

# IBERCAJA BANCO 1H2019 RESULTS

July 26<sup>th</sup>, 2019

EL BANCO  
DEL  
*Vamos*

iberCaja 



# DISCLAIMER

Data, estimates, valuations and forecasts, as well as the rest of the contents of this presentation are published for information purposes only. Neither Ibercaja Banco nor any of its directors, managers or employees are obliged, neither implicitly nor expressly, to guarantee that these contents are exact, accurate or complete, to update them or to correct them if they detect any error or omission.

The purpose of this presentation is not to provide financial advice or offer any kind of financial product or service. Ibercaja Banco is not and will not be responsible if any part of this presentation is taken into account to form the basis of an investment decision. Ibercaja Banco notes that this presentation may contain forward-looking statements. It should be considered that such forward-looking statements do not guarantee any future results and are only subjective opinions of Ibercaja Banco in relation to the evolution of its business and as such there may be different criteria, risks, uncertainties and many other relevant factors that may cause it to evolve very differently. In any event, data relating to past performance or profits cannot be relied upon for future performance or profits.

This document has not been submitted to the Spanish Securities Market Commission (Comisión Nacional del Mercado de Valores) for its approval or registration. In any case, it is subject to Spanish law applicable as at the date hereof and is not addressed to any natural or legal person in any other jurisdiction. For this reason, it may not comply with legal requirements of other jurisdictions.

Without prejudice to applicable legal requirements or any other limitations imposed by Ibercaja Banco, it is expressly prohibited any use of this presentation and the distinctive signs or symbols contained therein, including any sort of copy, distribution, transfer to third parties, public communication or transformation, through any mean or medium whatsoever, without prior and express authorisation of the respective owners. Breach of this prohibition may constitute an infringement of current laws and may be sanctioned.

In addition to the financial information prepared under International Financial Reporting Standards (“IFRS”), this presentation contains certain alternative performance measures (“APMs”) as defined in the Guidelines on Alternative Performance Measures issued by the European Securities and Markets Authority on 5 October 2015 (ESMA/2015/1415). The APMs are performance measures that have been calculated using the financial information from the Ibercaja Banco Group but that are not defined or detailed in the applicable financial information framework and therefore have neither been audited nor are capable of being completely audited. These APMs are being used to allow for a better understanding of the financial performance of the Ibercaja Banco Group but should be considered only as additional information and in no case as a replacement of the financial information prepared under IFRS. Moreover, the way the Ibercaja Banco Group defines and calculates these APMs may differ to the way these are calculated by other companies that use similar measures, and therefore they may not be comparable. For further details of the APMs used, including its definition or a reconciliation between any applicable management indicators and the financial data presented in the consolidated financial statements prepared under IFRS, please see the consolidated annual accounts as of 31 December 2018 and the corresponding management report available at Ibercaja Banco’s webpage ([www.ibercaja.es](http://www.ibercaja.es)).

# TABLE OF CONTENTS

1. KEY HIGHLIGHTS	4
2. COMMERCIAL ACTIVITY	7
3. RESULTS	11
4. ASSET QUALITY, LIQUIDITY AND SOLVENCY	20
5. ANNEX	26



# KEY HIGHLIGHTS

# KEY HIGHLIGHTS

## STRONG COMMERCIAL DYNAMISM IN KEY SEGMENTS

+2.8%

Customer funds grow 2.8%  
YoY or €1,590m

4<sup>th</sup>

Fourth asset manager in  
terms of net inflows into  
mutual funds in 1H2019

+3.1%

Stock of performing loans to  
companies grow 3.1% YoY

## SIGNIFICANT INCREASE IN NET PROFIT

75.9  
€m

Net profit reaches €75.9m,  
1.9x above 1H2018 results

+11%

Recurring profit before  
provisions increases  
11.0% YoY

-24.4%

Provisions for credits and  
foreclosed assets fall  
24.4% YoY

# KEY HIGHLIGHTS

## STRONG NPA REDUCTION

**-40.5%**

NPAs decrease 40.5% YoY  
or €1,587m.

**-434  
b.p.**

Gross NPA ratio falls 434 b.p.  
to 6.9%.

**67  
b.p.**

NPL ratio stands 67 b.p.  
below sector average

## SOUND CAPITAL GENERATION

**11.2%**

CET1 Fully Loaded Ratio  
reaches 11.2%

**+69  
b.p.**

Ibercaja generates 69 b.p. of  
CET1 during the semester

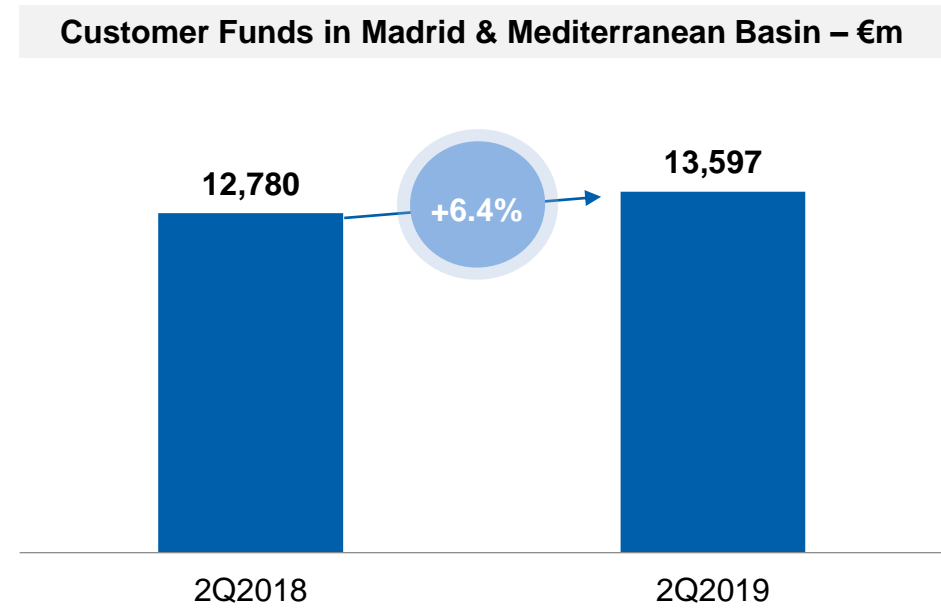
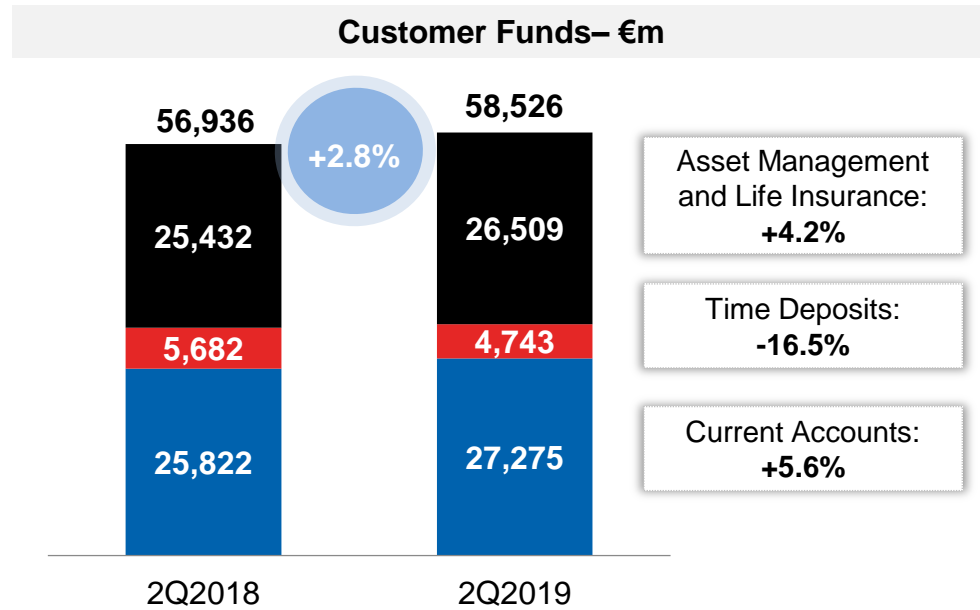
**15.2%**

