



**iberCaja**



**1Q2016 RESULTS**

*May 13<sup>th</sup>, 2016*





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# Index

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**Main Highlights**



**Commercial Activity**



**1Q2016 Results**



**Asset Quality, Liquidity and Solvency**



**2016 Guidance**



**Strategic Progress**

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# Main Highlights

## Commercial Activity

**Δ market share in mutual funds,  
pension funds and life insurance**

**New Lending Production: +22% YoY.**

**Performing loans to non-real estate  
companies: +2.5% YoY**

## Asset Quality

**Doubtful Loans: -18% YoY**

**NPL Ratio: 8,9% (-152 b.p. YoY)**

**Foreclosed Assets Stock: -1,3% YoY**

## Results

**Net Profit: €28,9mm**

**Customer Spread: +11 b.p. YoY.**

**Non-banking Commissions: +11,4% YoY**

**Extraordinary results increase non-  
recurring provisions.**

## Solvency

**CET1 Phased-In: 11.9%**

**CET1 Fully Loaded: 10.0%  
(+25 b.p. QoQ)**





# Index

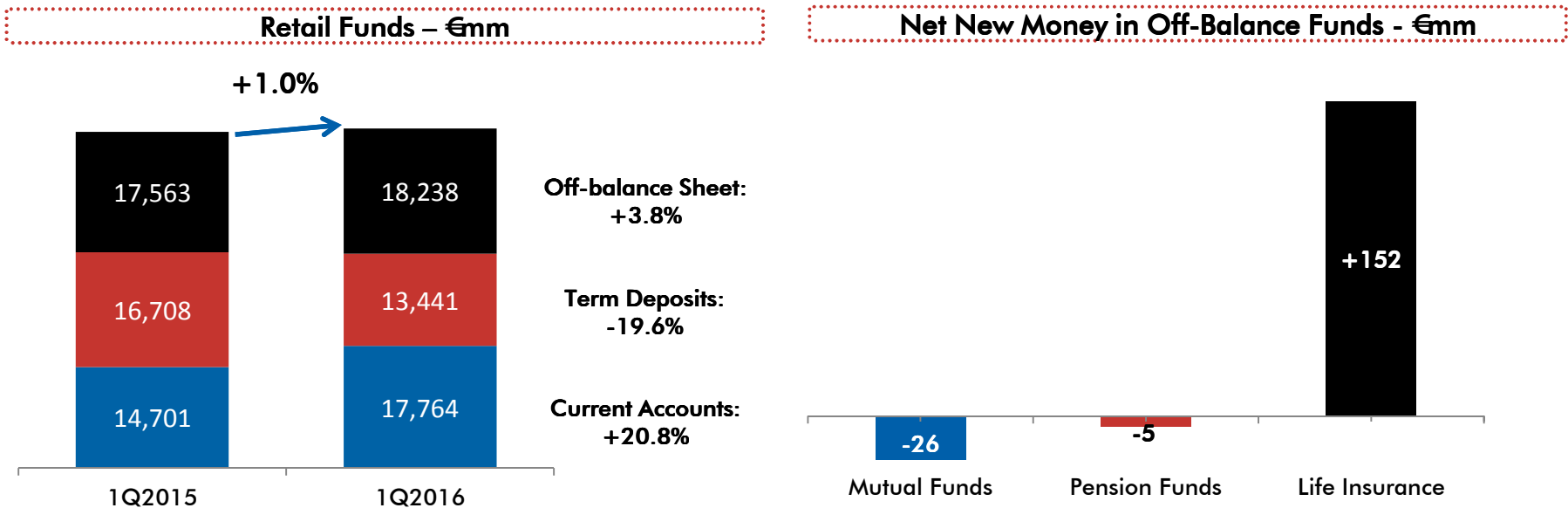
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- ▶ Main Highlights
- ▶ **Commercial Activity**
- ▶ 1Q2016 Results
- ▶ Asset Quality, Liquidity and Solvency
- ▶ 2016 Guidance
- ▶ Strategic Progress



# Customer Funds (1/2)

- **Total retail funds increase €471 mm or 1.0% YoY.**
  - Current accounts weight over total deposits continues to grow (57% vs. 47% in 1Q2015)
  - After a record 2015 in net new money (€1,355mm), mutual funds stability during the quarter in a volatile market environment. The diversification of the business model allows to channel net new money to life insurance products
  - Reduced impact of market volatility (€-140mm during the quarter)



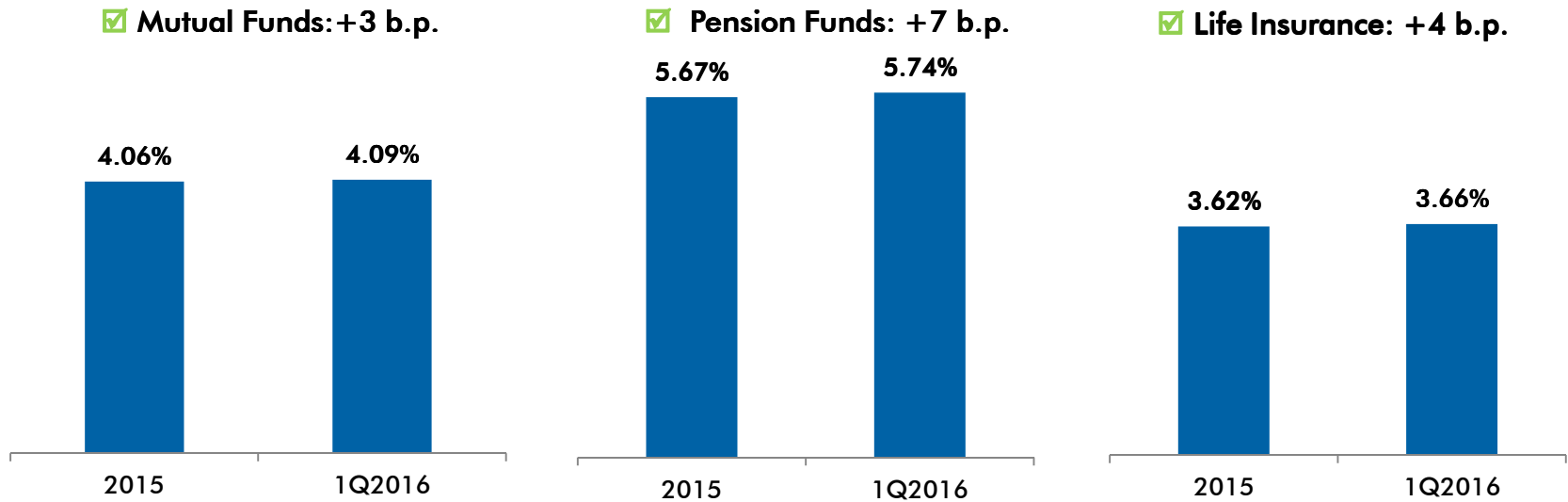
# Customer Funds (2/2)

■ **Specialists in long term savings management.** Ibercaja Banco has developed a long term savings management model that has been certified and awarded by third parties. This model is highly valuable in the current environment with low interest rates and high volatility.

