

1H2016 RESULTS

July 28th, 2016

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- Main Highlights
- Commercial Activity
- 1H2016 Results
- Asset Quality, Liquidity and Solvency

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Main Highlights

Commercial Activity

Performing loan portfolio stabilizes in the quarter (+1% QoQ)

Ibercaja shows the best evolution in the sector in the quality index of STIGA and ranks among the best 3 banks in Spain[1]

Δ Market share in mutual funds (+14 b.p.), life savings insurance (+8 b.p.) and pension funds (+8 b.p.)

Results

Net profit reaches €72.3mm, +4% YoY

Net interest margin stabilizes: +4.1% QoQ

Stable cost base: +0.6% YoY

Sound evolution of pre provision profit: +9.4% i.a.

Extraordinary results used to increase coverage levels

[1] Domestic entities with national presence

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Main Highlights

Asset Quality

- Doubtful loans decrease 18.5 % YoY
- NPL Ratio improves to 8.7% (-161 b.p. YoY)
- Foreclosed asset sales increase 16% YoY
- Coverage levels rank among the highest in the sector

Solvency

- CET1 Phased-In stands at 12.1%, +17 b.p. vs. 2015
- CET1 Fully Loaded reaches 10.3%, +54 b.p. vs. 2015

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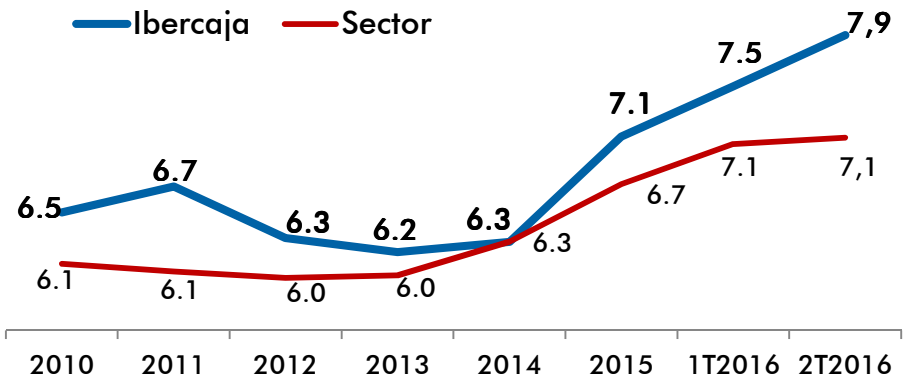
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Strong Commercial Momentum

- **Ibercaja shows the best evolution in the sector in the quality index of STIGA and ranks among the best 3 banks in Spain[2]**

Mystery Shopping - Index IQUOS [1]



Ibercaja's Value Added Proposal



Customization



Helpfulness:



Mutual commitment:

Ibercaja's Value Added Proposal + **Stronger commercial focus after Cajatres integration**

Strong Commercial Momentum:

- ✅ 16% of market share in new money in mutual funds
- ✅ +31% YoY in new lending
- ✅ +24.9% YoY in working capital financing
- ✅ Life risk insurance premiums increase 6.8% YoY
- ✅ Non-life insurance premiums (CASER alliance) increase 8.5% YoY

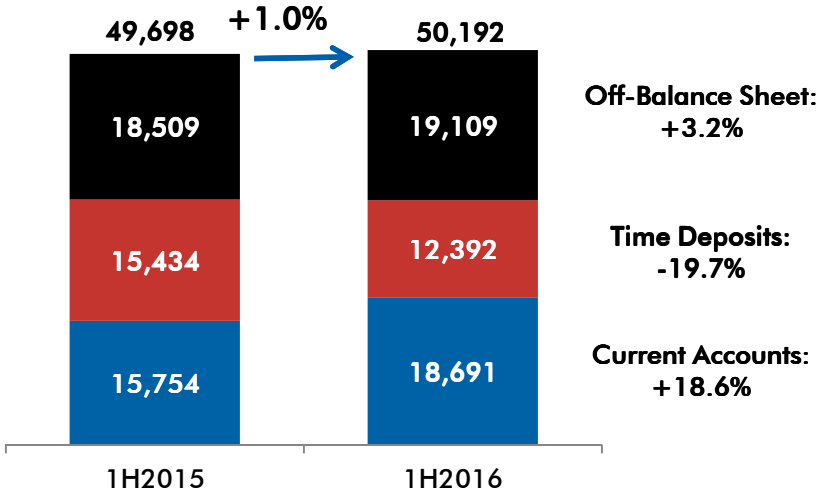
[1]Source: STIGA
[2] Domestic entities with national presence

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Customer Resources

- **Total retail funds increase 1.0% YoY (€494mm).**
  - Current accounts increase 18.6% YoY and represent 60% of total deposits
  - Strong boost in net new money to off-balance sheet products during the 2Q
  - Limited impact of market volatility (€-250mm during the semester)

Customer Resources – €mm

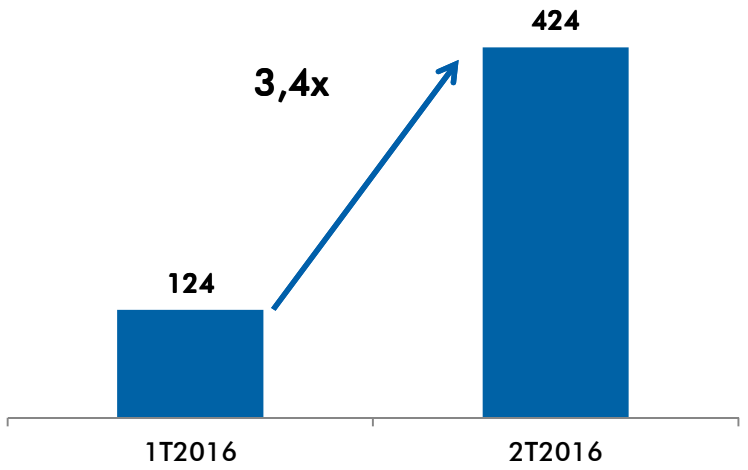


Off-Balance Sheet: +3.2%

Time Deposits: -19.7%

Current Accounts: +18.6%

Net New Money in Asset Gathering – €mm



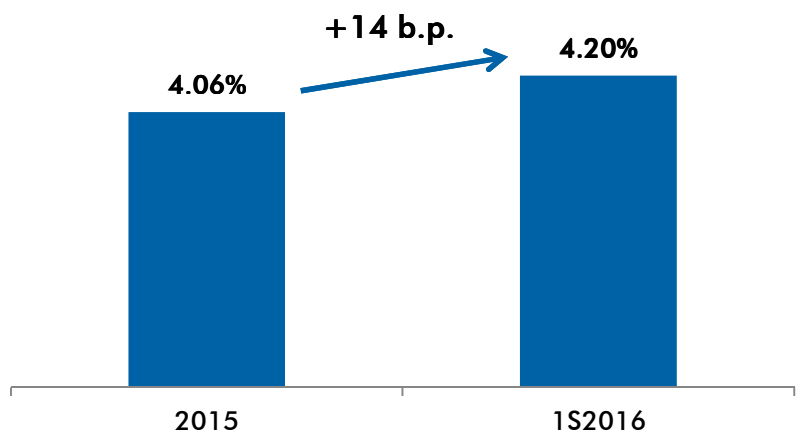
Note: retail network distribution

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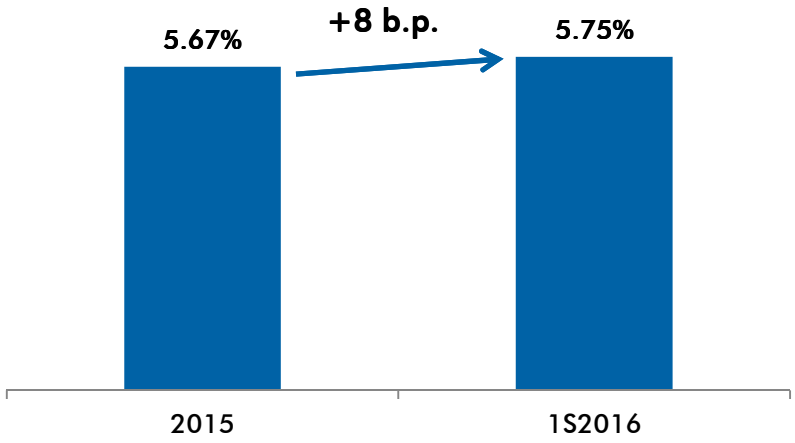
Focus in Asset Gathering (1/2)

