



**iberCaja**



**1H2015 RESULTS**

July 31, 2015





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**Main Highlights**



**Commercial Activity**



**1H2015 Results**



**Asset Quality, Liquidity and Solvency**



**Final Remarks**





# Main Highlights

- **Total retail funds increase 2.6% YoY with a profitable mix.** Current accounts and off-balance sheet funds represent 68.5% of total retail funds.
  - Ibercaja Banco reaches €9bn in mutual funds with a 3.9% market share.
- **New lending production accelerates and reaches €1.9mm (35.9% YoY)** in 1H, however deleveraging still taking place (-5.0% YoY).
  - Consumer loan portfolio grows 6.7% YTD and SME lending turns positive QoQ.
- **Net profit of €69.7mm.** Deposit cost reduction, non banking commissions (+12.1% YoY) and a sound decrease in recurring operating expenses (-3.0% YoY) drive the P&L account.
- **NPL ratio down 45 basis points to 10.3% with one of the highest coverage ratios in the sector (57.2%).** NPL stock decreases 7.6% YoY (€301mm).
- **CET1 Phased-In ratio improves 41 b.p. YTD to 11.5%.**
  - Ibercaja Banco has recently completed a placement of Tier II debt totalling €500mm. The transaction represents 200 basis points of Tier II capital, fulfilling the bucket required by Basel III regulation for this instrument.





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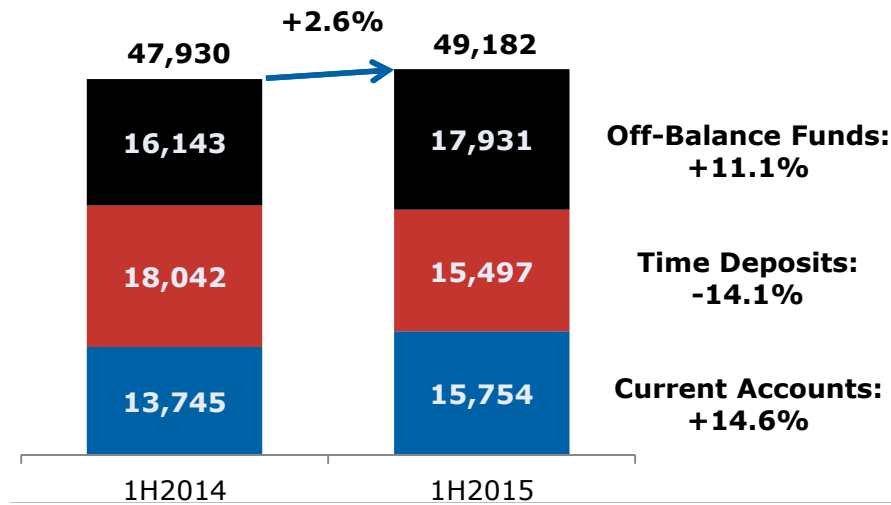
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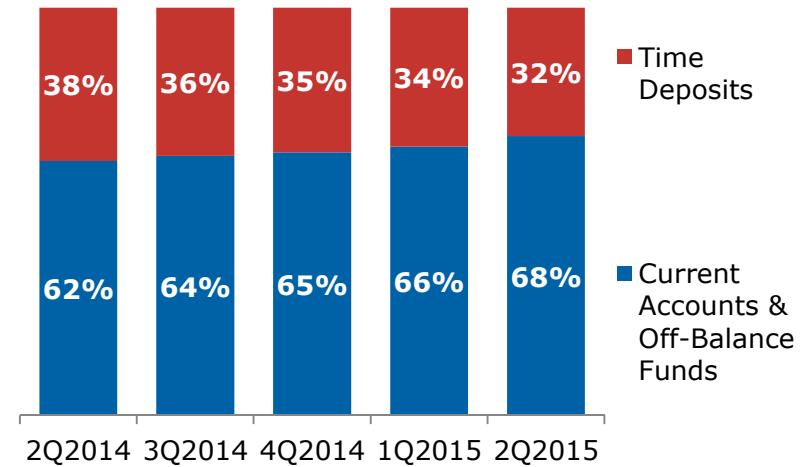
# Retail Funds (1/2)

- **Total retail funds increase 2.6% YoY (+€1.3bn).**
  - **Profitable mix:** current accounts and off-balance sheet funds represent 68.5% of total retail funds vs. 62.4% in 1H2014.
  - **Strong increase in off-balance sheet funds (+11.1% YoY),** especially focused on mutual funds (+24.6% YoY).

**Total Retail Funds – mm€**



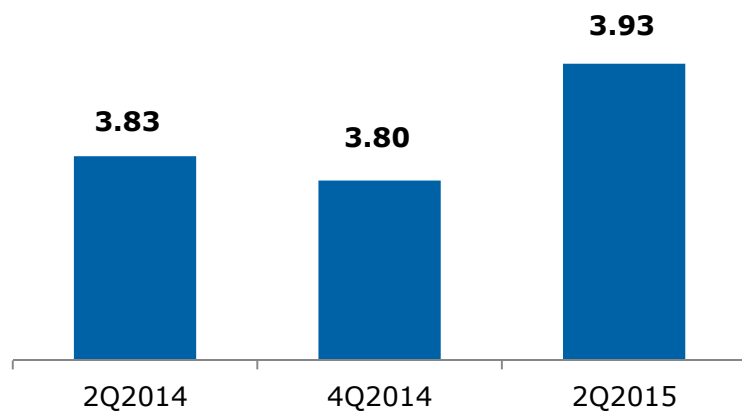
**Total Retail Funds Distribution**



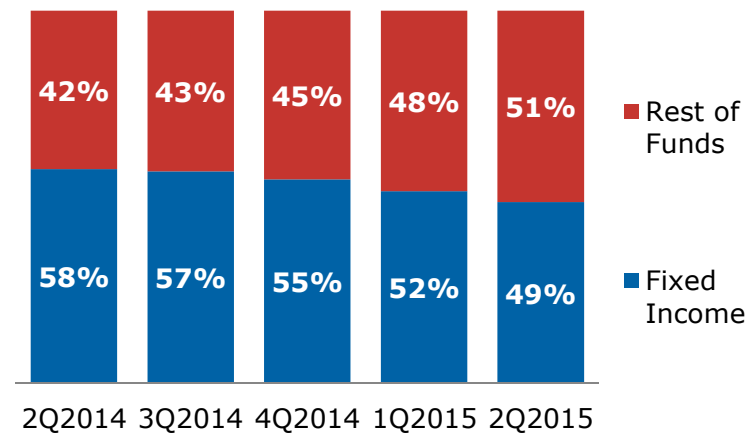
# Retail Funds (2/2)

- **Excellent evolution in mutual funds:** Ibercaja Banco reaches €9bn funds with a 3.9% market share. Ibercaja Gestión becomes the 8<sup>th</sup> largest mutual fund manager<sup>1</sup> in Spain.
  - Net new money in 1H reaches €1.3bn (+124.4% YoY).
  - Market share well in excess of the banking business and growing (+13 b.p. YTD).
  - Improved product mix with fixed income funds already below 50% of total funds.

