

Bankinter earns €317 million in 2020, with strong business growth in a year of particular uncertainty

- Strong provisions to prevent macroeconomic impairment and unfavourable comparison with the extraordinary results of 2019 led to a 42.4% drop in profit compared to the previous year.
- Increased business activity translates into increases in all margins: 6.8% net interest income; 3.6% gross operating margin, thanks to the good performance of fees and commissions; and 4.5% operating margin before provisions.
- Bankinter ended the year with a 7% return on equity (ROE), and a 12.3% CET1 fully-loaded capital ratio, well above the ECB's minimum requirement of 7.7%.

21/01/2021. In spite of a challenging year marked by the impact of the pandemic, Bankinter Group ended 2020 with results that show growth in all margins and in the main business lines. At the same time, the bank held on to its leadership position among listed banks in terms of profitability and asset quality, with strengthened capital adequacy that remains well above the regulatory requirements of the ECB.

The profit from recurring banking business was €473 million, 13.2% less than in 2019.

However, this year, the bank allocated €242.5 million in provisions to factor in the worsening macroeconomic situation, which reduced profit before tax for the banking business to €230.5 million euros, 62% less than in 2019. This drop is explained by those provisions and by the absence this year of the extraordinary items posted in 2019 following the acquisition of EVO.

Línea Directa's pre-tax profit, which is presented separate from the banking business, amounted to €179.6 million, 25.7% higher than a year ago.

Bankinter Group's net profit for 2020 was €317.1 million, down 42.4% from 2019.

With regard to the main ratios, return on equity (RoE) remained steady at 7%. Without the impact of the extraordinary provisions, the Bank's RoE would be 10.8%.

Bankinter also strengthened its capital adequacy, with a fully-loaded capital ratio (CET1) of 12.3%, well above the ECB's minimum requirement of 7.7% for the type of business and level of non-performing loans.

The NPL ratio continues the downward trend of recent years, currently standing at 2.37% compared with 2.51% a year ago, almost half the sector average. Meanwhile, the non-performing loan coverage ratio has grown considerably, from 48.4% at the end of 2019 to 60.5% this year.

Regarding liquidity, Bankinter ended the year for the first time with a negative customer funding gap, with a deposit-to-loan ratio of 103.2%.

The maturities expected for 2021 amount to €200 million, plus €1,000 million for 2022, for which the bank has liquid assets of €20,700 million and a bond issuing capacity of €3,500 million.

Growing margins due to greater commercial momentum.

In spite of the challenging economic and interest-rate environment, all margins saw year-on-year growth, reflecting strong commercial momentum and efficient business management.

Net interest income amounted to €1,247 million, up 6.8% from 2019, mainly thanks to increases in investment volume.

Gross operating income climbed to €1,709 million, an increase of 3.6% on last year. More than two-thirds of this figure stems from net interest income. Fees and commissions contributed 29% to the gross operating income: in other words, €496.8 million, of which €157 million is from asset management business and €98 million from securities business (up 22% on 2019) in a particularly brilliant year for this brokerage business. This margin was negatively impacted by regulatory burdens (contributions to the Deposit Guarantee Fund, Single Resolution Fund and others) that continue to rise and amounted to €115 million this year, compared with €95 million in 2019.

The pre-provision operating profit at the end of the year was €880.2 million, 4.5% higher than a year ago, with a 2.7% increase in operating costs, mainly explained by new investment in the acquired businesses. The cost-to-income ratio of the banking business is 48.5%, a slight improvement on the 48.9% registered a year ago.

Balance sheet figures.

Bankinter Group total balance-sheet assets amount to €96,252.1 million, 15% higher than in 2019.

Customer loans and receivables ended the year at €64,384.3 million, up 6.6%. Loans in Spain (excluding EVO Banco) grew by 6.1%, compared with a sector average of 2.4% according to Banco de España figures in November.

Customer retail funds amounted to €65,009.9 million, an increase of 12.5%. In Spain (excluding EVO), the increase was 13.3%, compared with a sector average in November of 8.4%.

