



iberCaja



1H2015 RESULTS

July 31, 2015





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Index



Main Highlights



Commercial Activity



1H2015 Results



Asset Quality, Liquidity and Solvency



Final Remarks



Main Highlights

- **Total retail funds increase 2.6% YoY with a profitable mix.** Current accounts and off-balance sheet funds represent 68.5% of total retail funds.
 - Ibercaja Banco reaches €9bn in mutual funds with a 3.9% market share.
- **New lending production accelerates and reaches €1.9mm (35.9% YoY)** in 1H, however deleveraging still taking place (-5.0% YoY).
 - Consumer loan portfolio grows 6.7% YTD and SME lending turns positive QoQ.
- **Net profit of €69.7mm.** Deposit cost reduction, non banking commissions (+12.1% YoY) and a sound decrease in recurring operating expenses (-3.0% YoY) drive the P&L account.
- **NPL ratio down 45 basis points to 10.3% with one of the highest coverage ratios in the sector (57.2%).** NPL stock decreases 7.6% YoY (€301mm).
- **CET1 Phased-In ratio improves 41 b.p. YTD to 11.5%.**
 - Ibercaja Banco has recently completed a placement of Tier II debt totalling €500mm. The transaction represents 200 basis points of Tier II capital, fulfilling the bucket required by Basel III regulation for this instrument.





Index

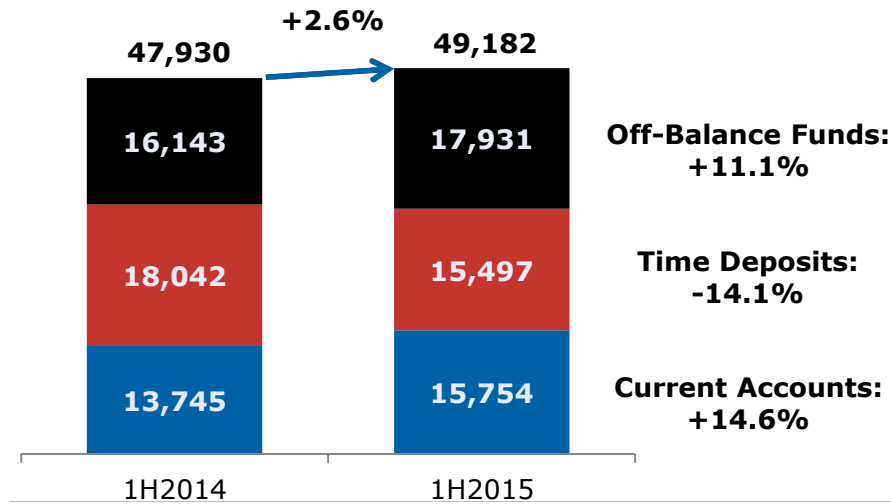
- ▶ **Main Highlights**
- ▶ **Commercial Activity**
- ▶ **1H2015 Results**
- ▶ **Asset Quality, Liquidity and Solvency**
- ▶ **Final Remarks**



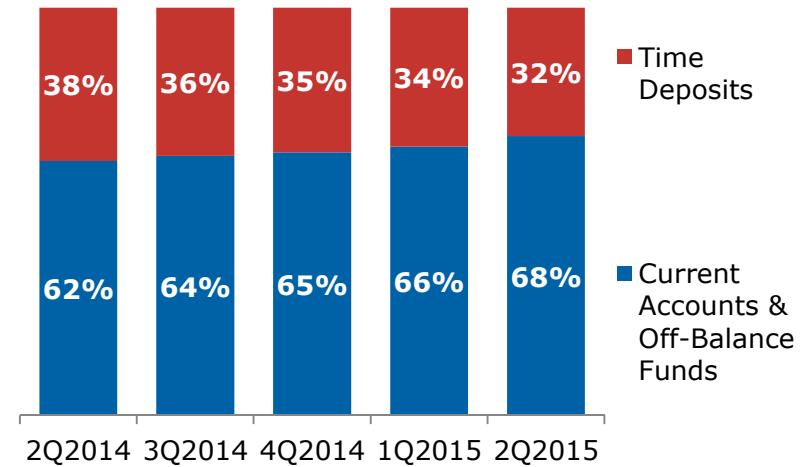
Retail Funds (1/2)

- **Total retail funds increase 2.6% YoY (+€1.3bn).**
 - **Profitable mix:** current accounts and off-balance sheet funds represent 68.5% of total retail funds vs. 62.4% in 1H2014.
 - **Strong increase in off-balance sheet funds (+11.1% YoY),** especially focused on mutual funds (+24.6% YoY).

Total Retail Funds – mm€



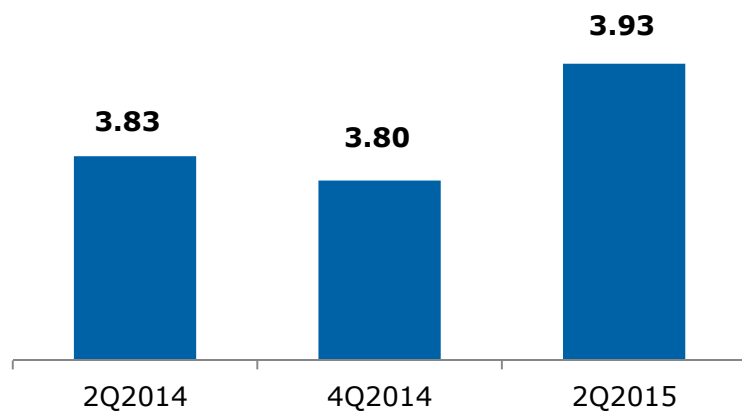
Total Retail Funds Distribution



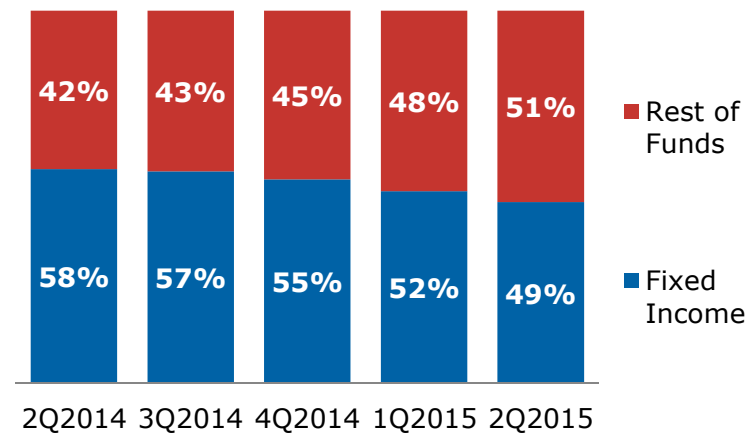
Retail Funds (2/2)

- **Excellent evolution in mutual funds:** Ibercaja Banco reaches €9bn funds with a 3.9% market share. Ibercaja Gestión becomes the 8th largest mutual fund manager¹ in Spain.
 - Net new money in 1H reaches €1.3bn (+124.4% YoY).
 - Market share well in excess of the banking business and growing (+13 b.p. YTD).
 - Improved product mix with fixed income funds already below 50% of total funds.

