# IBERCAJA BANCO
# 1H2020 RESULTS

**July 31st, 2020**



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# TABLE OF CONTENTS


1. KEY HIGHLIGHTS 4
2. COMMERCIAL ACTIVITY 7
3. RESULTS 14
4. ASSET QUALITY, LIQUIDITY AND SOLVENCY 22
5. ANNEX 29


iberCaja

# I

# KEY HIGHLIGHTS

# KEY HIGHLIGHTS

**IBERCAJA KEEPS STRENGHTENING ITS BALANCE SHEET**

**12.3%** — **CET1 Fully Loaded** improves 98 b.p. YTD and reaches **12.3%.**

**513 b.p.** — **MDA** stands at **513 b.p** vs. 327 b.p at the end of 2019.

**-3.5%** — **Non-performing assets fall 3.5% YTD** (€67m; €38m in 1Q and €29m in 2Q). Gross NPA ratio decreases 20 b.p to 5.6%.

**+396 b.p.** — **NPA coverage ratio** stands at **55.6%**, 396 b.p higher than at the end of 2019.

# KEY HIGHLIGHTS

## AGILE IMPLEMENTATION OF SUPPORT MEASURES FOR OUR CUSTOMERS

**634 €m** — **Moratoriums** amount to €634m

**1,293 €m** — **ICO guaranteed lending** reaches €1,293m

**2.2m** — Through the pandemic, Ibercaja has made 2.2m operations related to advance payments of pensions and unemployment benefits

## SOUND PERFORMANCE OF COMMERCIAL ACTIVITY

**+3.2%** — **Customer funds** increase 3.2% and reach all-time highs

**5.4%** — Market share **of mutual funds** increase by 30 b.p up to 5.4%

**+35%** — **New lending** in 1H2020 grows by 35% YoY.

## DESPITE THE PANDEMIC IMPACT NET PROFIT REMAINS SOLID

**53 €m** — Renewal of the **distribution agreement with CASER** results in a €53m positive impact

**70.1 €m** — Ibercaja records €70.1m of **extraordinary provisions** in the semester.

**-8.9%** — Despite the provisioning effort, **net profit** shrinks just 8.9% YoY.

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# II

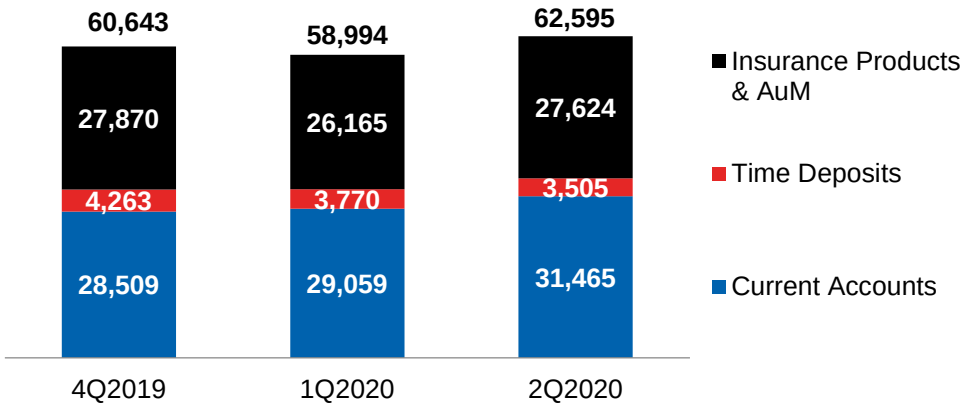
# COMMERCIAL ACTIVIY

ibercaja

# CUSTOMER FUNDS

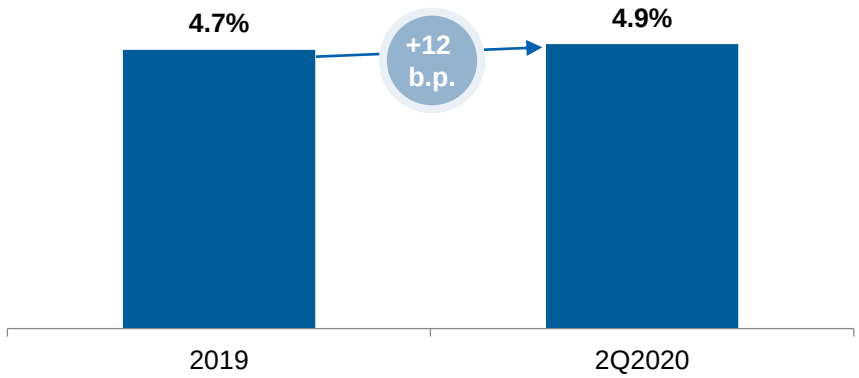
## Customer Funds

€m




## Market share in AuM and life insurance products

% - Inverco & ICEA




**Customer funds increase 3,2% YTD or €1,952m and reach historic highs.**

- **Total customer funds** (current accounts and time deposits) increase **6.7%** in the period or **€2,918m**, driven by saving accounts (+10.4%).
- **Asset under management and life insurance products** recover **5.6% or €1,459m since March 2020** and reach **similar levels to 2019YE (-0.9% or €246m).**
  - The impact from market downturn reaches €795m in the semester.

**Ibercaja has increased by 12 b.p its market share in AuM and life insurance products in the period.**

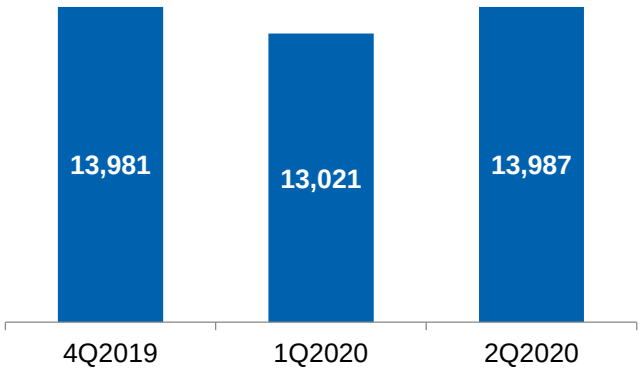
# MUTUAL FUNDS

**After growing €966m or 7.4% in the second quarter, the stock of mutual funds has returned to 2019YE levels, €14,000m.**

- **Net new money inflows reach €498m, +54% YoY. Ibercaja Gestión ranks 2nd in terms of net new money inflows in Spain.**
- **Market share increases 30 b.p** in the year**, up to 5.4%.**

