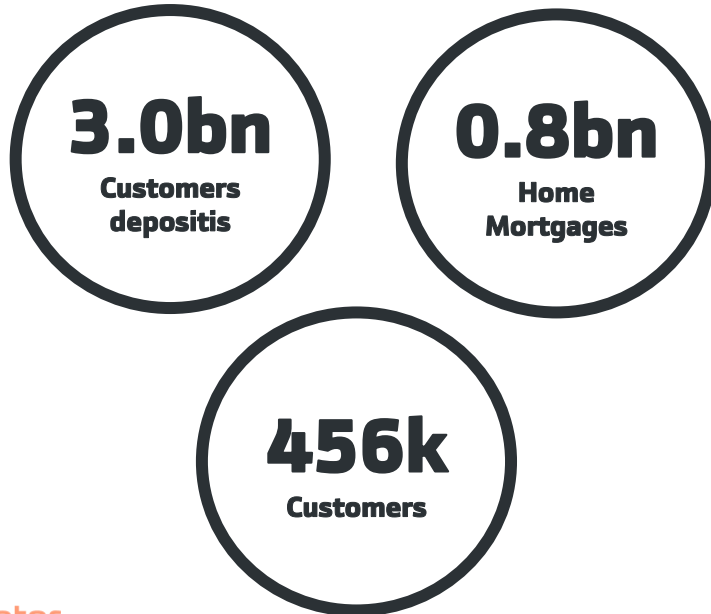
Acquisition of certain EVO Group assets in Spain and Ireland



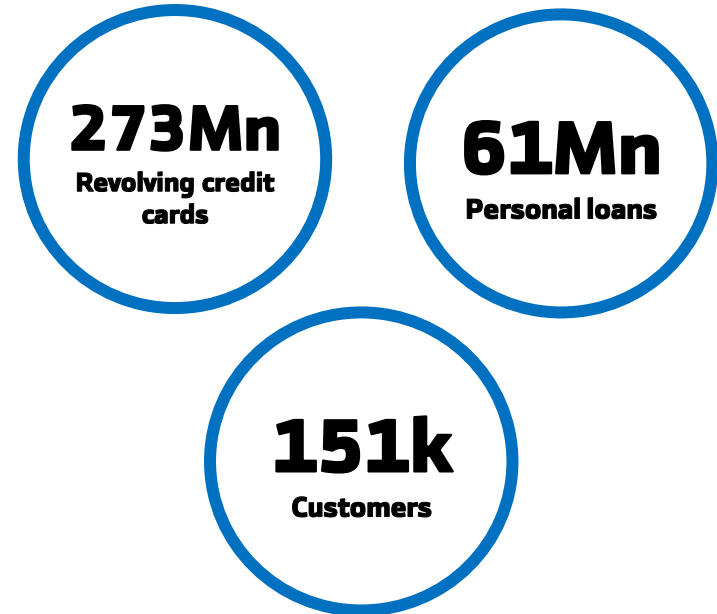
Bankinter to acquire two business from EVO



