

# IBERCAJA BANCO 2018 RESULTS

March 1<sup>st</sup>, 2019

EL BANCO  
DEL  
*Vamos*

iberCaja 



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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%

# 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

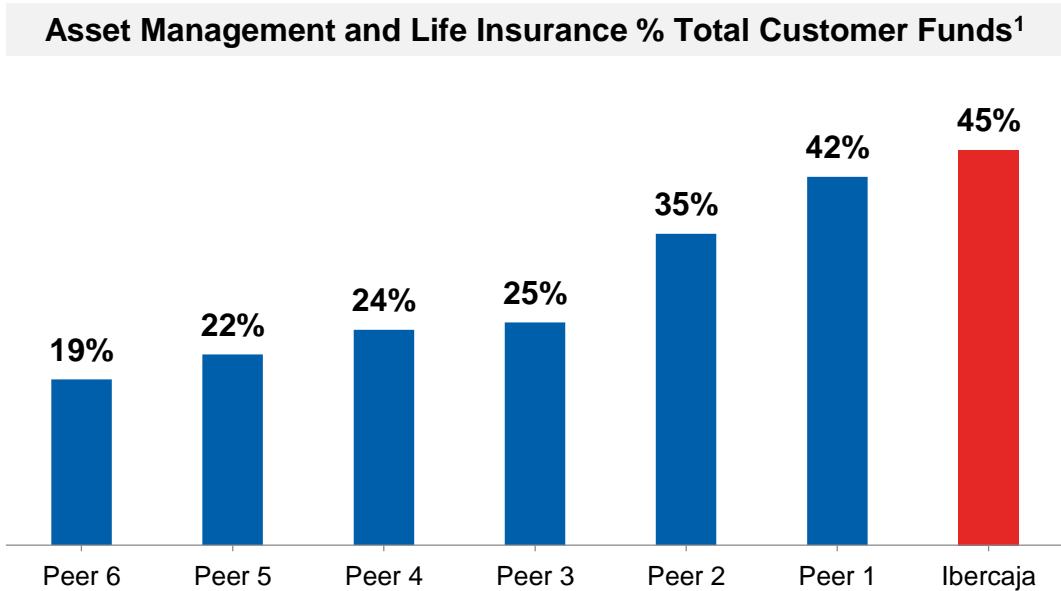
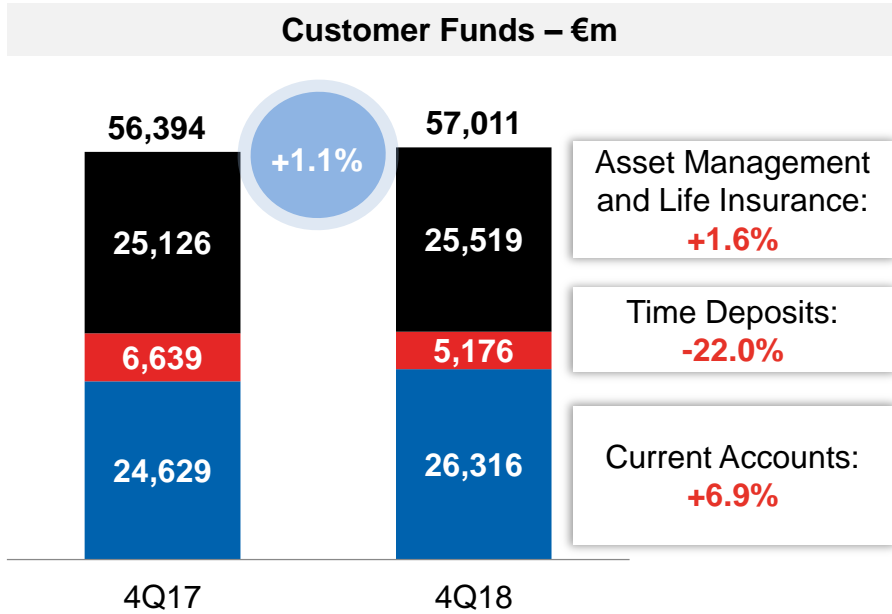
## NET PROFIT IS NEGATIVELY AFFECTED BY EXTRAORDINARY FACTORS

- €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



# COMMERCIAL ACTIVITY

# CUSTOMER FUNDS



**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**.

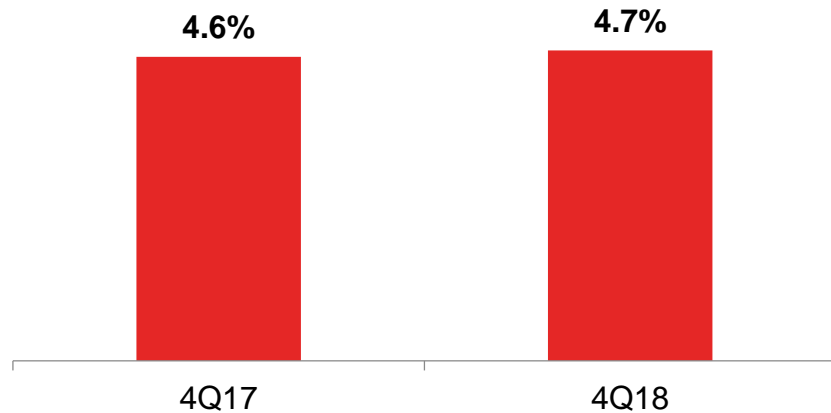
**Assets under management and life insurance account for 45% of total customer funds**, the largest weighting in the Spanish retail banking industry.

<sup>1</sup> The entities considered are Bankia, Bankinter, Caixabank, Liberbank, Sabadell and Unicaja

