IBERCAJA BANCO
2018 RESULTS

March 1st, 2019



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2018 KEY HIGHLIGHTS

2018 KEY HIGHLIGHTS

ADDITIONAL MARKET SHARE GAIN IN ASSET MANAGEMENT AND LIFE INSURANCE

4.7% Asset management and life insurance market share reaches 4.7%

Ibercaja gains market share in all key products

- **+19 bps** Life Insurance
- **+7 bps** Mutual Funds
- **+7 bps** Pension Funds

STRONG REDUCTION IN NON PERFORMING ASSETS

- **-26%** 26.4% YoY decrease (-€1,090m) in non performing assets
- **-298 bps** NPA ratio falls 298 bps to 8.8%
- **+362 bps** NPA coverage ratio improves 362 bps reaching 51.5%

IBERCAJA HAS FILLED ITS HYBRID CAPITAL BUFFERS, AND HAS STARTED PREPARING ITS IPO

- **14.5%** After the AT1 issuance, the Total Capital FL ratio stands at 14.5%
- **10.5%** CET1 FL ratio stands at 10.5%
- **5.5%** FL leverage ratio reaches 5.5%

Source: Inverco, ICEA

2018 KEY HIGHLIGHTS

IBERCAJA IMPROVES ITS OPERATING LEVERAGE

+2.2% Ibercaja increases its recurring revenues for the second consecutive year (+2.2% YoY)

-5.3% Recurring costs decrease 5.3% YoY

+19% Recurring profit before provisions increases 19.3% YoY vs. 10% annual target

NET PROFIT IS NEGATIVELY AFFECTED BY EXTRAORDINARY FACTORS

€40.8m €40.8m net profit

3 negative extraordinary factors:

- **-€55.8m** Redundancy plan
- **-€31m** Foreclosed assets disposal
- **49.5%** Tax rate

€117m 2018 net profit excluding the effect of the extraordinary factors would have exceeded €117m

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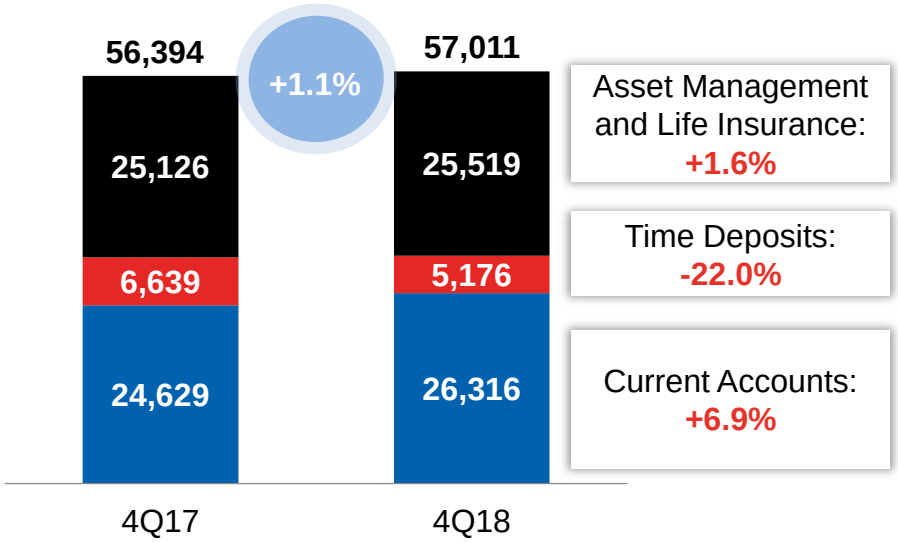
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COMMERCIAL ACTIVITY

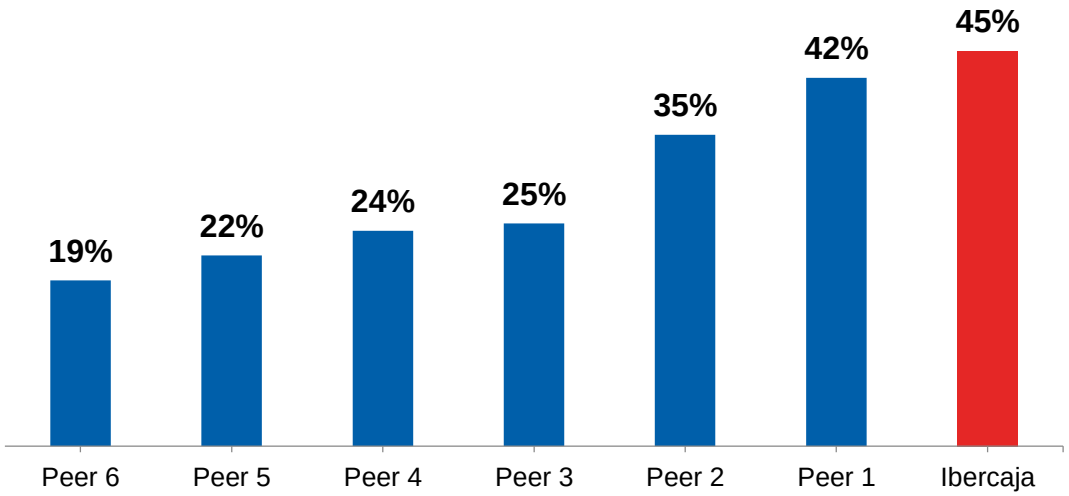
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CUSTOMER FUNDS

Customer Funds – €m



Asset Management and Life Insurance % Total Customer Funds[1]



Customer funds increased 1.1% YoY or €617m.

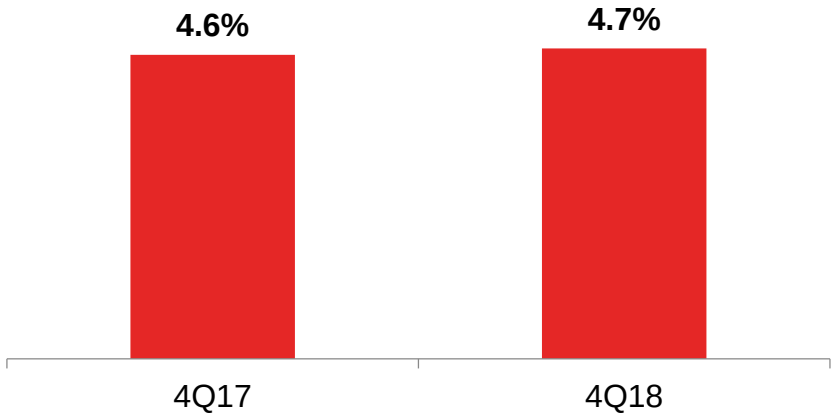
- Excluding the **impact of the financial markets evolution** (-€838m), customer funds would have grown **2.6% YoY.**

Assets under management and life insurance account for 45% of total customer funds, the largest weighting in the Spanish retail banking industry.

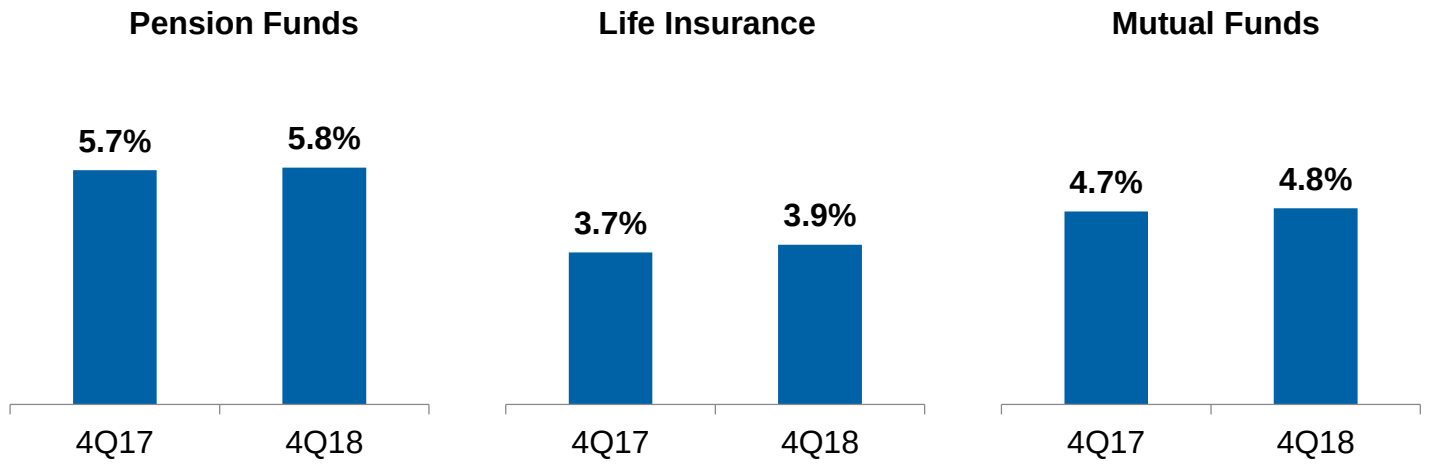
[1] The entities considered are Bankia, Bankinter, Caixabank, Liberbank, Sabadell and Unicaja

ASSET MANAGEMENT AND LIFE INSURANCE

Asset Management and Life Insurance Market Share



Market Shares



Ibercaja continues improving its positioning in asset management and life insurance with a market share increase of 10 bps reaching 4.7%, significantly higher than its banking business market share.