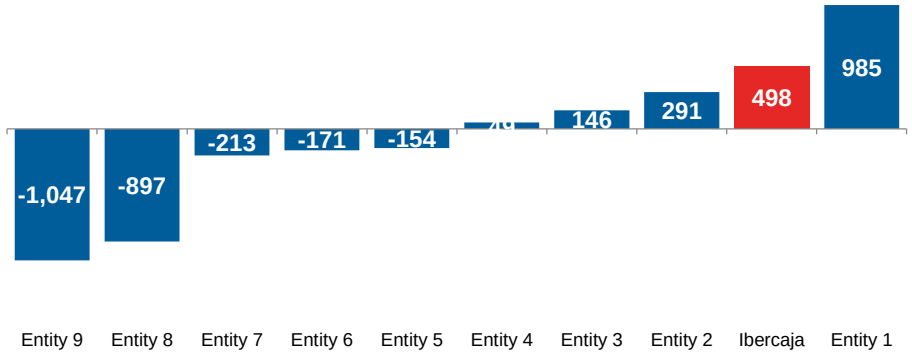
## Stock of mutual funds

€m - Ibercaja Gestion



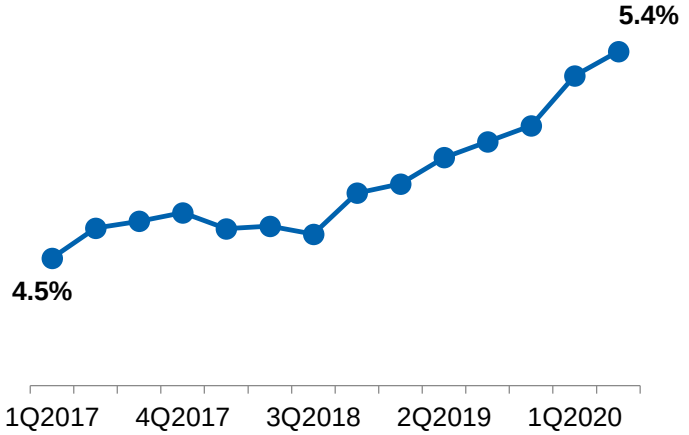

## Net new money inflows

€m – 1H2020; 10 top mutual funds management groups in Spain




## Mutual funds market share

% - Ibercaja Gestion,

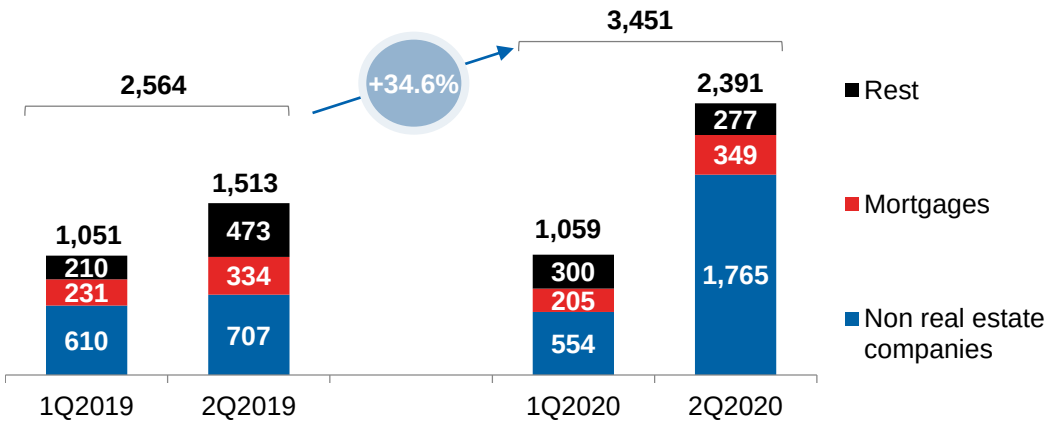



Source: Inverco; The top 10 mutual funds management groups are Caixabank, Santander, BBVA, Bankia, Kutxabank, Sabadell, Ibercaja, Bankinter, Mutua Madrileña and Unicaja

# CUSTOMER LOANS

## New Lending Production

€m




## Loan Portfolio

€m

| | 4Q2019 | 2Q2020 | Var. |
|---|---|---|---|
| **Loans to Individuals** | **20,434** | **20,628** | **0.9%** |
| Mortgages | 18,932 | 18,659 | -1.4% |
| Consumer and Others | 1,502 | 1,968 | 31.0% |
| Of which: advance payments | 177 | 664 | 274.4% |
| **Loans to Companies** | **7,807** | **7,643** | **-2.1%** |
| Non-Real Estate Companies | 6,750 | 6,611 | -2.1% |
| Real Estate Companies | 1,058 | 1,032 | -2.4% |
| **Public sector and Others** | **1,412** | **1,441** | **2.0%** |
| **Performing Gross Loans ex Repos** | **29,654** | **29,712** | **0.2%** |
| Repos | 1,616 | 1,617 | 0.1% |
| Doubtful Loans | 1,293 | 1,213 | -6.2% |
| **Gross Loans** | **32,563** | **32,541** | **-0.1%** |

**Total lending granted grows by 35% YoY in 1H2020. In 2Q, new lending grows by 126% vs. 1Q.**

- **New lending to non-real estate companies grow by 76.0% YoY** (+219% in 2Q vs. 1Q) and exceed €2,300m.
- **New mortgages** granted barely **shrink 1.7% YoY vs. -20% registered by the sector**[1].

**Stock of performing loans increases 0.2% YoY.**

- The increase in “consumer and others” is explained by the advance payment of pensions and unemployment benefits. These early payments increase by €487m in the semester.

[1] Source: Bank of Spain, January-May

# CUSTOMER LOANS: MORATORIUM AND ICO LINES

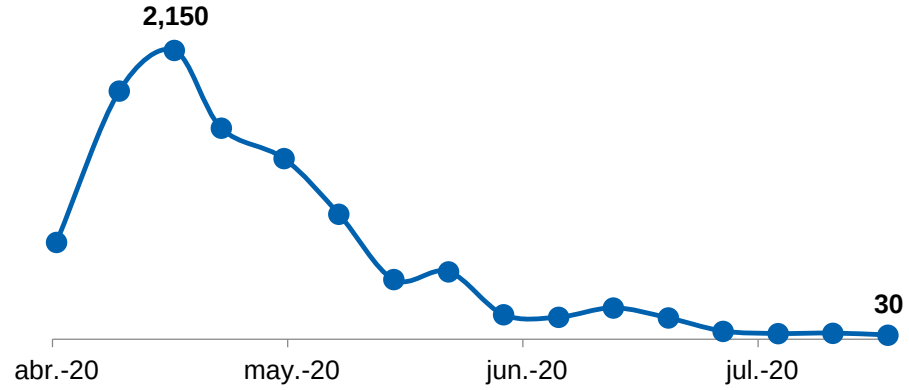
## Moratoriums: Ibercaja has granted more tan 7,700 moratoriums amounting to €634m.

- **91%** are **public moratoriums.**
- **98%** are **mortgage moratoriums. Low impact from consumer moratoriums (€15m)** due to the low presence of the Group in this segment.
- **Ibercaja´s portfolio benefits from a lower need of moratoriums than the sector.** Public moratoria for mortgages represents 3.0% of total portfolio, significantly below sector average.

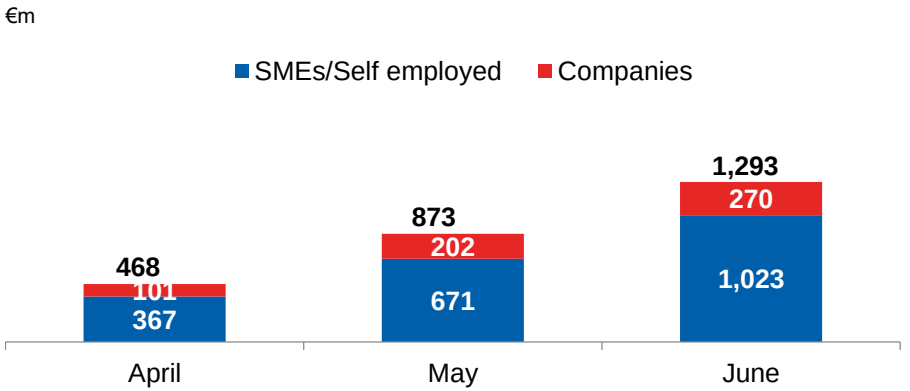
## ICO Lines: Ibercaja has granted more than 12,500 operations with ICO guarantee, for a total amount of €1,293m.

- **79% of ICO lines has been allocated to SMEs/self employed.**
- **Ibercaja has guarantees for an amount of €440m accessible until December.**
- **ICO financing represents 13% of loan portfolio to companies (19.6% in the most affected sectors[1]).**

### Weekly performance of moratorium requests




### Cumulative evolution of ICO lending

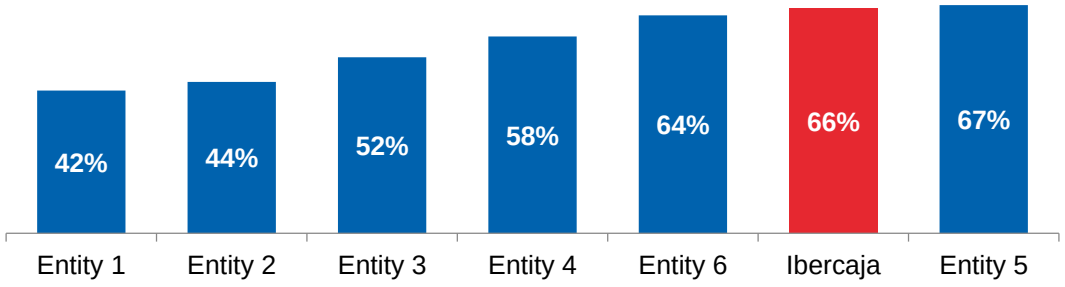



[1] Most exposed sectors are hospitality, recreational activities, retail distribution, transport and mining.

# A DEFENSIVE CREDIT PORTFOLIO

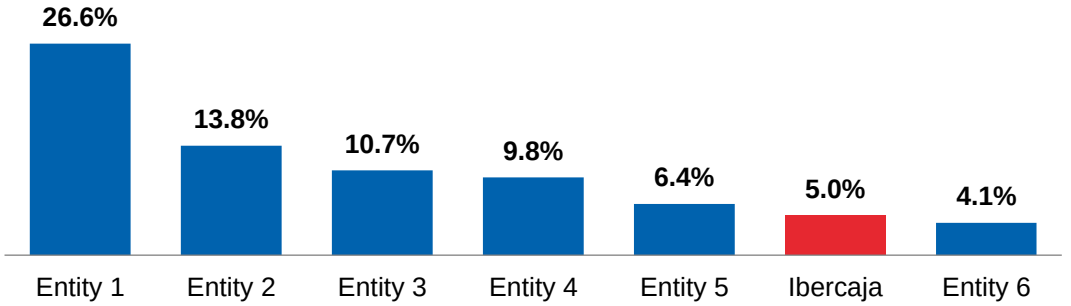
## Mortgages weight in credit portfolio[1]

% - December, 2019- Book value of loan distribution for activity, excluding public administrations and financial institutions. Source: Annual Reports..




## Residential mortgages. Mortgages with LTV >80%[1]

% - comparable data as to December 2019, Source: Annual Report.