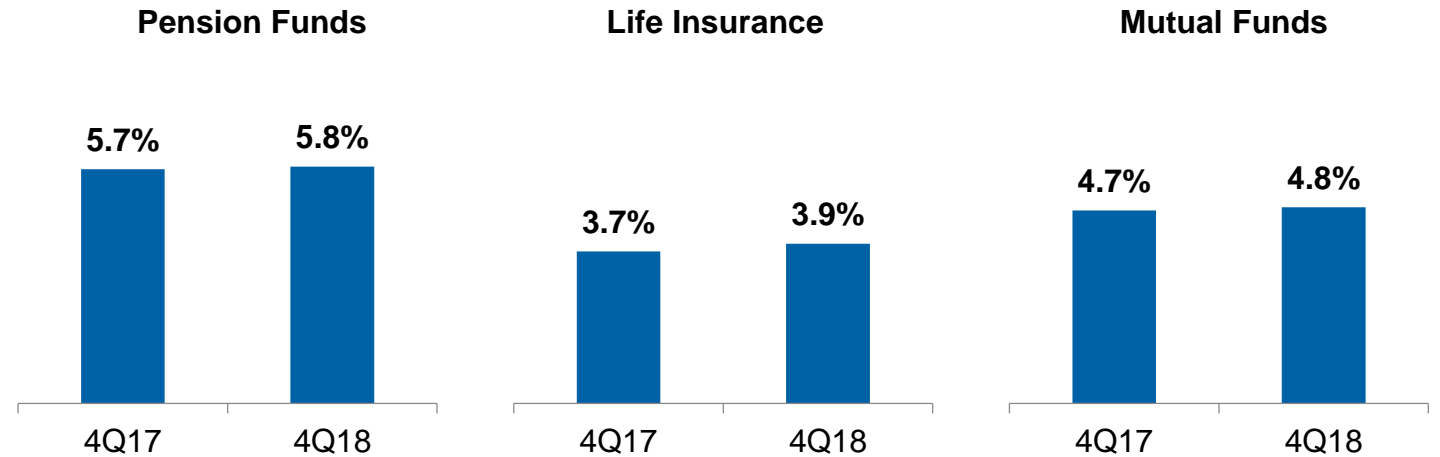


# ASSET MANAGEMENT AND LIFE INSURANCE

Asset Management and Life Insurance Market Share



Market Shares



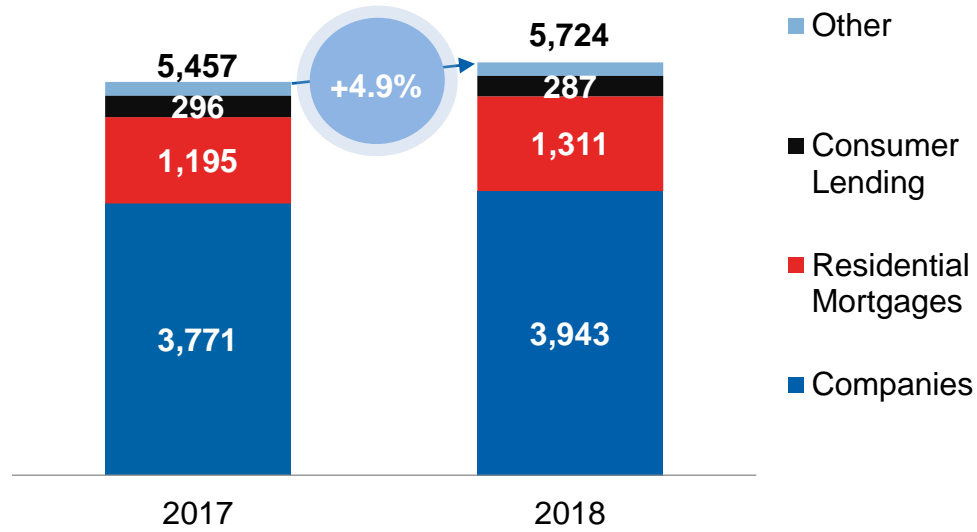
**Ibercaja continues improving its positioning in asset management and life insurance with a market share increase of 10 bps reaching 4.7%**, significantly higher than its banking business market share.

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.

# CUSTOMER LOANS

New Lending Production – €m



**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.**

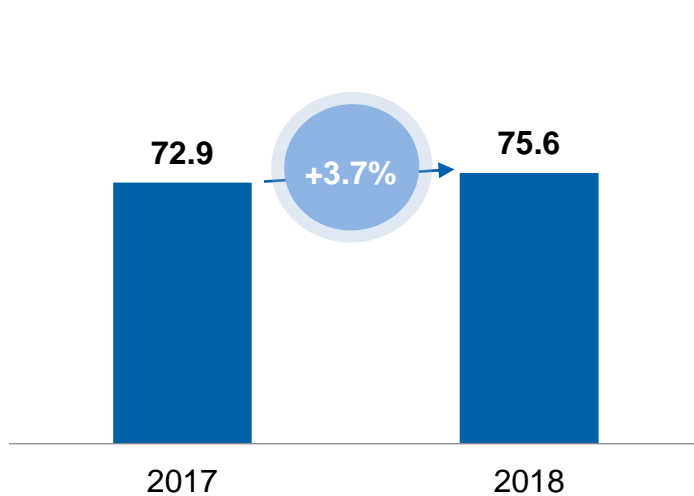
**Performing Loans ex Repos fell 0.5% YoY.**

Loan Portfolio – €m

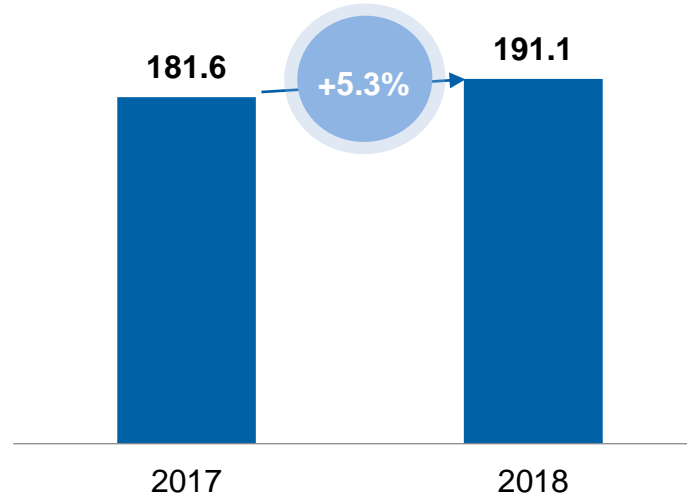
	2017	2018	Var.
<b>Loans to Individuals</b>	<b>21,529</b>	<b>20,999</b>	<b>-2.5%</b>
Mortgages	19,999	19,492	-2.5%
Consumer and Others	1,530	1,507	-1.5%
<b>Loans to Companies</b>	<b>7,511</b>	<b>7,745</b>	<b>3.1%</b>
Non-Real Estate Companies	6,639	6,786	2.2%
Real Estate Companies	873	959	9.9%
<b>Public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

# RISK INSURANCE

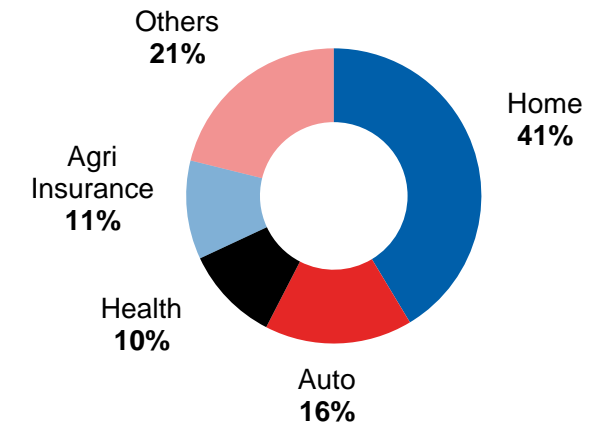
Life Risk Insurance Premiums – €m



Non-life Insurance Premiums<sup>1</sup> – €m



Distributed Premiums under CASER Agreement



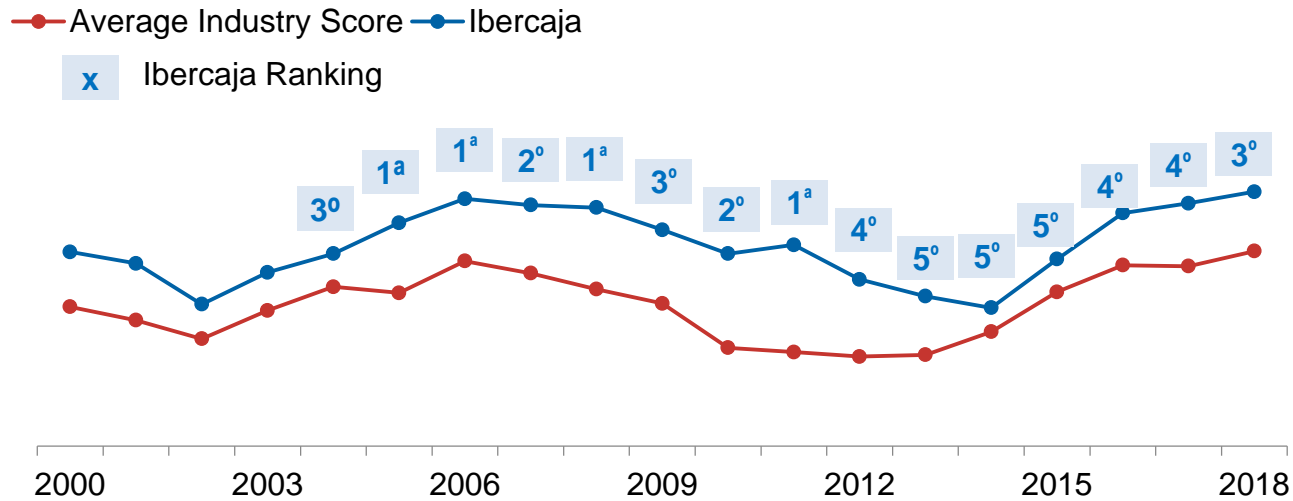
Risk insurance premiums (life risk and non-life) grew 4.8% YoY and exceeded €266m.

- ▶ 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.

