

# **1H2014 RESULTS**

**August 2014**





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## RESULTS HIGHLIGHTS

COMMERCIAL ACTIVITY

ASSET QUALITY, LIQUIDITY AND SOLVENCY

1H2014 RESULTS

CAJATRES INTEGRATION AND OTHER MILESTONES





## RESULTS HIGHLIGHTS

- **Significant improvement in commercial activity: 5% YoY growth in retail funds driven by off-balance sheet funds (+12% YoY). Deleveraging still taking place but first positive signs of growth in credit demand, especially in corporate/SME and consumer with good geographical diversification**
- **Solid balance sheet: Second consecutive quarter with falling NPLs and strong momentum in asset sales. Good liquidity position and significant improvement in solvency ratios**
- **Positive dynamics in P&L: Net interest margin stabilises as loan portfolio has fully repriced to historical low interest rates and cost of retail funding continues to decline. Sound performance of net fee income driven by non banking commissions (+17% YoY). Total operating expenses (ex. restructuring charges) decrease 13%. Adjusted pre-provision profit increases 38% YoY. After strong provisioning effort in 2013, provisions fall 59% YoY, to more normalised levels. Net profit of €323mm**
- **Cajatres integration fully on track**





RESULTS HIGHLIGHTS

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# RETAIL FUNDS

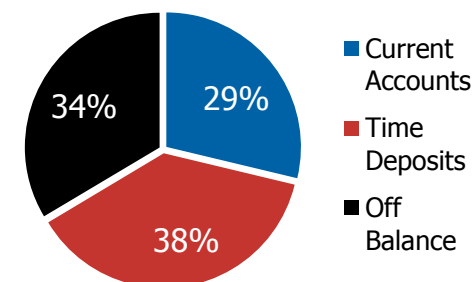
## Total Retail Funds (€mm)\*

	1H13**	2H13	1H14	YoY	YTD
Current Accounts	13,739	13,684	13,752	0.1%	0.5%
Time Deposits	17,326	17,753	18,002	3.9%	1.4%
REPO	36	36	35	-3.4%	-3.0%
<b>On Balance Sheet Retail Funds</b>	<b>31,101</b>	<b>31,473</b>	<b>31,788</b>	<b>2.2%</b>	<b>1.0%</b>
Mutual funds	5,842	6,362	7,099	21.5%	11.6%
Pension funds	2,808	3,030	3,156	12.4%	4.2%
Insurance	5,347	5,482	5,603	4.8%	2.2%
Others	328	240	206	-37.1%	-14.0%
<b>Off-Balance Sheet Retail Funds</b>	<b>14,325</b>	<b>15,114</b>	<b>16,064</b>	<b>12.1%</b>	<b>6.3%</b>
<b>Total Retail Funds</b>	<b>45,425</b>	<b>46,586</b>	<b>47,853</b>	<b>5.3%</b>	<b>2.7%</b>

\* Commercial network distribution

\*\* Pro-forma information for comparison purposes

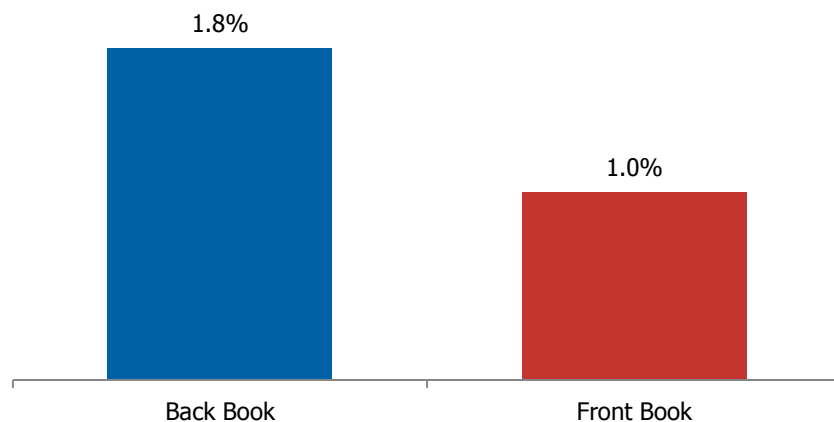
## Retail Funding mix (1H14)



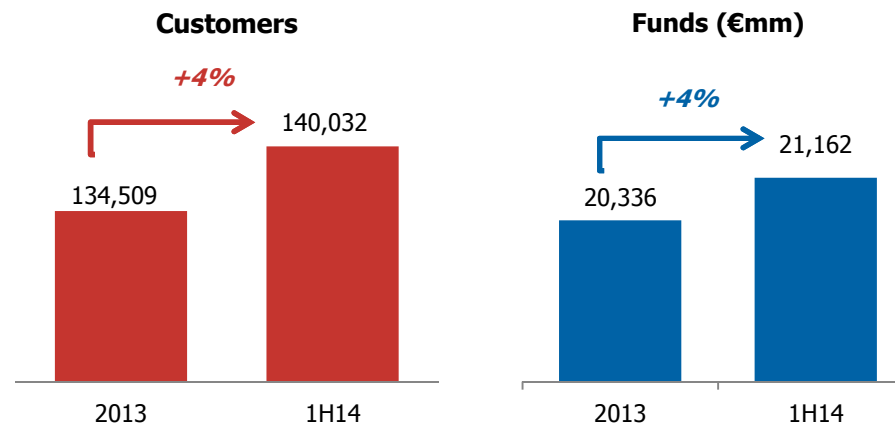
- Sound increase of 5% in total retail funds lead by a **12% YoY growth in off-balance sheet retail funds**
  - ▀ Ibercaja Gestión reaches €6,000mm for the first time with new customer funds of €550mm
- Cost efficient and stable retail funding mix with a **high share of current accounts and off-balance sheet funds**