- **Excellent evolution in mutual funds:**
  - +14 b.p. in market share thanks to 16% net new money market share during the first half of the year
  - AuM in managed account services reach €3,049mm (+23.3% YoY) and represent more than 33% of total mutual funds
- **Strong commercial activity in pension funds with a market share increase of 8 b.p.**
  - Customer's contributions (regular and extraordinary) increase 17% vs. 1H2015
  - Transfers from third party funds grow 52%

Mutual Funds Market Share – %



Pension Funds Market Share – %



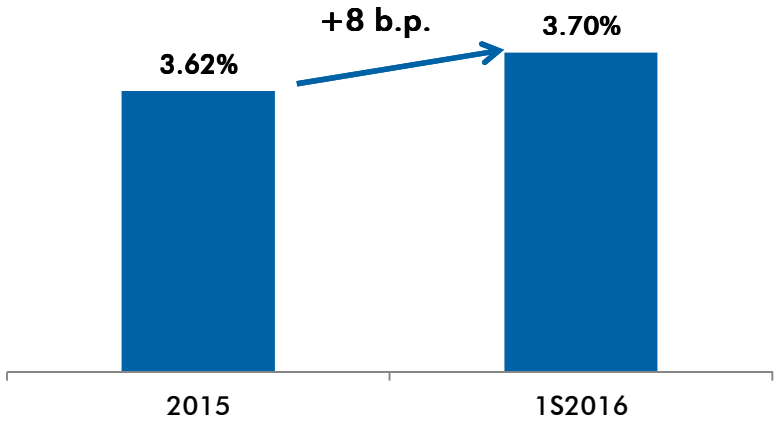
Source: Inverco

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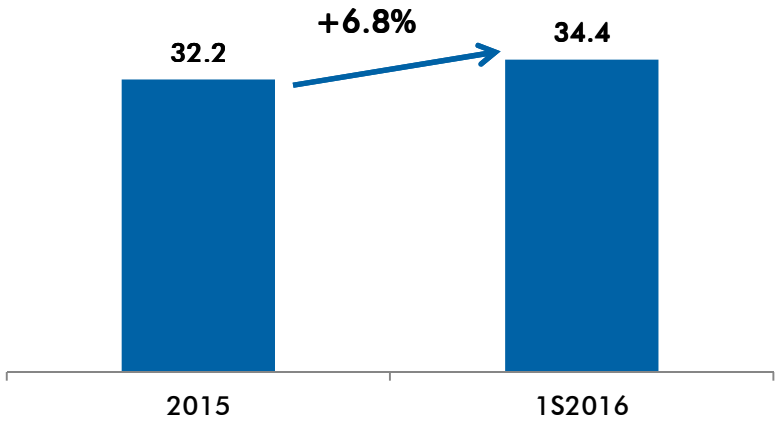
Focus in Asset Gathering (1/2)

- **New market share gain in life savings insurance products (+8 b.p.).**
  - Sound evolution in systematic savings plans[1] (+17.9%) and life annuities (+9.8%)
- **Boost to the distribution of strategic bancassurance products:**
  - Life risk insurance premiums increase 6.8% YoY
  - Non-life insurance premiums (CASER alliance) increase 8.5% YoY

Life Insurance Market Share – %



Life Risk Insurance Premiums – €mm



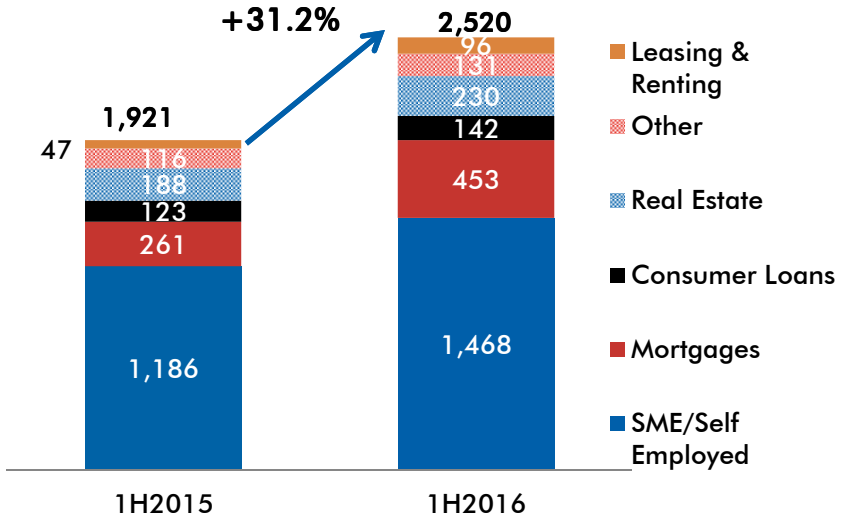
Source: ICEA (provisional data)
[1] PIAS

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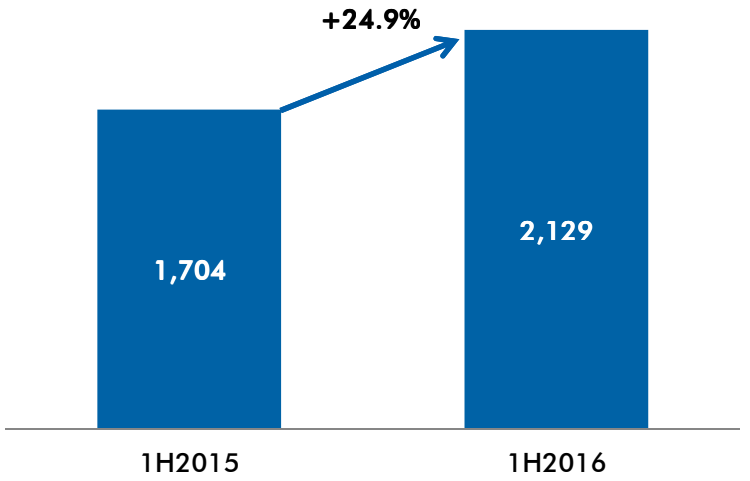
Customer Loans (1/2)

- **New lending production continues to grow (€2,520mm, +31.2%).**
  - New lending to SME's and self-employed persons grow 23.7% to €1,468mm and represent 58% of new lending
  - Strong push in mortgage granting: €453mm, +74% vs. 1H2015
- **Additionally, accumulated working capital financing reach €2,129mm, +24.9% vs. 1H21015.**

