



**iberCaja**



## **1Q 2015 RESULTS**

**May 13, 2015**





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# Results Highlights

- **Total retail funds increase 3.9% YoY with a profitable mix.** Strong growth in current accounts and off-balance funds.
- **Deleveraging still taking place (-5.6% YoY), but solid signs in new loan production (+27.8% YoY)** with a special focus in SME (64% of new production).
- **Net profit of €42,6mm (+6% YoY).** Deposit cost reduction, non banking commissions (+10.7% YoY) and a strong decrease in operating expenses (-9.4% YoY) drive the P&L account.
- **NPL ratio down to 10.4% with one of the highest coverage ratios in the sector (56.7%).** NPL decrease 7.4% YoY (€294mm).
- **Available liquid assets stand at over €12,900mm and represent 21% of total assets.**
- **CET1 Phased-In ratio improves to 11.5%. CET1 Fully Loaded<sup>1</sup> ratio is 10.3%.**

<sup>1</sup> Not including CoCos; including unrealised AFS gains





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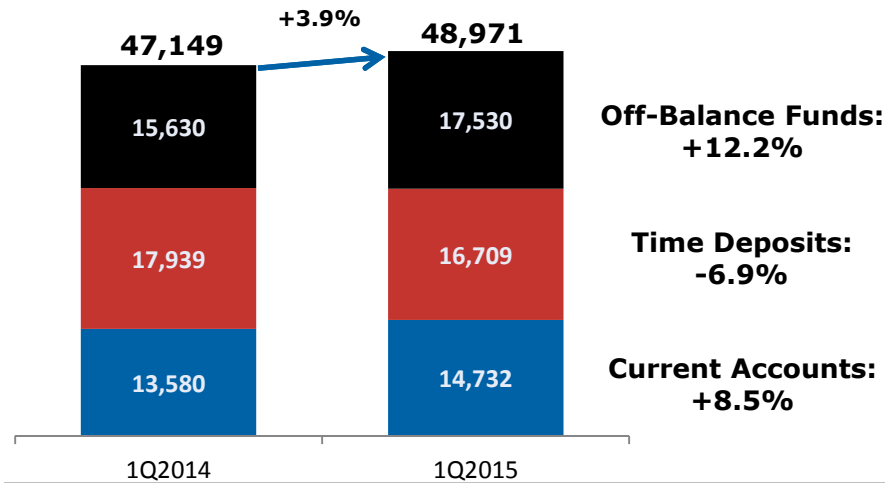
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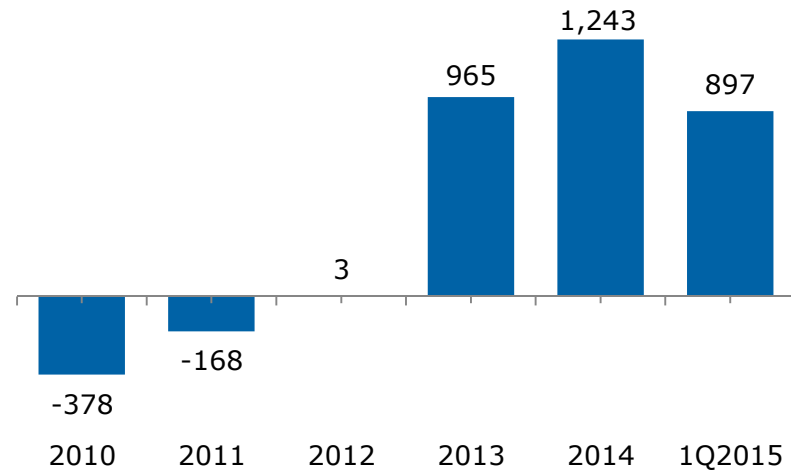
# Retail Funds

- Total retail funds increase 3.9% YoY with highly positive trends:**
  - Profitable mix:** current accounts and off-balance sheet funds represent 65.9% of total retail funds vs. 62% in 1Q2014.
  - Strong increase in off-balance funds (+12.2%),** focused in mutual funds (+24.5%) and pension funds (+8.9%).

**Total Retail Funds – mm€**



**Mutual Funds Growth Evolution – mm€<sup>1</sup>**



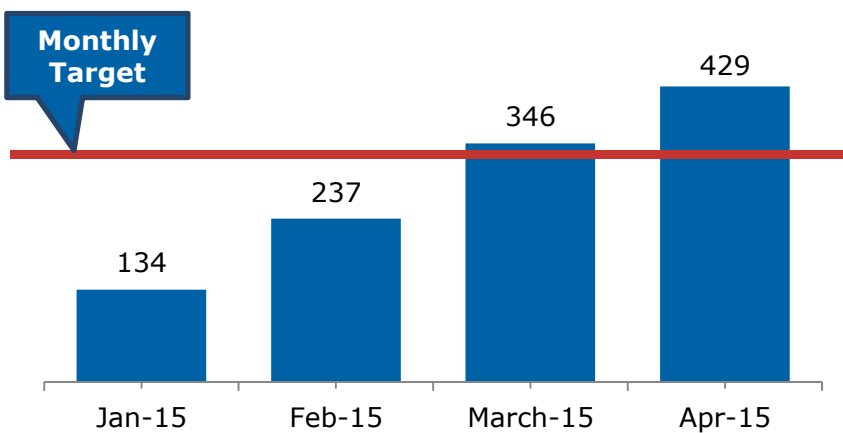
<sup>1</sup> Ibercaja Gestión

# Customer Loans

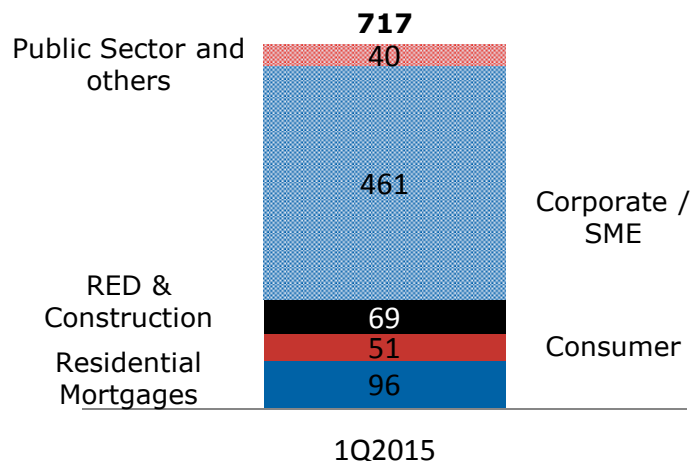
■ **Deleveraging still taking place with a 5.6% YoY fall, but with solid signs in new loan production:**

- New lending production reaches €717mm (27.8% YoY).
- SME new loan production increases 41.9% YoY and accounts for 64% of total new portfolio.
- Ibercaja Banco's target of €4,000mm new loan production in 2015 is on track.