# RETAIL FUNDS

— Back Book/Front Book: Time Deposits (1H14) —



— Personal Banking: Funds and customers —



- **Pricing dynamics:** With current pricing around 1%, the repricing of time deposits represents a significant revenue opportunity for the next 18 months
- **Strong growth in personal banking**
  - ▀ The volume in managed accounts increases over 70% YoY

# CUSTOMER LOANS

Total Customer Loans (DRC, €mm)					
	1H13*	2H13	1H14	YoY	YTD
<b>Loan to individuals</b>	<b>28,569</b>	<b>27,284</b>	<b>26,745</b>	<b>-6.4%</b>	<b>-2.0%</b>
Residential Mortgages	25,945	25,016	24,399	-6.0%	-2.5%
Consumer and others	2,623	2,267	2,347	-10.5%	3.5%
<b>Loan to businesses</b>	<b>11,284</b>	<b>10,977</b>	<b>10,458</b>	<b>-7.3%</b>	<b>-4.7%</b>
RED & Construction	3,947	3,791	3,545	-10.2%	-6.5%
Corporate / SME	7,337	7,186	6,914	-5.8%	-3.8%
<b>Gross Customer loans</b>	<b>39,853</b>	<b>38,261</b>	<b>37,204</b>	<b>-6.6%</b>	<b>-2.8%</b>

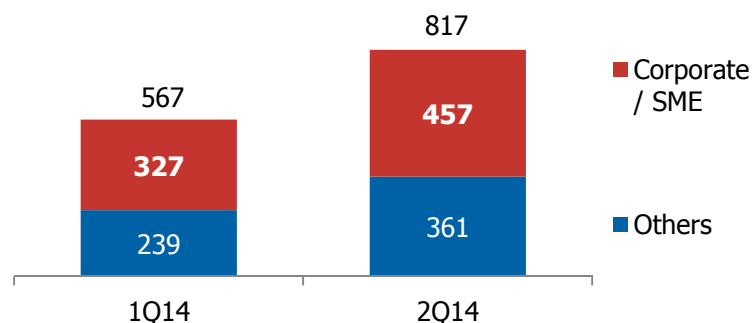
\* Pro-forma information for comparison purposes

- **Deleveraging still taking place** with a 3% fall in customer loans, in line with sector average
  - ▀ RED & Construction falls 10% YoY and represents less than 10% of gross customer loans
  - ▀ 4% YTD growth in consumer and others
- **The loan book should stabilise in the coming quarters**

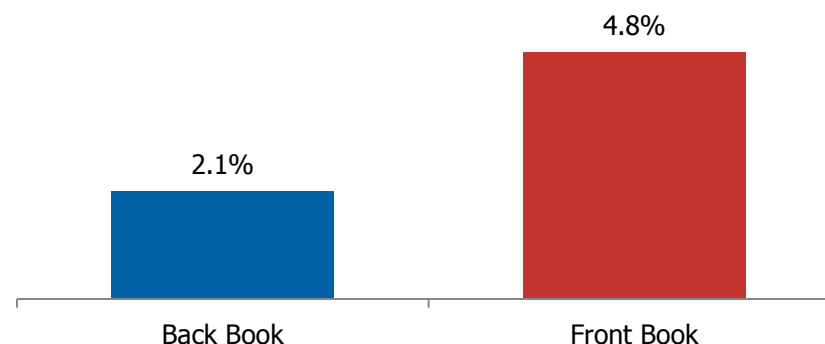


# CUSTOMER LOANS

New Loan Production (€mm)



Back Book / Front Book Analysis



- **New loan production:** Clear positive signs during the 2Q, specially in corporate/SME
  - ▶ Corporate/SME close to 60% of new loan production
  - ▶ Increase of 20% YoY in number of loans operations to corporate/SME and over 80% YoY in operations related to import/export activities
- **Pricing dynamics:** New loan production with significantly better prices than our back book in all the business segments
- **Geographic diversification:** Thanks to Ibercaja well established expansion, 42% of the new loan production comes from our growth markets (Madrid + Mediterranean Basin). Ibercaja home regions represent 45% of the new loan production