New Loan Production – €mm



Accumulated Working Capital Financing – €mm



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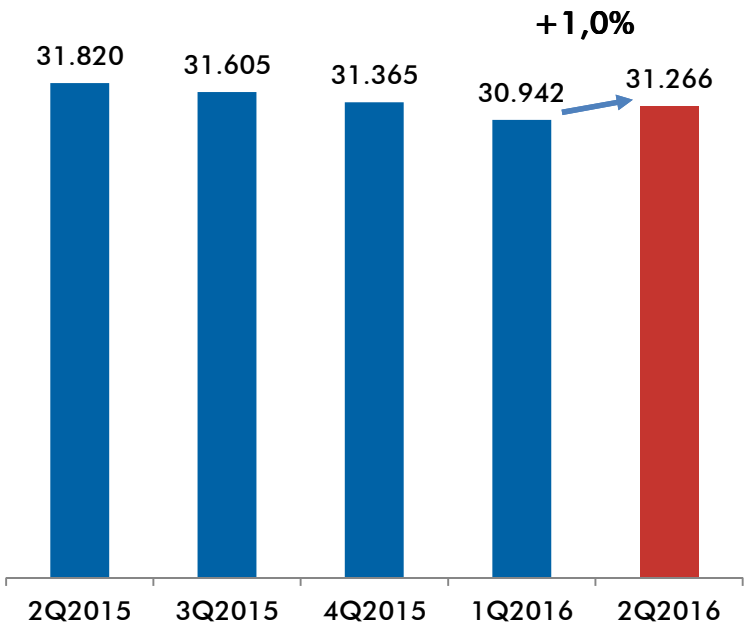
Customer Loans (2/2)

- **Perfoming loans increase 1.0% vs. 1Q2016.**
  - Performing loans to non real estate SMEs and self-employed persons grow 7.2% vs. 1H2015

Customer Loans – €mm

	1H2015	1H2016	YoY
Loans to Individuals	23,424	22,447	-4.2%
Mortgages	22,180	21,195	-4.4%
Consumer & other loans	1,245	1,252	0.6%
Loans to SME/Corporate	7,115	7,276	2.3%
Real Estate	1,495	1,252	-16.3%
Non-Real Estate	5,619	6,024	7.2%
Public Sector & Others	1,095	1,033	-5.7%
Reverse Repo	186	510	n/a
Performing Loans	**31,820**	**31,266**	**-1.7%**
Doubtful Loans	3,669	2,990	-18.5%
Total Gross Loans	**35,488**	**34,257**	**-3.5%**

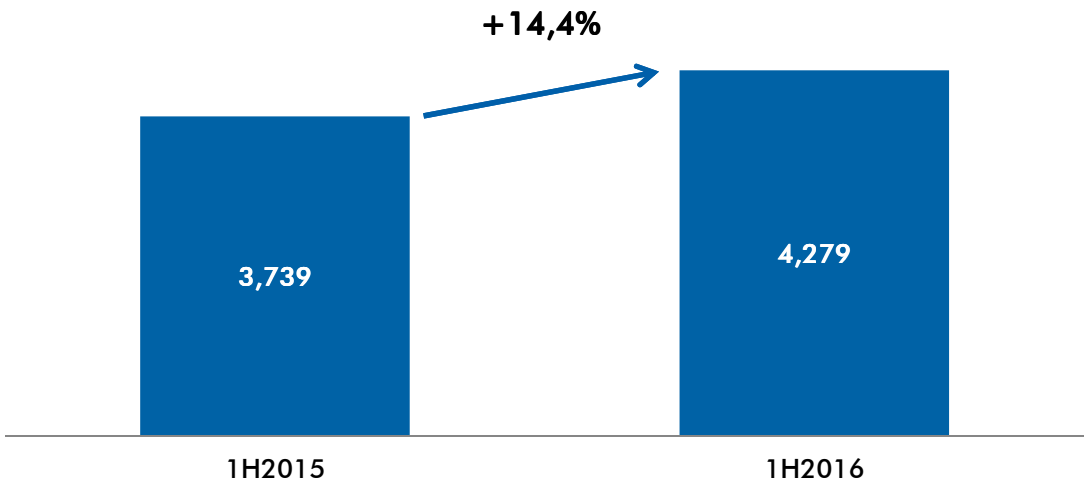
Performing Loans Stock– €mm



Specialized Banking: SME project

- **SME project aims at strengthen Ibercaja's positioning in the SME business.**
- **Significant progress in the project during the 1H2016:**
  - Loan stock grows 14.4%
  - Doubtful loans fall 4.8%
  - Madrid & Mediterranean basin represent 67% of the increase in loan stock

Loan Stock SME Project – €mm

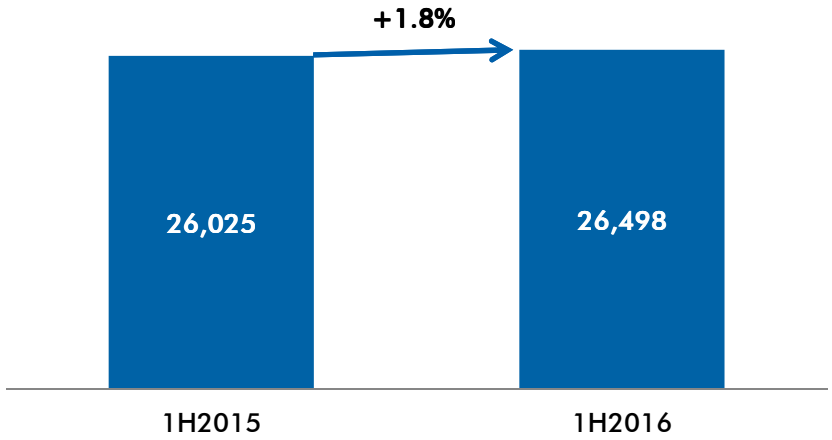


Note: SME project is included in loans to non-real estate companies. It excludes loans to self employed persons institutions and retailers

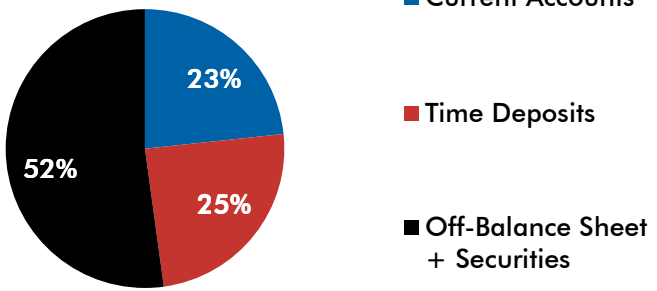
Specialized Banking: Personal Banking

- **Launched in 2009, Personal Banking project is focused in customers with total financial resources above 100,000€ (75,000€ in growth markets).**
- **Robust evolution during the first 6 months:**
  - Customers resources grow 1.8%
  - 6,115 new customers, +3,8% vs. 2015
  - Improvement of profitable resources mix[1] in Cajatres customer base: 40.4% vs. 37.9% Dec-15
  - Specialized employees amount to 422 (vs. 288 in 2015)

Customer Reources



Breakdown of Customer Resources + Securities – %



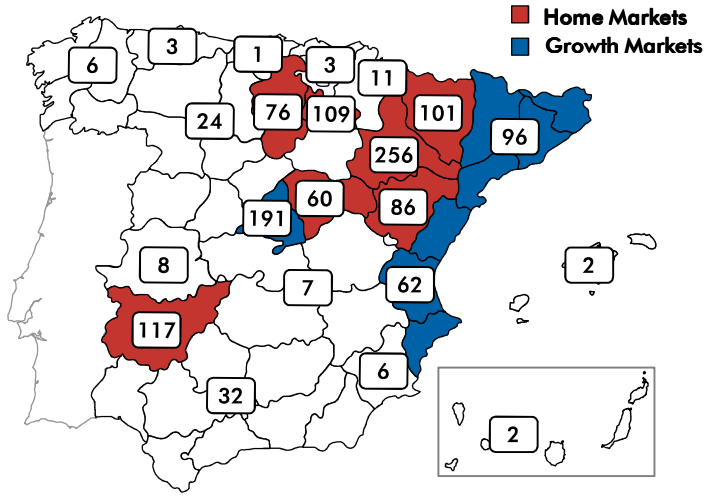
[1] Off-balance sheet funds + Securities / Total Customer Resources + Securities