Ibercaja Market Share¹ – %



Breakdown of Mutual Funds²



¹ Source: Inverco
² Ibercaja Gestión

Customer Loans (1/2)

Loan Portfolio Evolution – mm€

	1H2014	2H2014	1H2015	YoY	YTD
Loans to Individuals	25,879	24,979	24,470	-5.4%	-2.0%
Mortgages	24,388	23,685	23,090	-5.3%	-2.5%
Consumer & Others	1,491	1,294	1,380	-7.5%	6.7%
Loans to SME/Corporate	10,458	10,016	9,728	-7.0%	-2.9%
Real Estate	3,545	3,301	3,107	-12.4%	-5.9%
Non Real Estate	6,914	6,715	6,621	-4.2%	-1.4%
Public Sector & Others	822	1,066	1,105	34.5%	3.6%
Gross Loans ex Reverse Repo	37,159	36,061	35,303	-5.0%	-2.1%

- **Deleveraging still taking place with a 5.0% YoY fall of customer loans focused in residential mortgages and the progressive reduction of real estate loans.**

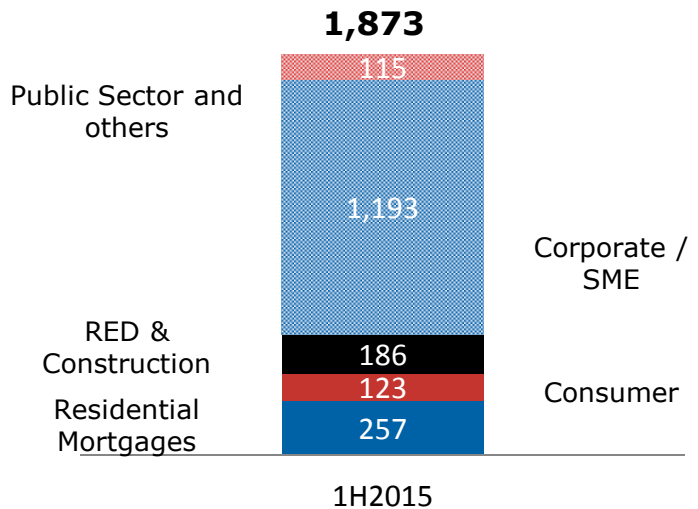
- ▀ Recent evolution shows more encouraging trends. Loan portfolio falls just 0.5% on quartely basis, a significant improvement vs. previous quarters.

Customer Loans (2/2)

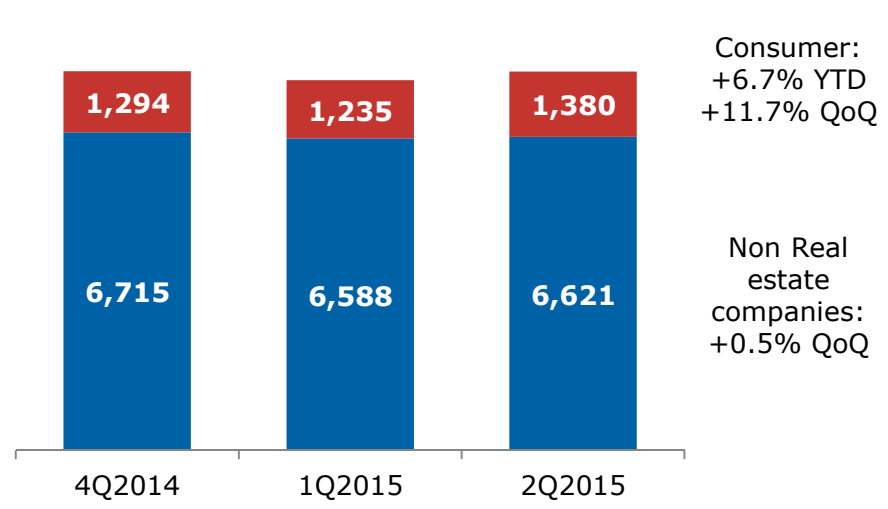
- **New lending production is on track to achieve the €4bn target for 2015.**
 - New lending production accelerates in the 2Q (€1.2bn) and reaches €1.9bn in 1H with a 35.9% YoY increase.
 - SME new loan production increases 54.7% YoY accounting for 64% of total new lending.

- **As a consequence, consumer lending grows 6.7% YTD and SME lending turns positive on a quarterly basis.**

New Lending Production – mm€

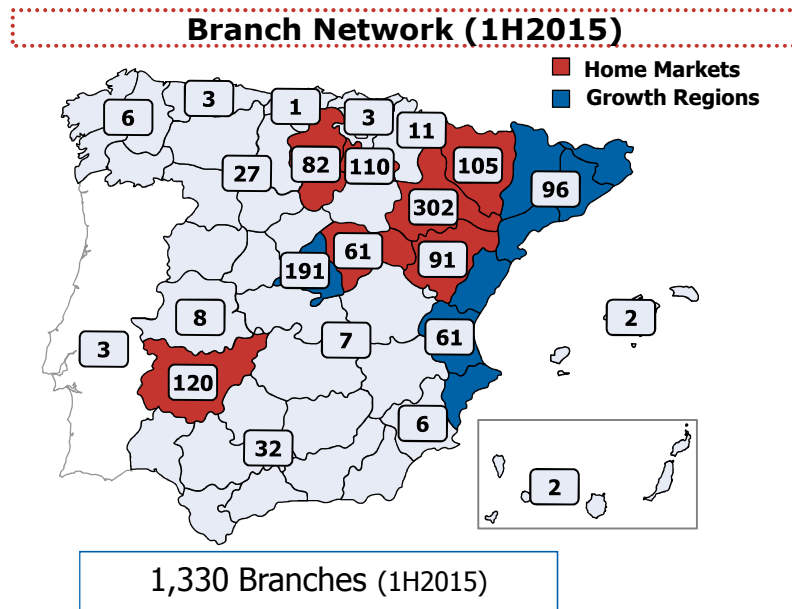


Loan Portfolio – mm€



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 45.8% YoY and represents 47.9% of total production in 1H.
 - ▶ Total retail funds increase 6.7% YoY.
- In Aragón, synergies from Cajatres integration are materialising while maintaining the strong market share:
 - ▶ 24 additional branch closures in Aragón during the semester.
 - ▶ Customer funds increase 1.3% YoY.



Index

- ▶ **Main Highlights**
- ▶ **Commercial Activity**
- ▶ **1H2015 Results**
- ▶ **Asset Quality, Liquidity and Solvency**
- ▶ **Final Remarks**



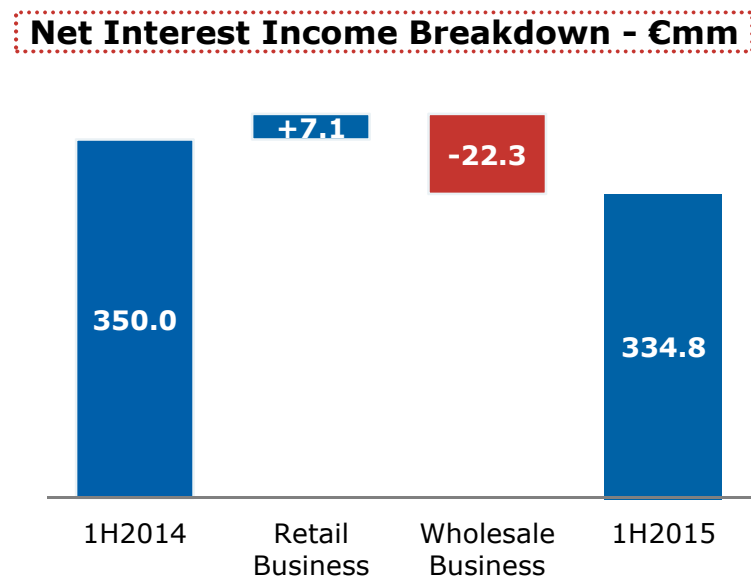
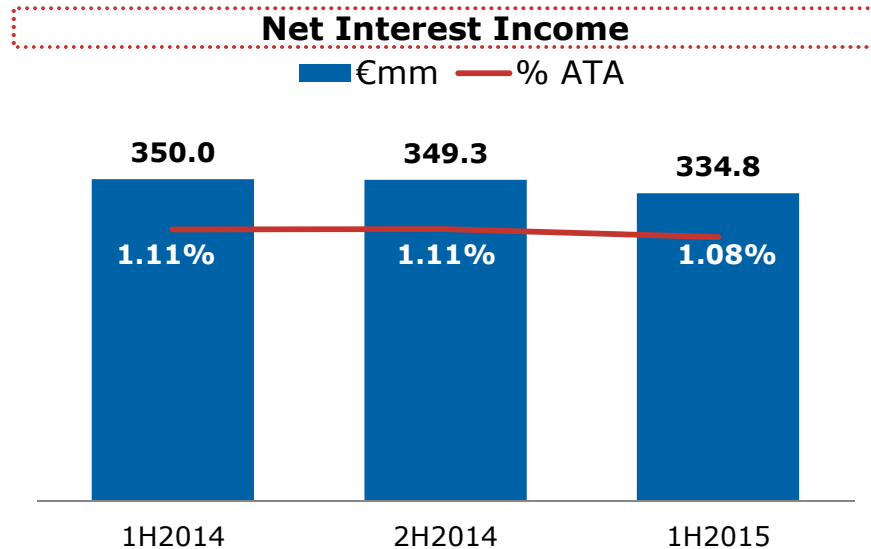
1H2015 Results

