

# 2016 RESULTS

FEBRUARY 24<sup>th</sup>, 2017

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# MAIN HIGHLIGHTS

COMMERCIAL ACTIVITY · RESULTS · ASSET QUALITY · SOLVENCY

# MAIN HIGHLIGHTS

## COMMERCIAL ACTIVITY

- » **Assets under management** and **life insurance products** rise **11.1% YoY** or €2,085mm
- » Ibercaja achieves a **12% market share in new entries in mutual funds in Spain.**
- » **New lending reaches** €5,200mm, increasing **26.4% YoY**
- » **Performing loans ex real estate companies** fall **0.6% YoY.**
- » **Performing loans to non-real estate companies** grow **12.1% YoY.**

## RESULTS

- » **Net profit increases** **70% YoY** to 143Mn€.
- » **Recurring revenues** (net interest income and net fee income) grow **0.2% QoQ** and 7% from the lows reached in 1Q2016.
- » Total **operating costs** decrease **0.6% YoY**
- » **Extraordinary results** dedicated to cover provisions related to new accounting regulation (Anejo IX, €60mm) and to build prudential provisions (€87mm).

# MAIN HIGHLIGHTS

## ASSET QUALITY

- » **Stock of problematic assets**, doubtful loans and foreclosed assets, decreases **3% YoY** or €140mm.
- » **NPL ratio** decreases to 8.9%, **25 p.b.** below the sector
- » **Coverage of problematic assets** stands at **47%**.
- » **Gross exposure to the real estate sector** falls **10% YoY** or €453mm.

## SOLVENCY

- » **CET1 Phased In ratio** rises 5 b.p. to **12.0%** vs. SREP requirement of 7.25%.
- » **Ibercaja has amortized €183mm of CoCos** (€20mm in March and €163mm of early repayment in December) without selling strategic assets or increasing capital.
- » **CET1 Fully Loaded ratio** – ex CoCos – improves 43 b.p. to **10.2%**.
- » **Total Capital Phased In ratio** stands at **14.2%**.

# COMMERCIAL ACTIVITY

CUSTOMER RESOURCES · MUTUAL FUNDS · LONG TERM SAVINGS PRODUCTS · RISK  
INSURANCE · CUSTOMER LOANS · MAIN REGIONAL MARKETS · PERSONAL BANKING  
PROJECT · SME PROJECT

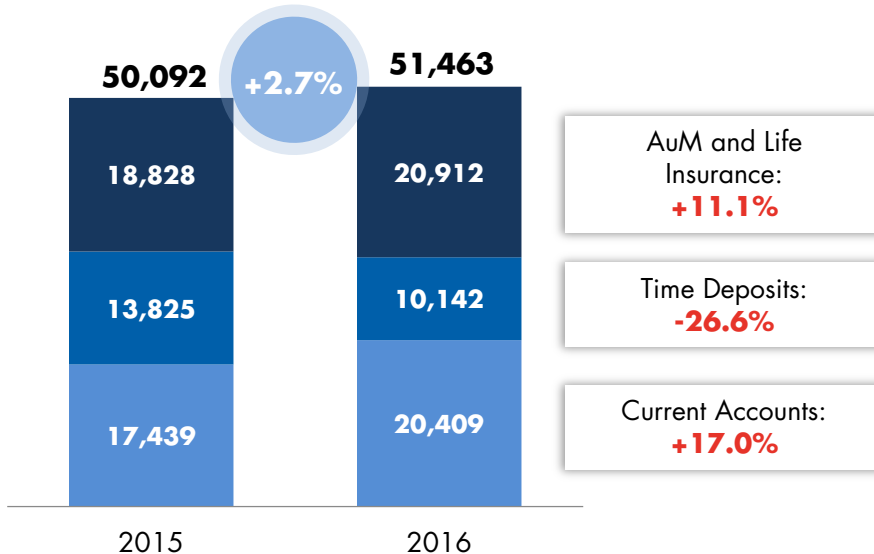
# CUSTOMER FUNDS

**Total customer funds increase 2.7% YoY (€1,371mm). Continuous improvement in the structure towards higher profitability:**

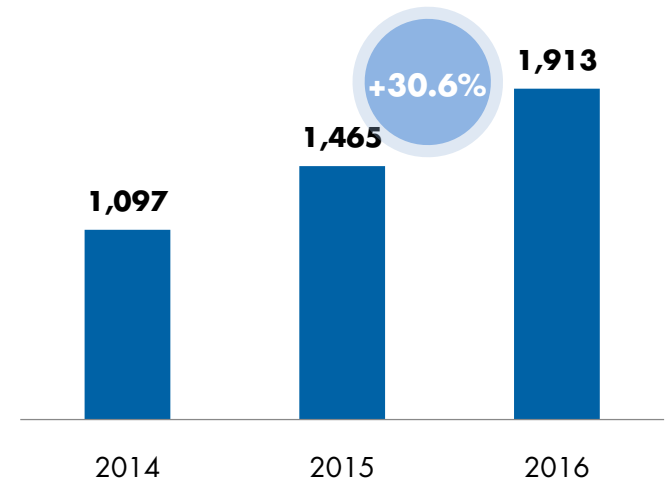
- **Current accounts increase 17.0% YoY** and represent 40% of customer funds.
- **Assets under management** (mutual funds and pension funds) **and life insurance products rise 11.1% YoY**, or €2,085mm and represent 41% of customer funds.

**Net new money into AuM and life insurance products grow 30.6% YoY to €1,913mm, reaching a historical high.**

**Customer Funds – €mm**



**Net New Money AuM and Life Insurance – €mm**

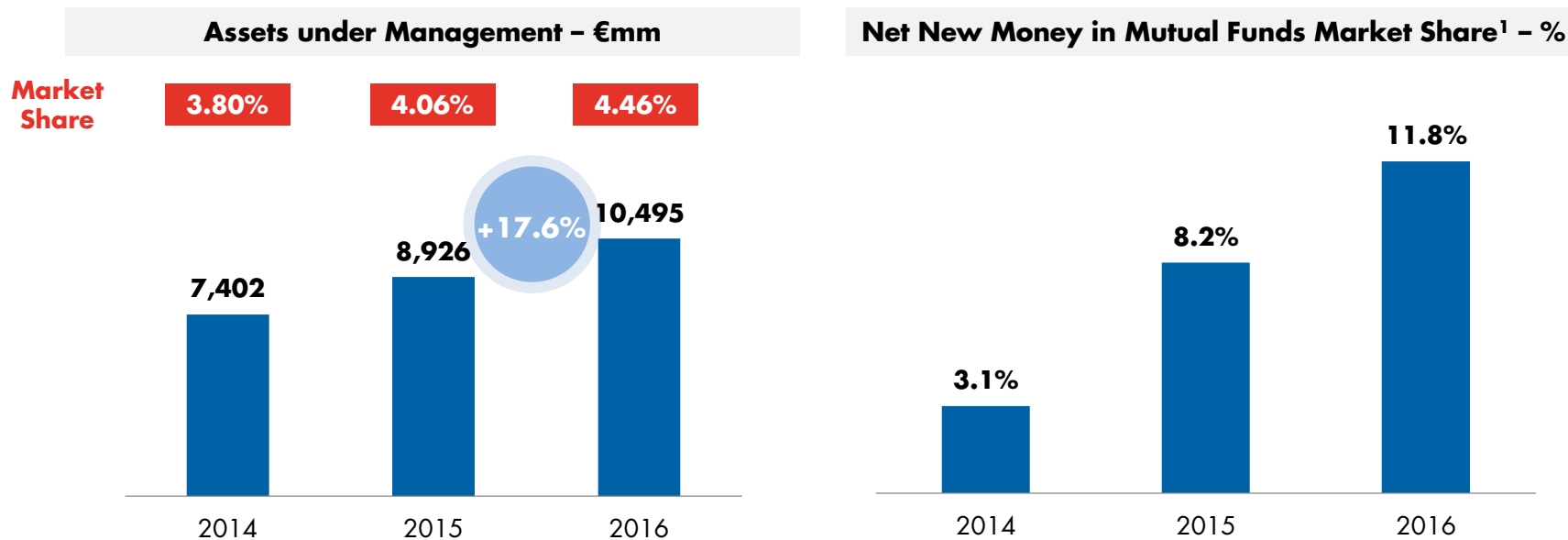




# MUTUAL FUNDS

Outstanding market share evolution in mutual funds, with an increase of 40 b.p.

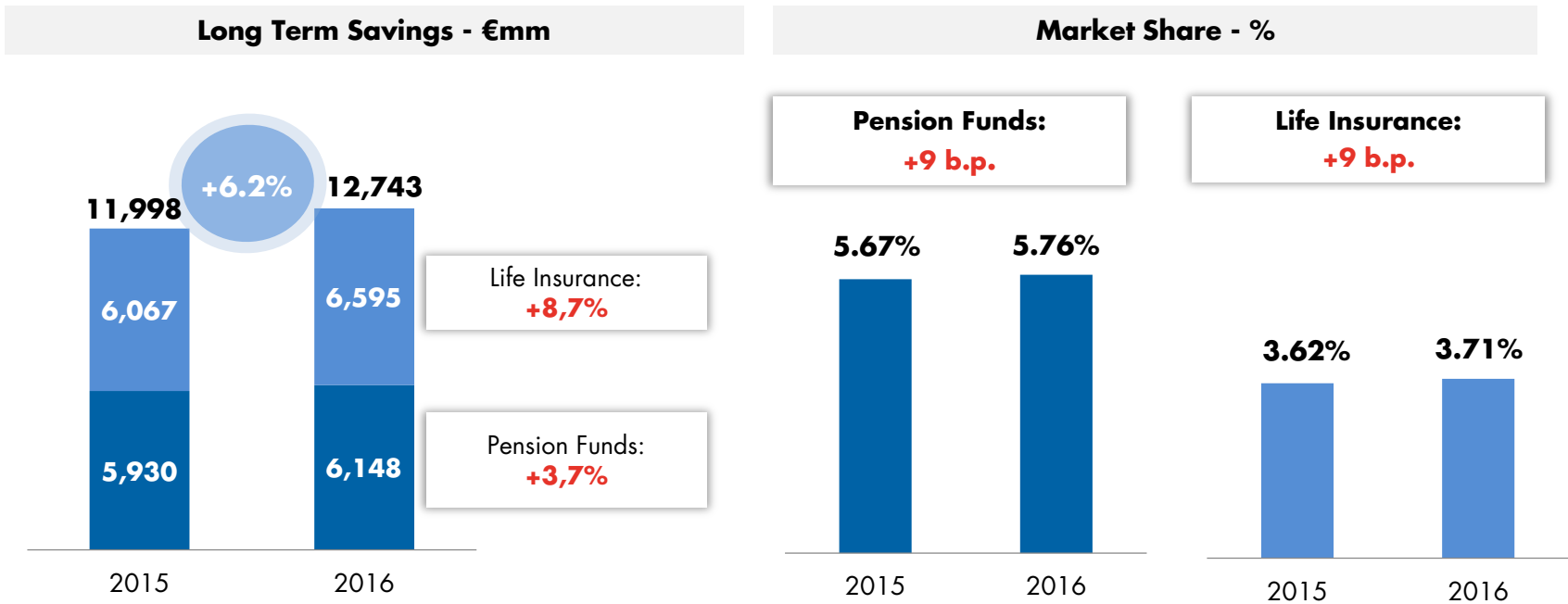
- **Assets under management rise 17.6%** since dec-2015.
- Net new money amounts to €1,656mm in 2016, achieving a **≈12% market share in new entries in Spain.**