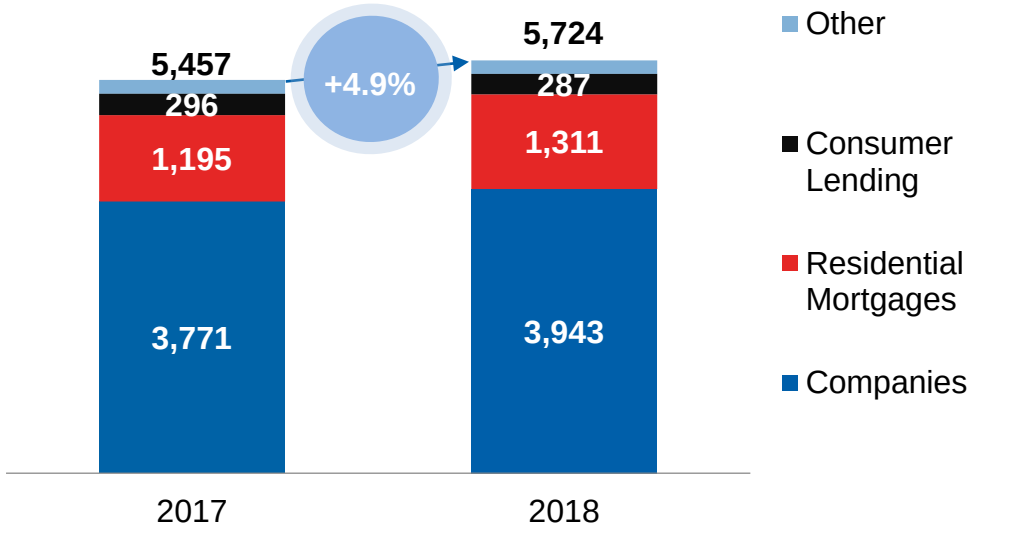
The increase has been driven by:

- A **7 bps** increase in **pension funds**, reaching a 5.8% market share.
- A **19 bps** improvement in **life insurance products**, achieving a 3.9% market share.
- A **7 bps** rise in **mutual funds**, enabling the company to obtain a 4.8% market share.

Source: Inverco, ICEA

CUSTOMER LOANS

New Lending Production – €m



Loan Portfolio – €m

	2017	2018	Var.
Loans to Individuals	**21,529**	**20,999**	**-2.5%**
Mortgages	19,999	19,492	-2.5%
Consumer and Others	1,530	1,507	-1.5%
Loans to Companies	**7,511**	**7,745**	**3.1%**
Non-Real Estate Companies	6,639	6,786	2.2%
Real Estate Companies	873	959	9.9%
Public Sector and Others	865	1,002	15.8%
Performing Loans ex Repos	**29,905**	**29,746**	**-0.5%**
Repos	981	1,704	73.7%
Doubtful Loans	2,565	2,275	-11.3%
Total Gross Loans	**33,451**	**33,724**	**0.8%**

New lending reached €5,724m, an increase of 4.9% YoY.

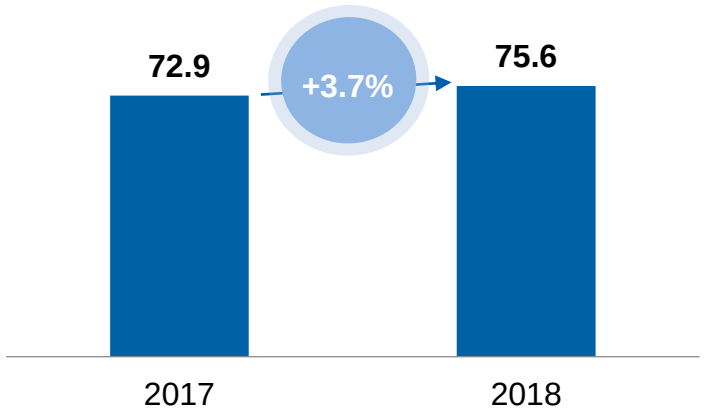
- **New lending to companies** grew **4.6% YoY** representing 69% of total new lending.
- **New mortgage lending** increases **9.7% YoY.**
- **Madrid and Mediterranean Basin** account for **49%** of new lending.

Accumulated working capital financing in the year grew 16.1% and surpassed €7,000m.

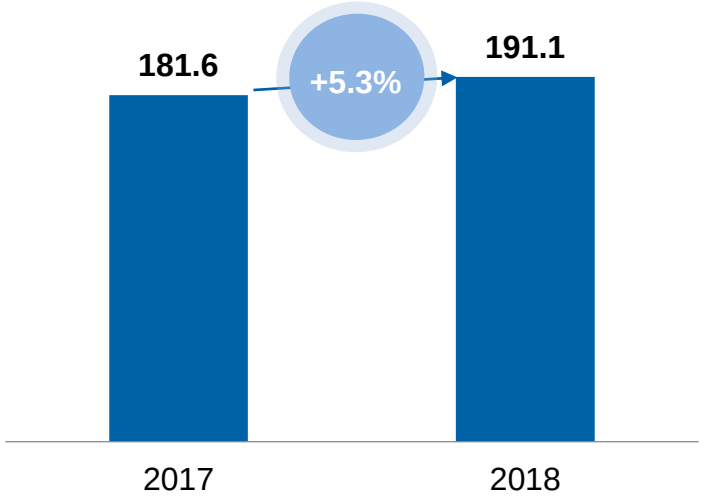
Performing Loans ex Repos fell 0.5% YoY.

RISK INSURANCE

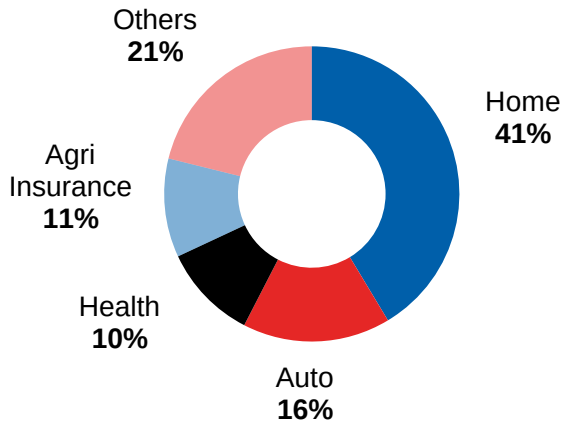
Life Risk Insurance Premiums – €m



Non-life Insurance Premiums[1] – €m



Distributed Premiums under CASER Agreement



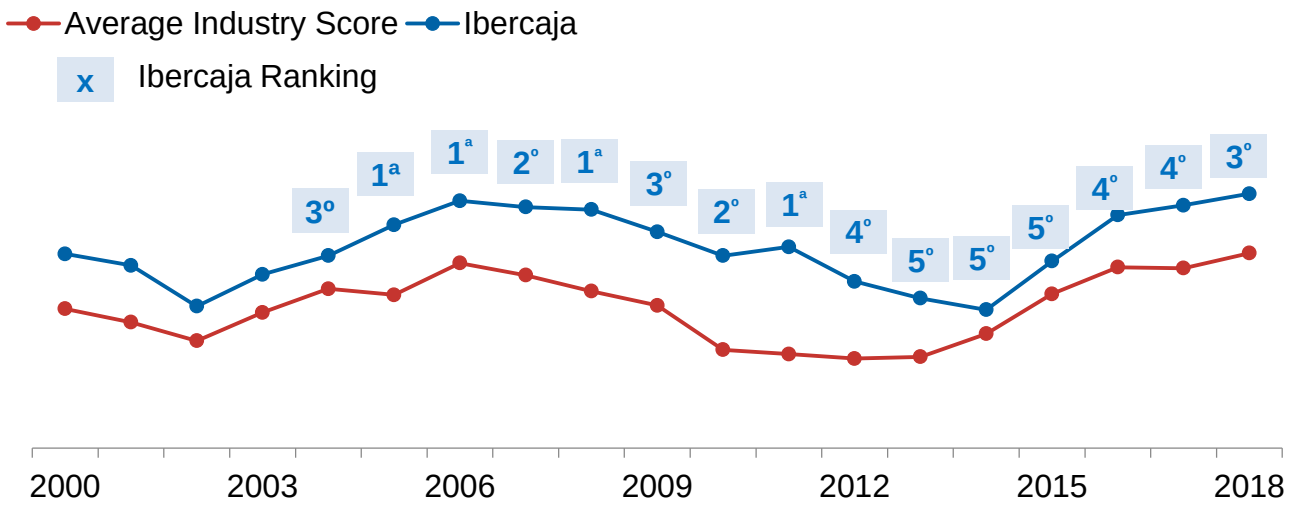
Risk insurance premiums (life risk and non-life) grew 4.8% YoY and exceeded €266m.

- **Life risk insurance increased 3.7% YoY.**
- **Non-life insurance increased 5.3% YoY.** The insurance premiums under the strategic alliance with **CASER**, which represent above 90% of total premiums, grew **7.2% YoY. Home insurance and agri insurance growth (+6.3% YoY and +12.2% YoY, respectively**) stands out. In addition, Ibercaja is increasing the diversification of its premiums with an increase of **15.5% in business insurance premiums.**

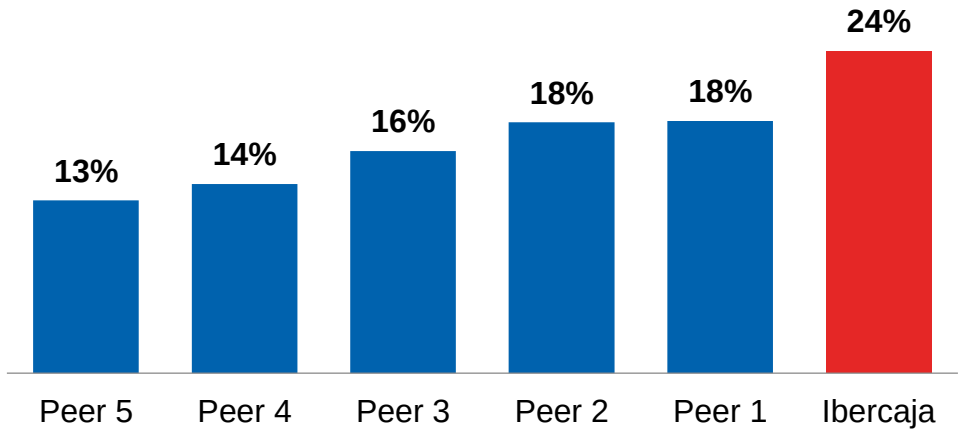
[1] Includes CASER and other companies premiums

