

# 9M2017 RESULTS

NOVEMBER, 10<sup>TH</sup> 2017

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# MAIN HIGHLIGHTS

COMMERCIAL ACTIVITY · RESULTS · ASSET QUALITY · SOLVENCY

# MAIN HIGHLIGHTS

## COMMERCIAL ACTIVITY

- » **Customer funds** rise **3.8% YoY** or €2,074mm.
- » **AuM and life insurance products** grow **11.9% YoY** or €2,678mm and account for 45% of total customer funds.
- » **New lending** increases **4.1% YoY**, reaching €4,009mm YTD.
- » **Performing loans to non-real estate companies** rise 5.6% YoY.

## RESULTS

- » Ibercaja Banco consolidates the turning point in **recurring revenues** which grow **1.8% YoY**.
- » Total operating costs grow 17.8% YoY due to the accounting of **€71.6mm** of **extraordinary expenses** related to the first tranche of the redundancy plan announced in May. The agreement will allow Ibercaja to **reduce its structure by 11%**.
- » **Total provisions** plummet **66% YoY**.
- » Ibercaja Banco **net profit** stands at €80.7mm. Excluding the extraordinary expenses related to the redundancy plan, net income increases **20.4% YoY**.

# MAIN HIGHLIGHTS

## ASSET QUALITY

- » **Non-performing assets** (doubtful exposures and foreclosed assets) fall **10.9% YTD** or €526mm.
- » **NPL ratio** falls to **7.9%** vs. 8.6% of the sector. **NPA ratio** falls **120 b.p.** to 12.3%. **Coverage ratio** of non-performing assets stands at **46%**.
- » **Foreclosed assets sales** rise **27% YoY** reaching €214mm. The bank releases €12mm of provisions as a result of these sales.

## SOLVENCY

- » **CET1 Phased In ratio** stands at **11.4%** and **Total Capital ratio** reaches **13.6%**, significantly above SREP requirements (7.25% and 10.75%, respectively).
- » **CET1 Fully Loaded ratio** improves 48 b.p. YTD to **10.6%**.

# COMMERCIAL ACTIVITY

BANKING BUSINESS · MUTUAL FUNDS · LONG TERM SAVINGS PRODUCTS · RISK INSURANCE

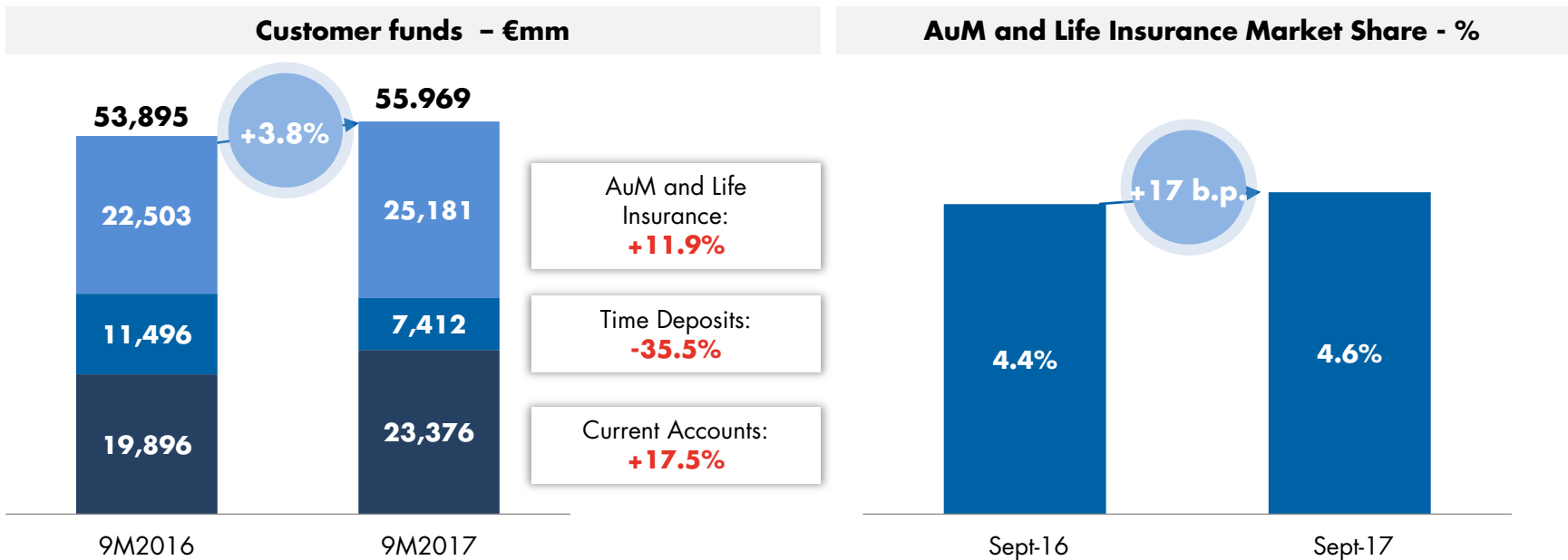
# BANKING BUSINESS: CUSTOMER FUNDS

Customer funds rise 3.8% YoY or €2,074mm.

AuM and life insurance products grow 11.9% YoY or €2,678mm and account for 45% of total customer funds.

- **AuM and Life Insurance market share** improves 17 b.p. reaching **4.6%**.

Current accounts increase 17.5% YoY totalling 76% of customer deposits.





# BANKING BUSINESS: CUSTOMER LOANS (1/2)

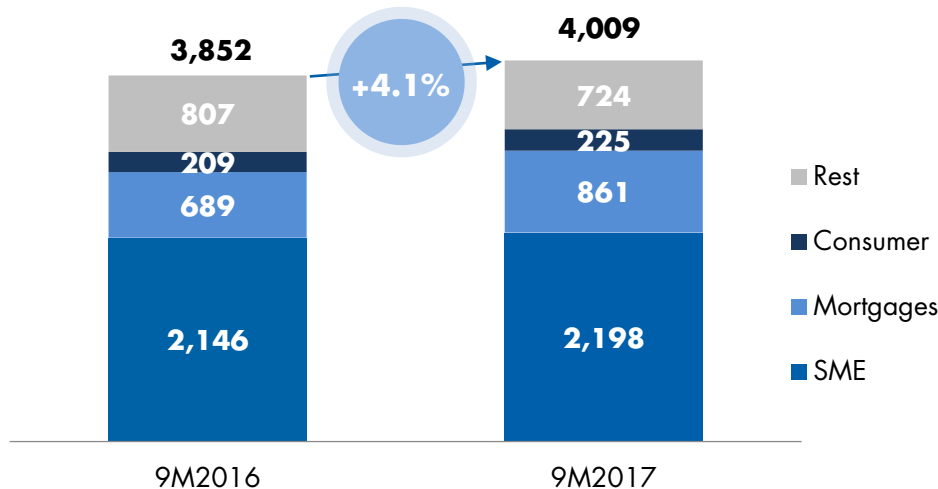
**New lending reaches €4,009mm, 4.1% more than in the same period of the previous year.**

- **Mortgage granting** grows **25% YoY** and reaches €861mm.
- Strong momentum in **Madrid and Mediterranean Basin**, our Growth Markets, with new lending growing **10.9% YoY**. These regions represent **51%** of new lending YTD.

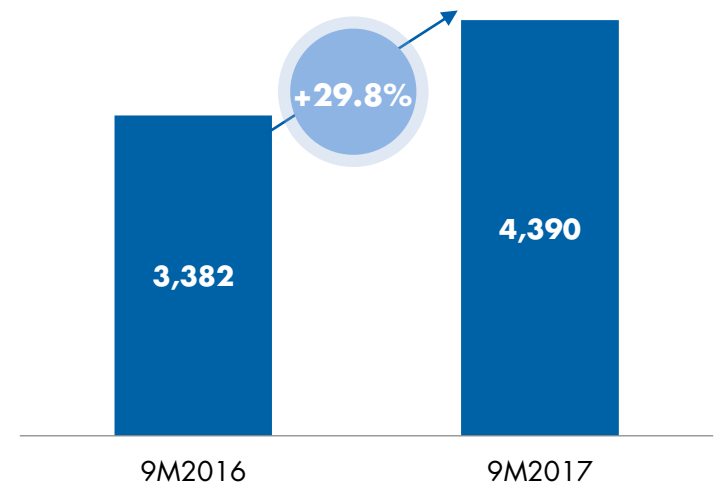
**In addition, accumulated working capital financing amounts to €4,390mm, +29.8% YoY.**

- Strong performance in **international trade financing** which rises 43% YoY.

**New Lending Production<sup>1</sup> – €mm**



**Accumulated Working Capital Financing – €mm**



# BANKING BUSINESS: CUSTOMER LOANS (2/2)

Performing loans ex repos decrease 2.2% YoY.

- Performing loans to non-real estate companies rise 5.6% YoY.
- Excluding loans to real estate companies, performing loans fall 1.3% YoY.