# LONG TERM SAVINGS: LIFE INSURANCE AND PENSION FUNDS

Long term savings products grow **6.2% YoY** and reach **€12,743mm** of assets.

- **New market share increases:** pension funds (+9 b.p.) and life insurance products (+9 b.p.).
- **Customer contributions and transfers from 3<sup>rd</sup> parties pension plans** amount to **€161mm**, 72% more than in 2015.
- **Systematic individual savings plans** rise **32% YoY** and **life annuities 12% YoY**.

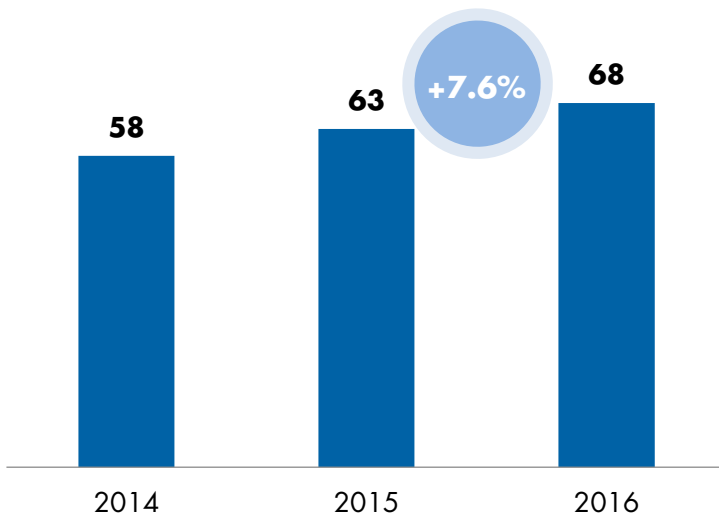


# RISK INSURANCE

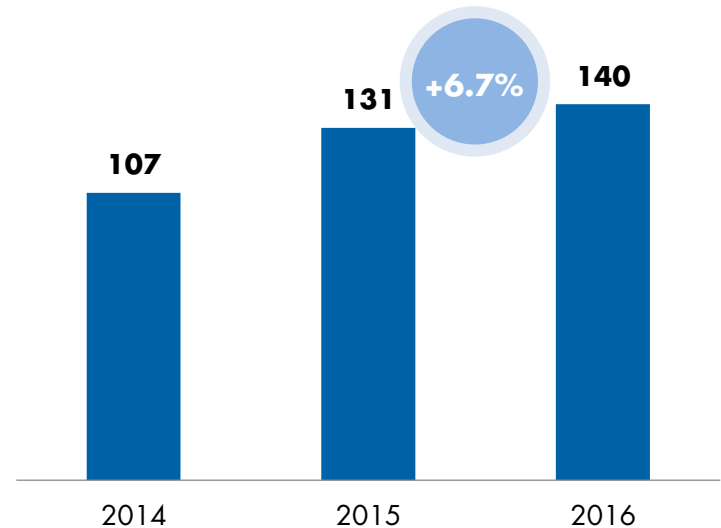
## Strong commercial focus in life risk and non-life insurance products:

- Total **policies** rise **3.1% YoY** to 1,078,000.
- The **number of risk insurance products sold per employee** increases **9.2% YoY**.

Life Risk Insurance Premiums – €mm



Non-Life Insurance Premiums<sup>1</sup> – €mm

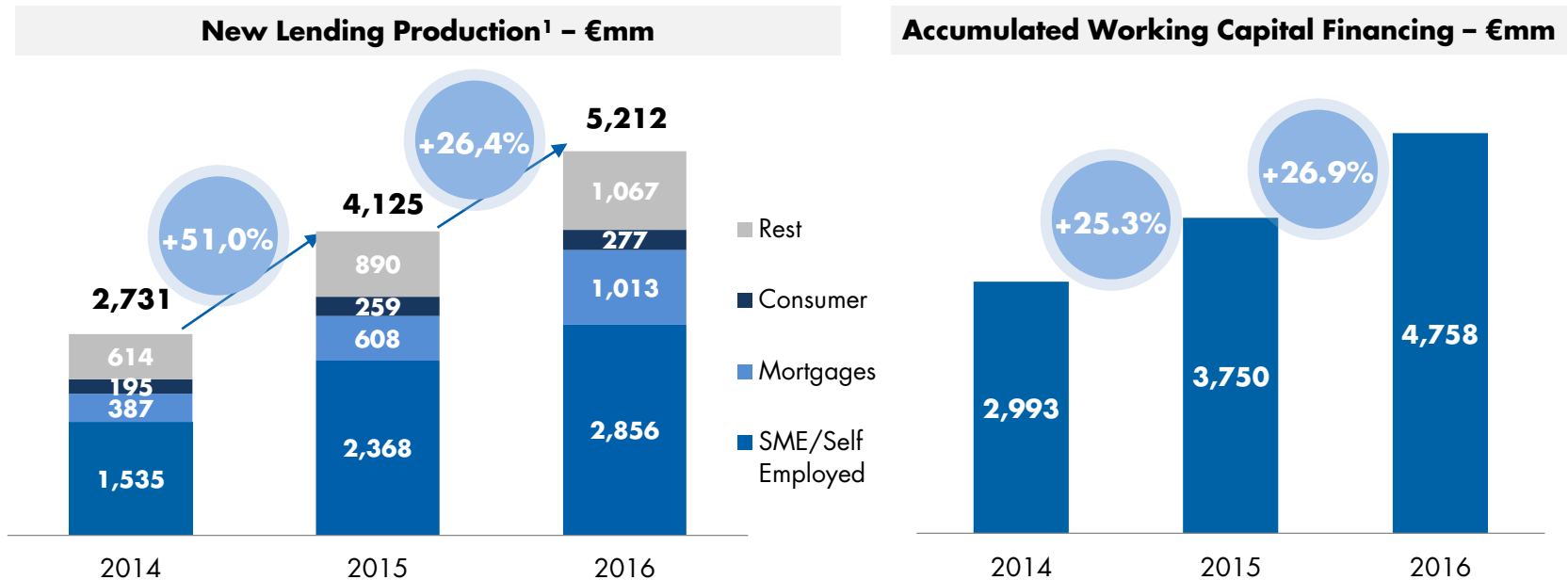


# CUSTOMER LOANS (1/2)

**New lending reaches €5,200mm, 26.4% increase YoY.**

- **New lending to SMEs and self-employed increases 20.6% YoY** to €2,856mm and represent 55% of the new production.
- **Strong progress in mortgage granting** that reaches €1,013mm, **+67% YoY**.

**Additionally, accumulated working capital financing reaches €4,758mm, +26.9% YoY.**



# CUSTOMER LOANS (2/2)

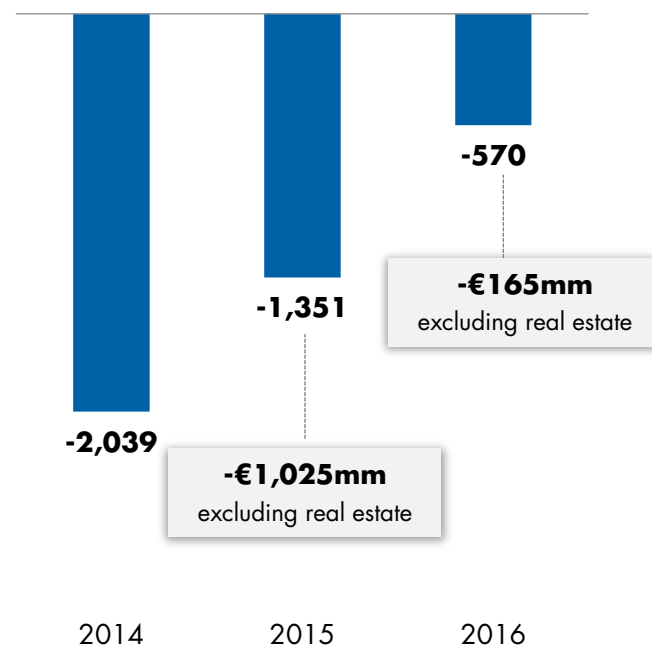
Fall in performing loans ex repo moderates to 1.8% YoY.