**Monthly New Lending Production - €mm**

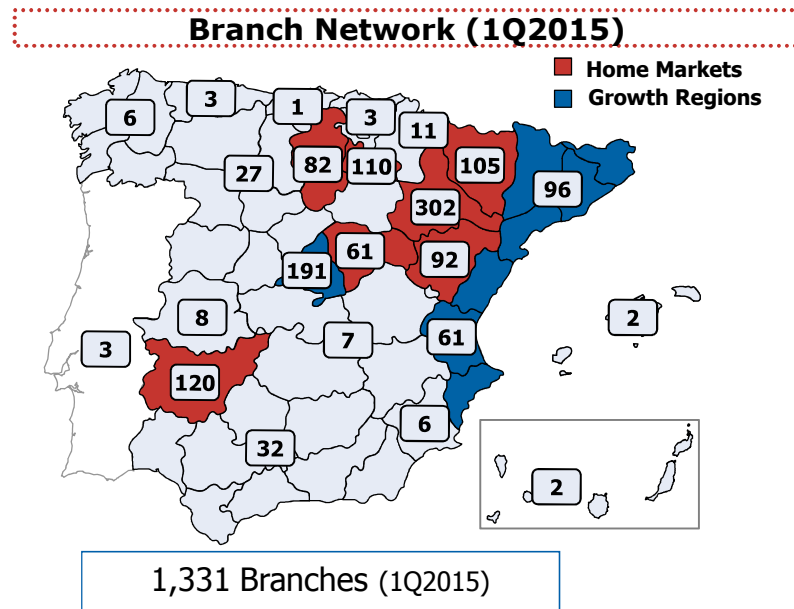


**New Lending Production - mm€**



# Main Markets Evolution

- Ibercaja Banco's early expansion into Madrid and the Mediterranean Basin (**Growth Regions**) has resulted in a well established footprint outside the bank's Home Markets. **These regions represent close to 30% of Ibercaja Banco's business volume.**



- Recent trends in the Growth Regions are positive:
  - New loan production grows 73.8% YoY and represents 46% of total production in the quarter.
  - Total retail funds increase 9.1% YoY.
- In Aragón, Cajatres integration synergies are materialising while maintaining the strong market share:
  - 23 additional branch closures in Aragón during 1Q2015.
  - Customer funds increase 2.1% YoY.





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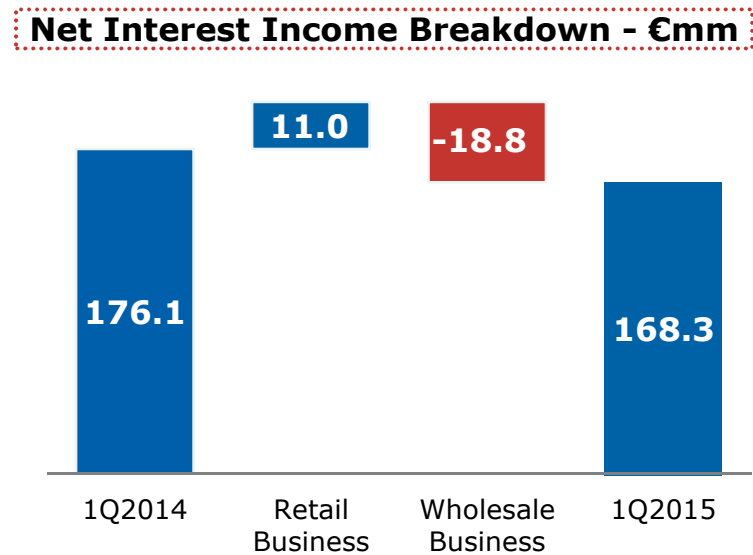
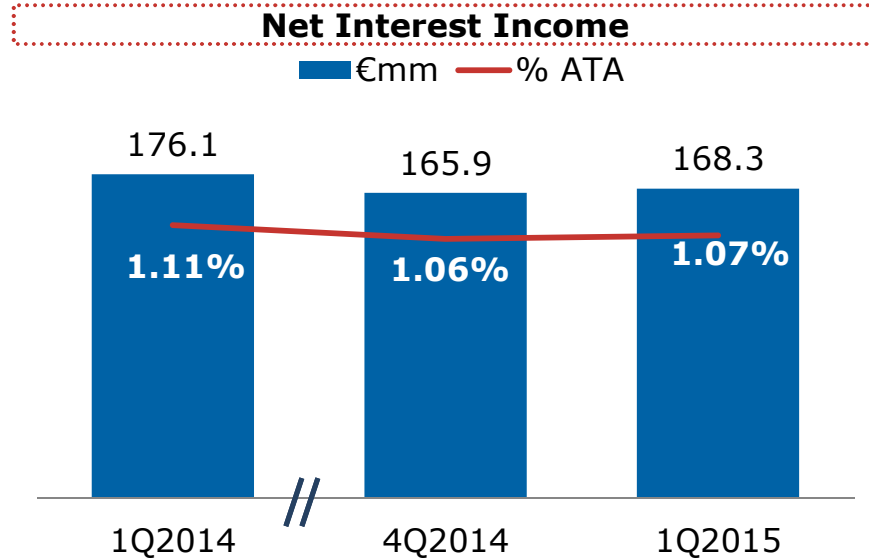


# 1Q2015 Results

mm€	1Q2014	1Q2015	YoY
<b>Net Interest Income</b>	<b>176.1</b>	<b>168.3</b>	<b>-4.4%</b>
Net Fee Income	74.4	77.4	3.9%
Trading Income	12.0	22.6	89.3%
Other Operating Inc. / Exp. (Net)	-0.7	10.4	n.a.
<b>Gross Operating Income</b>	<b>261.8</b>	<b>278.7</b>	<b>6.4%</b>
Operating Costs	-159.2	-144.3	-9.4%
<b>Pre Provision Profit</b>	<b>102.6</b>	<b>134.4</b>	<b>31.0%</b>
Total Provisions	-48.6	-76.3	57.2%
Other Gains and Losses	3.1	2.0	-37.1%
<b>Profit Before Taxes</b>	<b>57.2</b>	<b>60.0</b>	<b>5.0%</b>
Taxes & Minorities	-16.9	-17.5	3.1%
<b>Net Profit Attributable to Shareholders</b>	<b>40.2</b>	<b>42.6</b>	<b>6.0%</b>

Note: for comparative purposes and due to IFRIC21 application (DGF levies) 1Q2014 figures have been restated.

