

Bankinter tops last year's record earnings, with 526.4 million euros in net profits in 2018, up 6.3%

- The Group has had record earnings for four years in a row, with a compound annual growth rate of 27% between 2012 and 2018.
- Customer lending and customer funds outperformed the industry, increasing by 4.8% and 8.9%, respectively, from 2017.
- Bankinter's RoE stood at 13.2%, the highest amongst listed Spanish banks.

24 January 2019. Bankinter Group ended 2018 with record earnings, on the back of its recurring business, leading the sector in its main strengths: profitability, solvency and quality of assets.

The Group's net profit stood at 526.4 million euros at the end of the year, up 6.3% from 2017. Its profit before taxes amounted to 721.1 million euros, a 6.5% increase year on year.

These results underline Bankinter's strengths, especially its profitability. Its return on equity (RoE) of 13.2% continues to uphold its position as the most profitable listed bank in Spain.

In terms of quality of assets, Bankinter continues to post strong figures. The Group's non-performing loan ratio fell below 3%, namely to 2.90%. This is less than half the industry average. In Spain, the non-performing loan ratio fell to 2.84%.

In this connection, the similar trend in foreclosed property assets is also significant. In this period, foreclosures fell to a gross amount of 348.2 million euros, when at the end of 2017, they totalled 411.6 million euros. The coverage ratio for foreclosed assets was 44.4%.

With respect to solvency, at the end of the year the Group registered a CET1 fully-loaded capital ratio of 11.75%, gaining 29 basis points from last year. This ratio compares very well to other banks, exceeding regulatory requirements for Bankinter from the ECB.

As relates to liquidity, the Group's commercial gap amounted to 4,000 million euros, and its loan-to-deposit ratio stood at 106.6% at year end, up 380 basis points from twelve months ago.

Wholesale issues maturing this year and in 2020 total 800 million euros in each year, with no maturities expected for 2021. To cover any liquidity requirements, the bank has 10,900 million euros in liquid assets and capacity to issue up to 6,500 million euros in covered bonds.

Growth in all margins

The earnings presented by Bankinter Group end the year with growth across all account margins, in line with trends observed throughout the year.

2018 ended with 1,094.3 million euros in net interest income, up 5.8% from a year ago.

Gross operating income totalled 1,940 million euros, up 6.4% year on year, with 450 million euros in fee income, which grew by 6.2% and accounted for 23% of this margin.

At the end of December, pre-provision profit increased by 6.5% to 936.4 million euros, despite a 6.2% increase in costs during the year: up 4.3% for banking operations in Spain and 13.5% for Línea Directa in order to promote new business lines. Still, this growth in income improved the cost-to-income ratio on banking operations (including amortisations), which decreased from 47.7% last year to 46.8%.

On Bankinter Group's balance sheet, total assets amounted to 76,501.5 million euros at year end, 7.2% more than in 2017.

Furthermore, total customer loans and receivables amounted to 55,469.6 million euros, a 4.1% year-on-year increase. In Spain, new lending amounted to 50,100 million euros, versus the 48,500 million euros from a year ago. This indicates that the bank's loan book continued to grow, while lending across the industry in Spain declined by 1.9%, according to figures from November.

Customer funds also ended the year at 50,583.8 million euros, 8.9% more than a year ago. Of this amount, 46,300 million euros relate to Spain, contrasted with the 42,800 million euros recorded in 2017. This also suggests growth above the industry average of 3.9%, as reported by Banco de España in November.

Increasingly balanced business lines.

In effect, Bankinter Group's earnings are based entirely on its customer business, which will make them sustainable in the future.

In recent years, Bankinter has been implementing a strategy to diversify revenues. It combines mature and countercyclical businesses with newly incorporated ones that have higher rates of growth, thus favouring balanced operations across the board.

Relative contribution to the bank's gross operating income has shifted over these years with the higher profile of these new businesses, as in the case of Bankinter Portugal and consumer finance.

