

# IBERCAJA BANCO 1Q2019 RESULTS

May 7<sup>th</sup>, 2019

EL BANCO  
DEL  
*Vamos*

iberCaja 

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# KEY HIGHLIGHTS

# KEY HIGHLIGHTS

## SIGNIFICANT INCREASE IN NET PROFIT

**€57m**

Net profit reaches €57m, 2.5x above 1Q2018 levels

**+2.6%**

Recurring revenues grow 2.6% YoY

**+5.2%**

Recurring profit before provisions increases 5.2% YoY

## SOUND CAPITAL GENERATION DURING THE QUARTER

**10.8%**

CET1 Fully Loaded Ratio reaches 10.8%

**+25 bps**

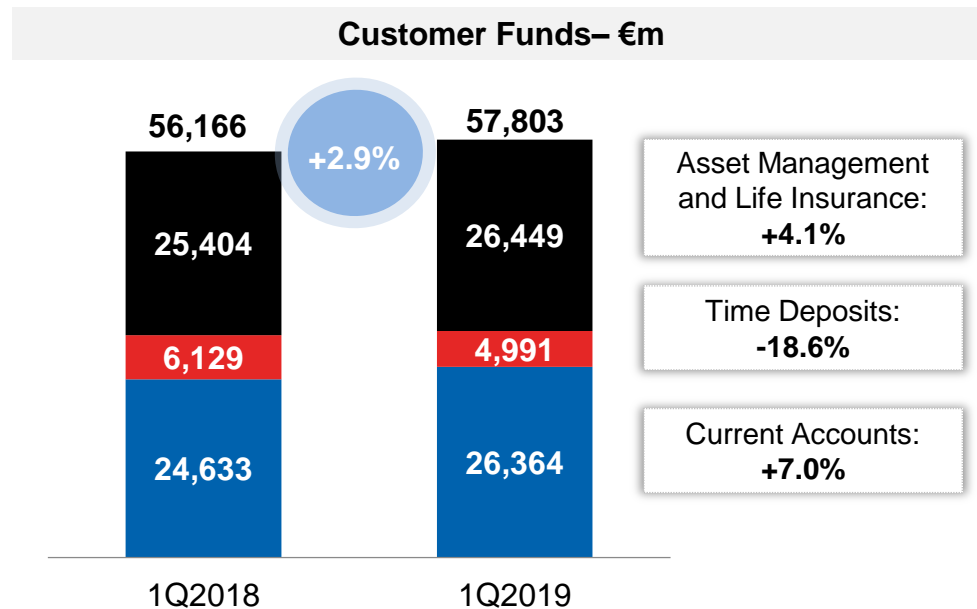
Ibercaja generates 25 bps of capital during the quarter

**14.7%**

Total Capital Fully Loaded ratio stands at 14.7%



# COMMERCIAL ACTIVITY



**Customer funds increased 2.9% YoY or €1,637m.**

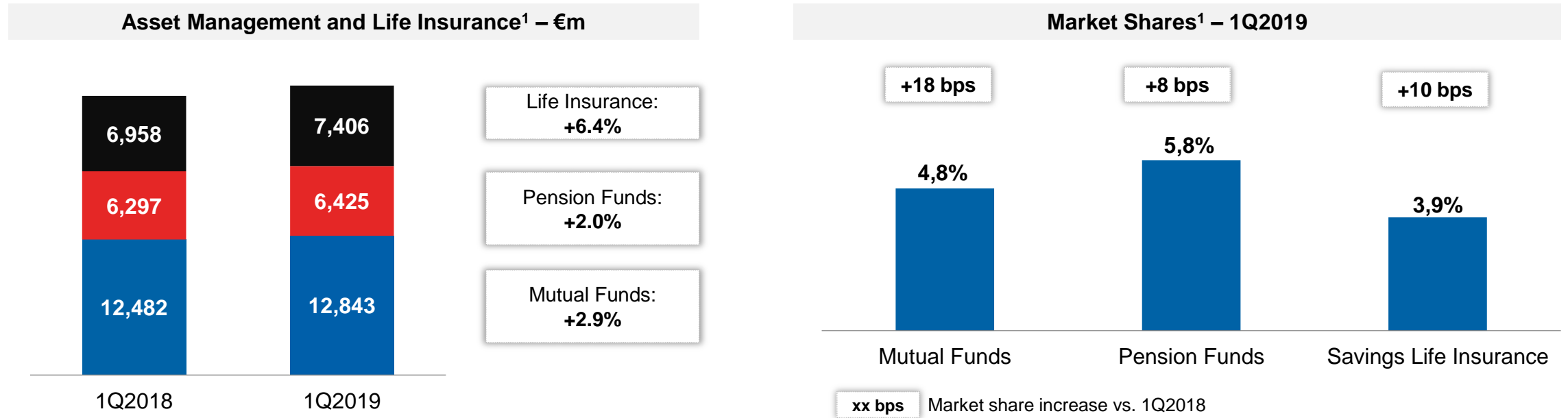
- **Assets under management and life insurance products** grow 4.1% or €1,045m and account for 45.8% of total customer funds.

**Commercial success of “Cuenta Vamos” with 20.000 new accounts since it was launched at the end of 2018.**

- ▶ **Strong cross selling levels** as the customer needs to bring its **payroll**, direct debits and use a payment card.
- ▶ **65%** of the new accounts have been opened **outside Ibercaja's Home Markets**. **Digital onboarding** represents **7%** of new accounts.



# ASSET MANAGEMENT AND LIFE INSURANCE



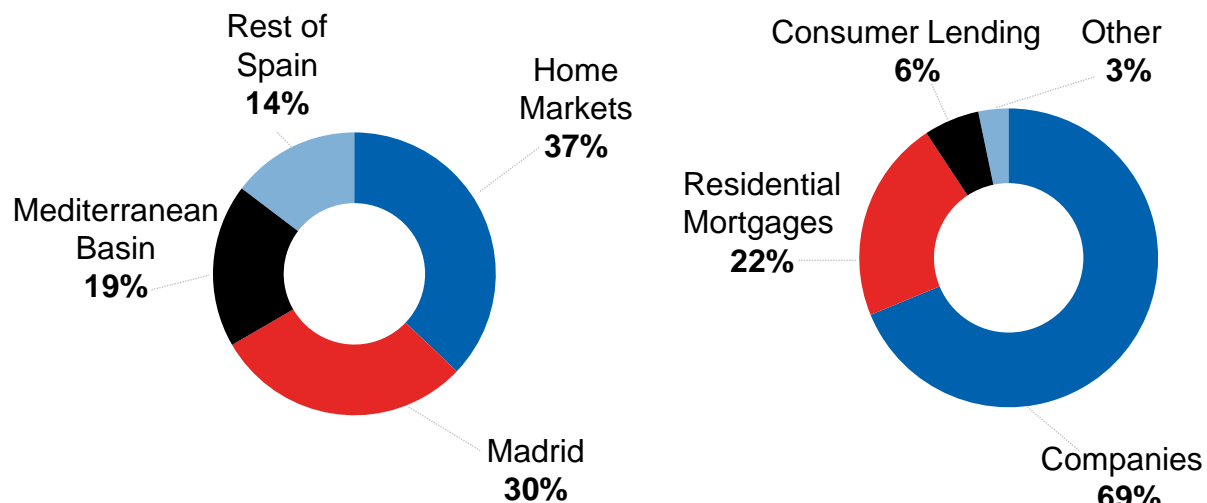
**Ibercaja continues to increase volumes and market share in asset management and life insurance products.**

- Outstanding evolution in **mutual funds**, with assets under management growing **3% YoY** and market share increasing 18 bps to reach **4.8%**. This growth is driven by **balanced mutual funds** which have grown **41% YoY** (+€1,000m).