**Ibercaja's credit portfolio has a strong defensive profile thanks to the high quality of its mortgage portfolio, which accounts for 66% of total credit.**

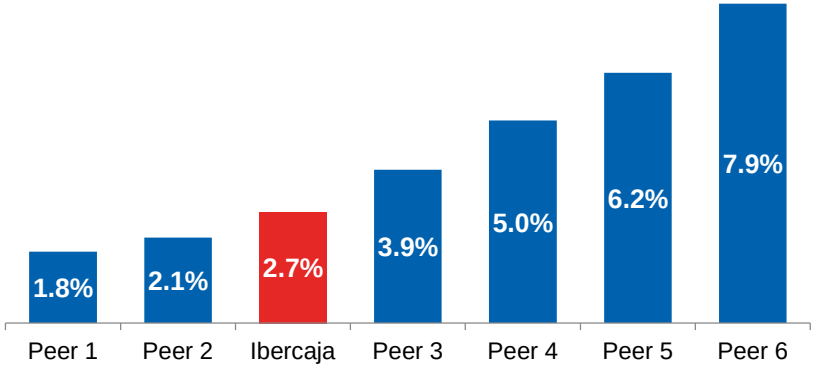
- **Granular portfolio: with an average amount outstanding stands at €69k.**
- **High seasoning: 9.6 years old.**
- **Average LTV** stands at **50%** and only **5%** has a **LTV higher tan 80%.**
- **2nd housing financing** represents **less than 4%** of the total portfolio.
- **Madrid and Aragón** represents **52%** of the portfolio.

Comparable entities: Bankia, Bankinter, Caixabank, Liberbank, Sabadell y Unicaja. [1] Data of comparable entities as to December, 2019. Ibercaja as to June 2020.

# A DEFENSIVE CREDIT PORTFOLIO

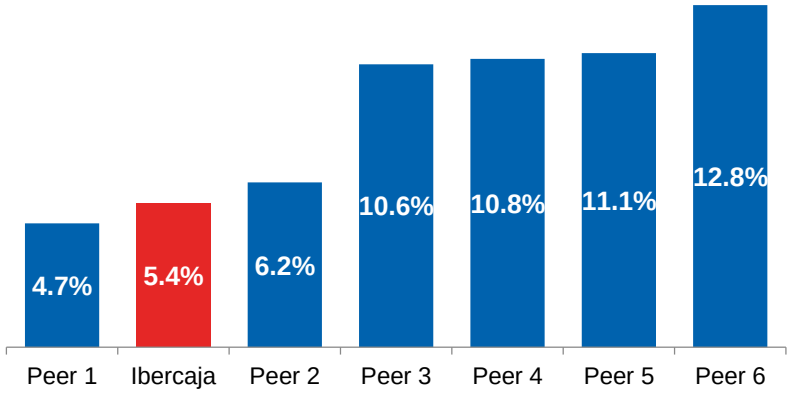
## Consumer lending % loans[1]

% - December 2019- Book value of loan distribution for activity, excluding public administrations and financial institutions. Source: Annual Reports..



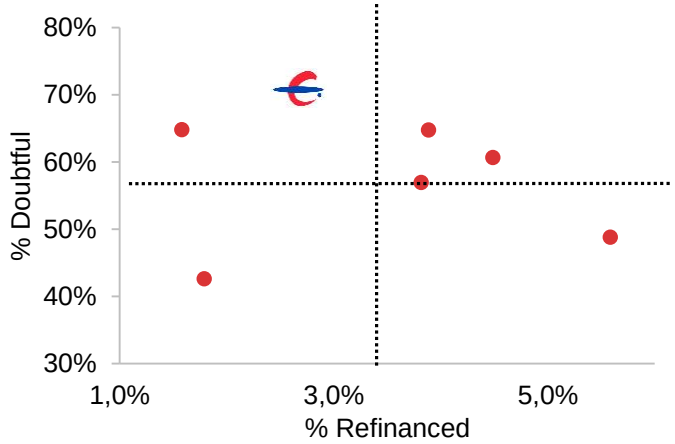

## Most affected sectors % loans[2]

% - December 2019; EBA transparency exercise




## Refinanced loans & % doubftful[1]

% - December 2019. Annual Reports




**In addition, Ibercaja is one of the banks less exposed to the most affected sectors by the crisis:**

- **Consumer lending** represents **les tan 3% of total loan portfolio.** 80% of it has been granted to clients with high involvement.
- Exposure to **the most affected sectors** by the crisis stands at **5%** of total credit vs. 9% of peers.
- **Only 2.7% of the loan portfolio has been refinanced** vs. 3.5% of peers. Moreover, Ibercaja has marked more than 70% of these loans as doubtful vs. just 56% of our peers.

Peers: Bankia, Bankinter, Caixabank, Liberbank, Sabadell y Unicaja. [1] Data of comparable entities as of December 2019. Ibercaja as of June 2020. [2] Data as of December 2019. Most exposed sectors are hospitality, recreational activities, retail distribution, transport and mining.

# III

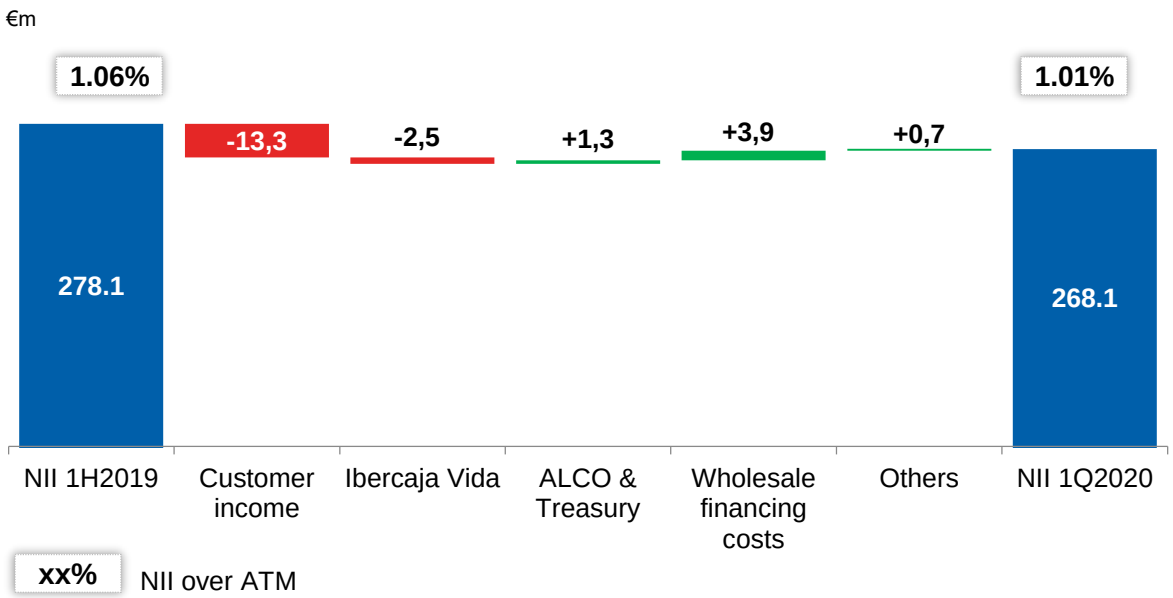
# RESULTS

# P&L ACCOUNT

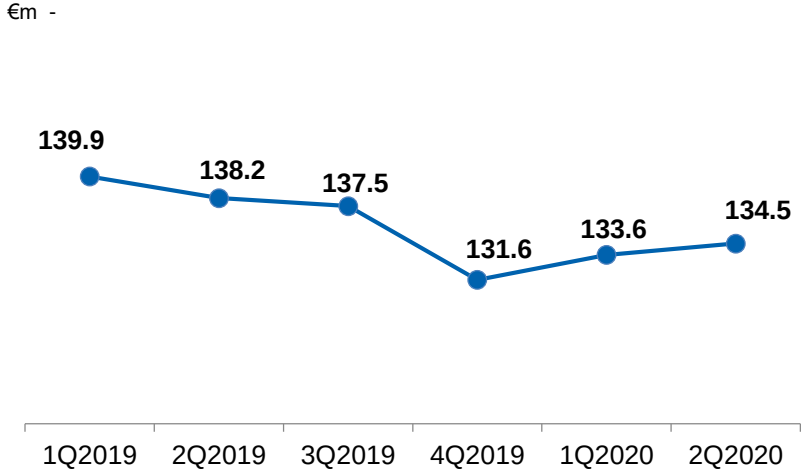
| | €m | | |
|---|---|---|---|
| | 1H2019 | 1H2020 | YoY |
| **Net Interest Income** | 278.1 | 268.1 | -3.6% |
| **Net Fee Income** | 191.4 | 182.0 | -4.9% |
| **Recurring revenues** | **469.5** | **450.2** | **-4.1%** |
| **Gains/Losses on Financial Assets and Liabilities** | 12.3 | 2.1 | -82.8% |
| **Other Operating Income (net)** | 6.6 | 47.8 | 623.3% |
| of which: CASER transaction | | 52.6 | n/a |
| **Gross Operating Income** | **488,4** | **500.1** | **2.4%** |
| **Operating Costs** | -293.4 | -282.2 | -3.8% |
| **Pre-Provision Profit** | **195.0** | **217.8** | **11.7%** |
| **Total Provisions** | -84.1 | -113.5 | 35.0% |
| of which: Covid-19 | | -70.1 | n/a |
| **Other Gains and Losses** | -0.5 | -1.4 | 213.7% |
| **Profit before Taxes** | **110.5** | **102.9** | **-6.8%** |
| **Taxes & Minorities** | -34.6 | -33.7 | -2.4% |
| **Net Profit Attributable to Shareholders** | **75.9** | **69.2** | **-8.9%** |

