

## 1Q2018 RESULTS

# **IBERCAJA OBTAINS A NET PROFIT OF 22.6 MILLION EUROS AND INCREASES ITS CUSTOMER FUNDS BY 3%**

- Recurring income grew by 2.8% thanks to the continued dynamism of activity with customers and the diversification through the Financial Group
- The Bank has recorded extraordinary expenses amounting to 55.5 million euros in relation to implementation of the second tranche of the redundancy plan approved in May 2017. Excluding the impact of this measure, profit before taxes would have increased 81% year-on-year to 90.4 million euros
- Customer funds increased to 56,747 million euros (+3.1% year-on-year), driven especially by the asset management and life insurance activity, whose balance increases to 25,979 million (+7.1% year-on-year)
- The volume of managed mutual funds registered a year-on-year increase of 12.4%, exceeding the 12,500 million euros of total assets
- The balance managed in pension funds stands at 6,297 million euros, 1.6% more than in March 2017, with Ibercaja Pension having received the recognition as "Best National Pension Management Company" from Expansión-Allfunds for the third consecutive year
- The Bank formalised 1,319 million euros in new loan operations in the quarter (70% of the total was granted to companies), which represents an increase of 9.7% year-on-year
- Non performing assets (doubtful + foreclosed assets) have been reduced by 13.7% with respect to March 2017 or 651 million euros. The coverage ratio of the non performing assets stands at 52% after the application of IFRS9.
- CET1 Phased In ratio stands at 11.7%, and the Total Capital Phased In ratio stands at 15.4%, reinforced by the issuance of 350 million euros in AT1 capital at the end of March and far exceeding the SREP 2018 requirements. CET1 Fully Loaded In ratio improves 16 basis points over the quarter and reaches 10.7%
- In March, the Bank launched its new 2018-2020 Strategic Plan, which sets a CET1 Fully Loaded ratio 11.5%, a 45% NPA reduction, a cost to income ratio of less than 55% and a level of ROTE greater than 9% at the end of this cycle as the main financial targets.

ZARAGOZA.- Ibercaja obtained a net profit of 22.6 million euros in the first quarter of 2018, in a context of historically low interest rates and strong competition in the sector, thanks to the continued dynamism of the activity with customers, both in customers funds (+ 3.1%) and their diversification (46% of the total are now mutual funds, pension funds and life insurance products), and the new loans operation granted (+ 9.7%). As a result of the impact of the second tranche of the redundancy plan initiated in 2017 (55.5 million euros), the net result was

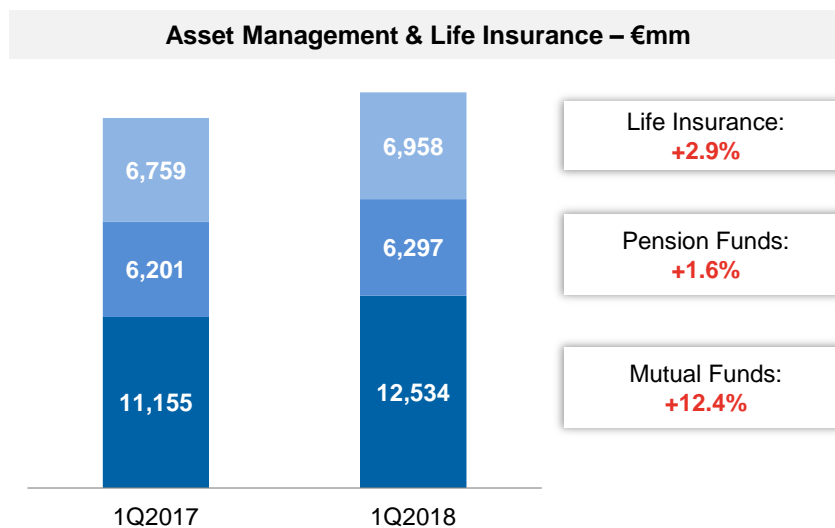
40.2% lower than that recorded between January and March 2017. Excluding the impact of this measure, profit before taxes would have increased 81% year-on-year to 90.4 million euros

**Asset management continues to drive the growth of customer funds**

Total customer funds managed by Ibercaja stood at 56,747 million euros in March 2018, 1.698 billion more than at the end of the first quarter of 2017, representing a year-on-year growth of 3.1%.