# Net Interest Income

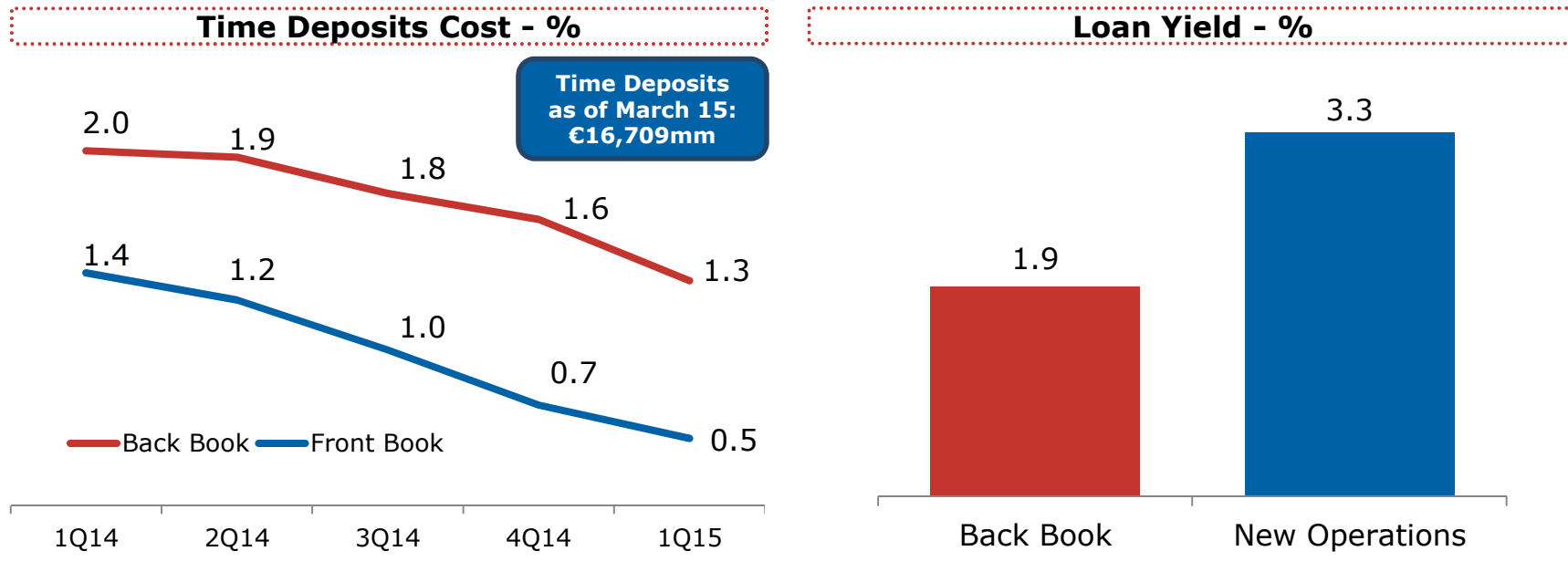


■ **Net interest margin down 4.4% YoY but increases 1.4% QoQ.**

- ▶ Positive evolution in retail business: the cost reduction in funds offsets lower Euribor and loan deleveraging.
- ▶ Income reduction in wholesale business mainly related to lower contribution of SAREB bonds.

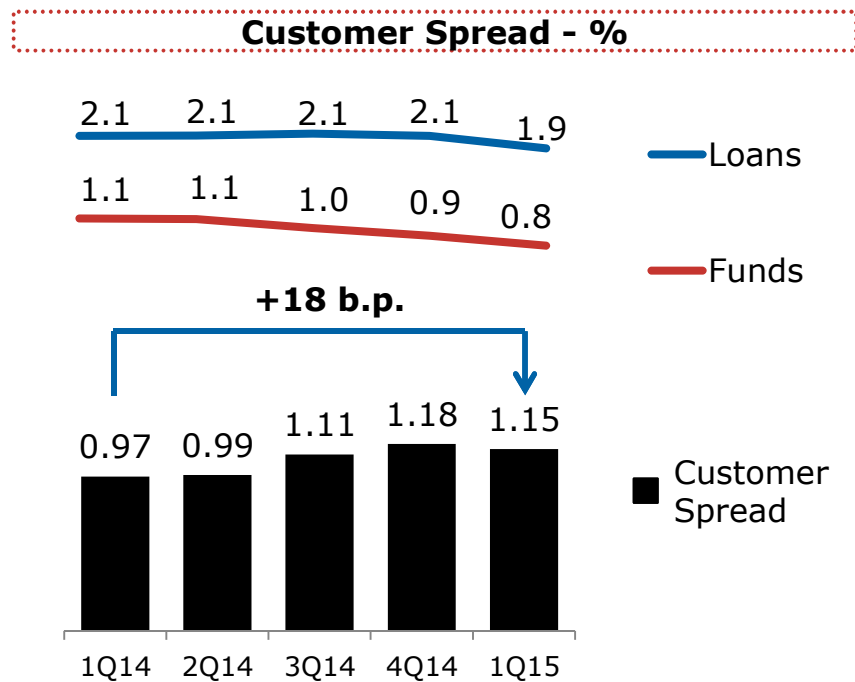
# Margin Evolution (1/2)

- **Retail funds cost reduction continues in 1Q2015.**
  - In April 2015, cost of new time deposits has fallen to 0.45%.
- **Loan pricing for new operations is significantly above current portfolio.**



