

## Bankinter reports a profit of 1,250.6 million euros, which includes the capital gain generated from the Línea Directa spin-off and exceeds pre-pandemic levels in terms of revenues

-Recurring profit, without including the capital gain from the Línea Directa spin-off, stands at 355 million euros, up 61.3% on the third quarter of 2020, with growth across all headings of the income statement.

-Increased commercial activity at the Bank results in growth of 10.4% in retail funds, 24.1% in asset management and 4.3% in lendings.

-Return on equity (RoE), excluding the capital gain from Línea Directa, is 9.4%, while the CET1 fully-loaded capital ratio is 12.3%.

**21/10/2021.** The Bankinter Group ended the third quarter of 2021 with the customer business faring well in the year to date, buoyed by an economic environment that is showing signs of recovery. This performance is reflected across all balance sheet and income statement headings, which reveal growth when compared to the same period in 2020.

As a result, the Bankinter Group's net profit at 30 September 2021 stood at 1,250.6 million euros, including the capital gain generated by the listing of Línea Directa in late April, which came to 895.7 million euros after tax.

Excluding this capital gain, the Group's recurring profit would be 354.9 million euros, which includes the four months of revenues generated by Línea Directa while it remained within the Bank's perimeter. This compares with profit of 220.1 million euros in the same period of 2020 and of 444 million euros in the same period of 2019, although the 2019 figure includes an extraordinary item of 57 million euros following the acquisition of EVO Banco.

Looking at the main ratios, return on equity (RoE), excluding the capital gain earned from Línea Directa, was 9.4%, compared with 7.1% in the third quarter of 2020, in which the Bank was compelled to post additional extraordinary provisions amid the pandemic and the worsening macroeconomic environment.

In terms of capital, Bankinter had a fully-loaded CET1 ratio of 12.3%, compared with 11.97% a year earlier, and well clear of the 7.68% required by the ECB.

The NPL ratio was 2.40%, revealing a year-on-year improvement of 11 basis points, even after the end of the mortgage moratoriums, which had no impact on this ratio. The NPL coverage ratio was 62.75%, again showing an improvement on the previous year, this time of 110 basis points.

Turning to liquidity, Bankinter has a negative customer funding gap, with a deposit-to-loan ratio of 106.3%.

The Bank is optimally positioned in terms of capital adequacy, profitability and asset quality, as shown by the stress tests conducted by the European Banking Authority (EBA), in which Bankinter, among all Spanish banks, sustained the smallest impact under the adverse scenario and the third smallest impact among all European banks. This healthy position has allowed the Bank to resume, from 1 October of this year, its traditional shareholder remuneration policy of a 50% payout.

### **Growth across all profit margins**

Despite the typically quieter levels of commercial activity seen during the summer months and therefore in the third quarter, Bankinter closed out a brilliant quarter across all of its revenue lines, which bodes well for the end-of-year figures. The income statement shows growth across all margins, compared to the same period of 2020 and even when compared to 2019. What this means is that the Bank has been successfully anticipating the path of the economic recovery and, in tandem, that it has the diversification and potential needed to meet its ambitious target of relying on the banking business to offset, over a period of approximately three years, the earnings no longer received from Línea Directa.

Net interest income totalled 955.1 million euros, up 3% on the same period of 2020. Despite being a relatively modest figure, let us not forget that this growth was achieved within an environment of negative interest rates, which has had an effect on mortgage repricings.

Meanwhile, gross operating income benefitted from the increased revenues earned during the period to reach 1,422.9 million euros (+9.8%). Of this figure, fee and commission income fared remarkably well by generating net revenues of 443 million euros, representing 31% of the total. This item was up 23% compared with the same period of 2020.

This growth in fee and commission income is a product of the Bank's increased activity in the commercialization of high value-added products and services. For example, fees from asset management were up 26% to 143 million euros. Fees from securities trading rose 22% to 84 million euros. And fees from insurance and pension funds rose by 12% to reach 58 million euros. A particular highlight in the period was the success fee earned by the Bank following the sale of the Helia I renewable energy fund to Canadian group Northland Power, as part of its alternative investment activity with private banking customers. This one-off fee amounted to 45 million euros and was used in full to cover all estimated legal provisions for this year and the following.

Operating income before provisions ended the third quarter at 798.7 million euros, up 15% on the same period of 2020 and up 23% on the same figure two years ago. Operating costs were up 3.8%. The cumulative cost-to-income ratio fell further to 43.9% in the period, compared to 46.4% a year ago and 47.5% at 30 September 2019. Focusing on Spain alone, the cost-to-income ratio stood at an even better 39.9%.

### **Balance sheet figures**

The Group's total assets amounted to 102,468.6 million euros at the end of the quarter, up 5.8% on the same period of 2020.

Loans to customers ended the quarter at 66,047 million euros, up 4.3%. Lending in Spain grew by a positive 2.6%, compared to negative growth of 1% across the wider sector, according to Banco de España figures through to August.