Total Capital Fully Loaded  
ratio stands at 15.2%



# COMMERCIAL ACTIVITY

# CUSTOMER FUNDS



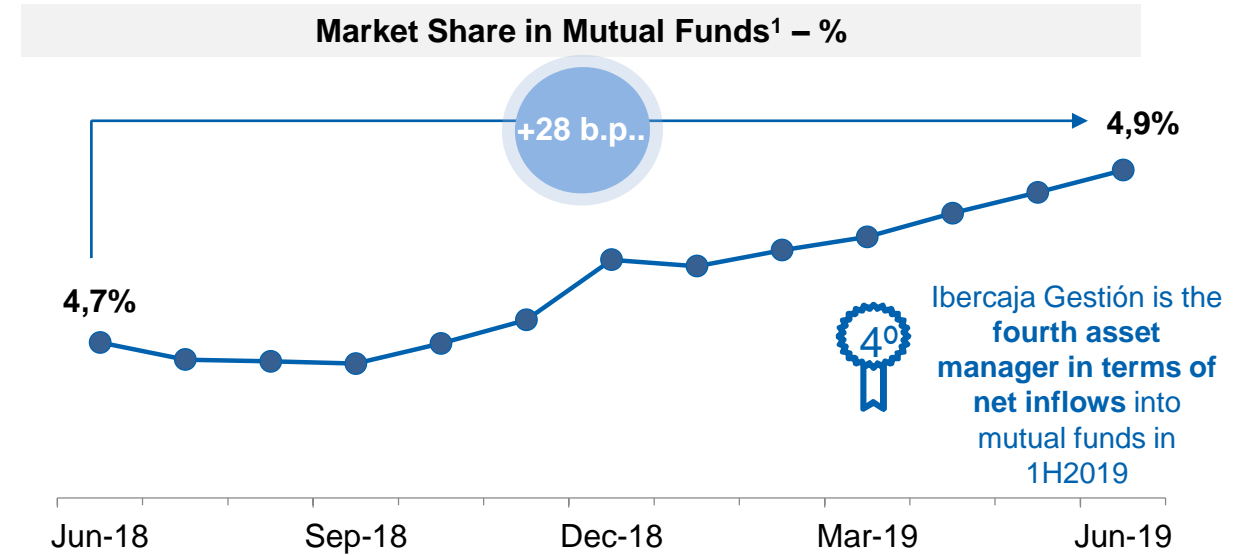
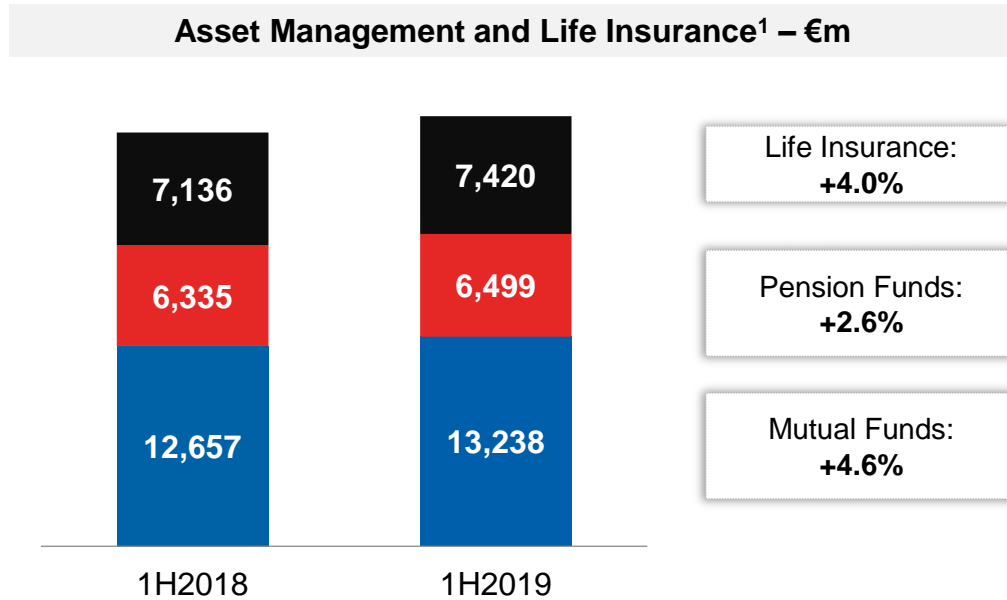
**Customer funds increased 2.8% YoY or €1,590m.**

- ▶ **Assets under management and life insurance products** grow **4.2%** or **€1,077m** and account for **45.3%** of total customer funds.
- ▶ Year-to-date almost **35,000 “Cuentas Vamos”** have been opened, for a total outstanding amount of **€220m**.

**Remarkable performance of customer funds in Madrid and Mediterranean Basin, which grow 6.4% or €817m.**



# ASSET MANAGEMENT AND LIFE INSURANCE

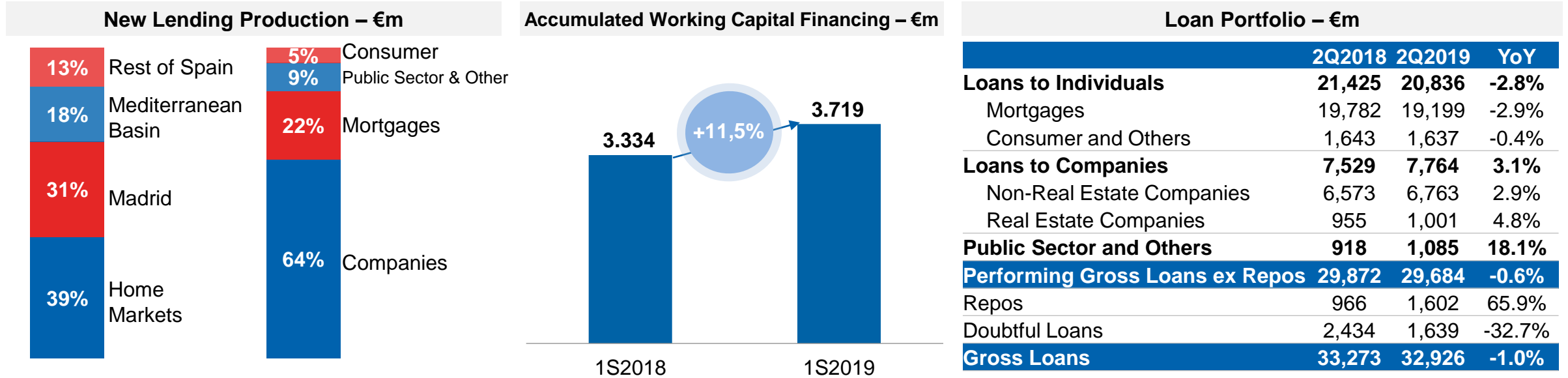


## Outstanding evolution in mutual funds:

- ▶ Ibercaja Gestión increases its **market share by 28 b.p.** in one year and reaches **4.9%**.
- ▶ This growth is mainly driven by **balanced mutual funds (+€979m)**.