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Main Markets Evolution

- **Ibercaja benefits from an attractive geographical positioning: Leadership in home markets and relevant growth potential in the wealthiest regions of the Spanish economy based on current footprint**

Branch Network – 1H2016



1.259 Branches

Growth in Madrid and Mediterranean Basin

- Madrid & Mediterranean Basin represent:
  - 45% of new lending
  - 83% customer resources increase (vs. 1H2015)
- Opening of 4 business centres (2 Madrid, 1 Valencia, 1 Barcelona)

Home Markets Soundness

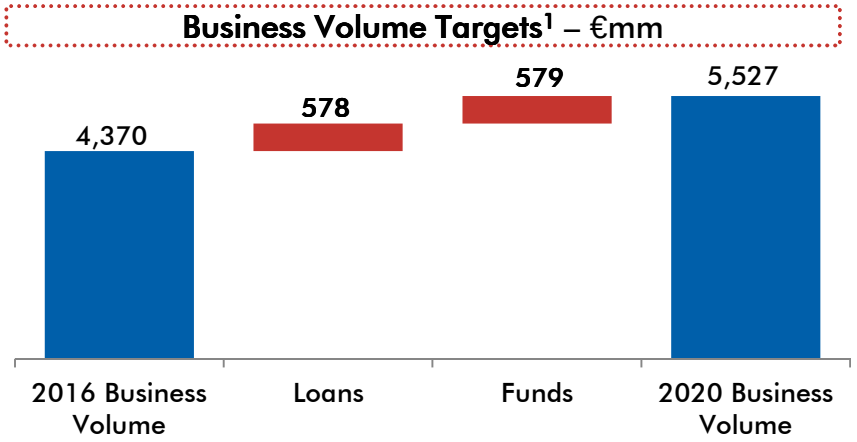
- 15 branches reduction in 1H2016 (-1.8%)
- Customer resources stability (+0.1%)

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"Plan + Levante"

- **After launching Plan + Madrid, Ibercaja announces Plan + Levante to strengthen its positioning in Comunidad Valenciana.**

- **Sound starting point:**
  - ☑ 61 Branches and 248 employees
  - ☑ 120,000 customers
  - ☑ €4.4bn business volume
  - ☑ 2.5% market share in retail banking



- **Attractive market:**
  - 5mm population
  - 9.4% of Spanish GDP
  - Exports represent 28.1% of GDP (+5% than Spanish average)

- **Investment in resources:**
  - 34 new employees (internal resources)
  - 25% of employees specialized in personal/private banking or SME banking (vs. current 13%)
  - Remodelling of 15 branches with new commercial procedures

[1]Retail banking, Personal Banking, SMES and Corporates with turnover up to €200mm.

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- Commercial Activity
- **1H2016 Results**
- Asset Quality, Liquidity and Solvency

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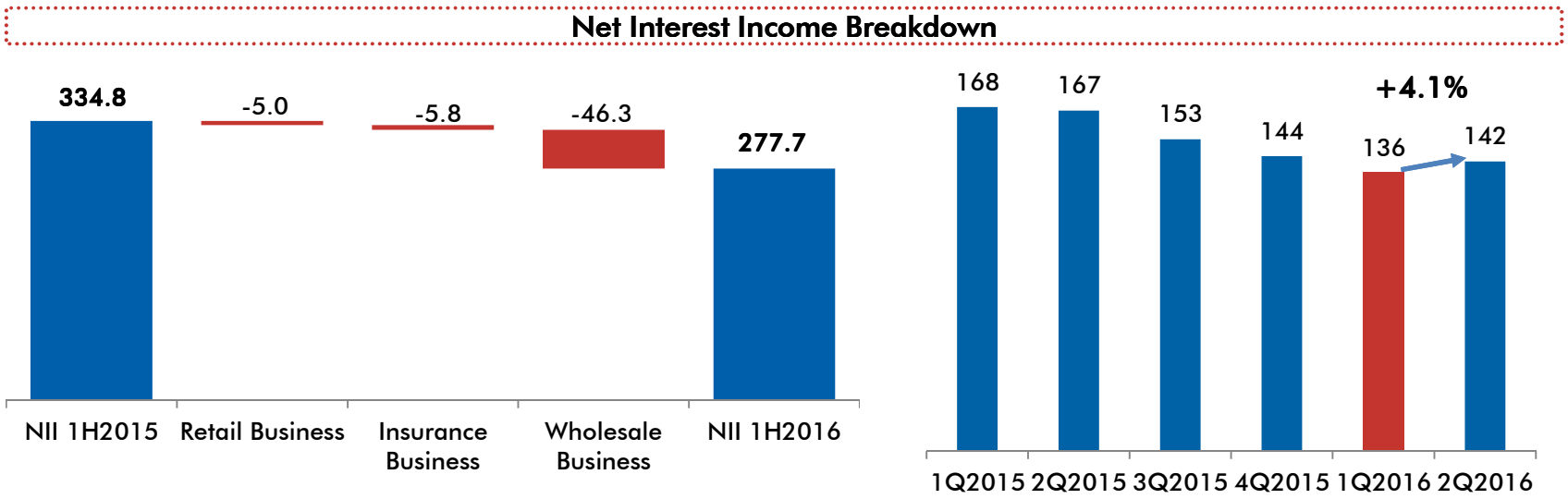
1H2016 Results

Mm€	1H2015	1H2016	YoY
Net Interest Income	**334.8**	**277.7**	**-17.1%**
Net Fee Income	163.9	165.4	0.9%
Trading Income	94.1	135.1	43.5%
Other Operating Inc. / Exp. (Net)	20.6	65.7	218.9%
Gross Operating Income	**613.4**	**643.9**	**5.0%**
Operating Costs	-310.9	-312.9	0.6%
Pre-Provision Profit	**302.5**	**331.0**	**9.4%**
Total Provisions	-208.6	-230.4	10.5%
Other Gains and Losses	4.7	2.2	-53.5%
Profit Before Taxes	**98.6**	**102.8**	**4.2%**
Taxes & Minorities	-28.9	-30.5	5.4%
Net Profit Attributable to Shareholders	**69.7**	**72.3**	**3.7%**

Note: Other operating results include a net gain of €69.3mm related to the Aktua agreement

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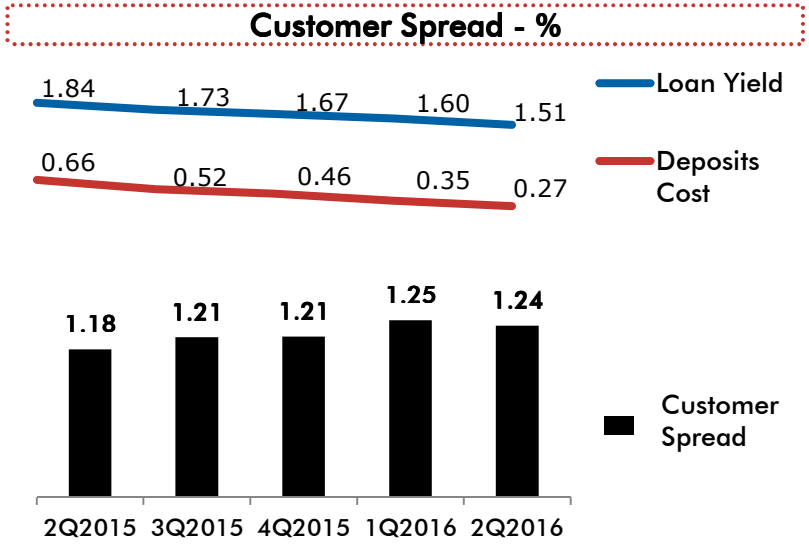
Net Interest Income

