

Bankinter achieved a record recurring profit of €845 million euros in 2023, up 51% versus 2022, with the best figures on record in all the businesses and countries it operates in

- The bank has consolidated a year of strong growth in all income statements, with a gross operating income (which covers all income) which reached €2,661 million, up 28%, thanks to the favourable evolution of rates and a boost in commercial activities.
- The bank's balance sheet shows growth in all headings: lending (+4%), retail funds (+9%) and off-balance-sheet managed funds (investment and pension funds and wealth management/SICAVs) which grew by 18%.
- Return on equity, RoE, improved to 17.1%, the highest level seen in the last decade, with a ROTE of 18.2%. Cost-to-income ratio reached 37.3%

25/01/2024. The Bankinter Group closed a successful 2023 financial year where the bank achieved a record recurring profit, with all business lines growing at a good pace, which has allowed the bank to continue expanding its market share in each customer segment and in every country it operates in. The positive changes in interest rates, the increase in volumes in all balance sheet headings and the more active management of customer assets led to substantial growth in all areas and improvements in profitability and cost-to-income ratio.

Therefore, Bankinter Group achieved a pre-tax profit of €1,228.8 million in 2023, up 56.5% versus last year. Net profit reached €844.8 million euros, up 50.8% vs last year, despite the impact of the new tax on the financial sector, which amounted to €77 million for Bankinter.

In terms of different account ratios, return on equity, ROE, reached a record figure at the bank: 17.1% from 12% a year ago, with a ROTE of 18.2%, which represent leading figures in the financial sector in Spain.

The CET1 fully-loaded capital ratio reached 12,3%, while the regulatory minimum required of Bankinter by the ECB, which is the lowest among listed banks in Spain, is 7.8%.

The non-performing loan ratio is similar to last year, at 2.1%. In the specific case of Spain, the default rate has rose to 2.4%, although it is still well below the average figure for the sector, which according to the Bank of Spain stood at 3.57% in November. Coverage for non-performing loans was 64.7% at the end of the year.

The bank's cost-to-income efficiency ratio reached a very positive 37.3%, which compares very favourably with last year's figure of 44%, which is among the best in banking, a figure that is even better in Spain: 34%.

And in terms of liquidity, the situation is even better than a year ago. The bank has a deposit-over-loan volume of 106%, versus 102.8% last year.

Balance sheet

The Group's total assets at 31 December 2023 stood at €113,011.6 million.

This year, the customer credit portfolio stood at €76,885.7 million, up 3.6% versus last year. If we look at Spain, the bank's lendings grew slightly less, by only 1%, given the poor performance of our real estate market, although the financial sector portfolio in Spain fell by 3.5% according to Banco de España data as of November.

Retail customer funds reached €81,574.8 million, up 8.5% on the same figure from 12 months ago. The volume of off-balance-sheet managed funds also experienced strong growth of 18.1%, reaching €43,937 million, thanks to both the acquisition of new business and to transfers within the bank from other products.

Income statement

The income statement experienced strong growth compared to the previous year and is at record levels. The positive upward trend in interest rates, the increased commercial momentum in all customer segments and in all countries, and the new activities and businesses deployed are behind the good figures achieved.

Therefore, net interest income reached €2,213.5 million, up 44% from the end of 2022.

Gross operating income, which includes all the Group's income, reached a record figure of €2,660.5 million, up 27.7% versus last year. The annual growth rate of this margin in the last 5 financial years stands at 13%.

Income from commissions charged for the different services and valuable activities offered by the bank to its customers amounted to €817 million, with €196 million coming from the Asset Management business. After this, income from the Collections and Payments business stand out, at €182 million, up 10% in the year, and income from Securities Operations, at €121 million (+10%).

Net commissions (difference between those collected and those that the bank pays to third parties) reached €624.3 million, up 3%.

The pre-provision operating profit closed the year at 1,667.2 million, up 43%, after absorbing operating costs that had increased by 8%, as a result of the increase in performance-related variable remuneration for staff, growth in social security contributions and the assumption of the costs derived from the creation of a new joint venture in Portugal. However, these costs are still lower than the growth in incomes.

Higher market share in all businesses and countries

Bankinter has strengthened its strategy of diversifying its sources of income, with growth in all lines of business and different geographies, with special emphasis on new businesses, whose contribution to the Group's income is gaining more and more prominence without, however, preventing consolidated lines from increasing their market share.

The largest contribution to the bank's gross operating income comes from the Corporate business, where Bankinter offers a highly specialised service which dates back to the very beginning of Bankinter, which successfully emerged as an industrial bank. The business credit portfolio, which, unlike the sector, has not stopped growing in recent years, reached volume of €32.8 billion, up 4.6% over the year. With regard to the portfolio in Spain, growth stood at 2.8%, compared to a fall of 5% in the sector, according to Banco de España data as of November.

International Business has become an essential pillar of this activity, with an investment portfolio that is up 11% over the year, reaching €8.8 billion. The volume of some recent businesses launched within International Banking, such as the 'Supply chain finance', multiplied by 5 during the year, a solution for companies and their foreign activity which has been warmly welcomed.