# CUSTOMER LOANS

New Lending Production – €m



Loan Portfolio – €m

	1Q2018	1Q2019	YoY
<b>Loans to Individuals</b>	<b>21,347</b>	<b>20,782</b>	<b>-2.6%</b>
Mortgages	19,845	19,297	-2.8%
Consumer and Others	1,502	1,485	-1.1%
<b>Loans to Companies</b>	<b>7,473</b>	<b>7,667</b>	<b>2.6%</b>
Non-Real Estate Companies	6,513	6,652	2.1%
Real Estate Companies	960	1,015	5.8%
<b>Public Sector and Others</b>	<b>820</b>	<b>840</b>	<b>2.4%</b>
<b>Performing Gross Loans ex Repos</b>	<b>29,639</b>	<b>29,289</b>	<b>-1.2%</b>
Repos	941	1,490	58.2%
Doubtful Loans	2,501	2,212	-11.5%
<b>Gross Loans</b>	<b>33,082</b>	<b>32,991</b>	<b>-0.3%</b>

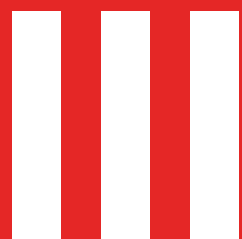
**New lending reaches €1,051m and the company continues to implement its diversification strategy:**

- ▶ New lending to companies represents 69% of total new lending.
- ▶ Madrid and Mediterranean Basin account for 49% of new lending.

**Accumulated working capital financing grows 12.6% in the quarter and exceeds €1,800m.**

**Performing gross loans ex repos fell 1.2%.**

- ▶ Gross loans to companies grow 2.6% YoY.

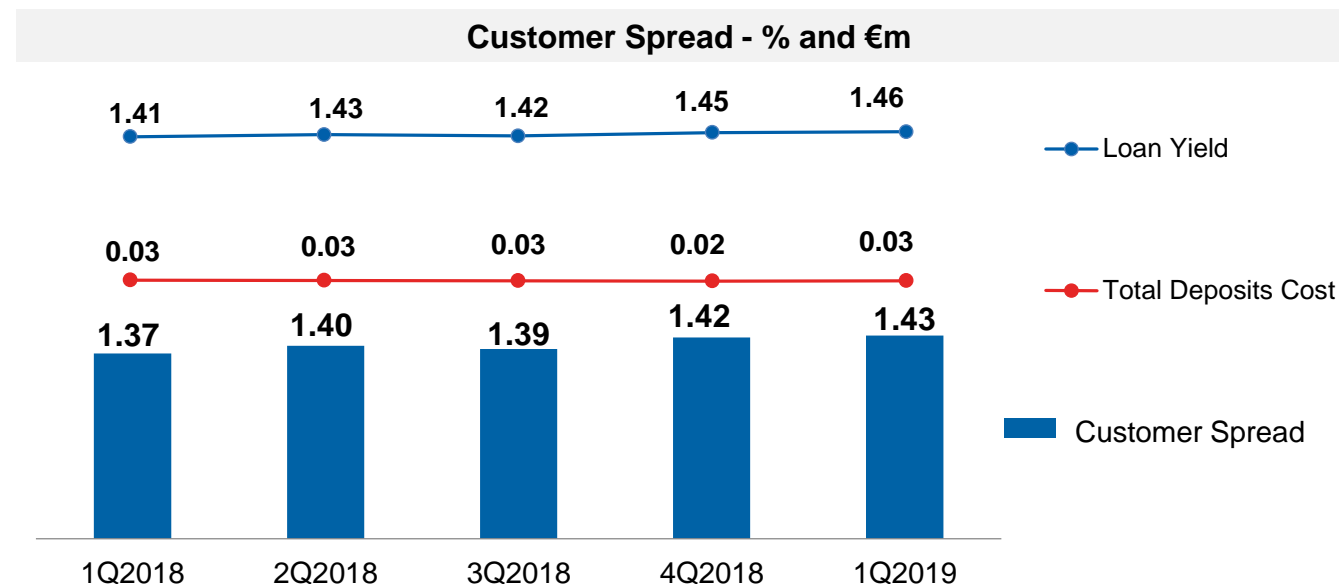
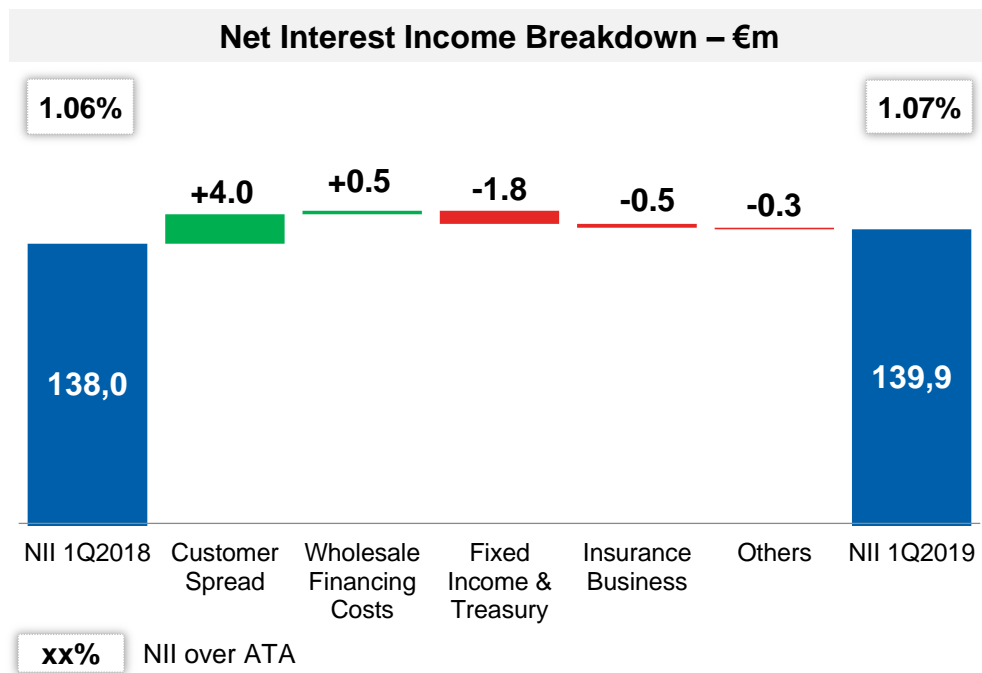


# RESULTS

# P&L ACCOUNT

	€m		
	1Q2018	1Q2019	YoY
Net Interest Income	138.0	139.9	1.4%
Net Fee Income	89.9	93.8	4.4%
<b>Recurring revenues</b>	<b>227.9</b>	<b>233.7</b>	<b>2.6%</b>
Gain/Losses on Financial Assets and Liabilities	25.0	18.6	-25.6%
Other Operating Income (net)	5.7	12.5	118.5%
<b>Gross Operating Income</b>	<b>258.6</b>	<b>264.9</b>	<b>2.4%</b>
Operating Costs	-200.5	-146.5	-26.9%
of which: Recurring Costs	-145.0	-146.5	1.1%
of which: Redundancy Plan	-55.5	0.0	n/a
<b>Pre-Provision Profit</b>	<b>58.1</b>	<b>118.3</b>	<b>103.5%</b>
Total Provisions	-26.5	-39.3	48.6%
Other Gains and Losses	3.2	1.1	-64.0%
<b>Profit before Taxes</b>	<b>34.9</b>	<b>80.2</b>	<b>130.0%</b>
Taxes & Minorities	-12.3	-23,4	90.2%
<b>Net Profit Attributable to Shareholders</b>	<b>22.6</b>	<b>56.8</b>	<b>151.7%</b>