- **Performing loans to non-real estate companies** grow **12.1%**.
- Excluding loans to real estate companies (that fall 30.8% YoY), **performing loans decrease 0.6% (€165mm)**

Customer Loans – €mm

	2015	2016	Var.
<b>Loans to Individuals</b>	<b>22,733</b>	<b>21,931</b>	<b>-3.5%</b>
Mortgages	21,613	20,812	-3.7%
Consumer and Others	1,120	1,120	0.0%
<b>Loans to Companies</b>	<b>7,039</b>	<b>7,326</b>	<b>4.1%</b>
Real Estate Companies	1,319	913	-30.8%
Non-Real Estate Companies	5,721	6,413	12.1%
<b>Public Sector and Others</b>	<b>1,049</b>	<b>994</b>	<b>-5.3%</b>
Repo	544	985	81.2%
<b>Performing Loans</b>	<b>31,365</b>	<b>31,236</b>	<b>-0.4%</b>
Doubtful Loans	3,085	3,061	-0.8%
<b>Total Gross Loans</b>	<b>34,449</b>	<b>34,297</b>	<b>-0.4%</b>

Stock of Performing Loans Evolution – €mm

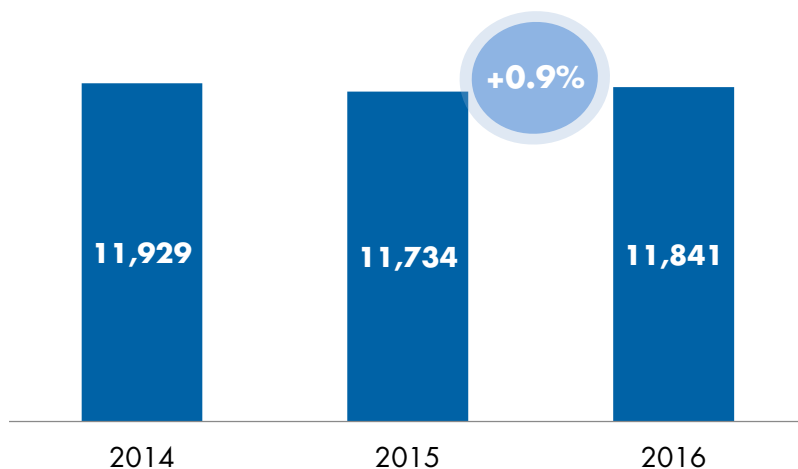


# MAIN REGIONAL MARKETS (1/2)

**Ibercaja has continued strengthening its positioning in Madrid and Mediterranean Basin in 2016:**

- Over the last 12 months **Ibercaja has launched specific strategic plans in Madrid, Cataluña and Comunidad Valenciana** in order to reinforce its positioning in these markets.
- **Performing loans excluding real estate companies in Madrid and Mediterranean Basin are already growing, at 0.9% YoY.** These two regions represent 48% of new lending.
- **Madrid and Mediterranean Basin amount to 75% of growth achieved in lending to non real estate companies** since 2014.

Performing Loans ex Real Estate in Madrid and Mediterranean Basin- €mm



PLAN+  
LEVANTE

PLAN+  
MADRID

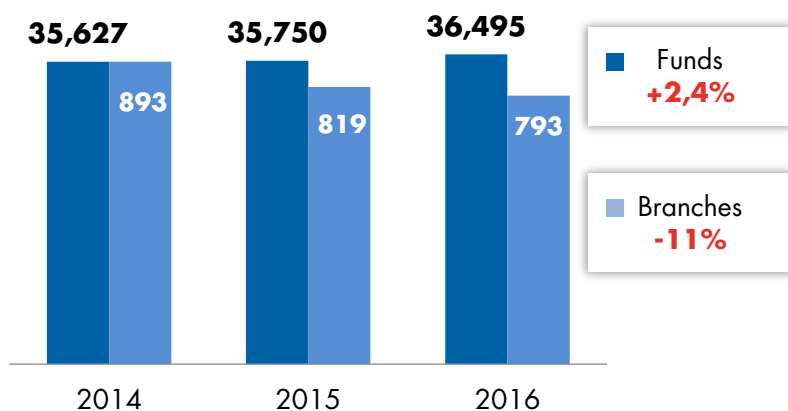
PLAN+  
CATALUNYA

# MAIN REGIONAL MARKETS (2/2)

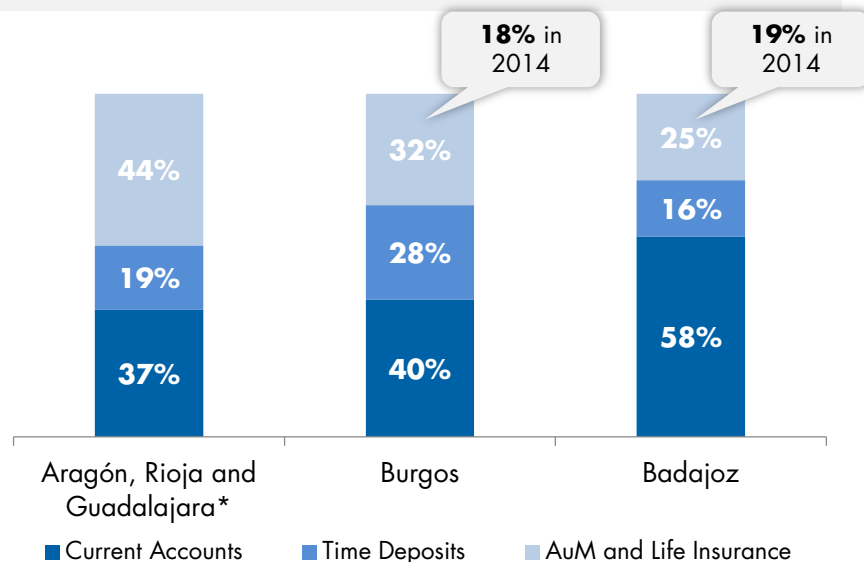
## Ibercaja reinforces its leadership in its Home Markets:

- **Customer funds grow 2.1% YoY** and +2.4% since 2014, despite a 11% adjustment in the number of branches in the last two years.
- **Continuous improvement in customer funds mix** in those regions coming from Cajatres acquisition (Burgos and Badajoz).
- Ibercaja launches **Plan + Burgos** to strengthen its positioning in the region.

Funds and Structure Home Markets - €mm



Customer Funds Mix - 2016

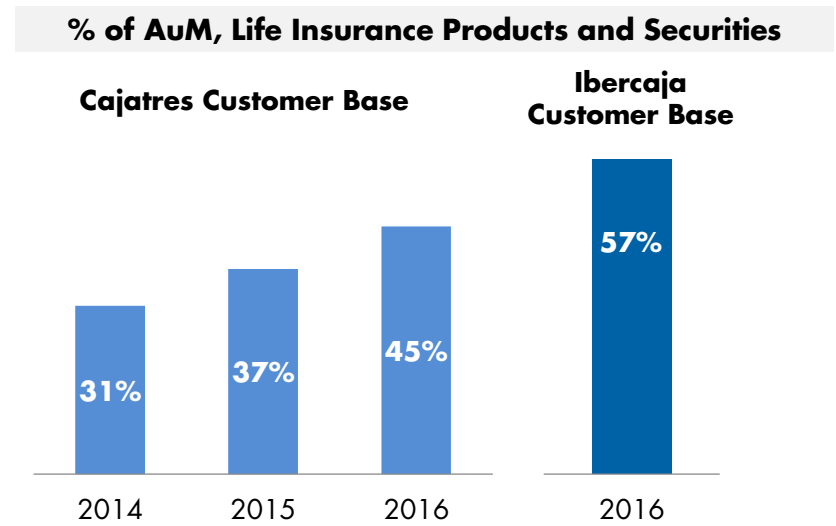
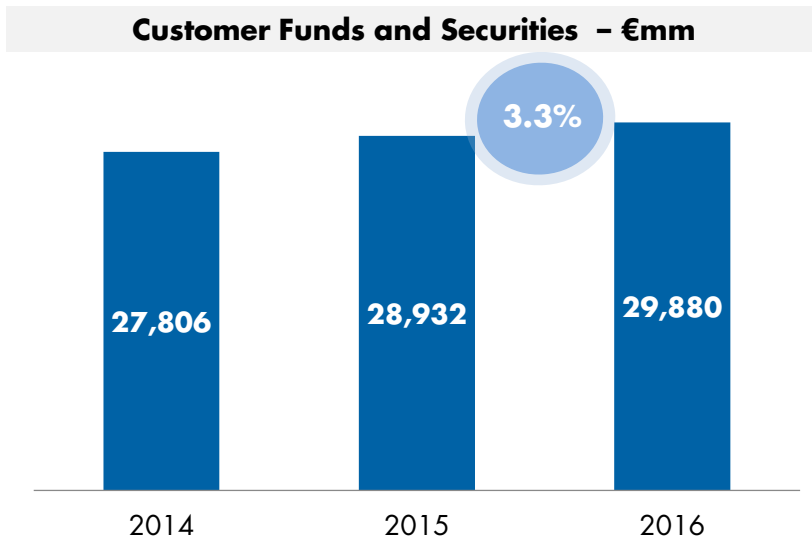


# PERSONAL BANKING PROJECT



Personal banking project is run by 430 full time specialized advisors in addition to branch managers, that offer a personalized solution to more than 171,900 customers.

- **Total customer funds and securities** rise **3.3% YoY**. to €29,880mm. AuM, life insurance products and securities represent 55% of total funds.
- **Strong progress implementing personal banking model in Cajatres customer base:** the % of AuM, life insurance products and securities already stands at 45%.