Ibercaja Market Share<sup>1</sup> – %



Breakdown of Mutual Funds<sup>2</sup>



<sup>1</sup> Source: Inverco  
<sup>2</sup> Ibercaja Gestión

# Customer Loans (1/2)

## Loan Portfolio Evolution – mm€

	1H2014	2H2014	1H2015	YoY	YTD
<b>Loans to Individuals</b>	<b>25,879</b>	<b>24,979</b>	<b>24,470</b>	<b>-5.4%</b>	<b>-2.0%</b>
Mortgages	24,388	23,685	23,090	-5.3%	-2.5%
Consumer & Others	1,491	1,294	1,380	-7.5%	6.7%
<b>Loans to SME/Corporate</b>	<b>10,458</b>	<b>10,016</b>	<b>9,728</b>	<b>-7.0%</b>	<b>-2.9%</b>
Real Estate	3,545	3,301	3,107	-12.4%	-5.9%
Non Real Estate	6,914	6,715	6,621	-4.2%	-1.4%
<b>Public Sector &amp; Others</b>	<b>822</b>	<b>1,066</b>	<b>1,105</b>	<b>34.5%</b>	<b>3.6%</b>
<b>Gross Loans ex Reverse Repo</b>	<b>37,159</b>	<b>36,061</b>	<b>35,303</b>	<b>-5.0%</b>	<b>-2.1%</b>

- **Deleveraging still taking place with a 5.0% YoY fall of customer loans focused in residential mortgages and the progressive reduction of real estate loans.**

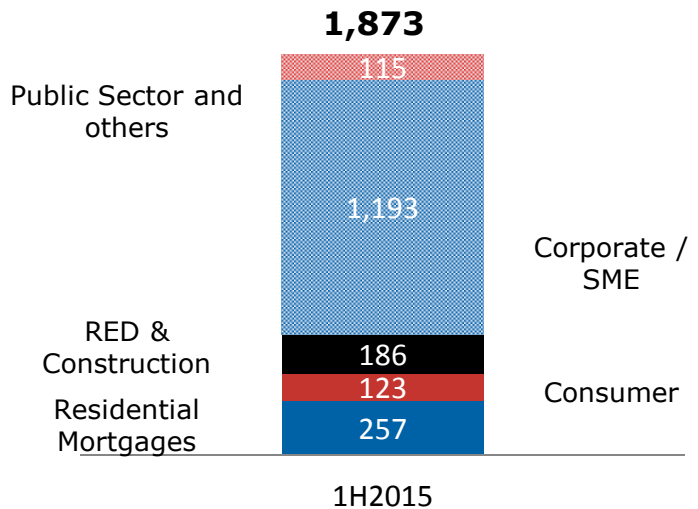
- ▀ Recent evolution shows more encouraging trends. Loan portfolio falls just 0.5% on quartely basis, a significant improvement vs. previous quarters.



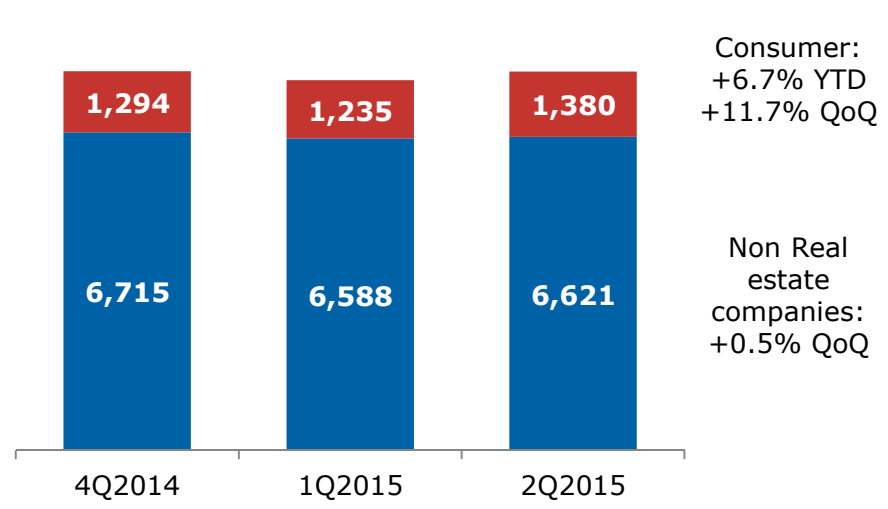
# Customer Loans (2/2)

- New lending production is on track to achieve the €4bn target for 2015.**
  - New lending production accelerates in the 2Q (€1.2bn) and reaches €1.9bn in 1H with a 35.9% YoY increase.**
  - SME new loan production increases 54.7% YoY accounting for 64% of total new lending.**
- As a consequence, consumer lending grows 6.7% YTD and SME lending turns positive on a quarterly basis.**

**New Lending Production – mm€**



**Loan Portfolio – mm€**







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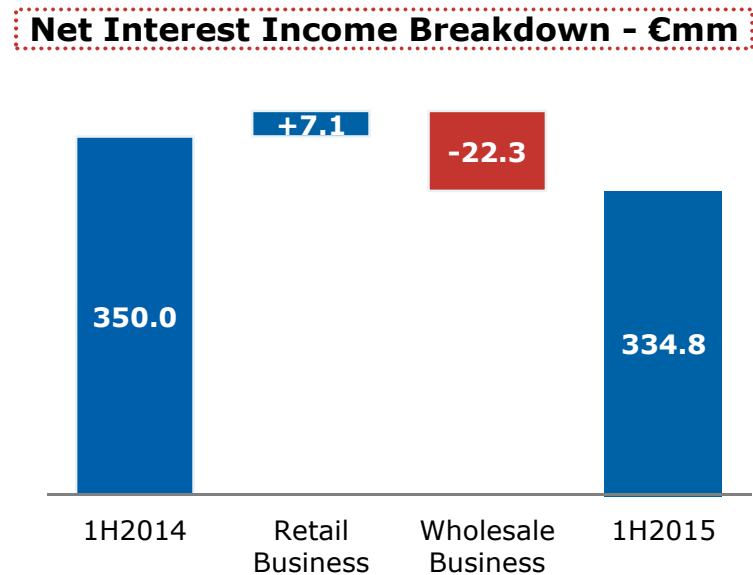
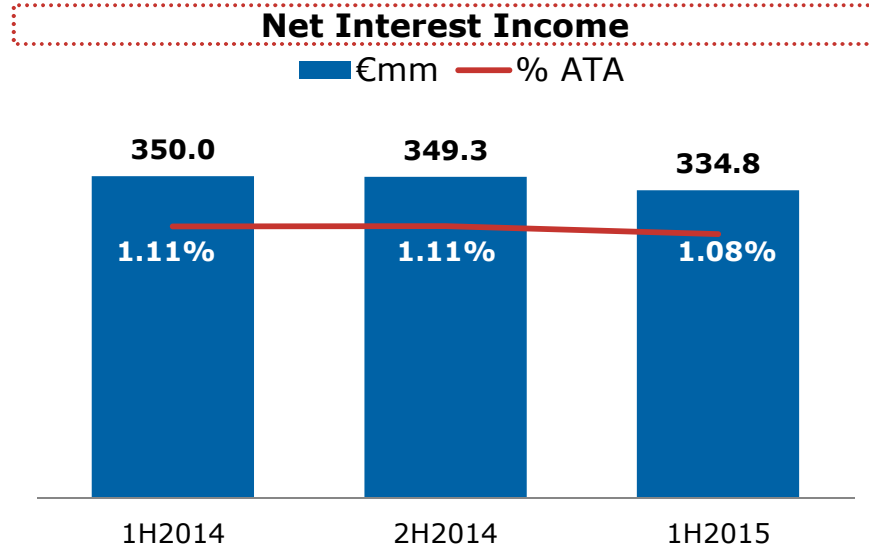
# 1H2015 Results

mm€	1H2014	1H2015	YoY	1H14 Non-recurring Items	1H15 Non-recurring Items	Adjusted YoY <sup>1</sup>
<b>Net Interest Income</b>	<b>350.0</b>	<b>334.8</b>	<b>-4.3%</b>			
Net Fee Income	155.9	163.9	+5.1%			
Trading Income	423.8	94.1	-77.8%	-380.3	-9.6	
Other Operating Inc. / Exp. (Net)	10.0	20.6	+106.0%			
<b>Gross Operating Income</b>	<b>939.7</b>	<b>613.4</b>	<b>-34.7%</b>			<b>7,9%</b>
Operating Costs	-354.9	-310.9	-12.4%	+34.3		-3.0%
<b>Pre Provision Profit</b>	<b>584.8</b>	<b>302.5</b>	<b>-48.3%</b>			<b>22.7%</b>
Total Provisions	-103.8	-208.6	+100.9%		+64.8	38.5%
Other Gains and Losses	5.4	4.7	-13.0%			
<b>Profit Before Taxes</b>	<b>486.4</b>	<b>98.6</b>	<b>-79.7%</b>			<b>9.6%</b>
Taxes & Minorities	144.6	28.9	-80.0%			
<b>Net Profit Attributable to Shareholders</b>	<b>341.8</b>	<b>69.7</b>	<b>-79.6%</b>			<b>9.8%</b>

<sup>1</sup> For 2014, it excludes trading gains related to the extraordinary sale of the fixed income portfolio (€380.3mm) and extraordinary expenses for the redundancy plans (€34.3mm in 1H2014). For 1H2015, it excludes the result from the sale of doubtful and written off loans (€9.6mm) and extraordinary provisions of €64.8mm.