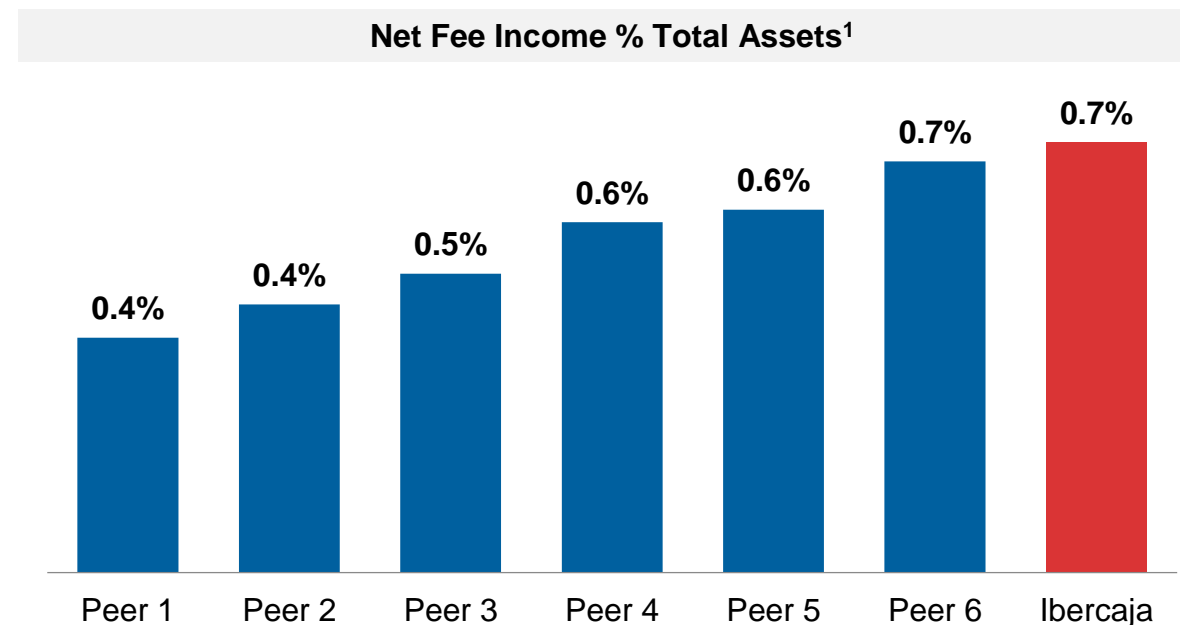
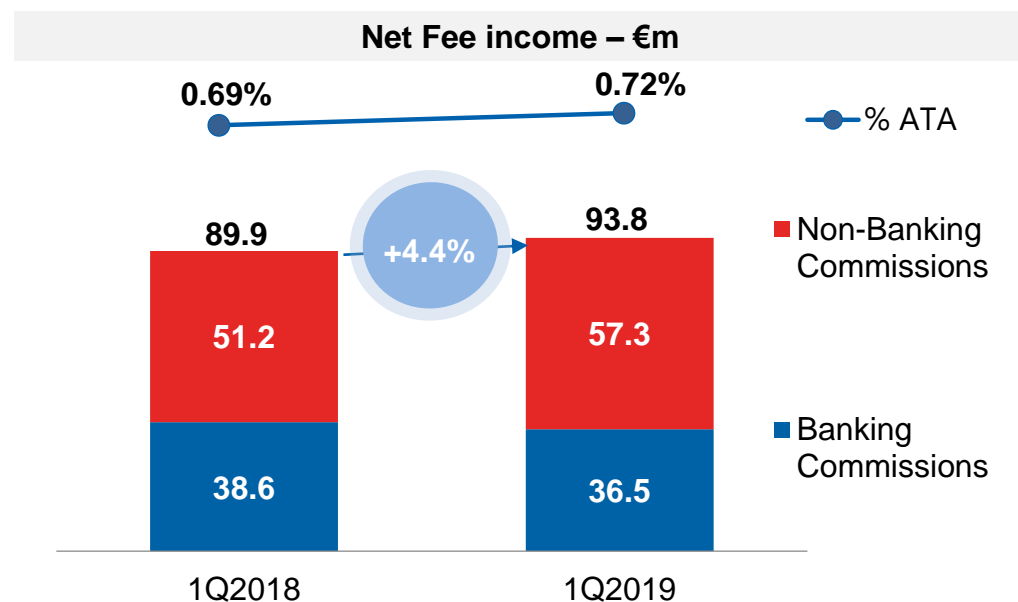
# NET INTEREST INCOME



## Net interest income grows 1.4% YoY.

- ▶ **Customer spread increases 3.9% YoY or €4.0m.** The reduction in total deposit costs coupled with an improvement in loan yields has allowed customer spread to reach peak levels since 2016.
- ▶ **ALCO portfolio and treasury revenues fall €1.8m.** The ALCO portfolio accounts for 11.3% of financial revenues.

# NET FEE INCOME



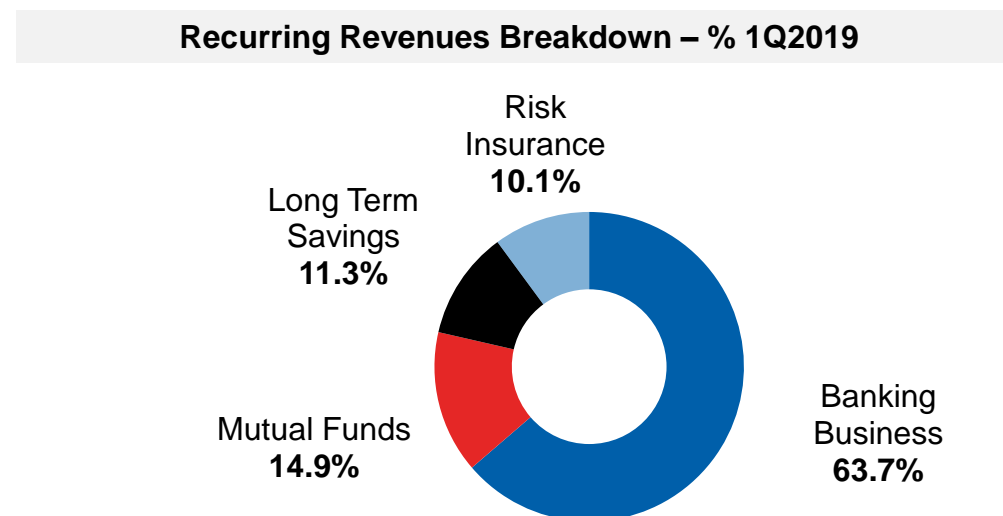
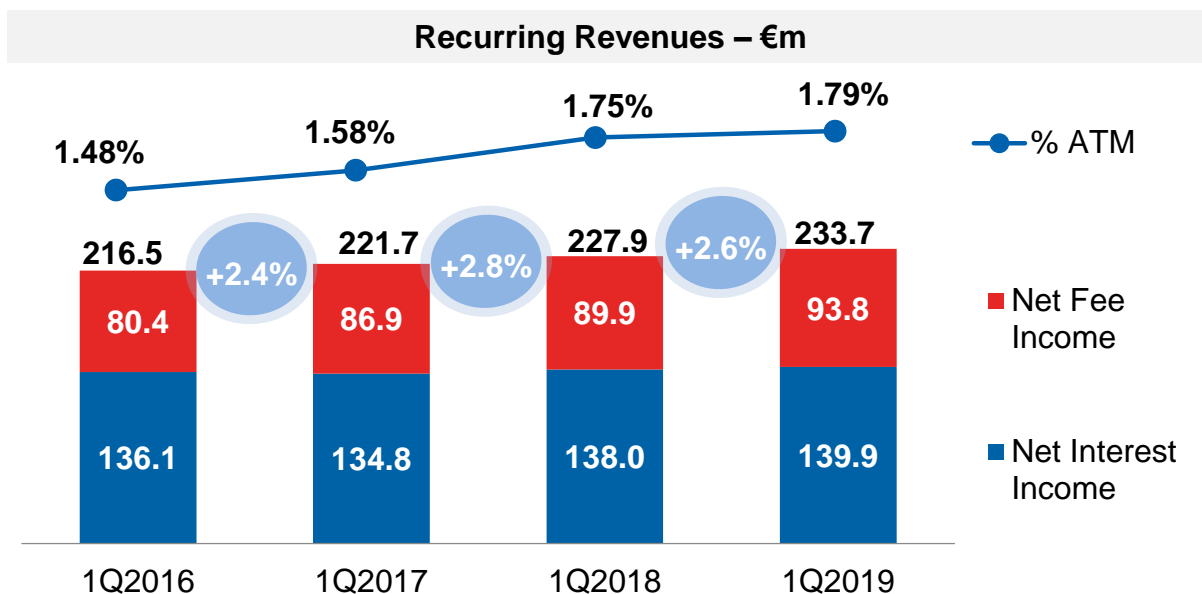
## Net fee income increases 4.4% YoY.