▣ Expansion-Allfunds award to the best pension fund manager in Spain



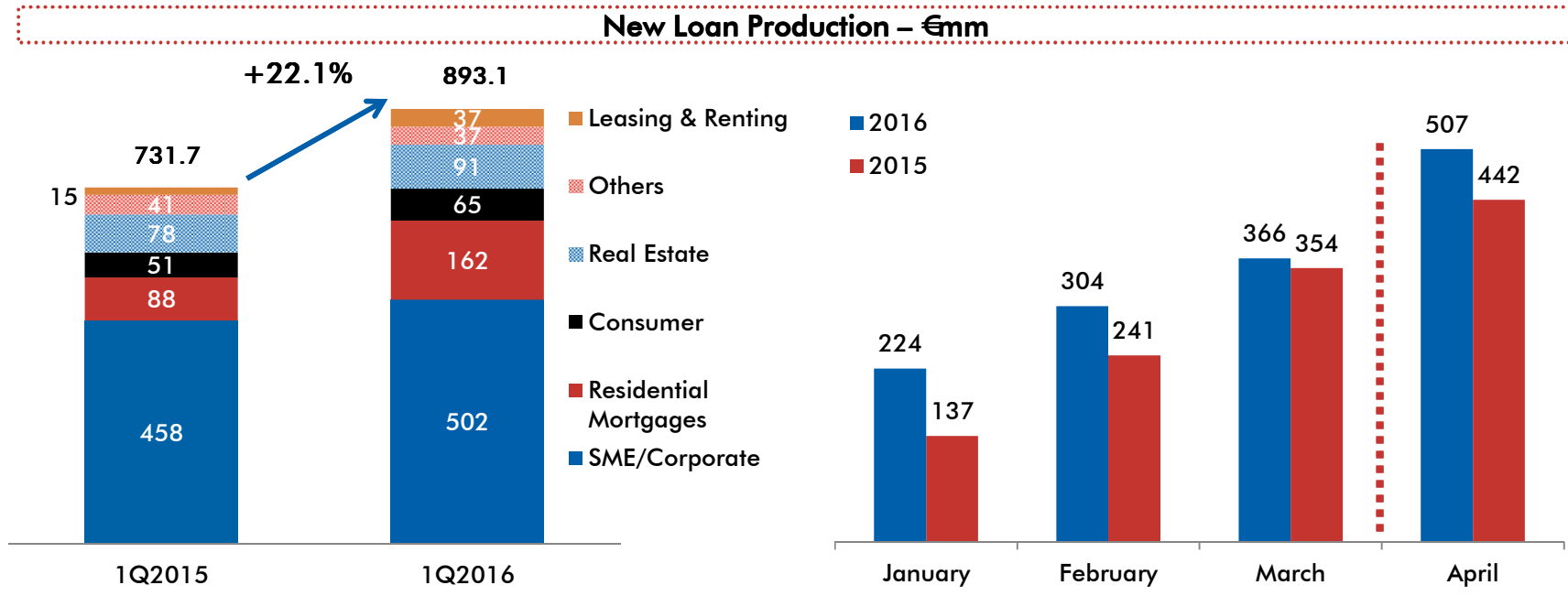
Market Share - %



Source: Inverco & Icea

# Customer Loans (1/2)

- **New lending production continues to grow (+22.1% vs. 1Q2015):**
  - SME new loan production accounts for 56% of total new lending, in line with the Strategic Plan target
  - Madrid and the Mediterranean Basin represent 44% of new loan production
- **Accumulated working capital loans grow 19.3% to reach €983mm.**





## Customer Loans (2/2)

- Performing loans to non-real estate companies grow 2.5% YoY and stabilisation of consumer credit.
- Current new lending production should allow for a stabilisation in performing loans already in the second quarter.

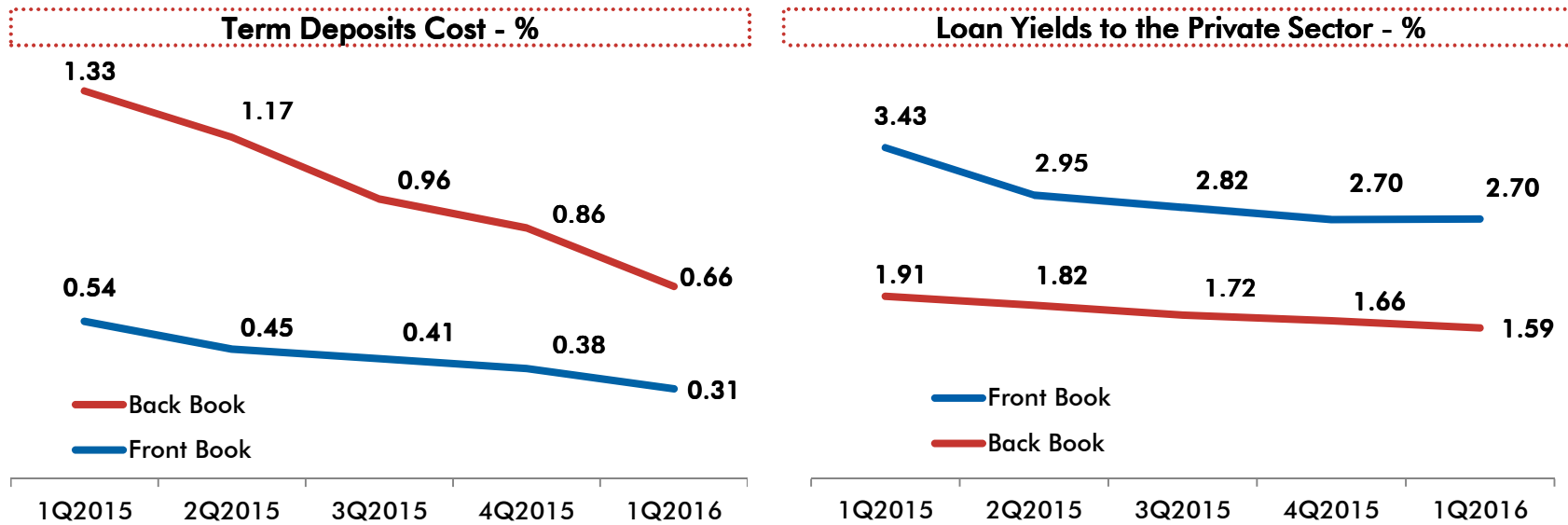
### Credit Portfolio – €mm

	1Q2015	1Q2016	YoY
<b>Loans to Individuals</b>	<b>24,589</b>	<b>23,477</b>	<b>-4.5%</b>
Mortgages	23,353	22,238	-4.8%
Consumer & Others	1,235	1,240	+0.3%
<b>Loans to SME/Corporate</b>	<b>9,820</b>	<b>8,985</b>	<b>-8.5%</b>
Real Estate	3,232	2,423	-25.0%
Non-Real Estate	6,588	6,562	-0.4%
<b>Public Sector &amp; Others</b>	<b>1,058</b>	<b>981</b>	<b>-7.2%</b>
<b>Reverse Repo</b>	<b>0</b>	<b>529</b>	<b>n/a</b>
<b>Total Gross Loans</b>	<b>35,467</b>	<b>33,974</b>	<b>-4.2%</b>

Performing Loans:  
-2.6%  
Doubtful Loans:  
-18%

# Front Book Rates

- New effort in term deposits cost reduction (-7 b.p. QoQ).
  - Cost of new term deposits in April: 0.25%
- Stabilisation in loan yields of the front book to the private sector.
- Customer spread of new operations<sup>1</sup> stands at 2.4% and should continue to help the customer spread in the coming quarters.



