

## 1H 2018 RESULTS

# **IBERCAJA OBTAINS A NET PROFIT OF 39.3 MILLION EUROS AND INCREASES CUSTOMER FUNDS BY 4%**

- Recurring revenues stand at 464.2 million euros, representing a growth of 1.2%, thanks to the continued dynamism of the activity with customers and diversification through the Financial Group
- Customer funds increased to 57,925 million euros (+4% year-on-year), driven especially by asset management and life insurance products, whose volume increased to 26,417 million euros (+ 6.1% year-on-year)
- The volume of managed mutual funds registered a year-on-year increase of 8.2% to 12,700 million euros, the balance of pension funds amounted to 6,794 million euros, 1.8% more than in June 2017, and life insurance products, with a 5% growth compared to the same period of the previous year, exceeds 7,100 million euros
- The Bank formalised 2.869 million euros in new loans operations in the semester (69% of the total for productive activities), which represents an increase of 5.1% year-on-year
- Non-performing assets (doubtful exposures + foreclosed assets) decreased by 15.1% year-on-year (707.5 million euros), with a coverage ratio of 52.4%
- Total provisions have fallen by 46% year-on-year and the cost of risk stands at 45 basis points in line with the annual target of 50 basis points
- The CET1 Phased In ratio stands at 11.6% and the Total Capital Phased In ratio stands at 15.4%, far exceeding the 2018 SREP requirements; the CET1 Fully Loaded ratio remains stable this year at 10.5%
- The Bank launched its new 2018 - 2020 Strategic Plan in March targeting CET1 fully loaded ratio of 11.5% at the end of this cycle, a reduction in non-performing assets of 45%, an efficiency ratio under 55% and a ROTE level higher than 9%

Zaragoza, 30 July 2018.- Ibercaja obtained a net profit of 39.3 million euros in the first half 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 customer funds (+4% year-on-year) and their diversification (46% of the total are now mutual funds, pension funds and life insurance products), and the new loans granted (+5.1% year-on-year). Recurring profit before provisions increased to 158.6 million euros, 16% year-on-year, which represents an improvement of 12 basis points over average total assets (ATM) to 0.6%. This increase is driven by higher recurring revenues, which grew by 1.2% year-on-year, as well as the 5.1% decrease in recurring expenses.

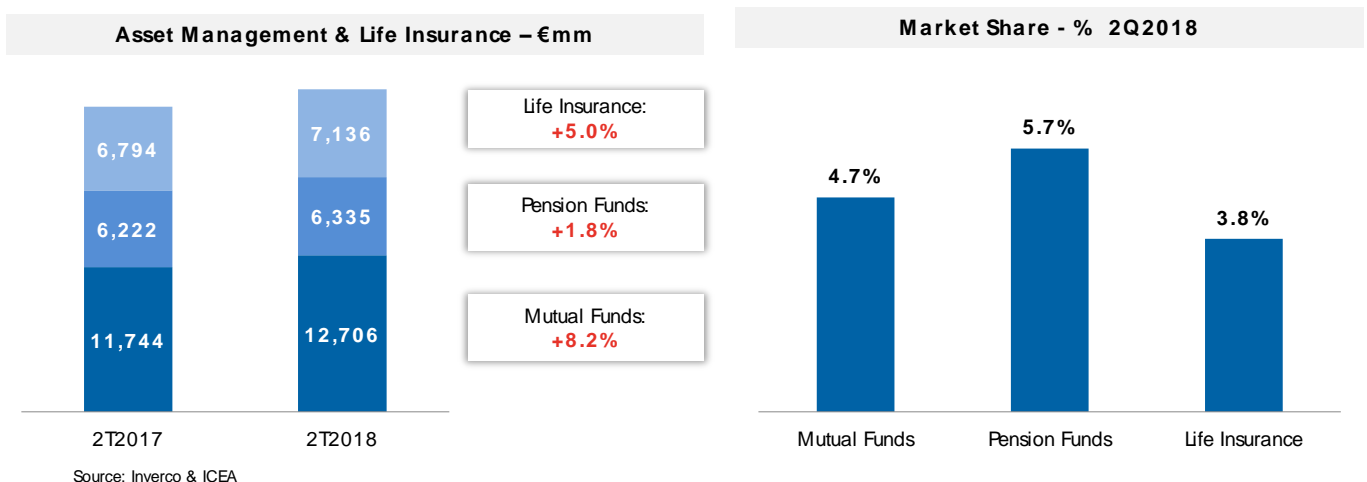
## Asset management continues to drive the growth of customer funds

The total customer funds managed by Ibercaja stood at 57,925 million euros in June 2018, 2,208 million more than at the end of the first half of 2017, representing a year-on-year growth of 4%.