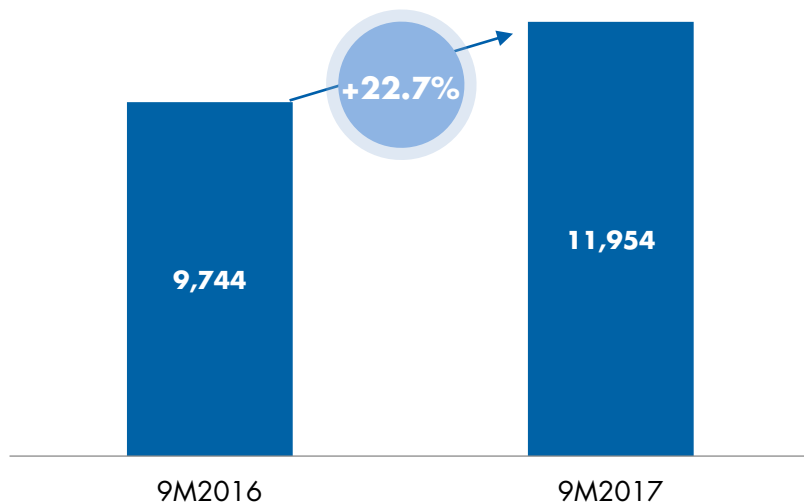
Lending Stock - €mm			
	9M2016	9M2017	Var.
<b>Loans to Individuals</b>	<b>22,478</b>	<b>21,789</b>	<b>-3.1%</b>
Mortgages	21,174	20,515	-3.1%
Consumer and Others	1,304	1,274	-2.3%
<b>Loans to Companies</b>	<b>7,162</b>	<b>7,203</b>	<b>0.6%</b>
Real Estate Companies	1,167	871	-25.4%
Non-Real Estate Companies	5,995	6,332	5.6%
<b>Public Sector and Others</b>	<b>981</b>	<b>941</b>	<b>-4.1%</b>
<b>Performing Loans ex Repo</b>	<b>30,621</b>	<b>29,933</b>	<b>-2.2%</b>
Repo	508	952	87.5%
Doubtful Loans	3,018	2,635	-12.7%
<b>Total Gross Loans</b>	<b>34,146</b>	<b>33,520</b>	<b>-1.8%</b>

# MUTUAL FUNDS

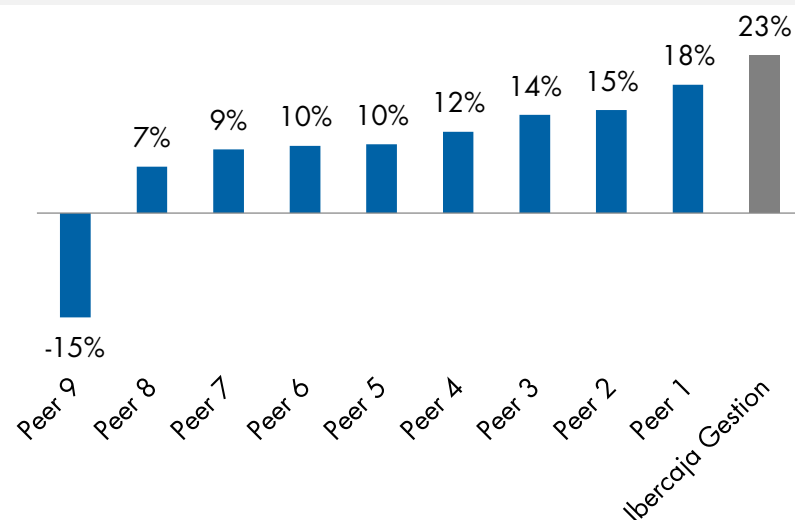
## Ibercaja Banco continues to post an outstanding performance in mutual funds:

- Ibercaja Gestion, the asset manager company of the Bank, increases its **AuM** by **23% YoY** reaching **€11,954mm**. Ibercaja Gestión is the fastest growing asset manager among the top 10 companies in Spain.
- Ibercaja Banco **market share in mutual funds** stands at **4.7%**, with a 23 b.p. gain YTD. Since the launch of the 2015-2017 Strategic Plan the company has improved its market share by 90 b.p.

Ibercaja Gestion Assets under Management – €mm



Top 10 Assets Managers in Spain – AuM YoY



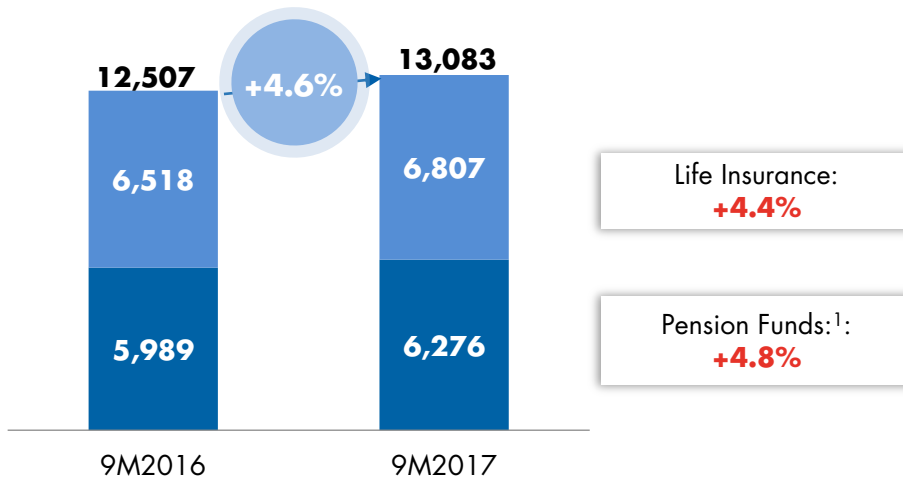
# LONG TERM SAVINGS PRODUCTS: LIFE INSURANCE AND PENSION FUNDS

## Pension funds & life insurance products rise 4.6% YoY.

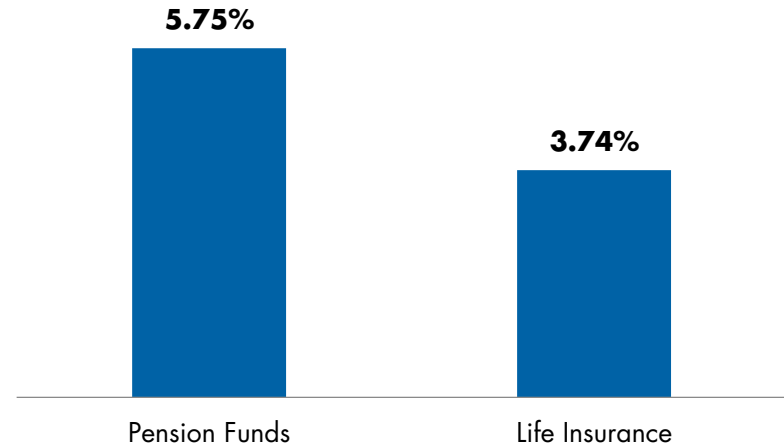
- Strong commercial momentum in **individual pension plans** with AuM growing **9.4% YoY** vs. 6.2% of the sector thanks to a **25% YoY** growth in **net contributions from customers**.
- **Provisions of systematic savings plans** increase **7.9% YoY** and drive the growth in life insurance products.

**Ibercaja Banco consolidates its market share in these products, which stands significantly above its banking business market share.**

Long Term Savings - €mm



Market Share - % 9M2017



# RISK INSURANCE

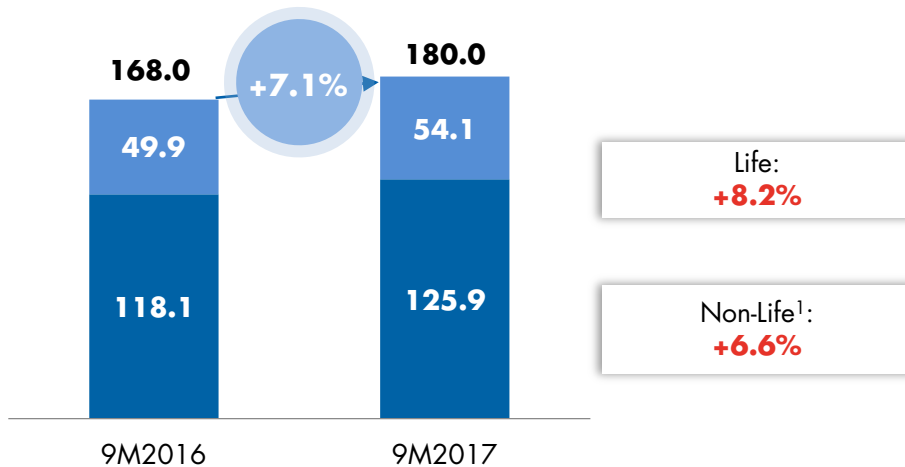
Risk insurance premiums (life risk and non-life <sup>1</sup>) rise 7.1% YoY.