mm€	1H2014	1H2015	YoY	1H14 Non-recurring Items	1H15 Non-recurring Items	Adjusted YoY ¹
Net Interest Income	350.0	334.8	-4.3%			
Net Fee Income	155.9	163.9	+5.1%			
Trading Income	423.8	94.1	-77.8%	-380.3	-9.6	
Other Operating Inc. / Exp. (Net)	10.0	20.6	+106.0%			
Gross Operating Income	939.7	613.4	-34.7%			7,9%
Operating Costs	-354.9	-310.9	-12.4%	+34.3		-3.0%
Pre Provision Profit	584.8	302.5	-48.3%			22.7%
Total Provisions	-103.8	-208.6	+100.9%		+64.8	38.5%
Other Gains and Losses	5.4	4.7	-13.0%			
Profit Before Taxes	486.4	98.6	-79.7%			9.6%
Taxes & Minorities	144.6	28.9	-80.0%			
Net Profit Attributable to Shareholders	341.8	69.7	-79.6%			9.8%

¹ For 2014, it excludes trading gains related to the extraordinary sale of the fixed income portfolio (€380.3mm) and extraordinary expenses for the redundancy plans (€34.3mm in 1H2014). For 1H2015, it excludes the result from the sale of doubtful and written off loans (€9.6mm) and extraordinary provisions of €64.8mm.

Note: for comparative purposes and due to IFRIC21 application (DGF levies) 1H2014 figures have been restated.

Net Interest Income



■ Net interest income down 4.3% YoY.

- Positive growth in retail business revenues as deposit cost reduction offsets loan deleveraging and Euribor fixing at historic lows.
- Income reduction in wholesale business mainly related to the lower contribution of SAREB bonds and the progressive reduction of the fixed income portfolio.

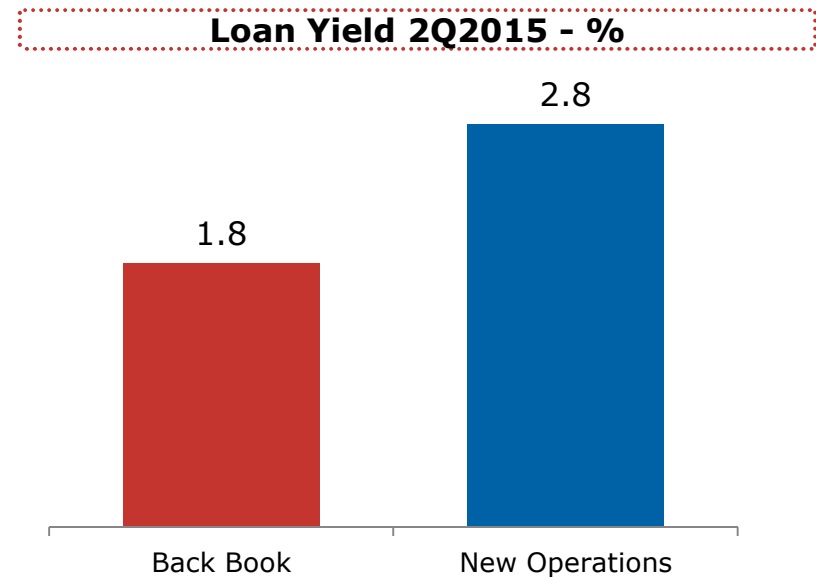
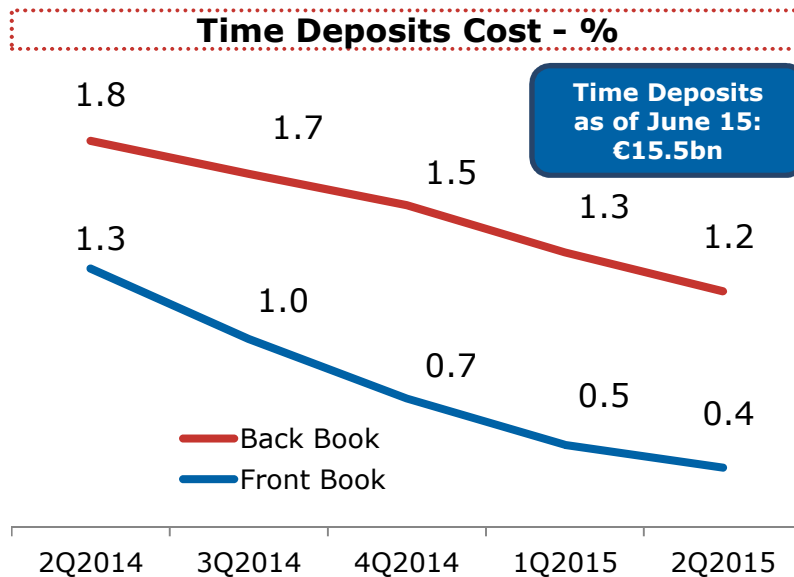
Margin Evolution (1/2)

■ Retail funds cost reduction continues in 1H2015.

➤ The repricing of time deposits book at current market rates represents a significant margin opportunity amounting to over €110mm or 17% of NII.

■ Positive dynamics in loan repricing thanks to an improved new lending mix.

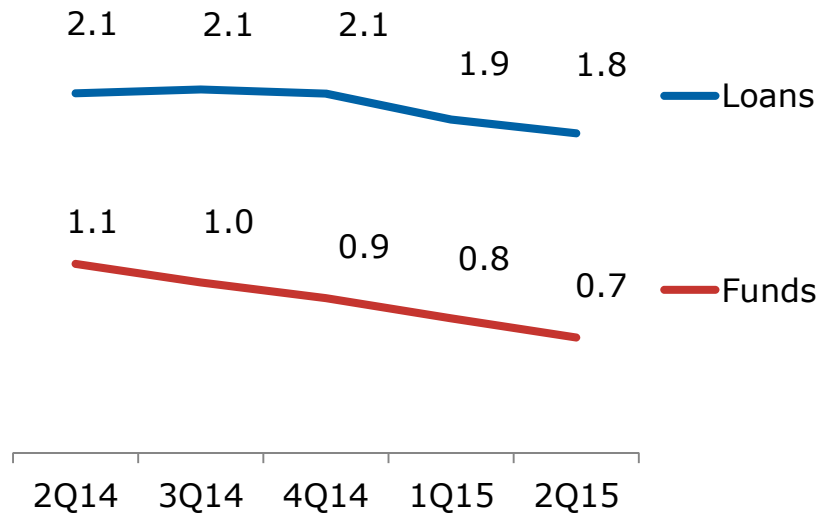
➤ Loan pricing for new operations is significantly above current portfolio.



