

## **9M2018 RESULTS**

# **IBERCAJA OBTAINS A NET PROFIT OF 72.5 MILLION EUROS AND INCREASES CUSTOMER FUNDS BY 2.4%**

- Recurring revenues stand at 699 million euros, representing a growth of 1.8%, thanks to the continued dynamism of activity with customers and diversification through the Financial Group
- Customer funds increased to 56,687 million (+2.4% year-on-year), driven especially by asset management and life insurance products, whose volume increased to 25,889 million (+5.3% year-on-year)
- Managed mutual funds registered a year on year increase of 5.3% to 12,592 million euros, the balance of pension funds amounted to 6,344 million euros, 1.1% more than in September 2017, and life insurance products, with a 6.8% growth compared to the same period of the previous year, amounts to 7,271 million euros
- The Bank granted 4,181 million euros in new loans operations during these 9 months (69% of the total destined to companies), which represents an increase of 4.2% year-on-year
- Non-performing assets (doubtful exposures + repossessed assets) net of provisions drop by 21% year-on-year (495 million euros), with a coverage ratio of 52.9%
- The cost of risk stands at 46 basis points, in line with the annual target of 50 basis points
- The CET1 Phased In ratio stands at 11.7% and the Total Capital Phased In ratio stands at 15.5%, far exceeding 2018 SREP requirements in both cases; the CET1 Fully Loaded improves by 9 basis points this year to 10.6%
- The Bank maintains its plans to IPO within the period established by current regulations, before the end of 2020; To complete the preparation of this process, it has hired Rothschild & Co as an independent financial advisor, an institution with relevant and successful experience in the execution of these projects

Zaragoza, November 6<sup>th</sup>, 2018.- Ibercaja has obtained a net profit of 72.5 million euros in the first nine months of 2018, in a context of historically low interest rates, strong competition and a transformation of the sector's business model, thanks to the continued dynamism of the activity with customers, both in customer funds (+2.4% year-on-year) and their diversification (46% of the total are mutual funds, pension funds and life insurance products), and the new loans granted (+4.2% year-on-year).

Profit before provisions increased to 233.2 million euros, 10.7% year-on-year, thanks to the progress of recurring revenues (+1.8% year-on-year) and the decrease in recurring expenses (-4.4% year-on-year) compared to the same period of the previous year.

### Differential positioning in asset management and life insurance products

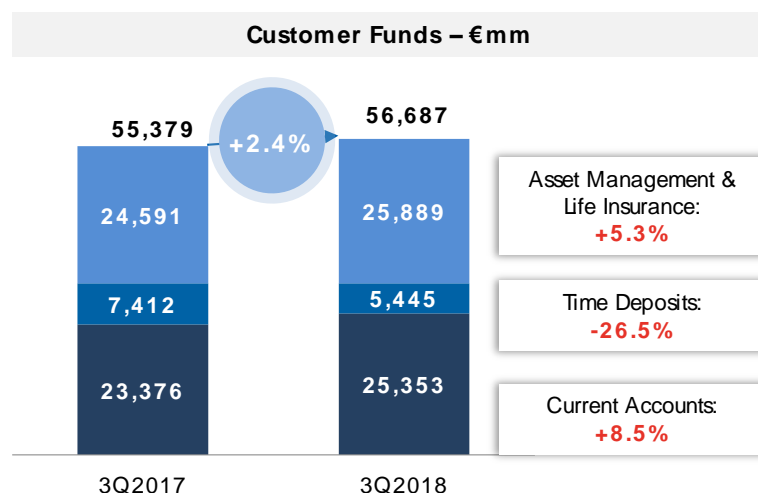
Total customer funds managed by Ibercaja stood at 56,687 million euros at the close of September 2018, 1,308 million more than a year ago, representing a year-on-year growth of 2.4%.

Asset management and life insurance products continue to be the main drivers of this performance, with an overall increase of 5.3% year-on-year to 25,889 million euros, representing 46% of total customer funds managed by the Bank.

The Bank's recognised strength in advisory services, together with the products and the quality of the management of the Financial Group's companies, constitute a relevant competitive advantage in the current scenario of low interest rates. Also, the potential for growth in long-term financial savings in Spain over the next few years, given the demographic forecasts, is a significant opportunity for the Bank.