As in recent quarters, asset management and life insurance products have been the main drivers of this performance, with growth of 7.1% year-on-year to 25,979 million euros. This volume already represents 46% of total customer funds, which constitutes a relevant competitive advantage in the current context of low interest rates and, given the demographic coordinates, the potential development of long-term savings in Spain in upcoming years.

Once again, mutual funds lead this growth, with a year-on-year increase of 12.4%, standing at over 12.500 million euros, equivalent to a market share of 4.7%.



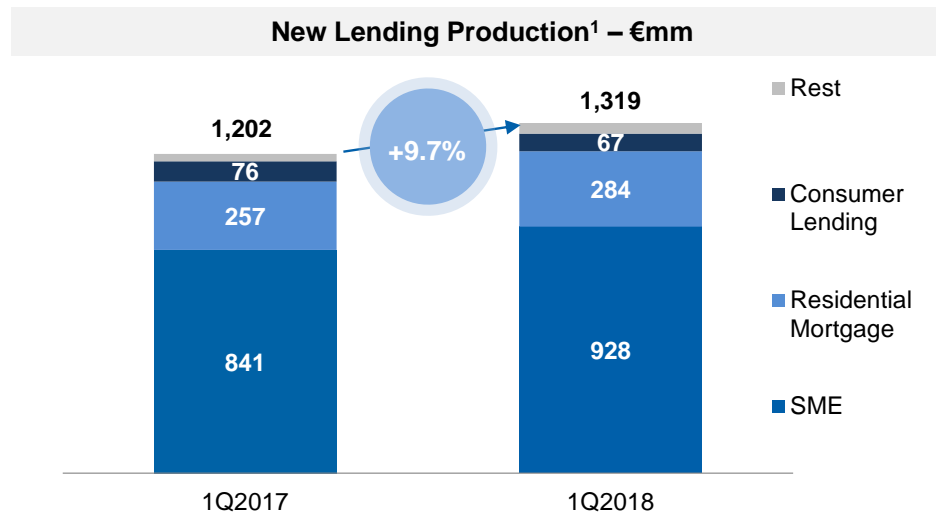
The balance managed in pension funds stands at 6,297 million euros, 1.6% more than at the end of the first quarter of 2017, which represents a market share of 5.7%. For the third year in a row, Ibercaja Pensión has received the recognition as "Best National Pension Management Company" from Expansión-Allfunds. Meanwhile, life insurance products increased by 2.9% year-on-year to 6,958 million euros, which represents a market share of 3.8%.

Risk insurance premiums (life risk and non-life) show a remarkable performance, with a growth of 10.8% year-on-year. In particular, in the field of non-life insurance, the dynamism of agricultural insurance (+92%), payment protection (+89%) and civil liability insurance (+28.5%) should be noted.

In line with the performance of past quarters, current accounts continue to gain weight within total deposits, with a growth of 14% to 24,619 million euros, already representing 80% of the aggregate base of deposits.

### Financing for companies accounts for 70% of the total new lending

Ibercaja granted 1,319 million euros in new lending during the first quarter of 2018, 9.7% more than between January and March 2017. 70% of this amount (928 million euros) has been granted to SMEs, a strategic segment in the 2018-2020 Strategic Plan. Within the financing of companies and the self-employed, the dynamism of leasing and renting operations is noteworthy, increasing by 43% year-on-year



Furthermore, the accumulated financing of the working capital of companies has increased by 13.8% year-on-year, exceeding 1,600 million euros. Within this item, financing to foreign trade shows a significant increase of 20% compared to the first quarter of 2017.

The consolidation of the reactivation of the real estate market in Spain is reflected in the rebound of financing for new real estate developments, which is up 35% year-on-year in this first quarter of the year, and the 10% increase in the formalisation of new individual mortgages for house purchases, a segment in which the Bank has historically been a specialist.