RESULTS HIGHLIGHTS

COMMERCIAL ACTIVITY

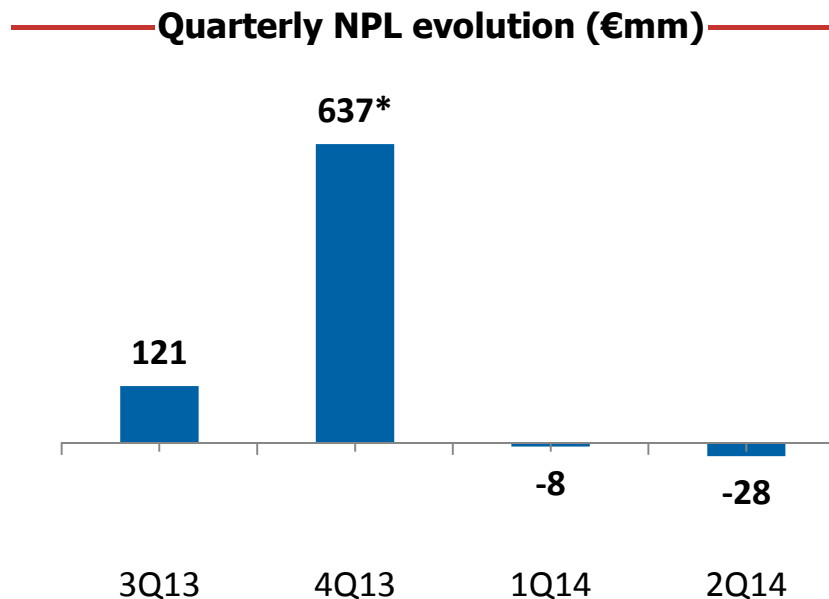
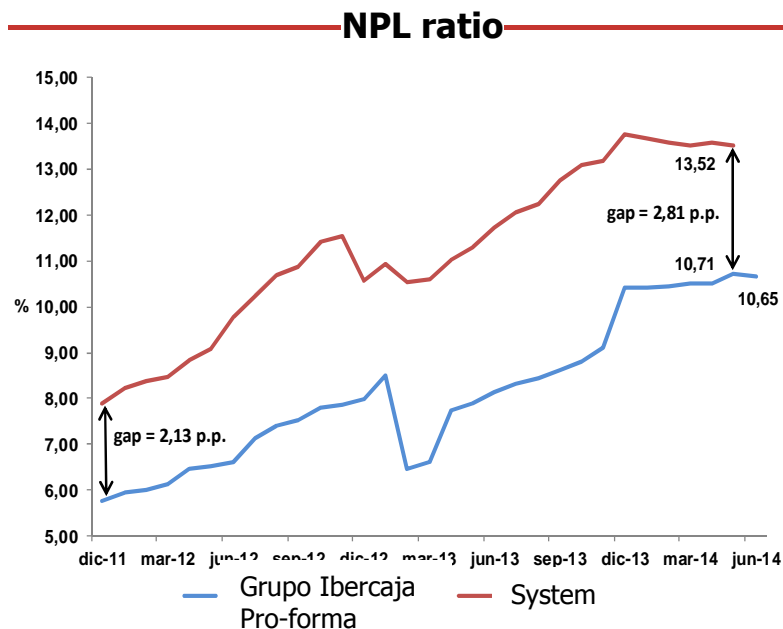
**ASSET QUALITY, LIQUIDITY AND SOLVENCY**

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# ASSET QUALITY



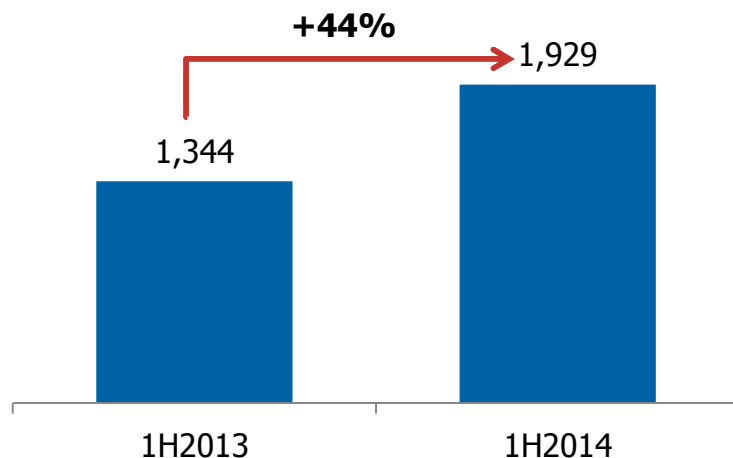
## ■ Second consecutive quarter showing a decline in NPL

- ▀ NPL ratio of 10.65%, significantly lower than the sector. Mortgage NPL ratio is 3.68%, one of the lowest in the Spanish financial sector
- ▀ NPL coverage ratio of 56%

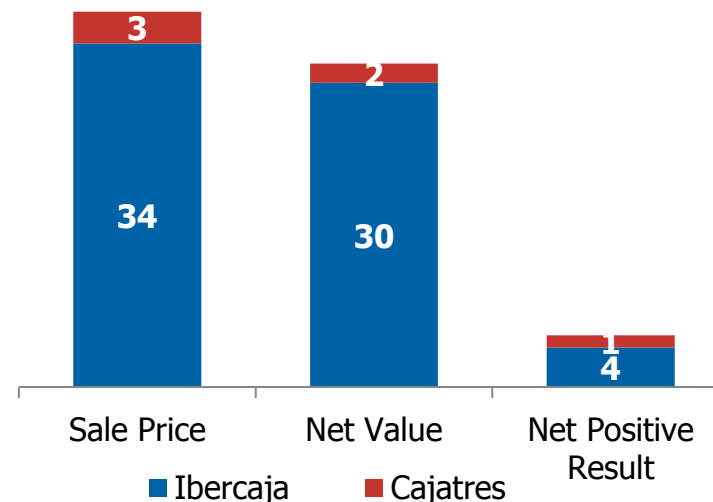
\* Includes €396mm refinanced operations clean up