# NET INTEREST INCOME

## Net Interest Income breakdown




## Quarterly Net Interest Income




**Net interest income decreases by 3.6% YoY.**

- Euribor repreciation and the drop in the stock of loans impacts **customer income (-€13.3m)**

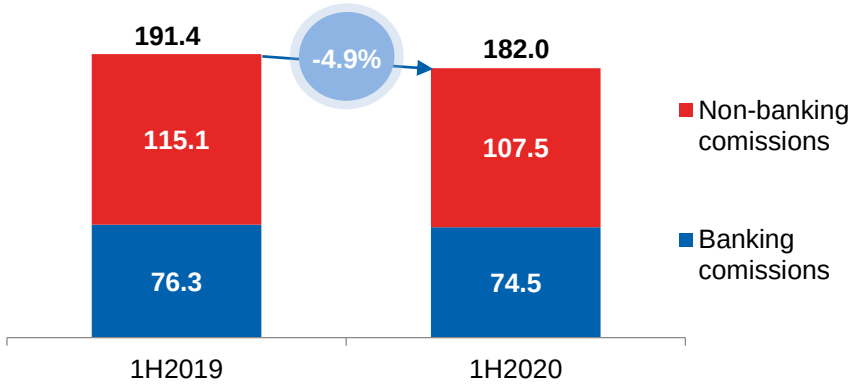
**In quarterly terms, 2Q net interest income improves 0.7% QoQ (+2.2% vs. minimums in 4Q2019).**

- **This gradual improvement will uphold in the second half of the year**.

# NET FEE INCOME

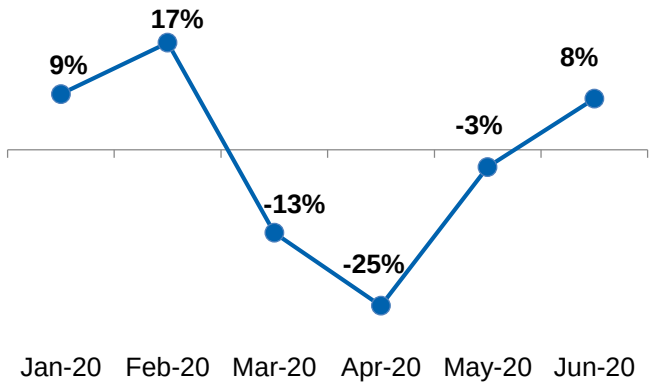
## Net Fee Income

€m



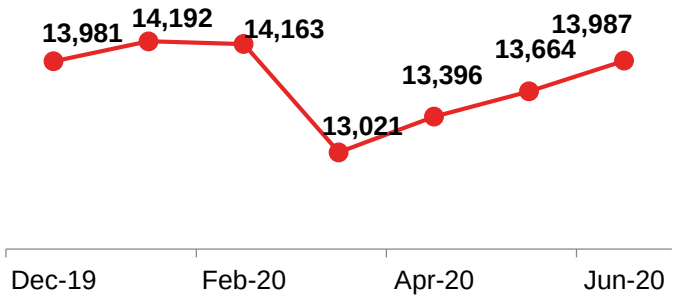

## Cards Expenditure YoY

%




## Stock of Mutual Funds

€m - Ibercaja Gestón, INVERCO

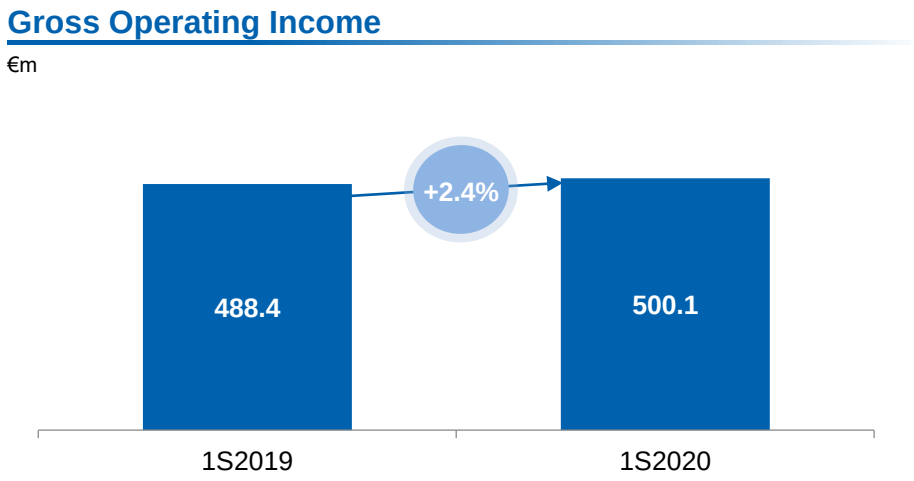



## Net fee income fall by 4.9% YoY.

- **Non-banking fees fall 6.6%** mainly impacted by the drop in success fees (-€7.4m). Excluding this decline, **non-banking commissions would remain stable (-0.2% YoY)** thanks to the growth in AuM. The monthly positive evolution in AuM should contribute to the recovery of non-banking commissions in the coming quarters.

- **Banking fees** fall by **2.3% YoY** affected by the lower **number of transactions during the pandemic**. In June, card expenditure already exceeds the levels recorded in 2019

# GROSS OPERATING INCOME




## Gross operating income increases 2.4% YoY.

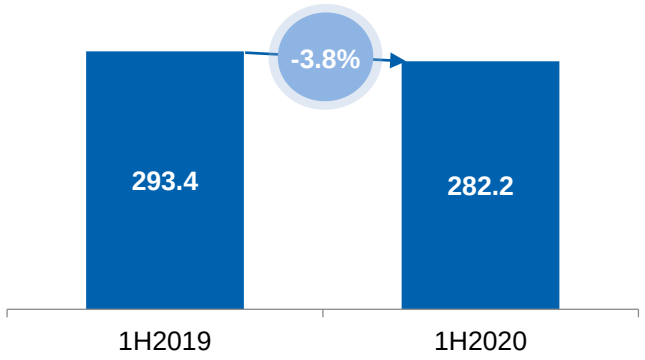
- Following the closure of **the sale of 4.45% of CASER to Helvetia**, Ibercaja has novated its non-life insurance distribution contract with CASER. The entity has **recognized a commission in the quarter of €53m** as "Other operating income". The remainder of the initial fixed commission amount (€17m) will be accrued over the next 10 years. In addition, there are additional payments of up to €50m over the next 10 years depending on the business plan evolution.

- **Trading income stands at €2.1m (-82.8% YoY) and represents less than 0.5% of gross operating income**. Ibercaja has written off its remaining exposure to **SAREB subordinated debt** which has resulted in a **€10,4m** negative impact in the 2Q. In addition, Ibercaja recorded a **negative impact of €9m related to the Tier II early repurchase** in the 1Q**.**