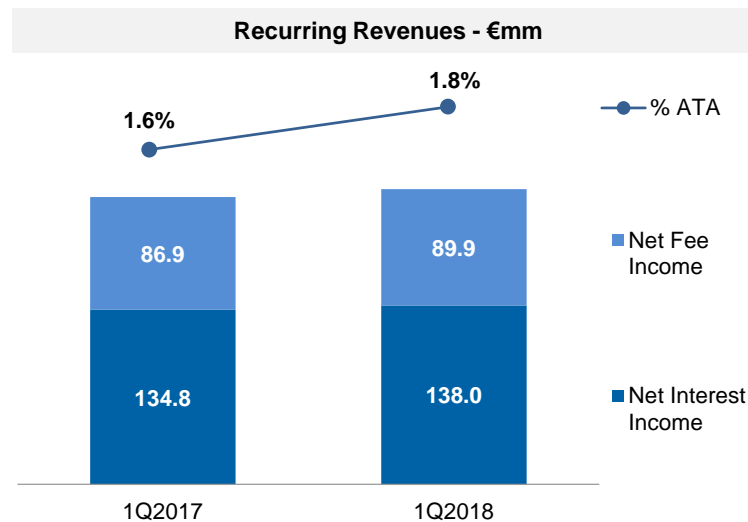
Overall, the amount of performing loans (excluding temporary acquisition of assets) decreased by 1.1% compared to March 2017, although the strength of financing to companies, whose balance grew by 7.2% (+7.7% for non-real estate companies and +3.8% for real estate developers) and the renewed momentum of the financing of mortgages for housing purchases, allow Ibercaja to anticipate a gradual stabilisation of the portfolio in the coming quarters.

### Recurring revenues grow 2.8% year-on-year

Net interest income amounts to 138 million euros, 2.4% more than that corresponding to the first quarter of 2017, thus breaking the downward trend of the last quarters derived from the context of low interest rates.

Meanwhile, net commissions grew by 3.4% year-on-year to 89.9 million euros, driven by the asset management and insurance business (+6.1%), which represent 57% of total Bank's commissions, while banking commissions remain stable.

Overall, recurring revenues (net interest income + net fee income) reached 227.9 million euros at the end of March 2018, 2.8% more than in the first quarter of 2017, thus consolidating the upwards trend in the profitability of the Bank's retail business, which began in 2017.



Operating costs increased by 25.2% in this first quarter due to the inclusion of 55.5 million euros of extraordinary expenses corresponding to the second tranche of the redundancy plan agreed to by a majority of worker representatives in the May 2017. This agreement makes it possible for the Bank to reduce its expense structure by up to 11% over the next quarters. Excluding the effect of the redundancy plan expenses, operating expenses decreased by 9.5% year-on-year.

Recurring profit before provisions (net interest income + fees - recurring expenses) grew 35% year-on-year to 83 million euros. As % of ATM, recurring profit before provisions improves by 20 basis points compared to March 2017.

Provisions in the quarter fell by 79% compared to the same period of 2017, as a result of the improvement in the economic situation, the active management of non-performing assets being made by the Bank and the levels of coverage achieved after the provisioning effort made in previous years.

The Bank's after-tax profit stands at 22.6 million euros, 40.2% less than in the first quarter of 2017, largely as a result of the significant impact of the redundancy plan on operating expenses (55.5 million euros) this quarter. Excluding the impact of this measure, profit before taxes would have increased 81% year-on-year to 90.4 million euros

### Coverage ratio of non performing assets has improved

The volume of non performing assets (doubtful + foreclosed assets) has fallen by 2.1% compared to December 2017, now standing at 4,089 million euros. Since 1Q2017, non performing assets have been reduced by 13.7% or 651 million euros. Compared to December 2017, the balance of doubtful exposures has decreased by 2.5% (65 million euros) and the default rate has reduced by 10 basis points this quarter to 7.6%. The balance of repossessed

assets has reduced by 1.4% (22 million euros). The sales of foreclosed assets this quarter reached 68 million euros, releasing 5 million euros of provisions.