# ASSET QUALITY

— No. of units sold\* —



— Foreclosed real estate asset sales (€mm) —

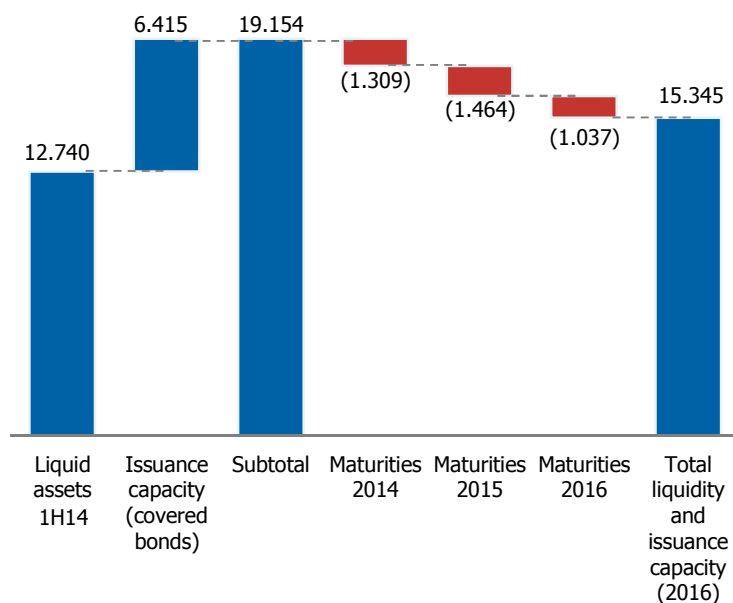


- **REO coverage ratio improves to 50%. Net REO exposure represents less than 1.5% of total assets**
- **Strong momentum in real estate asset sales, with over 1,900 units sold\* during the quarter, an increase of 44% YoY in the semester**
  - ▀ REO sales with positive net results of €5mm

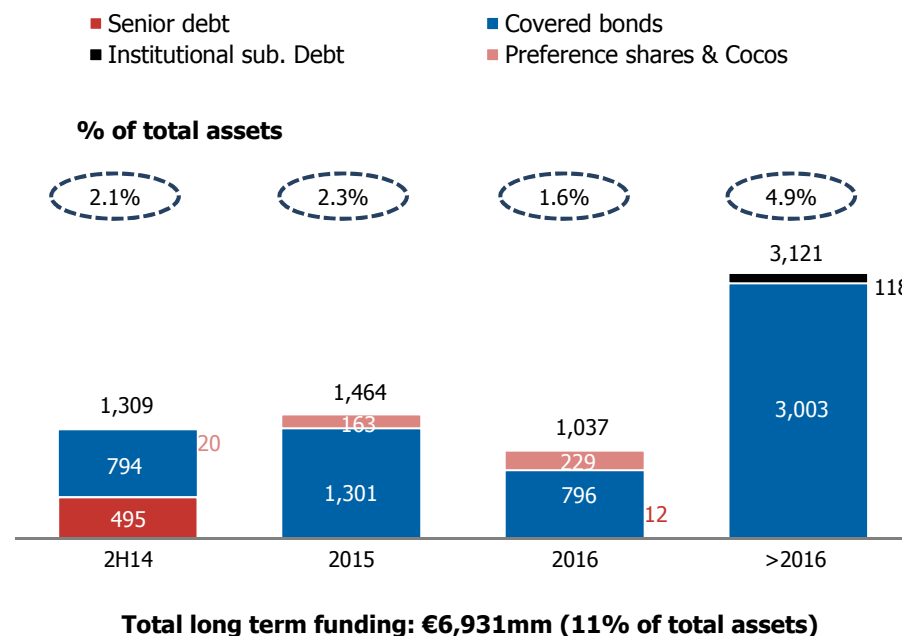
\* Includes REO + R.E. developers

# LIQUIDITY

## Liquidity position (2014-16, €mm)



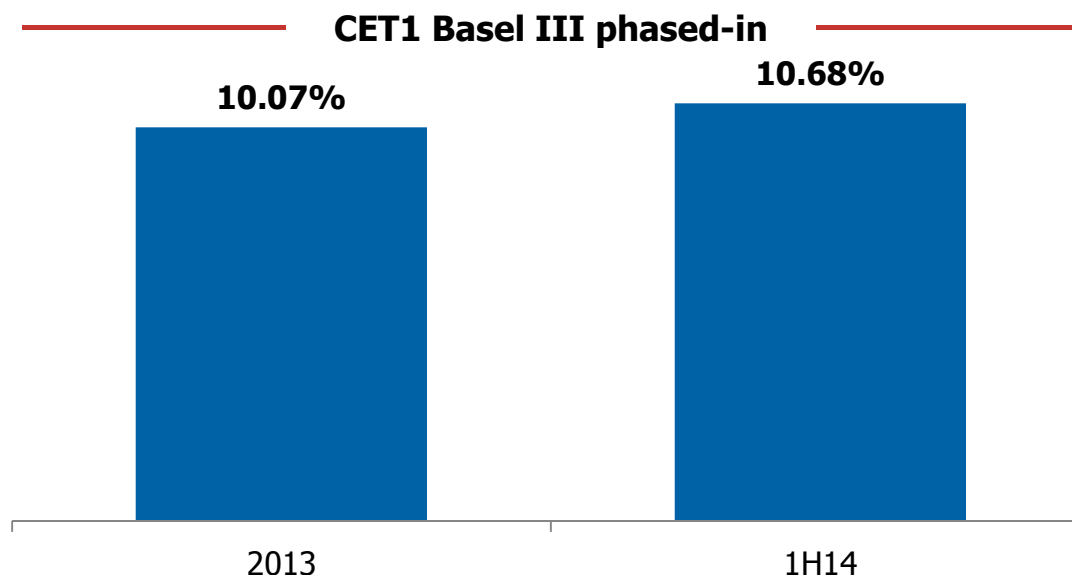
## Adequate L/T Maturity Diversification