CUSTOMER SERVICE LEVELS

Objective Quality Research - IQUOS[1]



Promoters NPS Ratio – 2018[2]



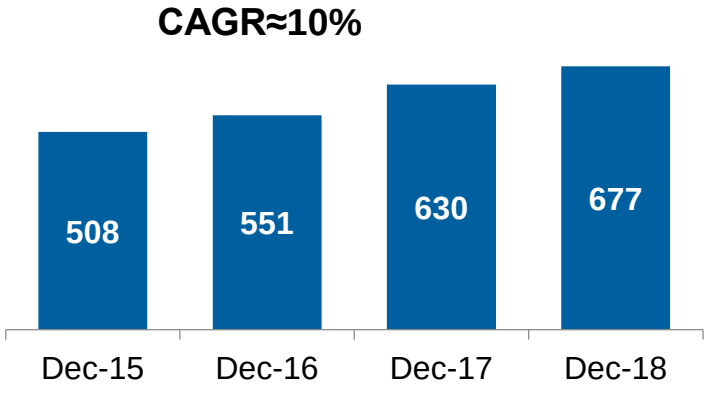
Ibercaja leads one more year the most relevant service quality indicators:

- Ibercaja **ranks again among the top 3 entities with the highest levels of objective quality** after the integration of Cajatres.
- Ibercaja has the **highest % of customers who would recommend working with the entity.**
- Within the ranking of Spanish banks, **Ibercaja's managers are the second best rated by their customers[3]**

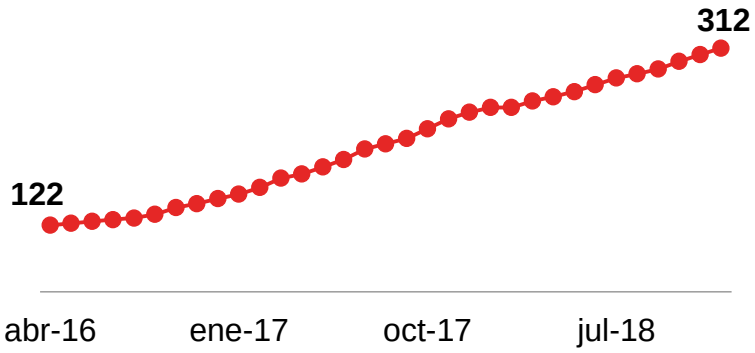
[1] Source: STIGA; Entities with national network
[2] % of customers that answer with a 9-10 score to the question, *On a scale of 0 to 10, would you recommend working with your bank?* Source: FRS INMARK for retail customers
The entities considered are Bankia, BBVA, Caixabank, Sabadell and Liberbank
[3] Source: STIGA; Research of BMKS customer surveys

DIGITAL TRANSFORMATION

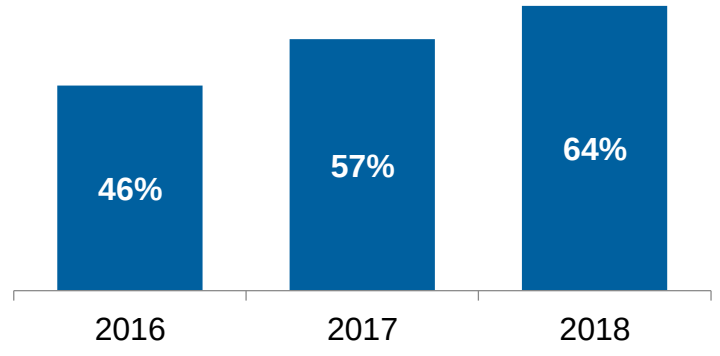
# of Digital Customers[1] - k



# of Ibercaja App Users - k



Digital Operations[2]



Ibercaja continues to progress in its digital transformation:

- **Digital customers have increased 33% since 2015** thanks to the boost of mobile banking.
  - Over the last 3 years, the number of **users of Ibercaja App has increased by 155%** reaching 312,000. 80% of which use the app at least once a week.
  - **Ibercaja Pay, the payment app, has registered a 90% increase in users in 2018.**
- **The number of operations carried out by customers through digital channels has reached 64% of the total.**
- Ibercaja has **digital onboarding** available since **November 2018**. In 2019 Ibercaja will launch a **new digital solution for companies** and will have **workplace mobility for all its specialized employees.**

[1] Number of customers that have used the web or the app of Ibercaja during the last month
[2] % of operations of customers that has been carried out through digital channels (App, Web)

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III

2018 RESULTS

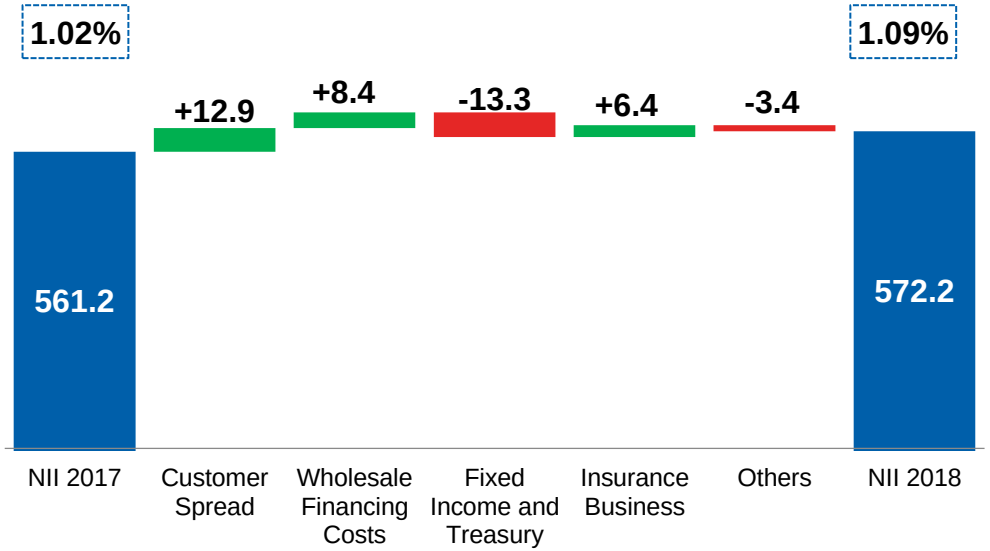
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P&L ACCOUNT

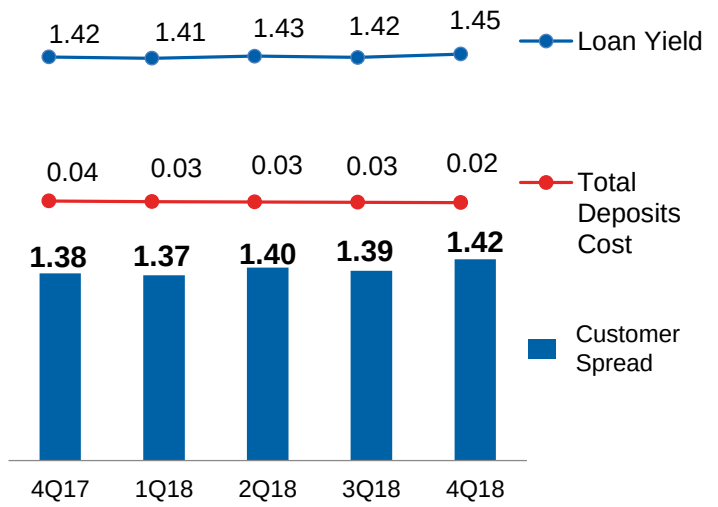
	€m		
	2017	2018	YoY
Net Interest Income	561.2	572.2	2.0%
Net Fee Income	366.4	375.6	2.5%
Recurring revenues	**927.5**	**947.7**	**2.2%**
Gain/Losses on Financial Assets and Liabilities	152.5	43.6	-71.4%
Other Operating Income (net)	84.2	-24.7	n/a
of which: Depository Agreement and fulfillment of CASER Strategic Plan	98.5		
Gross Operating Income	**1,164.2**	**966.6**	**-17.0%**
Operating Costs	-719.0	-668.8	-7.0%
of which: Recurring Costs	-647.1	-613.1	-5.3%
of which: Redundancy Plan	-71.9	-55.8	-22.4%
Pre-Provision Profit	**445.2**	**297.7**	**-33.1%**
Total Provisions	-264.0	-167.3	-36.6%
Other Gains and Losses	1.5	-49.6	n/a
Profit before Taxes	**182.7**	**80.8**	**-55.8%**
Taxes & Minorities	-44.4	-40.0	-9.8%
Net Profit Attributable to Shareholders	**138.4**	**40.8**	**-70.5%**