- Remarkable progress in **agricultural (+9.9% YoY)**, **health (+9.4%)** and **car (+9,0%) insurance policies.**

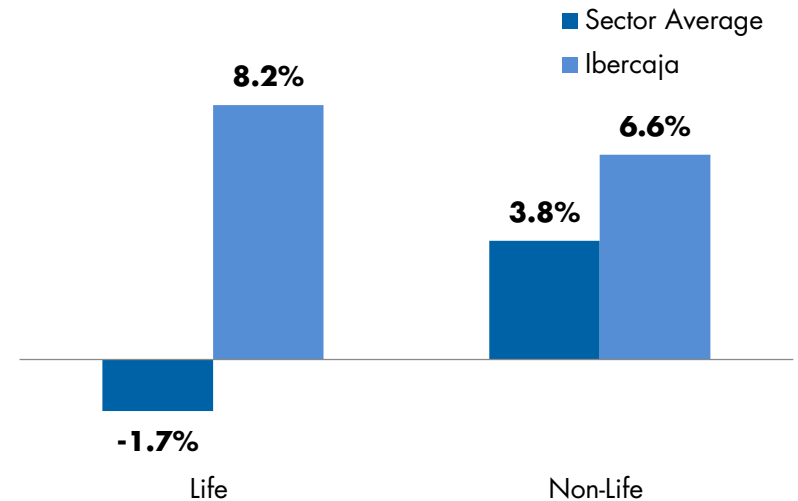
Ibercaja Banco's growth in these products stands above the sector.

These products already represent el 8.9% recurring revenues YTD (vs. 8.2% as of Sept-16)

Risk Insurance Premiums – €mm



Sector Performance – YoY



# 9M2017 RESULTS

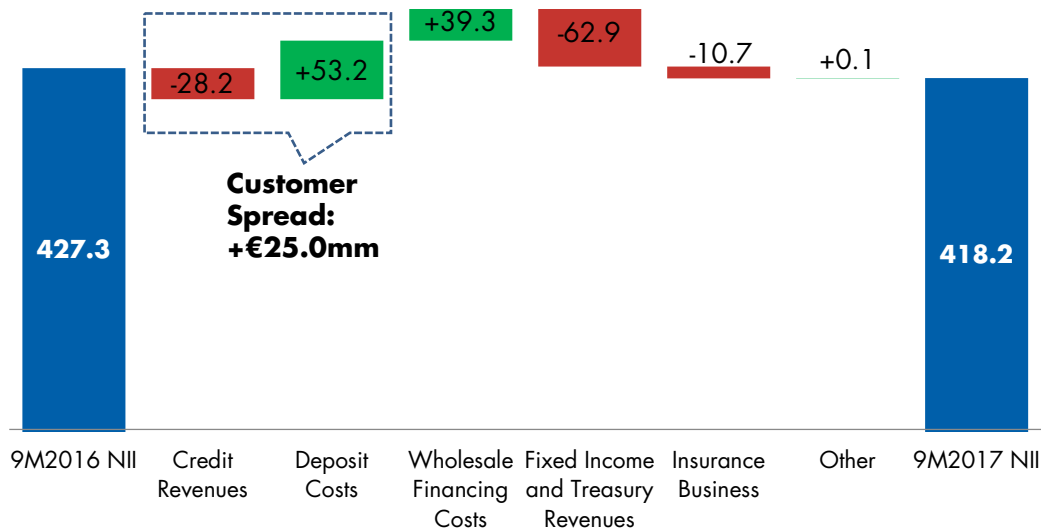
P&L ACCOUNT · NET INTEREST INCOME · CUSTOMER SPREAD · NET FEE INCOME · RECURRING REVENUES · OPERATING COSTS · PROVISIONS · PROFIT BEFORE TAXES

# P&L ACCOUNT

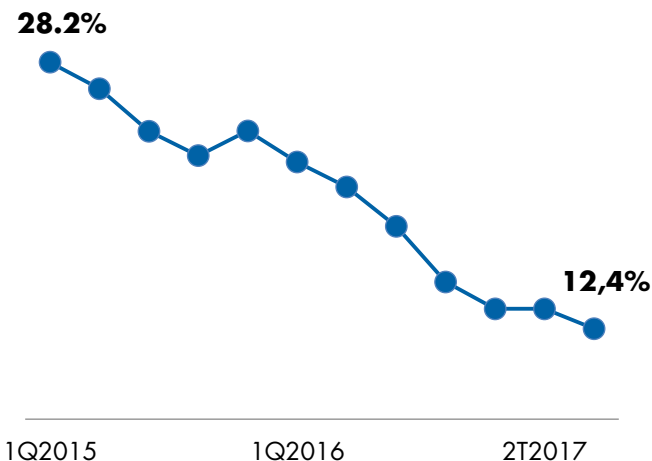
€mm	9M2016	9M2017	YoY
<b>Net Interest Income</b>	<b>427.3</b>	<b>418.2</b>	<b>-2.1%</b>
<b>Net Fee Income</b>	247.6	268.6	8.5%
<b>Trading Income</b>	148.4	58.2	-60.8%
<b>Other Operating Inc. / Exp. (Net)</b>	80.9	13.9	-8.8%
of which: net gain from sale of the real estate servicer	69.3		
<b>Gross Operating Income</b>	<b>904.3</b>	<b>759.0</b>	<b>-16.1%</b>
<b>Operating Costs</b>	-465.6	-548.3	17.8%
of which: 2017 redundancy plan		-71.6	
<b>Pre-Provision Profit</b>	<b>438.6</b>	<b>210.7</b>	<b>-52.0%</b>
<b>Total Provisions</b>	-286.8	-98.0	-65.8%
<b>Other Gains and Losses</b>	-1.2	-0.3	-79.0%
<b>Profit before Taxes</b>	<b>150.6</b>	<b>112.4</b>	<b>-25.4%</b>
<b>Taxes &amp; Minorities</b>	-40.8	-31.6	-22.5%
<b>Net Profit Attributable to Shareholders</b>	<b>109.8</b>	<b>80.7</b>	<b>-26.5%</b>
Profit before Taxes ex 2017 redundancy plan	150.6	184.0	22.2%
Net Profit ex 2017 redundancy plan	109.8	132.1	20.4%

# NET INTEREST INCOME

Net Interest Income Breakdown - €mm



Fixed Income Revenues % Interest Income



## Net interest income falls 2.1% YoY:

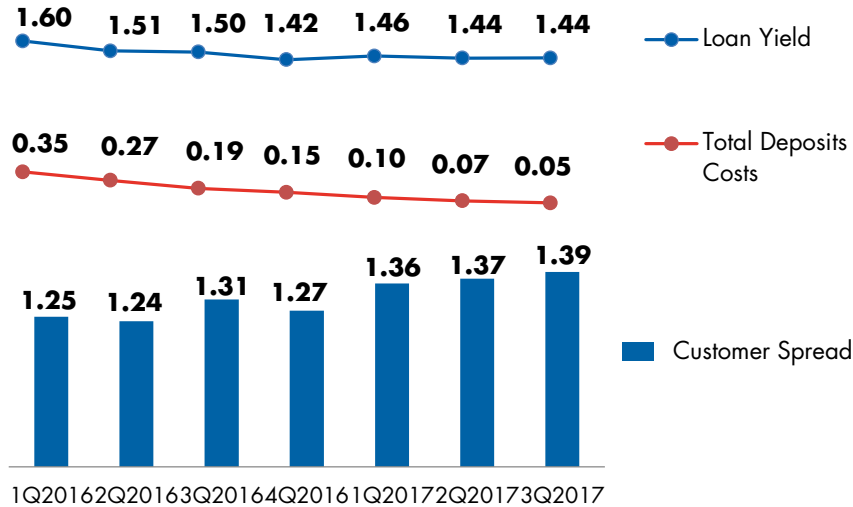
- **Customer spread** rises **€25mm** thanks to the fall in deposits costs.
- **Wholesale financing costs** decrease **€39mm** after CoCos repayment.
- **Fixed income portfolio revenue** drop **49% YoY**. These revenues represent just 12% of interest income vs. 17%<sup>1</sup> for the peers average in the 3Q standalone.