Note: for comparative purposes and due to IFRIC21 application (DGF levies) 1H2014 figures have been restated.

# Net Interest Income



## ■ Net interest income down 4.3% YoY.

- Positive growth in retail business revenues as deposit cost reduction offsets loan deleveraging and Euribor fixing at historic lows.
- Income reduction in wholesale business mainly related to the lower contribution of SAREB bonds and the progressive reduction of the fixed income portfolio.

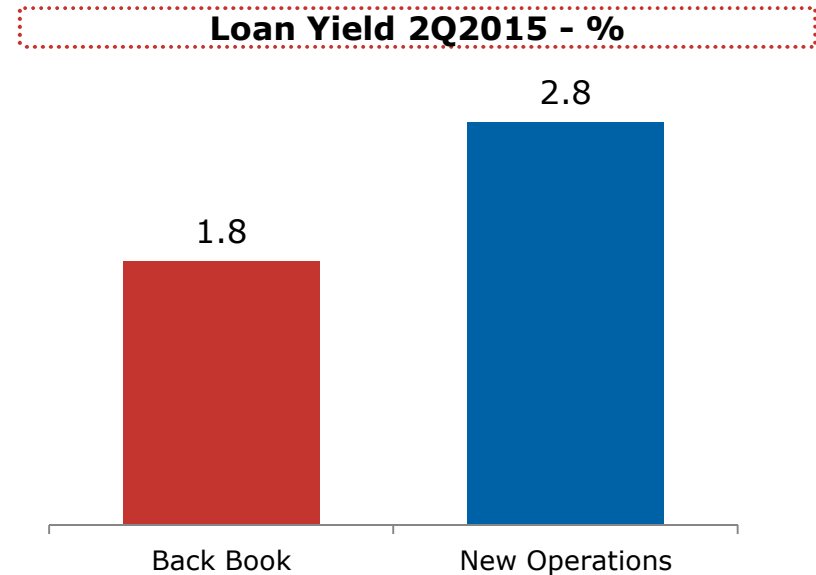
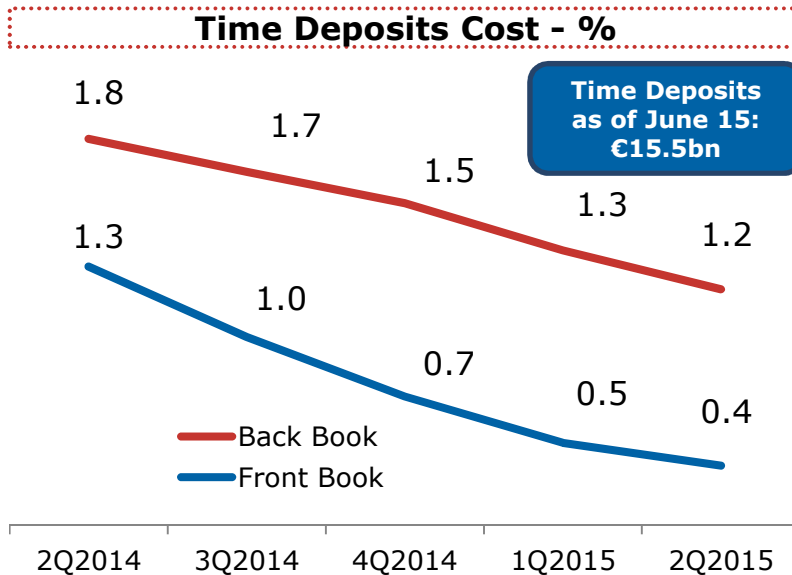
# Margin Evolution (1/2)

## ■ Retail funds cost reduction continues in 1H2015.

➤ The repricing of time deposits book at current market rates represents a significant margin opportunity amounting to over €110mm or 17% of NII.

## ■ Positive dynamics in loan repricing thanks to an improved new lending mix.

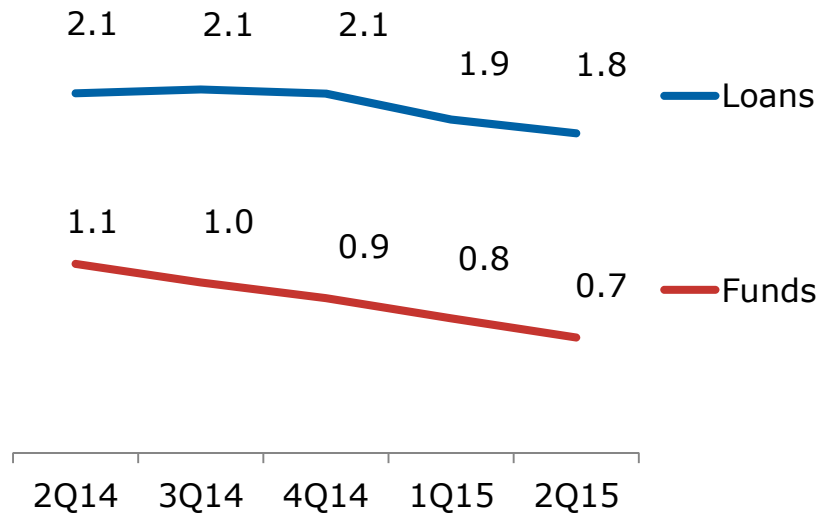
➤ Loan pricing for new operations is significantly above current portfolio.



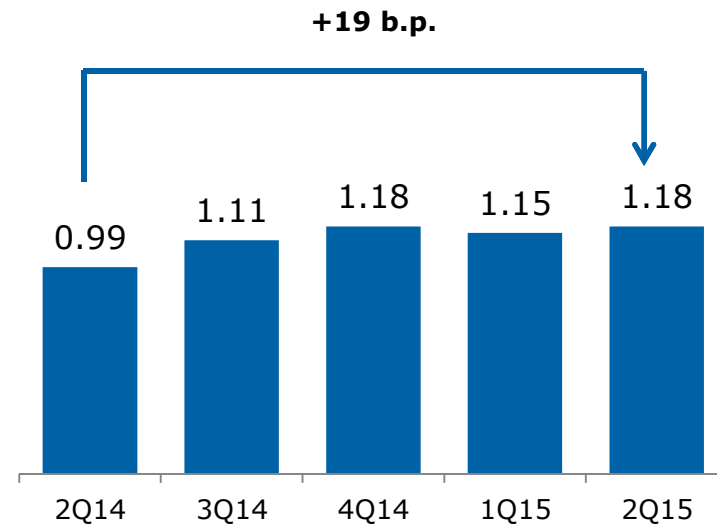
# Margin Evolution (2/2)

- Client margin improves 3 basis points QoQ (+19 b.p. YoY) as cost deposit reduction compensates for the lower loan yield.