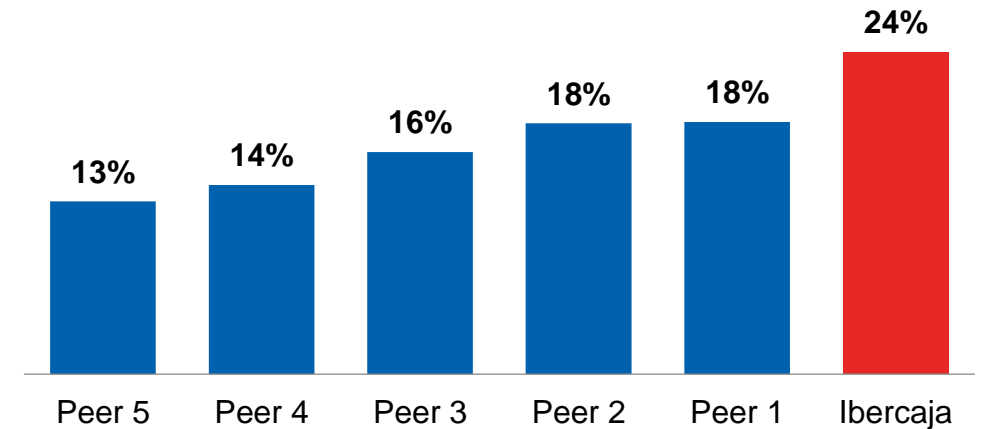
<sup>1</sup> Includes CASER and other companies premiums

# CUSTOMER SERVICE LEVELS

Objective Quality Research - IQUOS<sup>1</sup>



Promoters NPS Ratio – 2018<sup>2</sup>



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

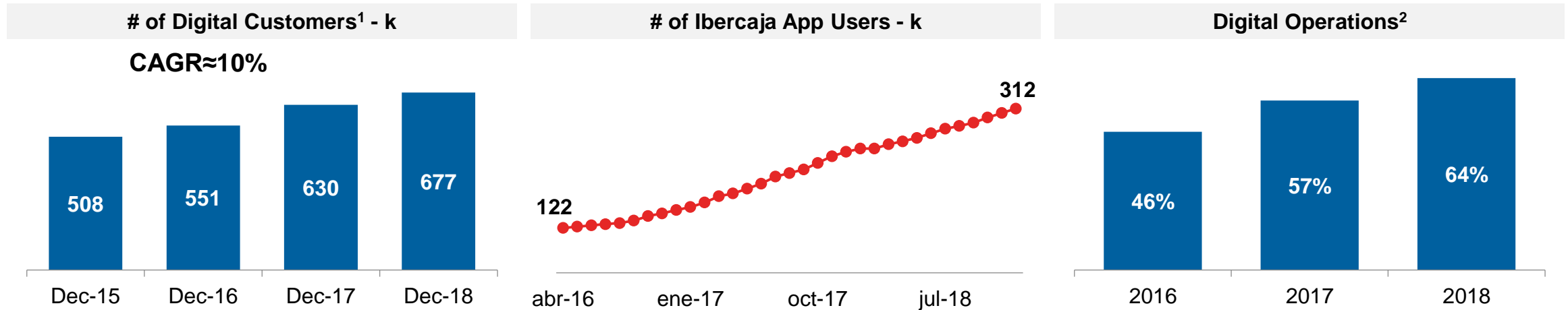
- ▶ Ibercaja ranks again among the top 3 entities with the highest levels of objective quality after the integration of Cajatres.
- ▶ Ibercaja has the highest % of customers who would recommend working with the entity.
- ▶ Within the ranking of Spanish banks, Ibercaja's managers are the second best rated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

<sup>1</sup> Source: STIGA; Entities with national network

<sup>2</sup> % 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

<sup>3</sup> Source: STIGA; Research of BMKS customer surveys

# DIGITAL TRANSFORMATION

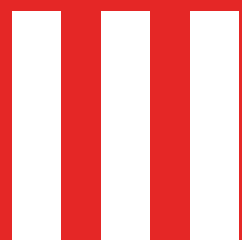


## Ibercaja continues to progress in its digital transformation:

- ▶ **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.**

<sup>1</sup> Number of customers that have used the web or the app of Ibercaja during the last month

<sup>2</sup> % of operations of customers that has been carried out through digital channels (App, Web)

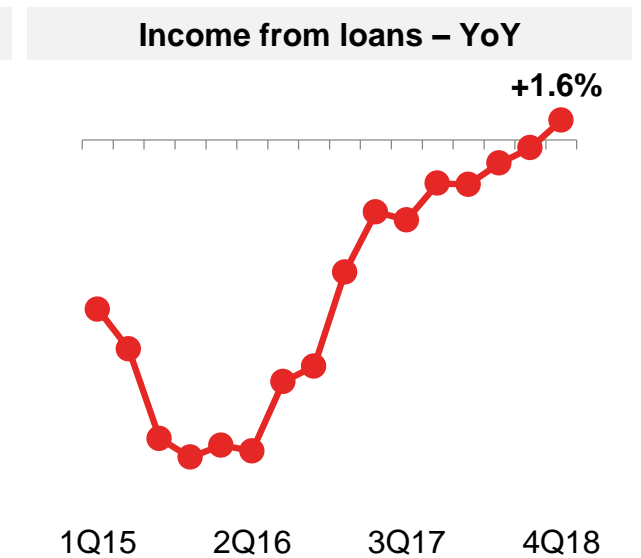
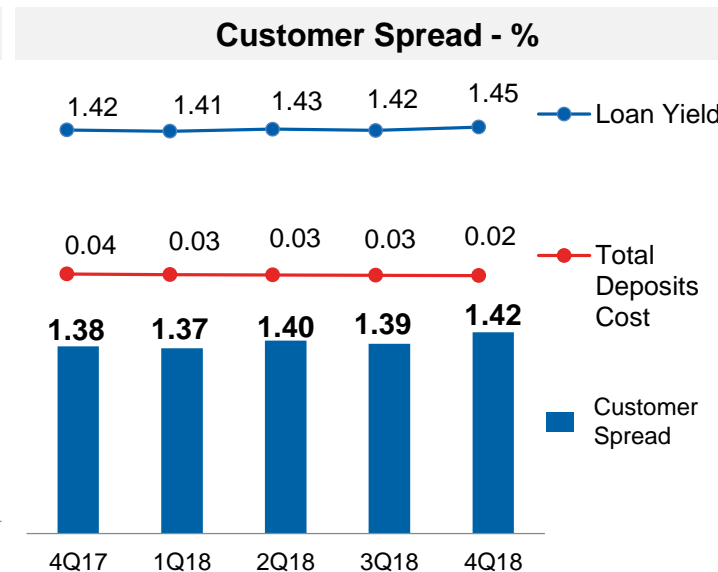
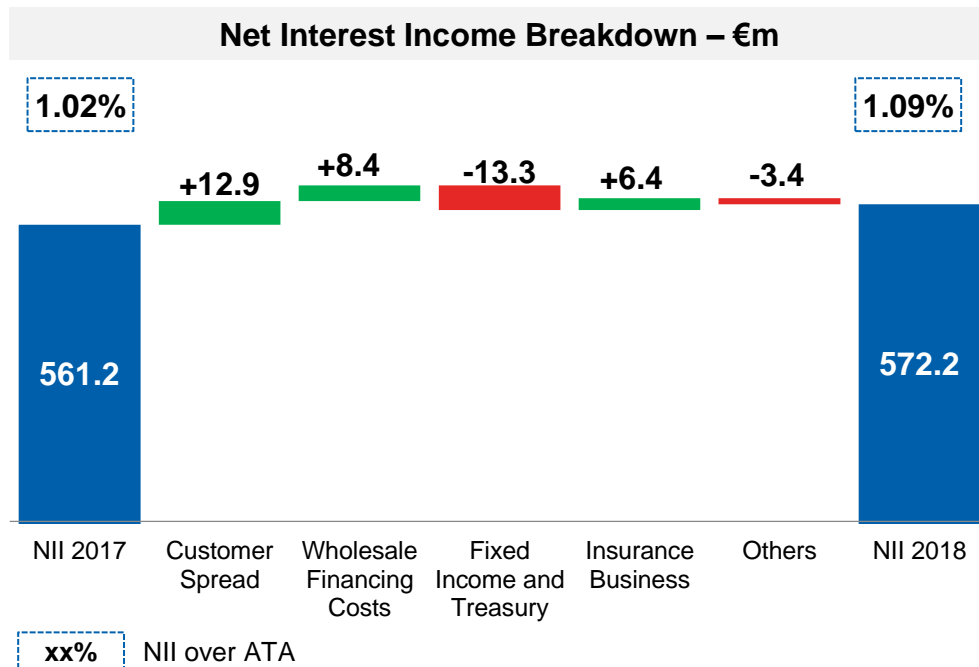