Asset management and life insurance products continue being the main drivers of this performance, with growth of 6.1% year-on-year to 26,417 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 forecasts, the potential development of long-term saving products in Spain in upcoming years.

This differential position that the Bank maintains in asset management and life insurance products allows it to register market shares that are much higher than those of its banking business. Mutual funds once again lead growth, with a year-on-year increase of 8.2%, standing at over 12,700 million euros in assets under management, which represents a market share of 4.7%.

The balance managed in pension funds stands at 6,335 million euros, 1.8% more than at the end of the first half of 2017, which represents a market share of 5.7%. Additionally, life insurance products increased by 5% year-on-year to 7,136 million euros, with a market share of 3.8%.

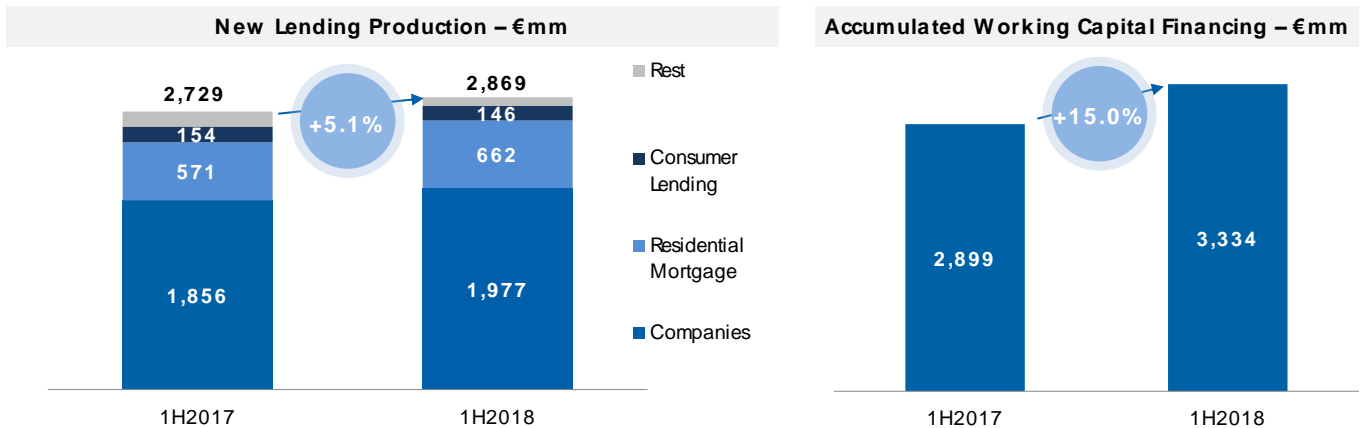


Risk insurance premiums (life and non-life) also show a notable performance, with a growth of 7.7% year-on-year, to 142 million euros. In particular, in the field of non-life insurance, the increase (+9.2% year-on-year) far exceeds that of the sector (+4% year-on-year) thanks to the dynamism in the contracting of payment protection insurance (+132%), burial insurance (+49.2%) and civil liability insurance (+30.5%).

In line with the performance of past quarters, current accounts continue to gain weight within the total of deposits, with a 13.5% year-on-year increase to 25.808 million euros, representing 82% of the aggregate base of deposits.

## Loans to companies and mortgages drive the growth in new lending production

Ibercaja has granted 2,869 million euros in new loans during the first half of 2018, 5.1% more than between January and June 2017. 69% of this amount (1,977 million euros) has been granted to companies, which is a priority segment in the 2018-2020 Strategic Plan.



Furthermore, the accumulated financing of the working capital of companies has increased by 15% year-on-year, to 3,334 million. Within this item, financing to foreign trade presents a significant increase of 19.5% compared to the first half of 2017.

New mortgage operations for the purchase of family homes, a segment in which the Bank is historically specialised, amount to 662 million euros at the end of June, which represents an advance of 16% over the same period from the previous year. In the second quarter of this year, Ibercaja launched a new marketing campaign with more flexible conditions and a competitive pricing.