## Net interest income as % of ATA improves 2 b.p. to 1.0%

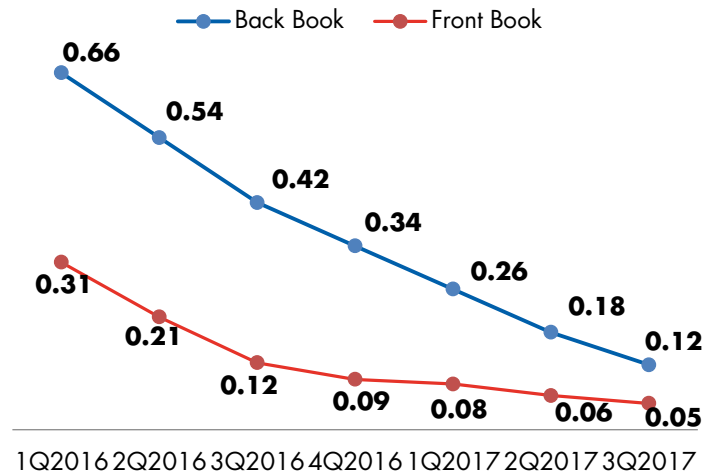


# CUSTOMER SPREAD

Customer Spread - %



Time Deposits Costs - %

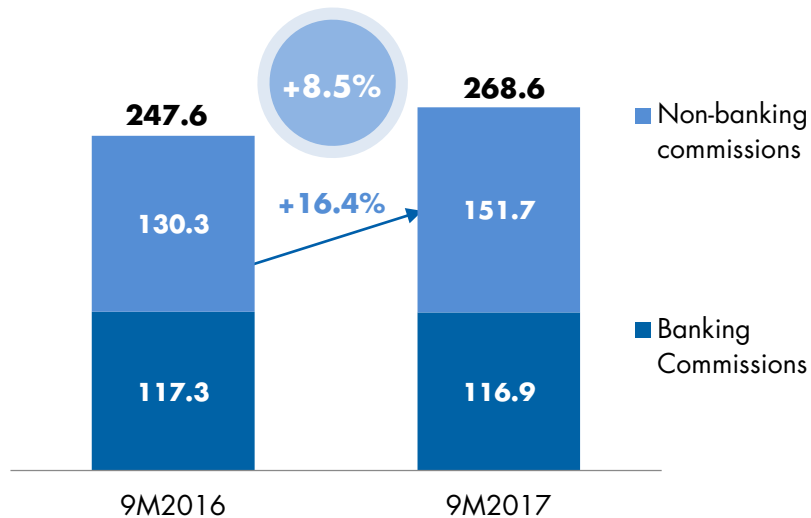


## Customer spread improves 12 b.p. YTD

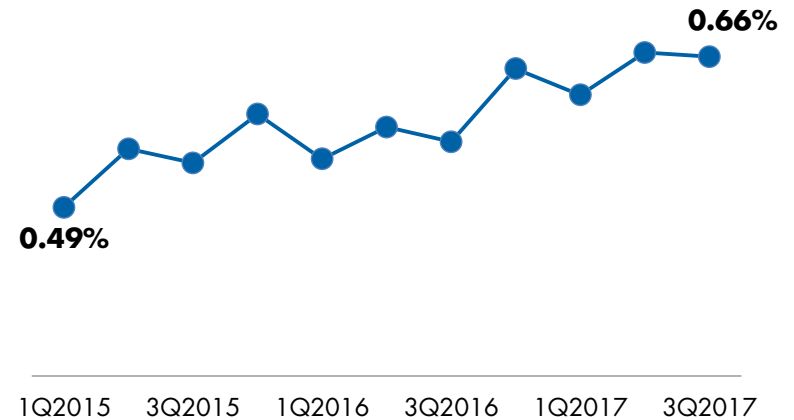
- **Loan yield** remains **stable at 1.4%** thanks to the attractive yield of the new operations (2.2% in 3Q2017) that offsets falling Euribor (-9 b.p. YTD).
- **Total deposit costs continue to fall** thanks to the increase of current accounts as % of total deposits (76% total customer deposits) and the decline in front book time deposits costs.

# NET FEE INCOME

Net Fee Income - €mm



Net Fee Income - % ATA

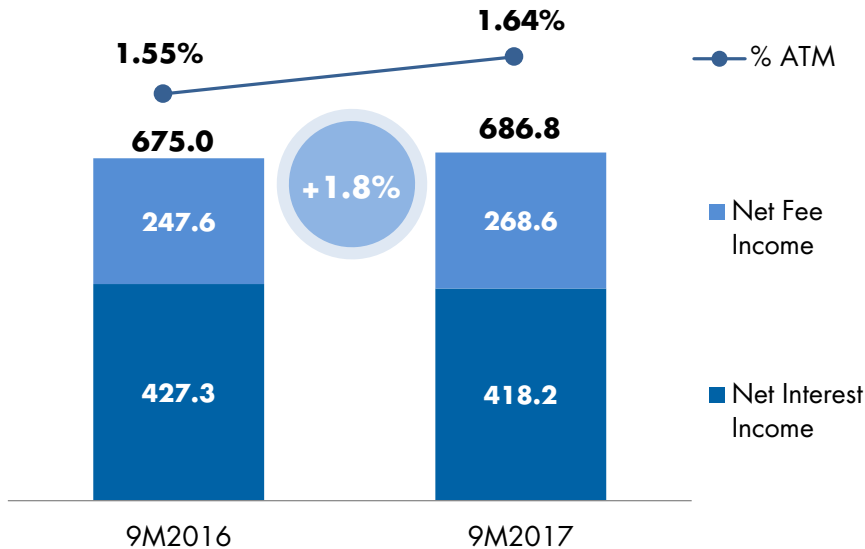


## Net fee income grows 8.5% YoY.

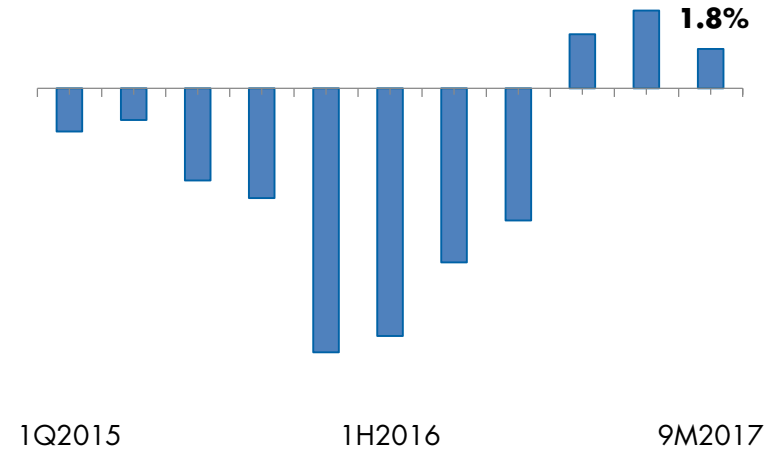
- **Non-banking commissions** (mutual funds, risk insurance and pension funds) rise **16.4% YoY**. **Mutual funds commissions** increase **21.7% YoY**.
- **Banking commissions** rise **0.2% YoY** not taking into account the termination of the servicer contract with SAREB (vs. -0.4% reported)

# RECURRING REVENUES (1/2)

Recurring Revenues - €mm



Recurring Revenues - Accumulated YoY

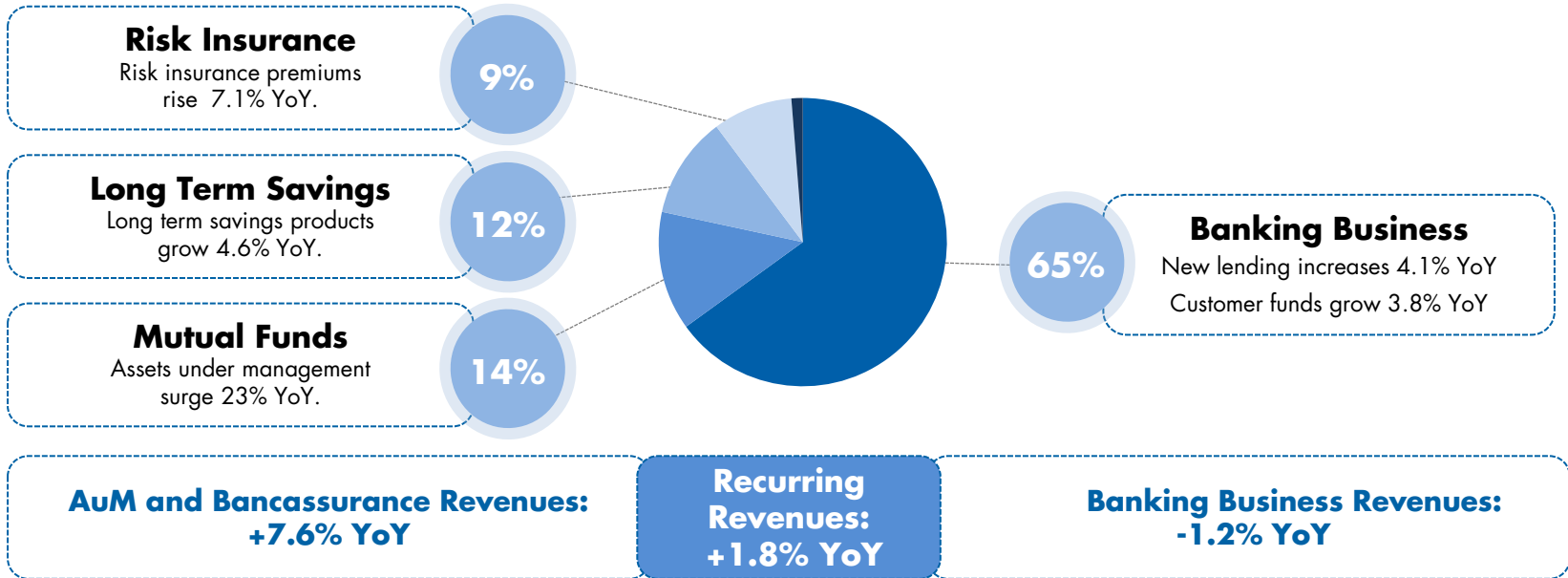


## Ibercaja Banco consolidates the turning point in recurring revenues:

- Recurring revenues grow **1.8% YoY**.
- Recurring revenues as % **ATA** improve **10 b.p.**