# 2018 RESULTS

# P&L ACCOUNT

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

# NET INTEREST INCOME

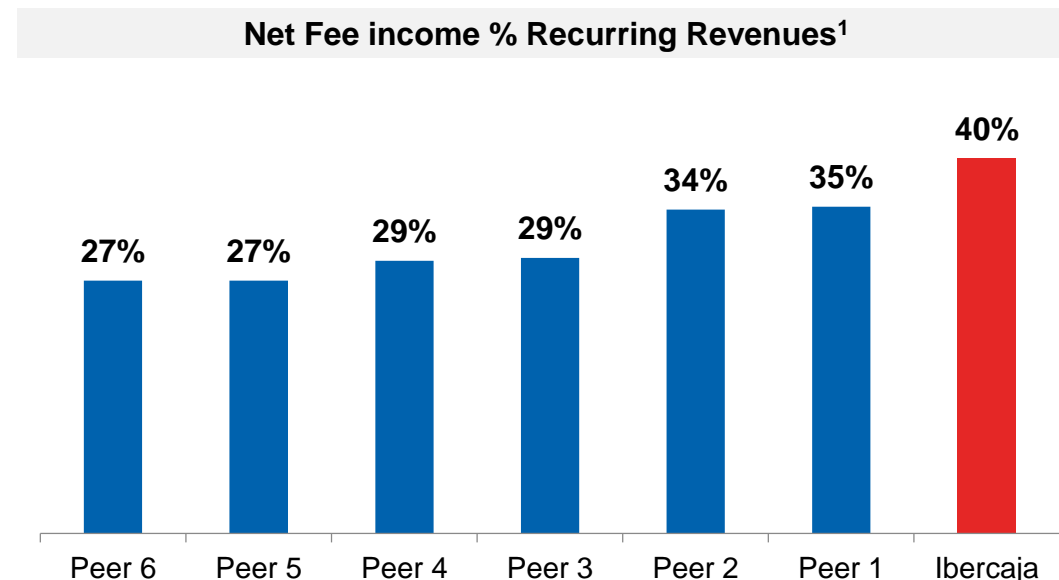
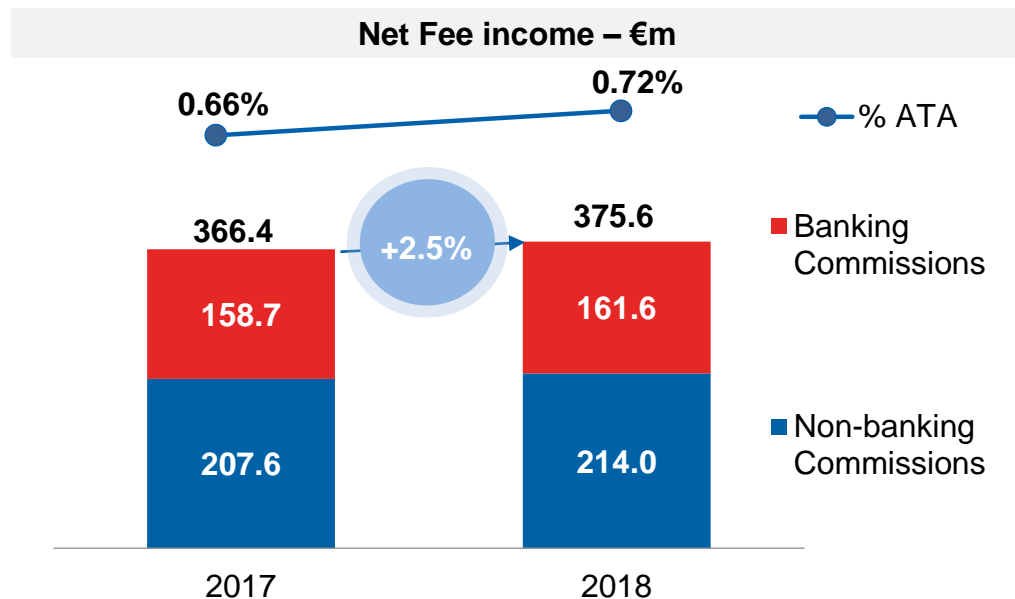


**Net interest income has grown at 2.0% YoY.** The NII as a % of average total assets improves **7bps** reaching **1.09%**

- ▶ **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



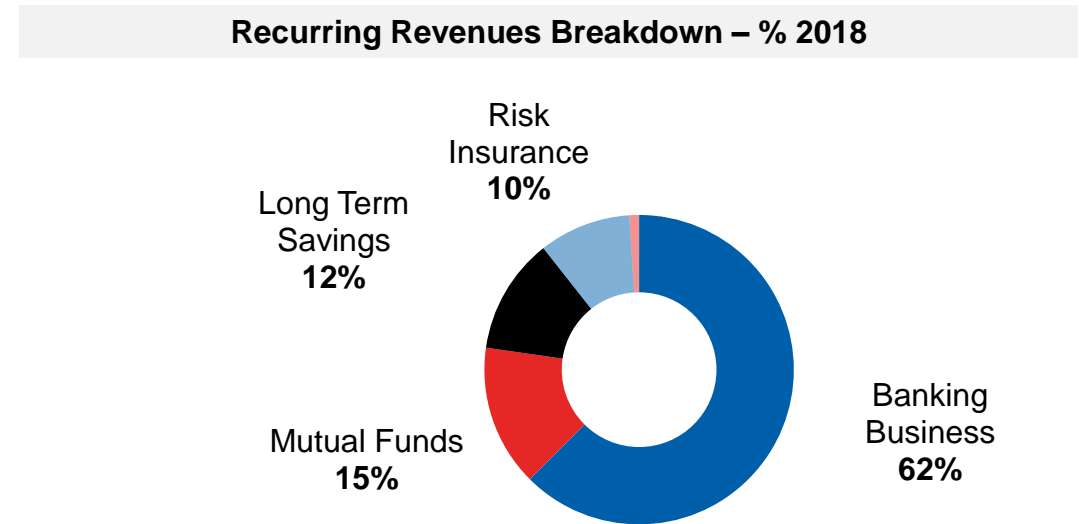
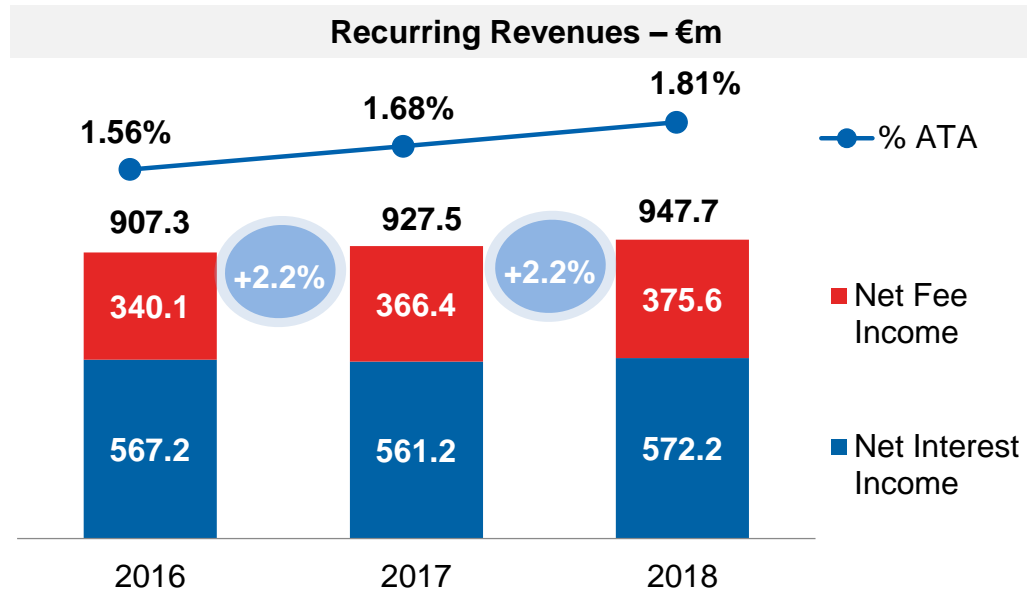
**Net fee income increases 2.5% YoY.** Net Fee income over average total assets improves **6bps** reaching **0.72%**

- ▶ **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  
<sup>1</sup> Entities considered: Bankia, Bankinter, Caixabank, Liberbank, Sabadell and Unicaja.