# OPERATING COSTS AND PRE-PROVISION PROFIT

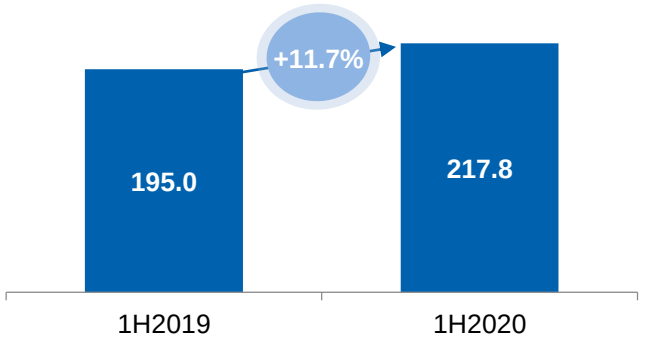
## Operating costs

€m



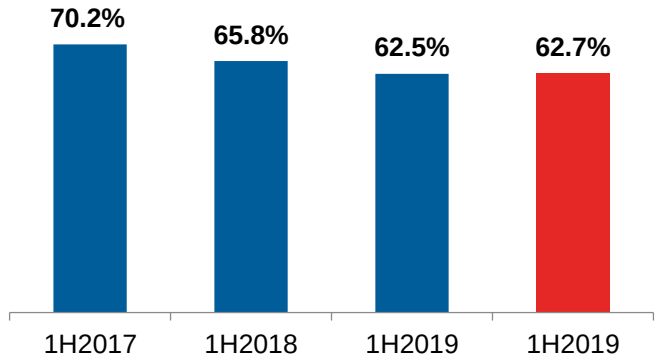

## Pre-Provision Profit

€m




## Recurring efficiency ratio

% -




**Total operating costs fall 3,8% YoY.**

- **General administration expenses** drop by **11.1% YoY.**

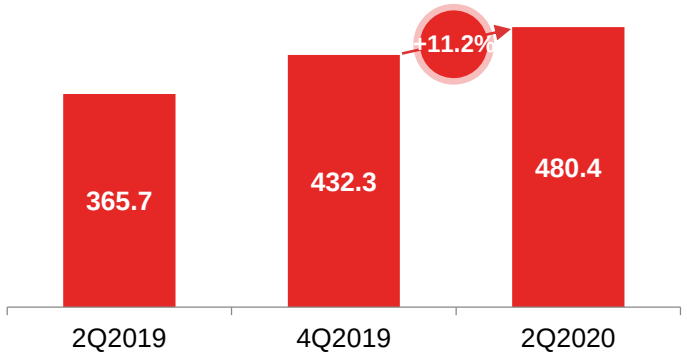
**Pre-provision profit grows by 11.7% YoY. Recurring pre-provision profit (interest margin + recurring expenditures) is down 4.6% YoY (-€8.1m).**

- **Recurring efficiency ratio remains stable in the semester**.

# DIGITALISATION

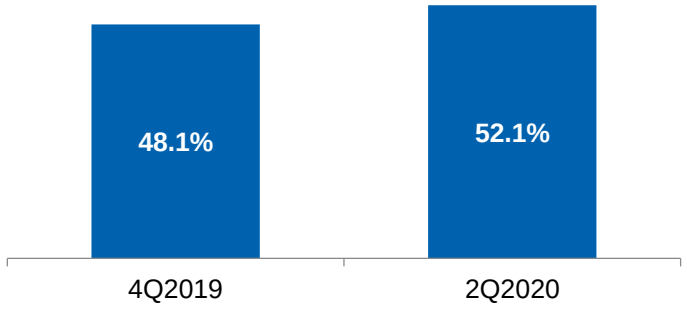
## APP Ibercaja users

Thousands – Customers that have used the App in the last month



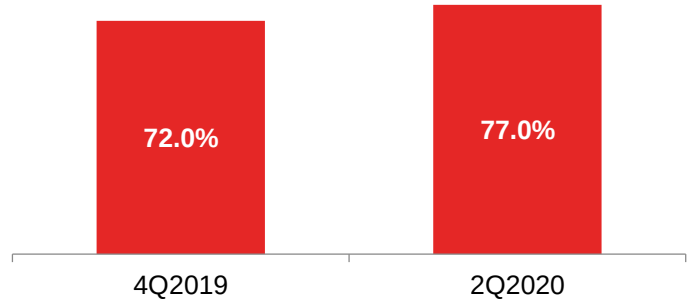

## Digital customers % total customers

Thousands – Customers that use digital assets % active customers in the quarter




## Digital transactions % total

% –




**Ibercaja has been able to respond to the increased need for the use of digital channels due to the social estrangement imposed by the health crisis:**

- **Ibercaja's digital customers grow 4.9% YTD** and exceed 800,000. This growth is **explained by the 11.2% increase (+31.4% YoY) of Ibercaja App users and a 57% increase of active Ibercaja Pay users.**
- **52% of customers have used the bank's digital assets** in the last quarter. For customers aged **18 to 50, this % increases to 70%.**
- **Digital channels** already account for **77.0%** of the Bank's transactions (72% at the end of 2019).

# PROVISIONS

## Total provisions increase 35% YoY.

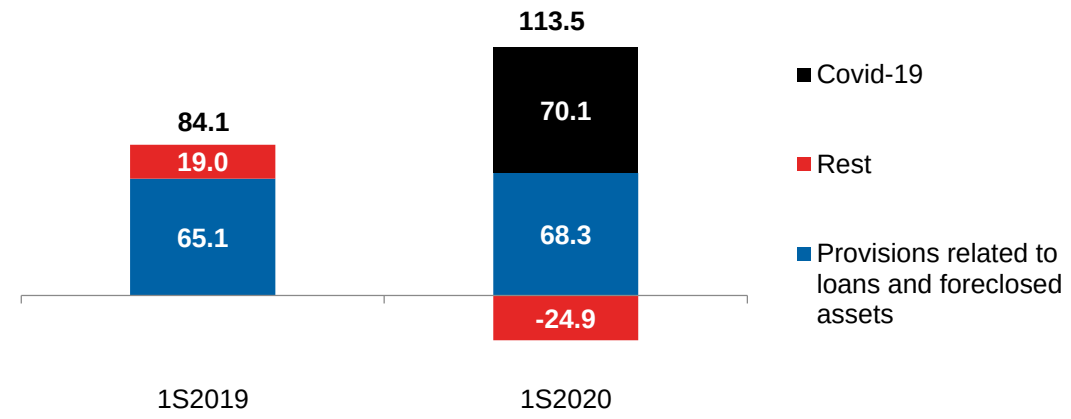
- **Provisions related to loans and foreclosed assets** remain at levels very similar to those recorded in 1H2019, with a **cost of risk of 41 b.p**. **Ibercaja expects this level of provisions to remain stable in the second half of the year.**

- For the calculation of the Covid impact, the model parameters have been recalibrated considering the new central macro scenario as of June. This scenario is similar to Bank of Spain projections. **This exercise has resulted in a total need for extraordinary provisions of €70.1m that have been fully registered in 1H2020 results (€34m in the 1Q, €36.1m in the 2Q).** These provisions represent an increase in the annual cost of risk of 21 b.p.

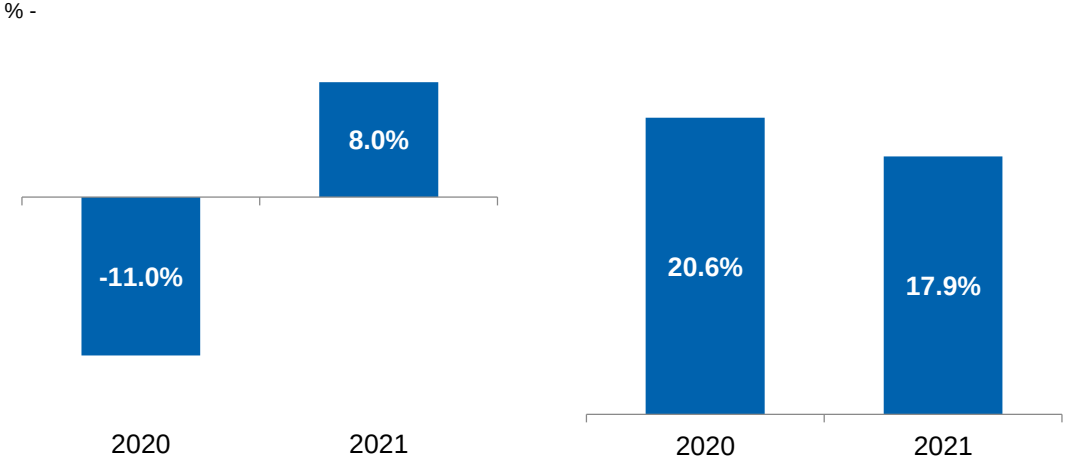
- "**Rest"** includes, among others, the release of €9m of provisions to cover the impact of the repurchase of Tier II and €19m due to the prescription of contingencies.

**Ibercaja maintains its objective of a cost of risk for 2020 of ≈60 b.p.**

### Total Provisions




### GDP and unemployment rate projections



# IV

# ASSET QUALITY, LIQUIDITY AND SOLVENCY

# ASSET QUALITY (1/2)

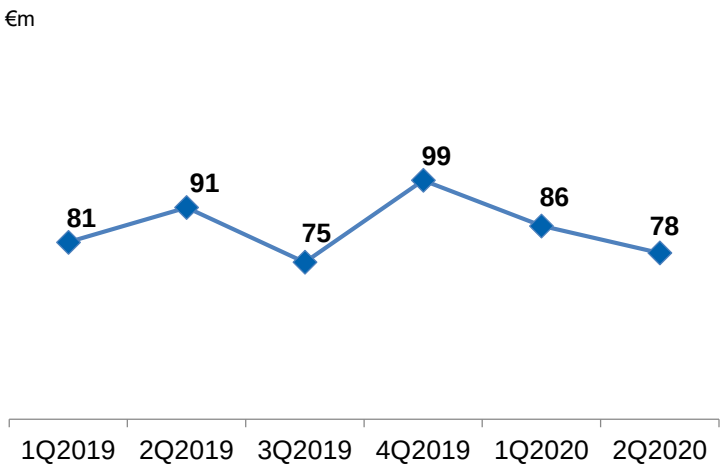
**The volume of entries in NPL shrinks by 4.9% vs. 1H2019.**

- Gross entries in NPL in 2Q stands at similar level tan minimums in 2019.