Retail funds from customers climbed 10.4% to reach 69,128.6 million euros. In Spain, these retail funds grew by 9.7%, compared to a sector average of 4.6%, once again according to Banco de España figures through to August.

### **Market share growth in strategic businesses**

Bankinter has maintained strong commercial momentum throughout the year, managing to increase its market share in certain strategic lines of business and customer segments.

One such example is the Commercial and Retail Banking business for individuals, which delivered an excellent performance, particularly in strategic segments such as high wealth, high return customers. Here, assets under management of Private Banking customers increased from 39,300 million euros a year ago to 47,700 million euros at the end of September 2021, revealing growth of 21%, with 2,200 million euros in net new assets. Meanwhile, net new assets among Personal Banking customers in the first nine months of the year amounted to 2,000 million euros, bringing total assets under management for this segment to 28,800 million, up 20% year on year.

All product categories aimed at individuals are experiencing excellent uptake rates. For instance, the balance held in salary accounts—a product in which the Bank has one of the best propositions in the market—was 14,500 million euros, 23% more than a year ago.

Meanwhile, the residential mortgage portfolio stood at 30,600 million euros, compared with 28,200 million euros a year earlier. Portfolio growth in Spain grew by a positive 8.4%, compared to average growth of just 0.7% across the wider sector, according to Banco de España figures through to August.

As with loans to companies, Bankinter increased its market share in Spain in new mortgage transactions to 9.3%. This new mortgage origination amounted to 4,300 million euros in the first nine months of the year, an all-time high that is 1.7 times the level reported in the same period of 2020. Of these new mortgages, 68% were arranged at a fixed rate. This new origination presents a loan-to-value ratio of 63%.

The Asset Management business also fared well during the period. This business plays a key role in Bankinter's value proposition for its customers, especially with interest rates as they are. Off-balance-sheet managed funds amounted to 38,345 million euros, up 24.1% on the same period of last year. Of this total figure, investment funds accounted for 29,200 million euros, which compares very favourably with the 23,300 million euros reported a year earlier. The pension fund portfolio amounted to 3,606.5 million euros, up 17.1% in annual terms. Assets under management and SICAVs amounted to 5,501 million euros, up 20.8%.

At the Corporate Banking business, Bankinter increased its market share in lendings to 5.5%, compared with a market share of 5.4% in the third quarter of 2020 and of 5.2% at the end of September 2019. The loan book to companies remained practically stable at 27,600 million euros, showing that the Bank has managed to cover the absence of ICO-backed lending this year with organic credit growth, when compared to 2020.

Meanwhile, Bankinter Portugal reported further growth across all of its businesses and balance sheet lines, which ultimately benefitted margins and profit before tax. The overall growth in lending was 5%, after closing the third quarter with a portfolio of 4,900 million euros in Commercial and Retail Banking (+6%) and of 2,000 million euros in Corporate Banking (+5%). Customer funds grew 19% to 5,600 million euros.

This upturn in commercial activity resulted in growth in net interest income (+4%) and most notably in gross operating income (+12%), thanks to the strong performance of fee and commission income (+23%). As a result, profit before provisions amounted to 51 million euros, up 21% on the same period of 2020. After posting the corresponding provisions, Bankinter Portugal's profit before tax stood at 40 million euros, an increase of 24%.

The accounts of Bankinter Consumer Finance, the brand under which the Group runs its Consumer business, are now beginning to show the upturn in economic activity and in leisure and consumer spending. The loan book amounted to 3,300 million euros, up 15% on 30 September 2020, with new origination in these nine months totalling 1,000 million euros, 84% more than in the same period of last year. Consumer loans accounted for 1,800 million euros of this total amount, while the rest relates to the various types of cards and mortgages marketed in Ireland.

The mortgage activity of Avant Money, the Bank's brand in the Republic of Ireland, consolidated its growth after a year of running this business. In the first nine months of the year, Avant Money awarded a total of 237 million euros in new mortgages, within a total lending volume of 800 million euros, which is 69% above the figure reported a year earlier and with an NPL ratio at an impressively low 0.5%.

As for EVO Banco, its focus on the mortgage business –very much aimed at a younger and more digital breed of customer– generated new mortgages worth 546 million euros in the first nine months of the year, 2.3 times the amount granted in the same period of 2020. Total lendings amounted to 1,696 million euros, up 55%. This digital bank had 672,000 customers at the end of September.

## Summary

	9M21	vs 9M20	vs 9M19
Loan Book	€66bn	+4%	+11%
Gross Operating Income	€1.423M	+10%	+15%
Pre-provision profit	€799M	+15%	+23%
NPL ratio	2,40%	-11bps	-33bps
Coverage ratio	63%	+1p.p.	+12 p.p.
Group Net Profit	€1.251M	n.a.	n.a.
Net Profit ex-LDA spin-off	€355M	+61%	-20%*
CET1 FL	12,3%	+28bps	+68bps
ROE adjusted ex-LDA spin-off	9,4%	+2,3p.p.	-3,2p.p.

\* Including the extraordinary €57mn badwill arising from the EVO purchase in 2019

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Results 9M21