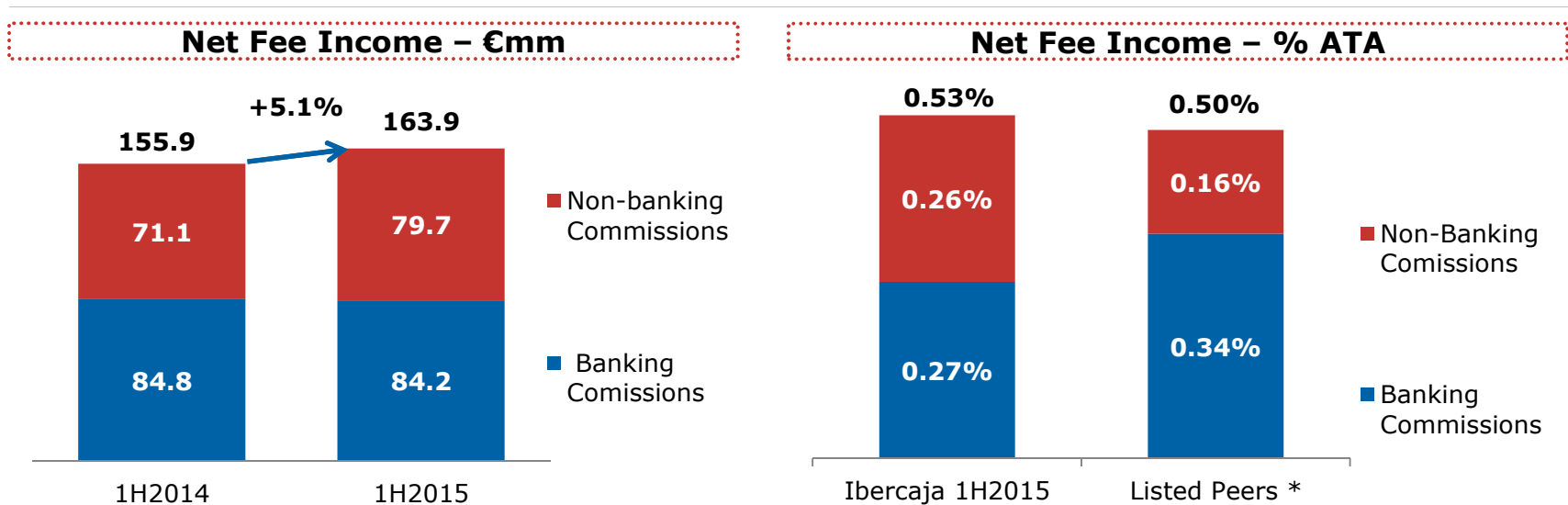
Loan Yield & Deposit Cost - %



Customer Spread - %



# Net Fee Income

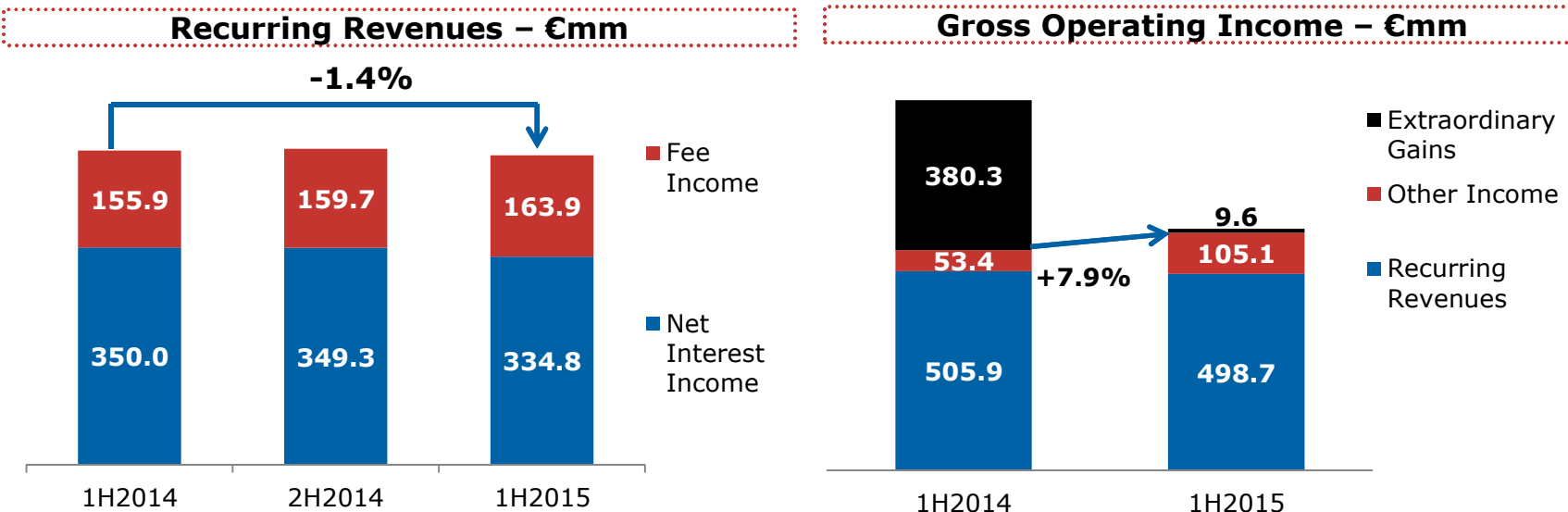


- **Strong growth in net fee income (+5.1% YoY) driven by non-banking commissions (+12.1%).**
  - Non-banking commissions as % of ATA significantly higher than listed domestic banks thanks to 100% ownership of financial group (“Grupo Financiero”).
- **Banking commissions (-0.7%)** are affected by regulatory changes in credit cards fees.
  - Growth in SME lending represents an opportunity to increase banking commission as % of ATA.

\* Listed Peers includes Caixabank, Bankia, Popular, Sabadell, Bankinter & Liberbank. Data as of 1Q2015



# Gross Operating Income

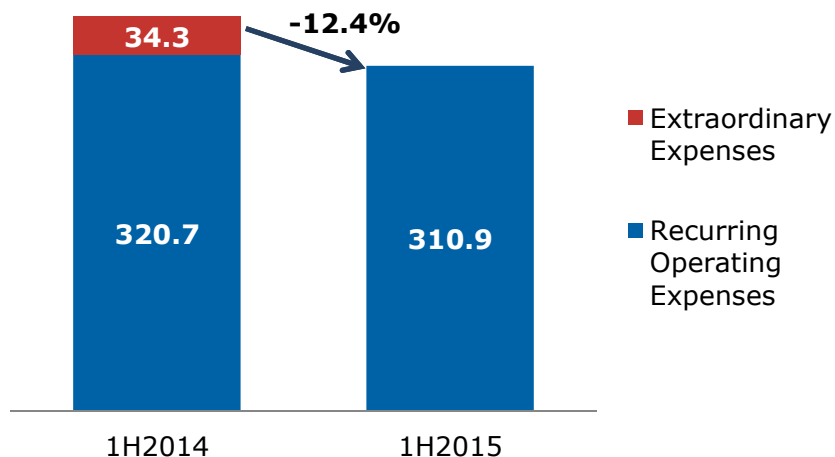


- **Recurring revenues (net interest income + net fee income) remains fairly stable YoY (-1.4%).**
  - In a low rates and deleveraging environment, Ibercaja Banco strong franchise in asset gathering is a key strength to increase revenues.
- **Adjusted gross operating income grows 7.9%<sup>1</sup>.**
- **Reported gross operating income drops 34.7% YoY due to lower extraordinary trading income.**