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 traditional banking business. Mutual funds continue to grow, with a year-on-year increase of 5.3%, standing close to 12.6 billion managed euros, which represents a national market share of 4.6%.

The balance managed in pension funds stands at 6,344 million euros, 1.1% more than in September 2017, which represents a market share in Spain of 5.7%. Additionally, life insurance products increased by 6.8% year-on-year to 7,271 million euros, which represents a 3.9% of the Spanish market.



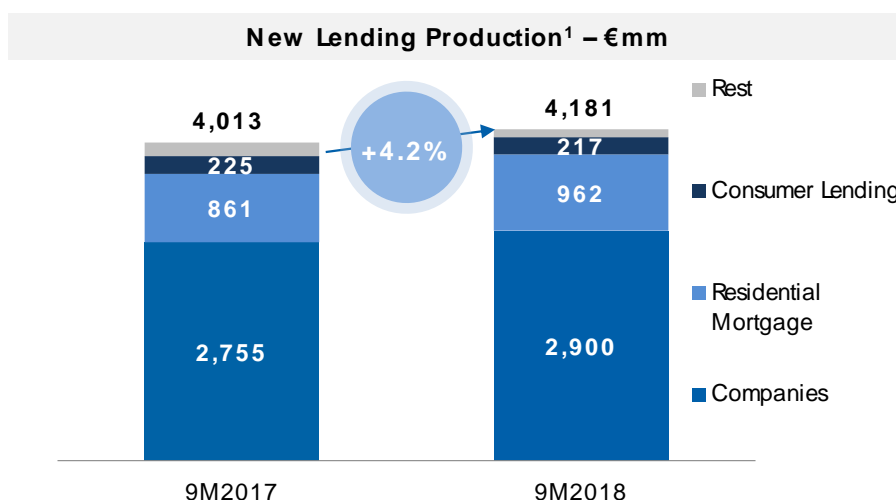
Risk insurance premiums (life and non-life) also show a notable performance, with a growth of 6.4% year-on-year, to 199 million euros. Particularly noteworthy is the 7.5% year-on-year increase experienced by non-life insurance products.

Ibercaja's commercial focus in risk insurance business is reflected in the levels of penetration achieved among the customer base, since one out of every three families that operate with Ibercaja has at least one insurance contract with the Bank.

## Relevant acceleration of mortgage production

Ibercaja granted 4,181 million euros in new loans during the first nine months of 2018, 4.2% more than between January and September 2017. The Community of Madrid and the Mediterranean Basin represent 48% of these new operations, proving the Bank's commitment to commercial growth in these areas, which are the most dynamic in the Spanish banking market.

69% of the total amount (2.9 billion euros) has been used to finance companies, a priority segment in the 2018-2020 Strategic Plan.



<sup>1</sup>Companies includes new loans to real estate companies, non-real estate companies, and leasing/renting operations.

Furthermore, the accumulated financing of working capital of companies has increased by 15.5% year-on-year, to 5 billion. Within this item, financing to foreign trade presents a significant increase of 18.6% compared to the same period of 2017.

New mortgage lending for the purchase of family homes, a segment in which the Bank is historically specialised, amount to 962 million euros at the end of September, which represents a rise of 11.7% 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.

Overall, the amount of performing loans (ex-temporary acquisition of assets) decreased by 0.6% compared to September 2017. Excluding credit to the public sector, the fall was limited to 0.3% year-on-year. The increase in financing for productive activities, whose outstanding balance grew by 6.7% year-on-year contribute to the gradual stabilisation of this magnitude.

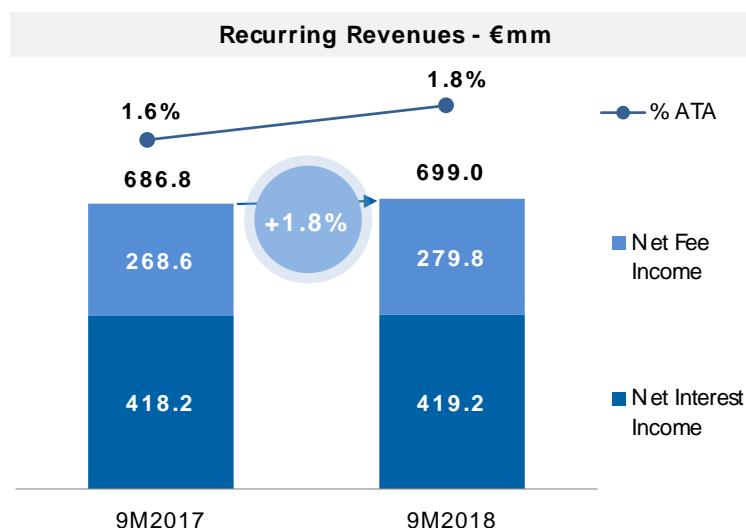
## Recurring revenues continue to grow thanks to business diversification

The net interest income in the first nine months of the year was 419.2 million euros, 0.2% higher than that corresponding to the same period of 2017.