As for the Commercial Banking business, or for individuals, the result during the year was very good both in terms of attracting resources and customers, with managed assets that close the year at €103 billion, up 11% versus last year, with a New Net Worth in 2023 of €6 billion.

The segment that includes customers with a higher economic-financial profile, Private Banking, closed a very successful year, with €57.8 billion of managed assets, compared to 51.1 billion a year ago. In the last five years, since 2018, the assets of this segment have increased by 62%. This year alone, Bankinter has gained €3.2 billion of new net worth among these customers.

As for Retail Banking, which covers the rest of the bank's customers, assets under management amounted to €45.6 billion, up 10.1% versus 2022, with €2.8 billion of net new assets under management by September.

One type of Commercial Banking product that has performed particularly well is off-balance-sheet managed funds (investment funds, own and third-party funds, pension funds, wealth management and SICAVs), which generate more value for the bank via commissions, as well as for the customer. These off-balance-sheet managed funds grew by 18% during the year, or in other words: an increase of 6.7 billion versus the end of 2022. Breaking this figure down by product, own investment funds grew by 15%; third-party funds grew by 18%; pension funds by 12%; and the wealth management and SICAV business grew by 30%.

The payroll account portfolio experienced a drop in the volume of balances during the year, at €13 billion compared to €16.7 billion in 2022, although the number of accounts grew by 4%, which means that this category-leading product continues to have the capacity to attract new customers and accounts. Over the last 5 years, this type of account has performed very well, with a portfolio that has grown by 57% in that period.

In terms of assets, residential mortgages amounted to €34.9 billion in the Group's total at the end of the year, with 3.5% growth in the year. If we focus on Spain, there is a slight drop of 0.1%, although some recovery can be seen in the last quarter. This small drop is, however, much lower than that of the sector as a whole, which fell 3.3% according to Banco de España data as of November.

New mortgage production generated in the year reached €5.8 billion, in total figures for the Group, including EVO Banco, with 39% of these mortgages being at a fixed rate. This represents a drop of 14% compared to new production in 2022, which was a very positive year, and is related to the drop in activity in the real estate market.

Bankinter Investment, the bank's subsidiary dedicated to investment banking activity, is becoming increasingly prominent in the Group's financial statements, with its growing contribution to the bank's gross operating income, which this year reached €233 million between commissions and net interest income. Within its alternative investment business, where has become the leader in Spain, the subsidiary has already launched 23 structured vehicles invested in different projects in the real economy, with a committed capital of €4.7 billion.

Among the different geographies in which the bank operates, apart from Spain, Portugal stands out, whose contribution to the bank's gross margin has now reached 10%, and which exceeded expectations this year with a great result in all areas.

In terms of credit investment, Bankinter Portugal closed 2023 with a portfolio of €9.2 billion, up 16% versus last year, 6.1 billion of which corresponds to Commercial Retail Banking and the rest to Corporate Banking. The default rate was 1.3%. Customer funds grew by 32%, to €8.4 billion, while off-balance-sheet managed funds reached €4 billion, up 2%.

The good management of this balance sheet is reflected in the good performance shown by all income statements. Therefore, net interest income grew by 85%; 61% plus gross operating income; and there was an increase of up to 112% in pre-provision profit. All of this resulted in pre-tax profit shooting up to €166 million, up 114% versus last year. The cost-to-income ratio in Portugal continued to improve, reaching 33.4% versus 49.5% last year.

With regard to Ireland, where the bank operates via the Avant Money brand, the investment portfolio has reached €3 billion, with 34% growth compared to 2022, €2.2 billion of which corresponds to mortgages, whose portfolio grew by 41%, and the rest of which corresponds to consumer financing, up 19%.

All of Avant Money's activity is consolidated in the subsidiary Bankinter Consumer Finance, which has contributed €397 million to the bank's gross operating income this year, up 16% versus 2022. The investment portfolio of this subsidiary increased by 23%, reaching €6.8 billion at the end of the year, €2.2 billion of which corresponds to the aforementioned Irish mortgages, and the rest to Consumer financing. The most important portion of consumption is made up of personal loans, for €3.1 billion, up 19%, and the rest comes from card activity in its different forms.

As regards the group's digital brand, EVO Banco, the *break even point* of its activity was reached in the year, with a gross operating income of €66 million, up 78%. The evolution of the brand's investment portfolio continues to grow constantly, and reached €3,393 million at the end of the year, up 25% versus 2022, with a default ratio of just 0.5%. As for new mortgage production, it suffered from the poor performance of the real estate sector and despite reaching a good volume of €873 million, it is still down 11% versus last year.

Finally, within the scope of Sustainability, the bank's full compliance with the 2021-2023 Plan, called "3D", stands out, which has developed 20 strategic lines, distributed across 50 programmes and 580 actions. As a result, Bankinter has marked milestones such as the portfolio decarbonisation strategy. Bankinter is already working on a new 2024-2026 Plan, which has been recently approved and is much more ambitious and structured in three pillars: Responsible Action (based on ethics, transparency and good governance), Differentiation and Sustainable Business.