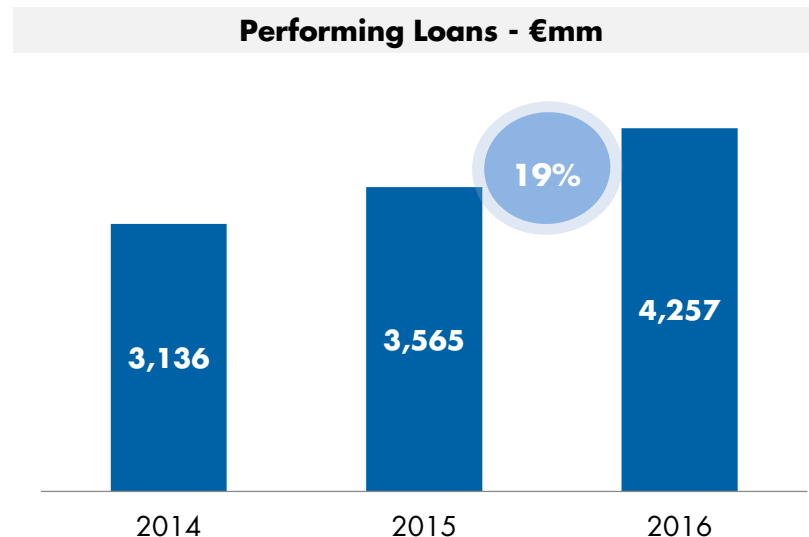




# SME PROJECT

**SME Project, which is run by 492 full time specialized employees, concentrates more than 80% of the growth in loans to non-real estate companies.**

- The **number of targeted customers** rises **21% YoY** to more than 24,600.
- **Performing loans** increases **19% YoY** to €4,257mm.
- **Special focus in working capital financing**, that grows **28.4% YoY**.
- **Risk insurance premiums** progress **17% YoY**.
- Opening of **5 business centres** in Madrid (2), Zaragoza, Barcelona and Valencia.



# 2016 RESULTS

P&L ACCOUNT · NET INTEREST INCOME · CUSTOMER SPREAD · NET FEE INCOME · RECURRING  
REVENUES · OPERATING COSTS · PROVISIONS

# P&L ACCOUNT

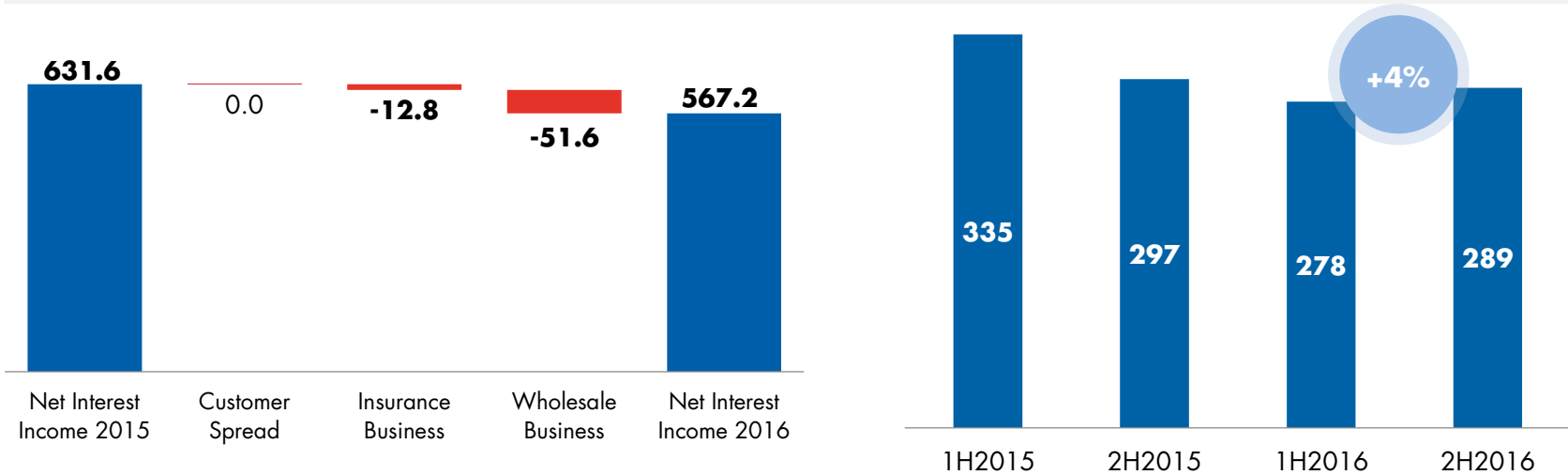
€mm	2015	2016	YoY
<b>Net Interest Income</b>	<b>631.6</b>	<b>567.2</b>	<b>-10.2%</b>
<b>Net Fee Income</b>	333.2	340.1	2.1%
<b>Trading Income</b>	86.1	169.5	97.0%
<b>Other Operating Inc. / Exp. (Net) *</b>	-10.0	53.0	n/a
<b>Gross Operating Income</b>	<b>1,040.8</b>	<b>1,129.8</b>	<b>8.5%</b>
<b>Operating Costs</b>	-656.4	-652.2	-0.6%
<b>Pre-Provision Profit</b>	<b>384.5</b>	<b>477.6</b>	<b>24.2%</b>
<b>Total Provisions</b>	-293.9	-413.1	40.6%
<b>Other Gains and Losses</b>	27.7	6.3	-77.1%
<b>Profit before Taxes</b>	<b>118.2</b>	<b>70.8</b>	<b>-40.1%</b>
<b>Taxes &amp; Minorities **</b>	-34.1	72.1	n/a
<b>Net Profit Attributable to Shareholders</b>	<b>84.1</b>	<b>142.9</b>	<b>69.9%</b>

\* Other operating results include a net gain of €69.3mm related to the sale of the real estate servicer.

\*\*Taxes & Minorities mainly includes the impact of a binding decision from the Spanish Tax Agency, regarding a tax fund originated in the absorption of Banco Grupo Caja3, with a positive impact of €118mm

# NET INTEREST INCOME

Net Interest Income Evolution – €mm

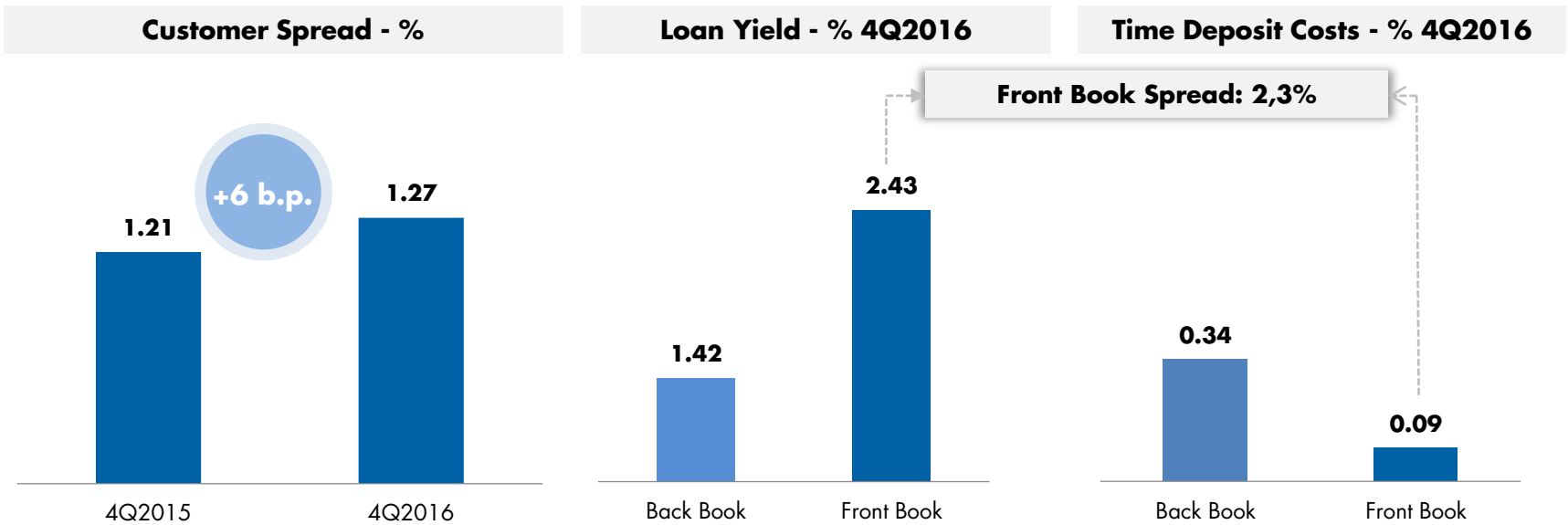


**Net interest income decreases 10.2% YoY, in line with the Company guidance provided in 1Q2016.**

- **Customer spread remains stable YoY** despite lower Euribor and deleveraging.
- **80% of the fall is explained by a lower contribution of the wholesale business** after a 27% reduction in the fixed income portfolio since 2014.

**Net interest income in second half grows 4% vs. first half of 2016**

# CUSTOMER SPREAD

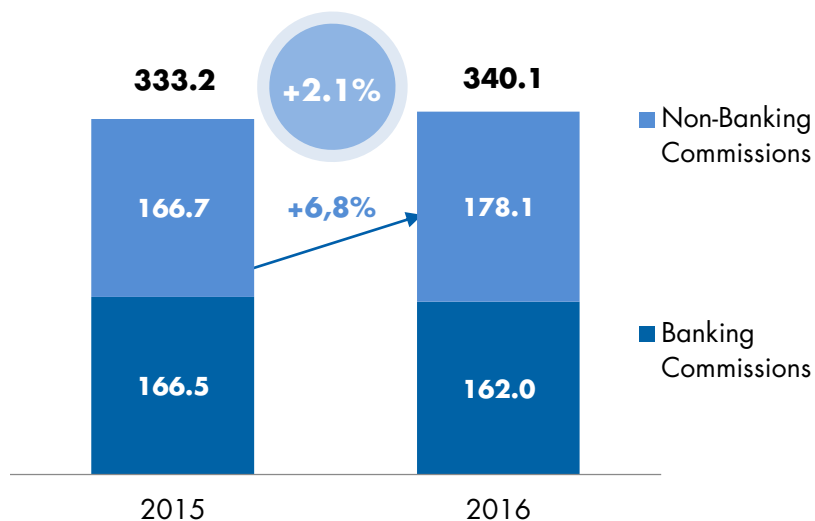


## Customer spread improves 6 p.b. YoY.

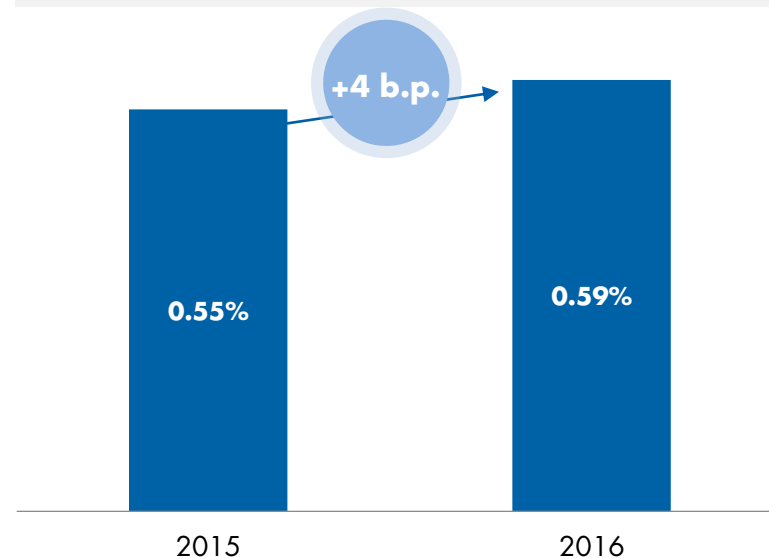
- **Loan yield falls to 1.4% due to lower Euribor.** Front book rates stand at 2.4%, significantly higher than back book.
- **Total cost of deposits** (current accounts and time deposits) **falls to 0.15%.** Higher weight of current accounts and declining cost of new time deposit (9 b.p. in 4Q) should allow for further reduction of retail funding costs in coming quarters.