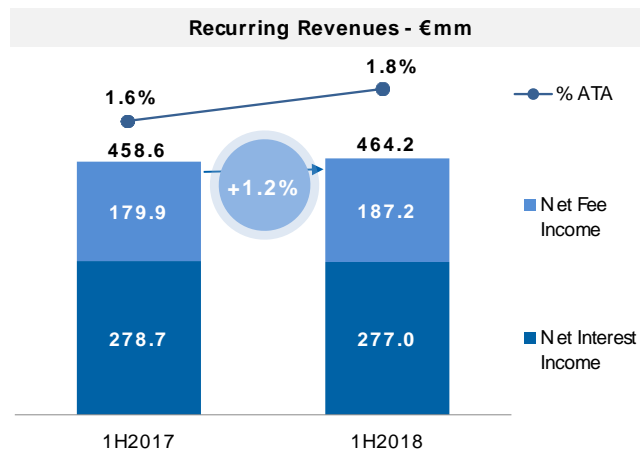
As a whole, the amount of performing loans (excluding temporary acquisition of assets) decreased by 1.3% compared to June 2017. The increase in financing to companies, whose balance grew by 3.6% year-on-year, and the renewed strength of mortgages allow us to anticipate a gradual stabilisation of this scale in the coming quarters.

## The trend of recurring revenue growth continues

Net interest income in the first half of the year was 277 million euros, 0.6% less than in the first half of 2017. The variation is a consequence of lower income from the fixed income portfolio, while revenues from retail activity grew 2.4% year-on-year (5 million euros). Net interest income as percentage of average total assets is up 7 basis points to 1.1%.

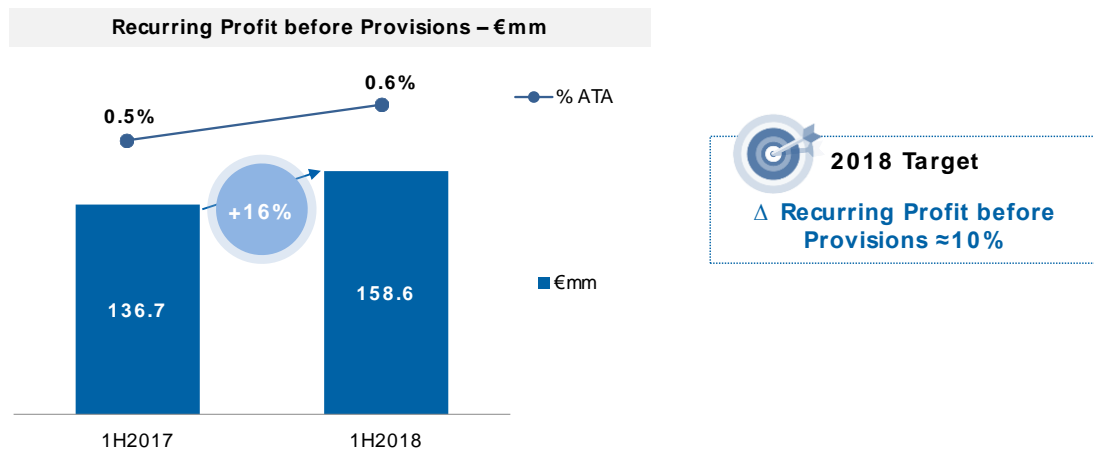
Meanwhile, net fee income grew by 4.1% year-on-year to 187.2 million euros, driven by the commissions associated with asset management and insurance products (+8.8% year-on-year), which represent 58% of total commissions, while commissions from banking services are down 1.9% year on year.

Thus, recurring revenues (net interest income + net fee income) at the end of June 2018 stood at 464.2 million euros, 1.2% more than in the first half of 2017, continuing the progressive rise in the profitability of the Bank started last year.



Operating costs decreased by 8.2% year-on-year due to the 5.1% decline in recurring expenses. In June, the Bank completed the redundancy plan, agreed to with the majority of workers' representatives in May 2017, which has allowed Ibercaja to reduce its operating structure by 10%.

As a result, recurring profit before provisions (net interest income + fees and commissions - recurring operating expenses) grew 16% year-on-year to 158.6 million euros, and the profitability as percentage of average total assets improved by 12 basis points compared to June 2017. Therefore, the Bank maintains its objective of increasing recurring profit before provisions by 10% in 2018.



Provisions in the semester fell by 46% 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. Cost of risk stood at 45 basis points, in line with the annual target of 50 basis points.

Finally, the Bank's net profit stands at 39.3 million euros, 5.9% less than in the first half of 2017.