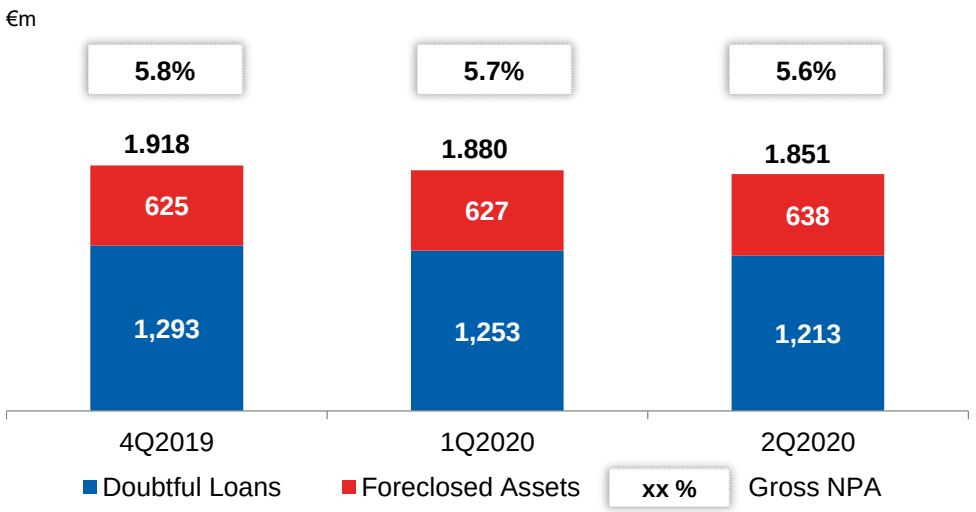
**Stock of non-performing assets falls by 3.5% YTD (€67m, €38m in 1Q and €29m in 2Q). NPA ratio falls 20 b.p. to 5.6%**

- **Doubtful assets drop by 6.2% or €81m (vs, 1.6% of the sector[1]). NPL Ratio stands at 3,7% and Ibercaja keeps increasing its positive gap vs. sector (100 b.p.).**
- Foreclosed assets increase 2.1% (+€13m) in the semester.

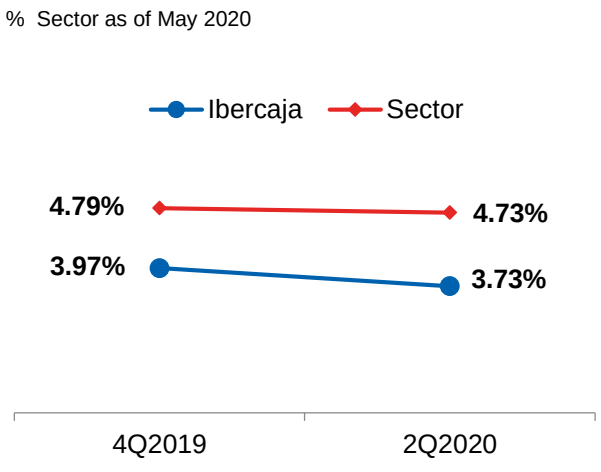
## Gross NPL entries




## Gross NPAs




## NPL Ratio




[1] Source: Bank of Spain January-May 2020

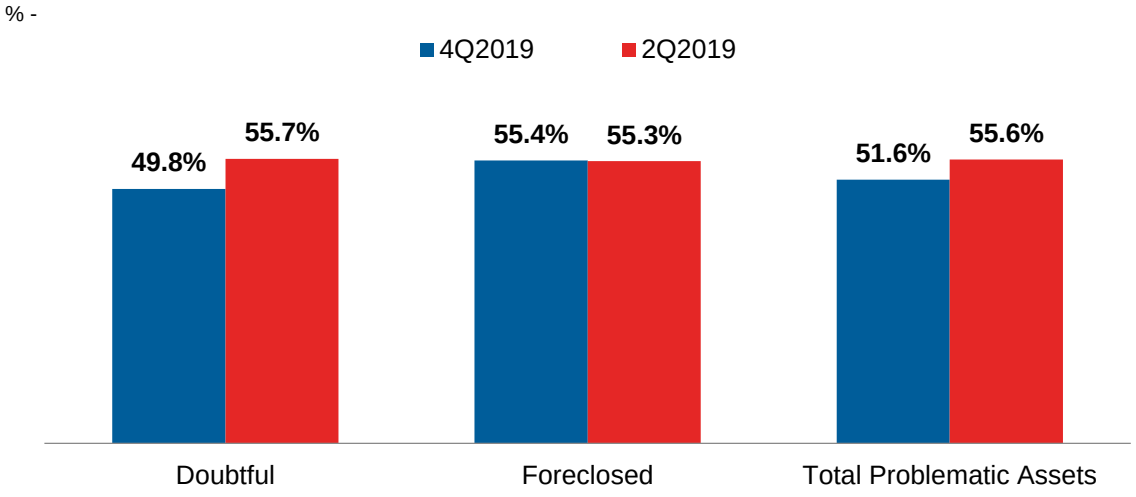
# ASSET QUALITY (2/2)

**Coverage ratio of non-performing assets stands at 55,6%, 396 b.p higher tan end of 2019.**

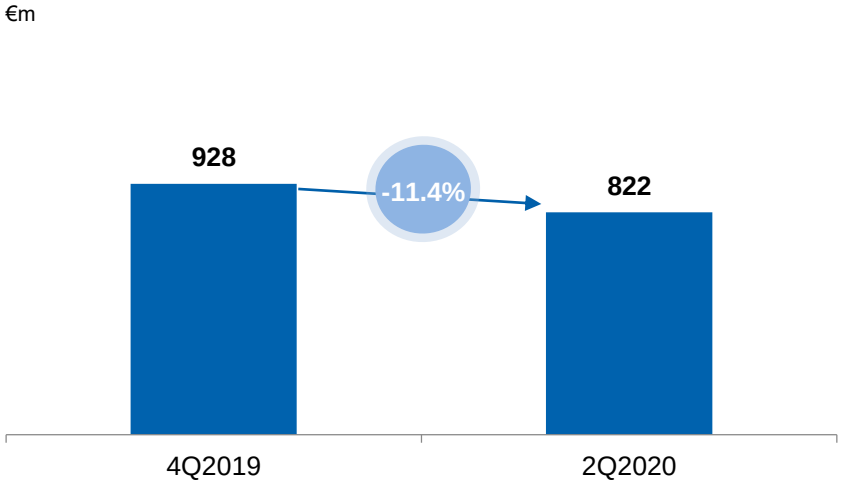
- **NPL coverage ratio** reaches **55.7%,** 592 b.p higher than December 2019.

**The reduction of gross non-performing assets coupled with the effort made in provisioning, results in net non-performing assets falling €106m or 11.4% in the year.**

## NPA Coverage Ratio




## Net NPAs

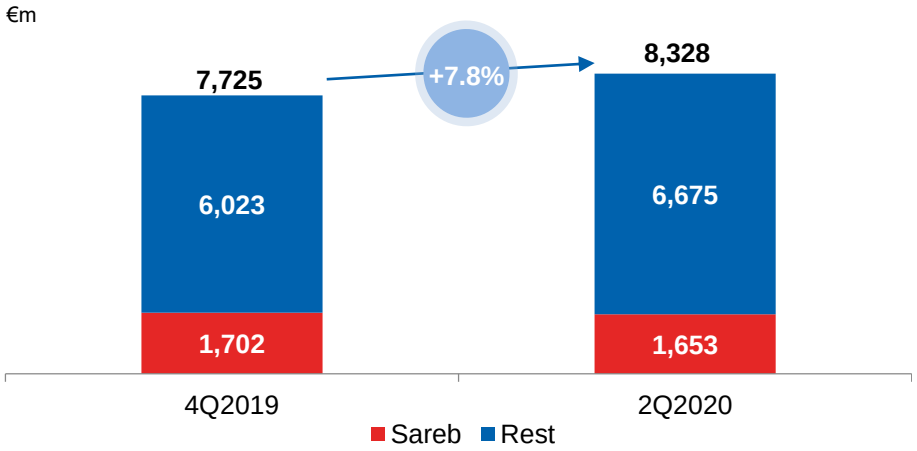


# ALCO PORTFOLIO

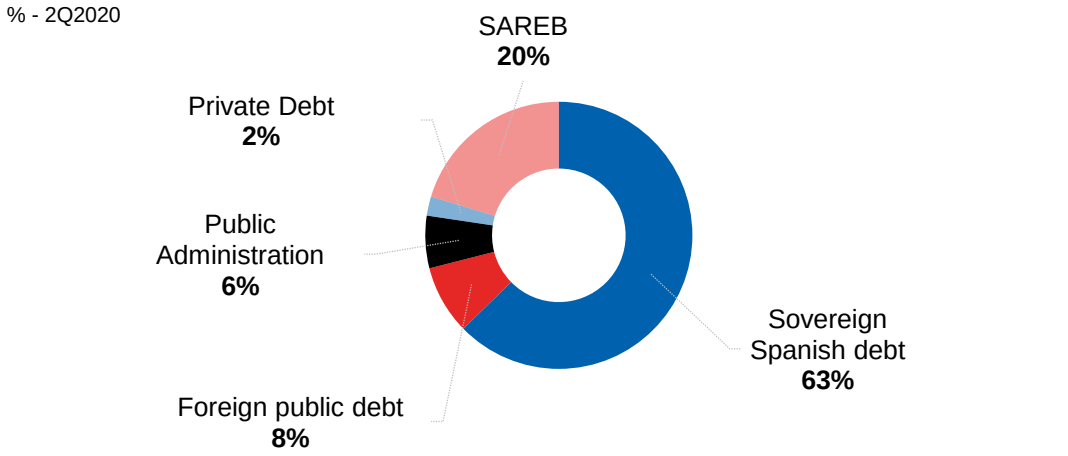
**The Group increased its ALCO[1] portfolio by 7.8% since the end of 2019.**