NET INTEREST INCOME

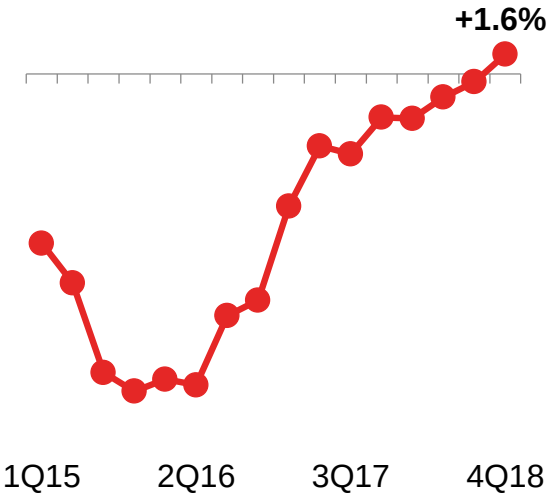
Net Interest Income Breakdown – €m



Customer Spread - %



Income from loans – YoY

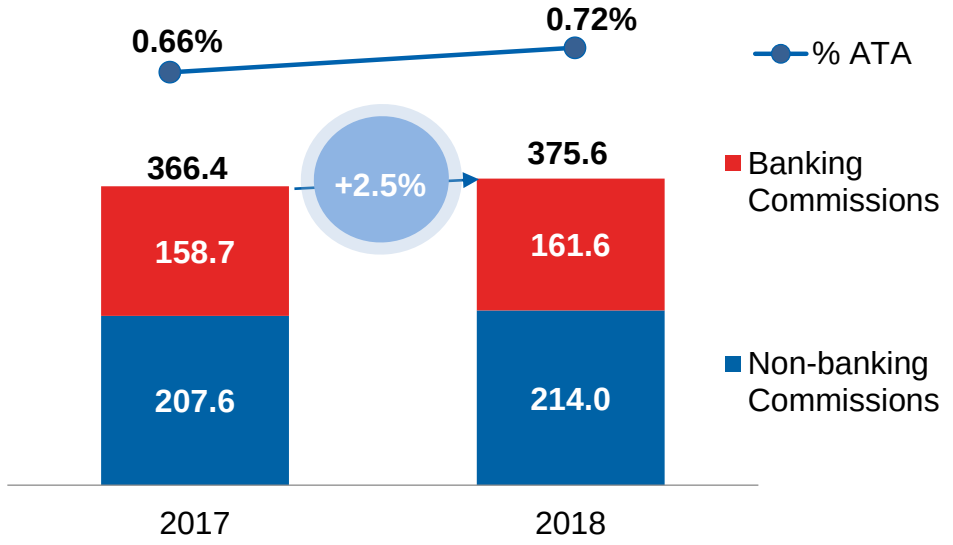


Net interest income has grown at 2.0% YoY. The NII as a % of average total assets improves **7bps** reaching **1.09%**

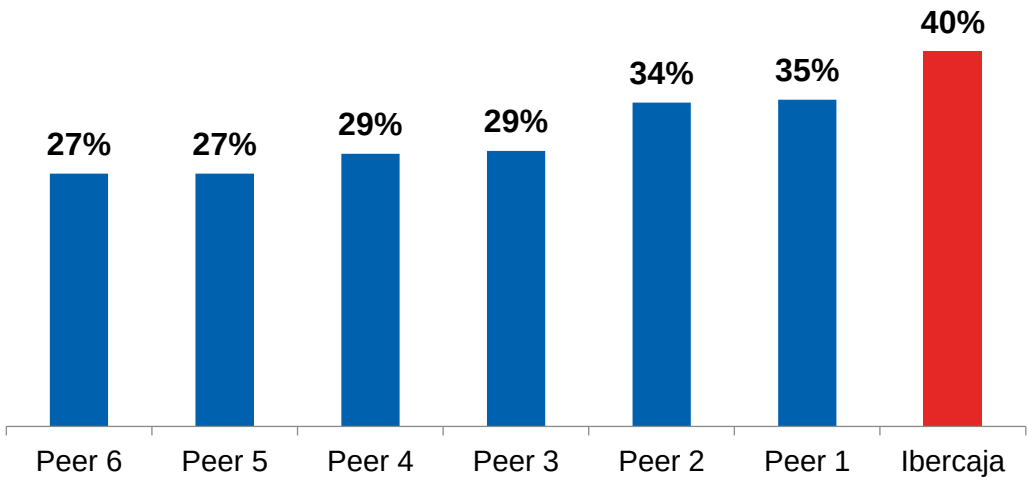
- **Customer spread grows 3.2% YoY or €12.9m** thanks to the stabilization of income from loans (+1.6% YoY in 4Q) and the reduction in deposits cost. Customer spread improves 4bps reaching 1.42%.
- **Income from ALCO portfolio decreases 9.7% YoY** and currently represents just 12% of the bank's interest income.

NET FEE INCOME

Net Fee income – €m



Net Fee income % Recurring Revenues[1]



Net fee income increases 2.5% YoY. Net Fee income over average total assets improves **6bps** reaching **0.72%**

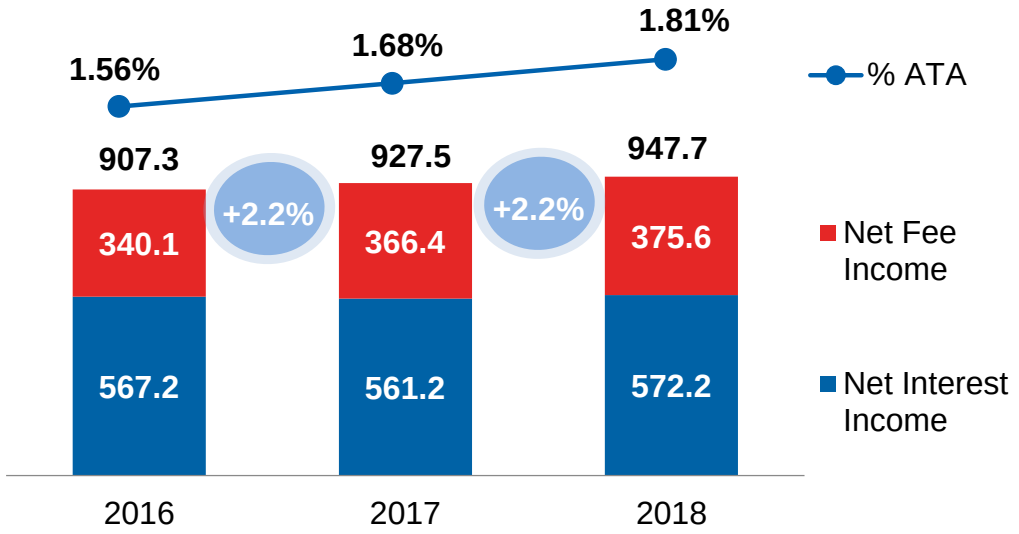
- **Non-banking commissions*** (mutual funds, risk insurance and pension funds) **rises 3.1% YoY.** These commissions represent **57% of the bank's net fee income.**
- **Banking commissions grows 1.8% YoY.**

Net fee income contribution to the bank's recurring revenues reached 40%, the largest weighting in the Spanish financial system, showing the importance of asset management and bancassurance for Ibercaja.

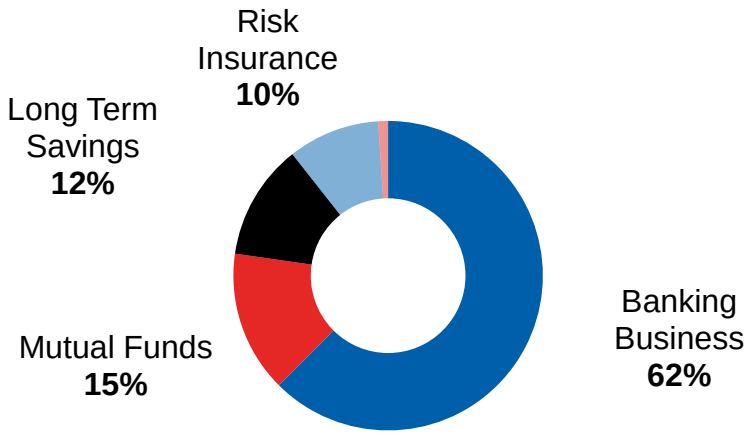
* Includes non-banking financial product's commercialization and asset management
[1] Entities considered: Bankia, Bankinter, Caixabank, Liberbank, Sabadell and Unicaja.

RECURRING REVENUES

Recurring Revenues – €m



Recurring Revenues Breakdown – % 2018



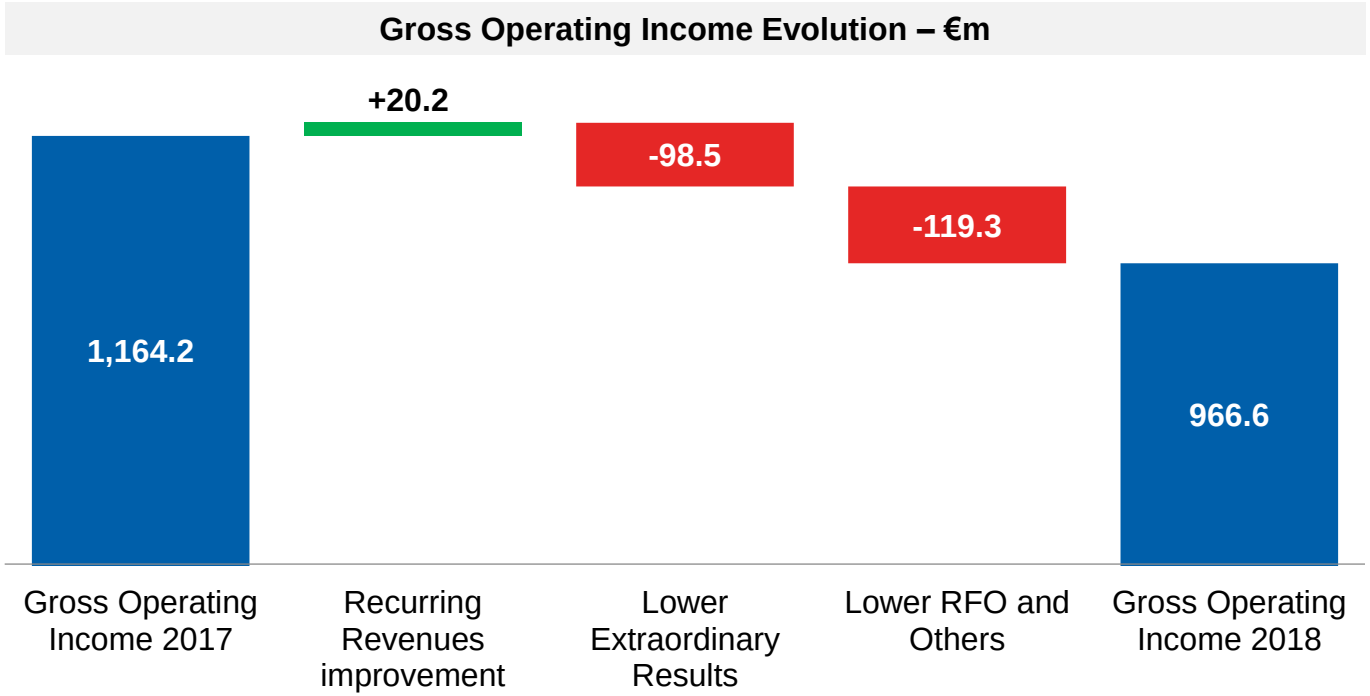
Revenue diversification through asset management and bancassurance has allowed **Ibercaja to increase its recurring revenues for the second consecutive year.**