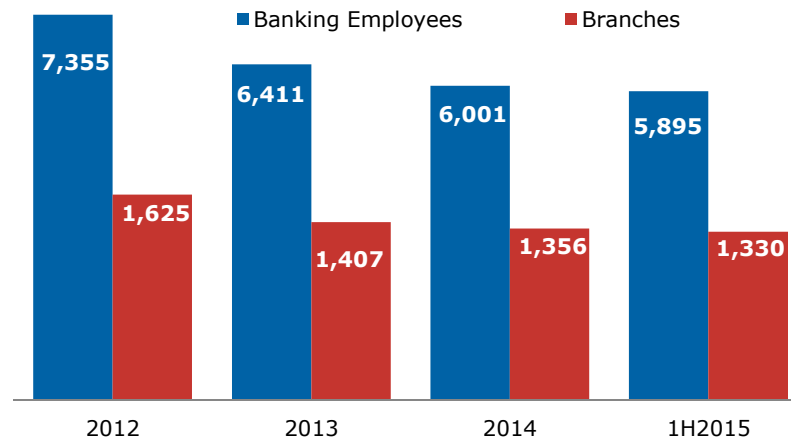
<sup>1</sup> For 2014, it excludes trading gains related to the extraordinary sale of the fixed income portfolio (€380.3mm). For 1H2015, it excludes the result from the sale of doubtful and written off loans (€9.6mm).

# Operating Expenses

Operating Expenses - €mm



Ibercaja's Structure



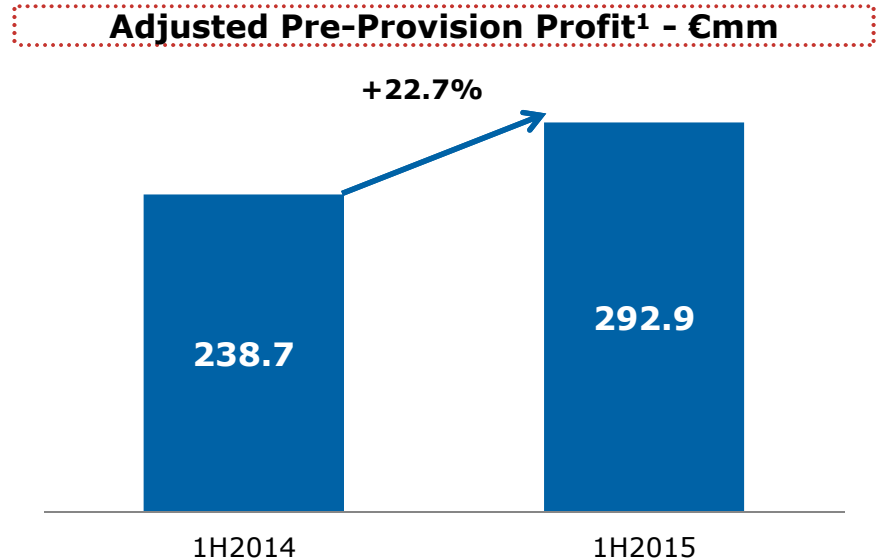
- **Sound decline in recurring operating expenses (-3.0% YoY).**

- After provisioning redundancy plans in 2014, cost synergies will positively impact the P&L as execution progress in coming quarters .

- **Since 2012, a 20% reduction in headcount has already been implemented**

- 1.9% reduction in headcount and branches during the semester.

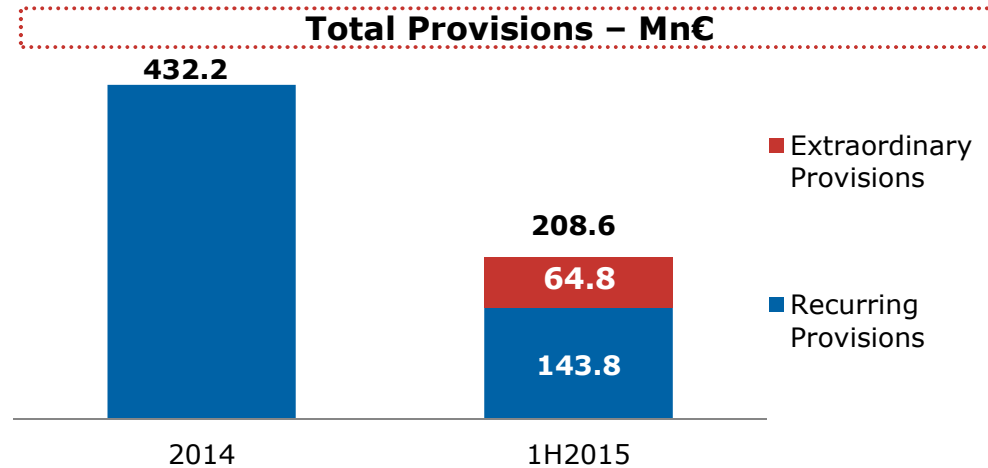
# Pre-Provision Profit



- **Adjusted pre-provision profit<sup>1</sup> increases 22.7% YoY.**
- **Reported pre-provision profit fall (-48.3%) is due to lower extraordinary trading income.**

<sup>1</sup> For 2014, it excludes trading gains related to the extraordinary sale of the fixed income portfolio (€380.3mm) and extraordinary expenses for the redundancy plans (€34.3mm in 1H2014). For 1H2015, it excludes the result from the sale of doubtful and written off loans (€9.6mm).

# Provisions and Net Profit



- **Total provisions reach 209Mn€ in 1H2015. Ibercaja has increased its provisioning effort with extraordinary provisions of €64.8mm in 1H.**
  - Annualised recurrent provisions still above normalised levels.
  - Ibercaja targets a 0.5% cost of risk in 2016
- **Reported net profit stands at €69.7mm. Adjusted net profit<sup>1</sup> increases 9.8% YoY.**

<sup>1</sup> For 2014, it excludes trading gains related to the extraordinary sale of the fixed income portfolio (€380.3mm) and extraordinary expenses for the redundancy plans (€34.3mm in 1H2014). For 1H2015, it excludes the result from the sale of doubtful and written off loans (€9.6mm) and extraordinary provisions of €64.8mm.



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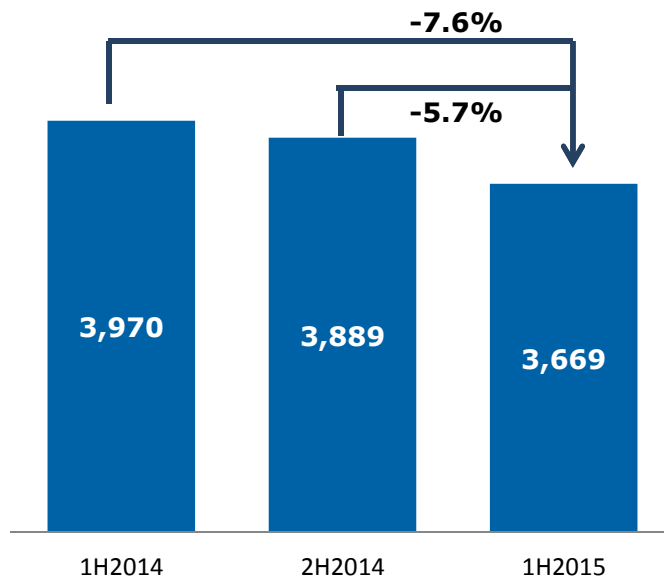
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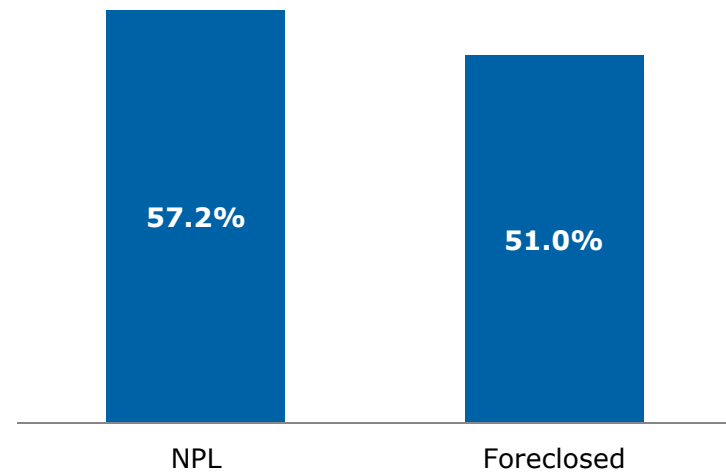
# Asset Quality (1/2)