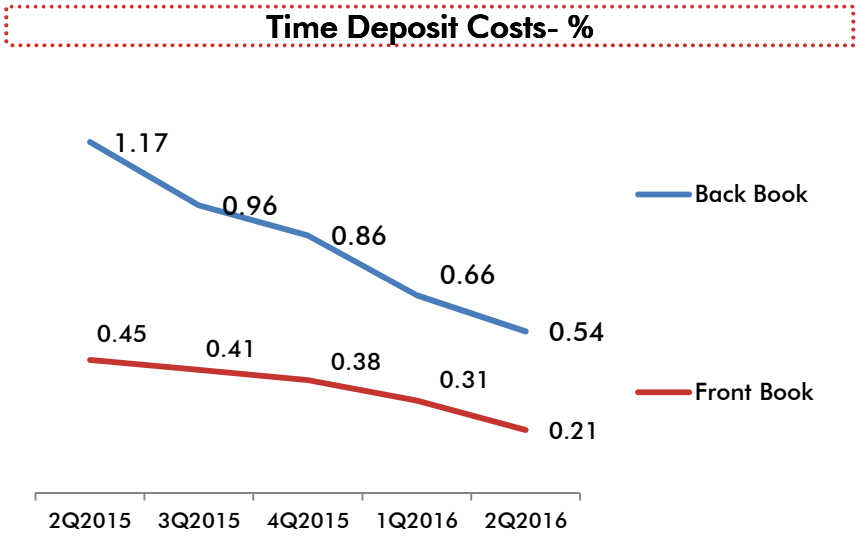


- **Net Interest Income grows 4.1% vs. 1Q2016.**
  - Evolution in line with company target of stabilization of net interest income
- **Net Interest Income decrease 17% in the first half of the year (vs. 1H2015).**
  - 80% of the fall is explained by a lower contribution of the wholesale business

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Customer Spread



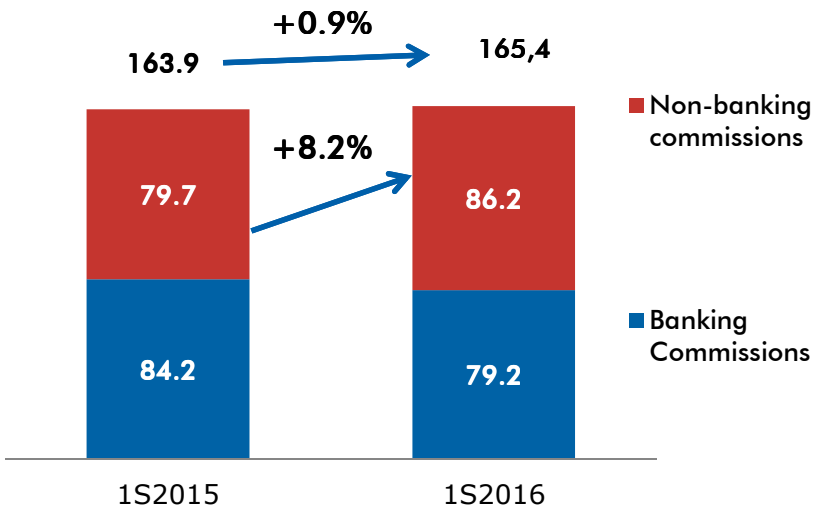


- **Cost of new time deposits falls 10 b.p. during the quarter to 21 b.p.**
  - Cost of new time deposits in July: 0.14%
- **Customer spread improves 6 b.p. YoY to 1.24%**
  - The total deposit cost reduction (-39 b.p. YoY) offsets the credit repricing due to the fall in Euribor (-33 b.p.)

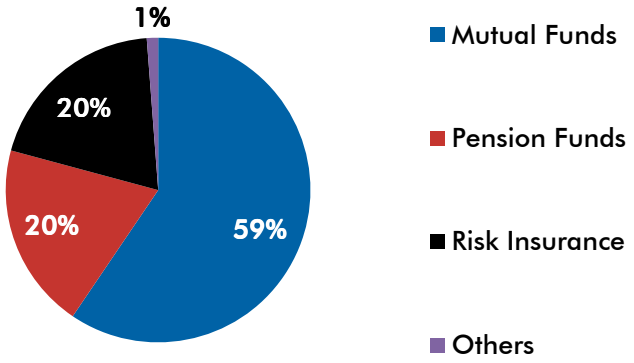
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Net Fee Income

Net Fee Income - €mm



Non-Banking Commissions Breakdown – %

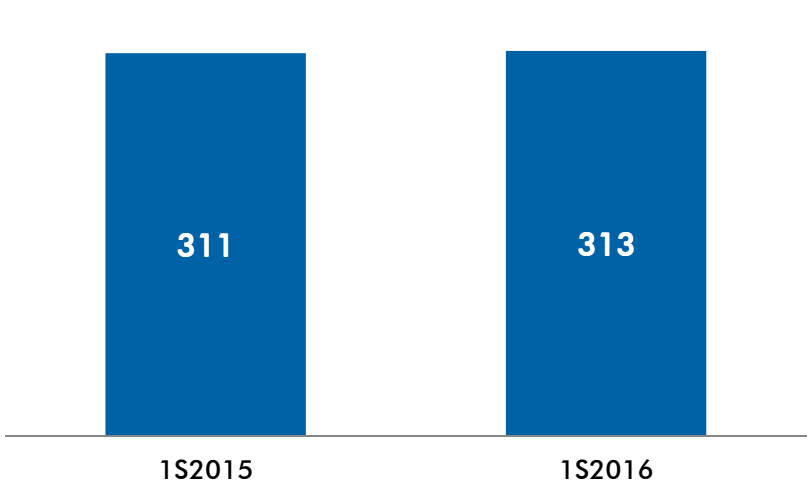


- **Net fee income grows 0.9% YoY in the first half of the year**
  - Non-banking commissions grow 8.2% thanks to AuM and acceleration in risk insurance products
  - Banking commissions fall 5.9% mainly due to the decrease in securities fees

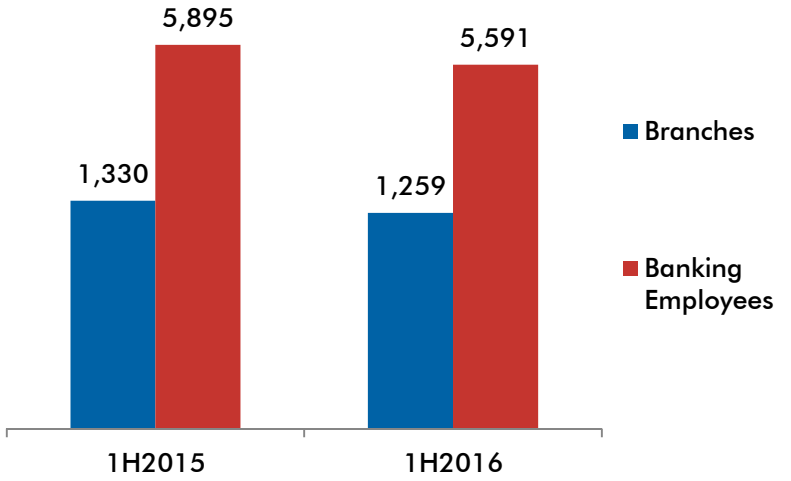
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Operating Costs