- **Non-banking commissions\*** (mutual funds, risk insurance and pension funds) **rise 11.8% YoY**. These commissions represent **61%** of the bank's net fee income.
- **Banking commissions decrease 5.4% YoY**.

\* Includes non-banking financial products' commercialization and asset management.

<sup>1</sup> Entities considered: Bankia, Bankinter, Caixabank, Liberbank, Sabadell ex TSB and Unicaja.

# RECURRING REVENUES

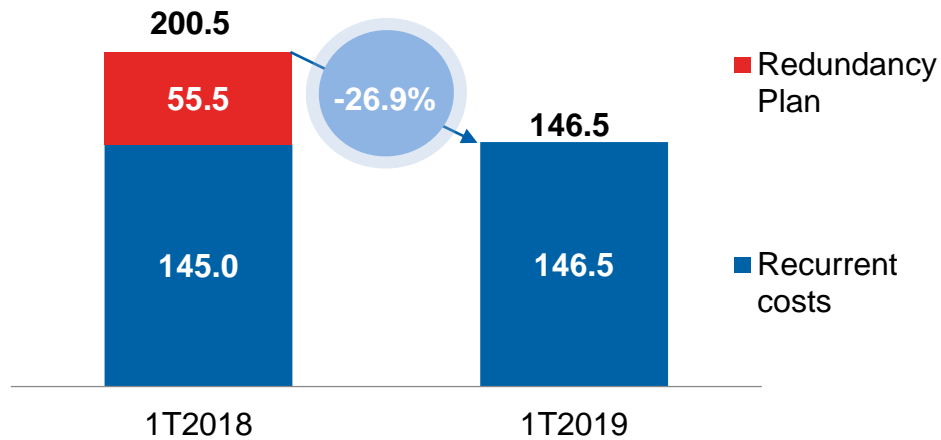
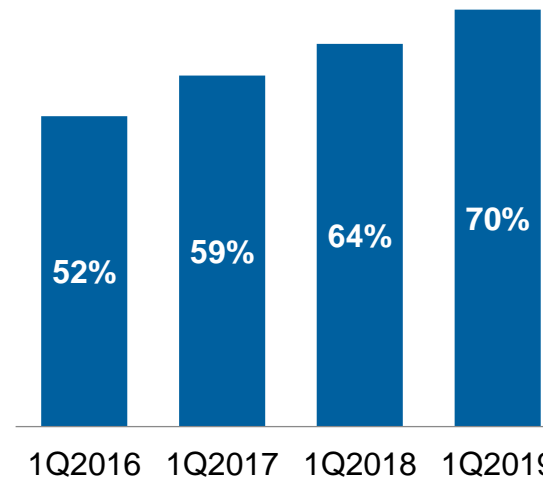
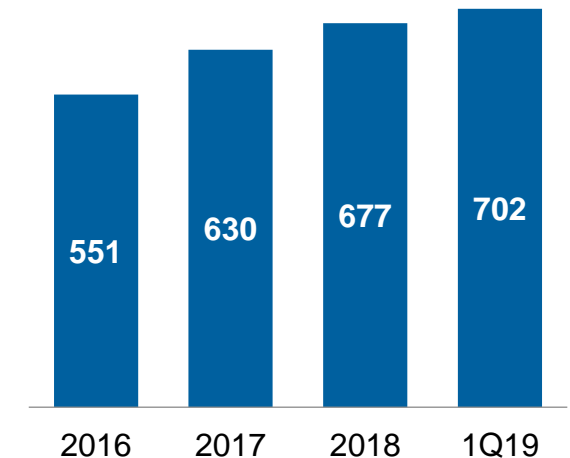


**Revenue diversification through asset management and bancassurance has allowed Ibercaja to increase its recurring revenues for three years in a row.**

- **Recurring revenues grow 2.6% YoY** and profitability over ATA improves 4 bps reaching **1.79%**.
- **Revenues from asset management and bancassurance rise 3.2% YoY**, representing **36.3%** of the bank's recurring revenues.

# OPERATING COSTS

Operating Costs – €m

Digital Operations<sup>1</sup> - %Digital Customers<sup>2</sup> - K

**Total operating costs decreased 26.9% YoY driven by the extraordinary costs accounted in 1Q2018.**

- **Recurring costs grow 1.1% YoY.** The company expects the cost base to remain flat through the year.

**Continuous improvement in % of digital operations due to an increase in the number of digital customers.**

- Significant increase in the number of **users of Ibercaja App: +32% YoY** to a total of 337,000.

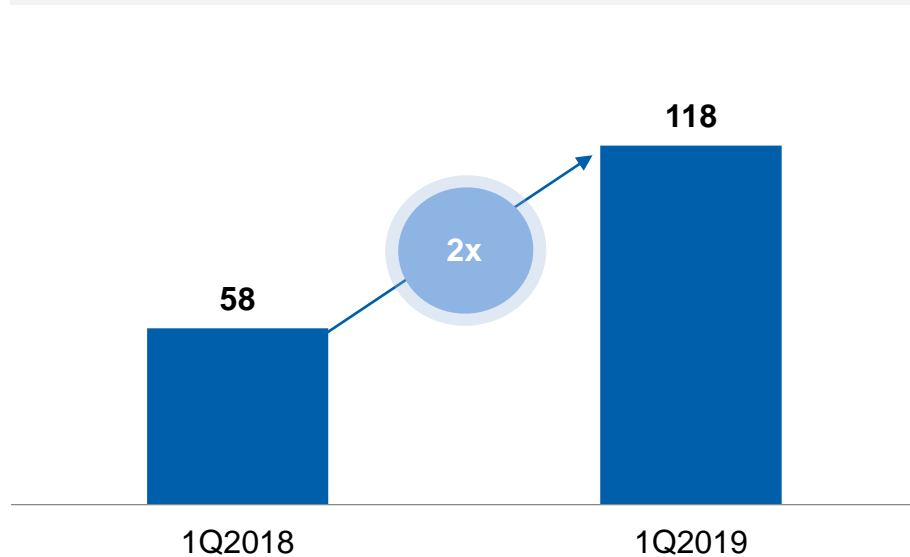
<sup>1</sup> % of operations of customers that has been carried out through digital channels (App, Web).