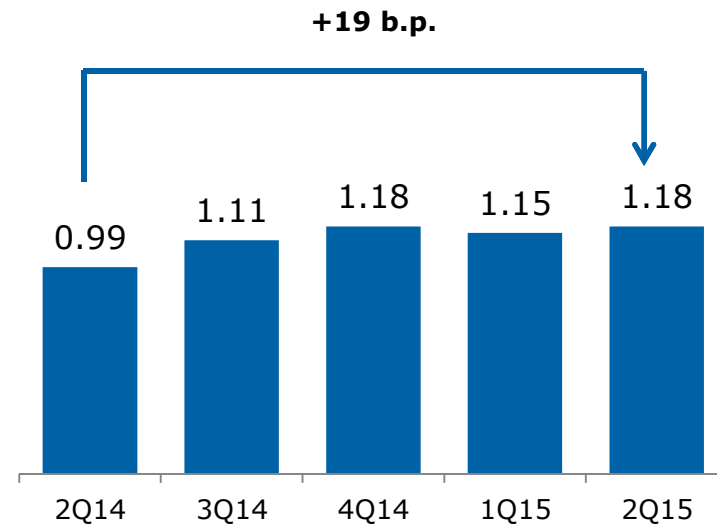
Margin Evolution (2/2)

- Client margin improves 3 basis points QoQ (+19 b.p. YoY) as cost deposit reduction compensates for the lower loan yield.

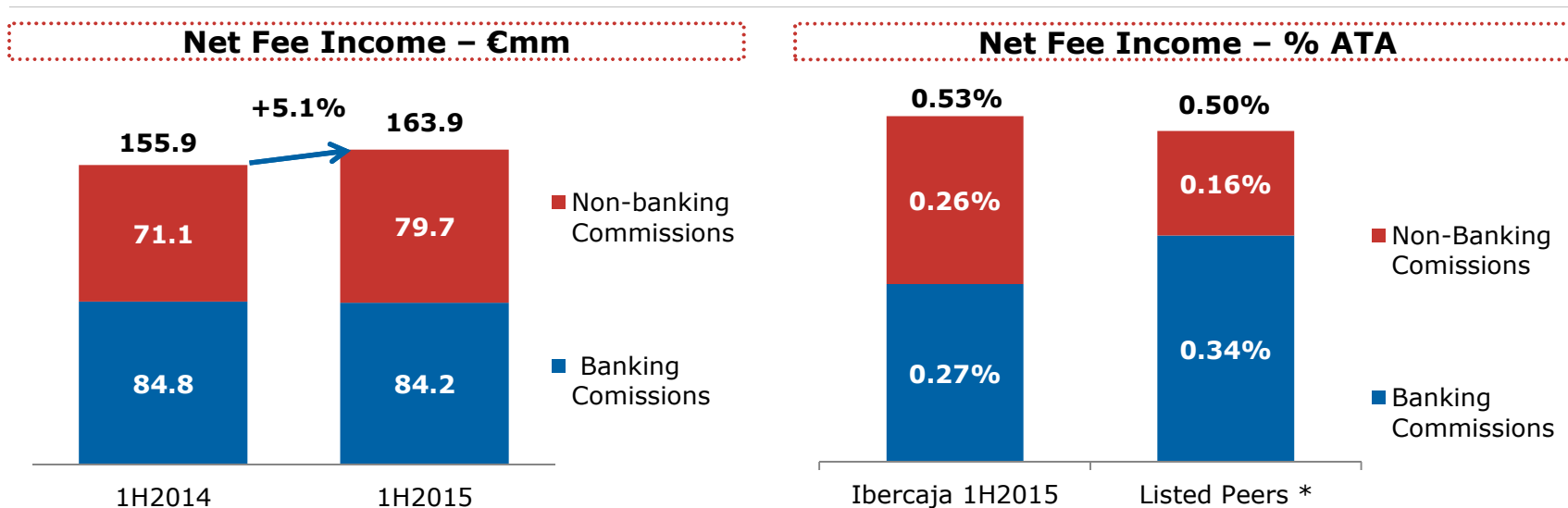
Loan Yield & Deposit Cost - %



Customer Spread - %



Net Fee Income

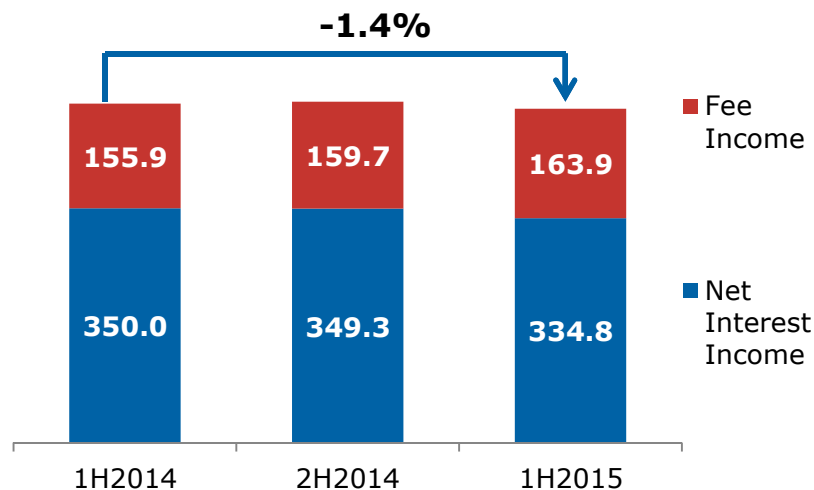


- **Strong growth in net fee income (+5.1% YoY) driven by non-banking commissions (+12.1%).**
 - Non-banking commissions as % of ATA significantly higher than listed domestic banks thanks to 100% ownership of financial group (“Grupo Financiero”).
- **Banking commissions (-0.7%)** are affected by regulatory changes in credit cards fees.
 - Growth in SME lending represents an opportunity to increase banking commission as % of ATA.

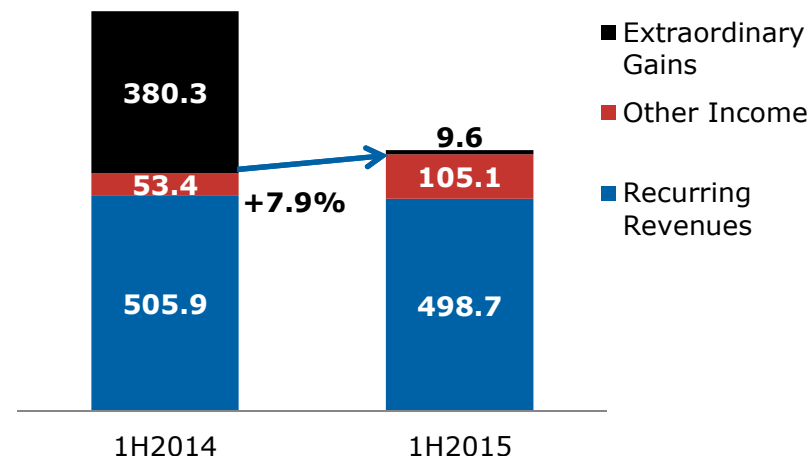
* Listed Peers includes Caixabank, Bankia, Popular, Sabadell, Bankinter & Liberbank. Data as of 1Q2015