Retail business in Spain

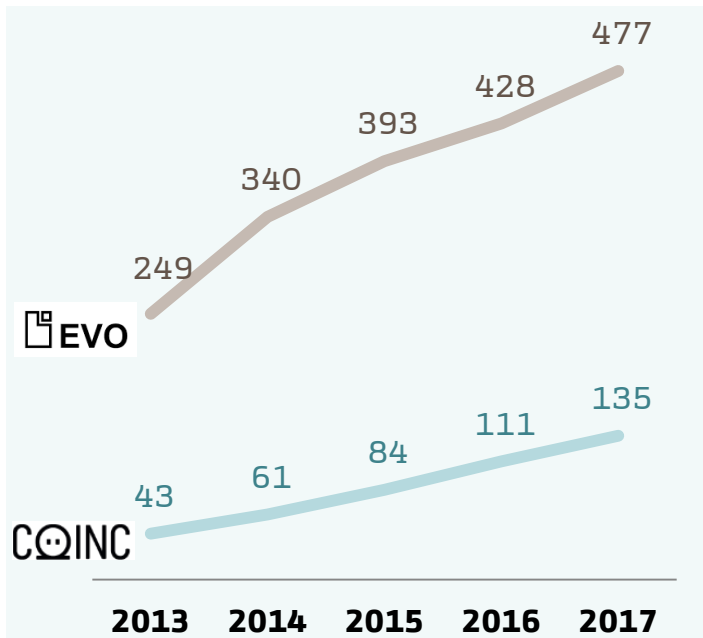


Consumer finance in Ireland

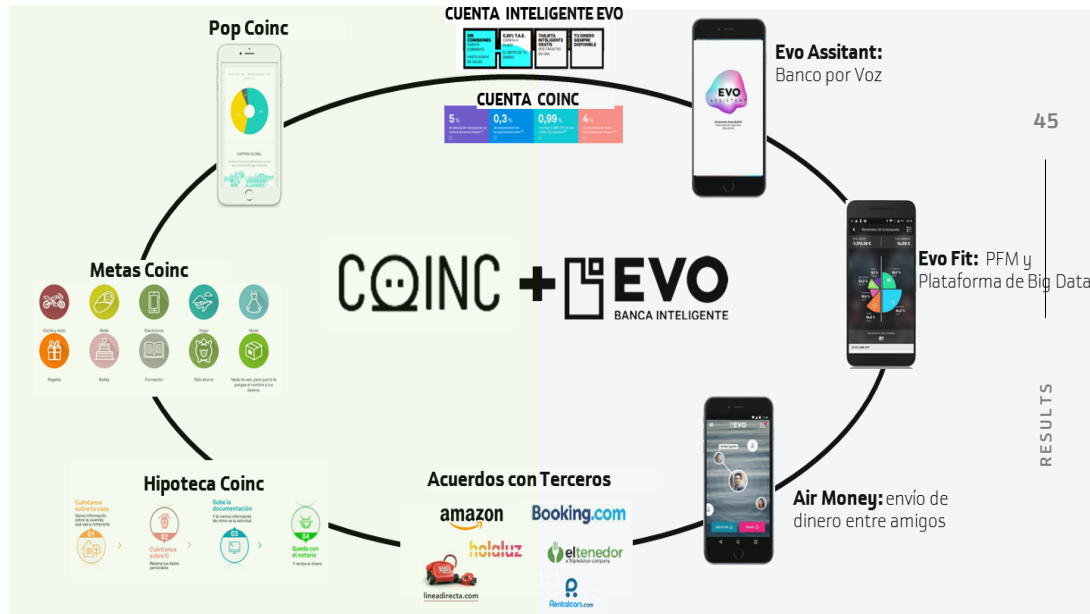


Speedup of our current digital strategy with a large number of customers and new capabilities

Proven track record of strong customer acquisition



A new 100% digital offering that combines best of the two models



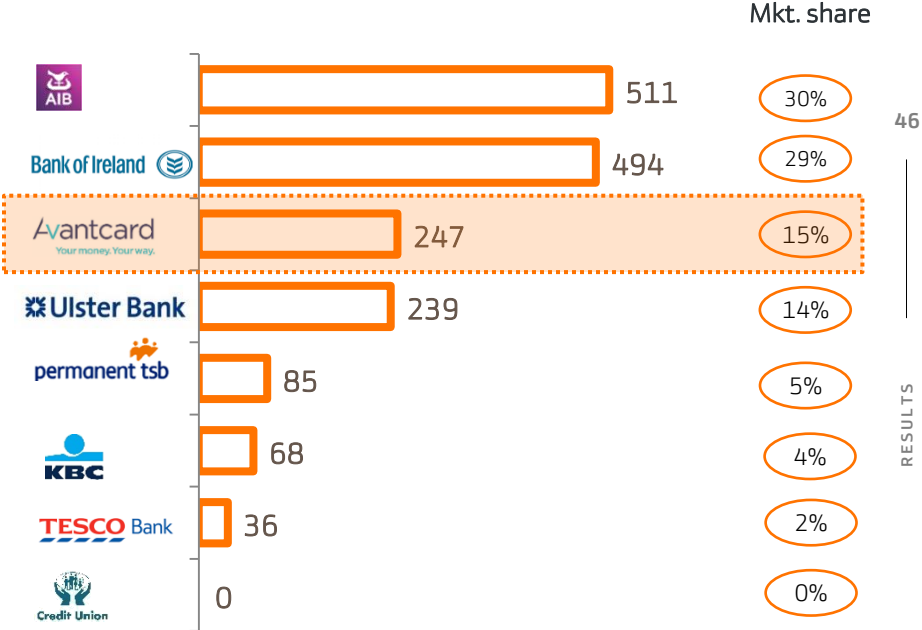
Avantcard, #1 specialised consumer finance player in Ireland