<sup>1</sup> Private sector front book loan yield – front book of time deposits



# Index

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- ▶ Main Highlights
  - ▶ Commercial Activity
  - ▶ **1 Q2016 Results**
  - ▶ Asset Quality, Liquidity and Solvency
  - ▶ 2016 Guidance
  - ▶ Strategic Progress
- 

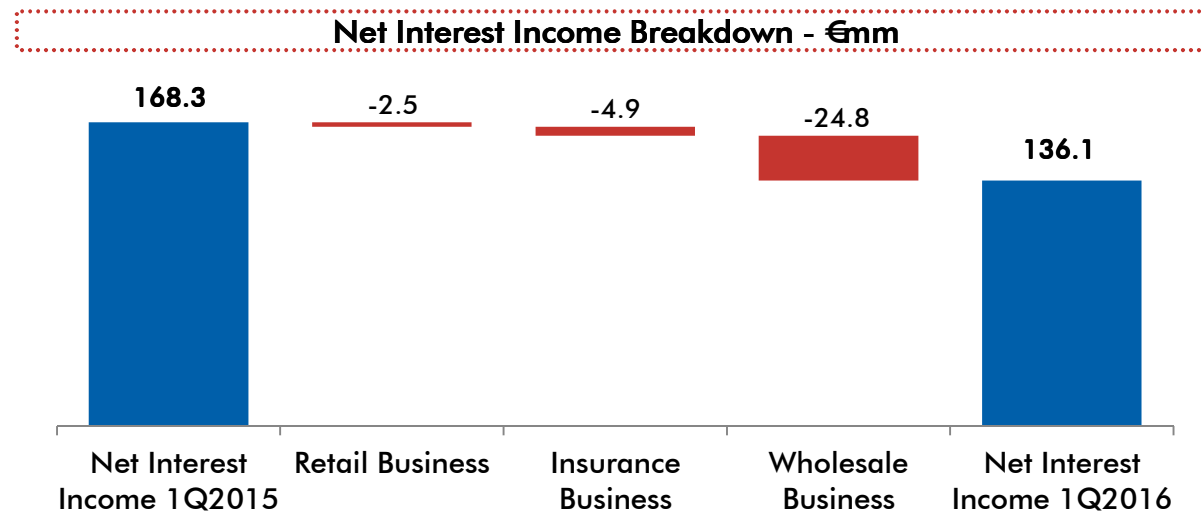


# 1Q2016 Results

€mm	1Q2015	1Q2016	YoY
<b>Net Interest Income</b>	<b>168.3</b>	<b>136.1</b>	<b>-19.1%</b>
Net Fee Income	77.4	80.4	3.9%
Trading Income	22.6	17.8	-21.5%
Other Operating Inc. / Exp. (Net) *	10.4	72.2	n/a
<b>Gross Operating Income</b>	<b>278.7</b>	<b>306.4</b>	<b>10.0%</b>
Operating Costs	-144.3	-151.4	4.9%
<b>Pre-Provision Profit</b>	<b>134.4</b>	<b>155.1</b>	<b>15.4%</b>
Total Provisions	-76.3	-116.0	52.0%
Other Gains and Losses	2.0	2.3	18.9%
<b>Profit Before Taxes</b>	<b>60.0</b>	<b>41.4</b>	<b>-31.0%</b>
Taxes & Minorities	-17.4	-12.5	-28.6%
<b>Net Profit Attributable to Shareholders</b>	<b>42.6</b>	<b>28.9</b>	<b>-32.0%</b>

\* In 1Q2016, other operating results include a net gain of €69.3mm related to the Aktua agreement (see page 30)

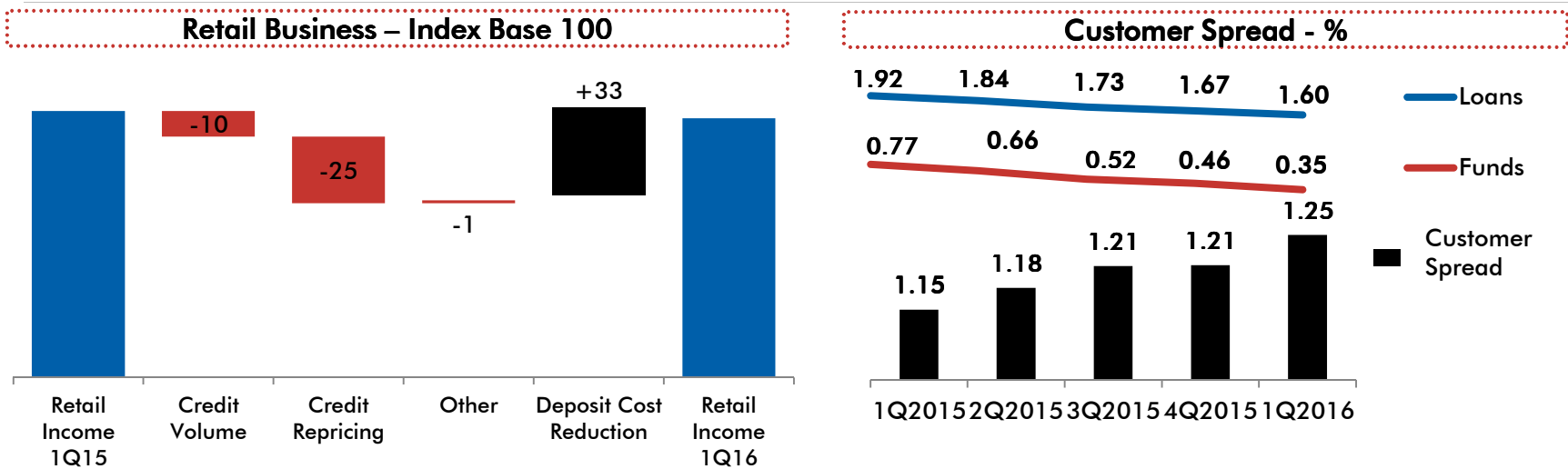
# Net Interest Income



2016 expected reduction below 10%

- **77% of the decrease in net interest income is explained by lower wholesale business revenues:**
  - ▣ Lower fixed income portfolio volume: 16.6% or €-2,690mm
  - ▣ SAREB bonds (15% of the portfolio) have been repriced to 0.1% vs. 0.8% in 1Q2015
- **Retail business remains fairly stable YoY.**