<sup>2</sup> Number of customers that have used the web or the app of Ibercaja during the last month.

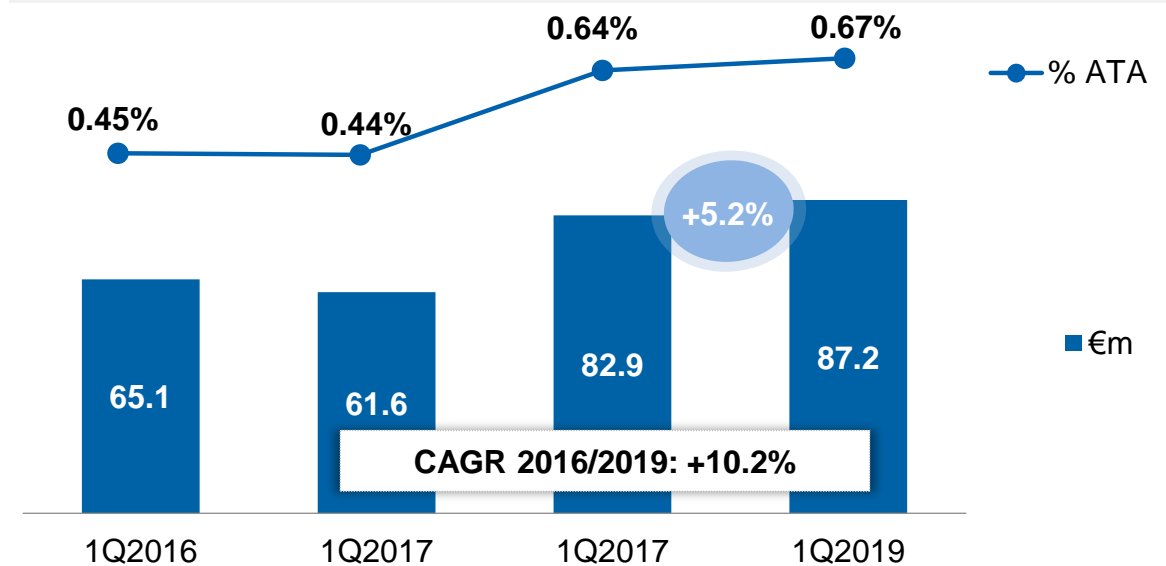


# PROFIT BEFORE PROVISIONS

Profit before Provisions - €m



Recurring Profit before provisions – €m

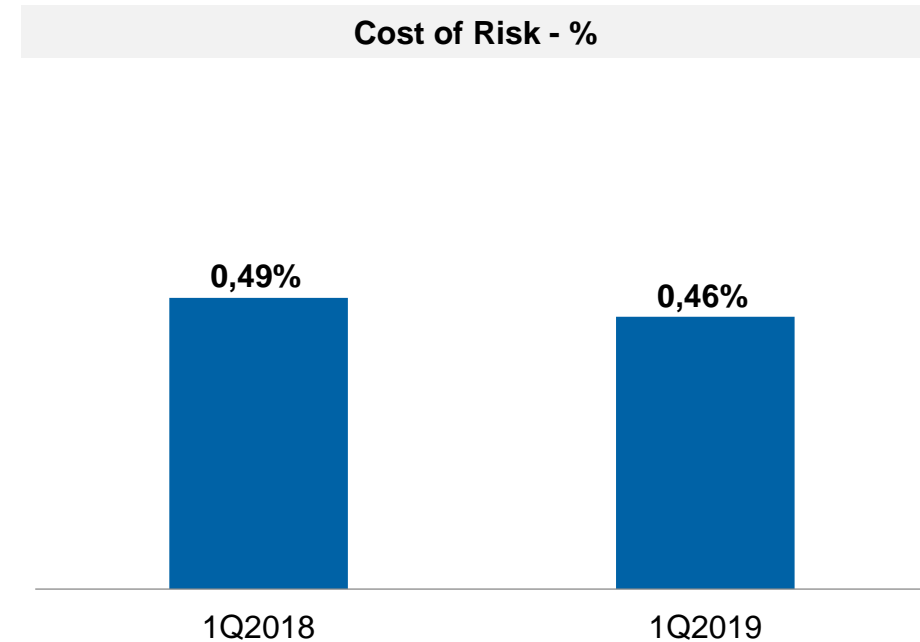
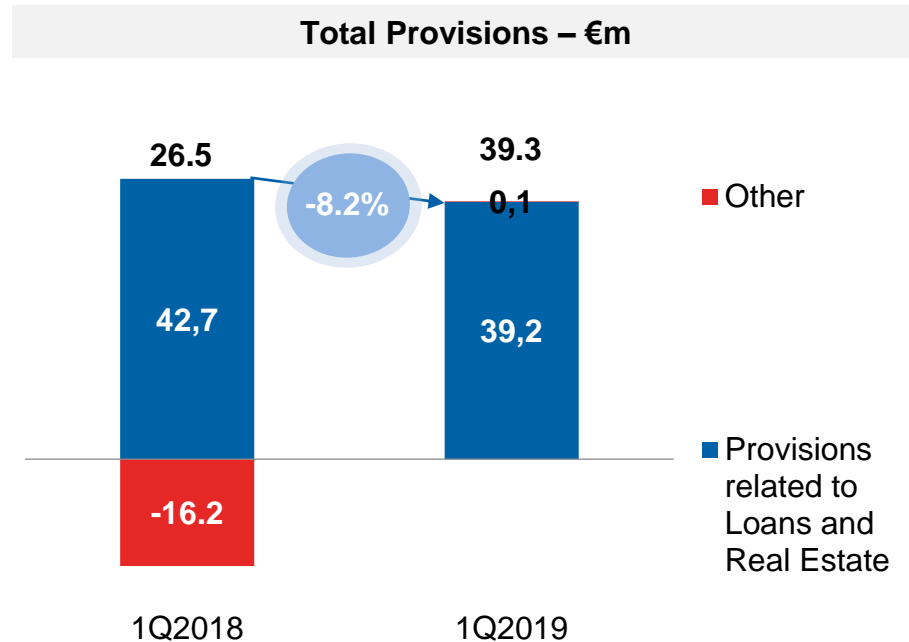


**Ibercaja doubles its profit before provisions in 1Q2019.**

► This evolution is driven by a **gross margin increase (+2.4% YoY)** and the lack of extraordinary costs (€55.5m in 1Q2018).

**Recurring profit before provisions increases 5.2% YoY. As a % of ATA, it improves 3 bps to reach 0.67%.**

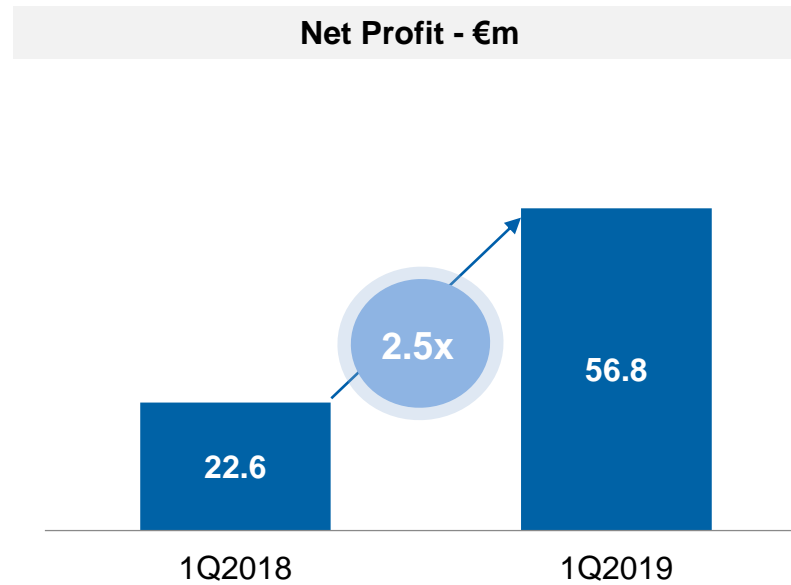
# PROVISIONS



**Total provisions grow 48.6%.**

- Provisions related to loans and real estate fall **8.2% YoY**.
- Cost of risk stands at **46 bps**.