Gross Operating Income

Recurring Revenues – €mm



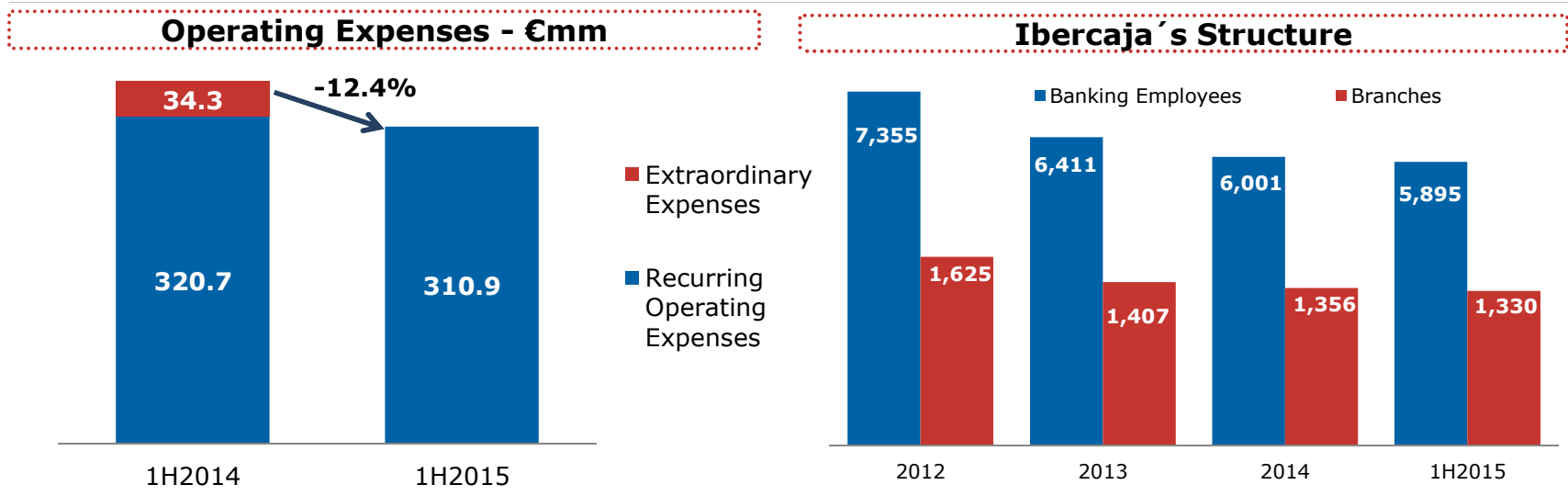
Gross Operating Income – €mm



- **Recurring revenues (net interest income + net fee income) remains fairly stable YoY (-1.4%).**
 - In a low rates and deleveraging environment, Ibercaja Banco strong franchise in asset gathering is a key strength to increase revenues.
- **Adjusted gross operating income grows 7.9%¹.**
- **Reported gross operating income drops 34.7% YoY due to lower extraordinary trading income.**

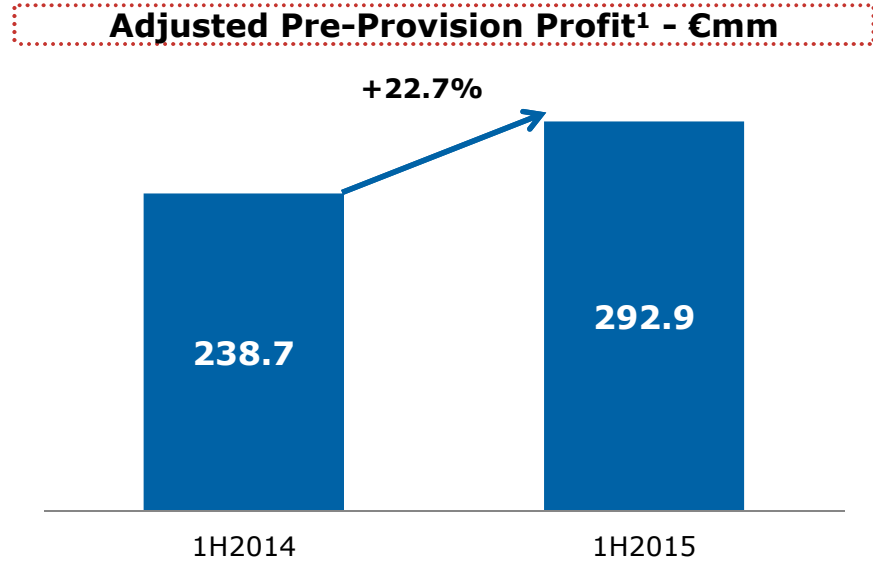
¹ For 2014, it excludes trading gains related to the extraordinary sale of the fixed income portfolio (€380.3mm). For 1H2015, it excludes the result from the sale of doubtful and written off loans (€9.6mm).

Operating Expenses



- **Sound decline in recurring operating expenses (-3.0% YoY).**
 - ▣ After provisioning redundancy plans in 2014, cost synergies will positively impact the P&L as execution progress in coming quarters .
- **Since 2012, a 20% reduction in headcount has already been implemented**
 - ▣ 1.9% reduction in headcount and branches during the semester.

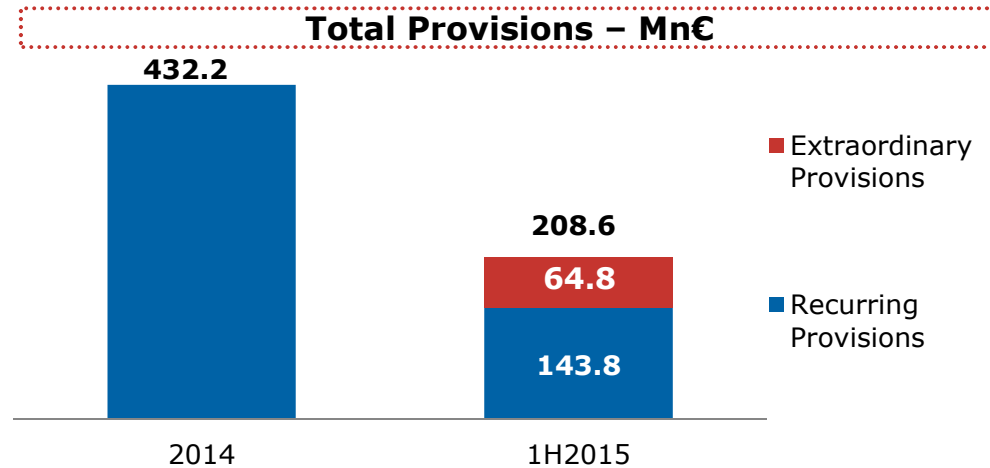
Pre-Provision Profit



- Adjusted pre-provision profit¹ increases 22.7% YoY.
- Reported pre-provision profit fall (-48.3%) is due to lower extraordinary trading income.

¹ For 2014, it excludes trading gains related to the extraordinary sale of the fixed income portfolio (€380.3mm) and extraordinary expenses for the redundancy plans (€34.3mm in 1H2014). For 1H2015, it excludes the result from the sale of doubtful and written off loans (€9.6mm).

Provisions and Net Profit



- **Total provisions reach 209Mn€ in 1H2015. Ibercaja has increased its provisioning effort with extraordinary provisions of €64.8mm in 1H.**
 - ▣ Annualised recurrent provisions still above normalised levels.
 - ▣ Ibercaja targets a 0.5% cost of risk in 2016
- **Reported net profit stands at €69.7mm. Adjusted net profit¹ increases 9.8% YoY.**

¹ For 2014, it excludes trading gains related to the extraordinary sale of the fixed income portfolio (€380.3mm) and extraordinary expenses for the redundancy plans (€34.3mm in 1H2014). For 1H2015, it excludes the result from the sale of doubtful and written off loans (€9.6mm) and extraordinary provisions of €64.8mm.