- **Recurring revenues have grown 2.2% YoY** and profitability over ATA has improved 13bps reaching 1.81%. Since 2016, recurring revenues have increased 4.5% and profitability over ATA has improved 24bps
- **Revenues from asset management and bancassurance have grown 5.3% YoY representing 36.5% of the bank's recurring revenues**

GROSS OPERATING INCOME

Gross operating income falls **17% YoY** as a result of the **lower results from financial operations** in the period and the **absence of extraordinary results** (Cecabank[1] and CASER[2])

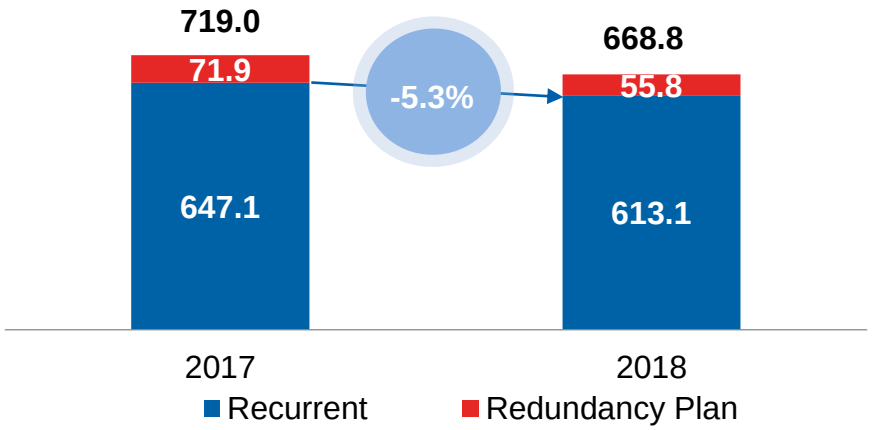
► **Recurring revenues represent 98% of gross operating income** (vs. 80% in 2017)



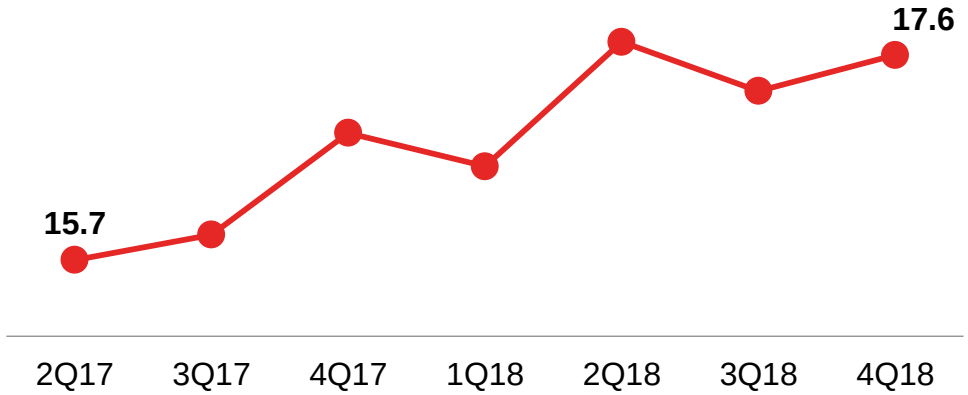
[1] In 2017, Ibercaja agreed with Cecabank that the latter remained as the depositary of Ibercaja's mutualt funds and pension funds. This agreement involved a payment of €80.2m
[2] In 2017, Ibercaja received €18.3m for the fulfillment of the Business Plan agreed with CASER for the period 2012-2017

OPERATING COSTS

Operating Costs – €m



Productivity per Employee – €m



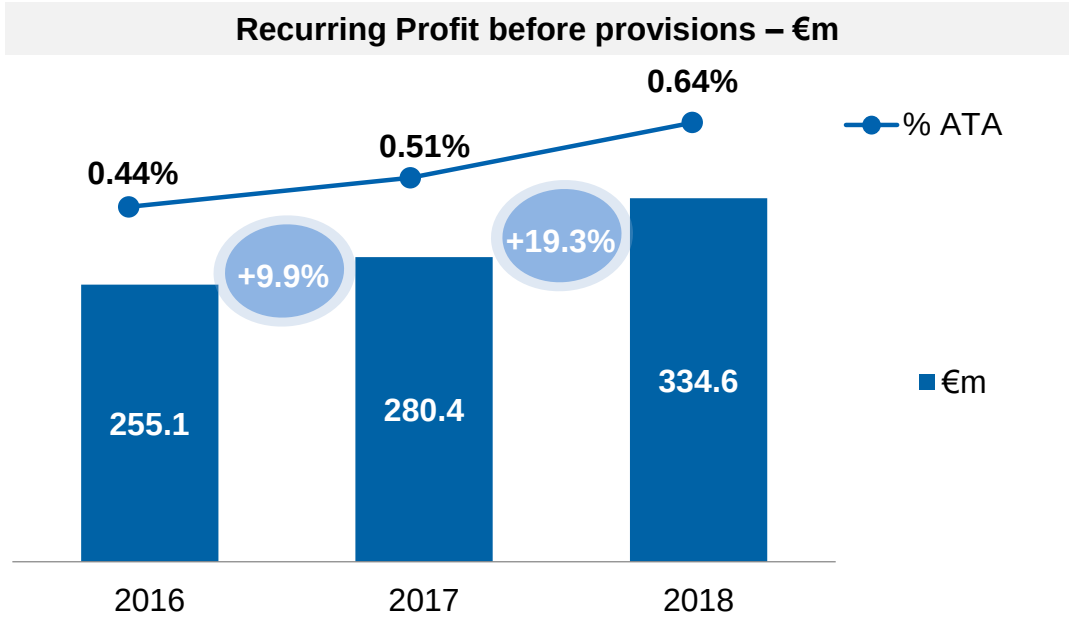
Total operating costs, which include the last payment of the extraordinary cost related to the Redundancy Plan 2017-18, **have fallen 7.0% YoY.**

► **Recurring costs decrease 5.3% YoY**, as a result of the measures taken by the Entity during the last 12 months.

After the execution of the redundancy plan**, Ibercaja has reduced its branch network and employee base by 10% (vs. Jun-17).**

Productivity per employee, calculated as business volume per banking employee, has improved **12% since 2Q17,** date in which the redundancy plan began.

RECURRING PROFIT BEFORE PROVISIONS



2018 Target

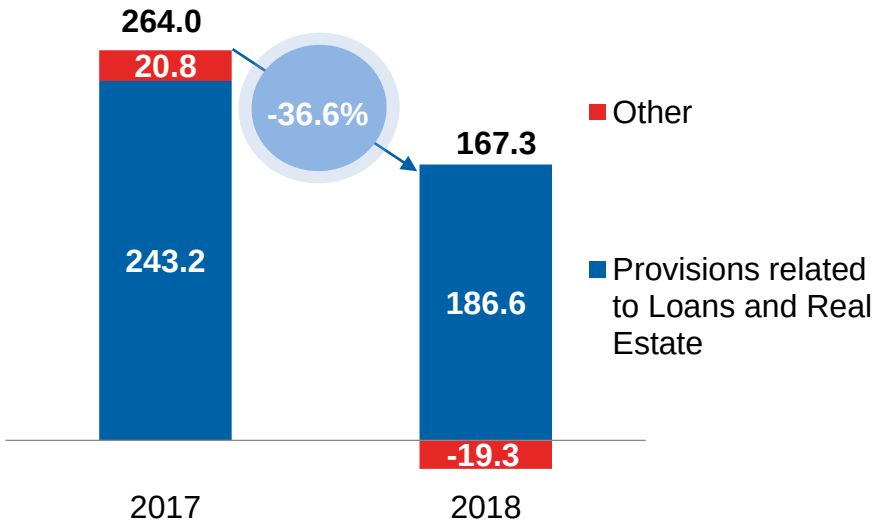
Δ Recurring profit before provisions ≈10%

The recurring profit before provisions increased 19.3% YoY or €54.2m, exceeding the target set for the year. As a % of ATA, it improved 13bps

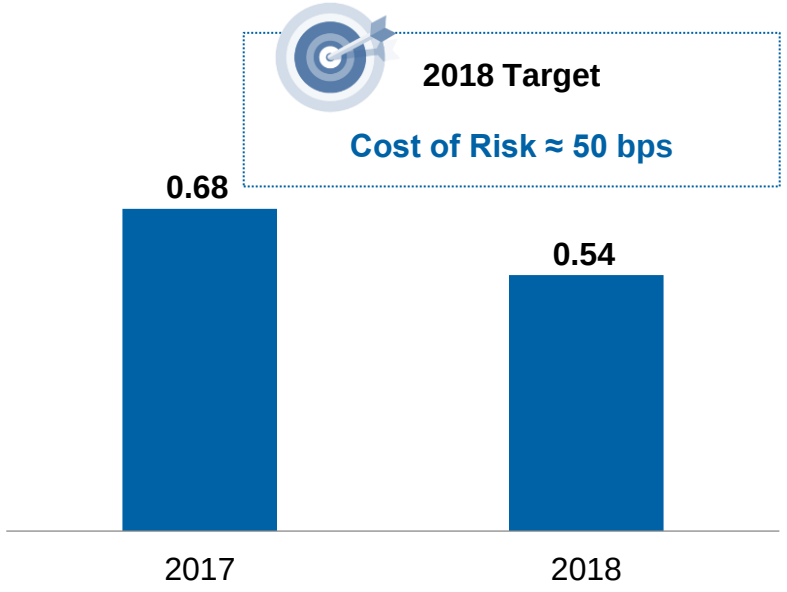
- **Recurring revenues increased 2.2% YoY.**
- **Recurring expenses fell 5.3% YoY.**

