

## Bankinter kicks off 2017 with solid business performance and first quarter earnings of 124.4 million euros, up 18.7%

- Bankinter increases its earnings again in the first quarter of 2017 following two consecutive years of record profits.
- Despite interest rates at all-time lows, net interest income has increased by 17.1% (5.6%, not including business in Portugal).
- Bankinter's strategy is based on five well-balanced and profitable lines of business: corporate banking, commercial banking, consumer finance, Línea Directa insurance and Bankinter Portugal.

**27 April 2017.** Bankinter Group has started the 2017 fiscal year, with strong business volumes and the profitable growth pattern evident from past years. Its net profit stood at 124.4 million euros at the end of the first quarter, with a pre-tax profit of 171.6 million. This constitutes an 18.7% and 16.3% year-on-year increase, respectively.

These results include business data from Bankinter Portugal that did not appear on last year's first-quarter income statement since the group's purchase of Barclays' Portuguese subsidiary was not closed until 1 April 2016. Without Portugal, Bankinter Group's quarterly net profit would be 120.6 million euros, up 15.1% from the first quarter of 2016; and its pre-tax profit would amount to 167.9 million euros, a 13.8% increase.

Bankinter remains the most profitable bank among listed Spanish banks, with a 12% return on equity.

Furthermore, Bankinter continues to be best in class in terms of quality of assets, with an NPL ratio of 3.88% (down from 3.95% a year ago), despite absorbing the NPLs of its Portuguese arm. On a like-for-like basis, Bankinter's NPL ratio stands at 3.47%, less than half the average of the banking sector in Spain.

As regards its capital adequacy, Bankinter closed the first quarter with a fully-loaded CET1 ratio of 11.3% and phased-in CET1 ratio of 11.6%. These figures are well above the 6.5% required of Bankinter by the ECB for 2017 (the lowest requirement for any Spanish bank).

Bankinter also continues to improve its funding structure, reducing its loan-to-deposit ratio to 108.2%, down from 104.7% last year. The bank's liquidity gap decreased to 4.1 billion euros, or 1.3 billion euros less than at the end of 2016.

Bankinter has no maturities on its wholesale financing remaining this year and its maturity profile until 2020 amounts to 2.2 billion euros - with spreads that have

decreased considerably. To manage this profile, Bankinter has 10.4 billion euros in liquid assets and can issue up to 8.5 billion euros in new covered bonds.

### **Solid growth across all margins**

The earnings presented by Bankinter Group continue to reveal strong margin growth, with and without Bankinter Portugal, despite the current environment.

Its first quarter net interest income reached 257.7 million euros, up 17.1% from a year ago (+5.6% not including Bankinter Portugal).

On 31 March, its quarterly gross operating income came to 467.4 million euros, a 13.8% increase with respect to the first quarter in 2016. Not including Bankinter Portugal, Bankinter Group's gross operating income and net interest income would have grown by 5.5%.

With regard to pre-provision profit, Bankinter Group ended the quarter with 234.8 million euros, a 10.8% increase from a year ago. Although its costs were higher than in the first quarter of 2016 (when Bankinter Portugal was not yet incorporated into the group), its 'jaws' (ie, the spread between income and costs) are wider than they were a year ago. Therefore, Bankinter Group's cost-to income ratio for banking (including amortisation) stands at 46.6%. Furthermore, without Portugal, the group's pre-provision profit has risen by 4.6% this year.

Bankinter Group's quarterly balance sheet revealed 69.59 billion euros in total assets, a 13% increase with respect to the first quarter of 2016. Its total loans and advances to customers amounted to 51.28 billion euros, up 15.7% from last year. Bankinter Group's total customer funds also grew at a similar rate, reaching 76.47 billion euros, up 15.4% from March 2016. In particular, its retail deposits increased by 24.3% to over 45.27 billion euros; and off-balance-sheet managed funds (investment and pension funds as well as managed assets) grew by 21.5% with respect to March 2016.

However, without Bankinter Portugal, both customer funds and lending experienced significant growth. Total loans to customers (without Bankinter Portugal) reached over 46.65 billion euros as of 31 March 2017, up 5.3% (or over 2.33 billion euros more) from a year ago in purely organic growth, while the lending has fallen by 2.9% across the sector.

Retail customer funds (without Bankinter Portugal) reached 41.23 billion euros at the end of this quarter, a 13.2% increase this year.