## ■ Grupo Ibercaja benefits from a comfortable liquidity position

- Liquid assets stood at over €12,700mm which represent 20% of the total assets
- The LTD ratio stands at 96%
- Maturities are well diversified, with no significant concentration
- Ibercaja could take up to €900mm on ECB TLTRO (1<sup>st</sup> and 2<sup>nd</sup> round)

# SOLVENCY



- **Solvency ratios improve significantly in the semester**
- Over the last years, Ibercaja has made a strong effort in provisioning and acquired Cajatres while maintaining adequate solvency without:
  - ▶ Issuing equity
  - ▶ Requiring direct public aid
  - ▶ Selling Strategic Assets (100% owned Financial Group)
  - ▶ Performing burden sharing with clients



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# 1H2014 RESULTS

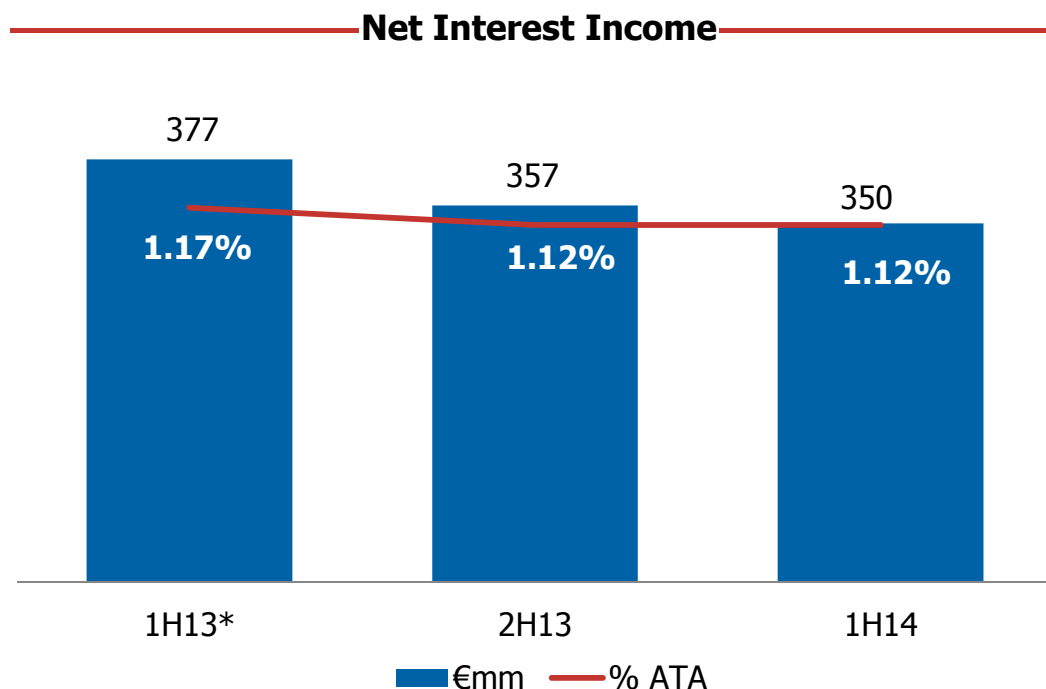
€mm	1H13*	2H13	1H14	YoY	YTD
Net interest income	377	357	350	-7%	-2%
Net fee income	145	155	155	7%	0%
- o/w Non-banking Commissions	62	71	72	17%	1%
Return on financial operations	168	60	424	152%	611%
Other operating inc. / exp. (net)	-31	-22	-16	-51%	-30%
<b>Gross operating income</b>	<b>659</b>	<b>550</b>	<b>914</b>	<b>39%</b>	<b>66%</b>
Recurring operating expenses	-369	-351	-322	-13%	-8%
Extraordinary expenses **	-18	0	-33	n/m	n/m
Other gains and losses	2	13	5	140%	-61%
<b>Pre provision profit</b>	<b>274</b>	<b>211</b>	<b>564</b>	<b>106%</b>	<b>167%</b>
Total provisions	-254	-302	-103	-59%	-66%
<b>Profit before taxes</b>	<b>20</b>	<b>-90</b>	<b>460</b>	<b>n/m</b>	<b>n/m</b>
Taxes	0	-44	137	n/m	n/m
Minorities	-1	-2	0	n/m	n/m
<b>Net profit attributable to shareholders</b>	<b>20</b>	<b>-45</b>	<b>323</b>	<b>n/m</b>	<b>n/m</b>

\* Pro-forma information for comparison purposes

\*\* Related to redundancy procedure (ERE)