# NET FEE INCOME

Net Fee Income - €mm



Net Fee Income - % ATA

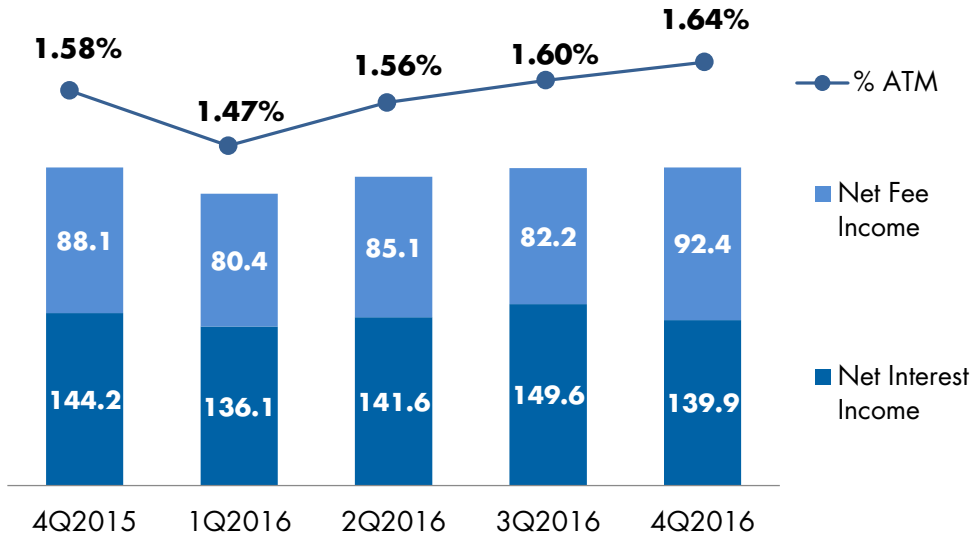


## Net fee income grows 2.1% YoY

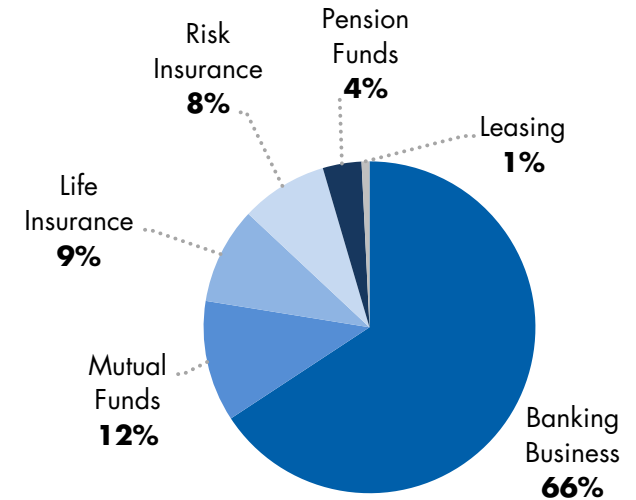
- **Non-banking commissions** (mutual funds, risk insurance and pension funds) **increase 6.8%** YoY and represent 52% of total commissions.
- **Banking commissions rise 2.2% YoY** excluding the termination of the servicer contract with SAREB<sup>1</sup>.

# RECURRING REVENUES

Recurring Revenues - €mm



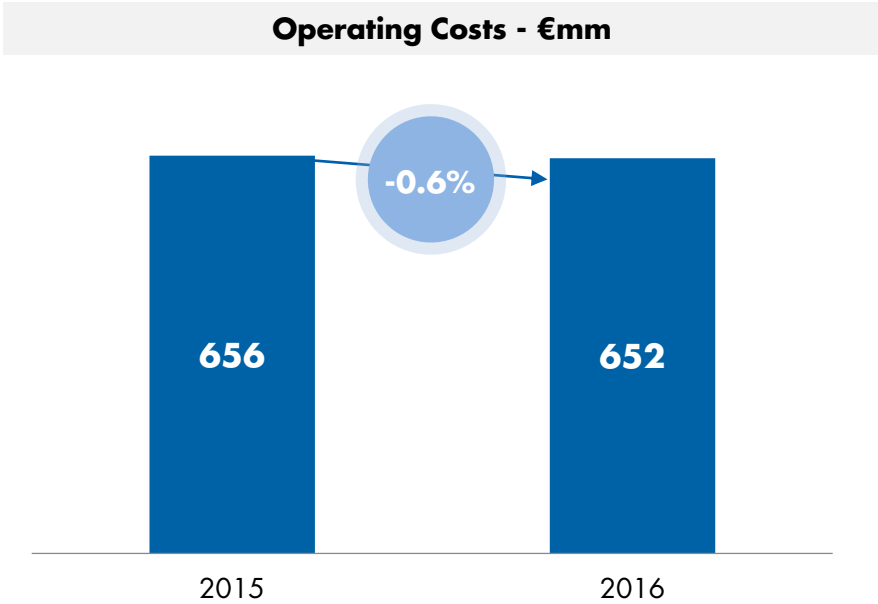
Gross Margin Breakdown<sup>1</sup> - 2016 €mm



Recurring revenues (net interest income and net fee income) grow 0.2% QoQ and 7% from the lows reached in 1Q2016.

The weight of revenues coming from AuM and insurance products increases to 34% vs. 32% in 2015.

# OPERATING COSTS



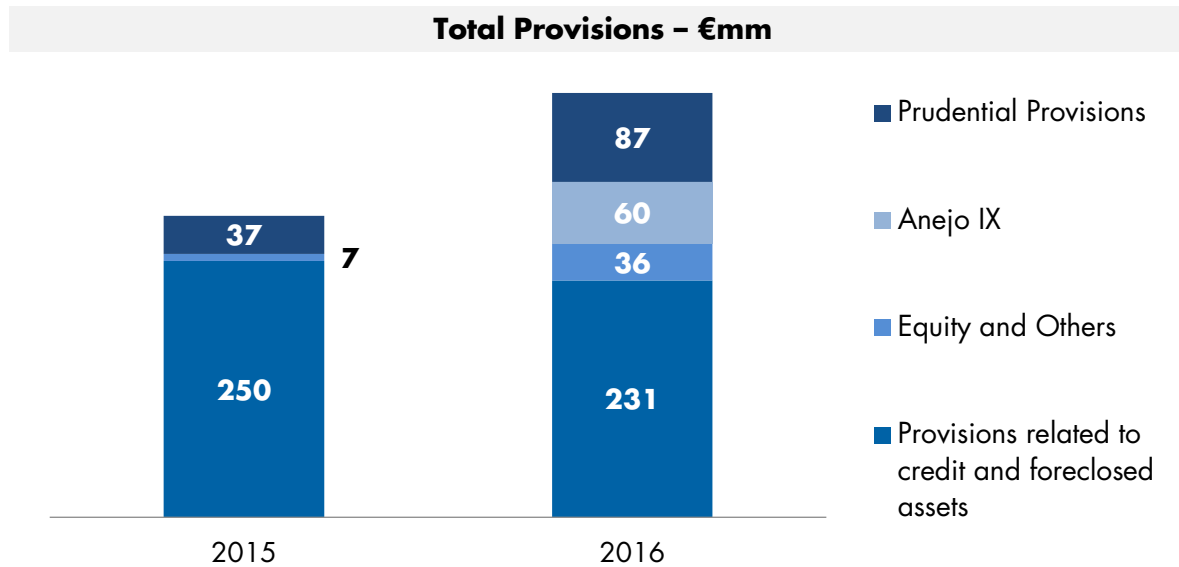
**Total operating costs decrease 0.6% YoY, in line with Company guidance.**

- **Personnel costs fall 4.7% YoY** and offset the increase in general costs related to Aktua agreement<sup>1</sup>.
- Excluding costs related to Aktua agreement, total operating costs fall 3.3% YoY.

<sup>1</sup> In February 2016, Ibercaja announced the sale of its real estate servicer subsidiary (Salduvia) to Aktua. Ibercaja also signed a long-term strategic alliance with Aktua to manage and sale these assets



# PROVISIONS



**Provisions related to credit and foreclosed assets decrease 7.6% YoY.**

- Cost of risk stands at 0.85%.