This evolution is a consequence of higher revenues from retail activity, which grew by 2.5% (7.8 million euros), although they are partially offset by lower revenues from the fixed income portfolio, which decreased 17% year-on-year and now account for only 12% of the Bank's financial income. The interest margin on average total assets (ATA) improves 7 basis points, up to 1.1%.

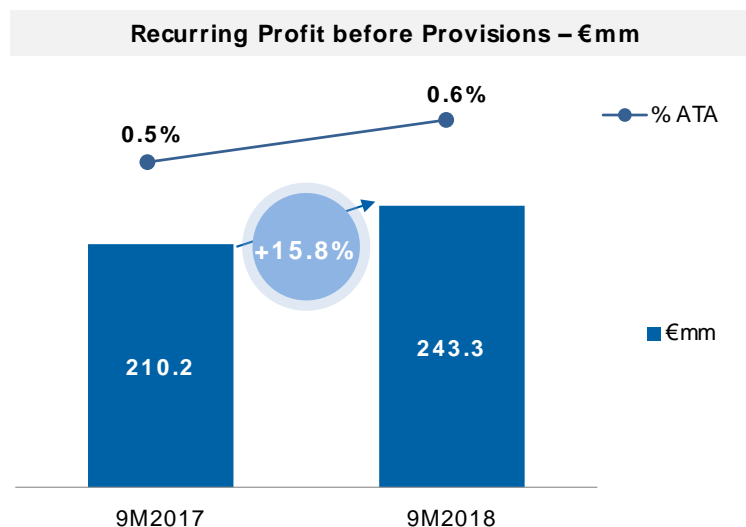
Meanwhile, net commissions grew 4.2% year-on-year to 279.8 million euros, driven by fees associated with asset management and insurance products (+7.7% year-on-year), which represent 58% of total commissions, while commissions from banking services are down 0.5% year on year.

Thus, recurring revenues (net interest income + net fee income) at the end of September 2018 stood at 699 million euros, 1.8% more than in the same period of 2017, continuing the progressive rise in the profitability of the Bank that started last year.



Operating costs decreased by 6.8% year-on-year due to the 4.4% decline in recurring expenses. In June, the Bank completed the redundancy plan, agreed with the majority of workers' representatives in May 2017, which has allowed Ibercaja to reduce its operating structure by 10%.

As a result of all this, recurring profit before provisions (net interest income + net fee income - recurring operating expenses) grew 15.8% year-on-year to 243.3 million euros, improving the ATA ratio by 12 basis points compared to June 2017. Therefore, the Bank maintains its objective of increasing recurring profit before provisions by 10% in 2018.



The improvement in the economic situation, the active management of the irregular investment being carried out by the Bank and the levels of coverage achieved, thanks to the provisioning effort made in previous years, allow the cost of risk to stand at 46 basis points, in line with the target of 50 basis points set for the year.

As a result of the previous trends, profit before taxes for the first nine months of 2018 grew 3.0% to 115.8 million euros.

Finally, the Bank's after-tax profit stands at 72.5 million euros, 10.1% less than September 2017.

### **Problematic assets continue to drop**

The volume of gross non-performing assets (doubtful exposures + foreclosed assets) has registered a drop of 10.1% (437 million euros) compared to the first nine months of 2017, now standing at 3,871 million euros. With respect to December 2017, these assets have fallen by 7.3%.

The balance of doubtful risks has decreased by 6.5% (168.3 million euros) and the NPL ratio has fallen to 7.3%.

The balance of foreclosed assets has been reduced by 8.7% (136.3 million euros). The sale of foreclosed assets in these nine months amounted to 252.4 million euros, 18.2% more than between January and September 2017. The Bank has released 9 million euros of provisions. In particular, land sales during these nine months represent 98 million euros, a year-on-year increase of 66%.

