

## Bankinter posts profit of 109.1 million euros in the first half, with solid income despite the situation

-Bankinter Group's net profit was down 64.7% owing to the 192.5 million euros of non-recurring provisions recognised for the change in macroeconomic scenario and to the extraordinary income recorded in 2019.

-Lending was up by 7% and customer funds by 10%.

-Bankinter reinforced its capital adequacy, with the CET1 fully-loaded capital ratio ending the period at 11.8%, 1,400 million euros above the ECB's minimum requirement.

**23/07/2020.** Bankinter Group demonstrated the strength of its business model in the first half of 2020, with record revenues in spite of the difficulties caused by the coronavirus and maximum prudence in order to anticipate the economic impact of the pandemic by allocating high provisions.

Profit before tax for the banking business, now presented separately from Línea Directa Aseguradora following approval at the latest shareholders' meeting for the distribution of the share premium and the future separation of the two businesses, was 61.8 million euros, 82.1% less than in the first half of 2019, as a result of the provisions allocated to factor in the change in the macroeconomic scenario and the absence of extraordinary items from 2019. These provisions, which are specifically for the pandemic and therefore have a temporary effect, represent 192.5 million euros in total and have been calculated in line with Banco de España's baseline scenario for the next three years.

Stripping out these provisions and last year's extraordinary item resulting from the acquisition of EVO, banking business profit was 11.6% lower year-on-year, at 254.3 million euros.

Línea Directa's profit before tax was 78.5 million euros.

**Group net profit through June 2020 was 109.1 million, down 64.7% from a year ago.**

Turning to its main ratios, Bankinter has reinforced its capital adequacy with respect to previous quarters. The CET1 fully-loaded capital ratio stands at 11.8%, 1,400 million euros above the ECB's minimum requirement. Higher provisions in the period affected profit, in turn affecting return on equity (RoE), but Bankinter is still one of the sector leaders in profitability, with an RoE of 7.56%.

Bankinter also improves its position in terms of asset quality. Already a sector benchmark, it ended the first half with an NPL ratio of 2.50%, down from to 2.71% a year ago and 2.58% at the end of the first quarter. NPL coverage stood at 58.64%, compared with 51.10% a year ago.

This demonstrates prudence, containment and effective risk management in such a challenging environment.

On the liquidity front, the customer funding gap (difference between loans and deposits) stood at 1,000 million euros, with a loan-to-deposit of 101%, showing an entirely balanced balance sheet.

Bankinter expects maturities of wholesale issues of 800 million euros this year, 200 million euros in 2021 and 1,000 million euros in 2022, for which the Group has liquid assets amounting to 16,900 million euros and the capacity to issue up to 2,600 million euros of covered bonds.

### **Growth in margins all round**

Margins at the end of the half showed considerable growth, indicating that business momentum remains strong. Bankinter posted record revenue despite the challenging backdrop.

Net interest income totalled 612.4 million euros, up 10.1% from H1 19, despite persistently low interest rates.

Gross operating income was up 7.6% year-on-year at 863.2 million euros. Net fee and commission income amounted to 244 million, 5.5% higher than last year, driven mainly by increased activity in high value-added businesses, such as asset management or the securities business, which drove a 35% year-on-year increase in their fee and commission income. Fees and commissions make up 28% of the bank's gross operating income.

Pre-provision operating profit in H1 20 rose by 9.8% from the year-earlier figure to 469.7 million euros. This included 5.9% higher operating expenses owing to the inclusion this year of expenses related to EVO's business, which was not included in 2019. The banking business' efficiency ratio including depreciation stands at 47.9%, an improvement of 110 basis points from H1 19.

### **Balance sheet figures.**

Bankinter Group had 92,829 million euros of total assets at 30 June 2020, up 12.2% from the first half of 2019.

Total loans and advances to customers reached 63,613.2 million euros, up 7.4% year-on-year. Excluding EVO Banco's contribution, the loan book in Spain grew by 6.9%, outstripping the sector average of 2.3% according to Banco de España figures for May.

Retail funds totalled 61,506 million euros in the first half, up 10% from the year-ago figure. In Spain, retail funds (ex-EVO) were up 11.5%, compared with a sector average to May of 8.5%.