# RECURRING REVENUES (1/2)

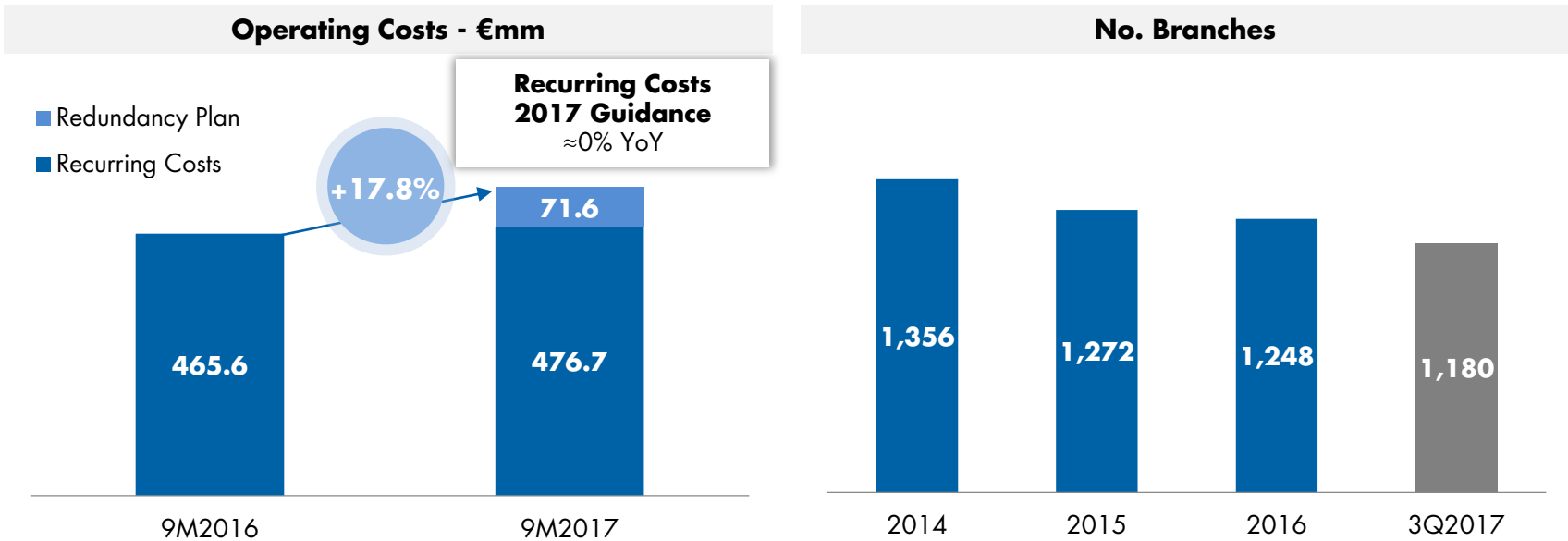
Contribution to Recurring Revenues (Net Interest Income + Net Fee Income) – % 9M2017



After the fall suffered in 2015 and 2016, stronger commercial activity and business diversification through Grupo Financiero Ibercaja (100% owned by Ibercaja Banco) allow for growing recurring revenues in YoY terms.



# OPERATING COSTS



## Recurring costs grow 2.4% YoY.

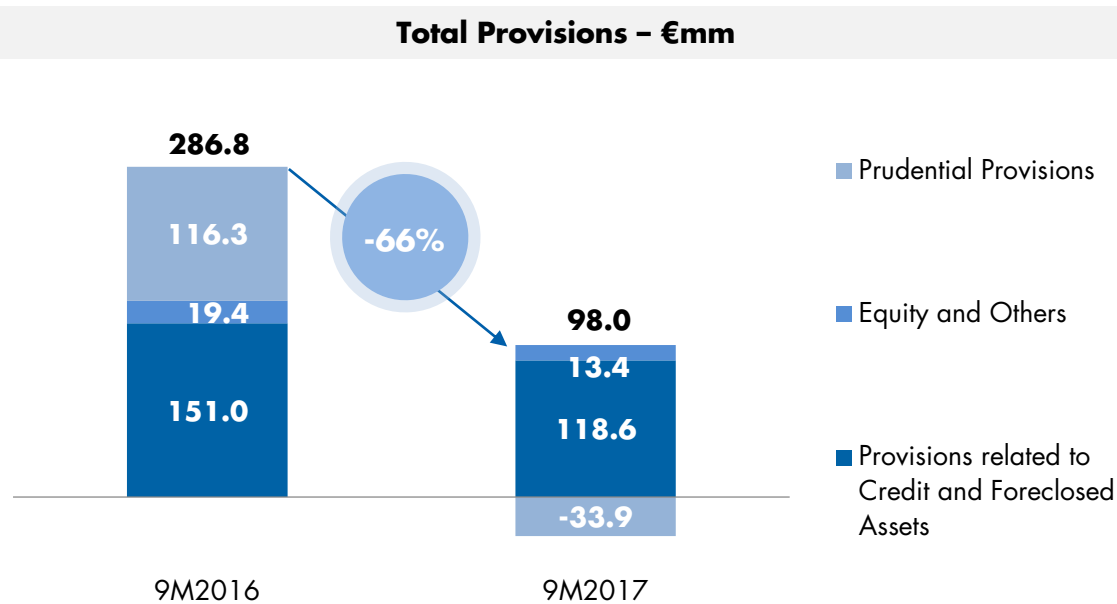
- Ibercaja Banco reiterates its guidance of **stable recurring costs in 2017 (≈0% YoY)**

**Total operating costs rise 17.8% YoY due to the accounting of the extraordinary expenses related to first tranche of the redundancy plan announced in May. The agreement will allow Ibercaja to reduce its cost structure by 11%.**

## Ibercaja Banco has started to implement the adjustment measures in 3Q:

- The Bank has closed **68 branches**, which represent **5% of the network**.
- Workforce has been reduced by **143 employees**, representing **2.5% of total employees**.

# PROVISIONS



**Total provisions plummet 66% YoY.**

**Provisions related to credit and foreclosed assets fall 21.5% YoY.**

- **Cost of risk** stands at **45 b.p.** in line with the Strategic Plan target.

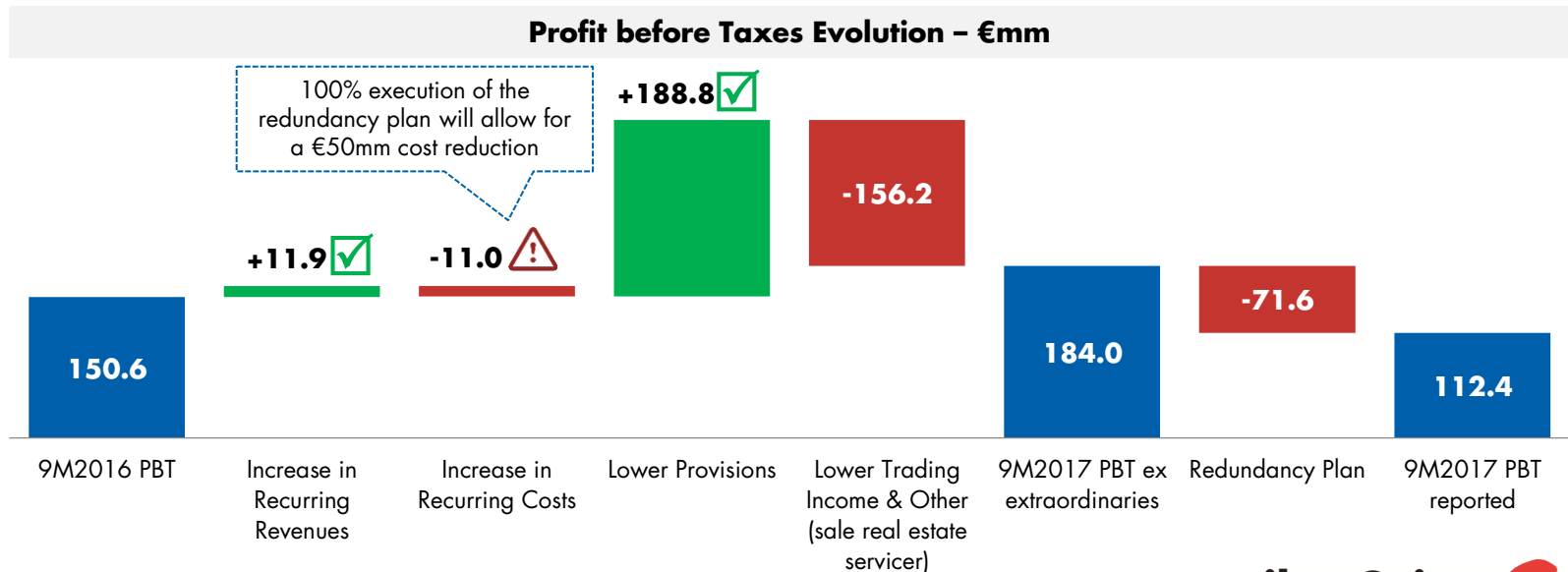
# PROFIT BEFORE TAXES

The impact of extraordinary expenses related to the redundancy plan drags out profits evolution.