Operating Costs – €mm



Structure



- **Total operating costs remain flat during the first half of the year**
  - Personnel cost fall 4% YoY in line with company target for the year
  - Lower structure costs allow for stable cost base despite increase in costs related to Aktua agreement[1]

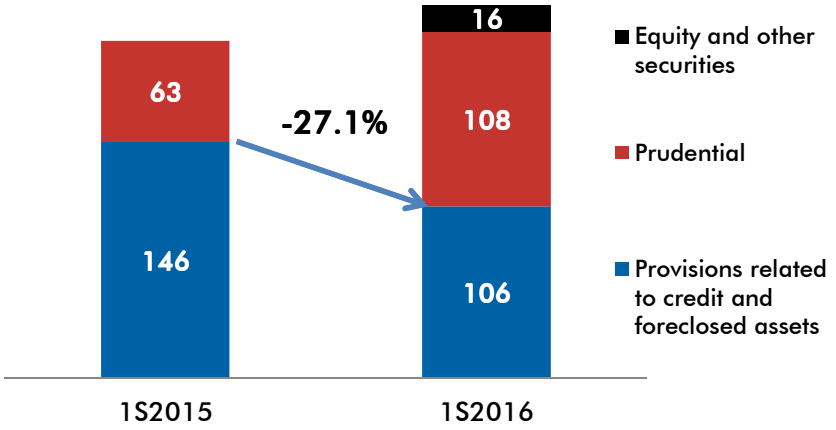
[1] In February 2016, Ibercaja announced the sale of its real estate servicer subsidiary (Salduvia) to Aktua. Ibercaja also signed a long-term strategic alliance with Aktua to manage and sale these assets.

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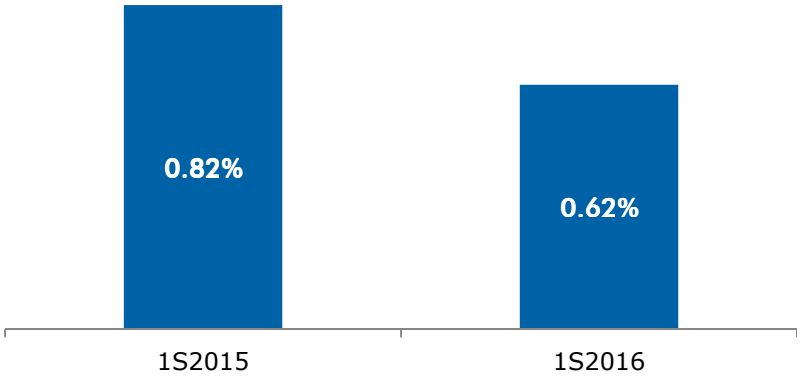
Provisions

- **Provisions related to credit and foreclosed assets decrease 27.1% YoY.**
  - Cost of risk related to credit and foreclosed assets improves 20 b.p. to 62 b.p.
- **Extraordinary results from the Aktua agreement and trading income dedicated to build-up prudential provisions.**
  - Thanks to strong coverage levels already reached, total provisions in second half of the year should be significantly lower

Total Provisions - €mm



Provisions related to Credit and Foreclosed Assets / Total Gross Loans - %



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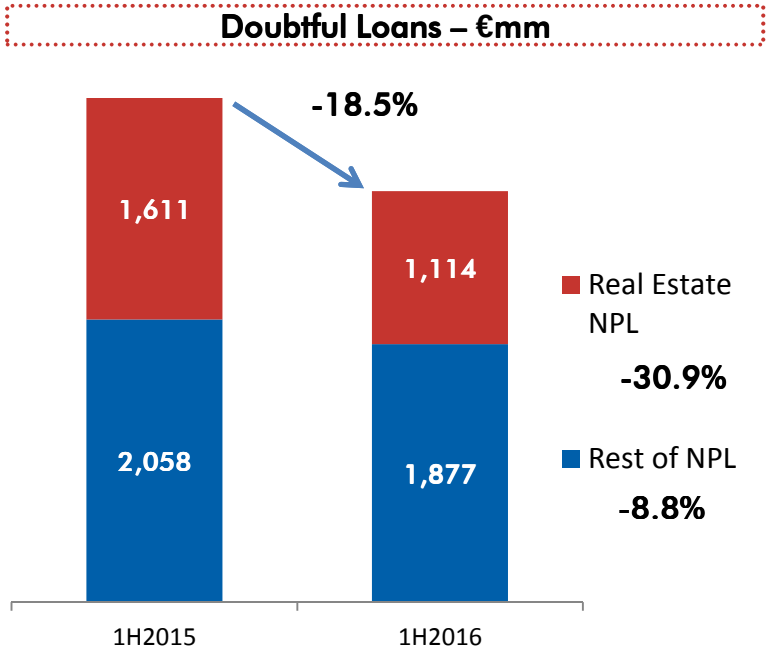
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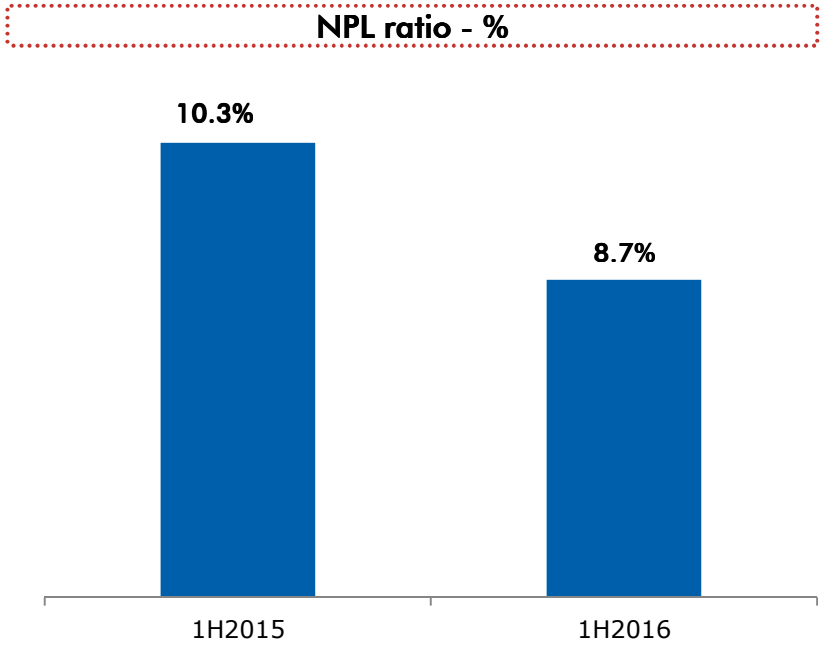
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- **Asset Quality, Liquidity and Solvency**

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Asset Quality (1/2)

- **Doubtful loans fall 18.5%.**
  - Gross entries decrease 17.8% vs. 1H2015
- **Doubtful loans coverage ratio stands at 53%.**