# RECURRING REVENUES



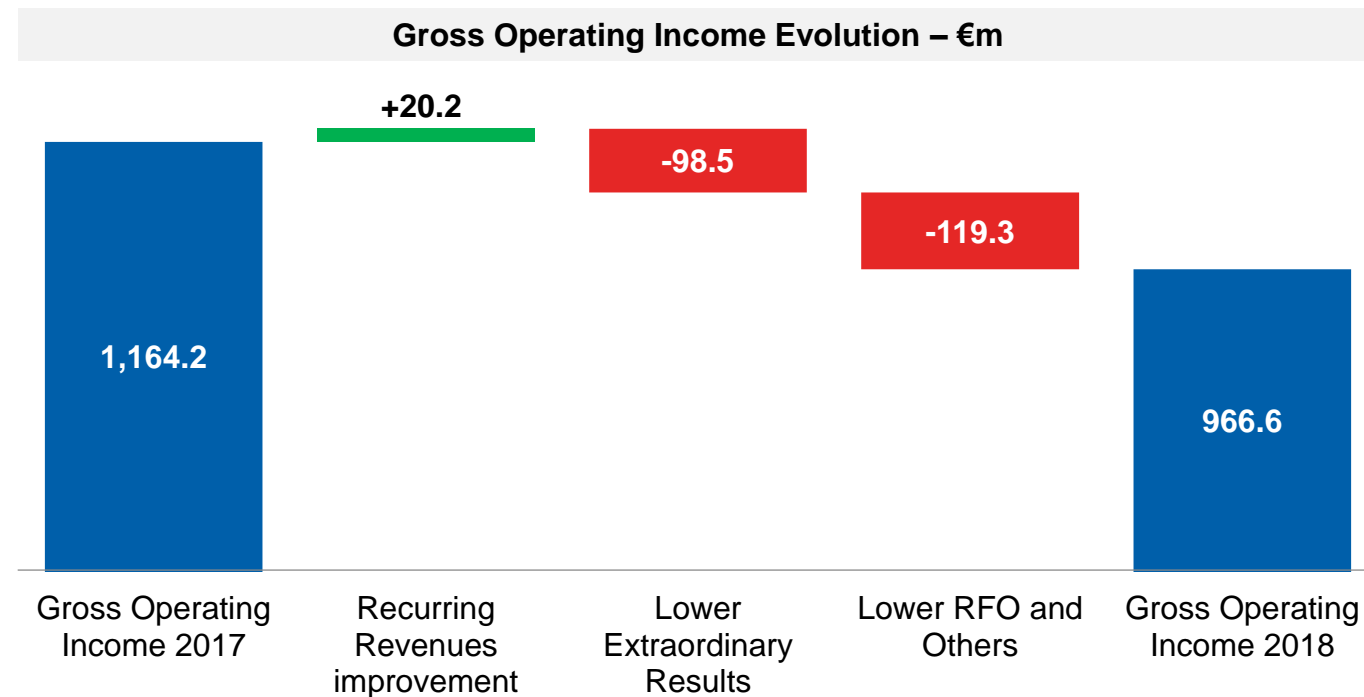
Revenue diversification through asset management and bancassurance has allowed **Ibercaja to increase its recurring revenues for the second consecutive year.**

- ▶ **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<sup>1</sup> and CASER<sup>2</sup>)

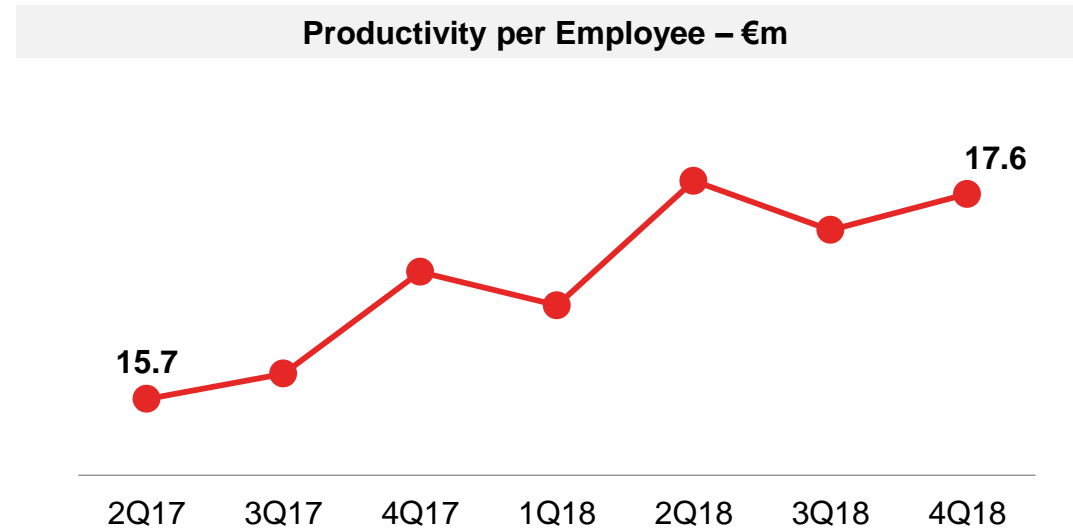
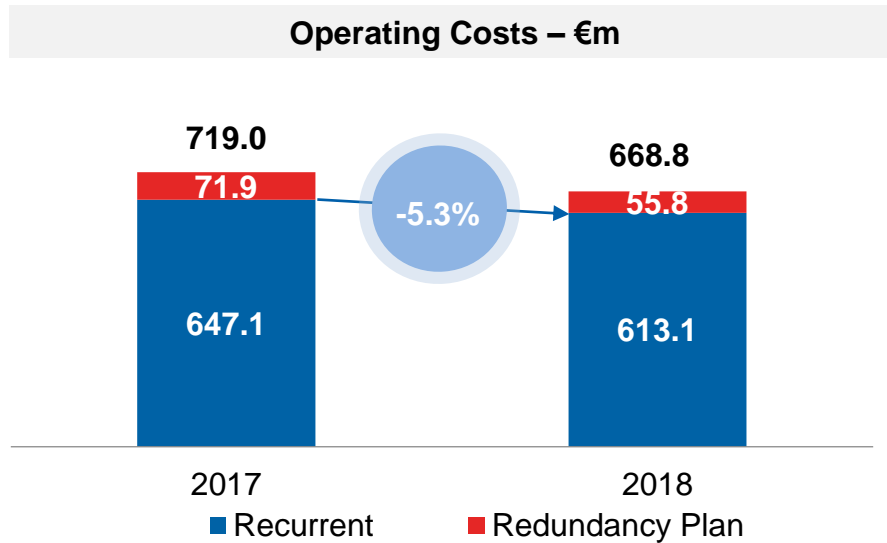
► **Recurring revenues represent 98% of gross operating income** (vs. 80% in 2017)



<sup>1</sup> In 2017, Ibercaja agreed with Cecabank that the latter remained as the depository of Ibercaja's mutual funds and pension funds. This agreement involved a payment of €80.2m

<sup>2</sup> In 2017, Ibercaja received €18.3m for the fulfillment of the Business Plan agreed with CASER for the period 2012-2017