<sup>1</sup> Source: Inverco, ICEA

# CUSTOMER LOANS



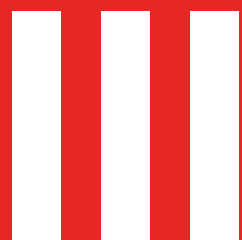
**New lending reaches €2,568m with a diversification strategy focused in Madrid & Mediterranean Basin (48% of new lending) and companies (64% of new lending).**

- ▶ **Average size of new lending operations to companies** stands at **€86,000** which reflects Ibercaja’s commercial focus in SMEs.

**Accumulated working capital financing grows 11.5% YoY.**

**Performing gross loans ex repos fall 0.6% YoY.**

- ▶ **The stock of performing loans to companies** grow **3.1% YoY.**

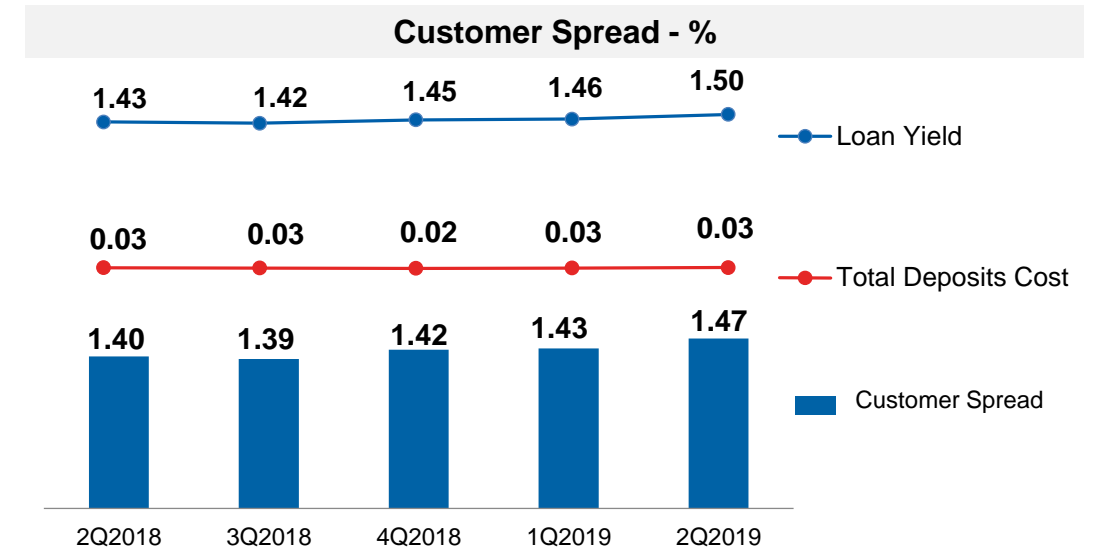
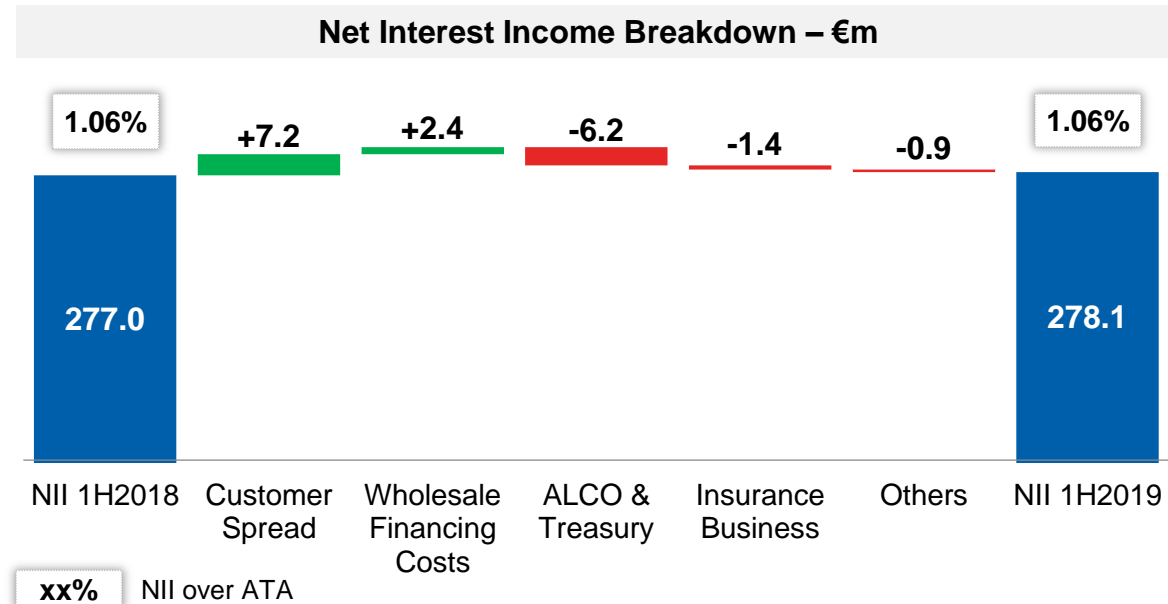


# RESULTS

# P&L ACCOUNT

	€m		
	1H2018	1H2019	YoY
Net Interest Income	277.0	278.1	0.4%
Net Fee Income	187.2	191.4	2.2%
<b>Recurring revenues</b>	<b>464.2</b>	<b>469.5</b>	<b>1.1%</b>
Gain/Losses on Financial Assets and Liabilities	35.5	12.3	-65.3%
Other Operating Income (net)	2.2	6.6	196.4%
<b>Gross Operating Income</b>	<b>502.0</b>	<b>488.4</b>	<b>-2.7%</b>
Operating Costs	-361.1	-293.4	-18.8%
of which: Recurring Costs	-305.6	-293.4	-4.0%
of which: Redundancy Plan	-55.5	0.0	n/a
<b>Pre-Provision Profit</b>	<b>140.8</b>	<b>195.0</b>	<b>38.5%</b>
Total Provisions	-67.0	-84.1	25.6%
Other Gains and Losses	-9.7	-0.5	-95.2%
<b>Profit before Taxes</b>	<b>64.2</b>	<b>110.5</b>	<b>72.1%</b>
Taxes & Minorities	-24.9	-34.6	38.5%
<b>Net Profit Attributable to Shareholders</b>	<b>39.3</b>	<b>75.9</b>	<b>93.4%</b>