Index

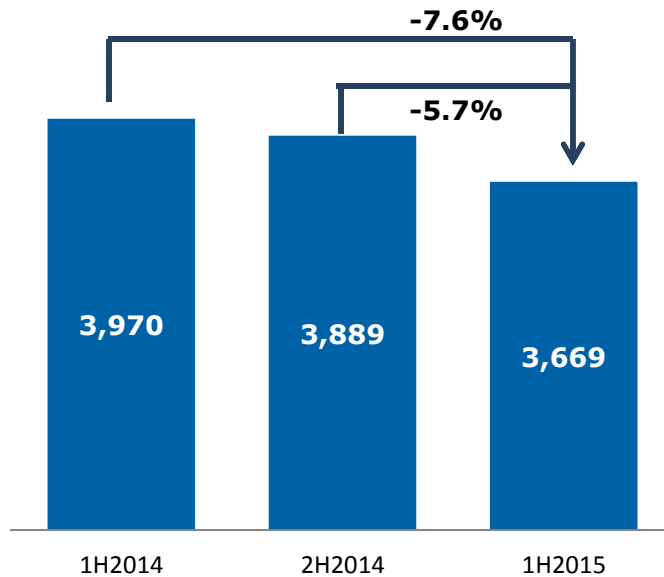
- ▶ **Main Highlights**
- ▶ **Commercial Activity**
- ▶ **1H2015 Results**
- ▶ **Asset Quality, Liquidity and Solvency**
- ▶ **Final Remarks**



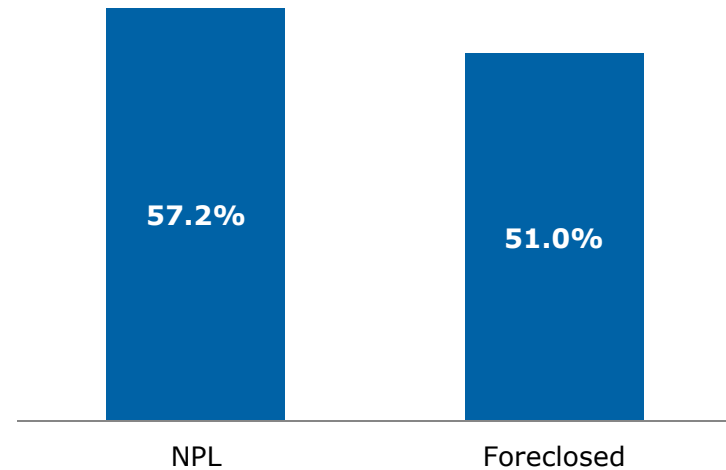
Asset Quality (1/2)

- **NPL ratio down 45 basis points YTD to 10.3% (10.8% in 2014).** Ibercaja NPL ratio is 10% lower than the sector while maintaining one of the highest coverage levels.
 - Mortgage NPL ratio is 3.9%, one of the lowest in the sector.
- **NPL stock down 7.6% YoY (€301mm).**

NPL Evolution - €mm



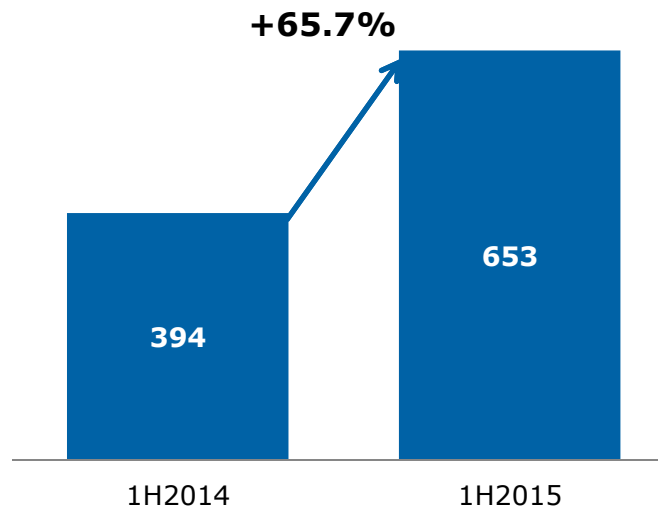
Coverage Ratio - %



Asset Quality (2/2)

- **Net stock of foreclosed assets stand at €0.9bn** and remains broadly stable YTD (+€7.9mm vs. 2014).
- **Net positive results in foreclosed asset sales during the period (+€6.5mm).**
- **In 2Q, Ibercaja Banco has sold a portfolio of doubtful and written-off unsecured loans, which were fully provisioned, totalling €210mm.** The transaction has generated a gross gain of €9.6mm.

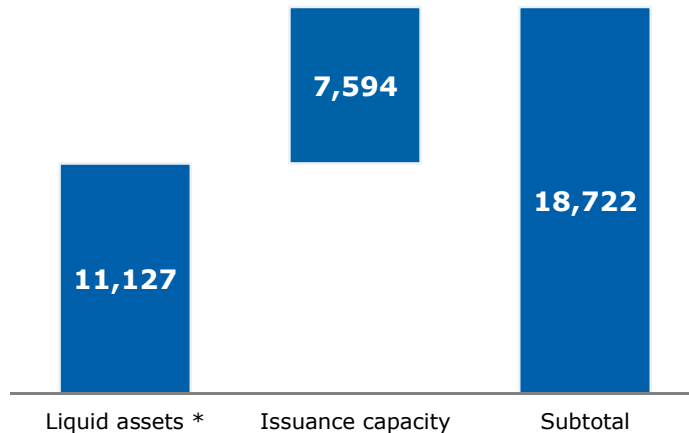
Foreclosed Assets: No. of Units Sold



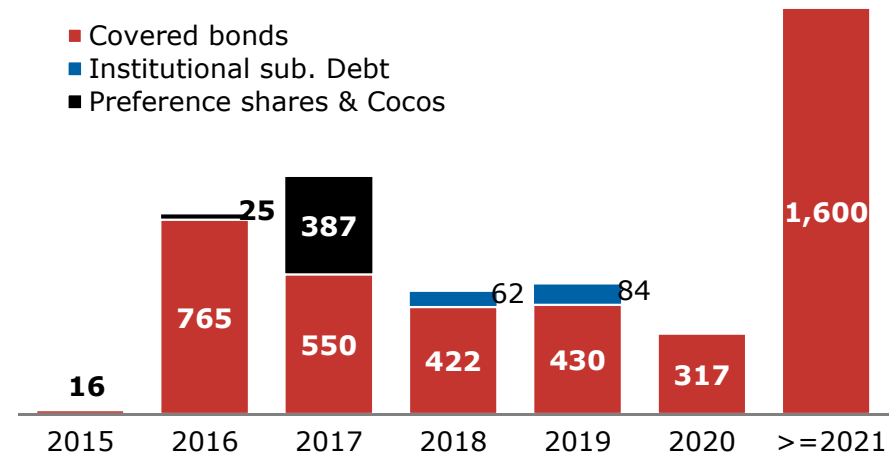
Liquidity and Solvency (1/4)

- **Ibercaja Banco benefits from a comfortable liquidity position** with available liquid assets over €11,1bn (18.2% of total assets).
- **LCR and NSFR ratios stand at 231% and 115% respectively (1H2015).**
- **Loan to Deposits ratio stands at 92%¹.**
- **ECB funding: €2.7bn (4.3% of TA, -€2.1bn YTD), of which TLTRO €2.1bn.**
- **No relevant maturities left in 2015** and no significant concentration in coming years (below 1.5% of total assets every year).

Liquidity Position - €mm / 1H2015



Maturities Profile - €mm / 1H2015



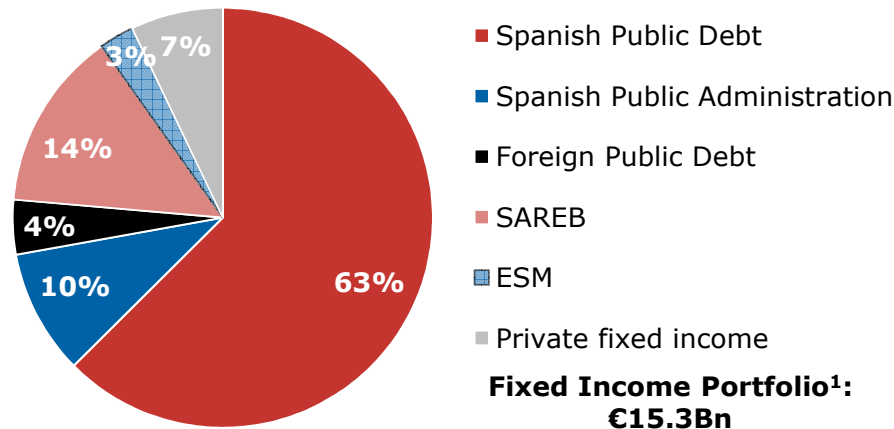
¹ Net Loans ex. securitised loans / Customer deposits ex. repos + retail deposits through Financial Group + Securities distributed through the branch network.

