

# 9M2018 RESULTS

November 6<sup>th</sup>, 2018

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# TABLE OF CONTENTS

<b>MAIN HIGHLIGHTS</b>	<b>4</b>
<b>COMMERCIAL ACTIVITY</b>	<b>7</b>
<b>9M2018 RESULTS</b>	<b>14</b>
<b>ASSET QUALITY, LIQUIDITY AND SOLVENCY</b>	<b>22</b>
<b>ANNEX 1. Consolidated Balance Sheet</b>	<b>29</b>
<b>ANNEX 2. Glossary</b>	<b>31</b>

# MAIN HIGHLIGHTS

COMMERCIAL ACTIVITY · RESULTS · ASSET QUALITY · SOLVENCY

# MAIN HIGHLIGHTS

## COMMERCIAL ACTIVITY

- » **Customer funds** rise **2.4% YoY** or €1,308mm.
- » **Asset management and life insurance products** grow **5.3% YoY** or €1,298mm.
- » **New lending** increases **4.2% YoY**. **Excluding public sector loans**, performing loans moderate its decrease to just **-0.3% YoY**. The stock of **loans to companies** increases **6.7% YoY**.
- » **Risk insurance premiums** rise **6.4% YoY**.

## RESULTS

- » **Recurring revenues** – net interest income + net fee income – increase **1.8% YoY**.
- » **Recurring costs** decrease **4.4% YoY**.
- » **Recurring profit before provisions** rise **15.8% YoY**.
- » **Cost of risk** stands at **46 b.p.** in line with the 2018 target of  $\approx 50$  b.p.
- » **Profit before taxes** increases **3.0% YoY** and reaches €115.8mm. Ibercaja Banco **net profit** stands at **€72.5mm**.

# MAIN HIGHLIGHTS

## ASSET QUALITY

- » **Gross non-performing assets** fall **10.1% YoY** or €437mm. Since December 2017, the reduction stands at 7.3% or €304.6mm
- » **The ratio of gross non-performing assets** drops **72 p.b.** YTD and reaches 11.2%.
- » **Coverage ratio of non-performing assets** stands at **52.9%** vs. 46.2% in 3Q2017. The **ratio of net non-performing assets** falls **95 b.p.** to 5.6%

## SOLVENCY

- » **CET1 fully loaded ratio** improves 9 p.b. YTD and reaches **10.6%**. Ibercaja has fulfilled its hybrid capital buckets and its **Total capital fully loaded ratio** stands at **14.5%**.
- » **CET1 phased in ratio** stands at **11.7%** (+5 b.p. YTD) and the **Total Capital ratio** reaches **15.5%**, levels which are comfortably above SREP requirements (8.125% and 11.625%, respectively).

# COMMERCIAL ACTIVITY

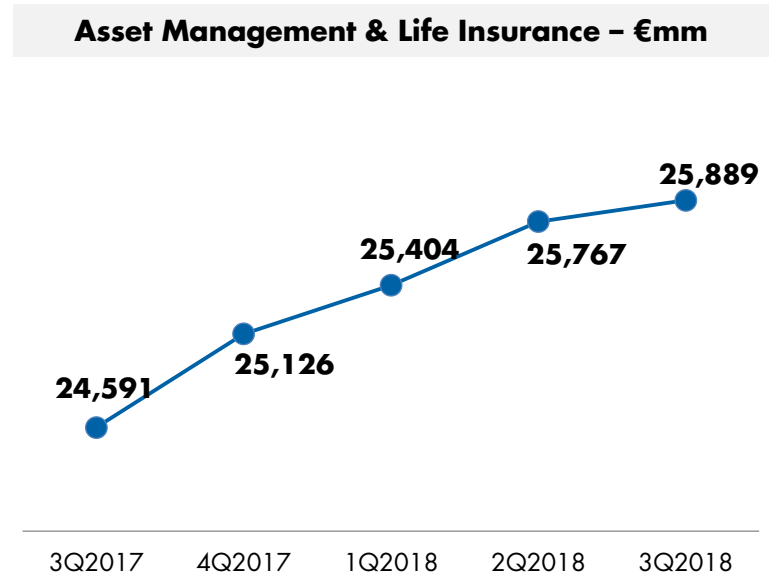
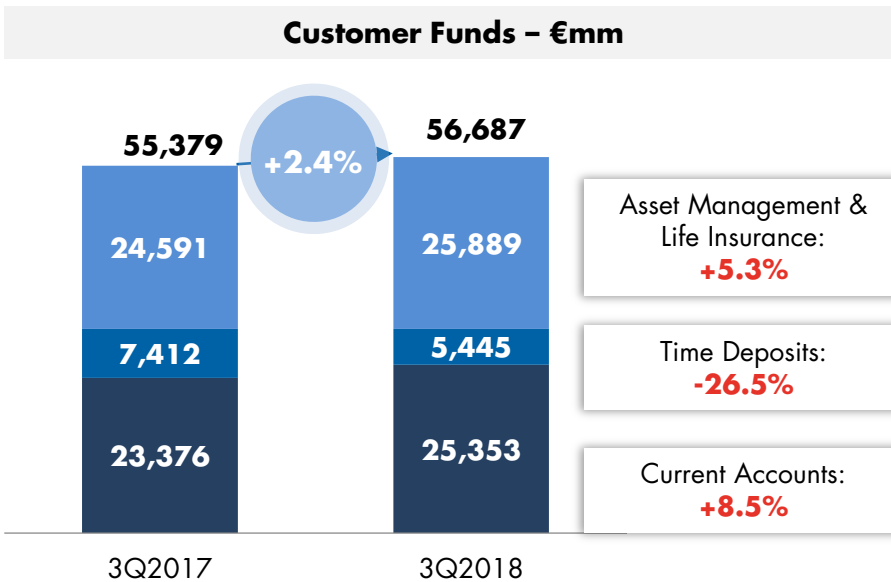
CUSTOMER FUNDS · ASSET MANAGEMENT & LIFE INSURANCE · CUSTOMER LOANS · RISK  
INSURANCE · EL BANCO DEL VAMOS