**Extraordinary results from the Aktua agreement and higher trading income vs. 2015 dedicated to cover provisions related to new accounting regulation (Anejo IX, €60mm) and to build prudential provisions (€87mm).**

# ASSET QUALITY, LIQUIDITY AND SOLVENCY

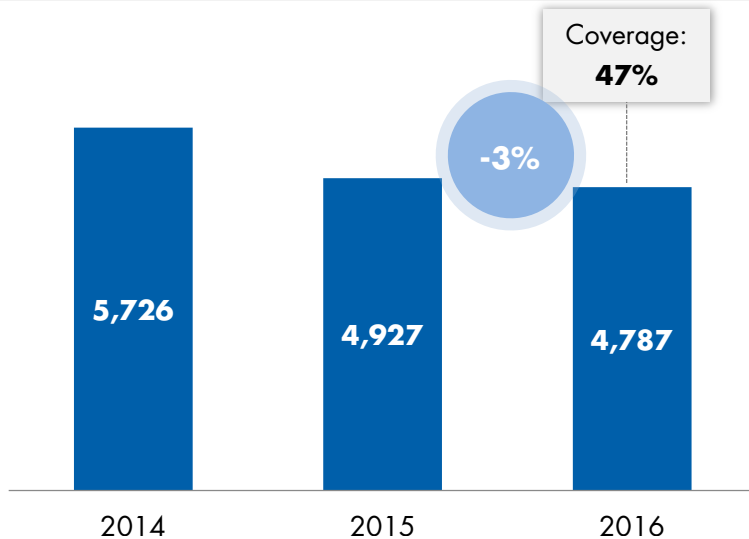
# ASSET QUALITY (1/3)

**Stock of problematic assets (doubtful loans and foreclosed assets) decreases 3% YoY or €140mm.** Since 2014, these assets have fallen by 16%.

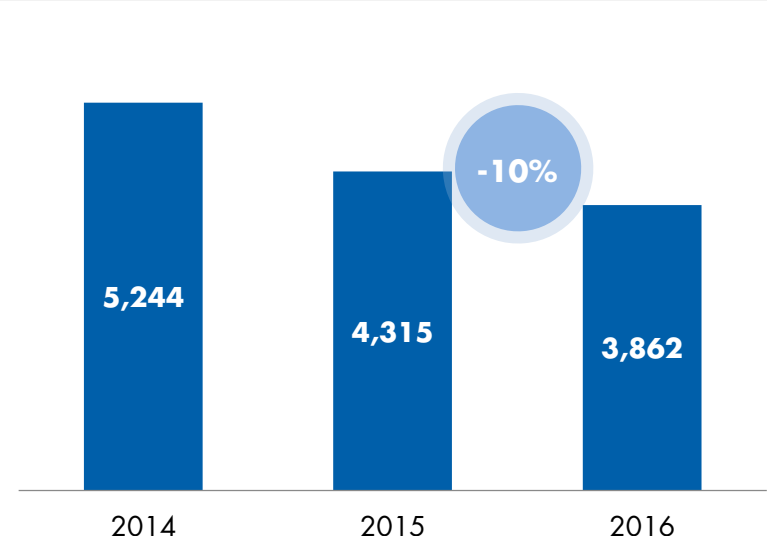
**Coverage of problematic assets stands at 47%.**

**Gross exposure to the real estate sector, which includes all the loans to the sector and foreclosed assets, falls 10% YoY or €453mm.** Since 2014, this exposure has been reduced by 26%.

**Stock of Problematic Assets –€mm gross**



**Gross Exposure to Real Estate Assets – €mm**

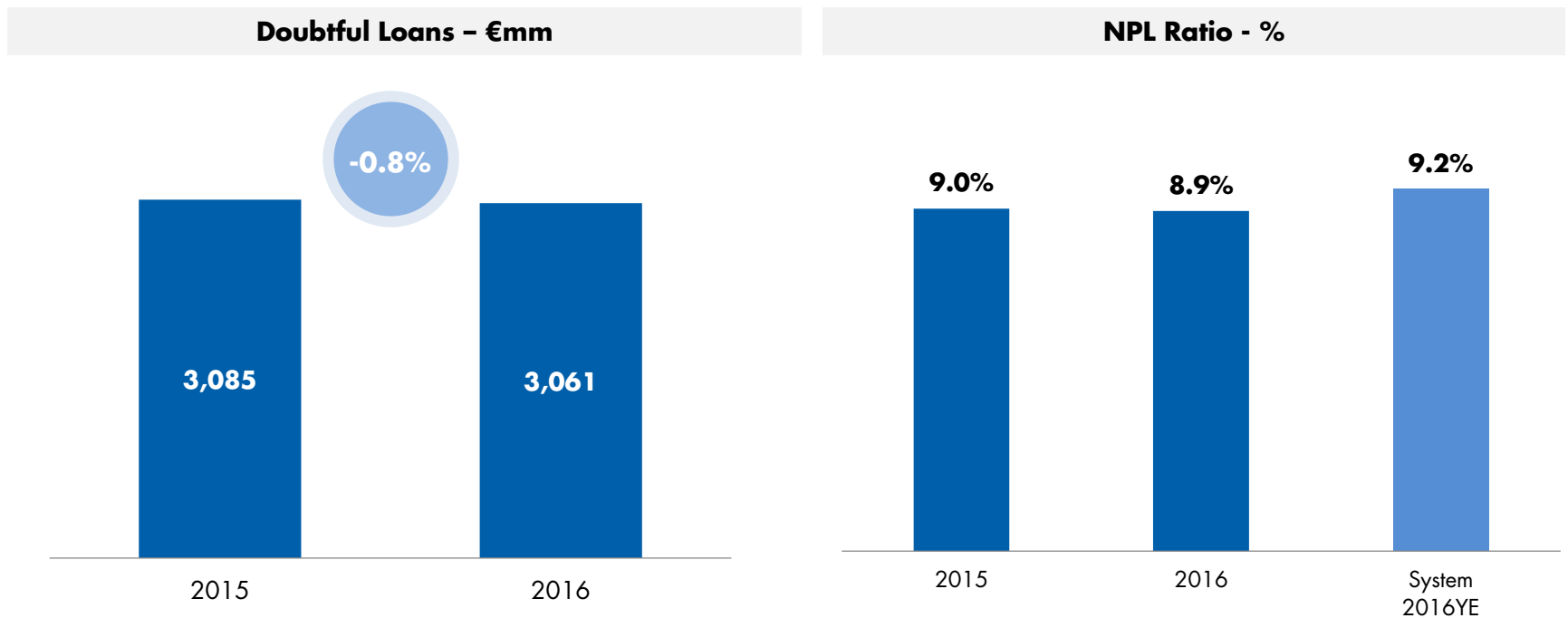


# ASSET QUALITY (2/3)

**Doubtful loans fall 0.8% YoY and NPL ratio decreases to 8.9%.**

- The NPL ratio stands 25 b.p. below the system average.

**Doubtful loans coverage ratio is 45%.**



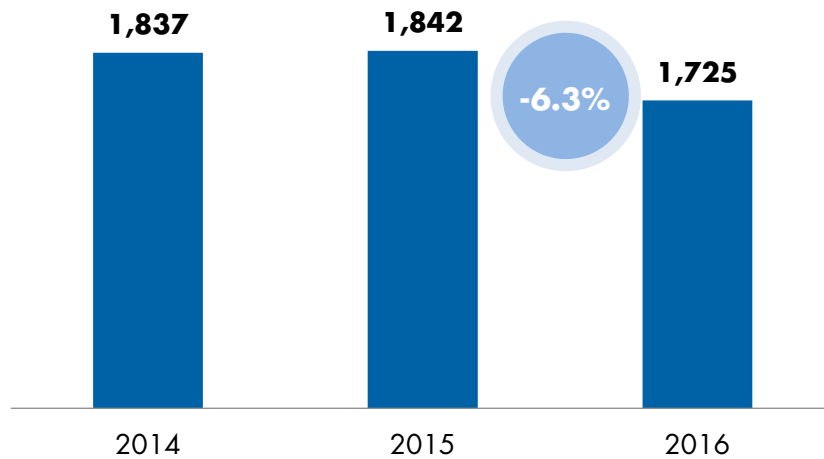
# ASSET QUALITY (3/3)

**Stock of foreclosed assets falls 6.3% YoY** thanks to a significant reduction in new entries (-33.0% YoY) and the increase in sales (+12.1% YoY).

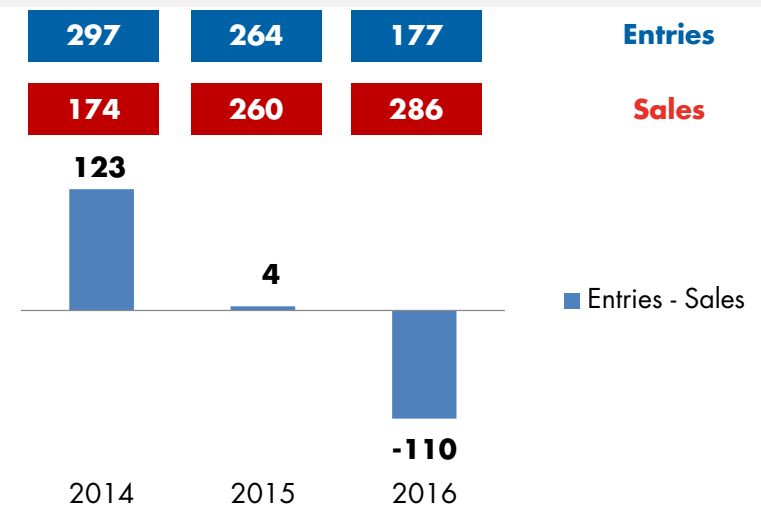
**Coverage ratio stands at 52%.**

- Coverage levels allow for a **€13mm positive results in assets sales.**
- **The company has sold 69,5Mn€ of land** in 2016