# NET INTEREST INCOME

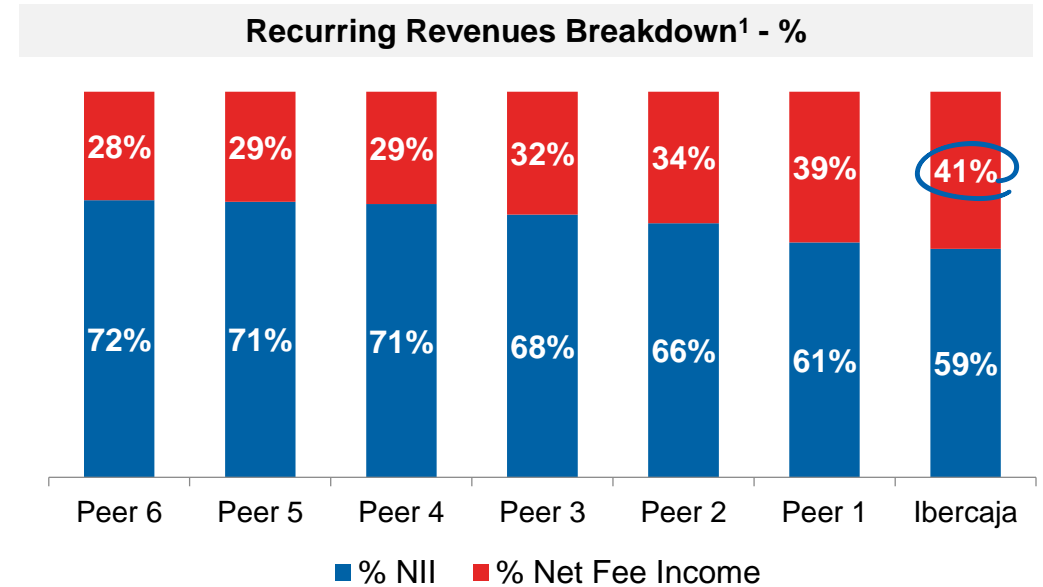
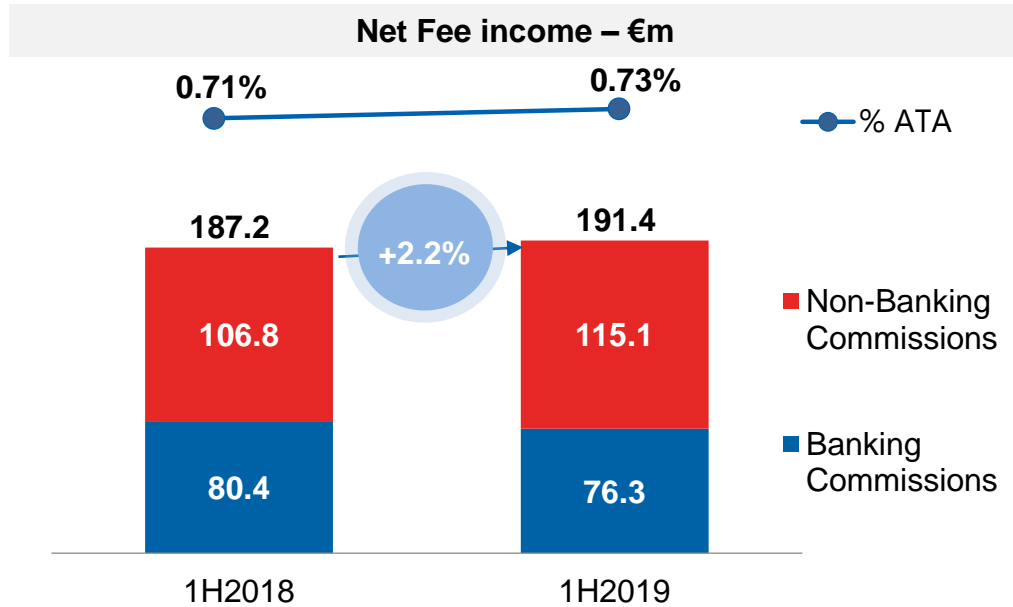


**Net interest income remains stable (+0.4% YoY or +€1.1m).**

- ▶ **Customer spread** grows 3.4% YoY or €7.2m. The improvement in loan revenues drives the increase in customer spread.
- ▶ **ALCO portfolio and treasury revenues** fall €6.2m vs. the same period of 2018. The **ALCO portfolio** accounts 11.0% of financial revenues.

**As a %, customer spread grows 7 b.p. and reaches 1.47%.**

# NET FEE INCOME



## Net fee income increase 2.2% YoY.

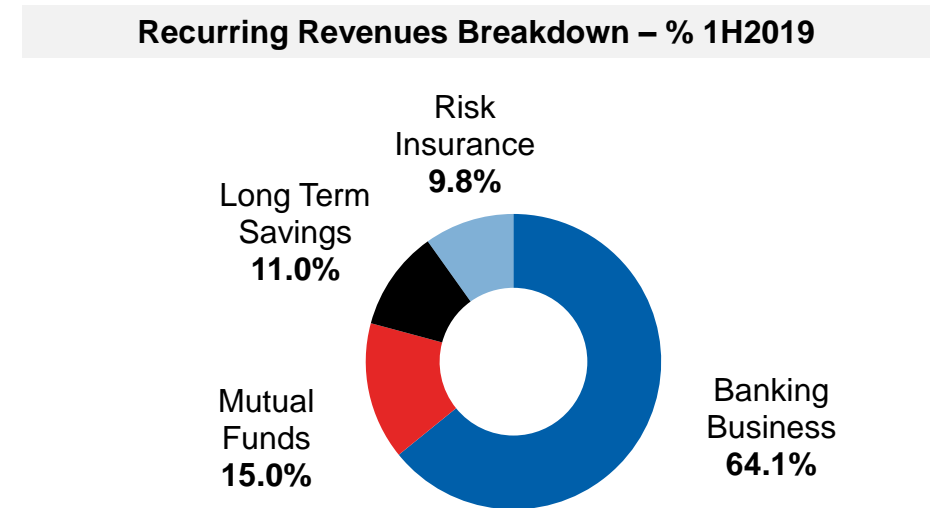
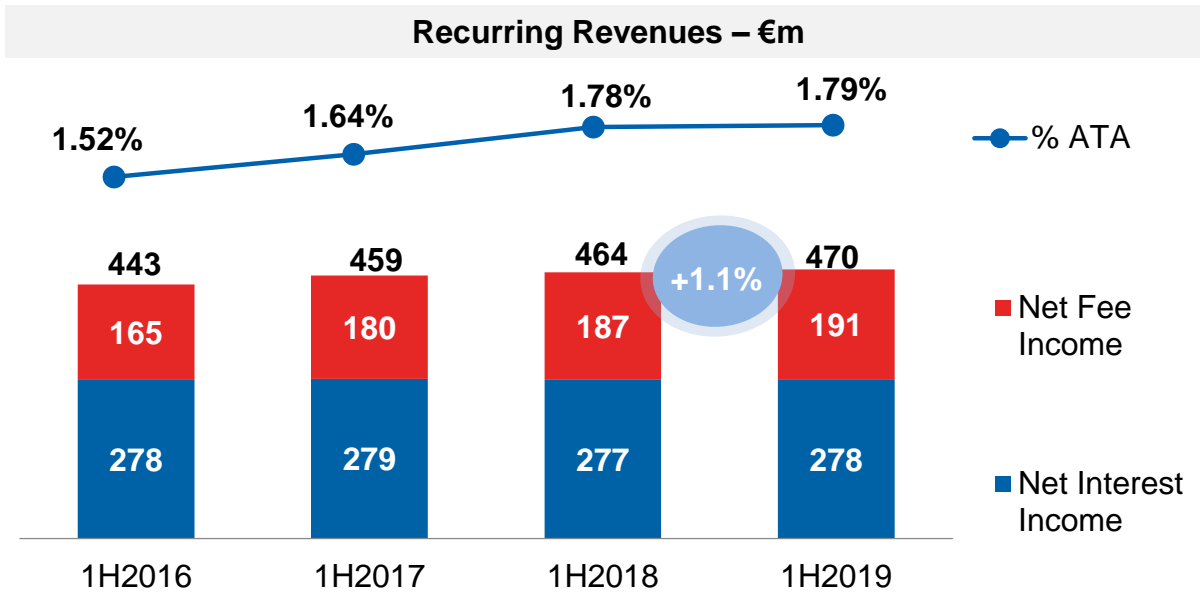
- ▶ **Non-banking commissions\*** (mutual funds, risk insurance and pension funds) rise **7.8% YoY**. These commissions represent **60%** of the bank's net fee income.
- ▶ **Banking commissions** decrease **5.2% YoY**.