Following the application of IFRS9, coverage ratio of the Bank's non performing assets is 52%, 49% in the case of doubtful exposures and 56% in foreclosed assets.

### **Strengthening solvency: issuance of 350 million euros of AT1 capital**

In March 2018, the CET 1 solvency ratio (Phase In) stood at 11.7%. Total Capital ratio (Phase In) amounted to 15.4% and improves more than 150 basis points over the quarter. This strengthening of Ibercaja's solvency is explained, to a large extent, by the issuance of 350 million euros in preference shares, additional Tier 1 capital (AT1), which was completed at the end of March, demonstrating Ibercaja's ability to access the wholesale markets. This solvency levels far exceeds the SREP requirements for 2018 (8.125% and 11.625%, respectively)

At the end of the first quarter, the CET 1 solvency ratio (Fully Loaded) was 10.7%, which is 16 basis points higher than at the end of 2017.

Available liquid assets and the capacity to issue covered bonds give Ibercaja a robust liquidity position, which exceeds 16,700 million euros, equivalent to 32% of the assets.

### **2018 - 2020 New Strategic Plan: focus on transformation and profitability**

Ibercaja presented its new 2018 - 2020 Strategic Plan in March, with three main financial objectives: achieve a CET1 Fully Loaded ratio of 11.5%, a cost to income ratio of less than 55% and an ROTC level of more than 9% at the end of 2020. Additionally the Bank aims to reduce its stock of non performing assets by 45%.

To achieve these goals, the Bank has structured a work plan into three major programmes (customer, value and transformation), which will be deployed over these three years, with the purpose of turning Ibercaja into the best bank in the country in terms of the most satisfied customers and commercial effectiveness.

## 1Q2018 Main Figures

### P&L Account

€mm	1Q2017	1Q2018	YoY
<b>Net Interest Income</b>	<b>134.8</b>	<b>138.0</b>	<b>2%</b>
<b>Net Fee Income</b>	86.9	89.9	3%
<b>Trading Income</b>	76.0	25.0	-67%
<b>Other Operating Inc. / Exp. (Net)</b>	12.3	5.7	-53%
<b>Gross Operating Income</b>	<b>310.0</b>	<b>258.6</b>	<b>-17%</b>
<b>Operating Costs</b>	-160.1	-200.5	25%
of which: Recurring Costs	-160.1	-145.0	-9%
of which: Redundancy Plan		-55.5	
<b>Pre-Provision Profit</b>	<b>149.8</b>	<b>58.1</b>	<b>-61%</b>
<b>Total Provisions</b>	-107.0	-22.3	-79%
<b>Other Gains and Losses</b>	7.1	-1.0	n/a
<b>Profit before Taxes</b>	<b>49.9</b>	<b>34.8</b>	<b>-30%</b>
<b>Taxes &amp; Minorities</b>	-12.2	-12.3	1%
<b>Net Profit Attributable to Shareholders</b>	<b>37.7</b>	<b>22.6</b>	<b>-40%</b>
<b>Profit before Taxes excluding Redundancy Plan</b>	<b>49.9</b>	<b>90.4</b>	<b>81%</b>

### Commercial Activity & Balance Sheet

€mm	1Q2017	1Q2018	YoY
<b>Customer Funds</b>	<b>55,048</b>	<b>56,747</b>	<b>3%</b>
"Core" deposits	30,796	30,767	0%
Asset Management & Life Insurance	24,253	25,979	7%
<b>Gross Lending</b>	<b>33,977</b>	<b>33,075</b>	<b>-3%</b>
of which performing loans ex REPO	29,977	29,633	-1%
of which doubtful loans	3,007	2,501	-17%
<b>New Lending Production</b>	<b>1,202</b>	<b>1,319</b>	<b>10%</b>
of which companies	841	928	10%
of which residential mortgages	257	284	10%
of which consumer lending	76	67	-12%
<b>Total Assets</b>	<b>56,601</b>	<b>52,004</b>	<b>-8%</b>