PROVISIONS

Total Provisions – €m



Cost of Risk - %

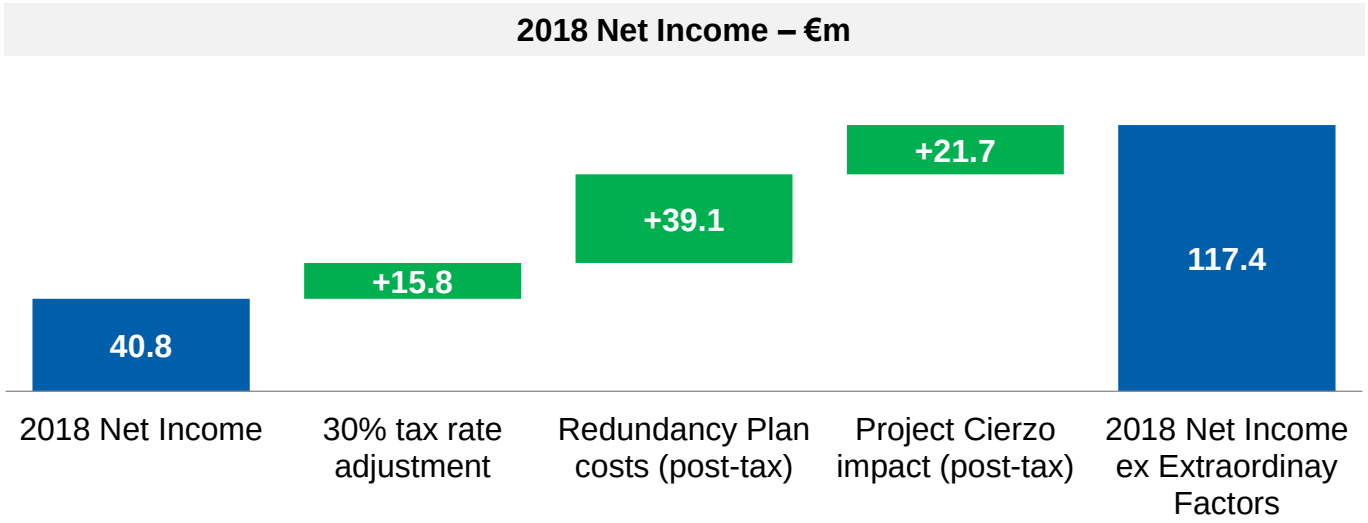


Total provisions fall 36.6% or €96.6m.

- **Provisions related to loans and real estate** registered a fall of **23.3% YoY or €56.6m.**
- **Cost of risk** stood at **54bps,** in line with the target of **≈50bps** for the year
- Ibercaja maintains its **strategic target** of having a cost of risk below **35bps in 2020**

The execution of Project Cierzo, which represented the disposal of €641m foreclosed assets, lead to an extraordinary charge of €31m (<5% of the gross book value of the portfolio), registered as “other gains and losses”.

NET INCOME



2018 net income affected by 3 extraordinary factors:

- The execution of the **2nd phase of the 2017-18 redundancy plan** resulted in an extraordinary expense of **€55.8m (pre-tax).**
- The closing of Project Cierzo has implied a negative impact of **€31m (pre-tax).**
- The **2018 tax rate** stood at **49.5%.**

2018 net income excluding the effect of the extraordinary factors would have exceeded €117m.

IV

ASSET QUALITY, LIQUIDITY AND SOLVENCY

ASSET QUALITY (1/2)

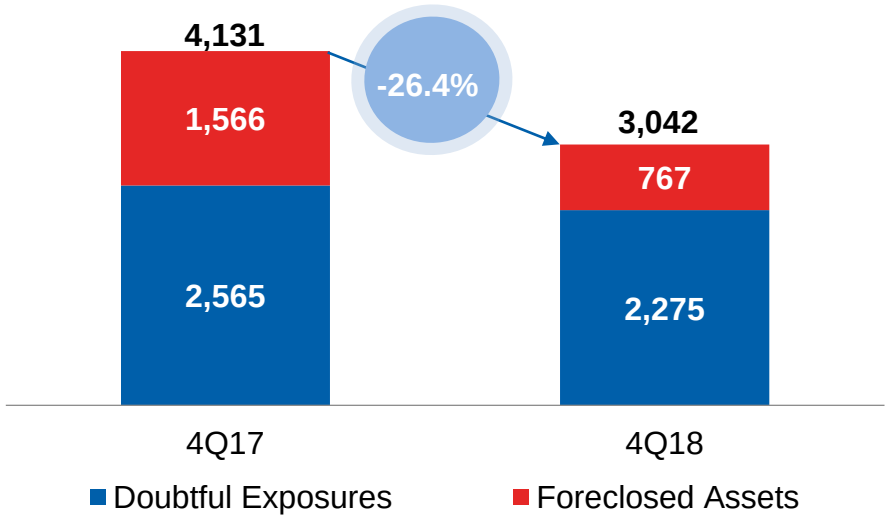
Non-performing assets – doubtful exposures and foreclosed assets – decrease 26.4% YoY or €1,090m.

NPA ratio falls 298bps during the year reaching 8.8%.

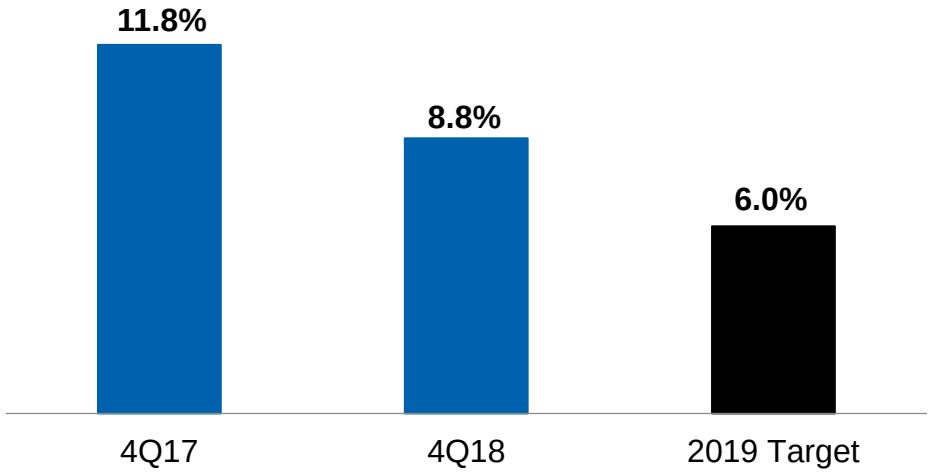
- Stock of **doubtful exposures** has decreased **11.3% or €290m**. NPL ratio has fallen 93bps reaching **6.7%**.
- **Stock of foreclosed assets falls 51% or €799m** driven by ordinary sales (€333m) and the disposal of the wholesale portfolio **Project Cierzo** (€641m)

Ibercaja expects to reduce its NPA ratio to 6% in 2019

Gross NPAs – €m



NPA ratio – %



ASSET QUALITY (2/2)

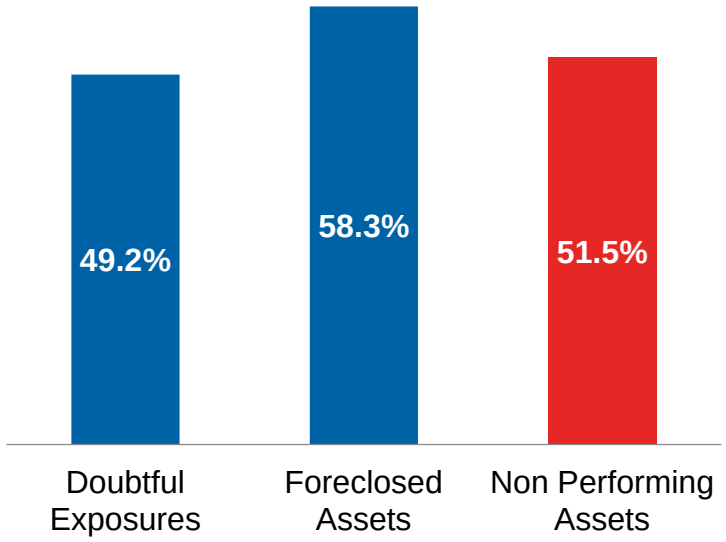
Coverage ratio of non-performing assets has increased 362bps throughout the year reaching 51.5%.

The reduction of gross non-performing assets combined with the provisioning effort has resulted in a reduction of net non-performing assets **of €678m or 31.5% vs. 4Q17.**

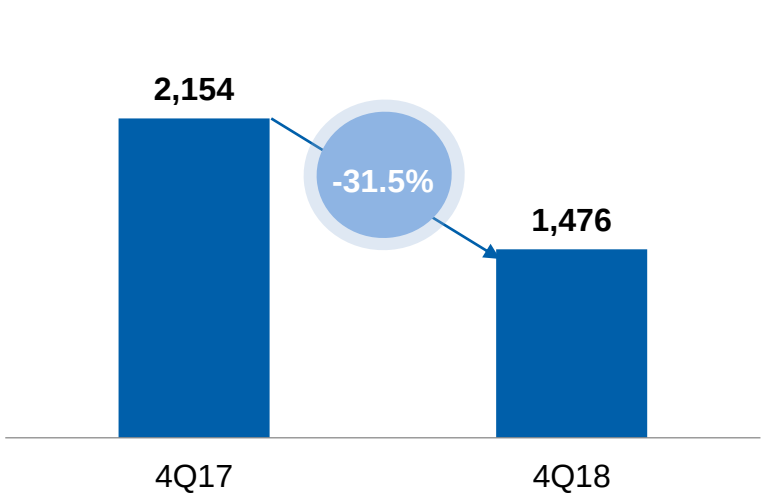
► **Net foreclosed assets have fallen by 53% YoY** and stand at €320m.