- The portfolio has a low risk profile compounded mainly by **Spanish sovereign risk** (Spanish sovereign debt, SAREB and Spanish public administration's debt account for 89.6% of the portfolio).
- **Average duration** of **4.8 years**[2].
- **Average yield** of **0.6%.**
- **95.8%** of the portfolio is classified as **amortised cost.**

## ALCO Portfolio




## ALCO Portfolio Breakdown




[1] Excludes insurance activity portfolio.
[2] Includes interés rate swaps.

# LIQUIDITY AND FUNDING PROFILE

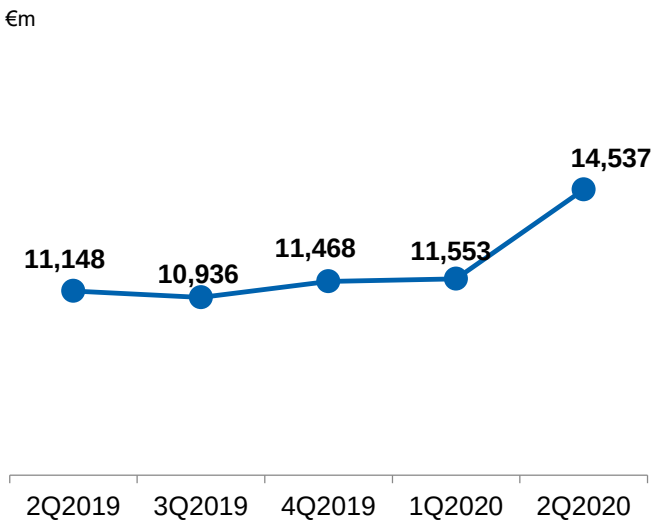
**Ibercaja increases is liquidity position and presents an strong funding profile.**

- **Liquid assets** grow by **€3,069m** YTD and **LCR ratio** reaches **437%.**
- **Loans to deposits ratio** stands at **86.5%.**

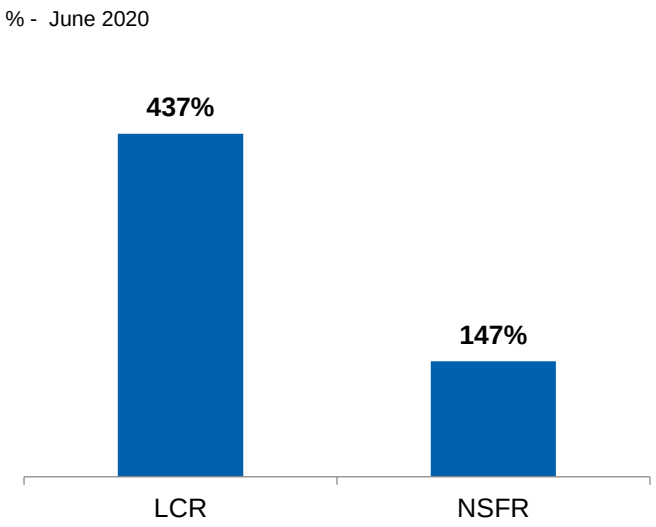
**Ibercaja participated in TLTRO III for an amount of €5,400m, 100% of the available amount.**

**On July 28th, Ibercaja amortized the remaining amount of the Tier II debt 28/07/2025.**

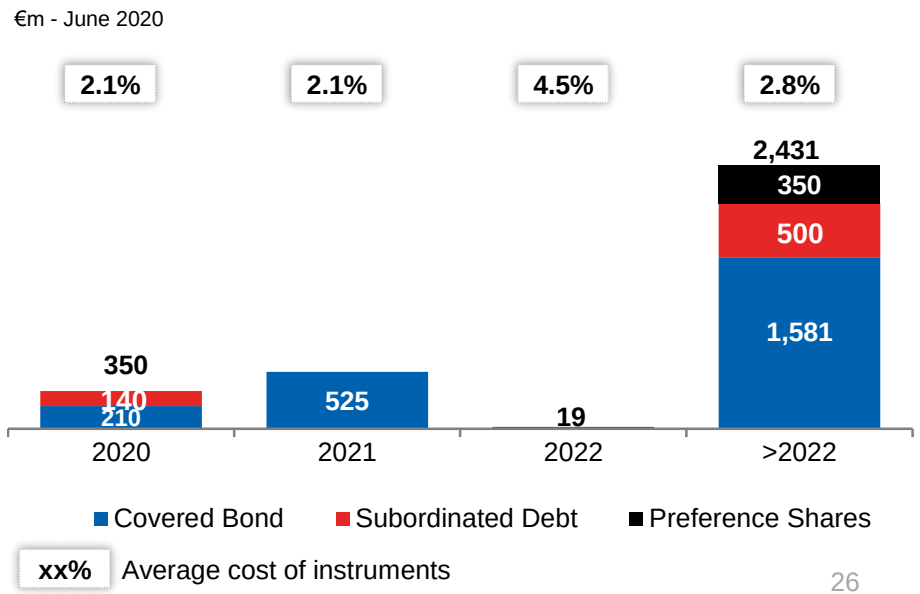
## Liquid Assets




## LCR and NSFR Ratios




## Maturity



# SOLVENCY (1/2)

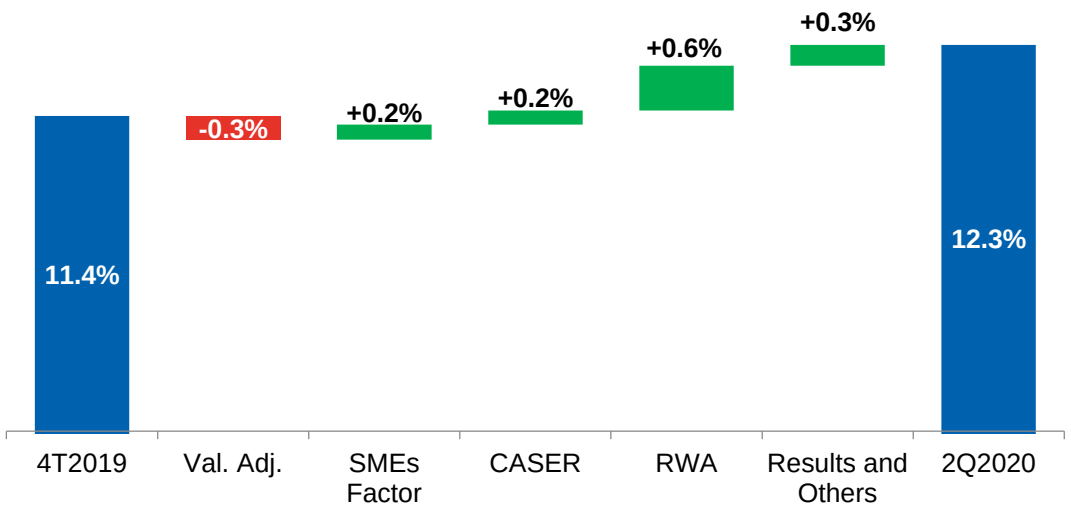
**In Fully Loaded terms, CET1 ratio stands at 12.3% (+98 b.p. in the year).**

- **CASER´s transaction** has generated a gross capital impact of **40 b.p.** in the semester, of which the reduction of the stake has resulted in a 21 b.p. CET1 increase (as a result of the reduction in RWA) while the renewal fee has represented a capital gain equivalent to 19 b.b.