**As a result of the strength of Ibercaja's asset management and bancassurance business, Ibercaja net fee income accounts for 41% of recurring revenues, the highest weight within the system.**

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

<sup>1</sup> Entities considered: Bankia, Bankinter, Caixabank, Liberbank, Sabadell ex TSB and Unicaja. Peers data refers to 2018.

# RECURRING REVENUES



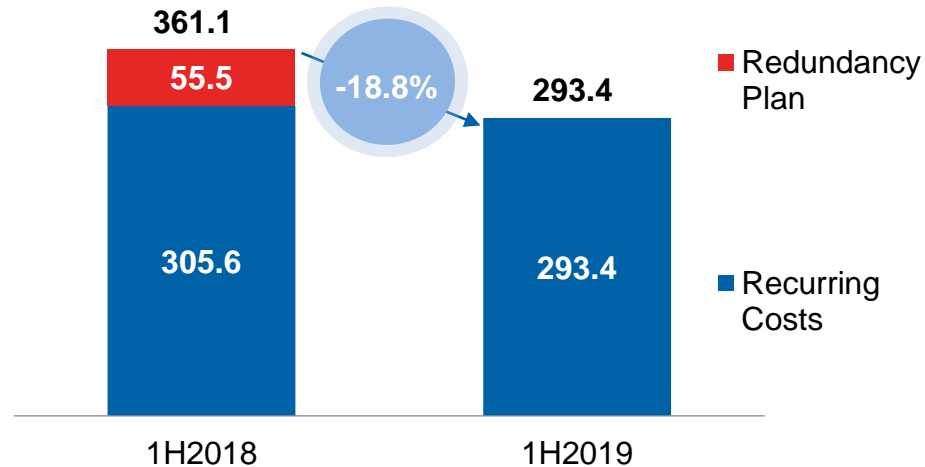
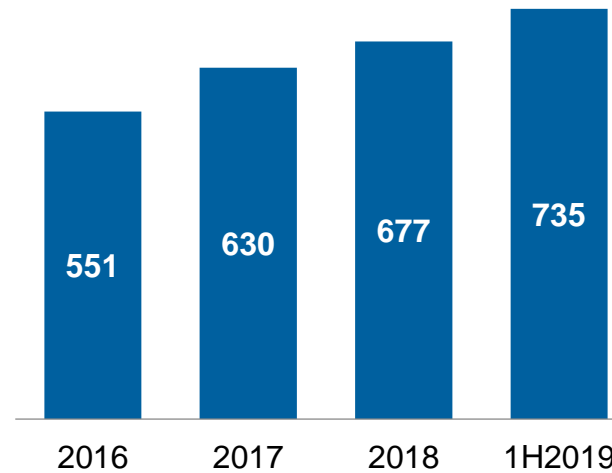
Revenue diversification through asset management and bancassurance has allowed Ibercaja to increase its recurring revenues for three years in a row.

- ▶ Recurring revenues grow 1.1% YoY and profitability over ATA improves 1 b.p. reaching 1.79%.
- ▶ Revenues from asset management and bancassurance represent 35.9% of Ibercaja's recurring revenues..

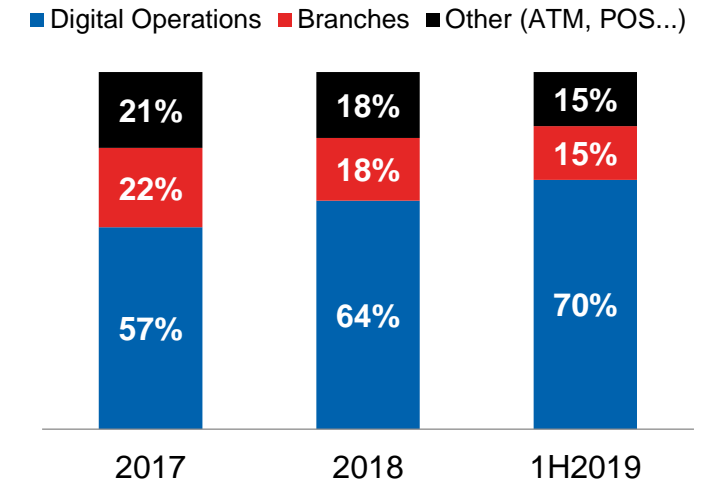
Recurring revenues account for 96% of Ibercaja's gross operating income.

# OPERATING COSTS

Operating Costs – €m

Digital Customers<sup>2</sup> - K

Operations by Channel Breakdown - %



**Total operating costs decreased 18.8% YoY driven by the extraordinary costs accounted in 1Q2018.**

- ▶ **Recurring costs** fall 4.0% i.a. The company expects the cost base to remain flat through the year due to the launch of certain strategic initiatives.

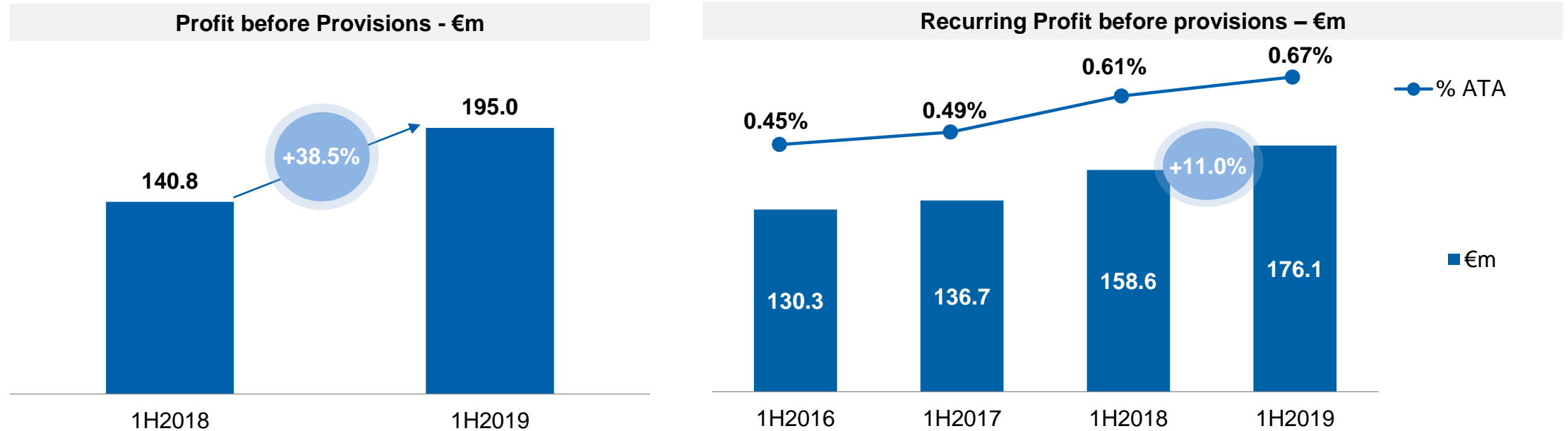
**Digital customers grow 8.6% vs. 2018, driven by Ibercaja app (+17%).**

- ▶ As a result of the progress in digital banking, during the first half of 2019, **70% of total customer operations** were executed through Ibercaja's digital assets (website and apps).