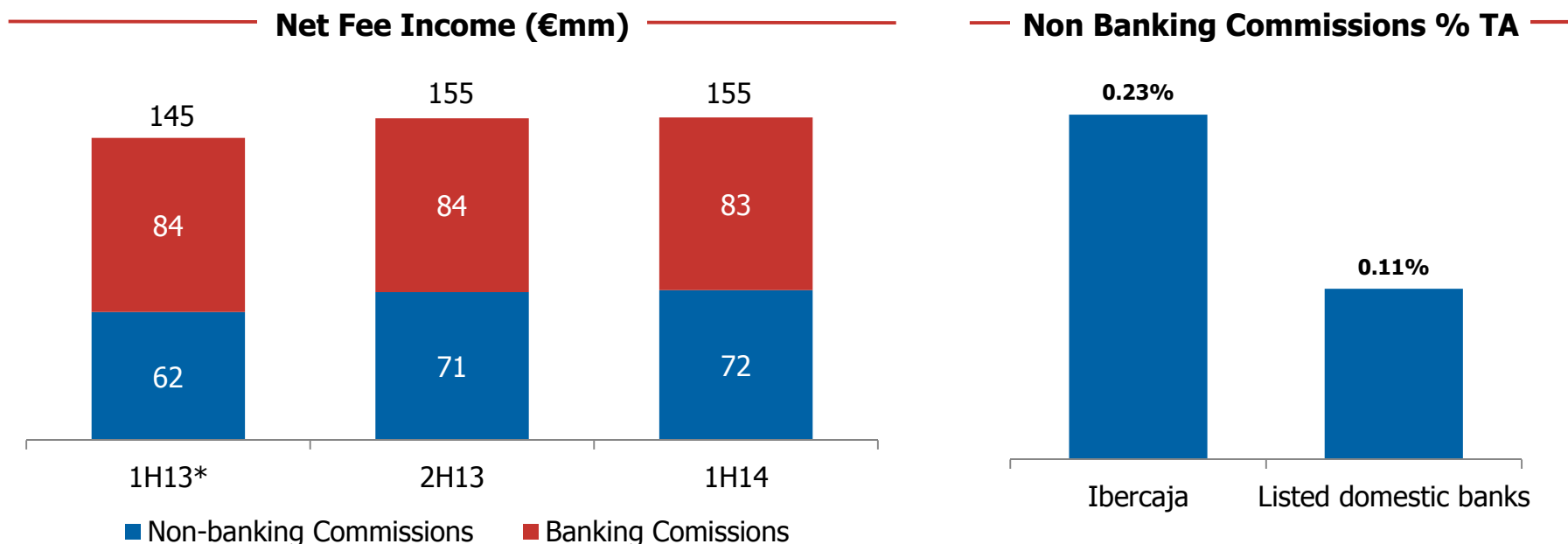
# NET INTEREST INCOME



- **Net interest income stabilises in the semester after the loan portfolio has been fully repriced at historic low levels**
  - ▀ The credit demand pick-up and the repricing of time deposits will impact positively in coming quarters

*\* Pro-forma information for comparison purposes*

# NET FEE INCOME

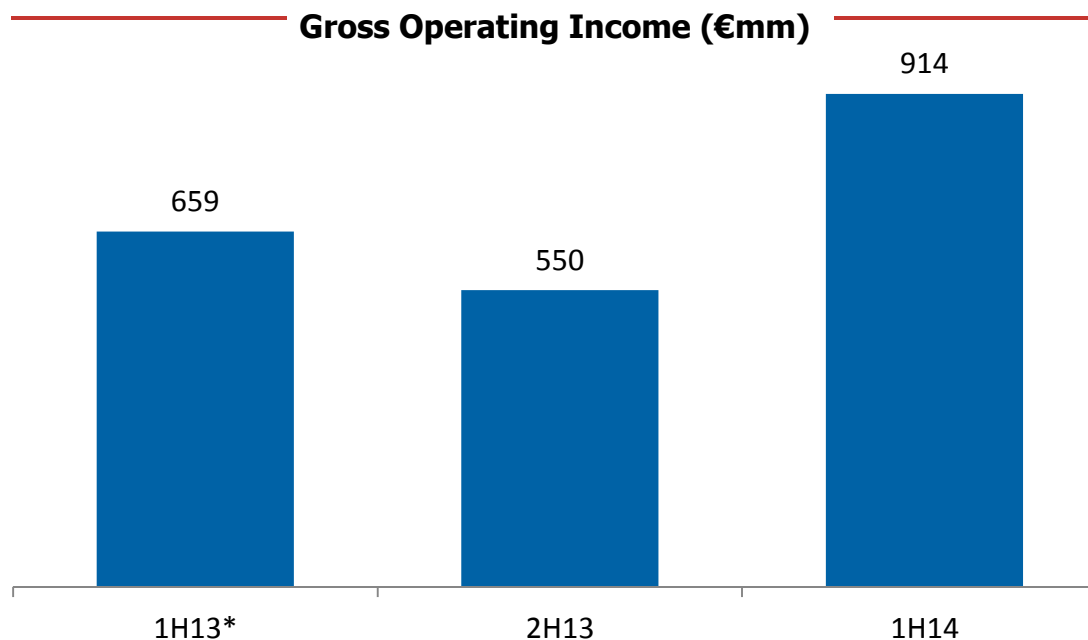


## ■ Sound growth in net fee income (+7% YoY) mainly related to non banking commissions (+17%)

- ▣ Non-banking Commissions as % of total assets significantly higher than listed domestic banks thanks to 100% control of financial group
- ▣ Stable banking commissions in spite of lower activity levels