Foreclosed Assets – Gross Book Value €mm



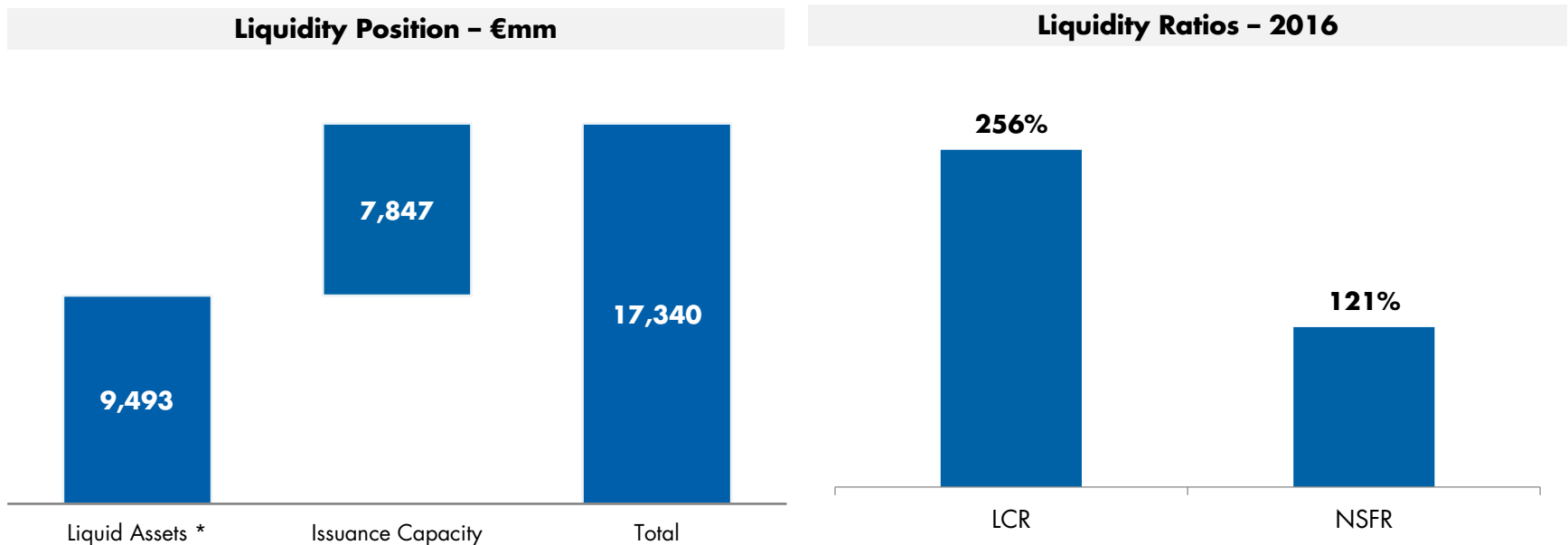
Entries and Sales – €mm



# LIQUIDITY AND SOLVENCY (1/5)

## Sound Liquidity Position:

- **Available liquid assets stand at €9,493mm** (17% of assets).
- Regulatory liquidity ratios (LCR and NSFR) comfortably above minimum requirements.

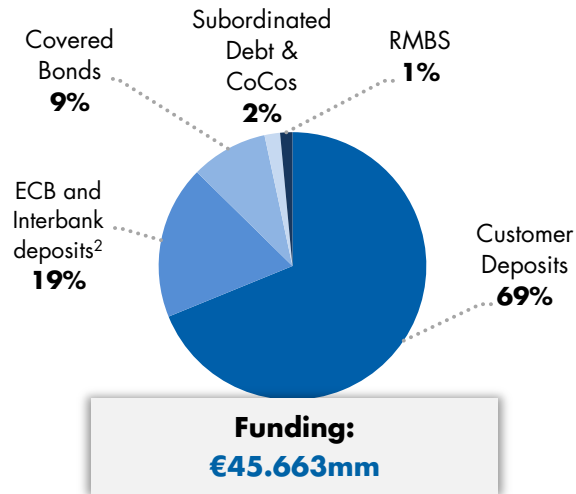


# LIQUIDITY AND SOLVENCY (2/5)

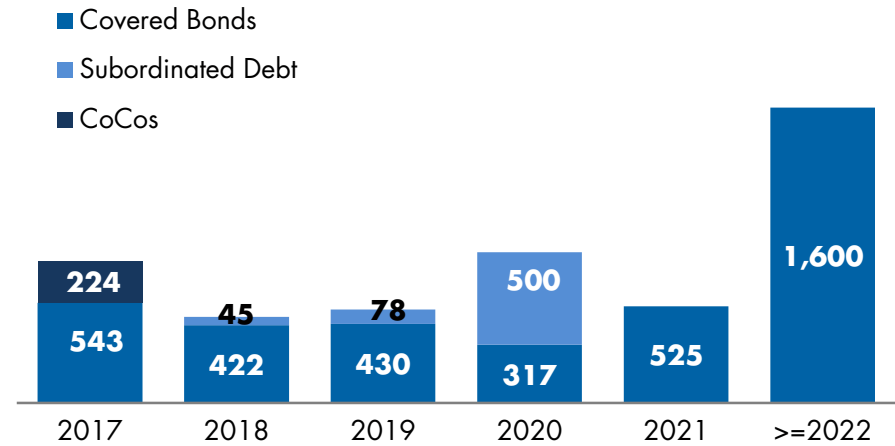
## Well diversified funding structure :

- **Loan to deposits** ratio reaches **97,8%**<sup>1</sup>.
- **Customer deposits** represent **69% of total funding**.
- ECB: 3,372Mn€ (5.8% of total assets), 100% TLTRO II.
- **No significant concentration** in institutional funding **maturities** (below 1.5% of assets every year).

**Funding Structure - 2016**



**Maturity Profile - €mm**



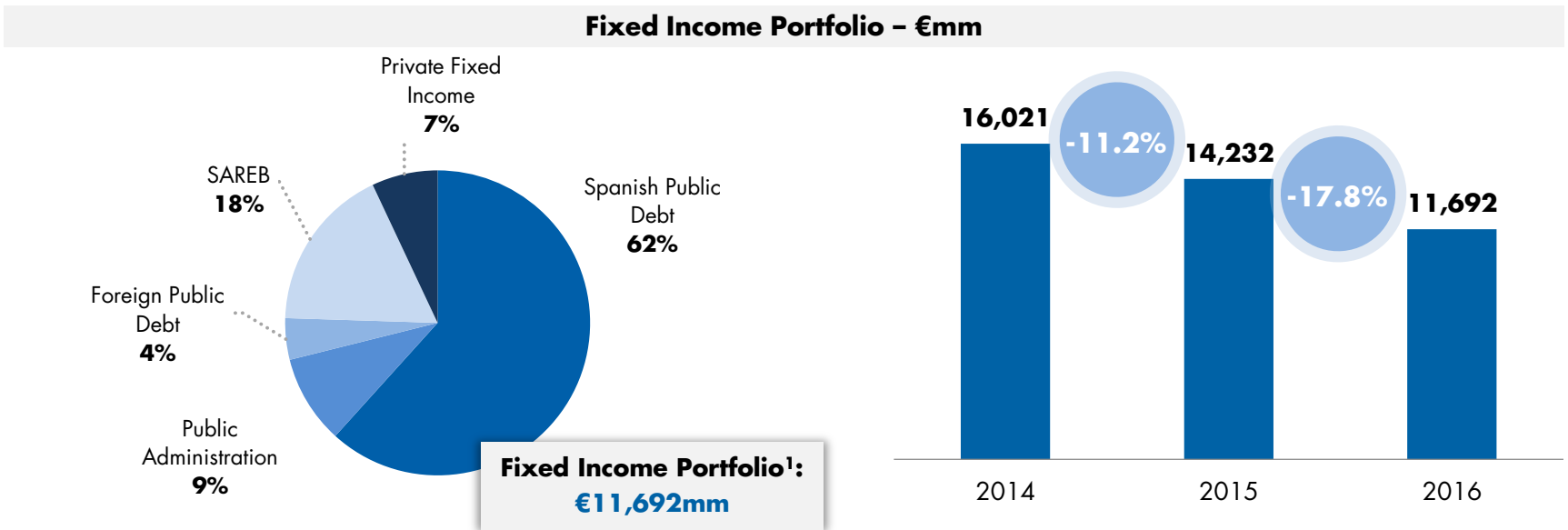
<sup>1</sup>Net Loans ex. securitised loans / Customer deposits ex. repos + Securities distributed through the branch network.

<sup>2</sup>Includes long term financing from institutional banks such as ICO and EIB

# LIQUIDITY AND SOLVENCY (3/5)

Ibercaja has reduced its fixed income portfolio by €2,540mm in 2016 (-€4,329mm since 2014). The portfolio has a low risk profile, mainly composed of Spanish sovereign debt

- **Average duration: 3.9 years.**
- **Unrealised capital gains: €49mm.**
- **Average yield: 1.3%.**





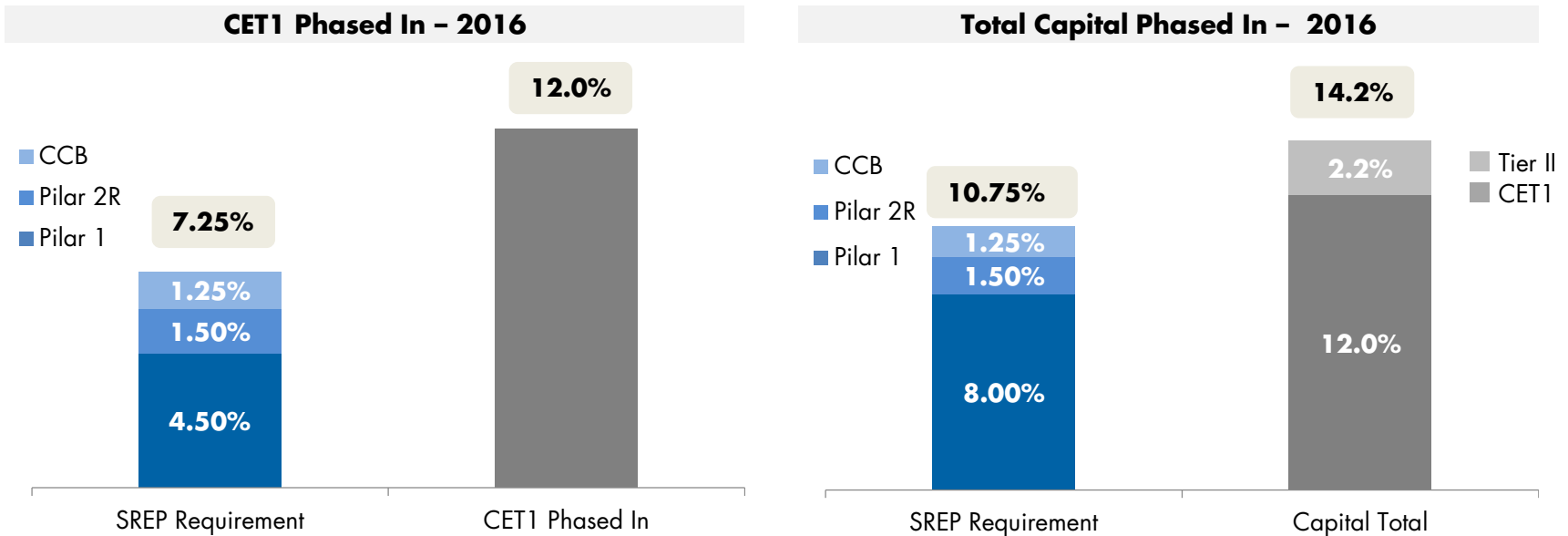
# LIQUIDITY AND SOLVENCY (4/5)