Net non-performing assets as a % of total assets have fallen to 2.8% (-126bps in 2018).

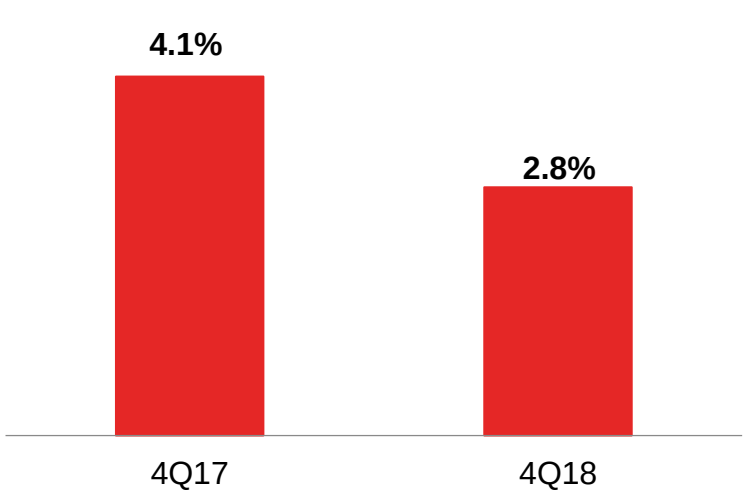
NPA Coverage ratio – %



Net Non-performing Assets – €m



Net NPAs % Total Assets

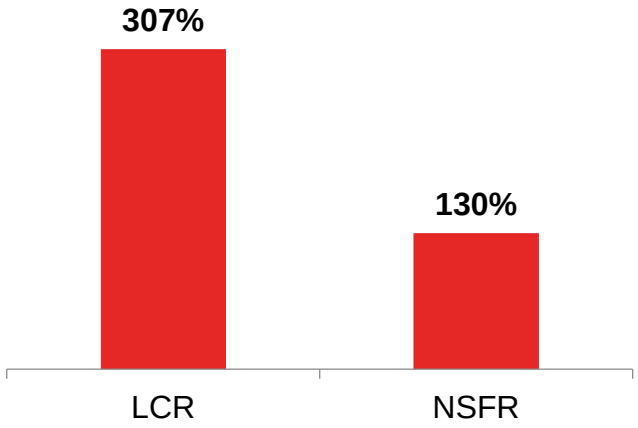


LIQUIDITY AND FUNDING PROFILE

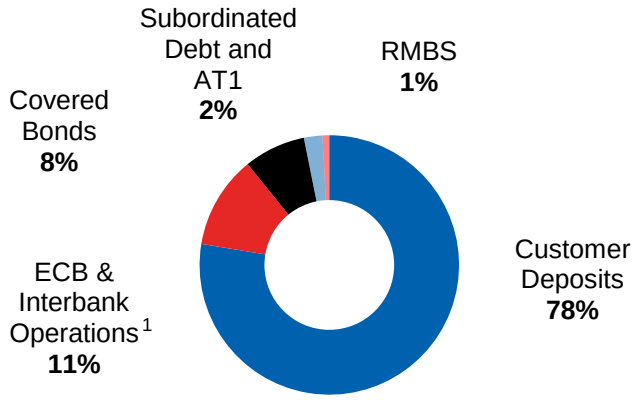
Ibercaja holds a comfortable liquidity position and a strong funding profile:

- **Liquid assets** stand at **€10,917m** (21% of total assets).
- **Loans-to-Deposits** ratio stands at **98%**. **Customer deposits** account for **78%** of external funding.
- The regulatory liquidity and funding ratios (LCR and NSFR) well above the required levels.
- **ECB:** €3,372m (6% of total assets), 100% from TLTRO II auctions.
- **No significant concentration in institutional funding maturities** (<2.0% of total assets per year)

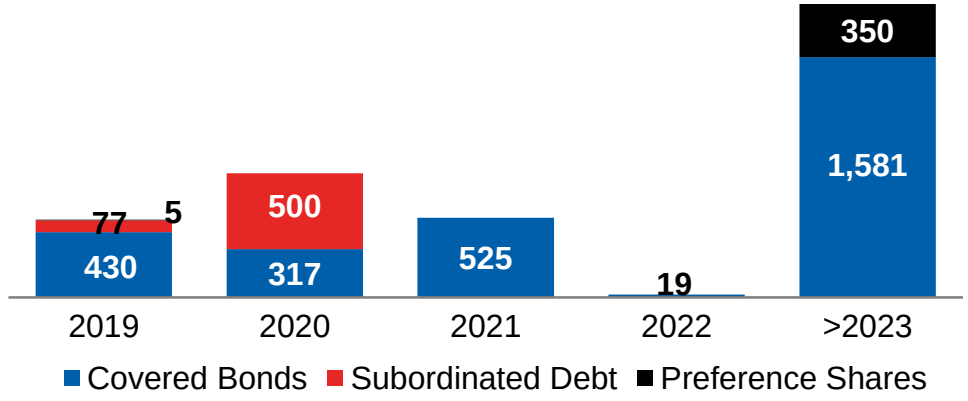
LCR & NSFR Ratios – 2018



Gross External Funding – 4Q18



Maturity Profile[2] – €m



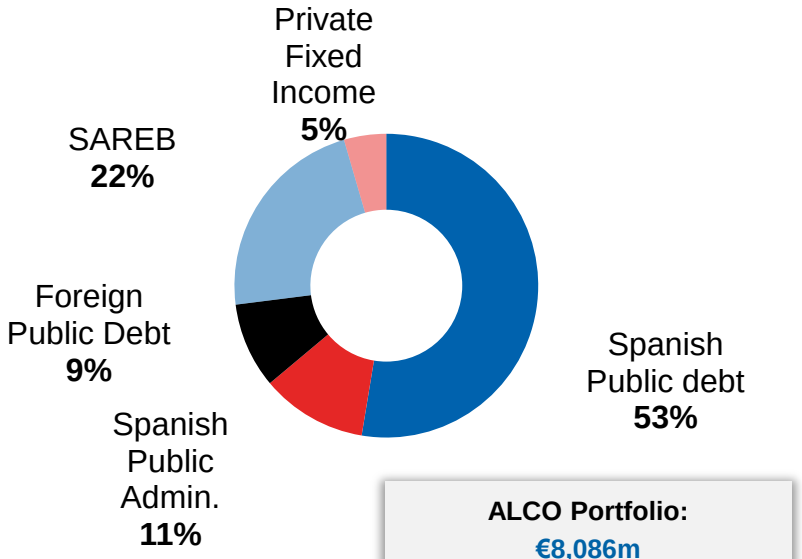
[1] Includes long term funding from institutional banks such as ICO and BEI
[2] Ibercaja's 1st preferred shares issuance was early redeemed on January 24th. The outstanding balance was €5m

ALCO PORTFOLIO

Fixed-income portfolio has remained stable at €8bn[1] throughout the year. This portfolio has a low risk profile, mainly composed of Spanish sovereign debt.

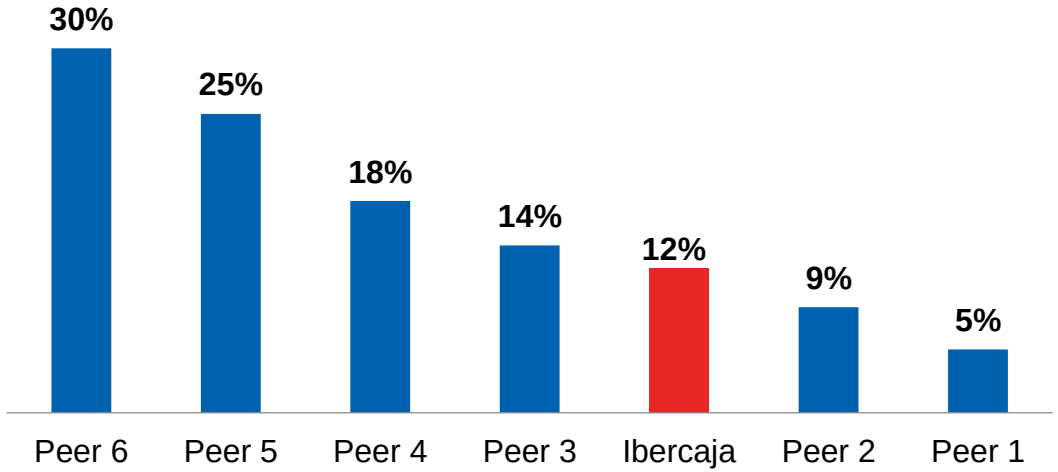
- **Average duration** of **2.1 years**[2]
- **Average yield** stands at **1.4% ex SAREB** (1.1% including SAREB bonds).
- **80%** of the portfolio is classified **at amortized cost.**

ALCO Portfolio – €m



ALCO Portfolio:
€8,086m

Fixed-income[1] % Interest Income[3]



[1] Excluding the insurance portfolio
[2] Includes interest rates swaps
[3] Considered entities: Bankia, Bankinter, Caixabank, Liberbank, Sabadell and Unicaja