The average coverage ratio of the Bank's problematic exposure reached 52.9%, compared to 46.2% registered in September 2017.

The reduction of gross non-performing assets, together with the provisioning effort made in previous years, has allowed Ibercaja's net problematic exposure to drop 495 million euros, representing a 21% reduction compared to the same period of last year. Since December 2017, net non-performing assets fell 342 million euros, or 15.8%.

### **Strengthening of the solvency and liquidity positions**

In September 2018, CET1 solvency ratio (Phase In) stood at 11.7%, with an increase of 5 basis points during the year. Total Capital ratio (Phase In) stands at 15.5%. These capital ratios are well above 2018 SREP requirements for (8.125% and 11.625%, respectively).

In March, the Bank completed the issuance of 350 million euros in preferred shares, additional Tier 1 capital (AT1), which improved the Total Capital ratio (Phase In) by 150 basis points, in what constitutes one of the main milestones established in the 2018 - 2020 Strategic Plan.

Meanwhile, the CET1 solvency ratio (Fully Loaded) improved 9 basis points during the year to 10.6%.

The total capital ratio (Fully loaded) stands at 14.5%

Available liquid assets and the capacity to issue covered bonds give Ibercaja a robust liquidity position, which exceeds 16.7 billion euros (liquid assets + issuance capacity), and is equivalent to 32% of total assets.

### **Hiring of an independent financial adviser**

Ibercaja maintains its plans to IPO within the period set by current regulations, before the end of 2020. Under this framework, in order to complete the preparation for the IPO process, the Bank has hired Rothschild & Co as an independent financial advisor. This company has a relevant and successful experience in the execution of these types of projects in the Spanish and international capitals markets.

## 9M2018 Main Figures

### P&L Account

€mm	9M2017	9M2018	Var.
<b>Net Interest Income</b>	<b>418,2</b>	<b>419,2</b>	<b>0,2%</b>
<b>Net Fee Income</b>	<b>268,6</b>	<b>279,8</b>	<b>4,2%</b>
<b>Trading Income</b>	<b>58,2</b>	<b>42,3</b>	<b>-27,3%</b>
<b>Other Operating Inc. / Exp. (Net)</b>	<b>13,9</b>	<b>3,1</b>	<b>-77,5%</b>
<b>Gross Operating Income</b>	<b>759,0</b>	<b>744,4</b>	<b>-1,9%</b>
<b>Operating Costs</b>	<b>-548,3</b>	<b>-511,2</b>	<b>-6,8%</b>
of which: Recurring Costs	-476,7	-455,7	-4,4%
of which: Redundancy Plan	-71,6	-55,5	-22,5%
<b>Pre-Provision Profit</b>	<b>210,7</b>	<b>233,2</b>	<b>10,7%</b>
<b>Total Provisions</b>	<b>-98,0</b>	<b>-105,3</b>	<b>7,4%</b>
<b>Other Gains and Losses</b>	<b>-0,3</b>	<b>-12,2</b>	<b>n/a</b>
<b>Profit before Taxes</b>	<b>112,4</b>	<b>115,8</b>	<b>3,0%</b>
<b>Taxes &amp; Minorities</b>	<b>-31,6</b>	<b>-43,2</b>	<b>36,6%</b>
<b>Net Profit Attributable to Shareholders</b>	<b>80,7</b>	<b>72,5</b>	<b>-10,1%</b>

### Commercial Activity & Balance Sheet

€mm	9M2017	9M2018	Var.
<b>Customer Funds</b>	<b>55.379</b>	<b>56.687</b>	<b>2,4%</b>
of which "Core" deposits	30.788	30.798	0,0%
of which Asset Management & Life Insurance	24.591	25.889	5,3%
<b>Gross Lending</b>	<b>33.520</b>	<b>33.069</b>	<b>-1,3%</b>
of which performing loans ex REPO	29.933	29.739	-0,6%
of which doubtful loans	2.635	2.401	-8,9%
<b>New Lending Production</b>	<b>4.013</b>	<b>4.181</b>	<b>4,2%</b>
of which companies	2.755	2.900	5,3%
of which residential mortgages	861	962	11,7%
of which consumer lending	225	217	-3,6%
<b>Total Assets</b>	<b>53.341</b>	<b>52.530</b>	<b>-1,5%</b>