- **Adjusted profit before taxes** grows **22.2% YoY**.

The Bank reaches positive developments in the three main levers to improve the recurring profitability:

- **Growing recurring revenues and falling total provisions** boost the profit before taxes by **€201mm**.
- Current recurring costs remain stable in 2017 and the Bank has reached an agreement **to reduce its cost structure** by up to **11%**



# **ASSET QUALITY, LIQUIDITY AND SOLVENCY**



# ASSET QUALITY (1/3)

**Non-performing assets (doubtful exposures and foreclosed assets) fall 10.9% YTD or €526mm.**

- **Doubtful exposures** decrease **13.8%** YTD or €430mm thanks to Fleta transaction. NPL ratio falls to 7.9% vs. 8.6% of the sector. **Stock of foreclosed assets** drops **5.6%** or €96mm.

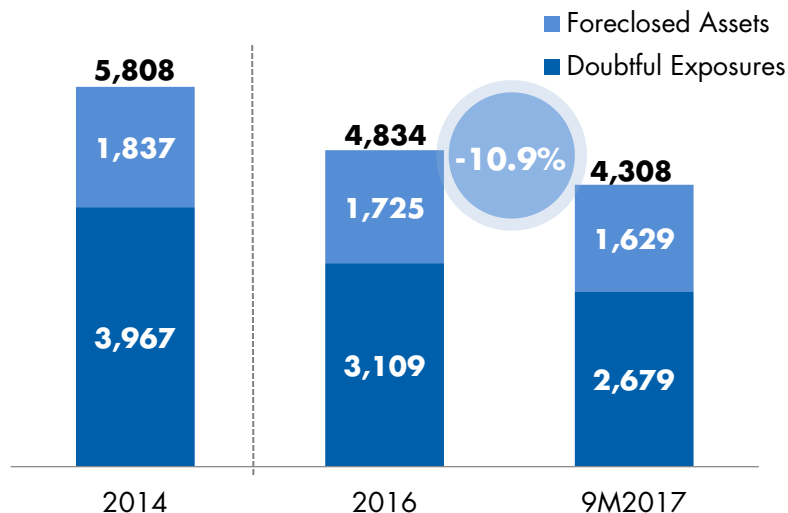
**Since the launch of the 2015-2017 Strategic Plan, non-performing assets have fallen €1,496mm or 25.8%.**

**NPA ratio<sup>1</sup> falls 120 b.p. to 12.3%.**

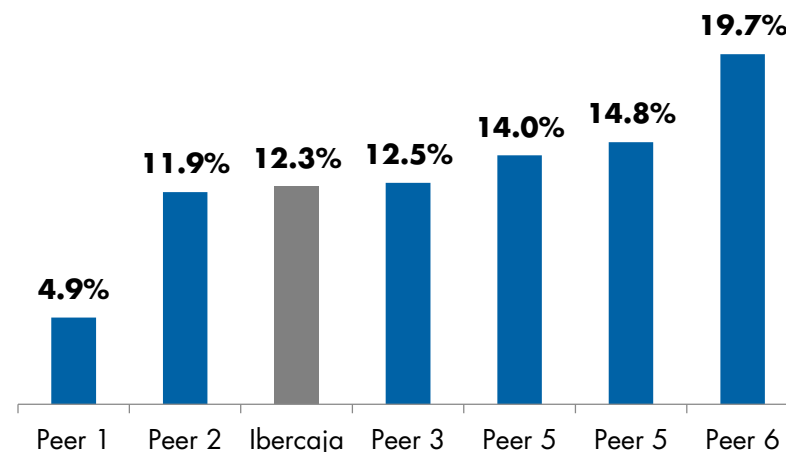
**Coverage ratio of non-performing assets stands at 46%.**

- **Doubtful exposure coverage ratio** stands at **41%** and **foreclosed assets coverage ratio** is **54%**.

**Non-performing assets – €mm**



**NPA Ratio<sup>1</sup> – %**

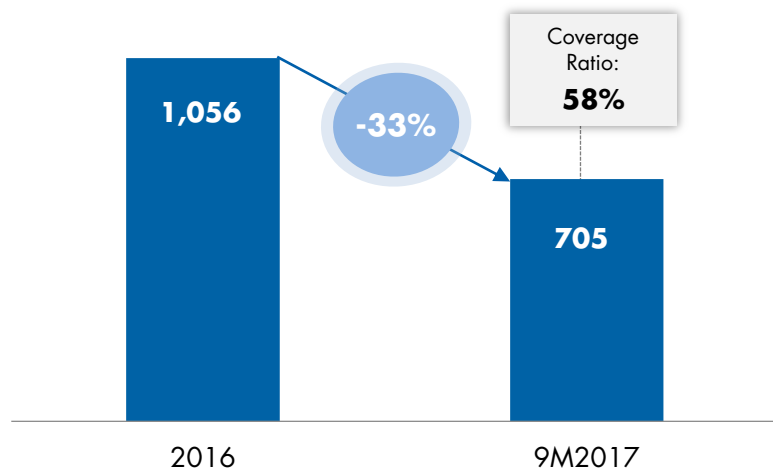


# ASSET QUALITY (2/3)

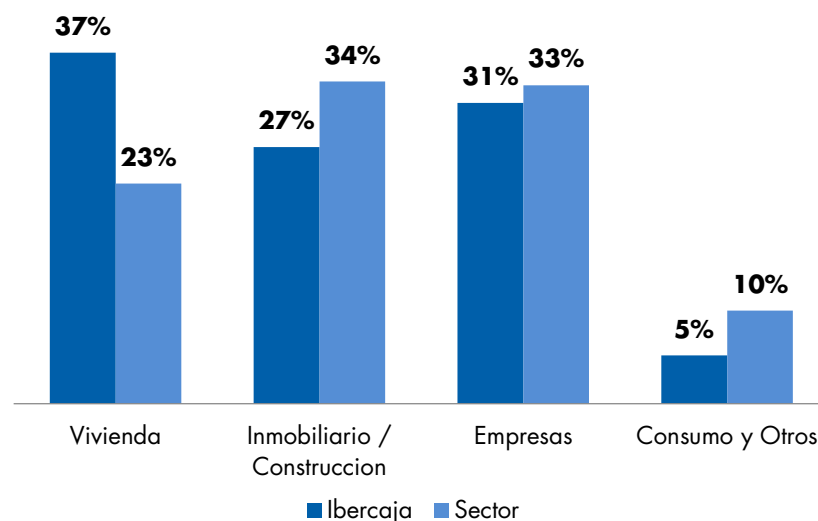
Since the launch of the 2015-2017 Strategic Plan, Ibercaja Banco has closed two wholesale transactions, Fleta & Goya, which have allowed for a reduction in the stock of real estate NPL above €1,100mm.

- As result of Fleta transaction, **doubtful real estate loans** drop **33%** YTD or €351mm.
- These transactions minimize **net exposure to doubtful real estate loans** to just **1%** of total loans thanks to the coverage level reached in the rest of real estate loans.
- The weight of real estate NPL falls to just 27% of total NPL. The weight of **residential mortgages NPL** increases to **37%** of total NPL, significantly above the sector (22%).