SOLVENCY

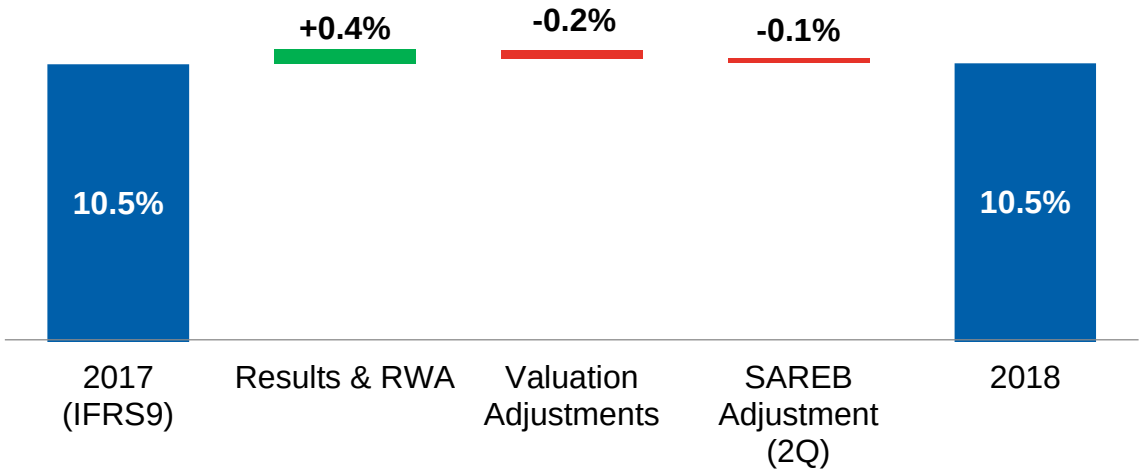
CET1 Fully Loaded ratio stands at **10.5%** as of YE2018. The **Total Capital Fully Loaded ratio** reaches **14.5%**. The **Leverage Fully Loaded** ratio reaches **5.5%**

- With the Tier II and AT1 issuances, **Ibercaja has already fulfilled its hybrid capital buffers.**
- Ibercaja shows a **high RWAs density** (41%, 100% based on standard models), which sets the leverage ratio among the highest in the sector.

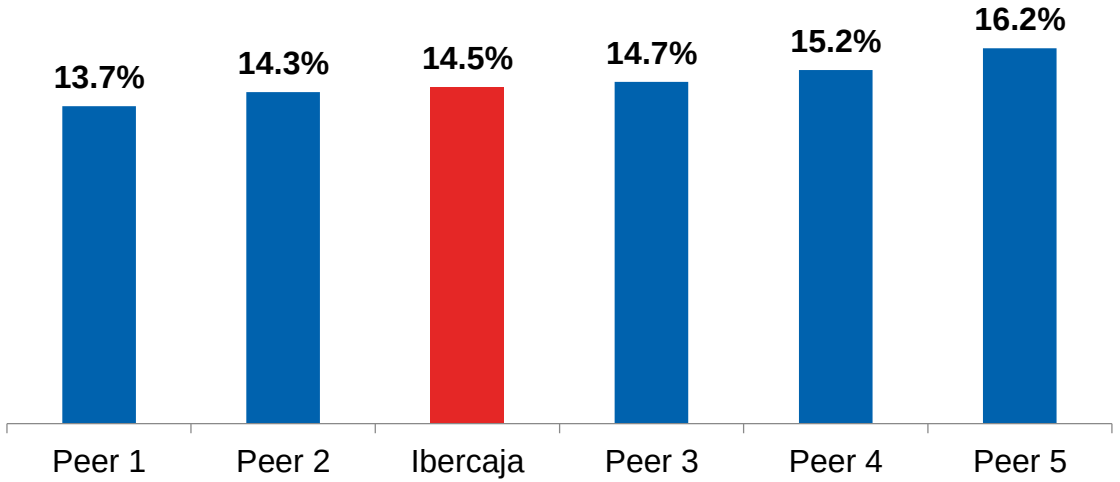
In Phased In terms, the **CET1 ratio** stands at **11.7%** and the **Total Capital ratio** at **15.6%.**

- **Solvency ratios well above 2019 SREP requirement** (9% and 12.5%, respectively).

CET1 Fully Loaded Post IFRS9 – %



Total Capital Fully Loaded



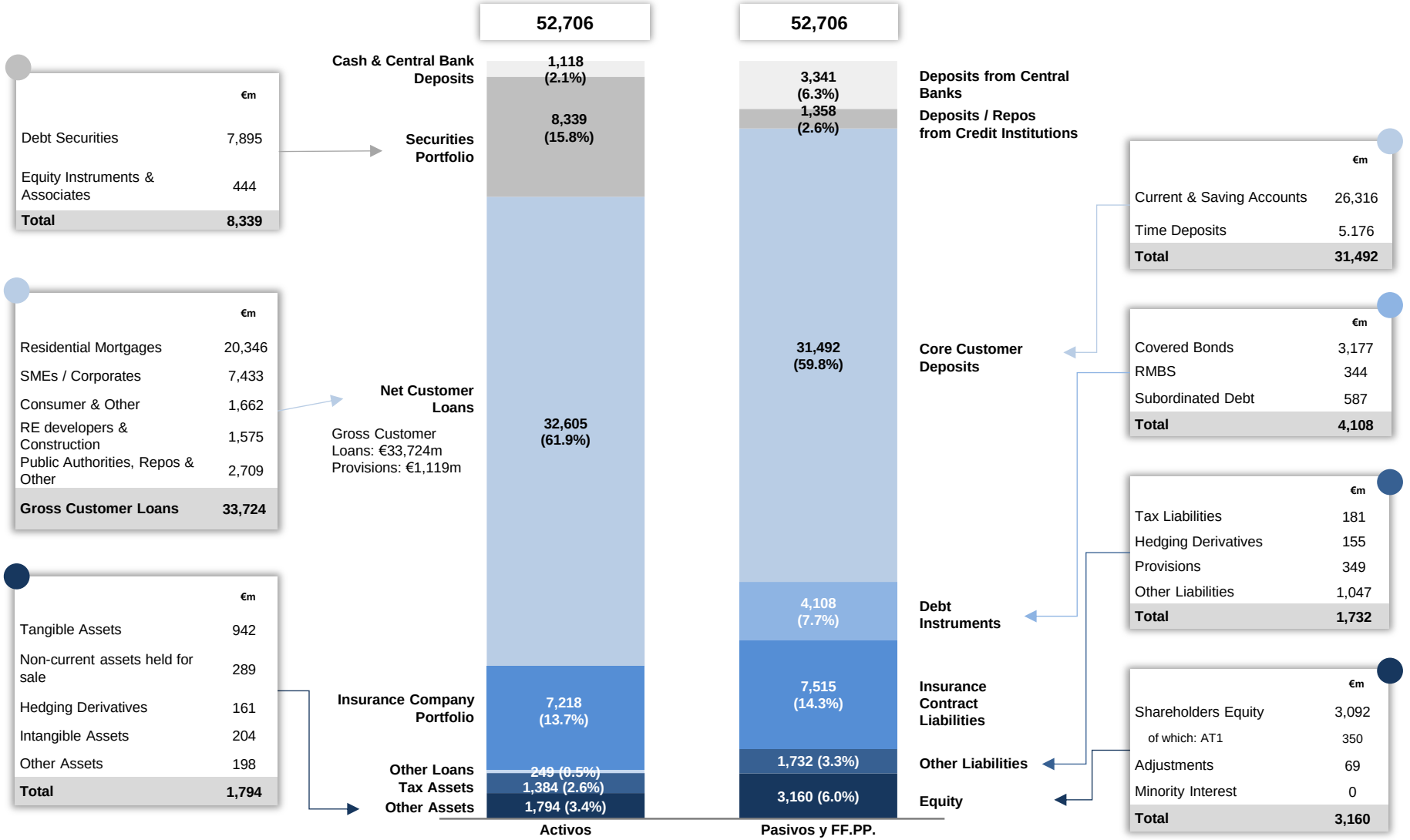
Considered entities: Bankia, Bankinter, Caixabank, Sabadell and Unicaja.

V

ANNEX

CONSOLIDATED BALANCE SHEET

31/12/2018



ANNEX

GLOSSARY

Ratio / APM	Definition
Customer Spread	Difference between the average yield on the loan portfolio and the cost of retail deposits (ex. repos and covered bonds)
Recurring Revenues	Net interest income plus net fee and commission income plus net exchange differences
Recurring Costs	Personnel expenses plus other administration expenses plus amortisation and depreciation minus extraordinary expenses (redundancy plan)
Recurring Profit before Provisions	Recurring revenues minus recurring costs
NPL ratio	Doubtful balances in loans and advances to customers divided by gross loans and advances to customers
NPL coverage ratio	Loans and advances to customers impairments divided by balances in loans and advances to customers
Foreclosed Assets coverage ratio	Foreclosed assets impairment losses (since loan origination) divided by gross foreclosed assets
Non-performing Assets (“NPAs”)	Sum of doubtful balances in loans and advances to customers and gross foreclosed assets
NPA ratio	Gross non-performing assets divided by gross loans and advances to customers plus gross foreclosed assets
NPA coverage ratio	Sum of foreclosed assets impairments and loans and advances to customers impairments divided by gross non-performing assets
Cost of Risk	Sum of impairments associated with credit risk and foreclosed assets divided by the average balance of the sum of gross loans and foreclosed assets
Liquid Assets % Total Assets	Total liquid assets divided by total assets. Liquid assets include unencumbered public debt + available & eligible fixed income assets (after ECB haircut applied)
Loans-to deposits ratio	Net customer loans (ex. repos) divided by customer deposits (ex. repos and covered bonds)
Net Stable Funding Ratio	Amount of available stable funding relative to the amount of required stable funding
Liquidity Coverage Ratio	High quality liquid assets divided by net outflows during the following 30 days
ALCO portfolio	Bank’s fixed-income portfolio. Excludes the fixed-income portfolio of the insurance company

THANKS

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