**CET1 Phased In ratio improves 5 b.p. to 12% vs. SREP requirement of 7.25%.**

**In 2016 Ibercaja has amortized €183mm of CoCos (€20mm in March and €163mm of early repayment in December) without selling strategic assets or increasing capital.**

**Total Capital ratio stands at 14.2%.**

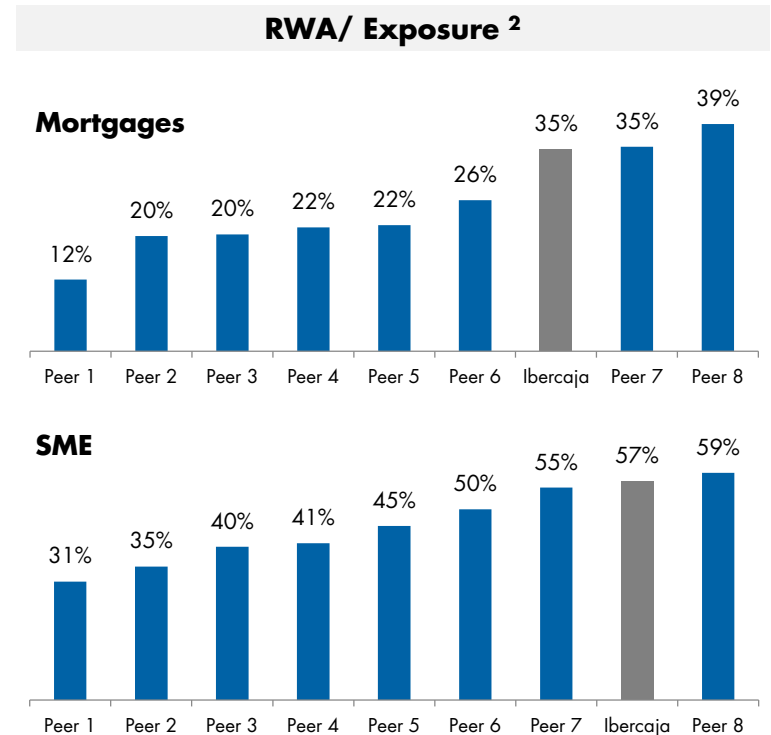
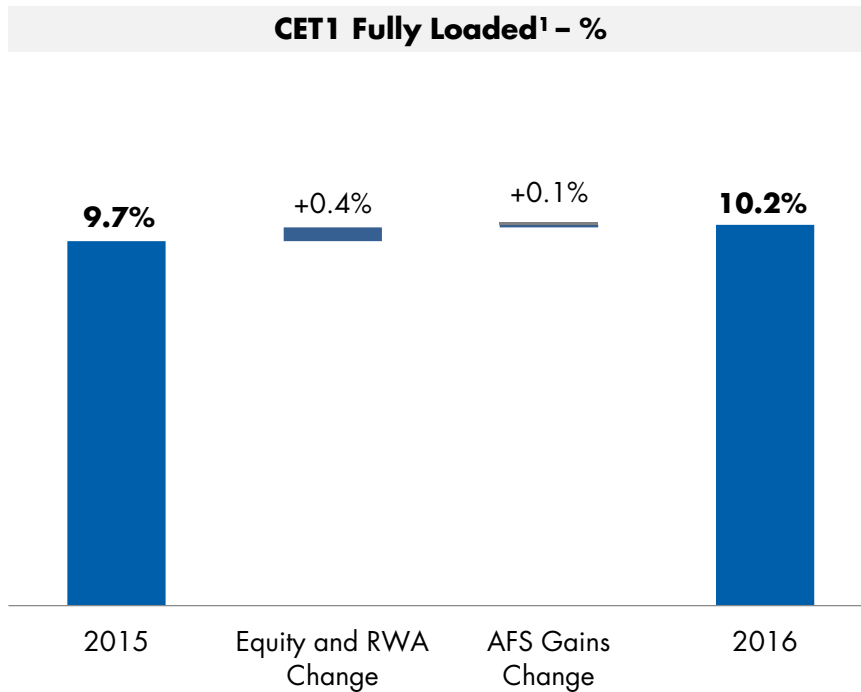
Leverage ratio reaches 5.4% (Phased In).



# LIQUIDITY AND SOLVENCY (5/5)

**CET1 Fully Loaded ratio - ex CoCos - improves 43 b.p. in 2016 to 10.2%.**

- Equity increase and RWA reduction represent 37 b.p. of the improvement.
- RWA / TA stands at 40.4%, based on standard methodology calculation.



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

<sup>2</sup> EBA transparency exercise 2016, Spanish listed banks.

# 2017 GUIDANCE

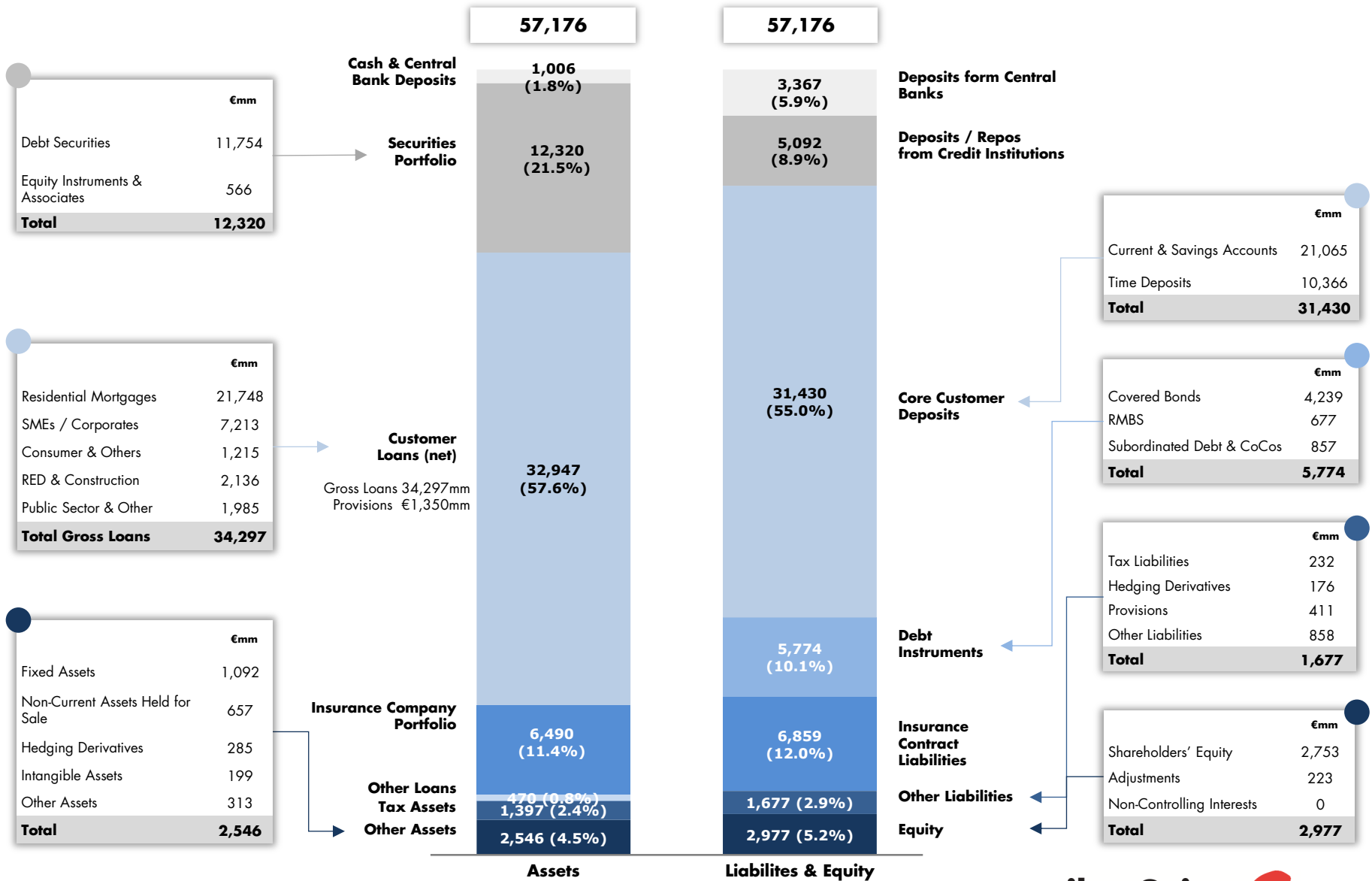
# 2017 GUIDANCE

<b>Recurring Revenues (Net Interest Income + Net Fee Income)</b>	<b>Recurring Operating Costs</b>	<b>Cost of Risk</b>
<b>&gt;0% YoY (-6% in 2016)</b>	<b>≈0% YoY</b>	<b>&lt; 50 b.p.</b>
<b>Turning point in revenues in 2017</b>  <b>Stabilization of performing loans, lower deposits costs and further AuM will allow for an increase in revenues</b>	<b>Continuous effort in cost reduction</b>	<b>Cost of Risk below the Strategic Plan target</b>  <b>After a strong provisioning effort in 2016, impairments will fall significantly in coming quarters</b>

# ANNEX 1

## CONSOLIDATED BALANCE SHEET

# CONSOLIDATED BALANCE SHEET





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