# OPERATING COSTS



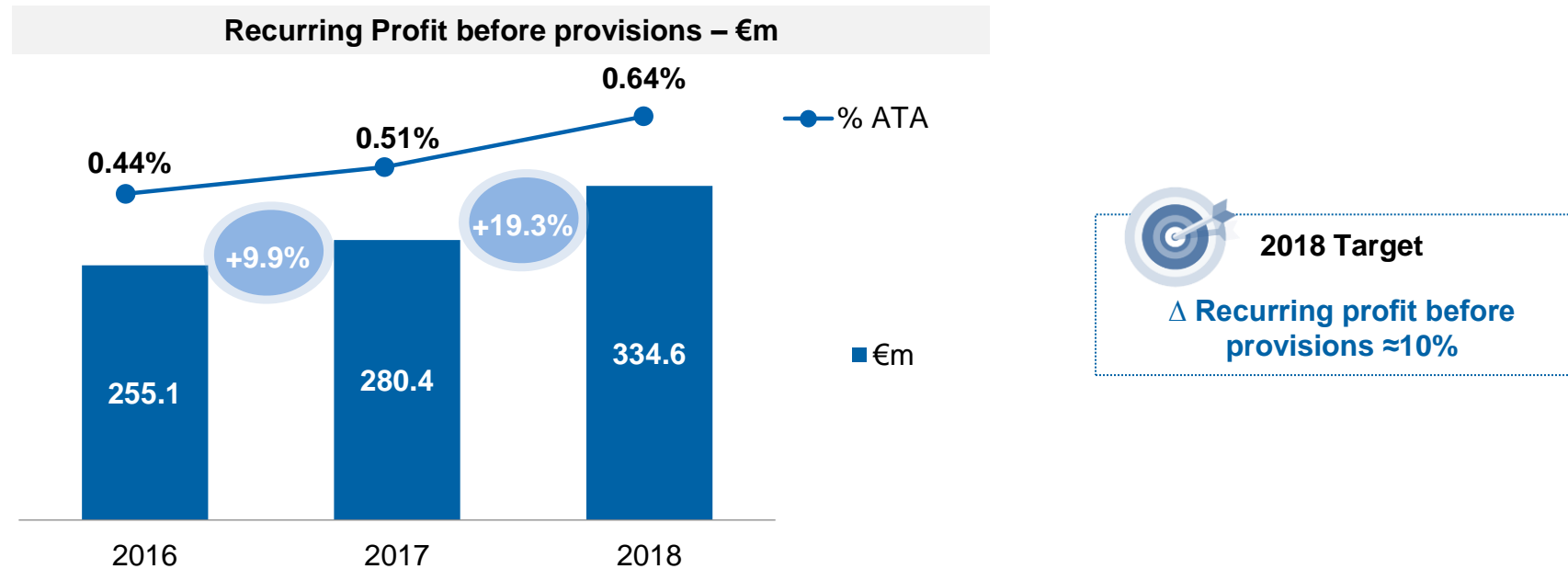
**Total operating costs**, which include the last payment of the extraordinary cost related to the Redundancy Plan 2017-18, **have fallen 7.0% YoY**.

► **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.

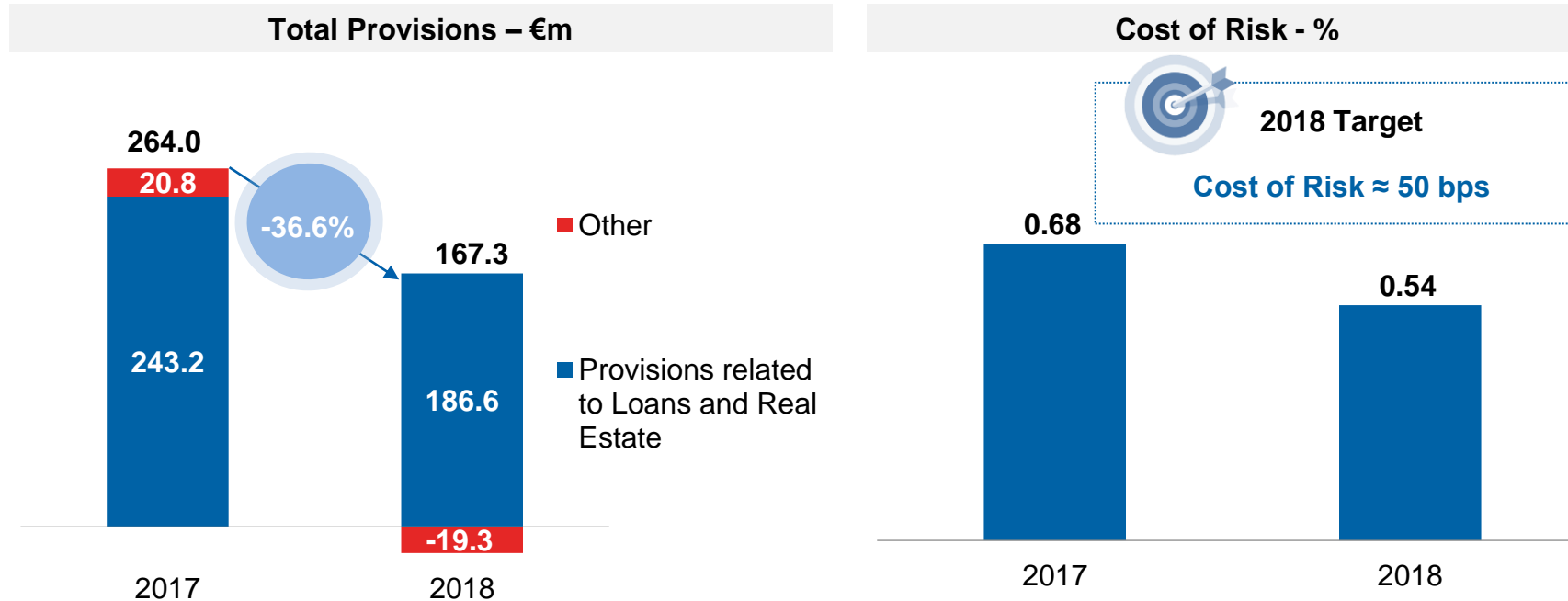
# RECURRING PROFIT BEFORE PROVISIONS



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

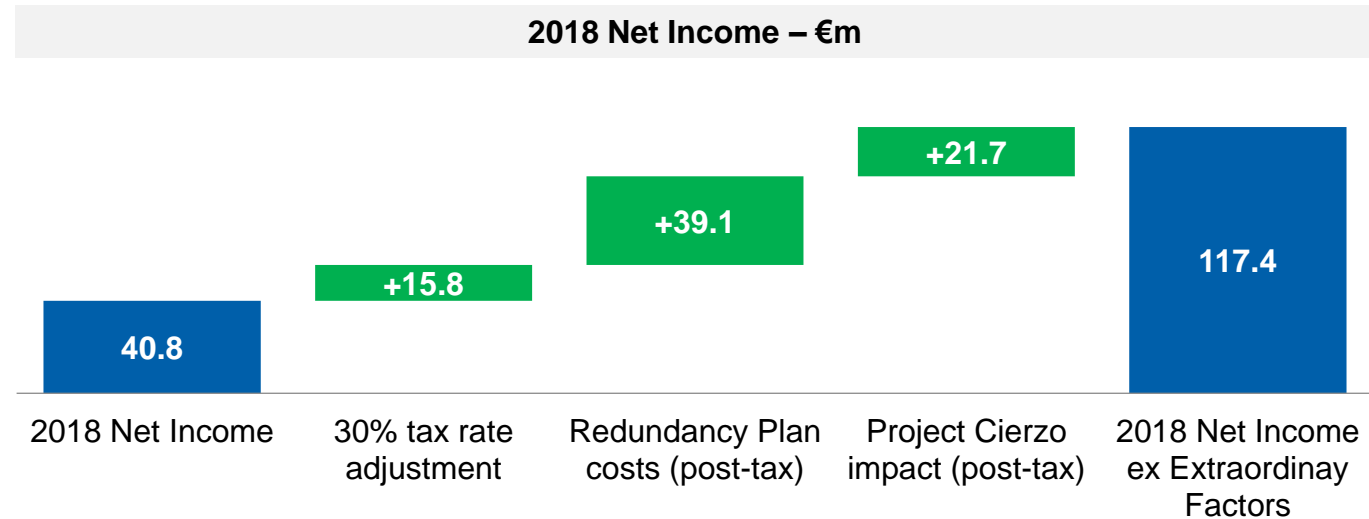


Total provisions fall 36.6% or €96.6m.