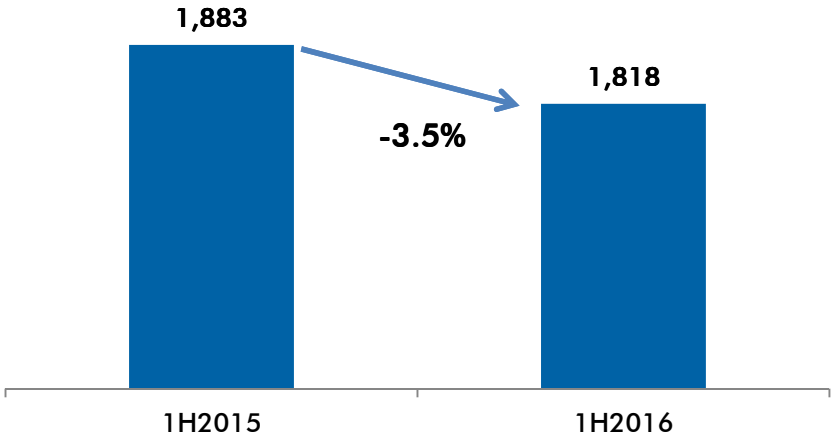




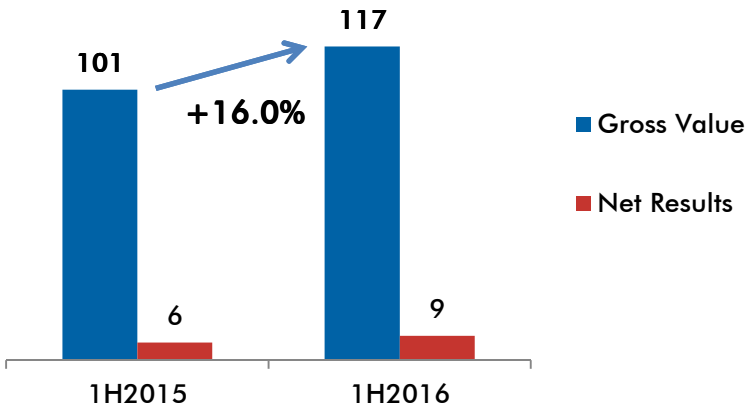
Asset Quality (2/2)

- **Stock of foreclosed assets continues its downward trend**
  - Speed-up of assets sales (+16% YoY vs. 1H2015) and lower entries (-42% YoY.) allow for a 3.5% reduction in the stock of foreclosed assets
- **Coverage ratio stands at 52.0%, among the highest in the sector**
  - Positive results in asset sales

Stock of Foreclosed Assets – Gross Book Value



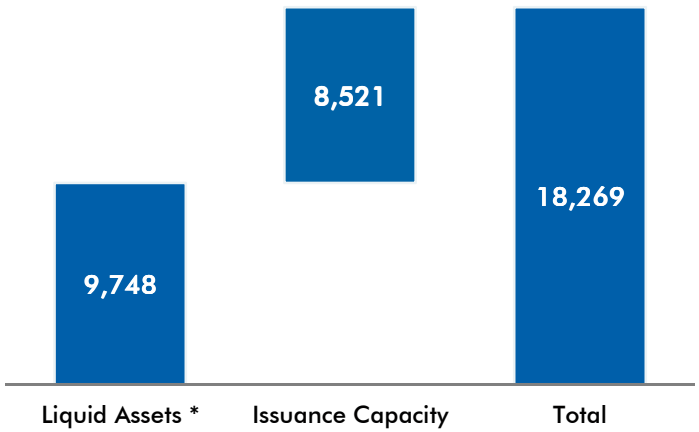
Foreclosed Assets Sales - €mm



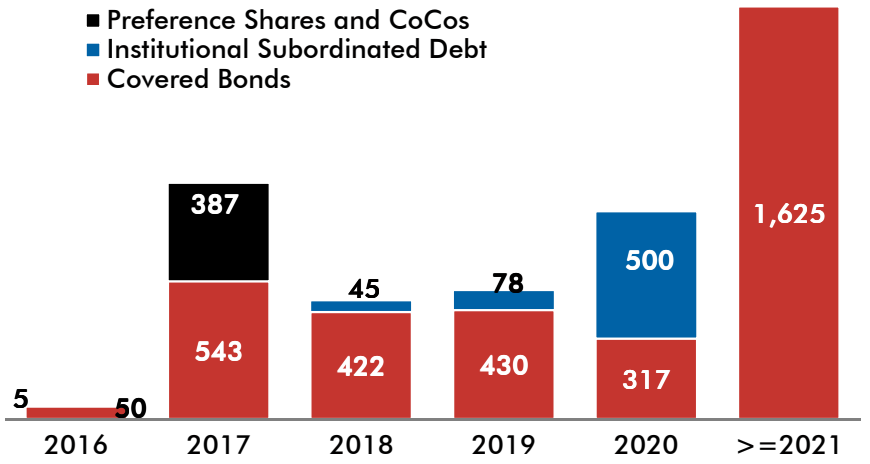
Liquidity and Solvency (1/3)

- **Sound liquidity position :**
  - Available liquid assets stand at €9,700mm (17% of total assets)
  - LCR and NSFR ratios stand at 210% and 122%,respectively
  - Loan to deposits ratio stands at 96.4%[1]
  - ECB: 3,372Mn€ (5.8% of total assets), 100% TLTRO II
  - No relevant maturities left for the rest of the year

Liquidity Position - €mm



Maturity Profile – €mm



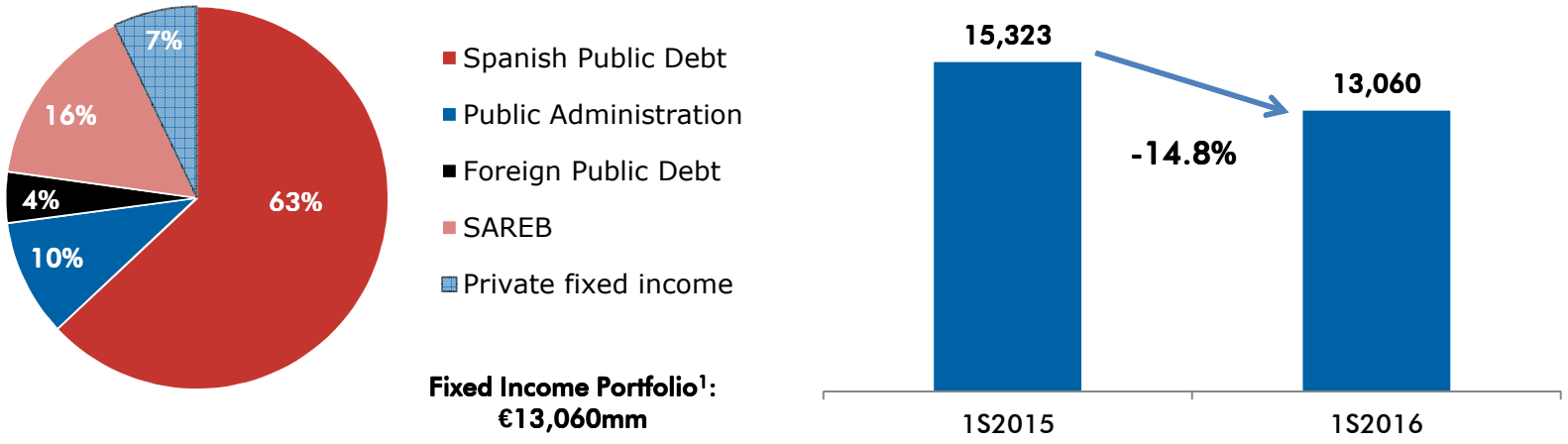
[1] 1 Net Loans ex. securitised loans / Customer deposits ex. repos + Securities distributed through the branch network.
* Liquid assets include unencumbered public debt + available & eligible fixed income assets (after ECB haircut applied)

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Liquidity and Solvency (2/3)

- **Fixed income portfolio: Low risk with focus on Spanish sovereign debt and short duration.**
  - Average duration of 3.8 years
  - Unrealised capital gains of €163mm (of which €125mm are AFS)
  - Average yield stands at 1.4%
- **Ibercaja has reduced its fixed income portfolio by >€2,250mm vs. 1H2015.**