* Liquid assets include unencumbered public debt + available & eligible fixed income assets (after 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 €136mm as of June 2015 (of which €46mm are AFS).
 - ▣ Average yield stands at 1.9%.
- **Early in 2Q, the portfolio was reduced by 5%. During the quarter, it has generated trading gains of over €50mm.**

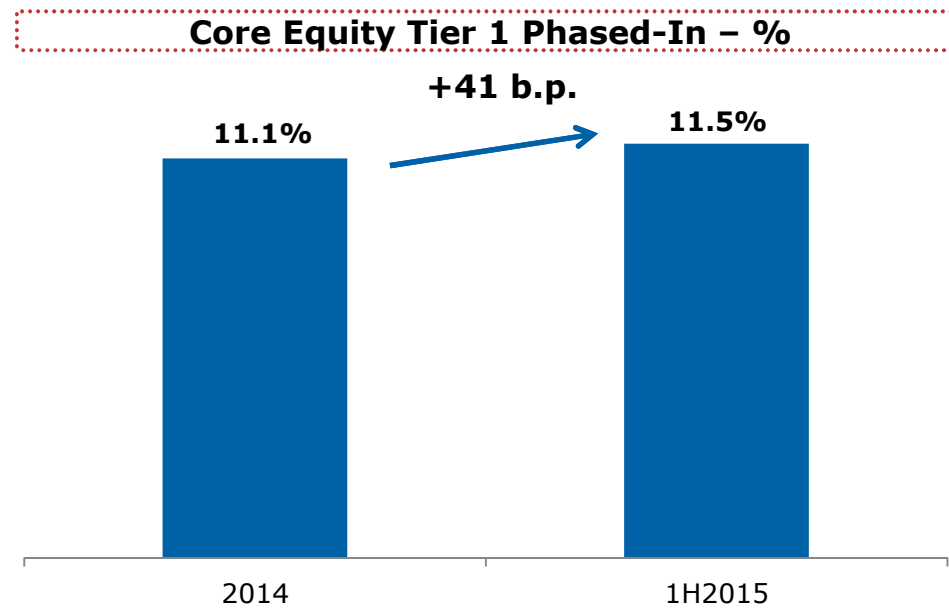
Fixed Income Portfolio – 1H2015



¹ Without including held-to-maturity capital gains

Liquidity and Solvency (3/4)

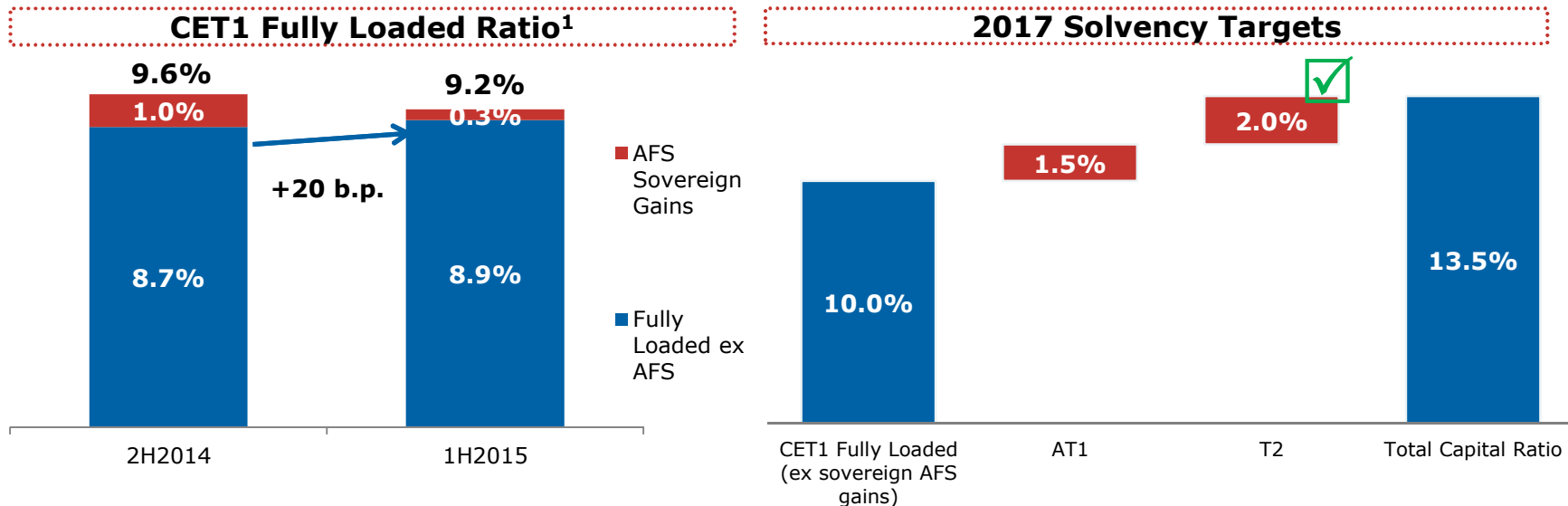
- **CET1 Phased-In ratio: 11.5%**
- **Total Capital Phased-In ratio: 14.0%¹**
- **RWA/AT at 39.6% calculated under the standardised approach.**



¹ Including recent Tier II transaction

Liquidity and Solvency (4/4)






- **Ibercaja Banco has recently completed a placement of Tier II debt totalling €500mm.** The transaction represents 200 basis points of Tier II capital, fulfilling the bucket required by Basel III regulation for this instrument.
- Issuing a Tier 2 security is the first step towards **building a more diversified and efficient capital structure after the Cajatres integration.** The next step will be the IPO in any case no later than December 2018.
- **Ibercaja Banco is on track to reach a 10% CET1 Fully Loaded ratio (ex AFS sovereign gains) and a 13.5% Total Capital ratio by 2017.**