# NET PROFIT



**Net income reaches €56.8m in the quarter, which represents 2.5x the level of 1Q2018.**

# IV

## ASSET QUALITY, LIQUIDITY AND SOLVENCY

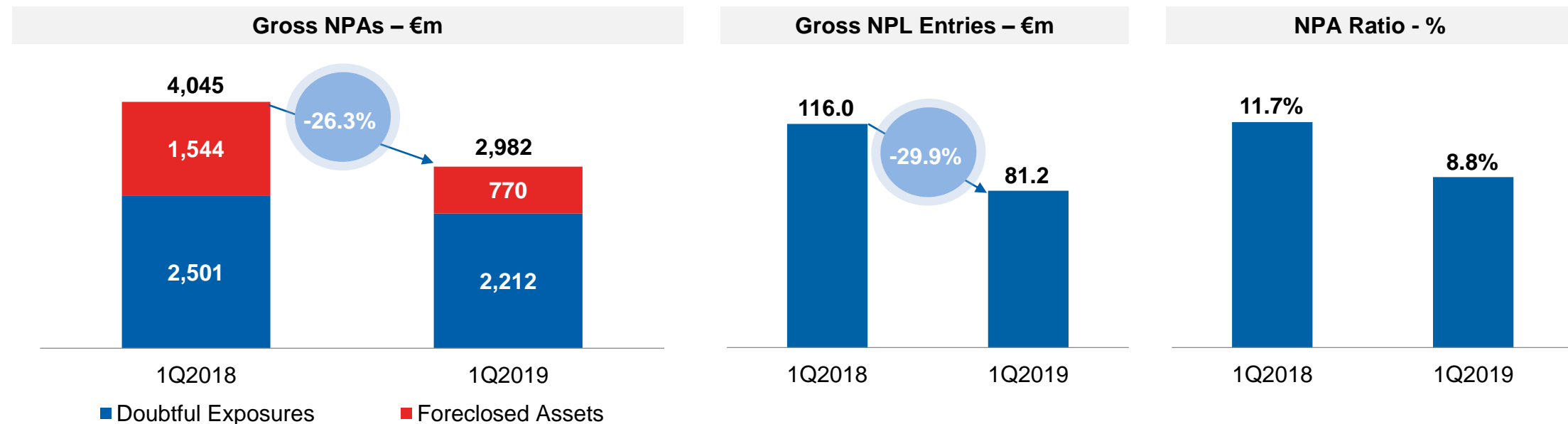
# ASSET QUALITY (1/2)

**Non-performing assets – doubtful exposures and foreclosed assets – decrease 26.3% YoY or €1,063m.**

**NPA ratio falls 285 bps during the year reaching 8.8%.**

- **Stock of doubtful exposures has decreased 11.5% or €289m.** NPL ratio reaches 6.7% (-85 bps YoY). Gross NPL entries fall 29.9% YoY.
- **Stock of foreclosed assets falls 50% or €774m.**

**The stock of non-performing assets falls 1.9% vs. 4Q2018 driven by a 2.7% reduction in the stock of doubtful exposures.**



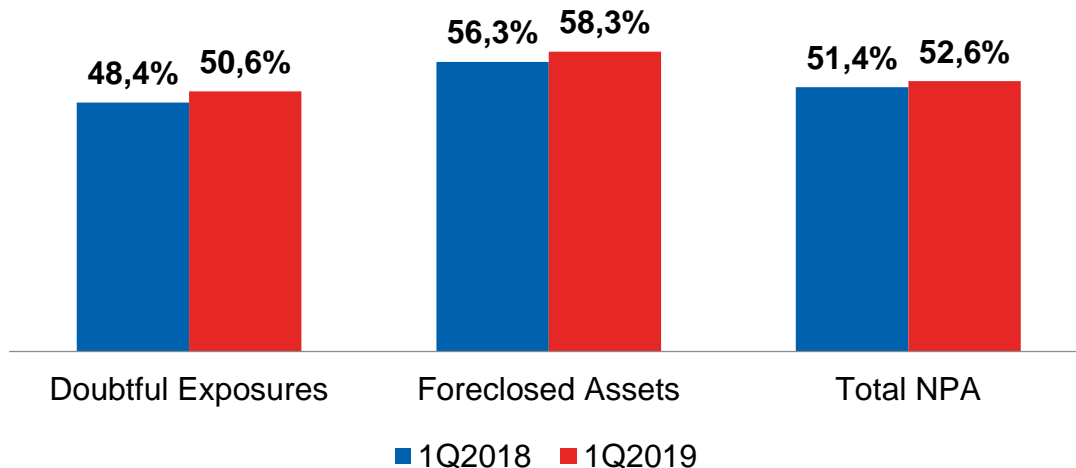
## ASSET QUALITY (2/2)

Coverage ratio of non-performing assets increases 118 bps YoY and reaches 52.6%.

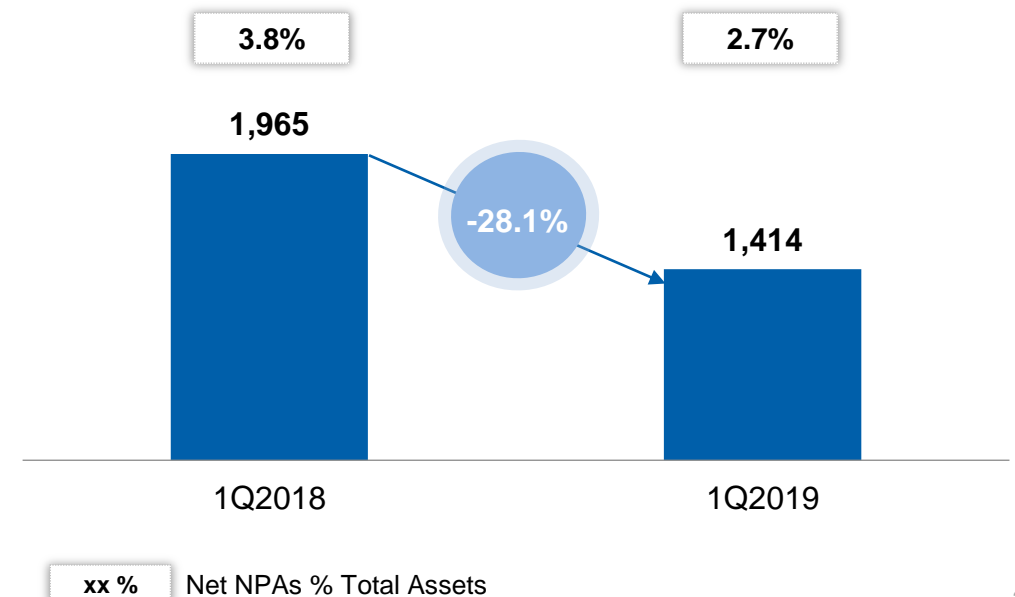
€551m / 28.1% reduction in net non-performing assets vs. 1Q2018 driven by a reduction of gross non-performing assets coupled with the provisioning effort.