Strong commercial momentum in spite of the environment.

In spite of the impact of the pandemic and the stringent measures implemented to curb it, the bank maintained the momentum of its customer business, even exceeding the previous year's revenues. As part of this business, and most notably during the difficult months of the lockdown, Bankinter launched multiple initiatives to mitigate the impact of the crisis for its customers, facilitating access to liquidity for households and companies affected by the exceptional economic situation.

Focusing specifically on the corporate business, the loan book amounted to €28,400 million at year end, 11% higher than a year ago. In Spain alone, the loan book saw a growth of 11.5%

compared with the sector average of 8.1% according to Banco de España figures in November. This growth was largely driven by loans guaranteed by the Instituto de Crédito Oficial (ICO), with €8,600 million in assigned guarantees, of which €6,000 million have already been drawn down.

The bank's corporate loan book of €28.400 million is distributed as follows: €10,600 million corresponds to large companies with a turnover of more than €50 million; €7,000 million to medium-sized enterprises (turnover of between €5 million and €10 million); and €5.200 million to small enterprises (turnover of up to €5 million). In all cases, Bankinter maintained control over non-performing loans, with an NPL ratio of 7.4% for small enterprises and 3.4% for medium-sized ones.

Commercial retail banking or individual banking was equally satisfactory, especially in the high-net-worth segments. Private Banking performed very well with €42,800 million in assets under management, up 6% on the 2019 figure after attracting €2,700 million of new net assets during the year. The segment immediately below that, Personal Banking, rose €2,300 million in new net assets, representing growth of 9%.

The same dynamics are evident in the mortgage portfolio which, in spite of business practically grinding to a halt during the most challenging months of the pandemic, grew by 1.7% in Spain, not including EVO business. This contrasts sharply with the fall of 1.5% across the sector according to Banco de España figures in November. New mortgage production amounted to €2,900 million, just 3% lower than in 2019, which was a particularly good year. Of these new mortgages, 56% are fixed-rate and have a loan-to-value rate of 60%.

Another product that captured new customers was the salary account, one of the most highly rated in the market in its category, building on the healthy performance of previous years to take the portfolio to €12,700 million, representing growth of 22%.

Bankinter Portugal experienced a similar upward trend in its customer business. The loan book amounted to €6,600 million, up 7% on the previous year. Customer deposits grew by 6% to €4,800 million, while off-balance-sheet managed funds amounted to €3,600 million, representing growth of 2%. Margins saw double-digit increases: 10% in net interest income and 13% in gross operating income, driven by the good performance of fees and commissions. However, a profit before tax of €45 million represented a decline of 31%, mainly because the bank is no longer releasing provisions, as was the case in previous years, but has started allocating them.

The results of Bankinter Consumer Finance in Spain, Portugal and Ireland reflect the impact of the pandemic on household spending, which fell during the months of the lockdown and as a result of travel restrictions and the general downturn in economic activity. Even so, the loan book figures are similar to those of the previous year: €2,900 million with a controlled NPL ratio of 6.2%. Within this business, Avantcard consolidated its position in the Irish market as one of the leading consumer operators and expanded its business to include mortgages through the new brand Avant Money.

EVO Banco ended 2020 with market recognition after winning two World Finance awards: Best Digital Bank and Best Financial App in Spain. Similarly, the healthy number of new customers captured reflects its recognition among the general public. The bank increased its total number of customers (finance and services) by 48% and grew its mortgage portfolio by 38% after channelling most of its commercial efforts into this business. Savings on the balance sheet grew by 8.5%.

Línea Directa Aseguradora, which is presenting its earnings separately from the banking business this year, ahead of its upcoming launch as an independent entity, obtained a net profit of €135 million, 26% higher than a year ago, with an RoE of 35% and a combined ratio of 83.4%. Its solvency II ratio is 276%.

The number of insured risks amounted to €3.22 million, up 1.7%, while the volume of issued premiums grew slightly to €899 million.