¹ Not including CoCos; including unrealised AFS gains



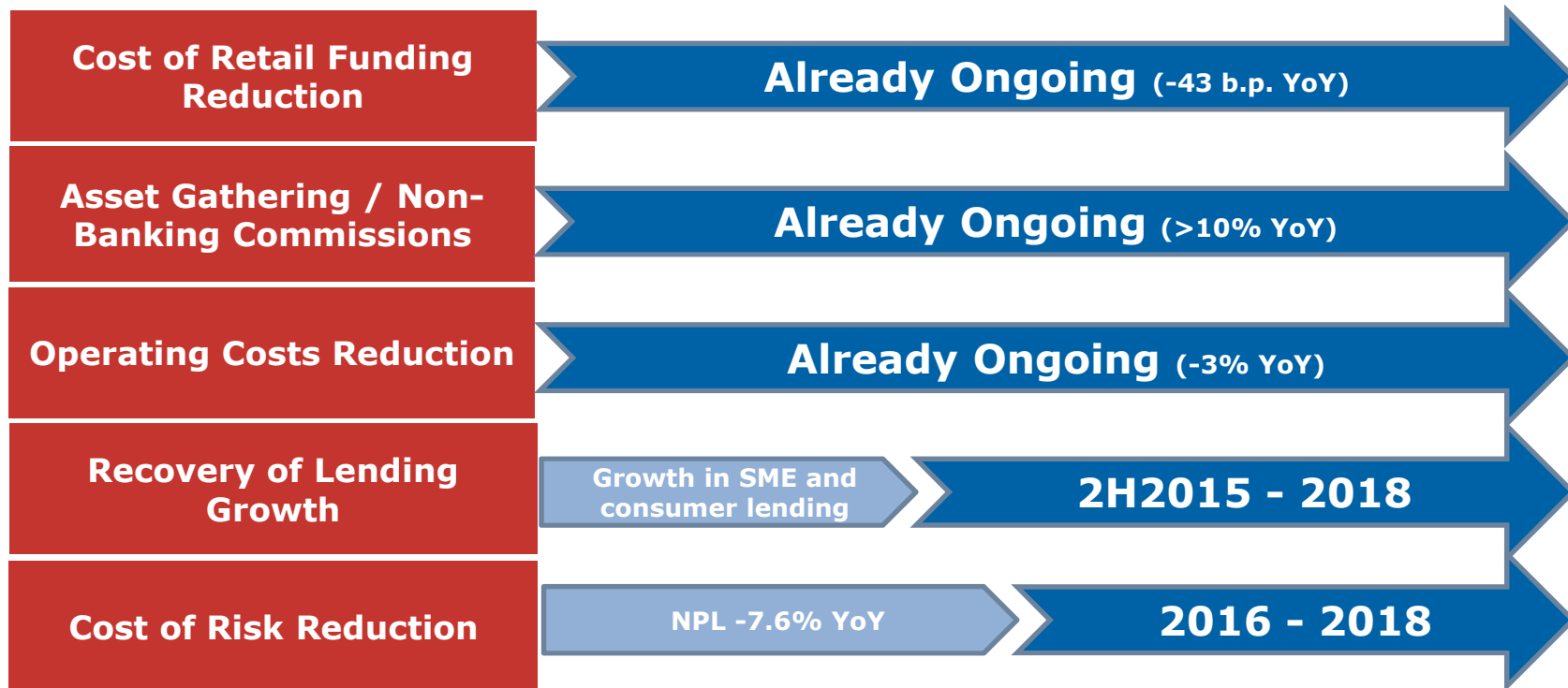
Index

-  **Main Highlights**
-  **Commercial Activity**
-  **1H2015 Results**
-  **Asset Quality, Liquidity and Solvency**
-  **Final Remarks**



Final Remarks

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

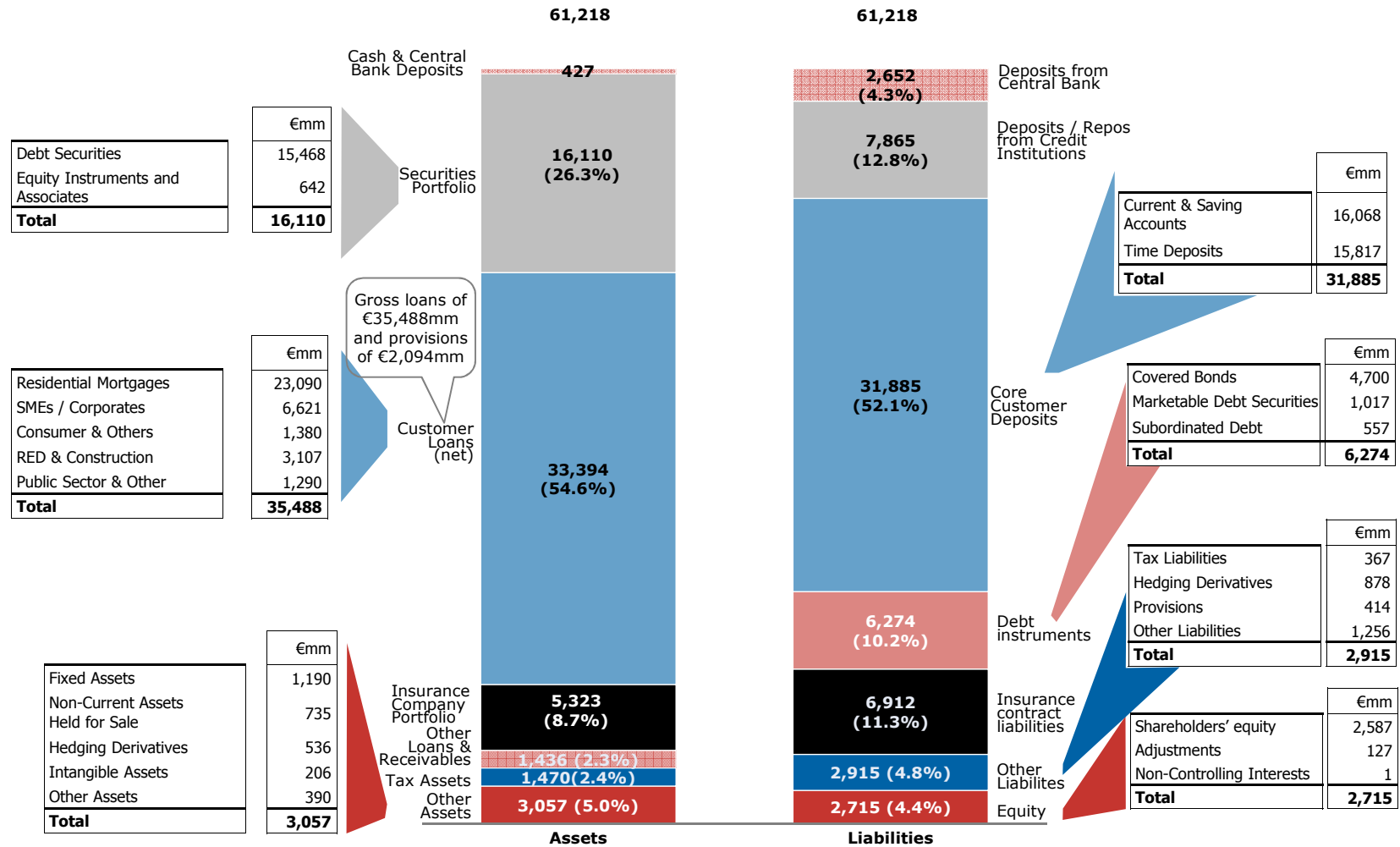




 **Annex 1: Balance Sheet**



Consolidated Balance Sheet





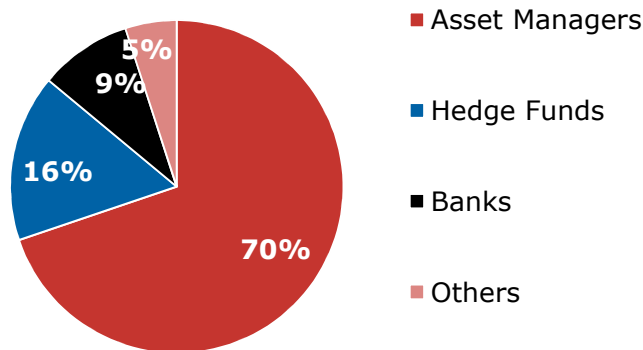
 **Annex 2: Tier II Transaction**



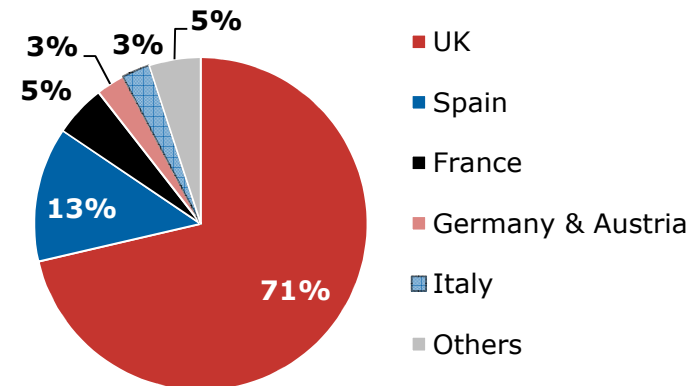
Tier II Transaction

- On July 21 Ibercaja Banco completed a placement of subordinated debt (Tier II) totaling €500mm maturing in 10 years. The yield on the bonds has been set at 5%.The demand has exceeded €925mm with orders from more than 70 investors.
- The €500mm represent 200 basis points of Tier II capital, fulfilling the bucket required by Basel III regulation.
- Ibercaja Banco is the first Spanish non listed bank to issue subordinated debt since the beginning of the restructuring of the financial system.

Investor Type Distribution



Geographic Distribution





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For more information, please visit our Website:
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