# Customer Spread

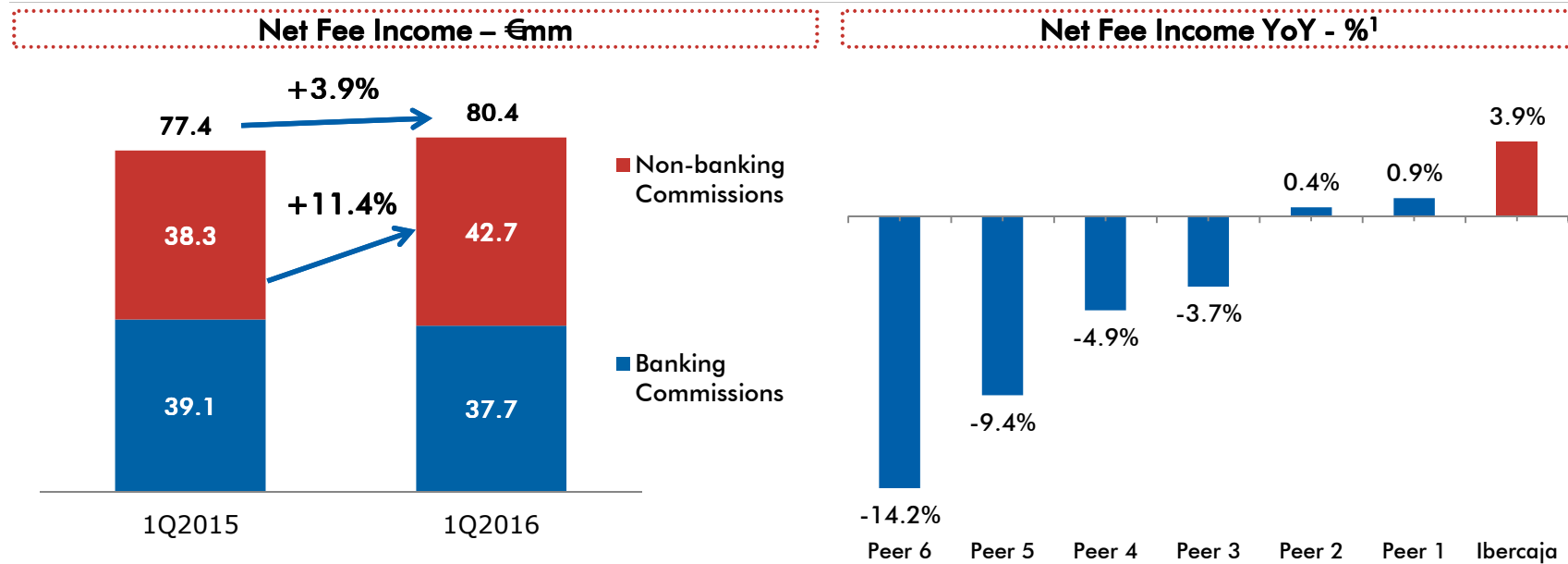


■ The deposit cost reduction (-42 b.p. YoY) almost offsets the credit repricing due to the fall in Euribor (-25 b.p.) and deleveraging (-4.2% YoY).

**Expected improvement in retail business in coming quarters**

- ✓ Term deposits repricing to contribute at least 15 b.p. to the deposit cost reduction (total deposit base €31,205mm).
- ✓ With the current Euribor curve, credit repricing impact will be more moderate.
- ✓ Credit front book at higher rates than back book.
- ✓ Performing credit stock should remain stable QoQ already in the second quarter.

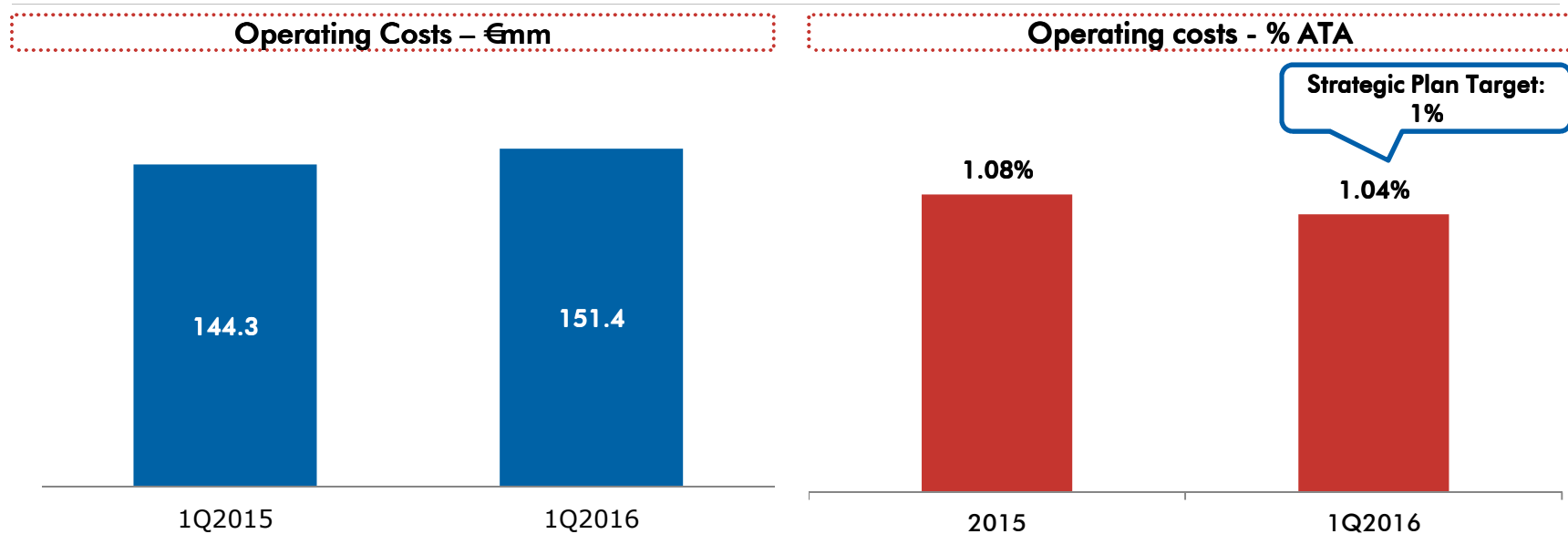
# Net Fee Income



- **Net fee income grows 3.9%, boosted by non-banking commissions (+11.4%).**
  - Ibercaja outstanding evolution explained by the higher weight of non-banking commissions (53% in Ibercaja vs. 33% peer average) over total net fee income
- **Banking commissions fall 3.5% mainly due to the decrease in securities fees (-32%).**

<sup>1</sup> Includes Caixabank, Bankia, Sabadell ex TSB, Popular, Bankinter and Liberbank