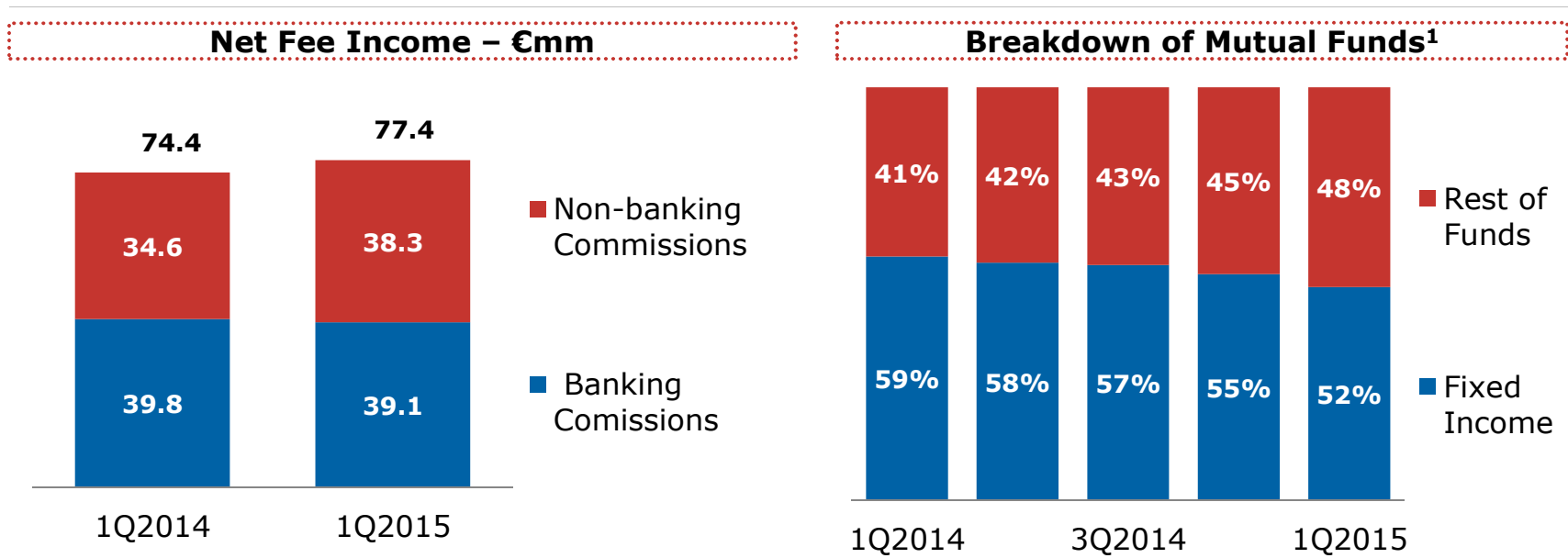
# Margin Evolution (2/2)

- Customer spread down in the quarter due to Euribor at historic lows.
- Customer spread in new operations (2.8%)\* significantly above back book margins, which will drive NII improvement in coming quarters.



\* Loan yield – time deposit cost for new operations in the quarter

# Net Fee Income

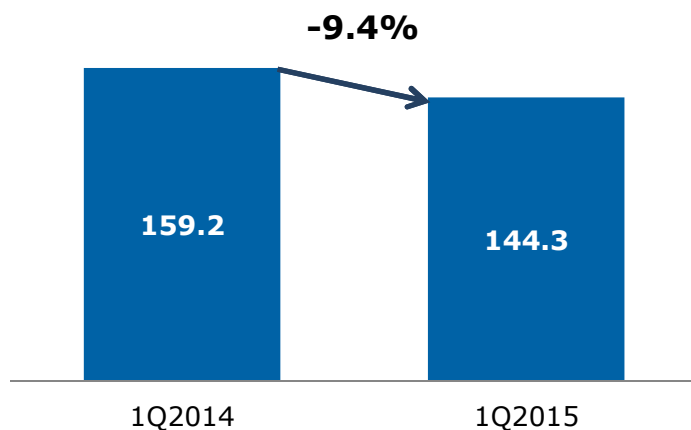


- **Sound growth in net fee income (+3.9% YoY) driven by non-banking commissions (+10.7%).**
  - AuM growth and an improved product mix increase the non-banking commissions.
- Banking commissions (-1.9%) are affected by regulatory changes in credit cards fees.

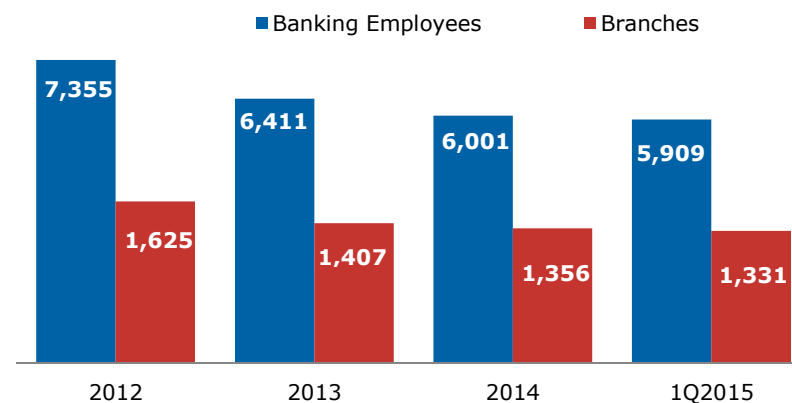
<sup>1</sup> Ibercaja Gestión

# Operating Expenses

Operating Expenses - €mm

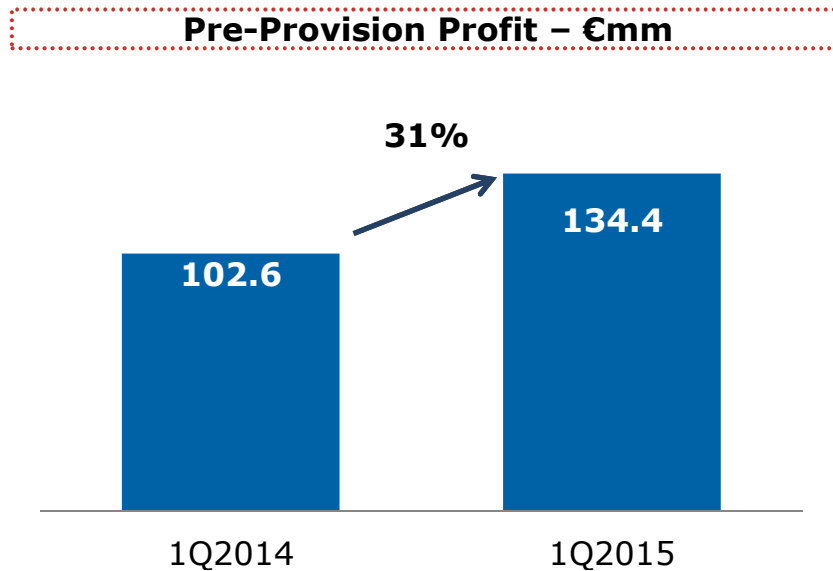


Ibercaja's Structure



- **Strong decline in operating expenses (9.4% YoY) after Cajatres integration.**
  - ✔ Efficiency ratio ex-trading income improves significantly to 56.4%.
- **1.5% reduction in headcount and branches during the quarter.**
  - ✔ A new redundancy plan approved in April 2015 with further reduction of up to 350 employees (close to 6% of total banking employees). The cost of this plan was already accounted for in 4Q2014.