Real Estate NPL – €mm gross



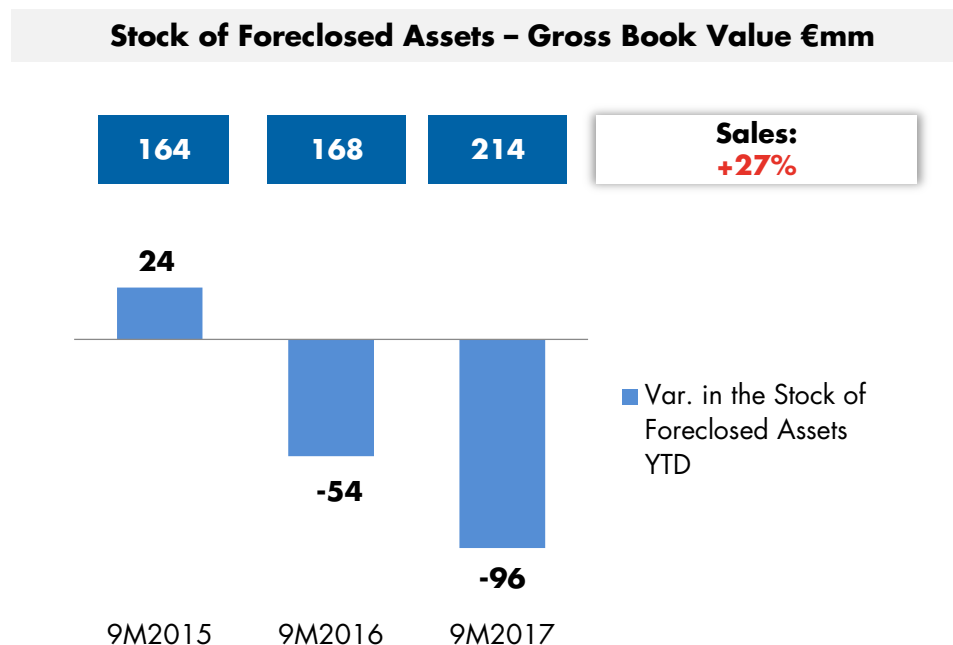
Gross NPL Distribution<sup>1</sup> – %



# ASSET QUALITY (3/3)

**Strong acceleration in the reduction of the stock of foreclosed assets due to the increase in sales (27% YoY) and the reduction in entries (-15% YoY).**

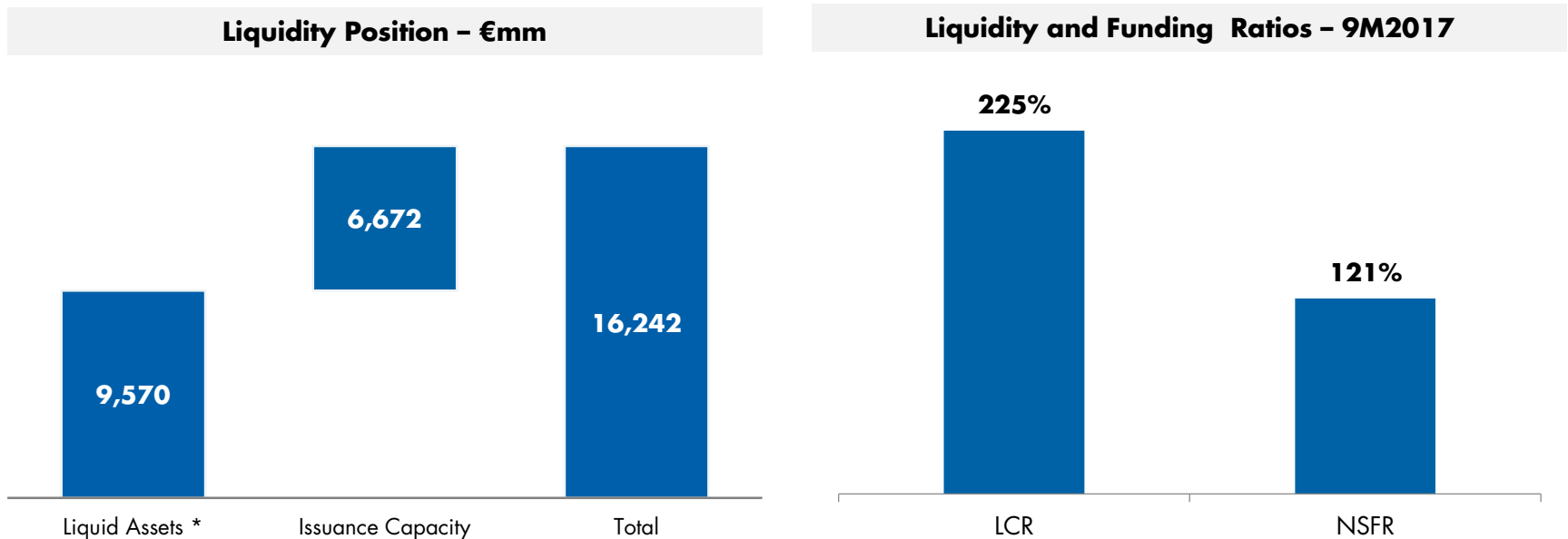
- Ibercaja Banco releases **€12mm of provisions** thanks to the strong coverage levels reached.
- **Land sales** amount to **€59.2mm YTD**, +41% vs. same period of the previous year.



# LIQUIDITY AND SOLVENCY (1/4)

## Sound liquidity position:

- **Available liquid assets** reach **€9,570mm** (18% of total assets), while the covered bond issuance capacity stands at €6,670mm. As a result, Ibercaja Banco has an **available liquidity position that surpasses €16,200mm or 30% of total assets**.
- Regulatory liquidity and funding ratios (LCR and NSFR) comfortably above minimum requirements.

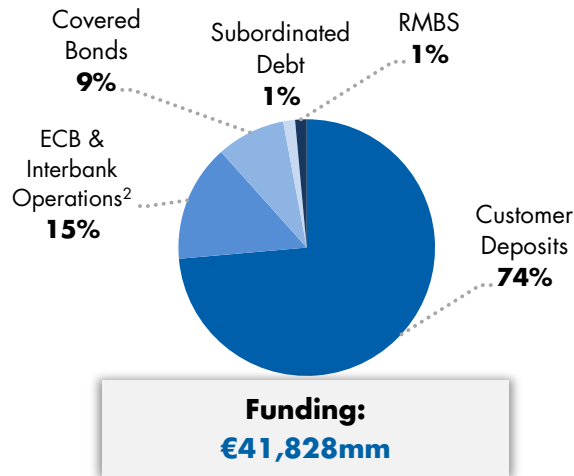


# LIQUIDITY AND SOLVENCY (2/4)

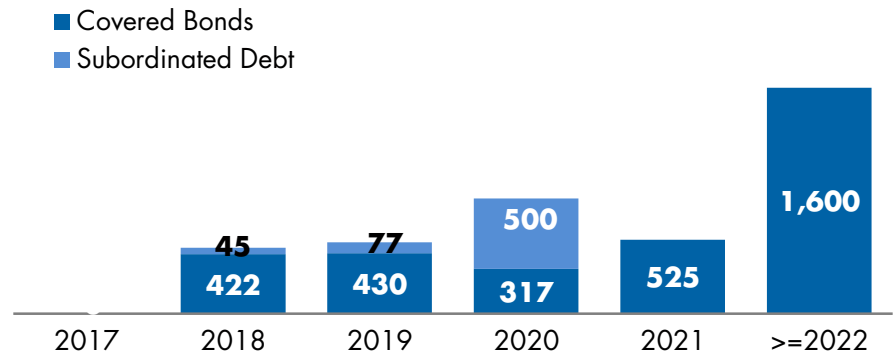
## No changes in the funding structure of the bank:

- **Loan to deposits ratio** stands at **98.6%**<sup>1</sup>.
- **Customer deposits** represent **74% of total funding**.
- ECB: €3,372mm (6% of assets), 100% TLTRO II.
- **No significant concentration** in institutional funding **maturities** (<2% of assets every year).

Funding Structure - 9M2017



Maturity Profile - €mm



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

<sup>2</sup>Includes long term financing from institutional banks such as ICO and EIB

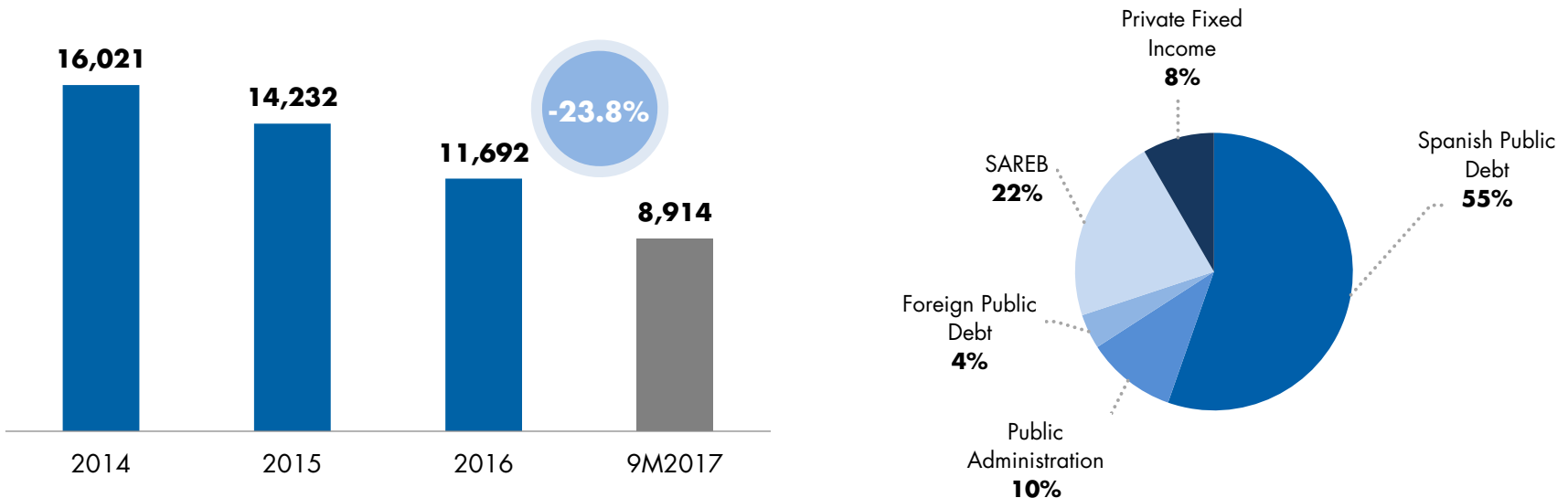
# LIQUIDITY AND SOLVENCY (4/4)

Fixed income portfolio falls 23.8% YTD. Since 2014, this portfolio has fallen 44% or 7,107mm.