# Operating Costs

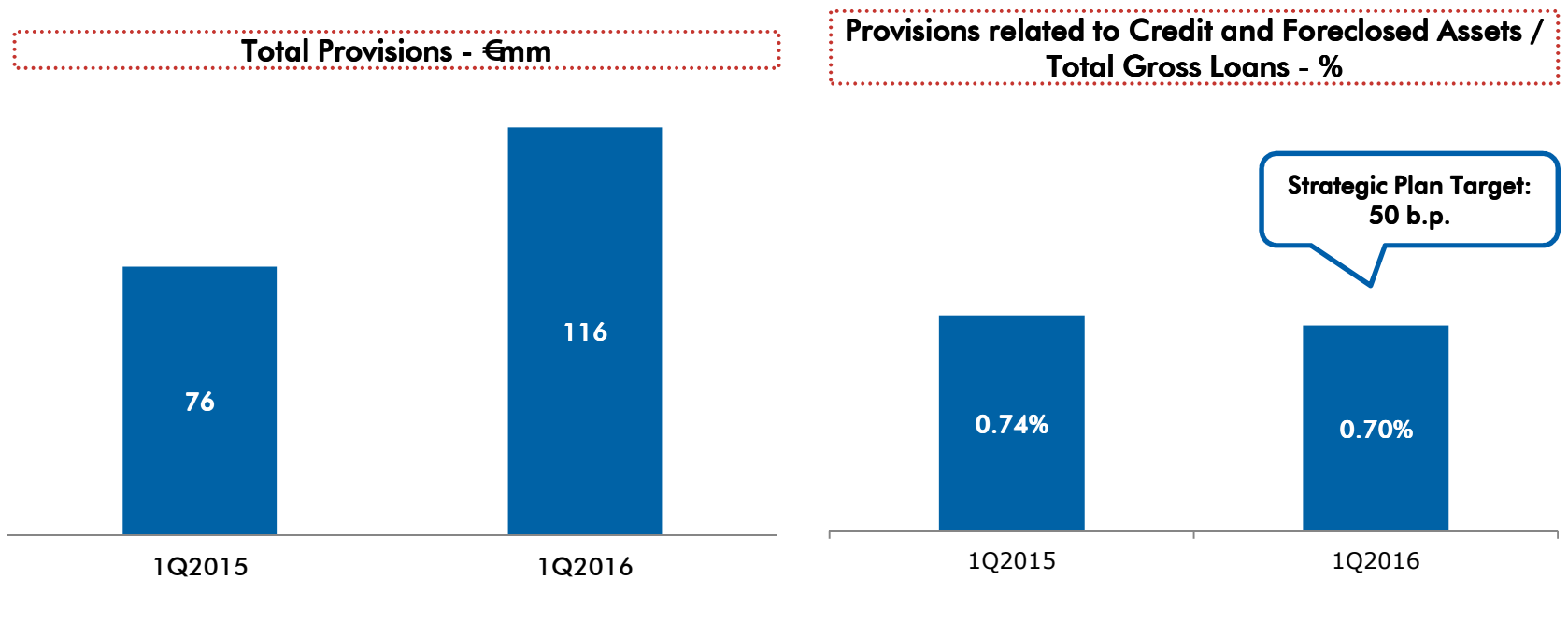


- 4.9% increase in operating costs due to new strategic projects (Plan Madrid, digital transformation, Aktua...)
- This increase will be spread throughout the year and the cost base will remain stable in 2016, including costs related to the agreement with Aktua, thanks to:
  - ▶ Decrease in personnel cost of 3%
  - ▶ 22 branch closures until June, already approved



# Provisions

- Extraordinary results from the Aktua agreement on the quarter increase non-recurring provisions.
  - Cost of risk 70 b.p. lower, but still above the target level set on the Strategic Plan





# Index

---

- ▶ Main Highlights
  - ▶ Commercial Activity
  - ▶ 1Q2016 Results
  - ▶ **Asset Quality, Liquidity and Solvency**
  - ▶ 2016 Guidance
  - ▶ Strategic Progress
- 

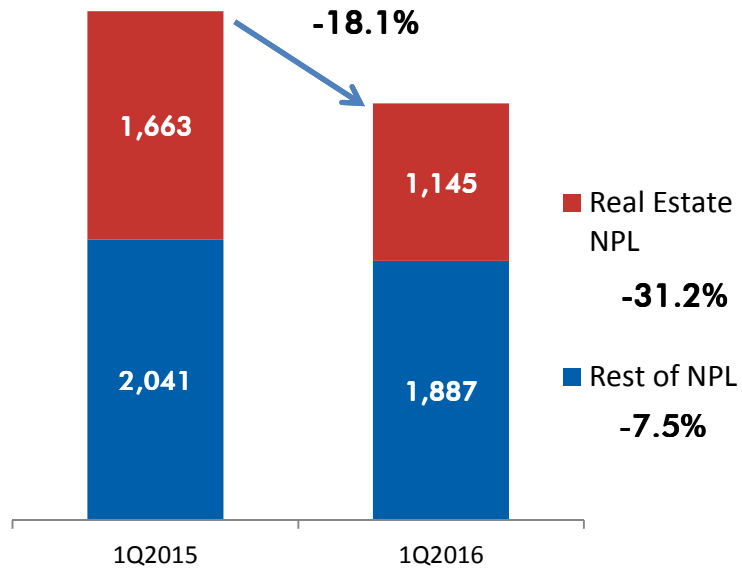


# Asset Quality (1/2)

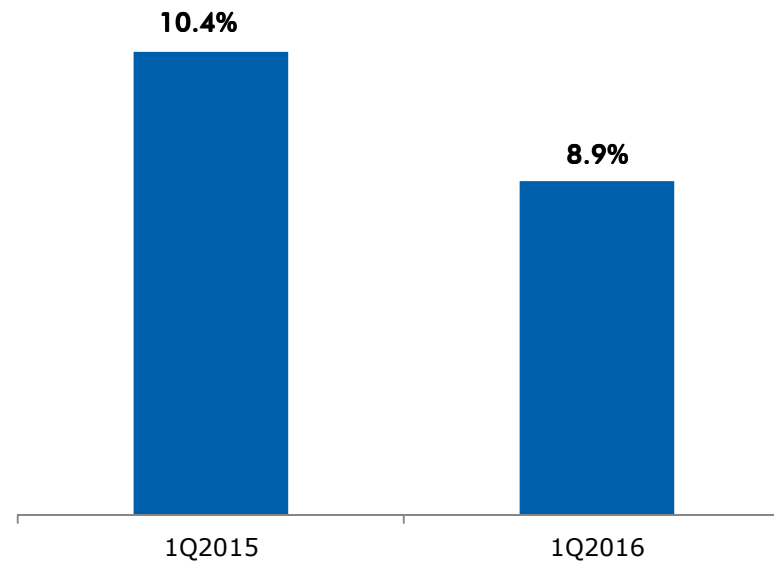
■ **Steady reduction of non-performing loans:**