- **NPL ratio down 45 basis points YTD to 10.3% (10.8% in 2014).** Ibercaja NPL ratio is 10% lower than the sector while maintaining one of the highest coverage levels.
  - Mortgage NPL ratio is 3.9%, one of the lowest in the sector.
- **NPL stock down 7.6% YoY (€301mm).**

NPL Evolution - €mm

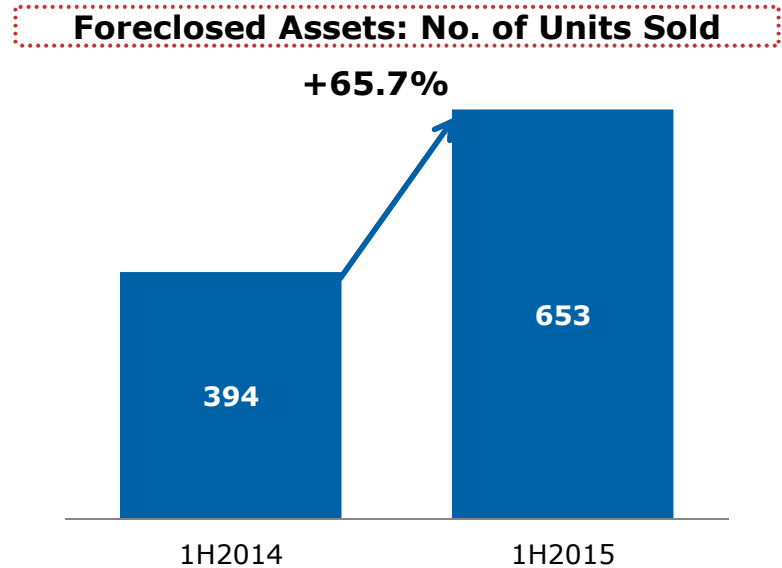


Coverage Ratio - %



## Asset Quality (2/2)

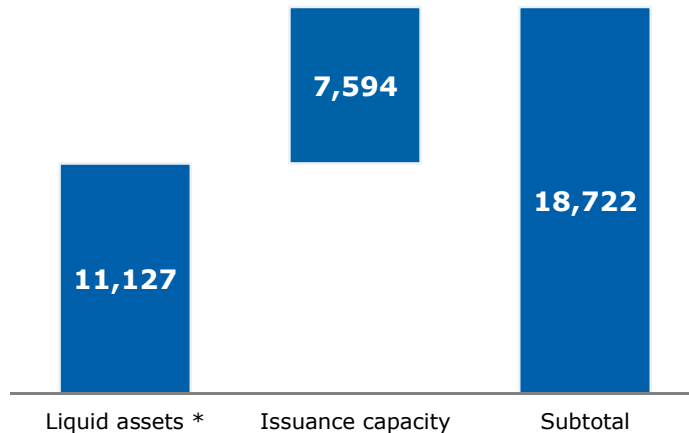
- **Net stock of foreclosed assets stand at €0.9bn** and remains broadly stable YTD (+€7.9mm vs. 2014).
- **Net positive results in foreclosed asset sales during the period (+€6.5mm).**
- **In 2Q, Ibercaja Banco has sold a portfolio of doubtful and written-off unsecured loans, which were fully provisioned, totalling €210mm.** The transaction has generated a gross gain of €9.6mm.



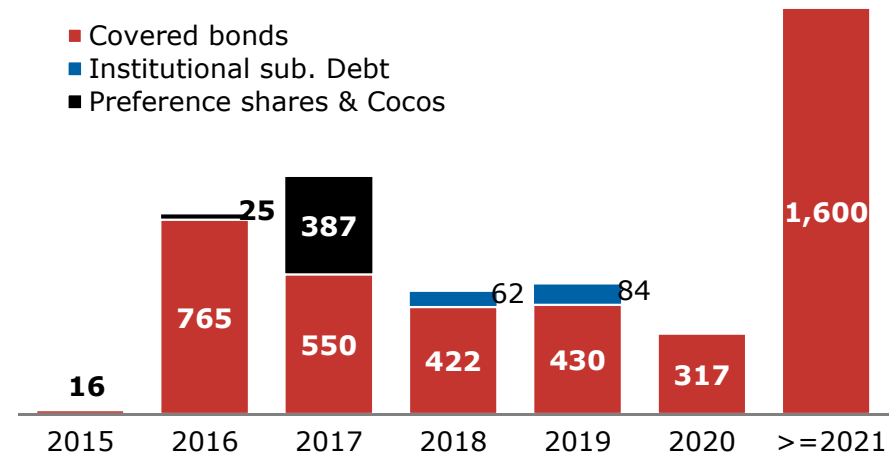
# Liquidity and Solvency (1/4)

- **Ibercaja Banco benefits from a comfortable liquidity position** with available liquid assets over €11,1bn (18.2% of total assets).
- **LCR and NSFR ratios stand at 231% and 115% respectively (1H2015).**
- **Loan to Deposits ratio stands at 92%<sup>1</sup>.**
- **ECB funding: €2.7bn (4.3% of TA, -€2.1bn YTD), of which TLTRO €2.1bn.**
- **No relevant maturities left in 2015** and no significant concentration in coming years (below 1.5% of total assets every year).

Liquidity Position - €mm / 1H2015



Maturities Profile - €mm / 1H2015



<sup>1</sup> Net Loans ex. securitised loans / Customer deposits ex. repos + retail deposits through Financial Group + Securities distributed through the branch network.

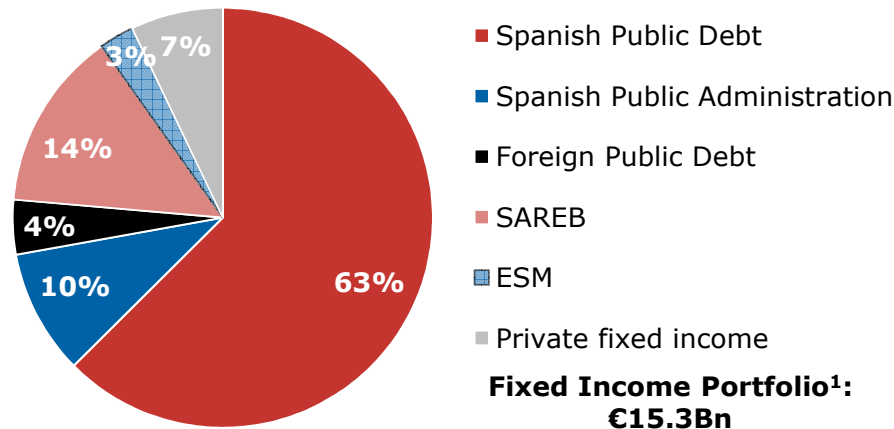
\* Liquid assets include unencumbered public debt + available & eligible fixed income assets (after ECB haircut applied)



# Liquidity and Solvency (2/4)

- **Fixed income portfolio: Low risk with focus on Spanish sovereign debt and a low duration.**
  - Average duration of 3.2 years and unrealised capital gains over €136mm as of June 2015 (of which €46mm are AFS).
  - Average yield stands at 1.9%.
- **Early in 2Q, the portfolio was reduced by 5%. During the quarter, it has generated trading gains of over €50mm.**