## **The ratio of non-performing assets continues to improve**

The volume of non-performing assets (doubtful exposures + foreclosed assets) has fallen by 15.1% (707.5 million euros) compared to the first half of 2017, now standing at 3,966 million euros. Since December 2017, the fall in problematic assets amounts to 5%. The balance of doubtful exposures has been decreased by 5.1% (132.9 million euros) and the NPL ratio has fallen to 7.3%. The balance of foreclosed assets has been reduced by 4.9% (76.9 million euros). The sales of foreclosed assets this semester reached 172 million euros, with which the Bank has released 7 million euros of provisions. In particular, land sales represent 58 million euros.

The coverage ratio of the Bank's non-performing assets is 52.4%, 49.9% in the case of doubtful exposures and 56.6% in foreclosed assets. The reduction of gross non-performing assets together with the effort in provisions resulted in the Bank's problematic net exposure dropping by 543 million euros, which is 22% year-on-year.

## **Strengthening the solid solvency and liquidity position**

In June 2018, the CET1 ratio (Phase In) stands at 11.6%. The Total Capital ratio (Phase In) stands at 15.4%. These capital ratios far exceed the SREP requirements for 2018 (8.125% and 11.625%, respectively). In March, Ibercaja completed the issuance of 350 million euros in preferred shares, additional Tier 1 capital (AT1), which improved the Total Capital ratio by 150 basis points.

At the end of the first half of 2018, the CET1 ratio (Fully Loaded) remains stable at 10.5%. The Total Capital ratio (Fully loaded) stands at 14.4%

The available liquid assets and the capacity to issue covered bonds give Ibercaja a robust liquidity position, which exceeds 17,300 million euros, which is equivalent to 33% of the assets.

## **2018 - 2020 Strategic Plan: transformation to gain solvency and profitability**

Ibercaja presented its new 2018 - 2020 Strategic Plan in March, with three main financial objectives: achieve a CET1 ratio (Fully Loaded) of 11.5%, an efficiency ratio of less than 55% and a ROTE level of more than 9% at the end of 2020. In addition, an objective to reduce non-performing assets by 45% has been set for this period.

To achieve these goals, the Bank is working on the development of three major programmes (customer, value and transformation), with the purpose of turning Ibercaja into the best bank in the country in terms of commercial efficiency and with the most satisfied customers by the end of the cycle.

One of the first milestones was achieved in May, with the renewal of the 500+ European Seal of Excellence awarded by the European Foundation for Quality Management (EFQM), a recognition that only three other financial institutions in Spain have. Its renewal certifies that there is a high level of excellence in Ibercaja's management model as an organisation focused on continuous improvement.

## 1H2018 Main Figures

### P&L Account

€mm	1H2017	1H2018	YoY
<b>Net Interest Income</b>	<b>278,7</b>	<b>277,0</b>	<b>-1%</b>
<b>Net Fee Income</b>	179,9	187,2	4%
<b>Trading Income</b>	106,1	35,5	-67%
<b>Other Operating Inc. / Exp. (Net)</b>	8,5	2,2	-74%
<b>Gross Operating Income</b>	<b>573,2</b>	<b>502,0</b>	<b>-12%</b>
<b>Operating Costs</b>	-393,6	-361,1	-8%
of which: Recurring Costs	-321,9	-305,6	-5%
of which: Redundancy Plan	-71,6	-55,5	-23%
<b>Pre-Provision Profit</b>	<b>179,6</b>	<b>140,8</b>	<b>-22%</b>
<b>Total Provisions</b>	-126,8	-68,6	-46%
<b>Other Gains and Losses</b>	3,5	-8,1	n/a
<b>Profit before Taxes</b>	<b>56,4</b>	<b>64,2</b>	<b>14%</b>
<b>Taxes &amp; Minorities</b>	-14,6	-24,9	70%
<b>Net Profit Attributable to Shareholders</b>	<b>41,7</b>	<b>39,3</b>	<b>-6%</b>

### Commercial Activity & Balance Sheet

€mm	1H2017	1H2018	YoY
<b>Customer Funds</b>	<b>55.717</b>	<b>57.925</b>	<b>4%</b>
of which "Core" deposits	30.822	31.508	2%
of which Asset Management & Life Insurance	24.894	26.417	6%
<b>Gross Lending</b>	<b>34.174</b>	<b>33.227</b>	<b>-3%</b>
of which performing loans ex REPO	30.208	29.826	-1%
of which doubtful loans	2.974	2.434	-18%
<b>New Lending Production</b>	<b>2.729</b>	<b>2.869</b>	<b>5%</b>
of which companies	1.856	1.977	7%
of which residential mortgages	571	662	16%
of which consumer lending	154	146	-5%
<b>Total Assets</b>	<b>55.550</b>	<b>52.591</b>	<b>-5%</b>