Net non-performing assets as a % of total assets have fallen to 2.7% (-107 bps YoY).

NPA Coverage ratio – %



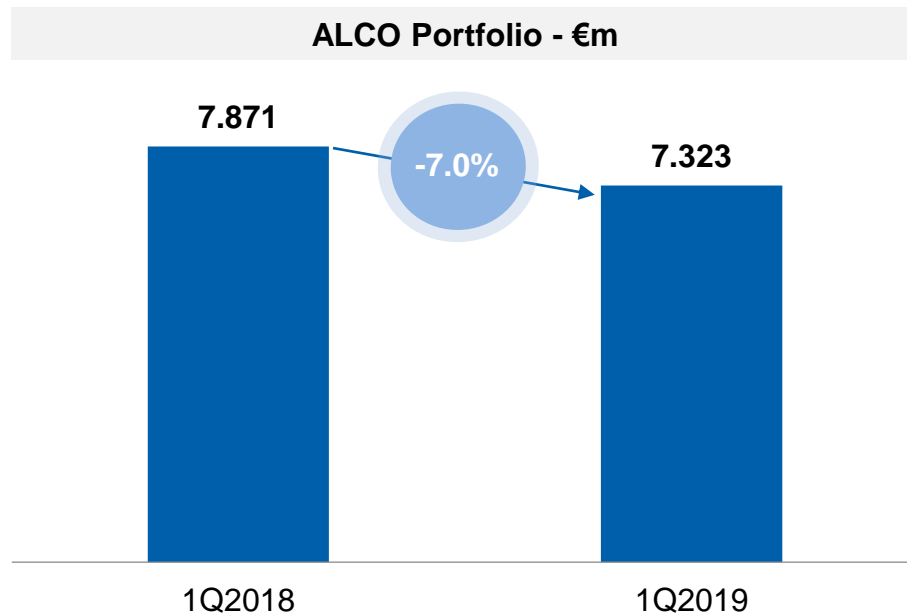
Net Non-performing Assets – €m



# ALCO PORTFOLIO

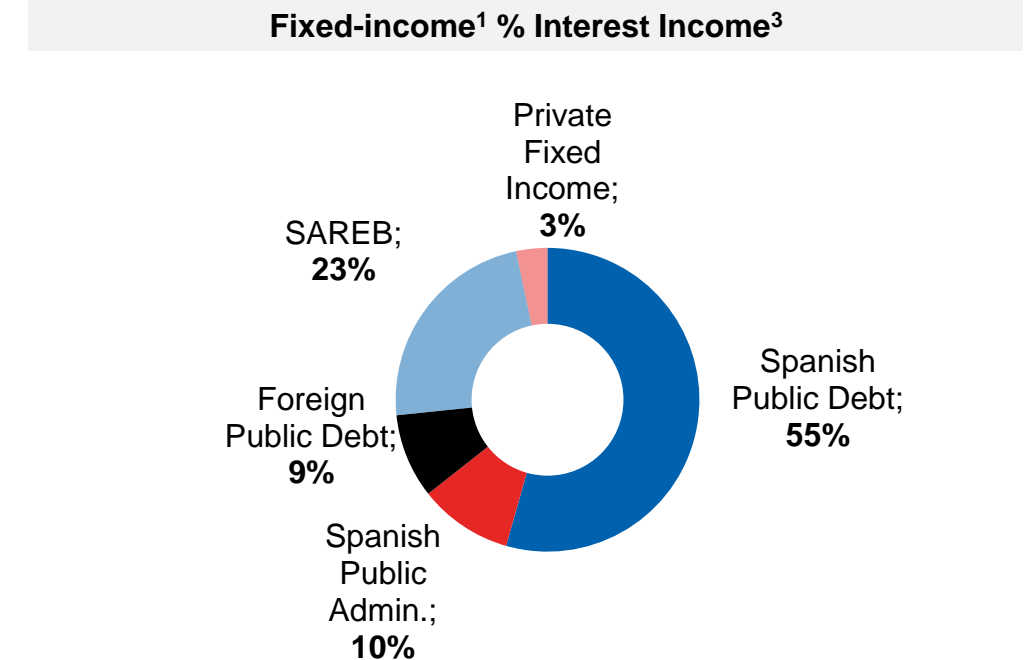
**Fixed-income portfolio at €7,323m<sup>1</sup>. This portfolio has a low risk profile and is mainly composed of Spanish sovereign debt.**

- ▶ **Average duration of 2.2 years<sup>2</sup>.**
- ▶ **Average yield stands at 1.4% ex SAREB (1.0% including SAREB bonds).**
- ▶ **89% of the portfolio is classified at amortised cost.**



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

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





# LIQUIDITY AND FUNDING PROFILE

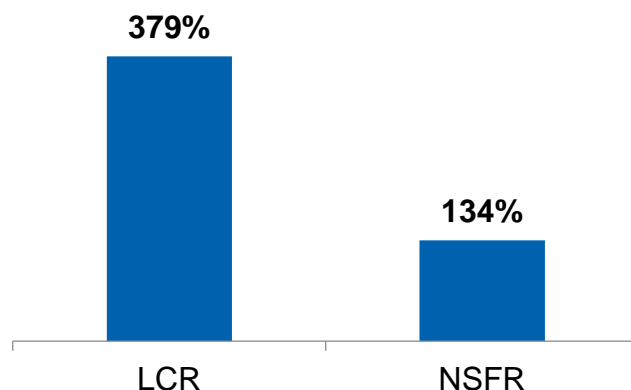
Ibercaja holds a comfortable liquidity position (liquid assets account for 20.5% of total assets) and a strong funding profile (customer deposits account for 79% of gross external funding).

► **LCR and NSFR ratios** stand well above required levels.

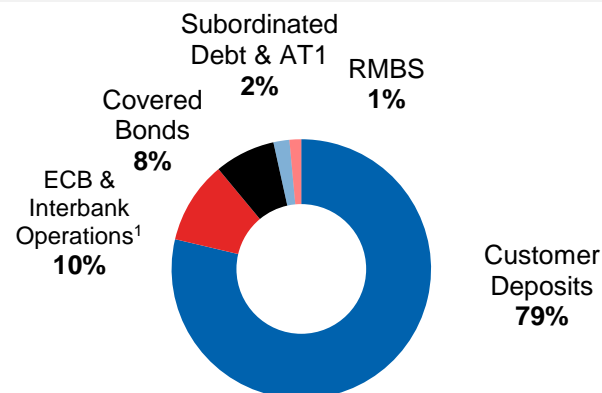
The Single Resolution Board has set an **MREL requirement** (% of total liabilities and own funds as of 2017YE) of 9.76%. This MREL requirement is equivalent to 20.5% of risk weighted assets.

► The **long calendar** (1<sup>st</sup> January 2023) coupled with the fact that it has already fulfilled its **hybrid capital buckets**, provides Ibercaja with significant room for manoeuvre.