\* Pro-forma information for comparison purposes

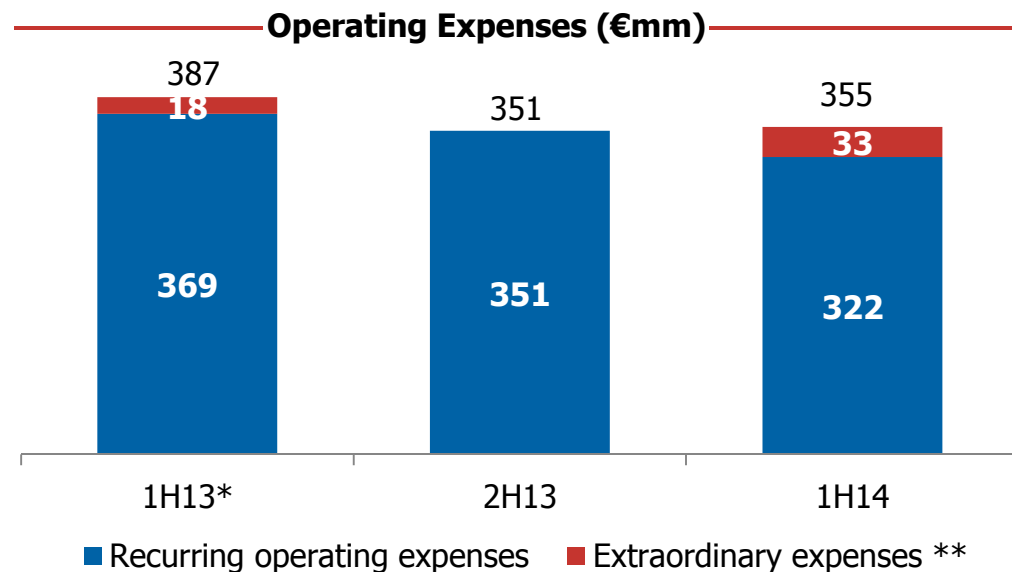
# GROSS OPERATING INCOME



- **Strong improvement in gross operating income related to extraordinary returns on financial operations and net fee income**

*\* Pro-forma information for comparison purposes*

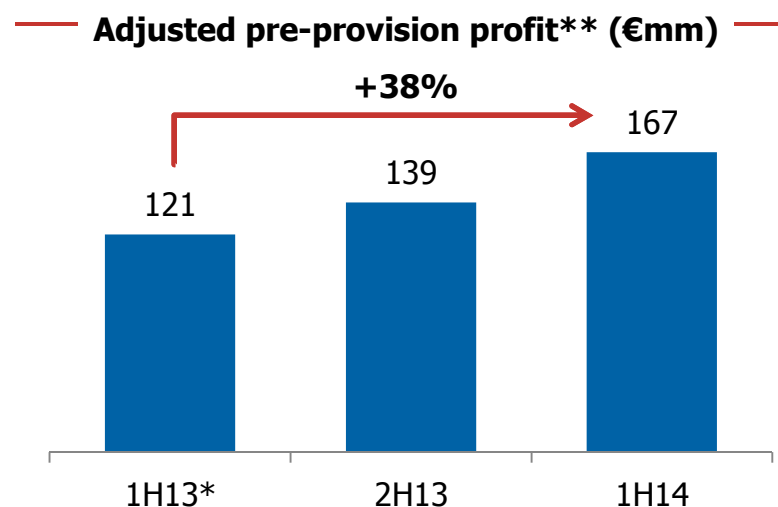
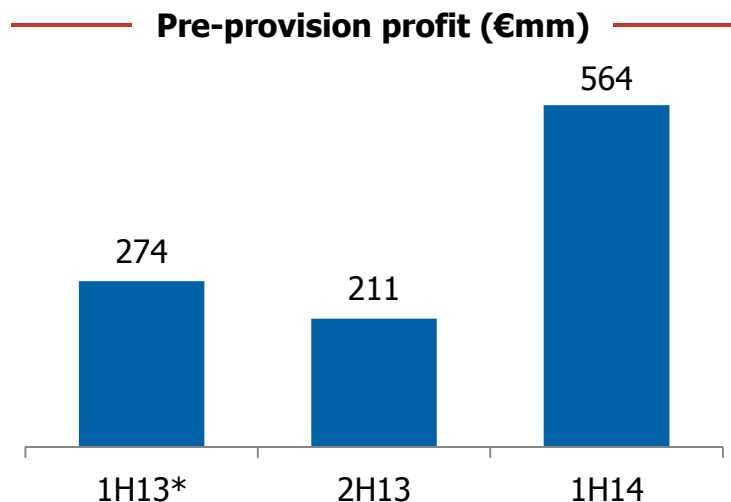
# OPERATING EXPENSES



- **Total operating expenses decrease 8% YoY. Excluding extraordinary items, total operating expenses drop 13%**
- **More savings expected in coming quarters:**
  - ▶ New redundancy plan approved in May 2014 with up to 375 layoffs (close to 6% of the total workforce). The total costs related to this plan have already been included in 1H14 results
  - ▶ Further adjustment in Aragon branches due to significant geographical overlap in Ibercaja and Cajatres networks
  - ▶ Additional progress in central services and technological platform integration

\* Pro-forma information for comparison purposes  
\*\* Related to redundancy procedure (ERE)