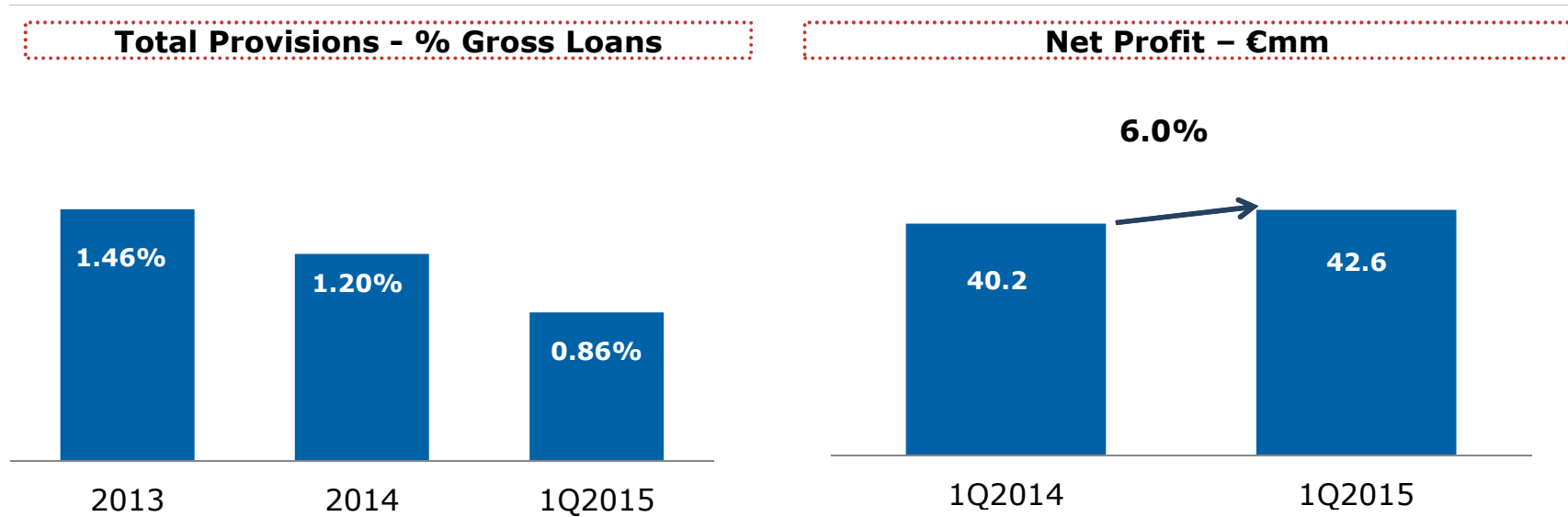
# Pre-Provision Profit



- **Deposit cost reduction (-32 basis points), non banking commissions (+10.7%) and a strong decrease in operating expenses (-9.4%) allow for a 31% increase of the pre-provision profit.**



# Provisions and Net Profit



## ■ Total provisions reach €76.3mm.

- ▣ Annualised provisions stand at 0.86% of gross loans, below 1.20% in 2014, but still above normalised levels.
- ▣ Ibercaja targets a 0.5% cost of risk in 2016

## ■ Ibercaja Banco reaches a net profit of €42.6mm.



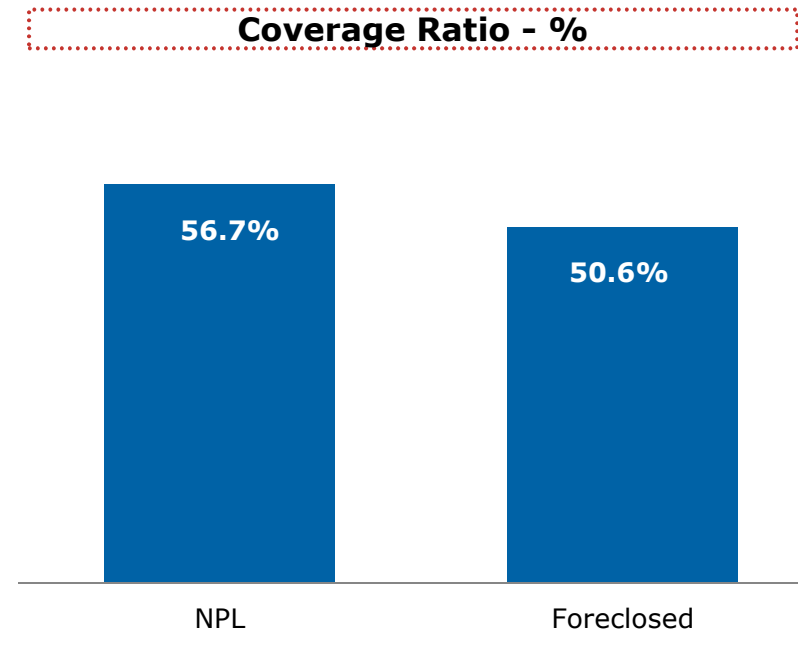
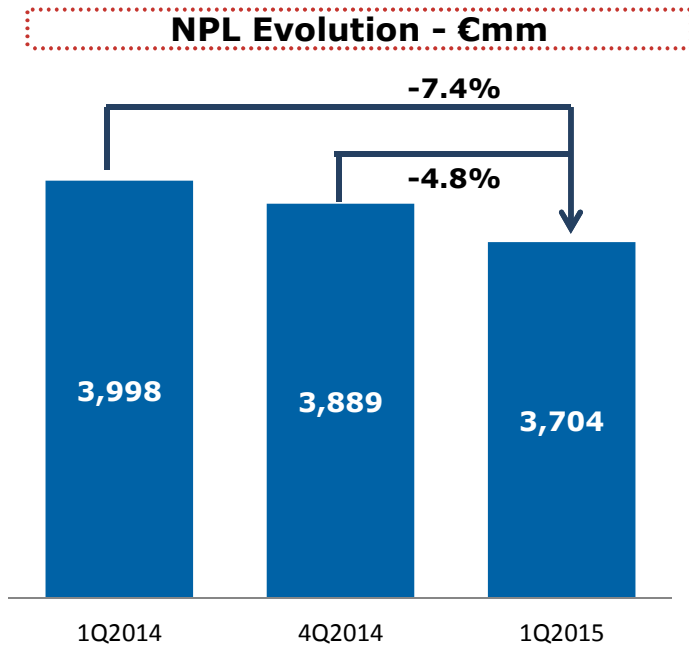
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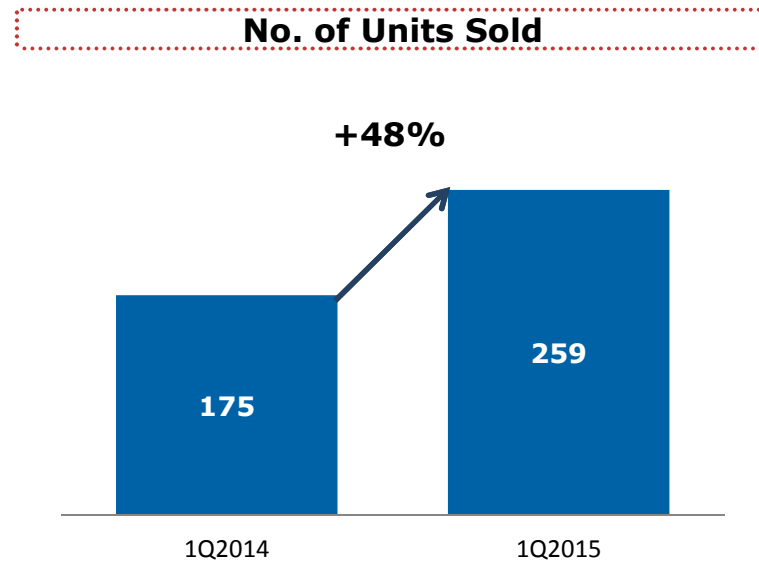
# Asset Quality (1/2)