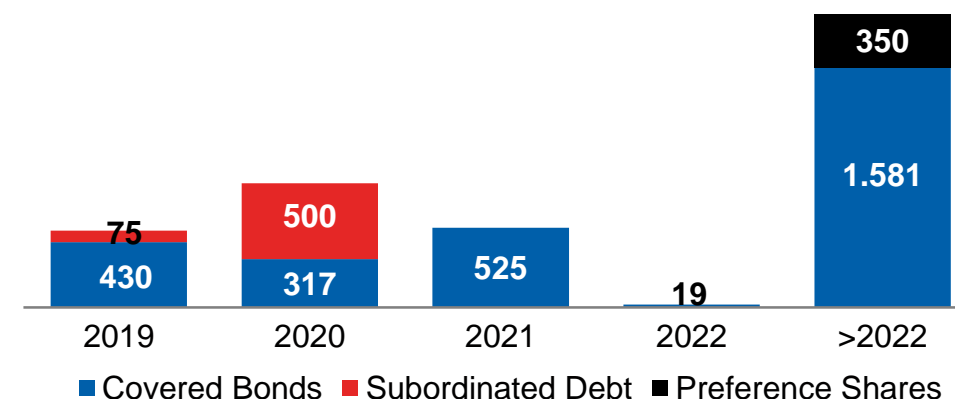
LCR & NSFR Ratios – 1Q2019



Gross External Funding – 1Q2019



Maturity Profile – €m



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

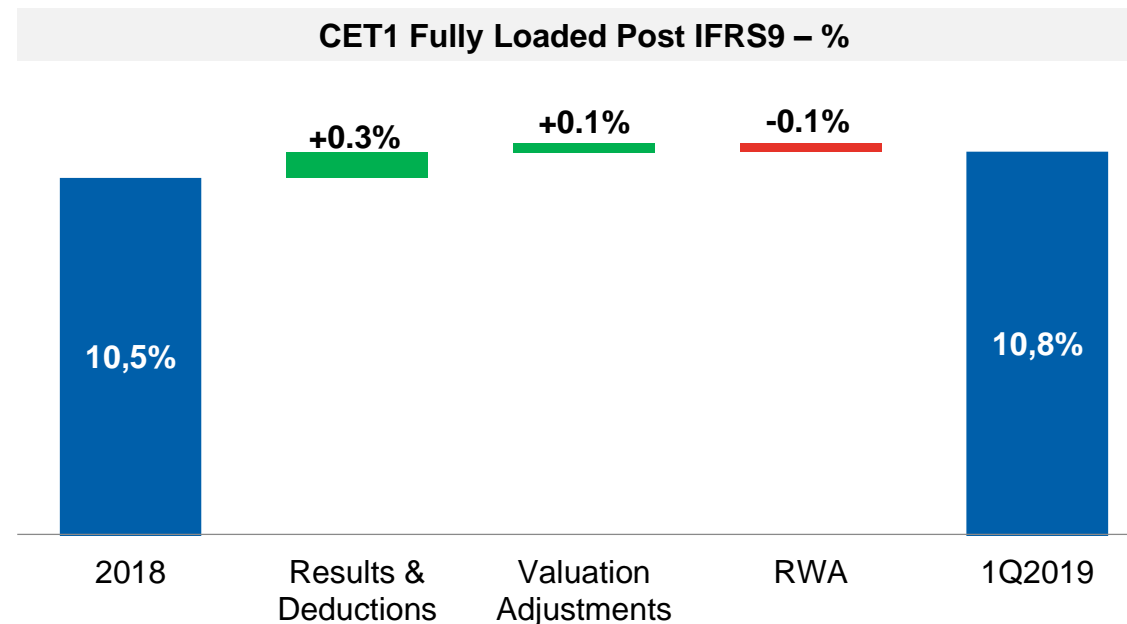
# SOLVENCY

**Sound capital generation during the quarter which allows Ibercaja to reach a CET1 Fully Loaded ratio of 10.8% (+25 bps vs. 2018YE) while the Total Capital Fully Loaded stands at 14.7%. The leverage ratio reaches 5.6%.**

- ▶ Extraordinary impacts related to IFRS16 and to changes in RE developers-related RWAs fully offset by the increase in equity.

**Phased In solvency ratios stand well above 2019 SREP requirements.**

- ▶ CET1 ratio stands at **11.7%** and Total Capital ratio at **15.6%** vs. 9% and 12.5% requirements, respectively.

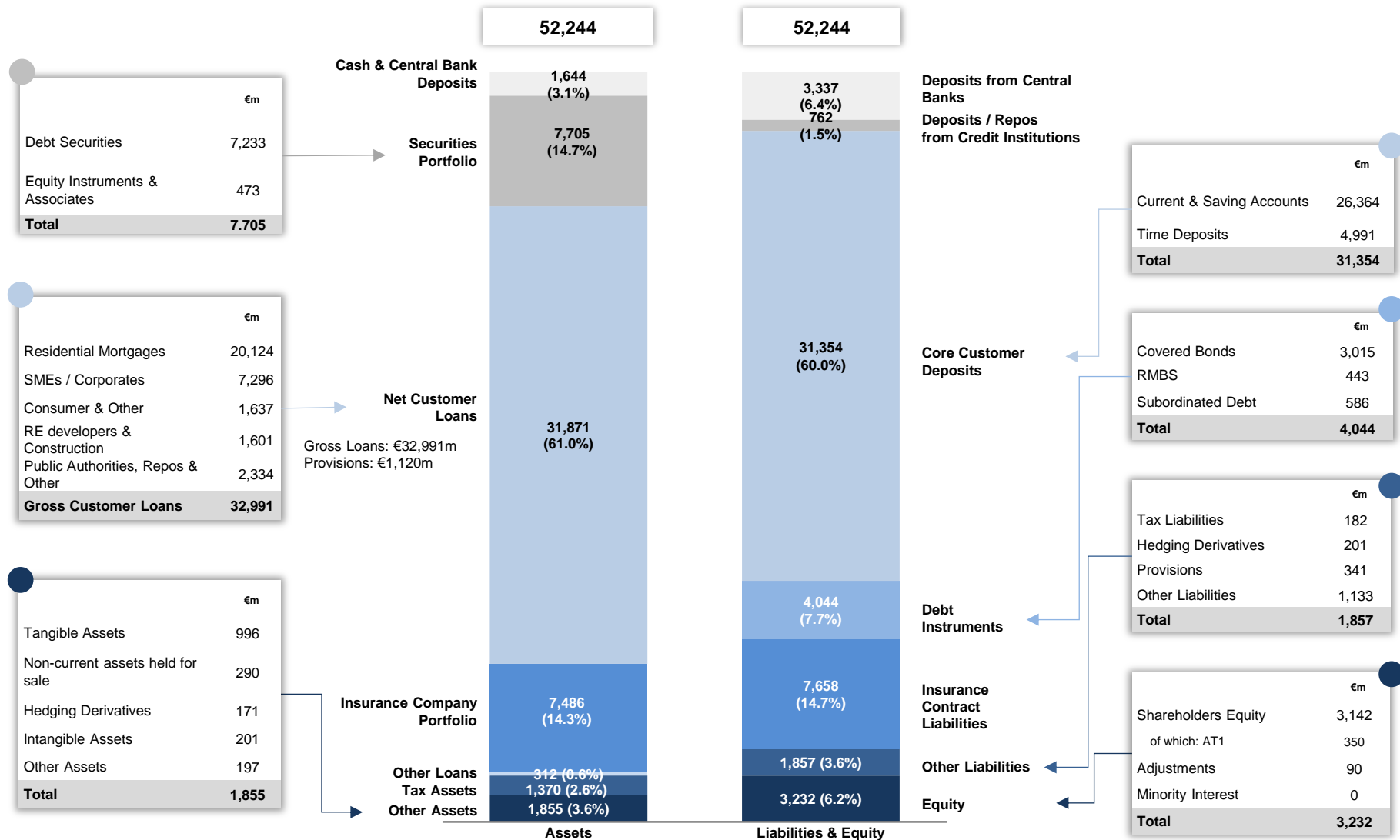


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ANNEX

# CONSOLIDATED BALANCE SHEET

31/03/2019



# 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:  
[www.ibercaja.com](http://www.ibercaja.com)  
[investor@ibercaja.es](mailto:investor@ibercaja.es)

EL BANCO  
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