# PRE-PROVISION PROFIT



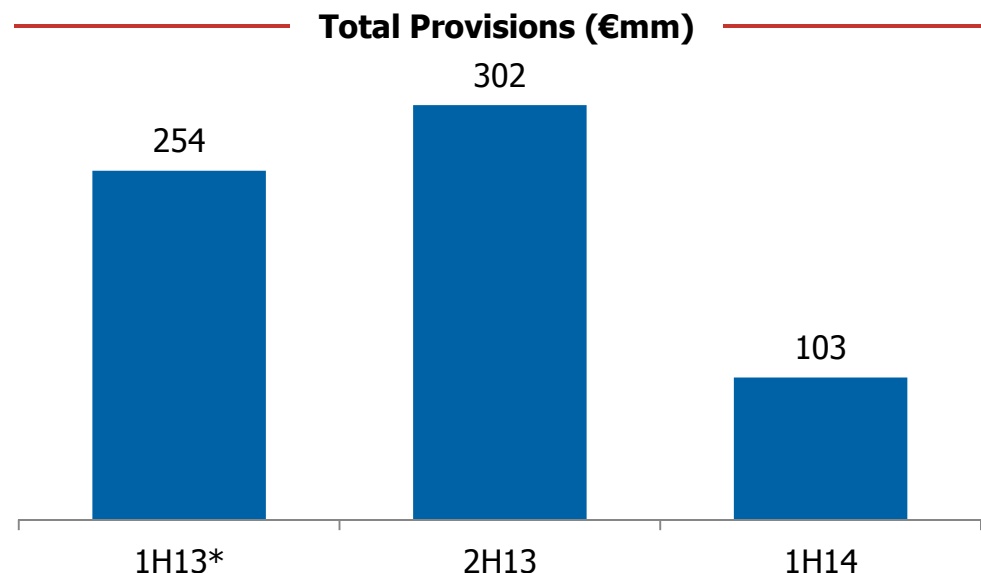
## ■ Strong improvement in adjusted pre-provision profits\*\*

- ▀ This trend should continue in coming quarters as revenues improve and new efficiency measures are implemented

*\*Pro-forma information for comparison purposes*

*\*\* Excluding ROF, non recurrent costs and other gain and losses*

# PROVISIONS

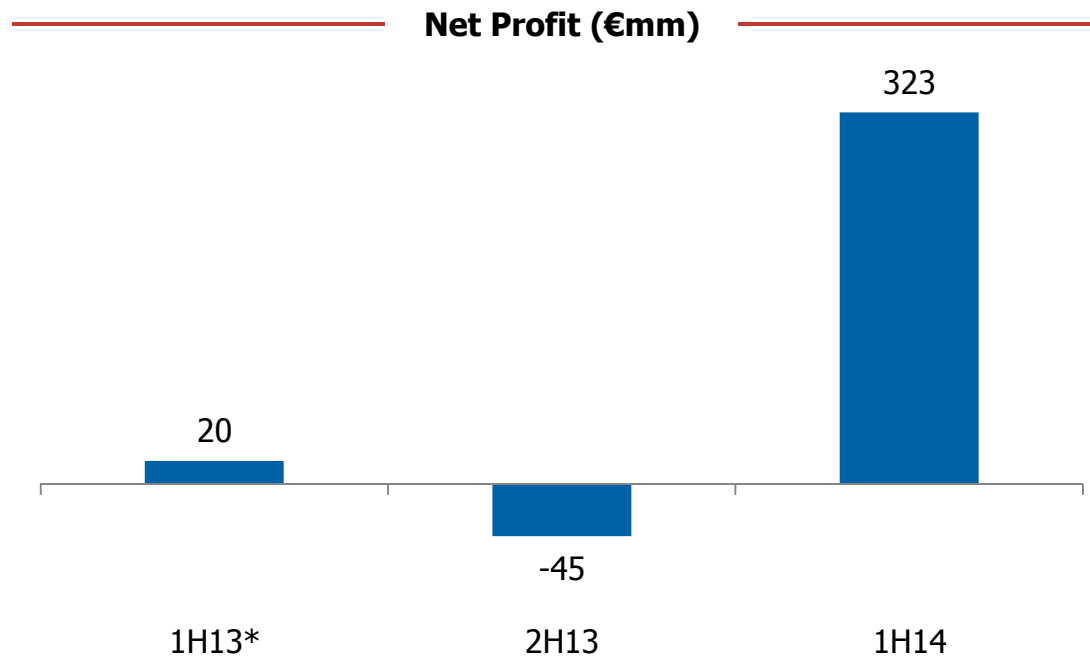


■ **After strong provisioning in 2013, total provisions fall significantly in 1H2014 to more normalised levels**

- Ibercaja (standalone) has done a strong provisioning effort in the last 5 years, with €3,000mm in provisions (9% of the gross loan portfolio in 2008)
- Cajatres, after the transfer of most problematic real estate loans and assets to SAREB, has a significantly lower risk profile and has increased its provisioning levels.

*\* Pro-forma information for comparison purposes*

# NET PROFIT



- **Strong increase in net profits after two semesters with extraordinary headwinds**

*\* Pro-forma information for comparison purposes*



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# CAJATRES INTEGRATION AND OTHER MILESTONES

## ■ Final steps of Cajatres integration

- Adjustments required by Troika to Cajatres already implemented
- The legal and technological integration of Cajatres into Ibercaja Banco will be completed by 4Q14
- No legal limitations (credit growth, dividends, M&A activity...) apply to Ibercaja due to Cajatres integration

**The Cajatres acquisition is an important opportunity for Ibercaja as it reinforces our position in our home market, allows us to increase our size in a rapidly consolidating market and creates strong cost and revenue synergies prospects**

- On June 2014 the creation of **Fundación Bancaria Ibercaja** was approved. Its main goals will be the promotion and implementation of social and cultural works, and the administration of the stake in Ibercaja Banco. The assets of the Foundation amount to €2,700mm and are constituted by its participation in the bank (an 87.8% stake), real estate property related to the social work and treasury
  - The Foundation will be legally created before year end
  - The foundation, by law, has to reduce its stake below 50% no later than 2018





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