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



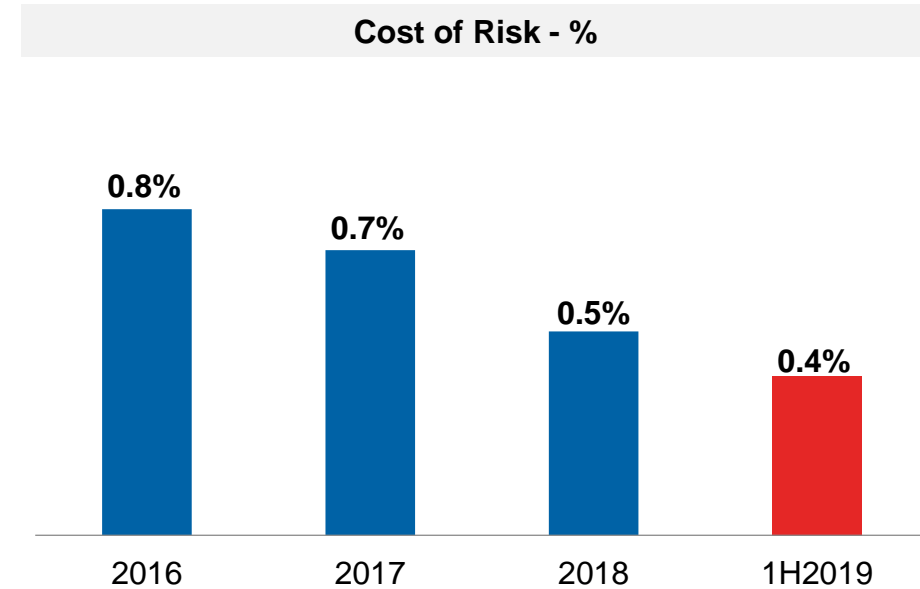
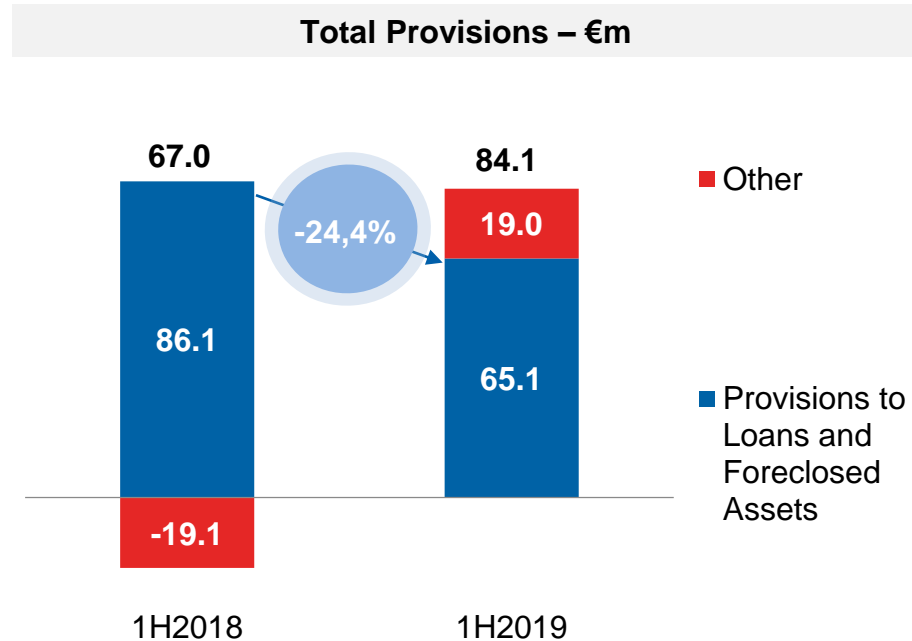
# PROFIT BEFORE PROVISIONS



**Profit before provisions increases 38.5% YoY to €195m after redundancy plan costs in 1Q2018 (€55.5m).**

**Recurring profit before provisions (net interest income + net fee income – recurring costs) grow 11.0% YoY. As % of ATA, it improves 6 b.p. reaching 0.67%.**

# PROVISIONS

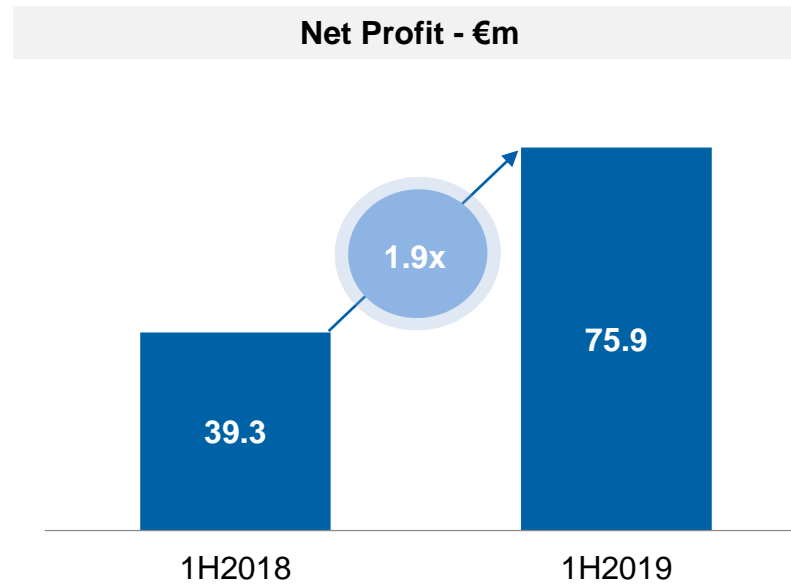


**Total provisions grow 25.6% YoY.**

- ▶ Provisions related to loans and foreclosed assets fall **24.4% YoY**.
- ▶ **Cost of risk** stands at **38 b.p.** (vs. 50 b.p. in 1H2018).

**Ordesa transaction (a portfolio which included loans to companies, mostly classified as doubtful, with a gross value of €534m) has had a negative impact of €27m. This transaction has been registered under financial operations result in 2Q results.**

# NET PROFIT



Net profit reaches €75.9m, which represents 1.9x vs. the result obtained in 1H2018.