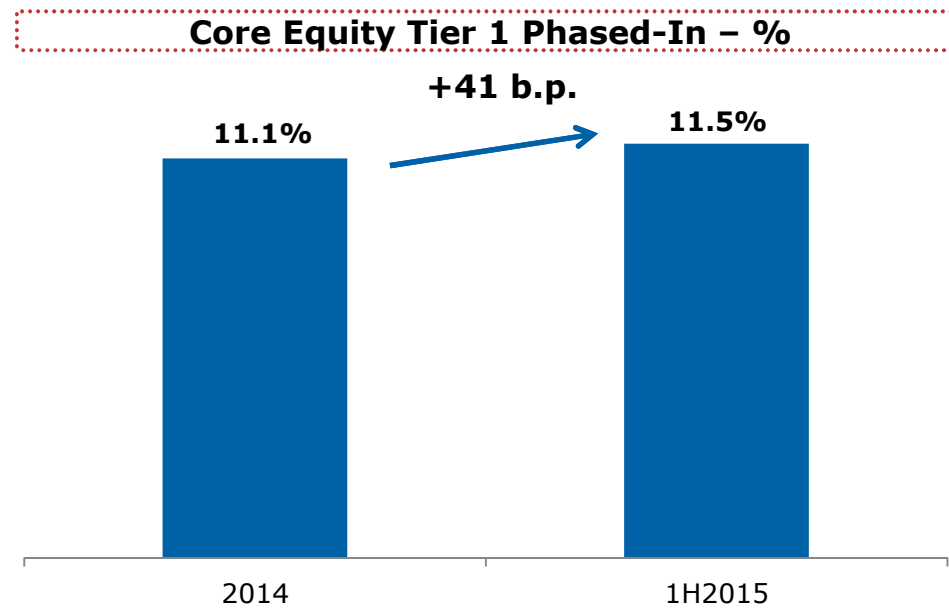
Fixed Income Portfolio – 1H2015



<sup>1</sup> Without including held-to-maturity capital gains

# Liquidity and Solvency (3/4)

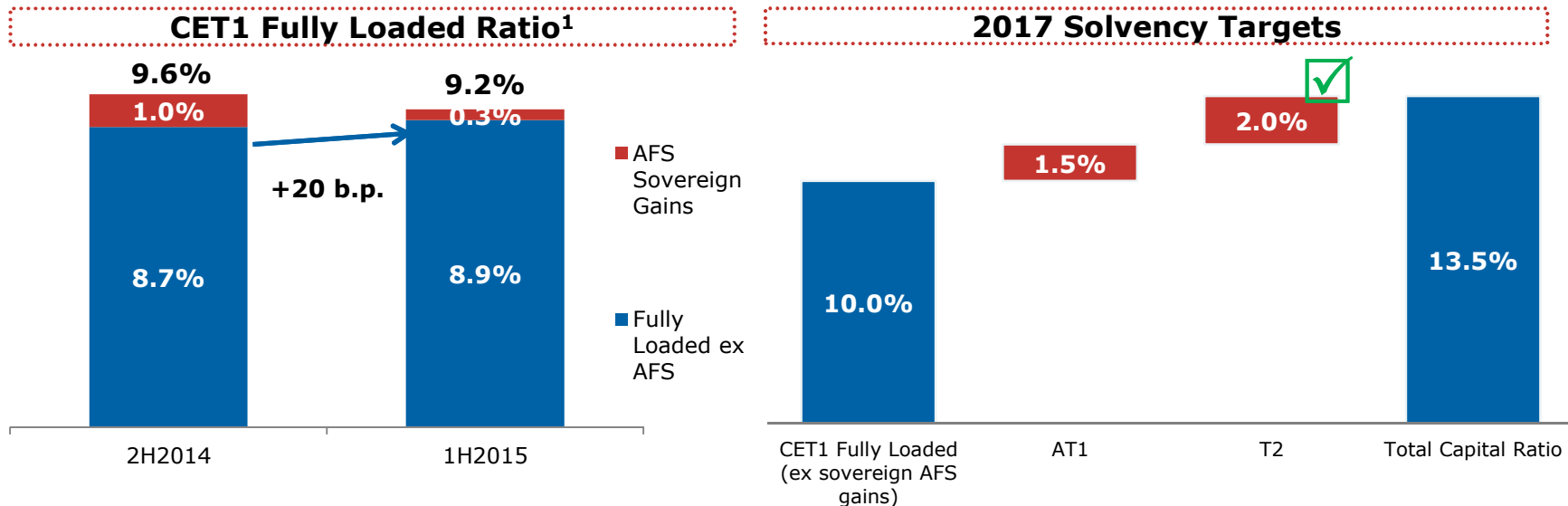
- **CET1 Phased-In ratio: 11.5%**
- **Total Capital Phased-In ratio: 14.0%<sup>1</sup>**
- **RWA/AT at 39.6% calculated under the standardised approach.**



<sup>1</sup> Including recent Tier II transaction

# Liquidity and Solvency (4/4)

- **Ibercaja Banco has recently completed a placement of Tier II debt totalling €500mm.** The transaction represents 200 basis points of Tier II capital, fulfilling the bucket required by Basel III regulation for this instrument.
- Issuing a Tier 2 security is the first step towards **building a more diversified and efficient capital structure after the Cajatres integration.** The next step will be the IPO in any case no later than December 2018.
- **Ibercaja Banco is on track to reach a 10% CET1 Fully Loaded ratio (ex AFS sovereign gains) and a 13.5% Total Capital ratio by 2017.**



<sup>1</sup> Not including CoCos; including unrealised AFS gains



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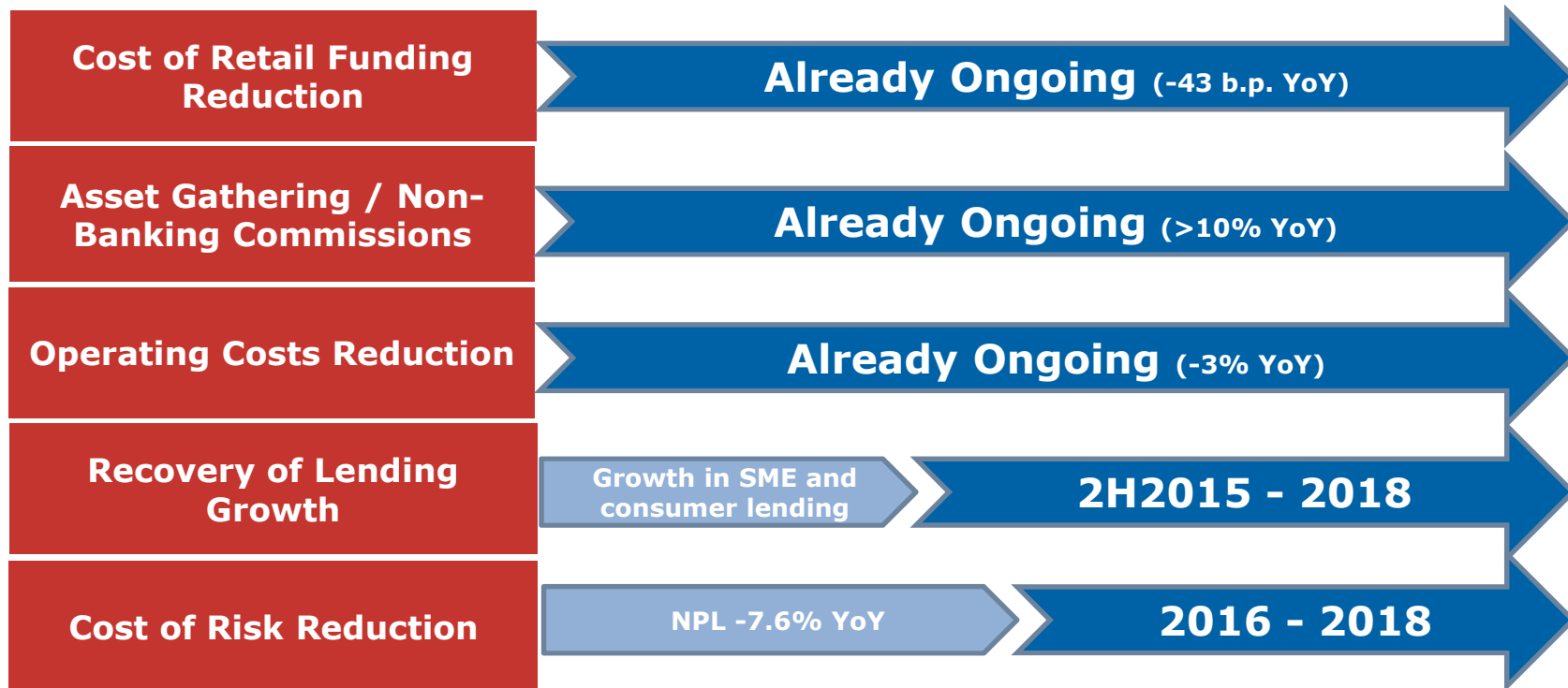
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# Final Remarks