The portfolio has a low risk profile, with a substantial weight of Spanish sovereign debt.

- **Average duration** of **3.7 years**<sup>1</sup>.
- **Average yield** stands at **1.2%** ex SAREB (0.9% including SAREB bonds).
- **Held to maturity** represents **45%** of the portfolio.

Fixed Income Portfolio<sup>2</sup> – €mm



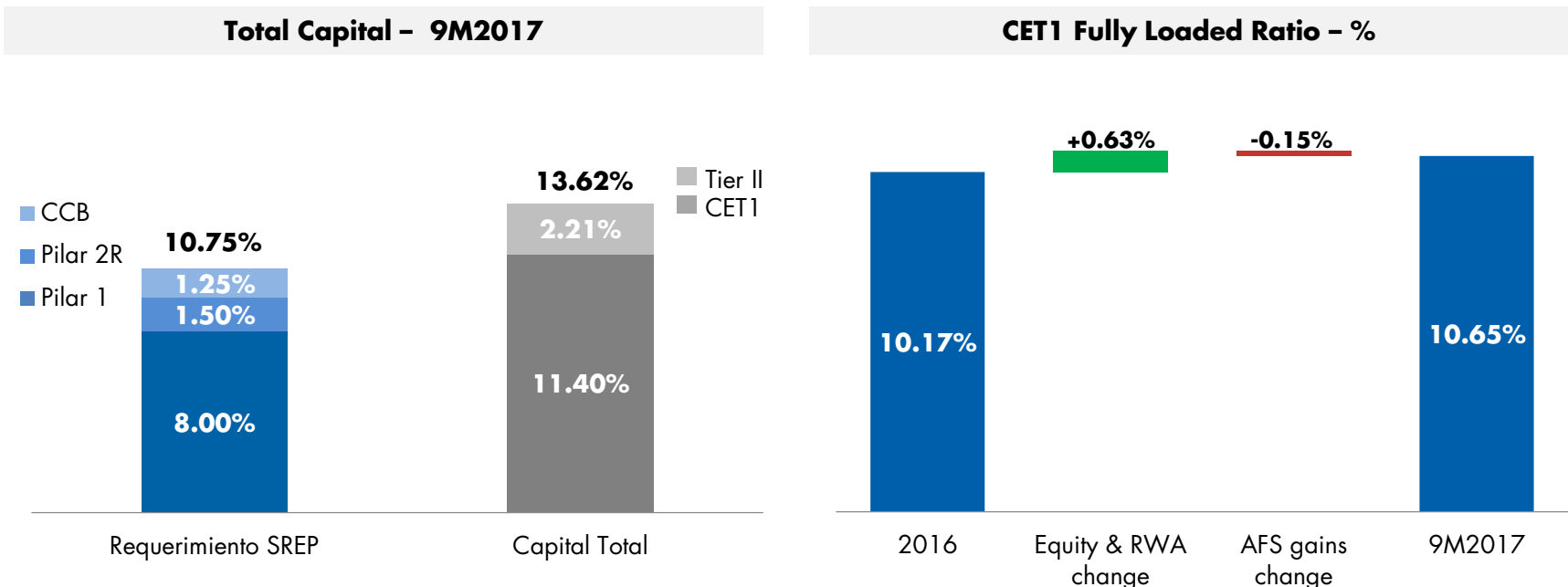
# LIQUIDITY AND SOLVENCY (4/4)

**CET1 Phased In ratio stands at 11.4% and Total Capital ratio reaches 13.6%, significantly above SREP requirements (7.25% and 10.75%, respectively).**

- **RWA / TA** ratio stands at **42.2%** applying **standard methodology** calculation in for every portfolio.

**Leverage ratio reaches 5.3%.**

**CET1 Fully Loaded ratio stands at 10.6%, +48 b.p. YTD.**





# 2017 GUIDANCE



# 2017 GUIDANCE

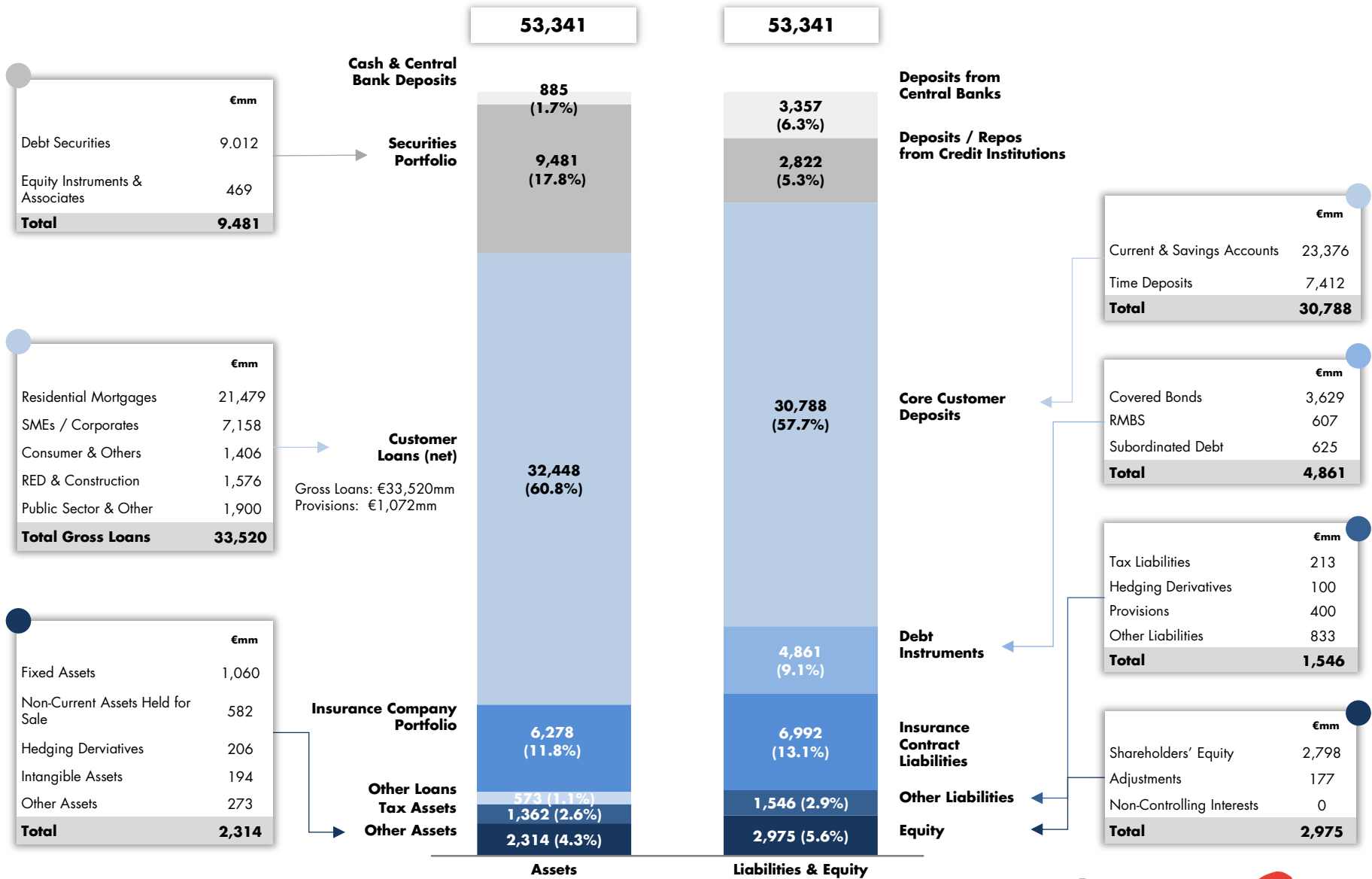
Ibercaja Banco reiterates its 2017 guidance.

	Recurring Revenues (Net Interest Income+ Net Fee Income)	Recurring Operating Costs	Cost of Risk
	>0% YoY	≈0% YoY	< 50 b.p.
	+1.8% YoY	+2.4% YoY	45 b.p.
	Turning point in revenues in 2017	Ibercaja Banco reiterates its guidance of stable recurring costs	Cost of Risk in line with the Strategic Plan target

# ANNEX 1

## CONSOLIDATED BALANCE SHEET

# CONSOLIDATED BALANCE SHEET





**CONTACT**

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