# IV

## ASSET QUALITY, LIQUIDITY AND SOLVENCY

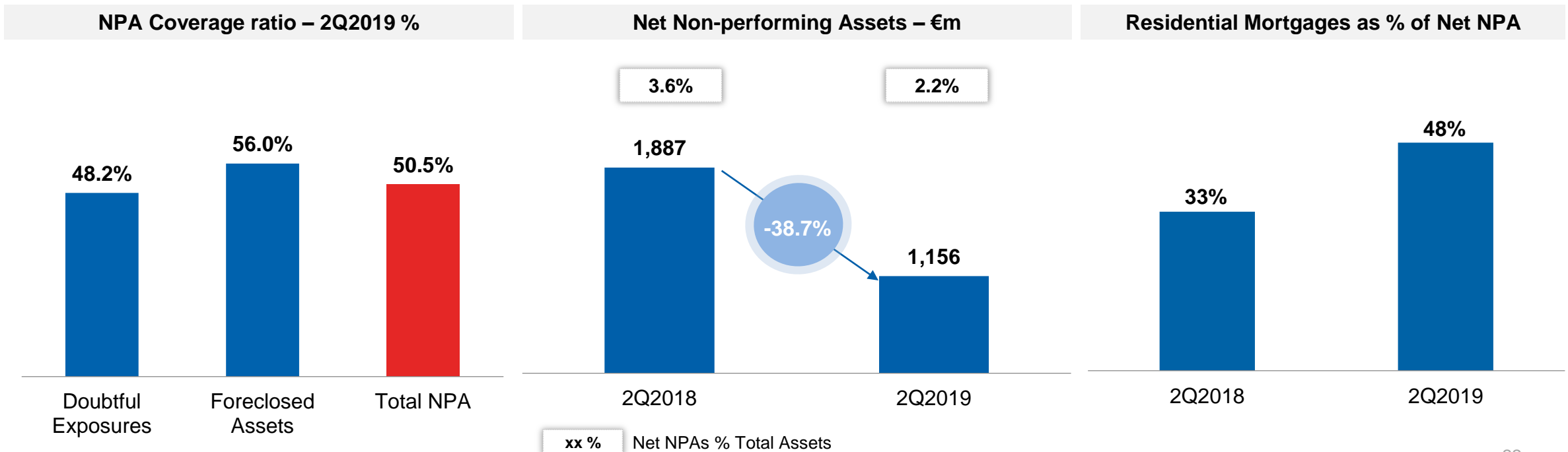


# ASSET QUALITY(2/2)

Coverage ratio of non-performing assets stands at 50.5%.

€731m / 38.7% reduction in net non-performing assets vs. 1H2018 driven by a reduction of gross non-performing assets coupled with the provisioning effort. Its weight as % of total assets reaches 2.2% (-141 b.p. YoY).

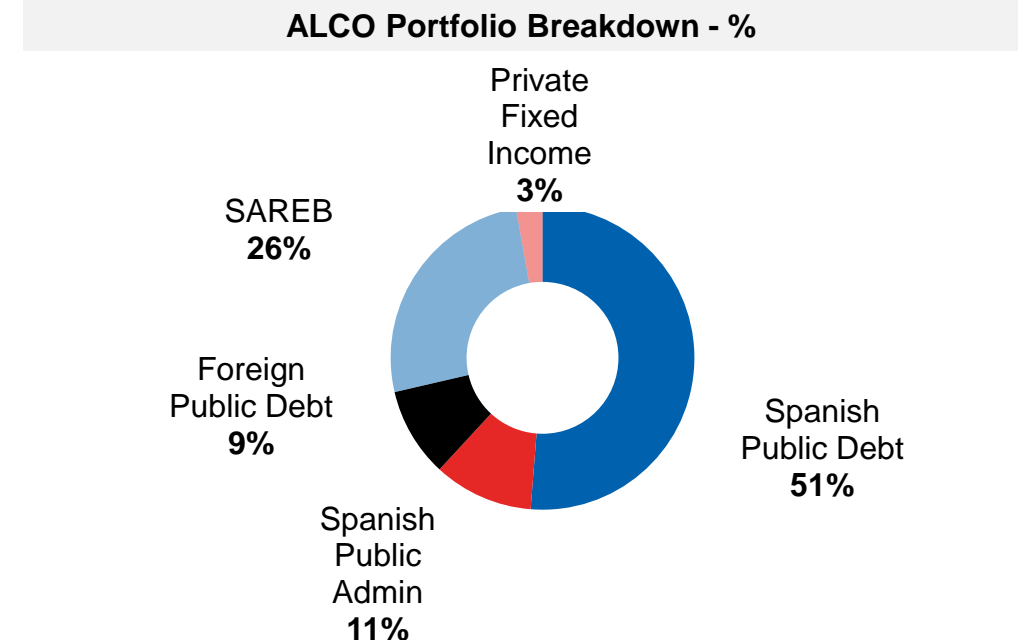
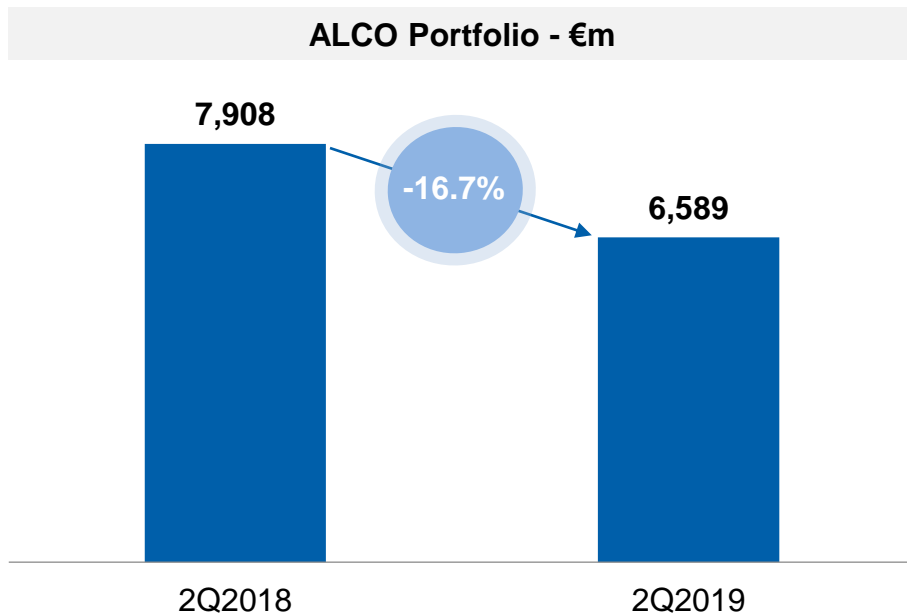
After executing Cierzo and Ordesa transactions, which were focused in foreclosed assets and loans to companies, **doubtful residential mortgages**, with a lower expected loss, account for 48% of net non-performing assets.



# ALCO PORTFOLIO

Fixed-income portfolio stands at €6,589m<sup>1</sup>. This portfolio has a low risk profile and is mainly composed of Spanish sovereign debt.

- ▶ Average duration of 2.7 years<sup>2</sup>.
- ▶ Average yield stands at 1.0% (ex SAREB bonds the yield is 1.3%).
- ▶ 95% of the portfolio is classified at **amortised cost**.



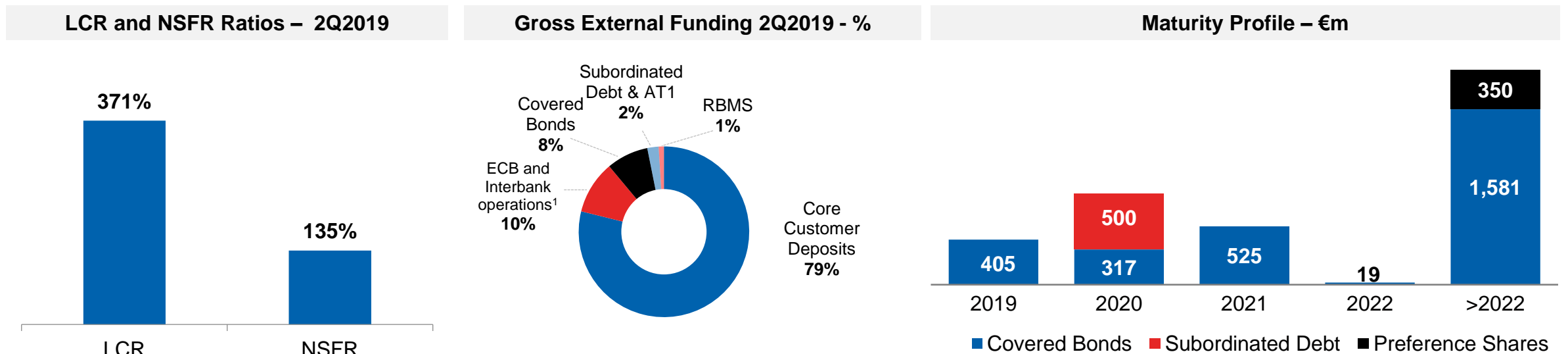
<sup>1</sup> Excluding the insurance portfolio.