- **NPL ratio down to 10.4% (10.8% in 2014).** Ibercaja NPL ratio is 18% lower than the sector while maintaining one of the highest coverage levels.
  - ▣ Non-real estate NPL ratio is 6.3% and residential mortgage NPL ratio is 3.9%, one of the lowest in the sector.
- **NPL assets down 7.4% YoY (€294mm).**



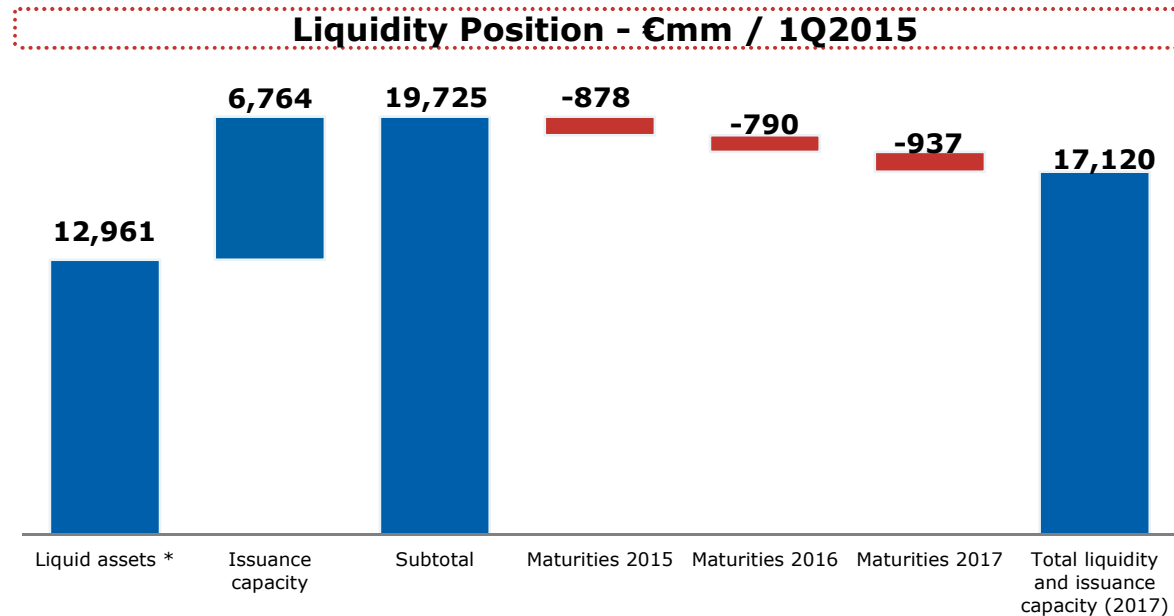
## Asset Quality (2/2)

- Strong increase in foreclosed assets sales allows for a broadly stable stock of foreclosed assets (+€8mm vs. 4Q2014).
- Slight positive results (€2mm) even considering price reduction to accelerate sales.
  - Assets 100% sold through our branch network.



# Liquidity and Solvency (1/4)

- **Ibercaja Banco benefits from a comfortable liquidity position.**
  - Available liquid assets stand at over €12,900mm (20.7% of total assets).
- **Loan to Deposits ratio stands at 92%<sup>1</sup>.**

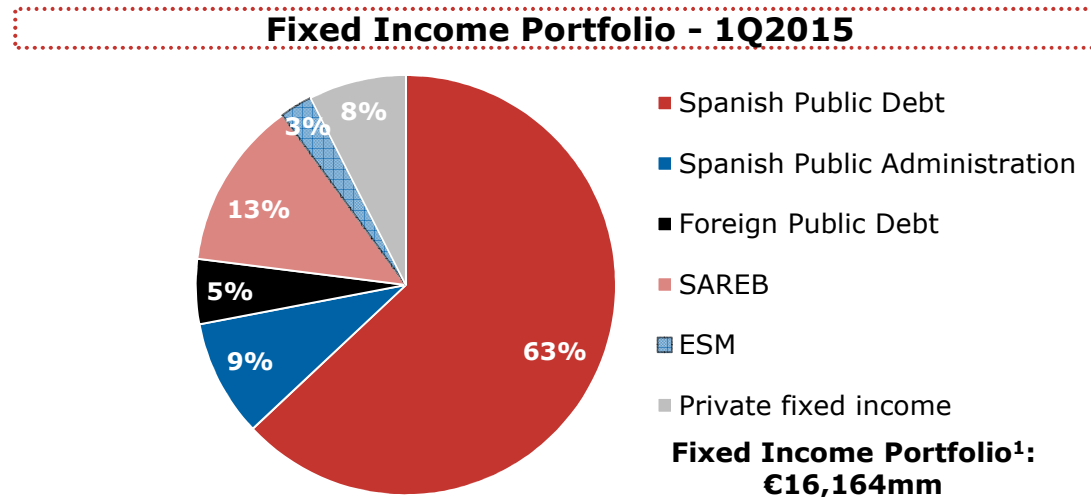


<sup>1</sup> Net Loans ex. securitised loans / Customer deposits ex. repos + retail deposits through Financial Group + Securities distributed through the branch network.