- ▶ 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 **2<sup>nd</sup> 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



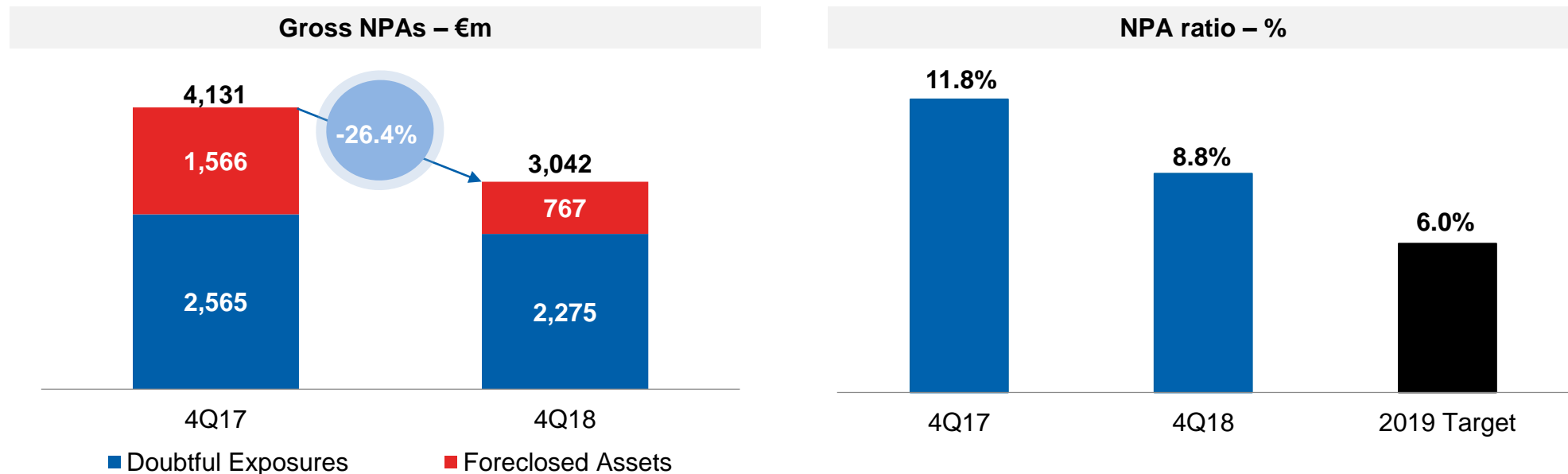
# ASSET QUALITY (1/2)

**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**



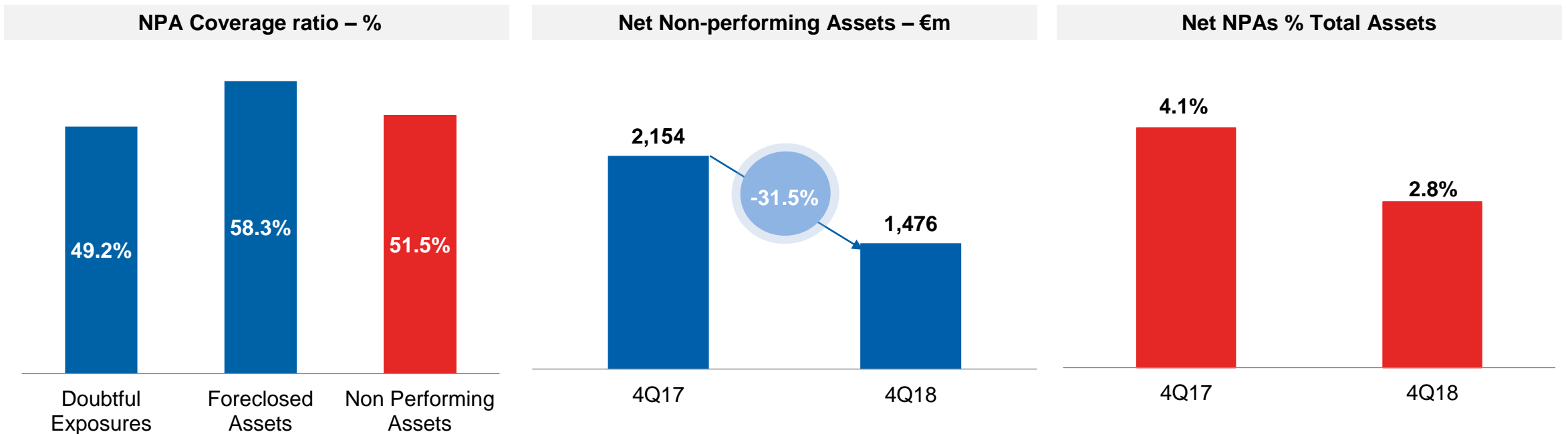
# ASSET QUALITY (2/2)

**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.**

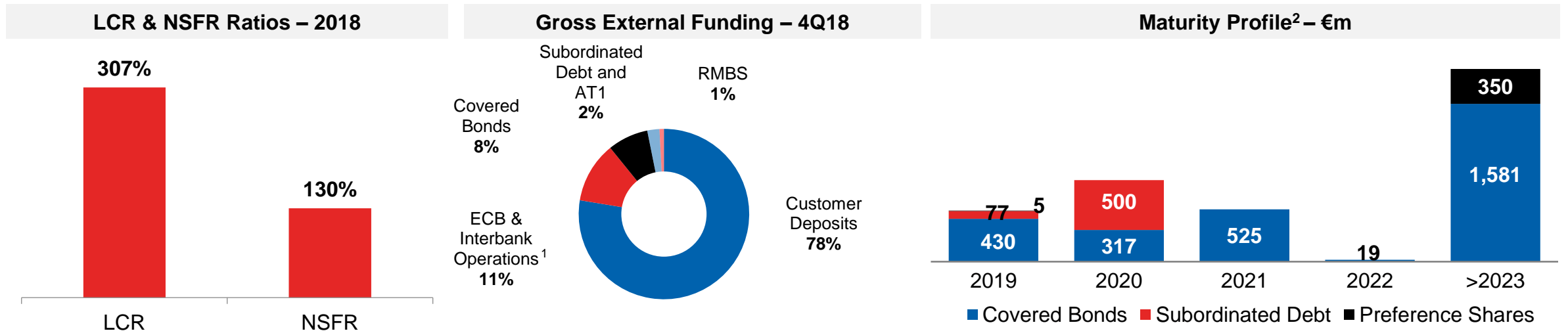
**Net non-performing assets as a % of total assets have fallen to 2.8%** (-126bps in 2018).



# 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)



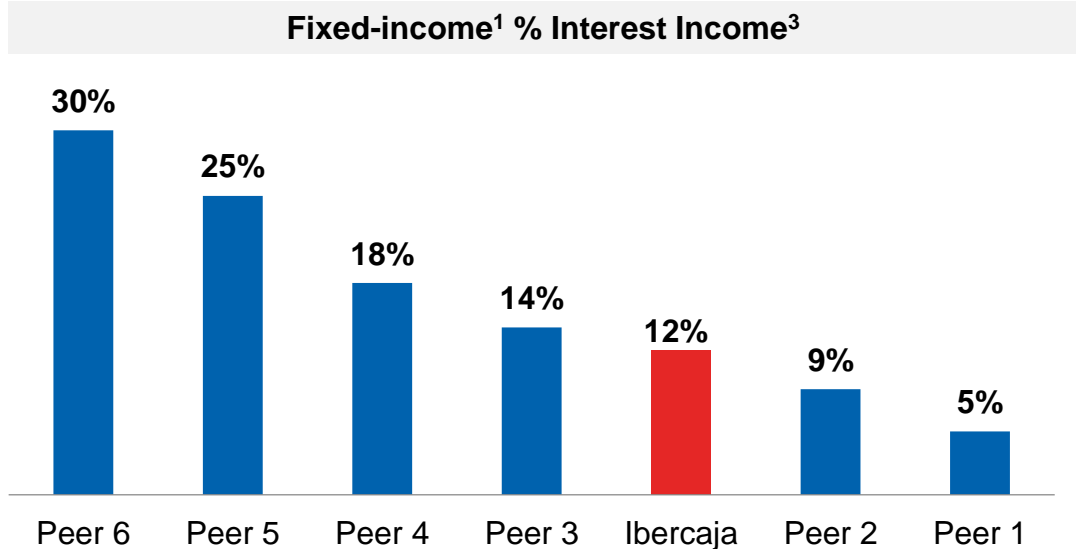
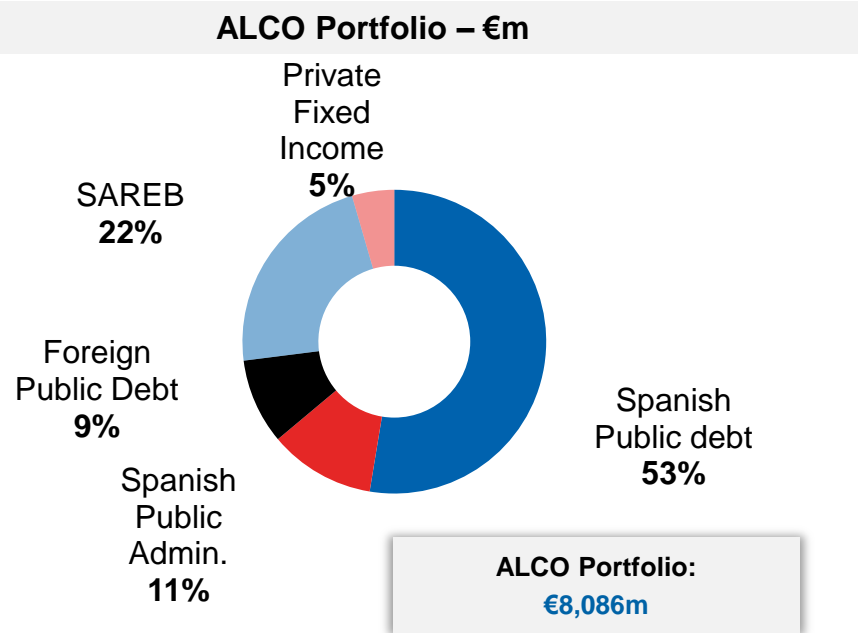
<sup>1</sup> Includes long term funding from institutional banks such as ICO and BEI