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

# LIQUIDITY AND FUNDING PROFILE

Ibercaja holds a comfortable liquidity position (liquid assets account for 21% of total assets) and a prudent funding profile (customer deposits account for 79% of gross external funding).

- ▶ **LCR and NSFR ratios** stand well above required levels.
- ▶ **LTD ratio** stands at **95.4%**



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



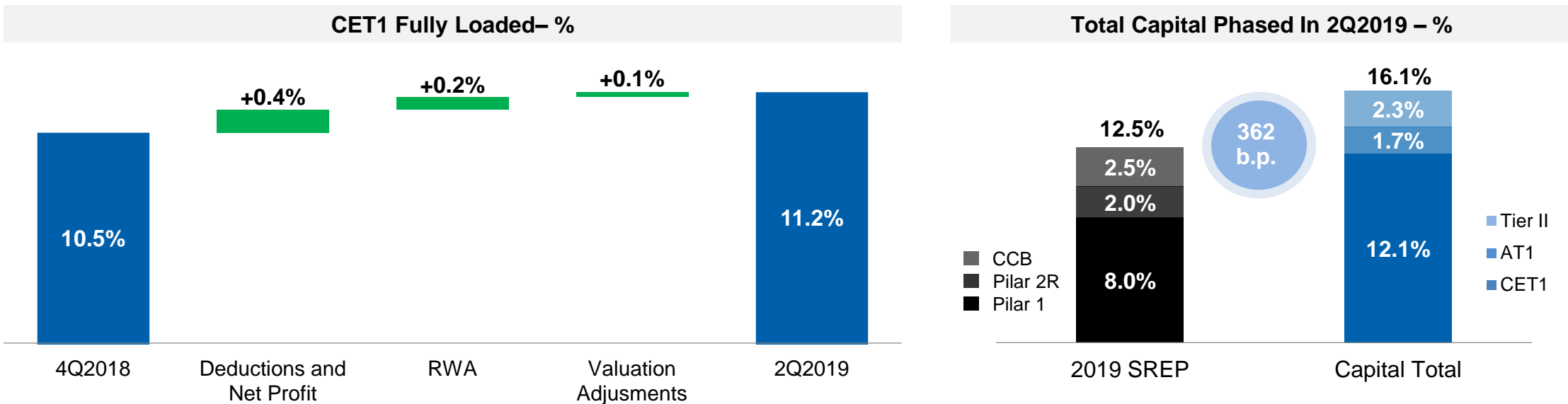
# SOLVENCY

**CET1 Fully Loaded ratio reaches 11.2% (+69 b.p. vs. 4Q2018) while the Total Capital Fully Loaded stands at 15.2%. The leverage ratio reaches 5.7%.**

- ▶ The **increase in net profit, lower deductions and RWA reduction** associated to the decrease in NPAs explain the increase in solvency ratios

**In phased in terms, CET1 ratio stands at 12.1% and Total Capital at 16.1% vs. 9% and 12.5% requirements, respectively.**

- ▶ Phased In solvency ratios stand **more than 300 b.p. above 2019 SREP requirements**

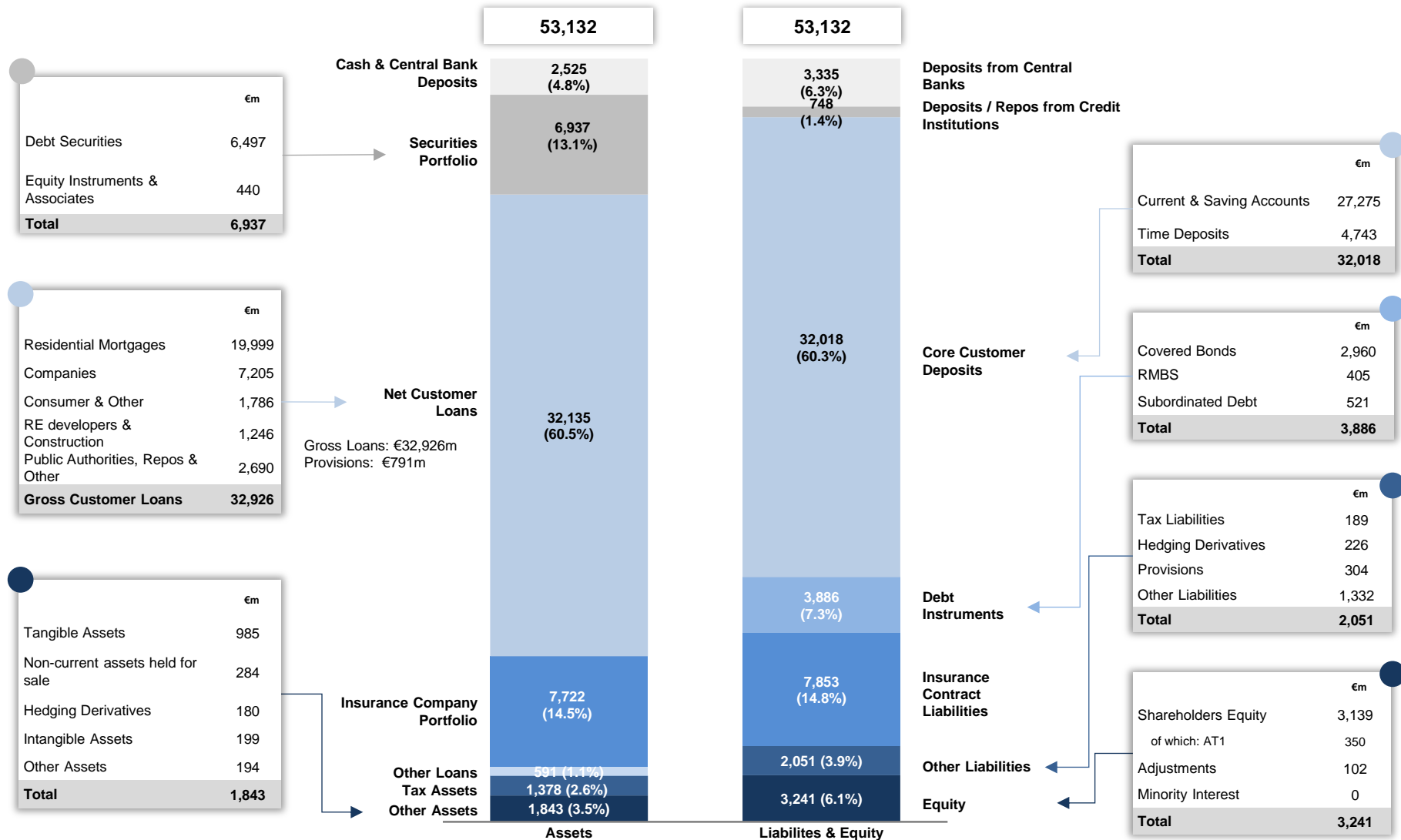


V

ANNEX

# CONSOLIDATED BALANCE SHEET

30/06/2019



# 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  
DEL  
*Vamos*



iberCaja 