\* Liquid assets include unencumbered public debt + available & eligible fixed income assets (ECB haircut applied)

# Liquidity and Solvency (2/4)

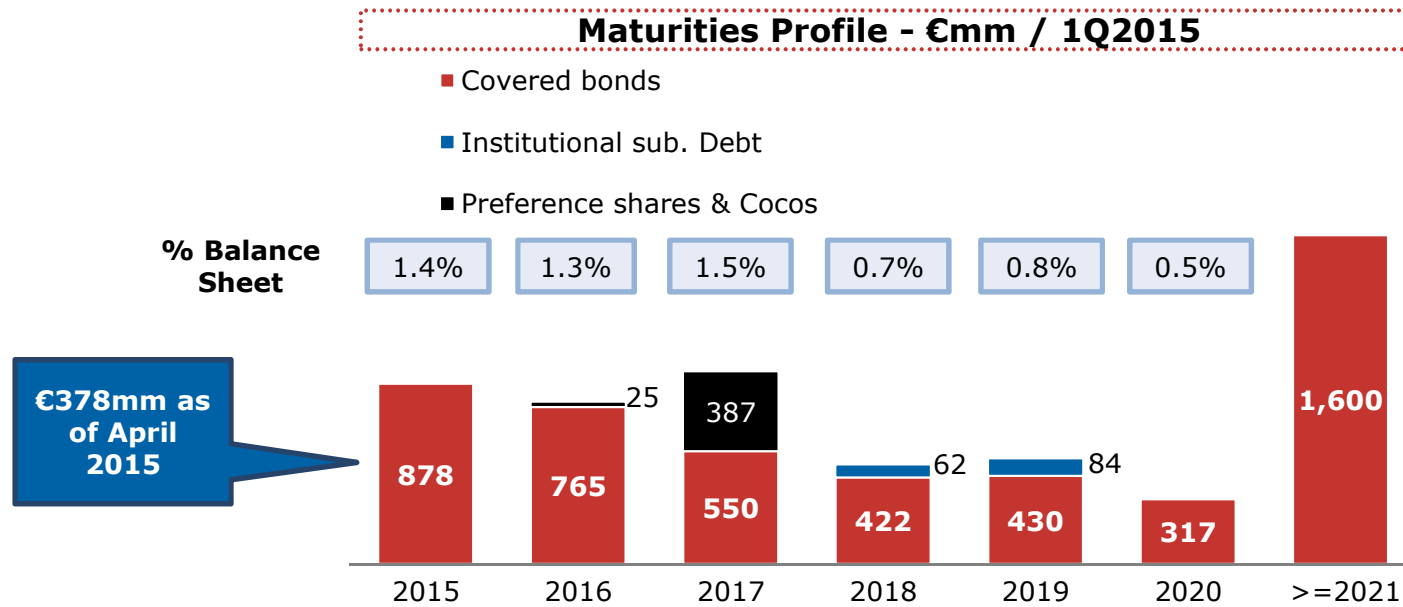
- **Fixed income portfolio: Low risk with focus on Spanish sovereign debt and a low duration.**
  - Average duration of 3.2 years and unrealised capital gains over €430mm as of March 2015.
  - Average yield stands at 2.1%.



<sup>1</sup> Without including held-to-maturity capital gains and accrued coupons

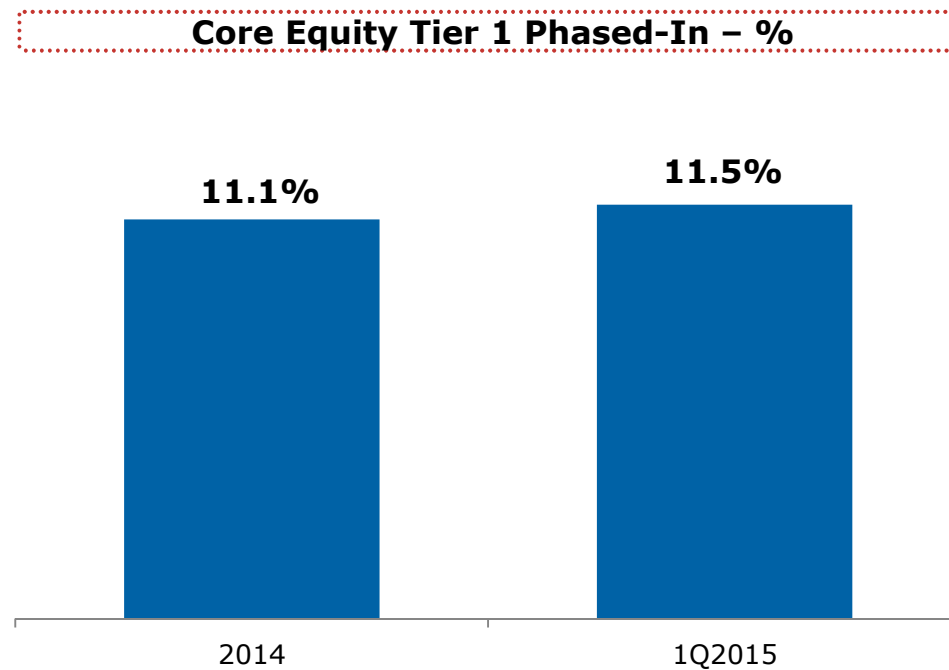
# Liquidity and Solvency (3/4)

- ECB funding: €2.7bn (4.3% total assets), of which TLTRO €1.2bn.
- Well diversified maturities, with no significant concentration.



# Liquidity and Solvency (4/4)

- **CET1 Phased-In ratio: 11.5%**
- **CET1 Fully Loaded ratio: 10.3%<sup>1</sup>**
- **100% standardised approach.**