Fixed Income Portfolio– 1H2016

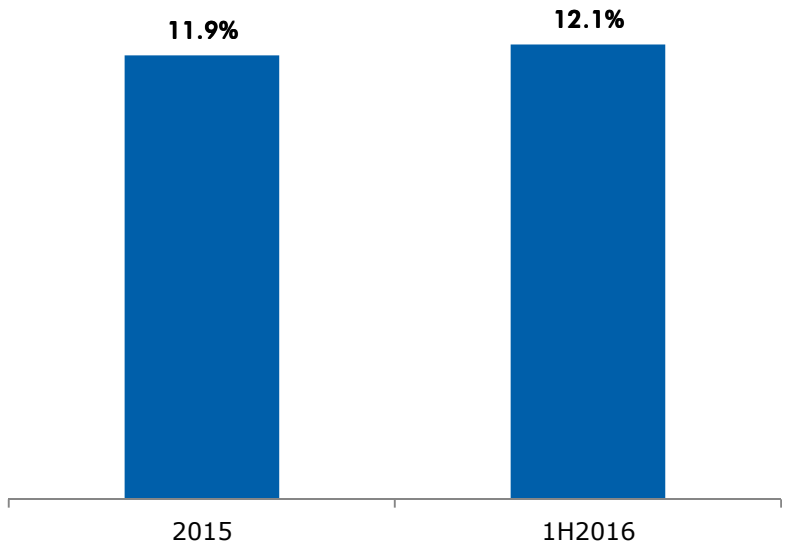


[1] Excluding capital gains from held-to-maturity portfolio

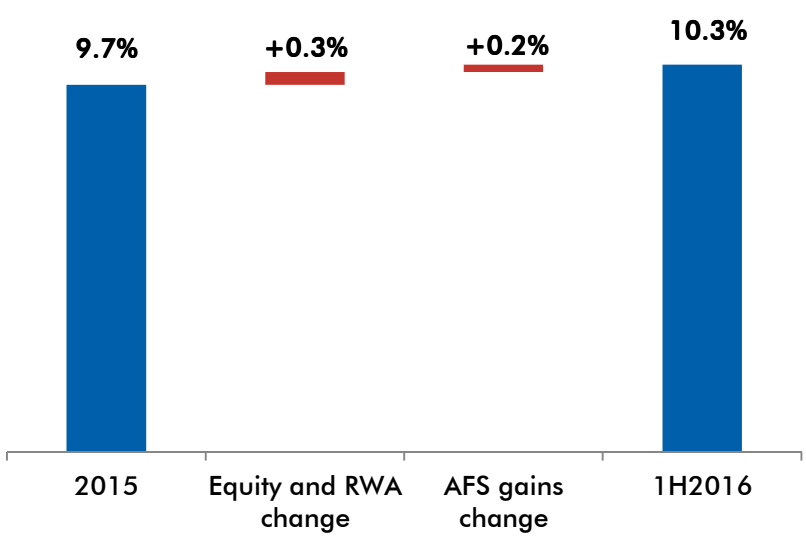
Liquidity and Solvency (3/3)

- **CET1 Phased In ratio stands at 12.1% vs. SREP requirement of 9.25%**
- **CET1 Fully Loaded ratio improves 54 b.p. and reaches 10.3%**
  - Improvement in equity and RWA reduction represent 34 b.p. of the improvement
- RWAs/Total Assets stands at 40%, calculated using the standard methodology.
- Leverage Ratio: 5.4% (Phased In)

CET1 Phased In - %



CET1 Fully Loaded [1]– %

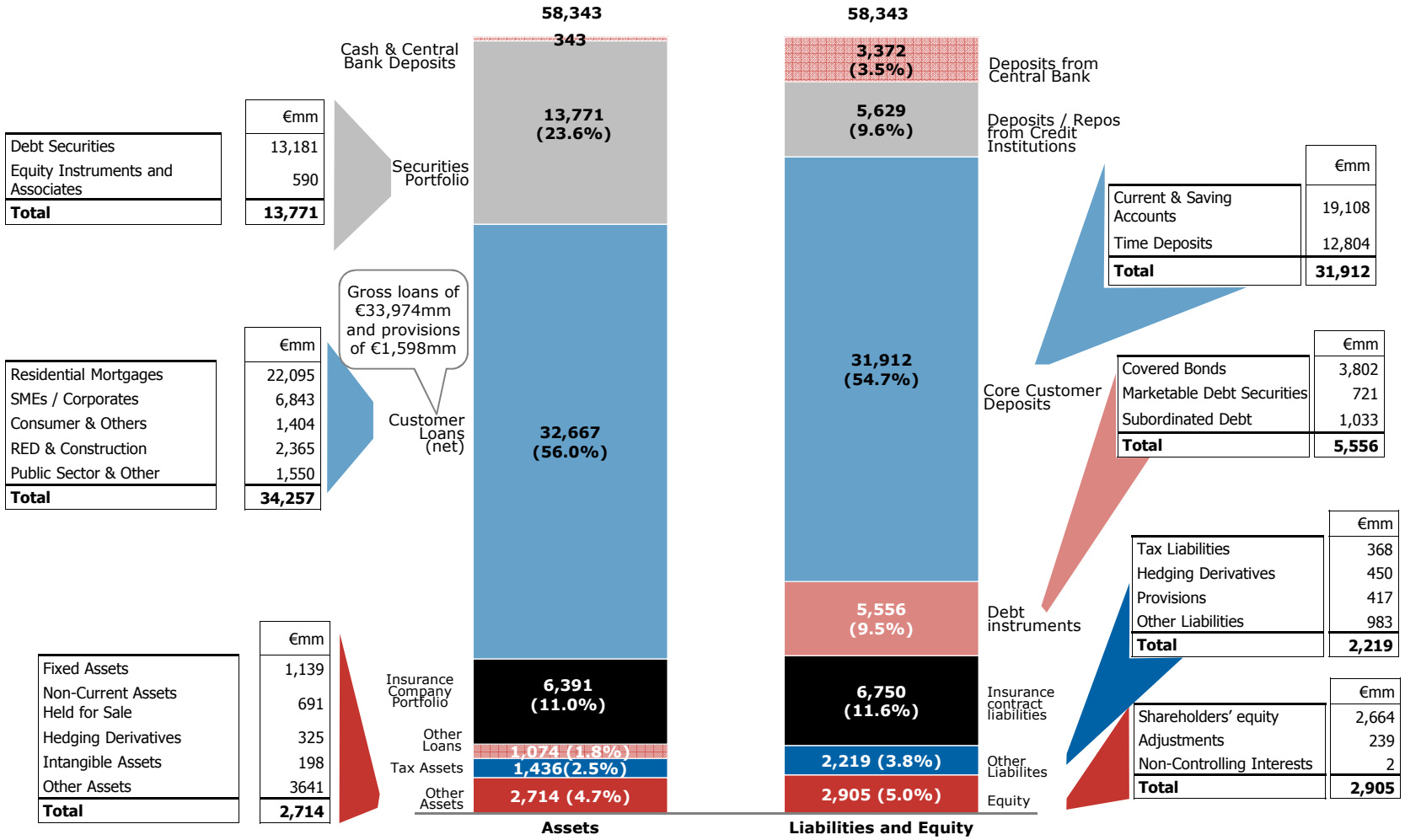


[1] Excluding CoCos, including AFS gains

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Annex 1: Consolidated Balance Sheet

Consolidated Balance Sheet





For more information, please visit our Website:
http://www.ibercaja.com/en/

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