- ▣ NPL ratio falls to 8.9%, (-152 b.p. YoY)
- ▣ Coverage ratio of 52.6%

Non-performing Loans – €mm

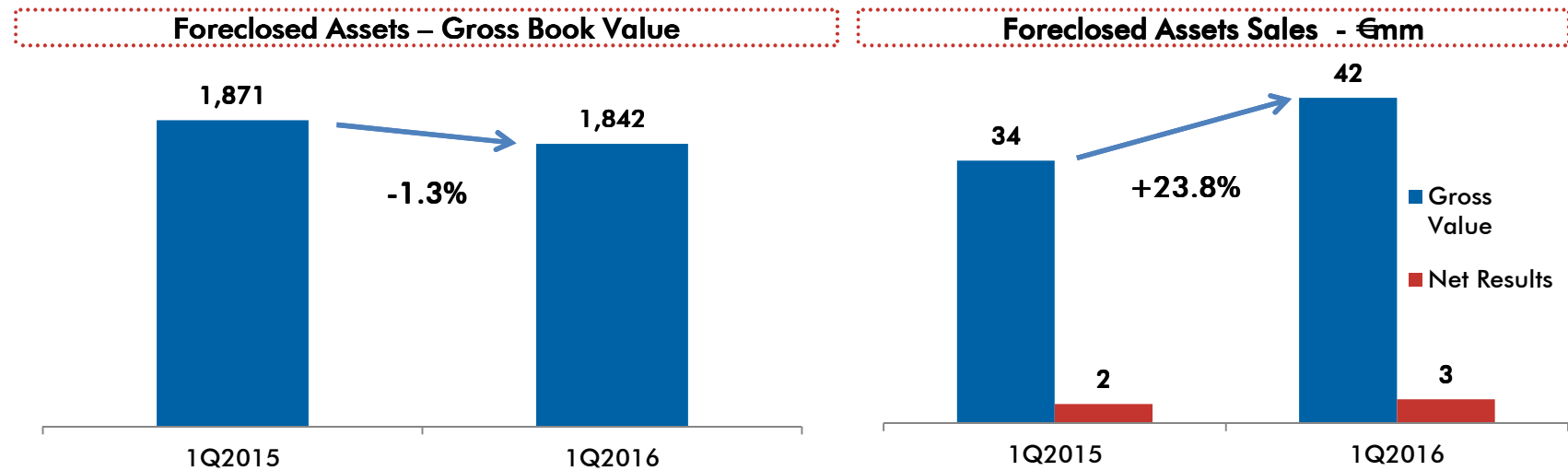


NPL Ratio - %



## Asset Quality (2/2)

- The improvement in the real estate market and the pickup of asset sales allows for a 1.3% foreclosed-assets stock reduction.
  - Coverage ratio stands at 51.7%
  - Ibercaja announced the sale of its real estate servicer subsidiary (Salduvia) to Aktua. The Bank also signed a long-term strategic alliance with Aktua. With this agreement, Ibercaja seeks to accelerate the offloading of foreclosed assets, freeing up resources to be used in new credit transactions

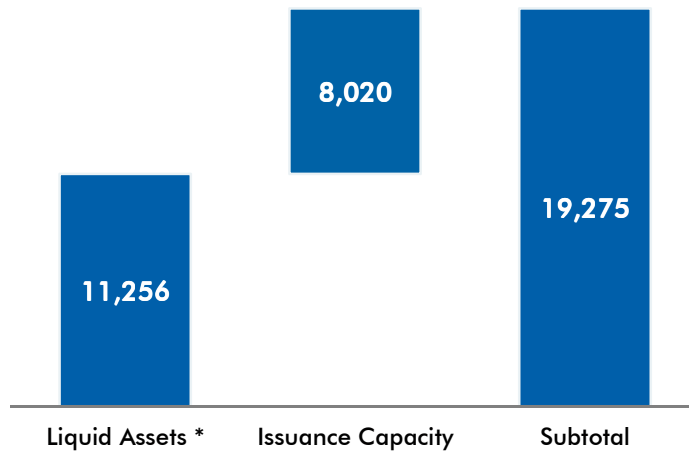


# Liquidity and Solvency (1/3)

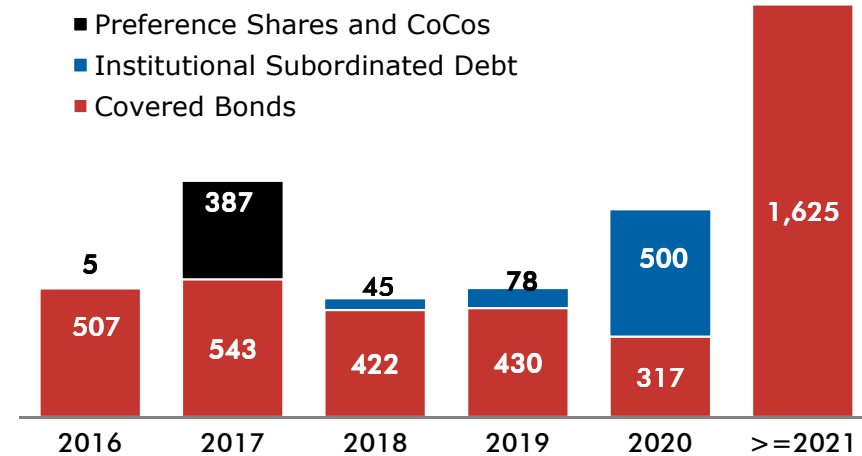
## ■ Comfortable liquidity position:

- More than €11,200mm of available liquid assets (19% of total assets)
- LCR and NSFR stand at 213% and 116%, respectively
- Loan to deposits ratio stands at 96%<sup>1</sup>
- ECB funding: €2,051mm (3.5% TA), 100% TLTRO

Liquidity Position - €mm



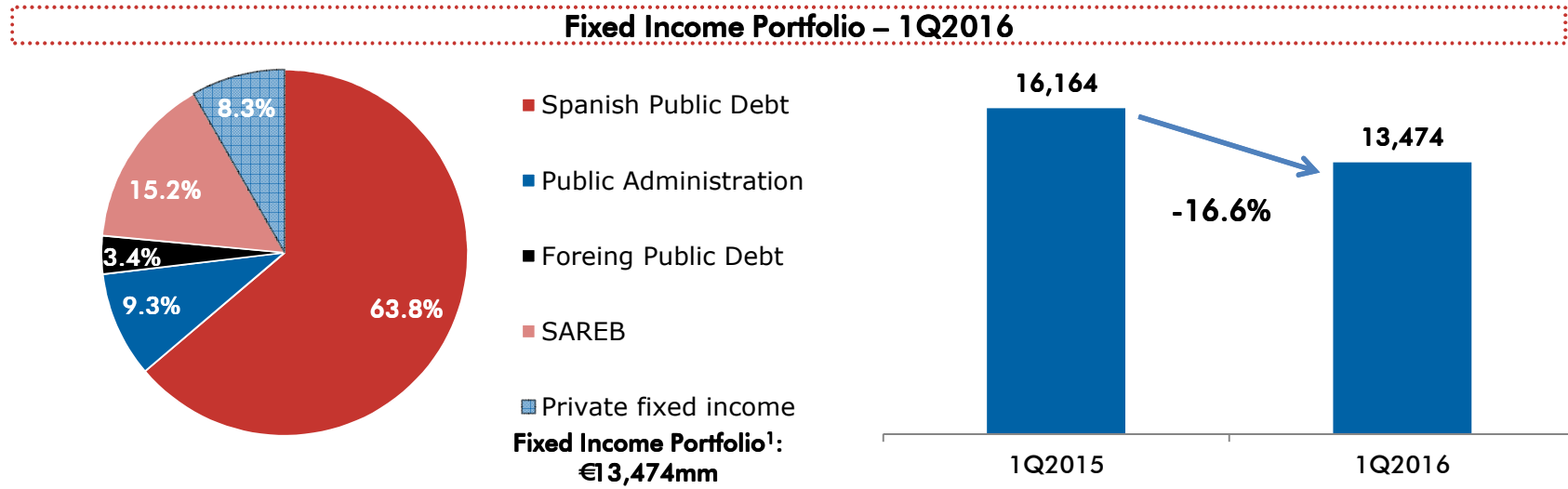
Maturity Profile - €mm



<sup>1</sup> 1 Net Loans ex. securitised loans / Customer deposits ex. repos + Securities distributed through the branch network.  
 \* Liquid assets include unencumbered public debt + available & eligible fixed income assets (after ECB haircut applied)