**Total Capital Ratio reaches 16.9% driven by the preemptive strategy executed by Ibercaja to complete its hybrid capital buffers.**

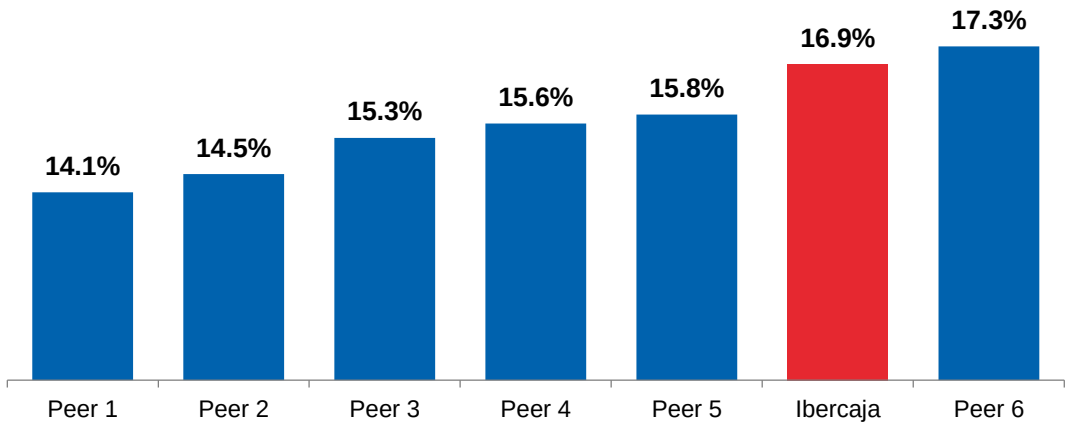
## CET1 Fully Loaded

%




## Capital Total Fully Loaded

% -



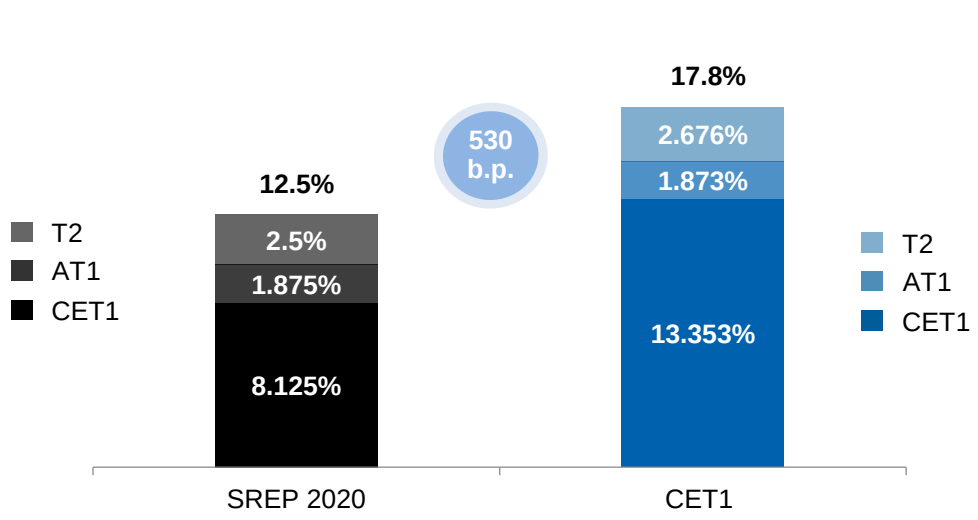

Peers: Bankia (2Q2020), Bankinter (2Q2020), Caixabank, Liberbank (2Q2020), Sabadell y Unicaja.

# SOLVENCY (2/2)

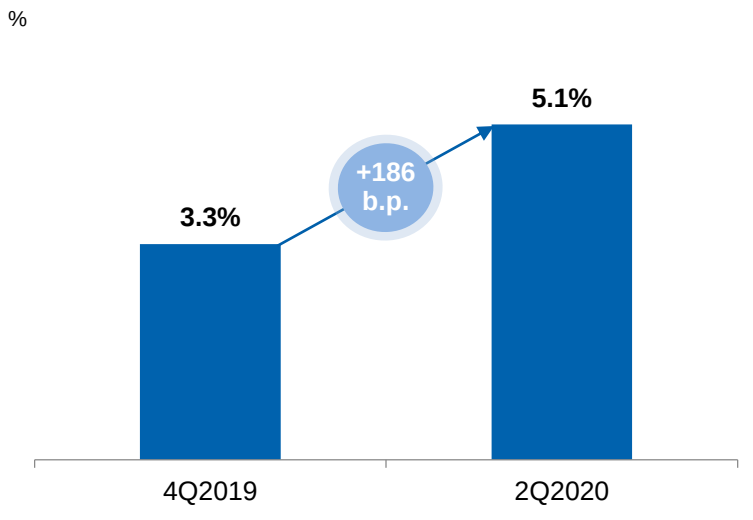
**In Phased In terms, CET1 ratio stands at 13.3% and Total Capital ratio at 17.8%.**

- After the latest regulatory changes and the capital generation during the semester, the excess of capital vs. SREP requirement stands at 530 b.p
- **In MDA terms, excess of capital reaches 513 b.p.** vs. 327 b.p at the end of 2019.

## SREP requirement vs. Total Capital




## MDA excess

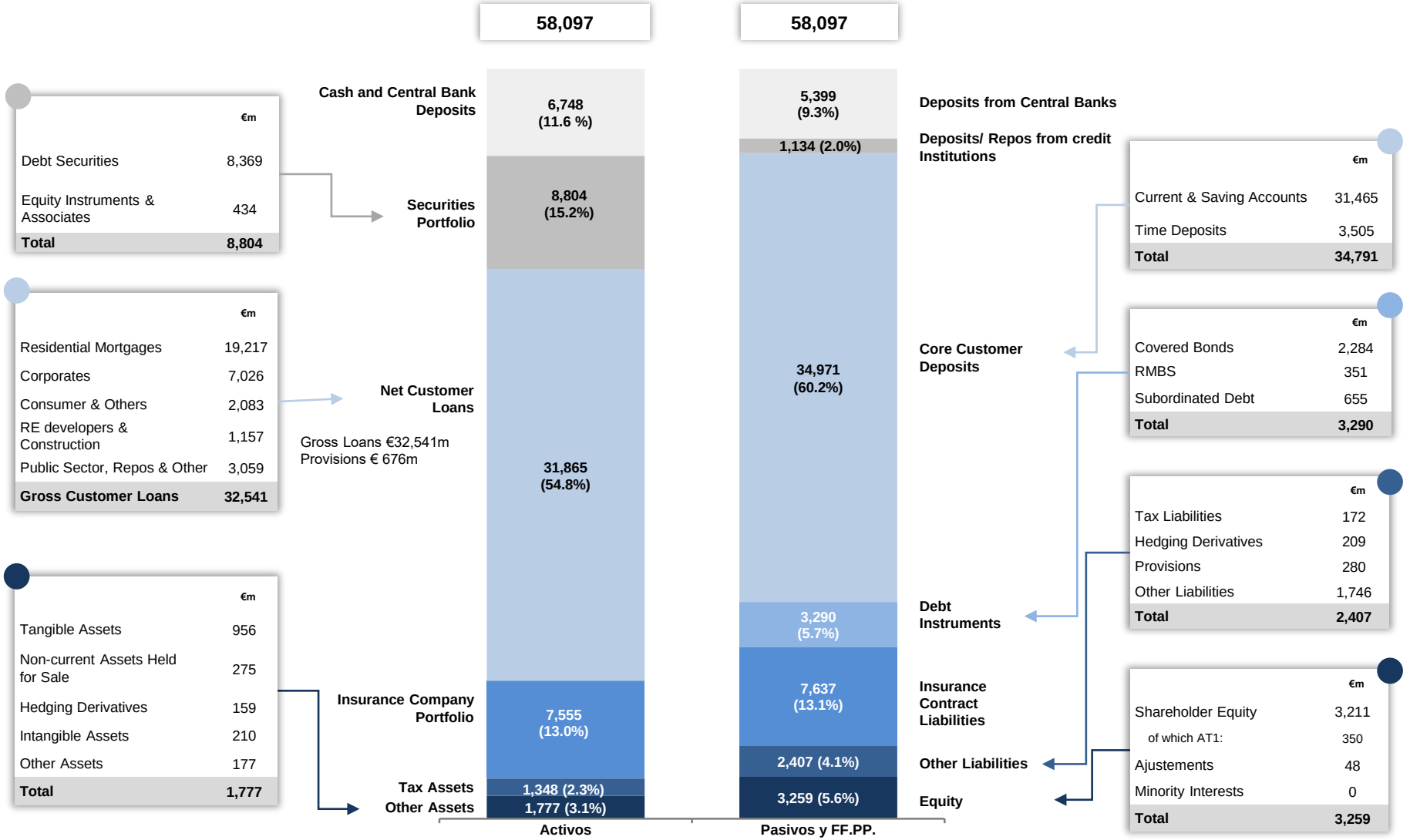


# V

# ANNEX

# CONSOLIDATED BALANCE SHEET

## €m - 30/06/2020



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!

**For further information:**
**www.ibercaja.com**
**investor@ibercaja.es**