Irish credit card market *



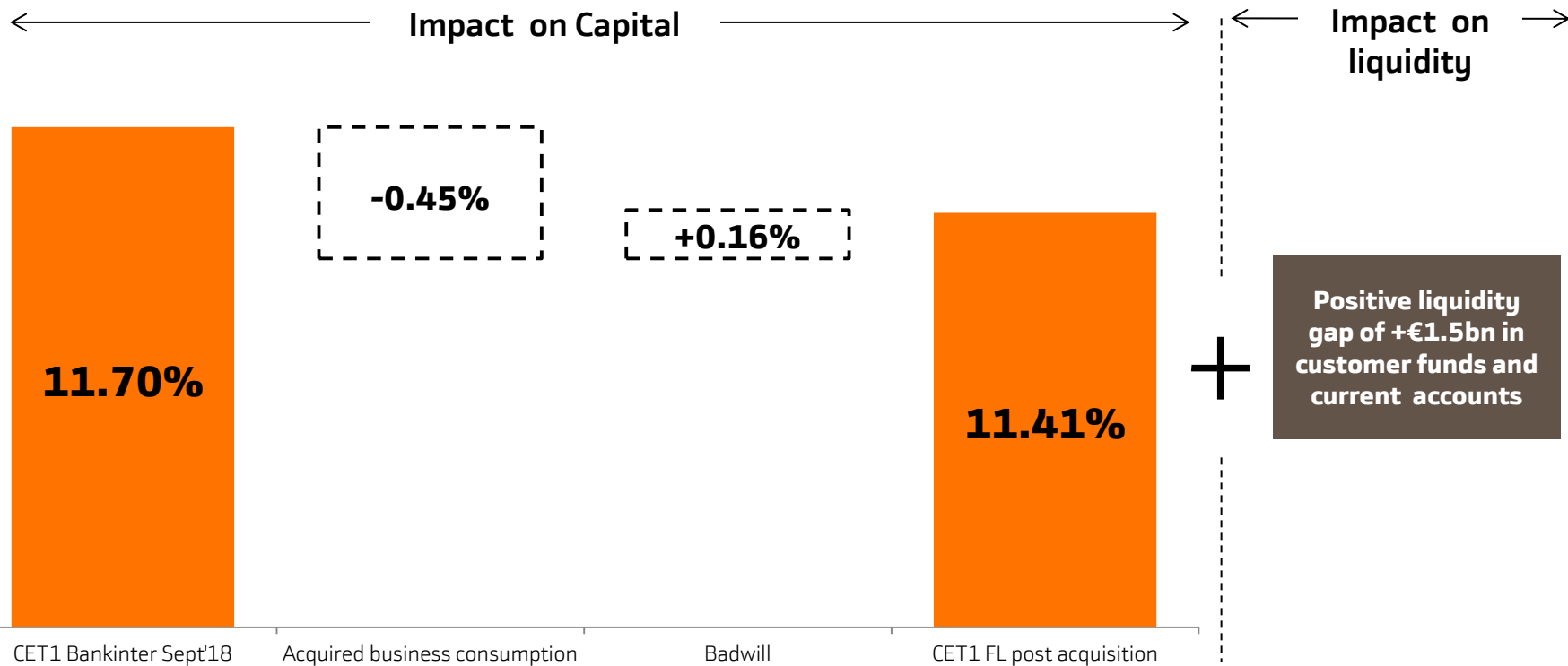
€1,704 Mn

Main Competitors

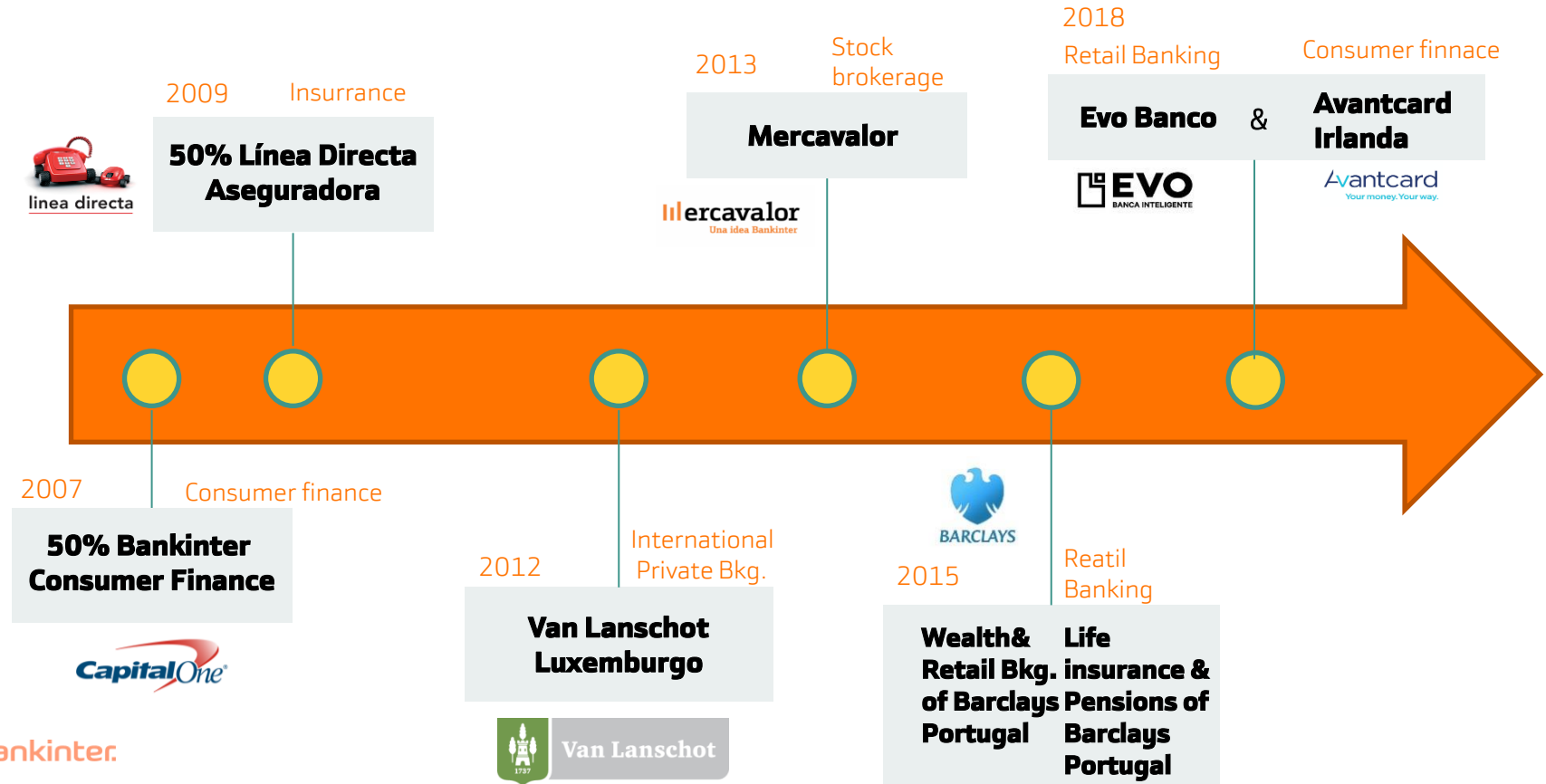


(*) revolving credit card outstanding as of Dec. 2017

Positive impact on liquidity and very limited on capital, only 29bps in CET1



The transaction continues and reinforce our strategy of growth and international expansion....



Transaction highlights

1. Bankinter acquires **two specific businesses**:
 - a. The retail banking business operating in Spain, EVO Banco
 - b. The consumer finance business operating in Ireland, Avantcard Ireland DAC
2. Both businesses represent an excellent opportunity for Bankinter to continue developing **its growth strategy** in key businesses: **consumer finance and new digital banking**
3. The acquisition of the operations of EVO Banco in Spain imply an acceleration of the implementation of our **digital strategy**, with the potential benefit of joining forces with COINC, to remain a leading digital banking player
4. Avantcard Ireland's acquisition represents an opportunity of **growth and diversification out of Spain for our consumer finance business**, and it's a further step in Bankinter's international expansion, following Barclays Portugal acquisition. As a result, consumer finance becomes Bankinter's activity with the greater international footprint, being present in Spain, Portugal and Ireland
5. The Transaction builds shareholder value: **EPS accretive from 2019 onwards and sustainable** double digit ROIC in the medium term
6. Limited impact in balance sheet and solvency, and positive in terms of liquidity