### **Five balanced and profitable lines of business**

Bankinter Group's quarterly earnings once again show that its customer business continues to be the main contributor to its income. Its strategy is based on five well-balanced and profitable lines of business, which are: corporate banking, commercial banking, consumer finance, Línea Directa insurance and Bankinter Portugal.

The business that most contributes to gross operating income is corporate banking, at 29% contribution. Loans to companies at the end of March 2017 amounted to 21.6 billion euros, compared with 19.7 billion euros a year ago. Without Bankinter

Portugal, this figure would stand at 20.8 billion euros. This means a purely organic growth rate of 5.2% with respect to last year's balance at a time when lending to companies has fallen by 4% during this period across the sector. Bankinter has also seen improvements in its commercial and transactional business with companies, increasing customer loyalty. Moreover, its international trade finance business increased its gross operating income by 17% from the first quarter of 2016.

Under retail commercial banking, private and personal banking – two key segments in Bankinter's business strategy – performed very well. In the private banking business, total assets under management for high net-worth customers amounted to 33.1 billion euros, up 17% from the first quarter of 2016. As for personal banking, its managed assets increased by 14% for a total 19.7 billion euros.

In this particular business of retail commercial banking, two long-time Bankinter products that enhance customer acquisition had outstanding results. These products are the payroll account and mortgages. On the one hand, total payroll accounts amounted to over 5.85 billion euros, a 33% year-on-year increase. On the other hand, new residential mortgage lending continues on a positive trend, with more than 2.34 billion euros in new mortgages between March 2016 and March 2017, up 17% from the equivalent interannual period.

The third business that most contributes to gross operating income is Bankinter's wholly-owned insurance subsidiary, Línea Directa Aseguradora ('LDA'). The number of policies taken out by LDA customers reached 2.64 million euros in March 2017. Motor insurance and home insurance sales grew by 7.7% and 15%, respectively. Total premiums increased well above the sector average of 4% growth, from 172.2 million euros a year ago to 188.8 million euros today. LDA continues to have a highly profitable insurance business, with a 33.7% RoE and a combined ratio of 88.7%.

The performance of Bankinter's consumer lending business, ran by Bankinter Consumer Finance, is also significant. It has a total 952,000 customers, up 25% in the last twelve months. Its loan book also grew by 44% year-on-year, reaching over 1.11 billion euros in consumer finance loans.

As for Bankinter Portugal, its customer funds amounted to 4 billion euros, a 46% increase with respect to the first quarter in 2016. Its loans to customers saw a quarterly increase of 3%, totalling 4.6 billion euros. And its gross operating income ended March 2017 at 34.2 billion euros.

Lastly, Bankinter's digital business also had a noteworthy performance this quarter, with its customer base that increasingly uses digital channels to interact with the bank. 30% of Bankinter customers only engage the bank through on-line channels. 61% are considered 'mixed' customers, using both traditional and digital channels to carry out transactions. Only 9% of Bankinter customers are considered 'traditional', in that they mostly engage the bank at branch offices or by telephone banking. Furthermore, the quarterly data of Bankinter's digital platform, COINC, show that it has made significant strides as an on-line financial entity, with 118,000 customers (31% more than a year ago) and 1.3 billion euros in savings accounts, up 19%.

## First quarter 2017 key figures

| (in millions of euros)                       | 31/03/2017 | 31/03/2016 | Difference | %    |
|--|------------|------------|------------|------|
| <b>Net interest income</b>                   | 257.7      | 220.1      | 37.6       | 17.1 |
| <b>Gross operating income</b>                | 467.4      | 410.8      | 56.7       | 13.8 |
| <b>Pre-provision profit</b>                  | 234.8      | 211.8      | 22.9       | 10.8 |
| <b>Profit before taxes</b>                   | 171.6      | 147.6      | 24         | 16.3 |
| <b>Net attributable income</b>               | 124.4      | 104.8      | 19.6       | 18.7 |
| <b>Total assets</b>                          | 69,596     | 61,607     | 7,989      | 13   |
| <b>Total loans and advances to customers</b> | 51,287     | 44,320     | 6,967      | 15.7 |
| <b>Total retail customer funds</b>           | 45,278     | 36,435     | 8,844      | 24.3 |
| <b>Off-balance-sheet managed funds</b>       | 24,689     | 20,325     | 4,363      | 21.5 |
| <b>NPL ratio (%)</b>                         | 3.88       | 3.95       | -0.07 pp   |      |
| <b>RoE (%)</b>                               | 12.00      | 10.66      | 1.34 pp    |      |
| <b>CET1 capital ratio (%)</b>                | 11.59      | 11.77      | -0.18 pp   |      |