<sup>2</sup> Ibercaja's 1<sup>st</sup> preferred shares issuance was early redeemed on January 24<sup>th</sup>. The outstanding balance was €5m

# ALCO PORTFOLIO

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

- ▶ Average duration of 2.1 years<sup>2</sup>
- ▶ Average yield stands at 1.4% ex SAREB (1.1% including SAREB bonds).
- ▶ 80% of the portfolio is classified at amortized cost.



<sup>1</sup> Excluding the insurance portfolio

<sup>2</sup> Includes interest rates swaps

<sup>3</sup> Considered entities: Bankia, Bankinter, Caixabank, Liberbank, Sabadell and Unicaja

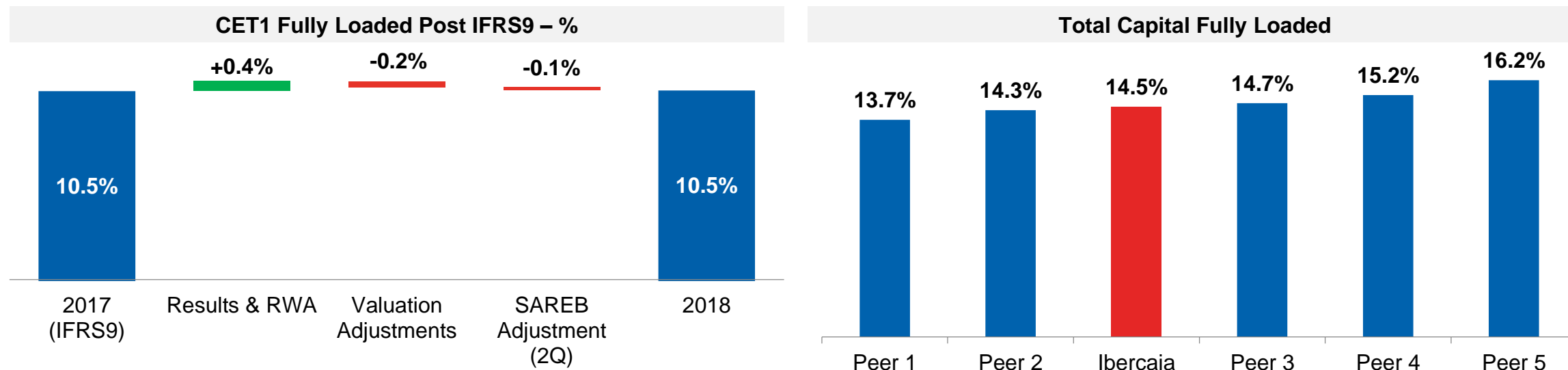
# SOLVENCY

**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).

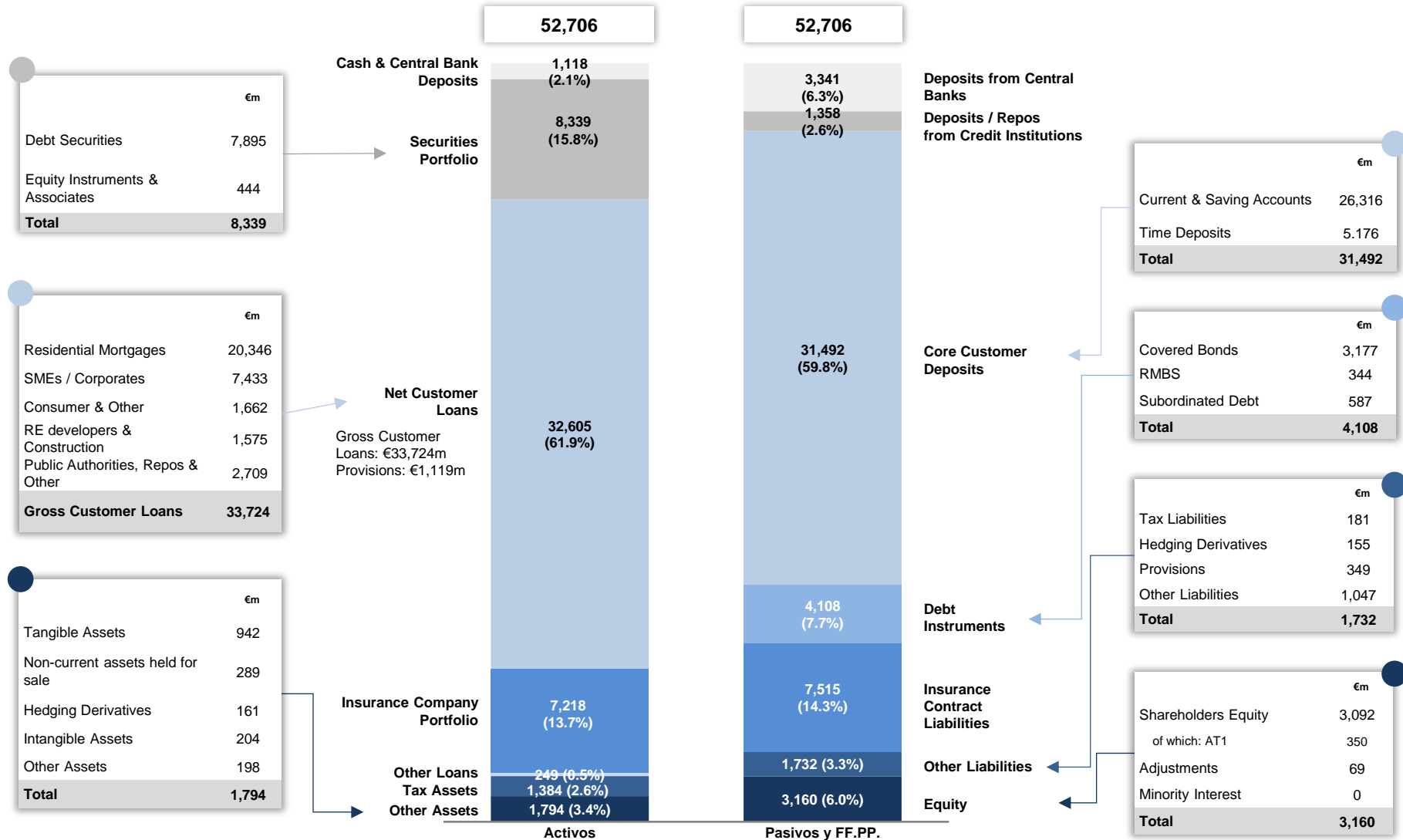


**V**

**ANNEX**

# CONSOLIDATED BALANCE SHEET

31/12/2018



# GLOSSARY

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



# THANKS

For further information:  
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