<sup>1</sup> Not including CoCos; including unrealised AFS gains





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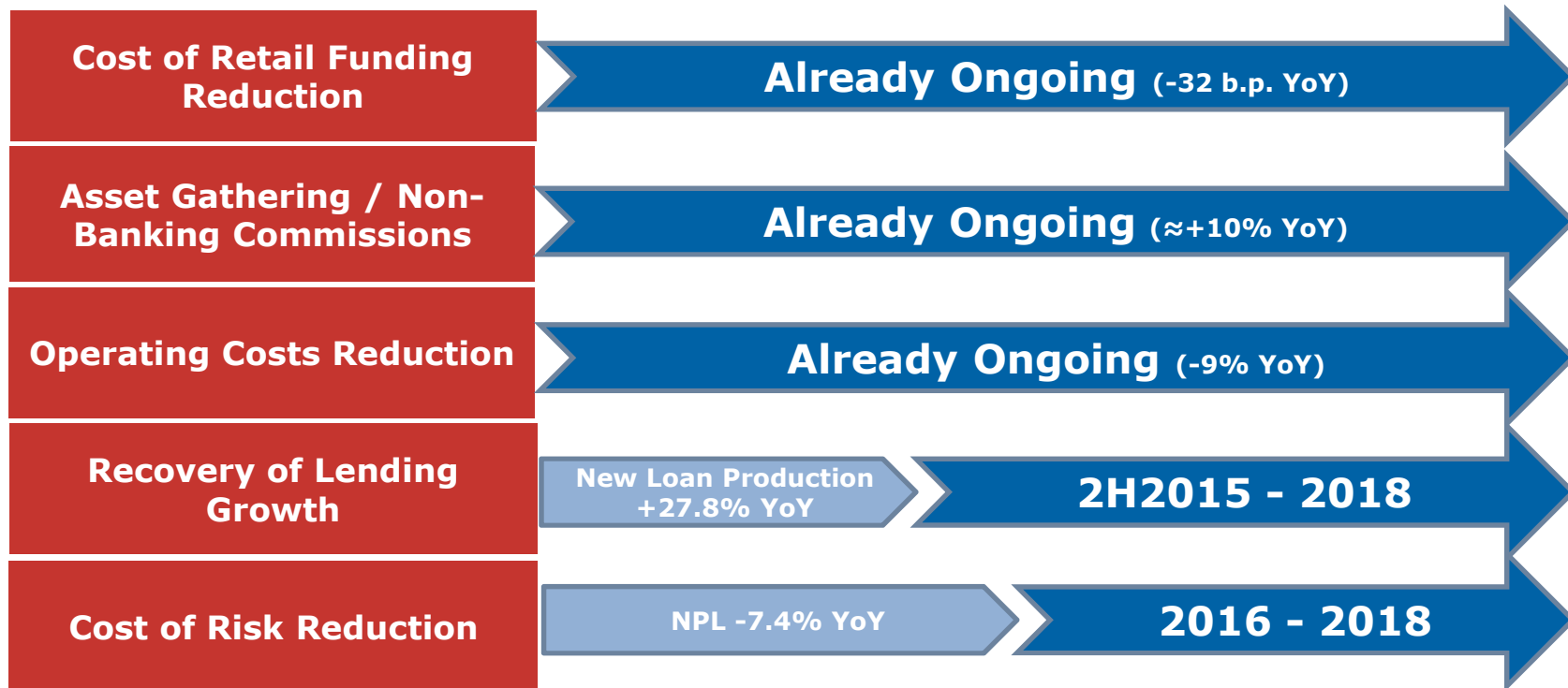
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# Final Remarks

- **Ibercaja's Business Plan value drivers are gathering speed and will boost the P&L account in coming quarters.**



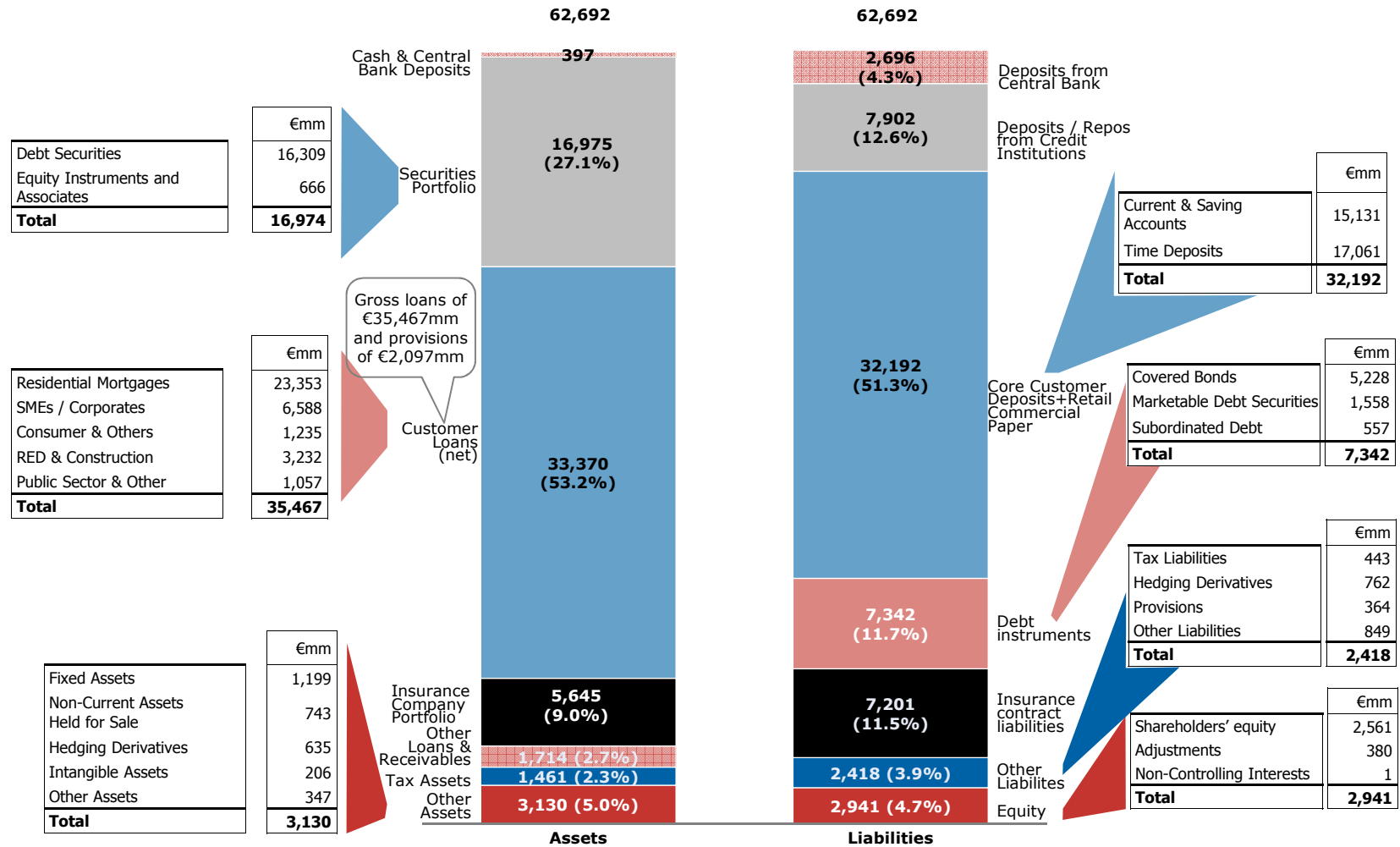


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 **Annex 1: Balance Sheet**



# Consolidated Balance Sheet





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