### **Strong commercial activity, with healthy results.**

Bankinter worked hard on customer management and service in the first half of the year, addressing the financial needs of existing customers while maintaining its strategy to capture new customers. This has been possible thanks to the Bank's effective CRM and digital commercial tools. The result was healthy business figures in spite of the uncertainty in the period.

For Corporates, the loan book reached 28.3 billion euros, 18.4% more than the figure a year ago. Of that amount, 11,100 million euros corresponded to large corporates and 7,300 million to mid-sized enterprises.

Focusing specifically on the corporate loan book in Spain, the figure was 16.9% higher than for the first half of 2019 and double the sector average of 8% according to Banco de España figures for May.

The Corporates business features three key revenue drivers: international banking, which delivered a 9% year-on-year increase in gross operating income; investment banking, which under the 'Bankinter Investment' brand saw 11% growth in gross operating income; and the transactional business, which registered a 3% increase in fee and commission income.

The Bank has been particularly active in financing large enterprises, mid enterprises and SMEs through loans guaranteed by the Instituto de Crédito Oficial (ICO), with 6,600 billion euros in assigned guarantees. This represents a market share of 5.9% in the first tranches and 7.1% in the last tranche.

In commercial retail banking or individual banking, affluent segments: private banking and personal banking performed well. Assets under management (AuM) in private banking rose 2% year-on-year to 39,000 million euros, despite the negative market effect, which caused the value of assets to fall by 2,600 million euros. The Bank raised 1,000 million euros of new assets in the first half of the year.

Personal banking AuM grew by 3% to 23.7 billion euros despite the market effect, and new net assets raised of 1,000 million euros.

The key products in the commercial retail banking segment, such as the salary account and mortgages (the main channels for capturing new customers and in which Bankinter is a sector benchmark), show considerable resilience to the weaknesses of the current environment.

The salary account portfolio ended the first half at 11,431 million euros, up 20% from 30 June 2019.

The mortgage portfolio reached 27,000 million euros. Taking into account Spain only and excluding EVO Banco, the mortgage portfolio grew by 3.2% in the first half of the year, compared to a sector decline of 1.2% according to Banco de España figures for May.

New mortgage origination amounted to 1,234 million euros in this complicated first half of the year, down 13% year-on-year, giving Bankinter a 6.2% share of new mortgages. Of these new mortgages, 55% are fixed rate, while the overall loan-to-value rate is 60%.

Bankinter Portugal reported profit before tax for the first half this year of 17 million euros, down 50% on the figure for the same period of 2019. This was due to higher provisions set aside this year due to the macroeconomic scenario and the release of unused provisions recognised last year and in previous years. However, the recurring business performed well, with growth in margins all round: 12% in net interest income; 11% in gross operating income; and 60% in pre-provision operating profit, to 25 million euros. Its balance sheet showed growth in lending of 10% year-on-year.

Consumer finance operations, run by Bankinter Consumer Finance in Spain, Portugal and Ireland, showed a similar performance. Lending in this business line rose 8% year-on-year to 2,800 million, but new lending was down 16%. With all margins growing, the pre-provision profit for this business increased by 19%. However, higher provisions led to a 44% drop in profit before tax from H1 19. Non-performing loans were contained, with an NPL ratio of 7.2%.

EVO Banco's main figures include: 508,000 customers, of which 36,500 were added in the first half of the year; 3,300 million euros of deposits; 252 million euros in off-balance sheet funds; and 927 million euros in mortgages, of which 156 million euros represent new mortgages arranged in the first half of the year.

Línea Directa Aseguradora, which is presenting its earnings separately from the banking business, obtained net profit of 59 million euros (+12% year-on-year), with an RoE of 34% and a combined ratio of 85.7%. Its solvency II ratio is 238%.

Key highlights for this business include 3.18 million insured risks (up 1.5% on last year) and a stable volume of issued premiums despite the challenges of the last few months.

This healthy performance by the various business lines would not have been possible without the robust technological systems that have always placed Bankinter at the forefront of the sector, but demonstrated their true value during the long lockdown, managing a hybrid model of distance and face-to-face working with hardly any incidents. Practically every employee was able to work from home as smoothly as if they had been in the office.

The Bank's digital capabilities, which the current climate has forced more and more customers to use, have translated into a 72% increase in online customer acquisition since 13 March, a 68% increase in users of the online broker app since the end of last year, and 8% growth in digital sales, which now represent 39% of the bank's total sales.