# Liquidity and Solvency (2/3)

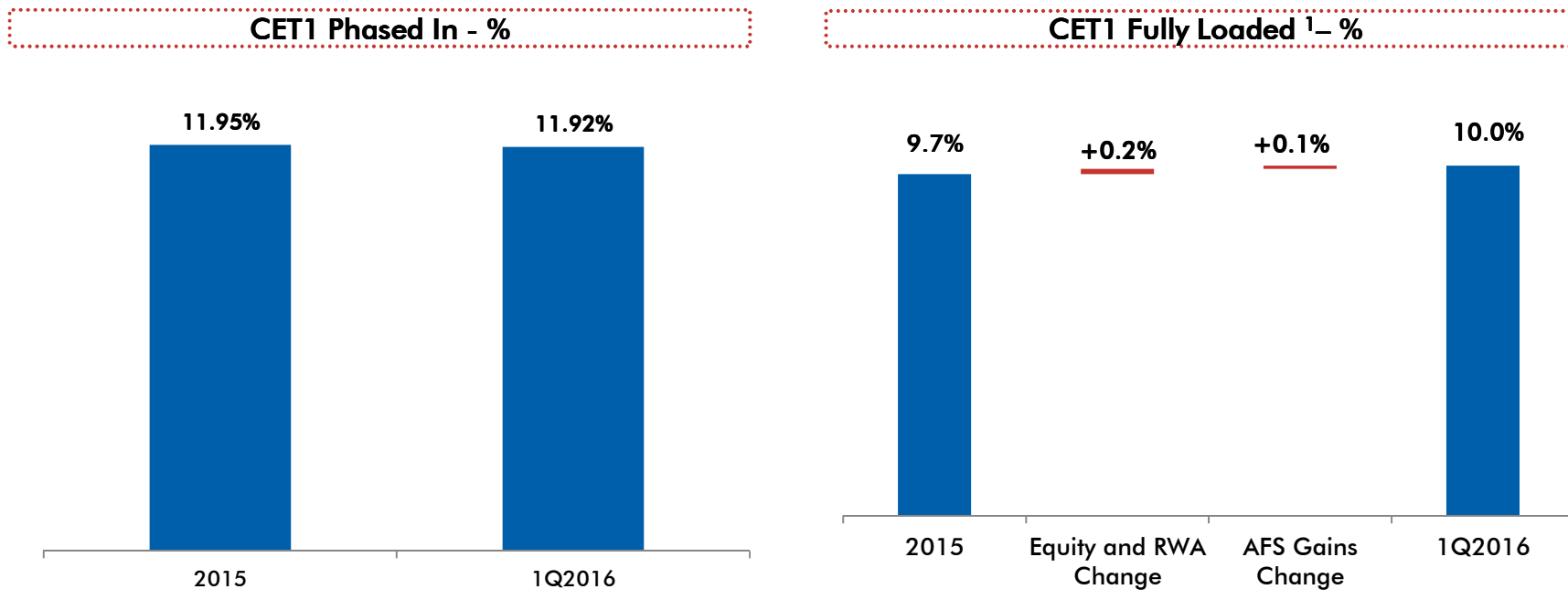
- **Fixed income portfolio: Low risk with focus on Spanish sovereign debt and short duration.**
  - Average duration of 4.1 years and unrealised capital gains over €165mm (of which €100mm are AFS)
  - Average yield stands at 1.5%
- **Ibercaja Banco has reduced its fixed income portfolio by €2,690mm YoY.**



<sup>1</sup> Excluding capital gains from held-to-maturity portfolio

# Liquidity and Solvency (3/3)

- **CET1 Phased-In Ratio: 11.9%.**
  - Amortization of €20mm CoCos
- **Total Capital Phased-In Ratio: 14.2%.**
- **RWA/TA Ratio: 40.5% calculated using the standard methodology.**
- **Leverage Ratio: 5.3% (Phased-In).**



<sup>1</sup> Excluding CoCos, including AFS gains



# Index

---

- ▶ Main Highlights
  - ▶ Commercial Activity
  - ▶ 1Q2016 Results
  - ▶ Asset Quality, Liquidity and Solvency
  - ▶ **2016 Guidance**
  - ▶ Strategic Progress
- 







## 2016 Guidance

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Stabilisation of  
Net Interest  
Income

Off-balance sheet  
funds growth

Improvement of  
results expected over  
the next quarters

Flat cost base  
(including Aktua  
agreement)

Step up in non-  
performing assets  
sales





# 2016 Guidance

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## Stabilisation of Net Interest Income

- ✓ Stabilisation in performing credit portfolio
- ✓ Lower Euribor impact.
- ✓ Front book margin higher than back book
- ✓ Slower decrease in wholesale business

## Off-balance sheet funds growth

- ✓ Markets improvement → Net new money in mutual funds in April > €45mm

## Flat cost base (including Aktua agreement)

- ✓ Decrease in personnel cost of 3%
- ✓ 22 branch closures until June

## Step up in non-performing assets sales

- ✓ Higher voluntary provisions
- ✓ NPL and foreclosed assets coverage ratio > 50%