- Ibercaja's Business Plan value drivers are gathering speed and will boost the P&L account in coming quarters.



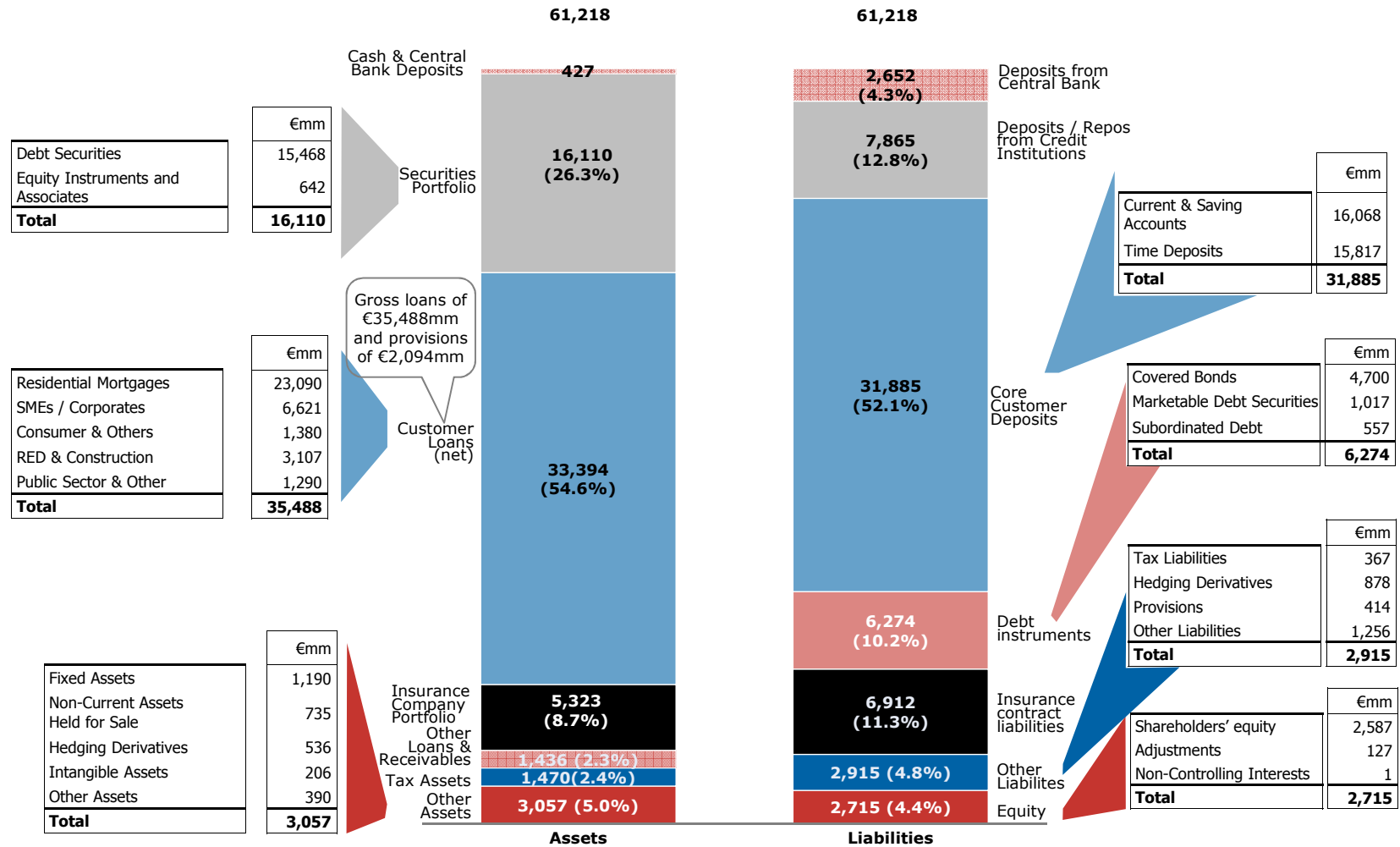


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 **Annex 1: Balance Sheet**



# Consolidated Balance Sheet





## **Annex 2: Tier II Transaction**

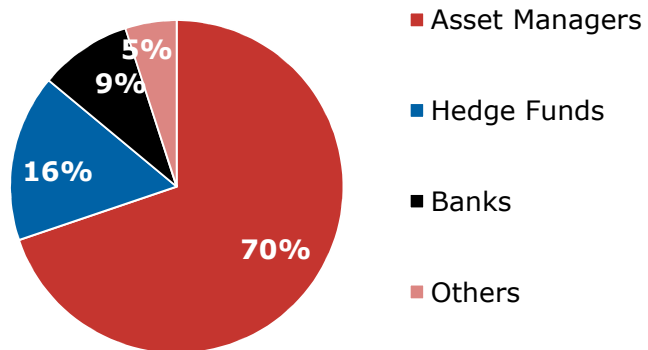




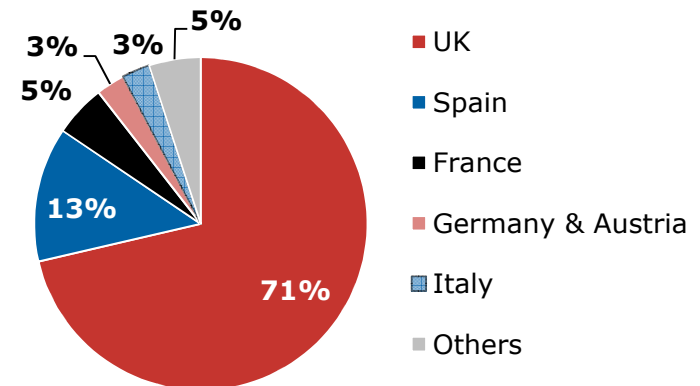
# Tier II Transaction

- On July 21 Ibercaja Banco completed a placement of subordinated debt (Tier II) totaling €500mm maturing in 10 years. The yield on the bonds has been set at 5%.The demand has exceeded €925mm with orders from more than 70 investors.
- The €500mm represent 200 basis points of Tier II capital, fulfilling the bucket required by Basel III regulation.
- Ibercaja Banco is the first Spanish non listed bank to issue subordinated debt since the beginning of the restructuring of the financial system.

**Investor Type Distribution**



**Geographic Distribution**





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