Corporate banking continues to be the business line contributing the most to gross operating income (30%). For years now, its loan book has followed an upward trend. Accordingly, it closed out the year with 24,000 million euros, of which 22,600 million euros relate to corporate loans taken out in Spain, which increased by 3.2% from last year, despite the lending shrinking across the industry 5.1%, as reported by Banco de España in November.

Transactional and collateral operations have gained importance in corporate banking, with customers who increasingly entrust the bank with their overall financial needs. This is evident in

the spike in fee income, up 18% this year. Furthermore, the rise in the companies' engagement with banks has translated into positive results being obtained by more specialised businesses, such as investment banking or international trade finance, which already generates 27% of the entire gross operating income of corporate banking, making Bankinter a reference in the market.

Commercial banking is the business line with the second highest contribution to the bank's gross operating income, accounting for 28% overall. Under this business line, private banking, which groups together high net-worth customers, has shown resilience in a particularly complicated environment. At year end, managed wealth from private banking customers totalled 35,600 million euros, up 2% from last year, in spite of a 2,500 million decrease in portfolios owing to the market effect. Furthermore, the bank has taken in 3,100 million euros in net new money from such customers, as opposed to the 2,800 million euros recorded in 2017.

A fundamental component of this business line is the personal banking segment, which ended the year with 21,600 million euros in managed assets, up 2% despite a market effect that reduced the value of the portfolio by 1,000 million euros. Net new money acquired from these customers in 2018 amounted to 1,400 million euros.

Within retail banking, once again, the positive performance of products like the payroll account and the various types of mortgages, which clearly attract new customers, was particularly noteworthy. At the end of the year, the bank's payroll account balance amounted to 8,317 million euros, a 22% increase from 2017. New residential mortgage lending amounted to 2,532 million euros in the year, an 11% increase from 2017. 30% of these new mortgages were fixed-rate.

Línea Directa had the third highest contribution to gross operating income, accounting for 22%. It ended the year with 3.01 million euros in insured risks, up 7.9% from 2017. In 2018, issued premiums totalled 853.1 million euros, 7% more year on year. Motor insurance premiums grew by 5.3%, compared with the industry average of 2.4%; and home insurance premiums climbed 12.4%, while they grew by an average 3.2% across the industry, according to figures from November. At year end, the combined ratio of this business stood at 87.3%, with an RoE of 38%.

In relation to consumer lending, a business operated by Bankinter Consumer Finance, customers increased by 18% from last year to exceed 1.3 million in number. Consumer lending operations showed strong growth throughout the year, with 632 million euros in new loans, a 46% increase from December 2017. The consumer loan book totalled 2 billion euros, up 38% year on year.

Bankinter Portugal, the bank's most recently incorporated business line, ended an overall successful 2018, with double-digit growth in customer funds (up 17% from 2017) and lending. Its loan book amounted to 5,400 million euros, a year-on-year increase of 12%. Growth in lending to companies was particularly significant: up 42%.

Furthermore, Bankinter Portugal grew considerably across all account margins: net interest income increased by 13%; gross operating income increased by 14%; and pre-provision profit was 73% higher than in 2017. Pre-tax profit spiked to 60 million euros, a 92% increase from 2017.

A lengthy commitment to digitalisation

This positive performance of its various business lines would not have been possible without an efficient use of the technology with which the bank provides its customers, who make use of it in a substantial manner. In particular, 92.5% of customers habitually use online channels to interact with the bank, whether exclusively or alternatively between other, more traditional channels, like branch offices or via telephone banking. This high number is explained by Bankinter's long track record in digitalising all of its processes and channels. Today the bank is a recognised and respected digital banking leader.

Its recent offering includes the creation of Popcoin, a robo-adviser highly valued by online investors. It is the first of its kind to be launched by a bank and already manages 4 million euros in funds, from over 1,000 users, two thirds of which are not customers of the bank.

Furthermore, the financial platform, COINC, has over 162,000 users, up 17% from last year, with 862 million euros in account balances. 1,158 COINC mortgage applications were processed, and a total of 312 mortgages were taken out.