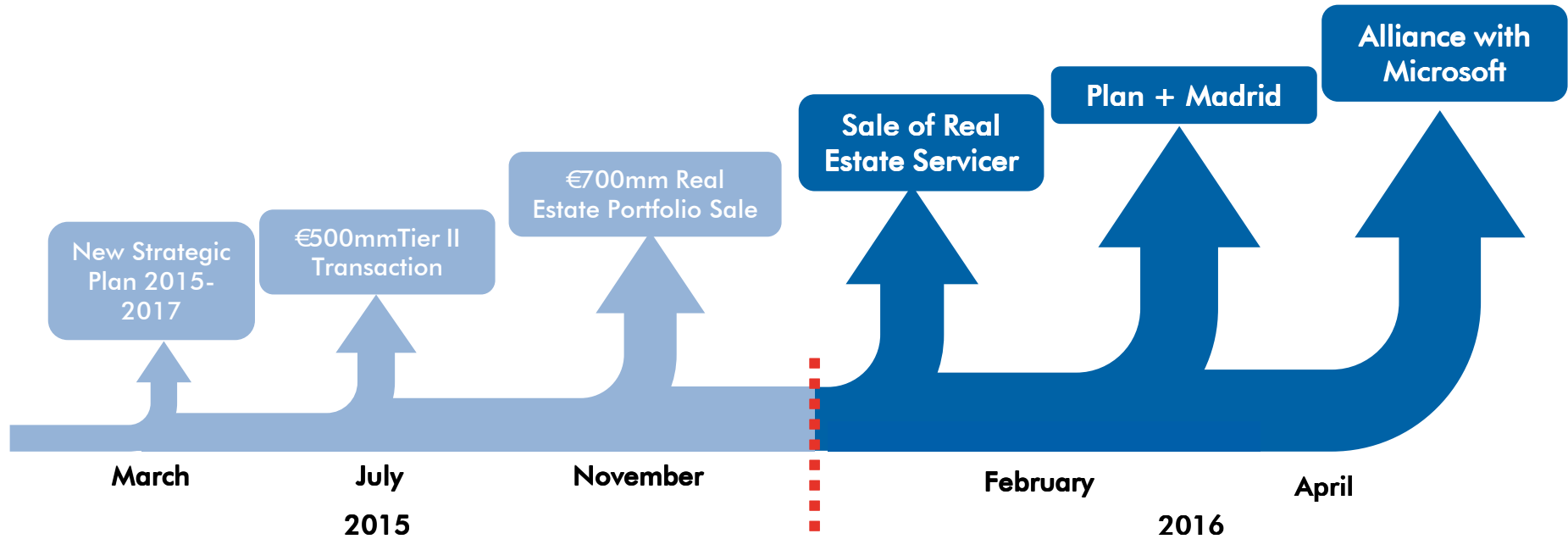
# Index

---

-  **Main Highlights**
-  **Commercial Activity**
-  **1Q2016 Results**
-  **Asset Quality, Liquidity and Solvency**
-  **2016 Guidance**
-  **Strategic Progress**



# Strategic Progress



- Ibercaja Banco keeps progressing with its Strategic Plan to reinforce its solvency and asset quality, as well as to boost its commercial position.

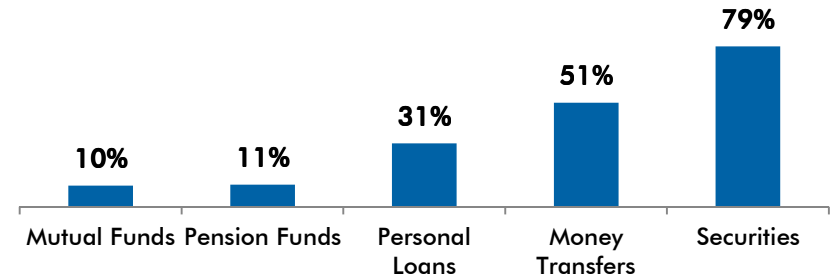
# Strategic Alliance with Microsoft

- Ibercaja has signed a strategic agreement with Microsoft to develop the bank's **digital transformation** process.
- This agreement, that initially extends until 2018, focuses on the three main areas of digital transformation: customer experience, efficiency and internal processes, and business model, products and services.



**% Digital Transactions – Economic Transactions**

Ibercaja today:  
(dec-15)





## Sale of Real Estate Servicer

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- In February 2016, Ibercaja announced the sale of its real estate servicer subsidiary (Salduvia) to Aktua. The Bank also signed a long-term strategic alliance with Aktua. This agreement includes the management and marketing of:
  - Foreclosed assets that are currently on Ibercaja's balance sheet
  - Future foreclosed assets on Ibercaja's balance sheet or on any of its subsidiaries'
  - Marketing of other real estate assets with Ibercaja's funding
- Ibercaja Banco takes advantage of Aktua's sales network, with more than 400 employees across 30 branches around Spain.
- With this agreement, Ibercaja seeks to accelerate the offloading of non-performing real estate assets, allowing those resources to be used in new credit transactions.
- The transaction amounts to €70mm, with a gross gain of €69.3mm.



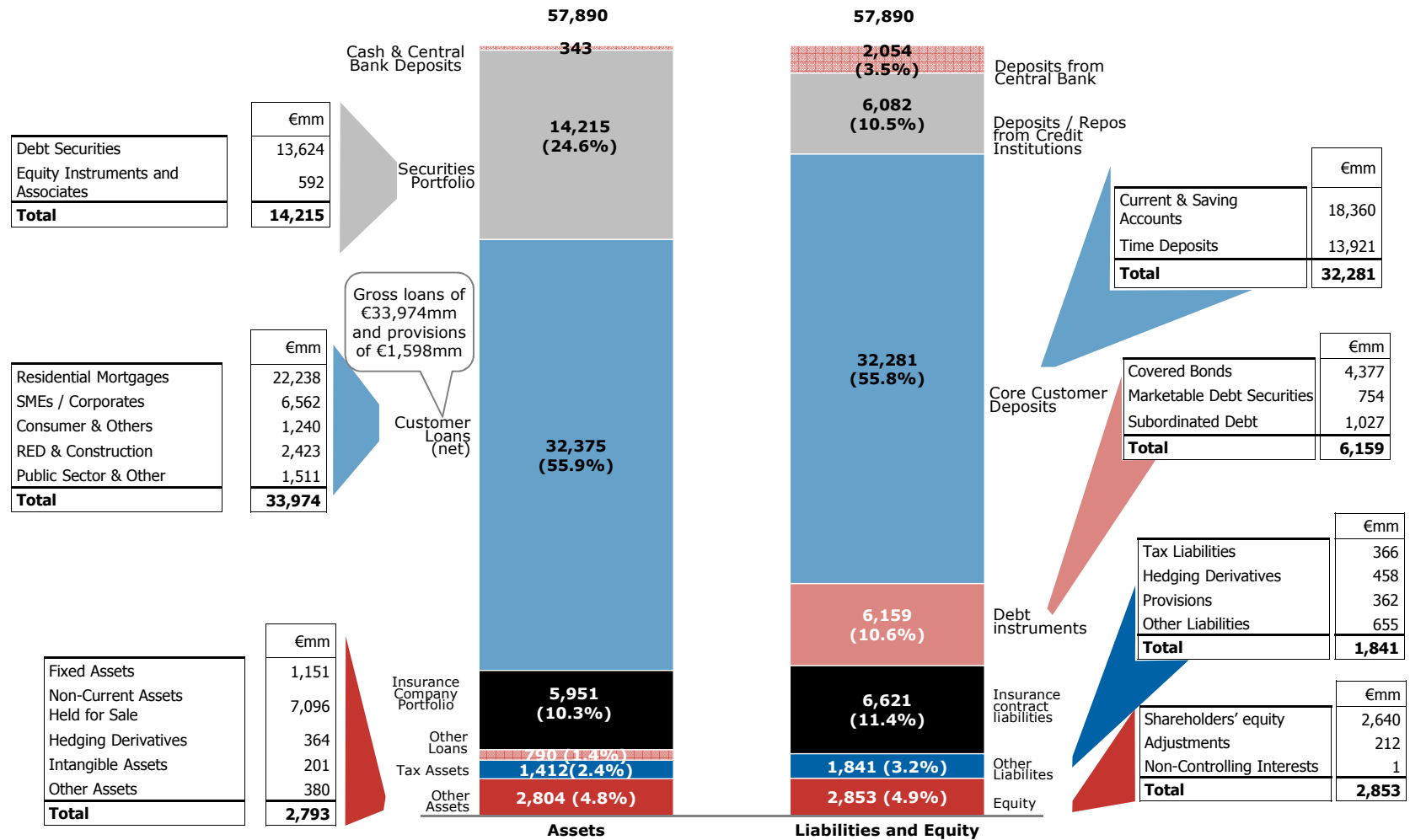


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 **Annex 1: Consolidated Balance Sheet**



# Consolidated Balance Sheet







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For more information, please visit our Website:  
<http://www.ibercaja.es/informacioncorporativa/en>

Contact us:  
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