

Nota de prensa.

bankinter.

## In 2017, Bankinter set a new record with profits of 495 million euros, exceeding last year's figures

- The Group offset 2016 earnings, which included extraordinary results due to the acquisition of Barclays Portugal, with its core customer business.
- Without these extraordinary results, net profit in Spain increased by 20.2% with respect to last year.
- Bankinter's loan book grew by 3.8%, despite sectoral trends; and customer retail funds increased by 5.2%, above the sectoral average.
- Bankinter achieved a 12.6% RoE at the end of the year, leading listed banks in terms of profitability.

**25 January 2018.** Bankinter Group has brought 2017 to a brilliant close, with record earnings –underpinned its customer business– that build on its 2016 earnings, despite the extraordinary results from that year. The bank's profitability was above that of its peers, reaffirming its traditional competitive advantage in terms of quality of assets.

The Group ended 2017 with 495.2 million euros in net profits, up 1% from 2016 and with a pre-tax profit of 677.1 million euros, similar to last year. Evidently, the bank was successful in organically offsetting its 2016 earnings, which included extraordinary results from its acquisition of Barclays Portugal, with its core customer business.

In a like-for-like comparison without those extraordinary results, and with the figures from Bankinter Spain alone, the Group's net profits saw a 20.2% increase, with a 19.1% increase in profit before tax.

For another consecutive year, Bankinter continues to lead the banking system in profitability, with a return on equity of 12.6%, the highest RoE among listed banks in Spain.

In terms of solvency, Bankinter ended December with a CET1 fully-loaded capital ratio of 11.46% and a CET1 phased-in ratio of 11.83%, a 6 basis-point improvement from 2016 and well above the 7.125% required by the ECB in 2018 (the lowest minimum capital requirement among banks in Spain).

As regards its financing structure, Bankinter's liquidity gap fell by 200 million euros during the year to 5.2 billion euros at year end. In parallel, the bank's deposit-to-loan ratio reached 90.6%, 20 basis points higher than a year ago.

Lastly, the bank continues to outperform other listed banks due to its quality of assets. Its NPL ratio dropped from 4.01% to 3.45%. Based on figures from Bankinter Spain alone, this ratio comes to 3.06%. These figures are less than half the sectoral average of 8.08% as of November 2017.

Furthermore, its foreclosed property asset portfolio shrunk considerably during the year, with a total gross value of 411.6 million euros (111.9 million less than a year ago), 44% of which relates to homes. Its foreclosure coverage ratio was 45.2%.

### **Strength in all margins**

Bankinter Group's profit and loss margins have shown strong growth with respect to 2016, in line with its results from previous quarters.

It ended 2017 with 1,062 million euros in net interest income, an 8.5% increase from a year ago.

Its gross operating income grew by 7.8% with respect to 2016, to 1,851.3 million euros, mostly due to fee income, which netted 11.7% more than last year, especially in terms of asset management fees, up 22.8%.

The Group's pre-provision profit ended the year with a total 906.8 million euros, an 11.3% increase compared to last year's figure. Although total operating costs increased by 4.7% (or 3%, minus Bankinter Portugal), the swell in income has improved the group's banking cost-to-income ratio with depreciation and amortisation. This ratio now stands at 46.8%, down from 48.6% a year ago.

On Bankinter's balance sheet, total group assets for the year amounted to 71,332.7 million euros, 6.2% more than on 31 December 2016.

Loans to customers totalled 53,300.2 million euros at year end, up 3.8% from a year ago, despite the 1.7% decrease in lending seen across the Spanish banking system as of November 2017.

Total controlled funds climbed 5.3% to 79,376.2 million euros. In particular, off-balance-sheet managed funds (ie, investment funds, pension funds and wealth management) also grew by 13.4% during the year.

### **Five profitable business lines**

Our customer business was the main contributor to earnings. It is based on five business lines that are profitable and complementary to each other and that help diversify the Group's strategy.

Corporate and SME banking continues to contribute the most to Bankinter's gross operating income (30%). As in recent years, Bankinter has again increased the balance of its corporate loan book, up 5.2% with respect to 2016, reaching 22.9 billion euros. In Spain alone, Bankinter's loan book grew by 4.5%, while overall lending to companies across the Spanish banking system fell by 3.4% by late November 2017.

The bank also attracted 18,600 companies as new customers during the year, 6% more than in 2016.

Also in Corporate Banking, yearly revenues from the international trade finance business performed significantly well, with an 18.4% increase in gross income with respect to the same period in 2016.

As relates to Commercial Banking, our private and personal banking segments, which covers affluent and high net-worth customers, had some impressive results. In Private Banking, total managed wealth at the end of December amounted to 35 billion euros, up 12% from a year ago and with an increasingly larger managed asset portfolio, which offers higher returns for both the bank and our customers.

On the other hand, assets managed for Personal Banking customers reached 21.2 billion euros during the year, with 2.3 billion euros in net new money.

One of our core retail banking products is still the 5% payroll account, a major source of new customers. Total payroll accounts amount to 6.808 million euros, up 21.8% with respect to the end of 2016.

Moreover, Línea Directa maintains the trend of previous years, with 2.79 million euros in total policies taken out and seeing increases of 7.3% in motor insurance policies and 13.5% in home insurance policies. Insurance premiums amount to 797 million euros, a 8% increase with respect to last year. Total premium growth in motor and home insurance policies stands well above the industry average. Línea Directa is showing a high degree of profitability, with a RoE of 35% and a combined ratio of 86.9%.

Bankinter Consumer Finance is already a major player in the consumer lending business in Spain, in addition to being one of bank's fastest growing business lines. At the end of the year, it had a total of 1.1 million customers, up 28% from the end of 2016, with 1.5 billion euros in consumer loans, a 42% increase in the last 12 months.

With regard to Bankinter Portugal, overall growth is in line with its defined business plan. In its first full year, it has accounted for 7% of the Group's revenues. Its loan book at the end of 2017 reached 4.8 billion euros, up 6% from a year ago, with particularly significant growth in company lending (up 21%). Its retail funds remain at a level similar to 2016 figures, totalling 3.6 billion euros, while its off-balance-sheet funds (investment funds and unit-linked funds) grew by 25%.

Overall, Bankinter Portugal's gross operating income at 31 December had reached 133 million euros, with 31.4 million euros in pre-tax profit, thus reaffirming the favourable contribution of this franchise to the Group's earnings.

### **Digitalisation**

An entire chapter could be written about Bankinter's activities regarding digitalisation and innovation, two areas in which the bank has traditionally had a leading role. Bankinter's substantial digital offering has its customers regularly using virtual channels en masse to interact with the bank 91% of Bankinter customers use the bank's digital channels. 31% of customers can be defined as 'purely digital'; 60%

are mixed customers who use digital and other channels interchangeably; and only 9% of customers are considered 'traditional', engaging the bank through their branch offices or via telephone banking.

The digital projects promoted this year by the bank include the launch of its new transactional website, the creation of Popcoin, an investment management service for all types of investors that marks the start of the cyborg-advisor era; and the COINC mortgage, the first 100% online mortgage in the market that can be directly taken out via mobile phone, computer or tablet and approved online, without the need to take out additional products or change banks.