# CUSTOMER FUNDS

Customer funds rise 2.4% YoY or €1,308mm. This evolution is fully explained by the growth in asset management and life insurance products which increase 5.3% YoY or €1,298mm.

- Excluding the negative impact from market evolution (-€188mm) YTD, asset management and life insurance products grow 6.0%.

Current customer funds mix ranks among the most diversified in the sector: asset management and life insurance products represent 46% of customers funds while time deposits account for just 10% of total funds.





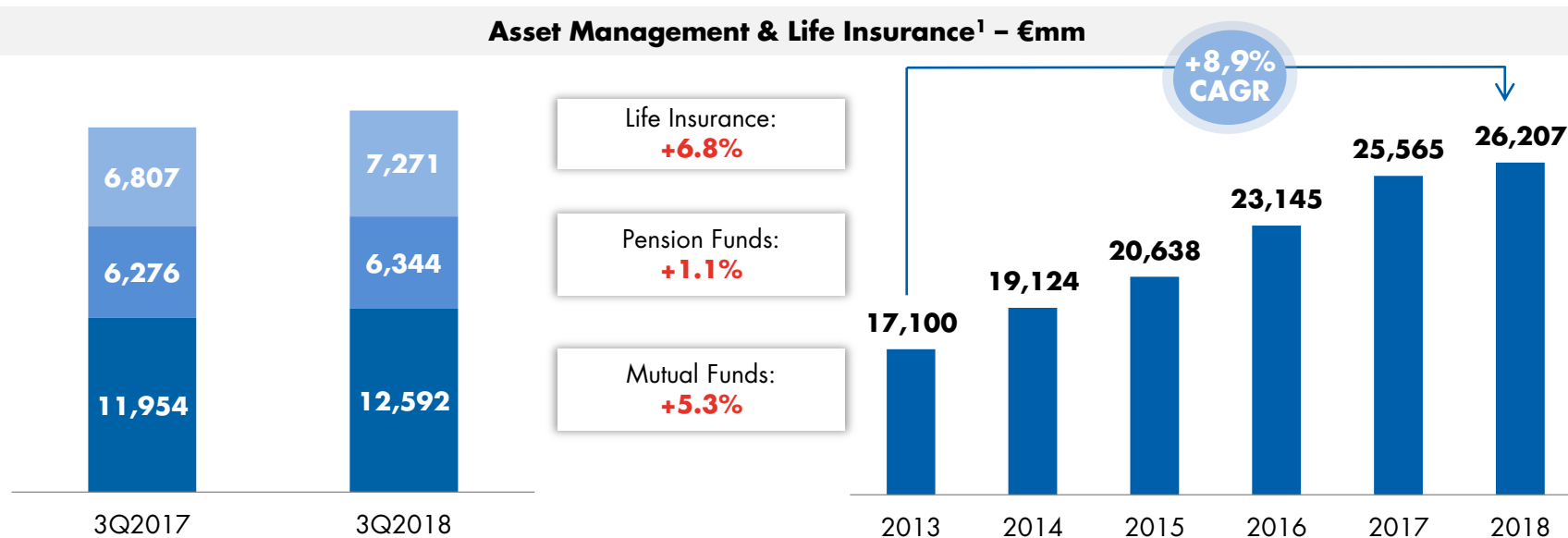
# ASSET MANAGEMENT & LIFE INSURANCE

Ibercaja maintains its strong positioning in asset management and life insurance products, with market share well in excess of its banking business position.

- **Mutual funds** rise **5.3% YoY** with a **market share** of **4.6%**
- **Life insurance products** increase **6.8% YoY** with a **market share** of **3.9%**
- **Pension funds** grow **1.1% YoY** with a **market share** of **5.7%**

Ibercaja has achieved in these business a **CAGR** of close to **9%** over the last 5 years.

Asset Management & Life Insurance<sup>1</sup> – €mm



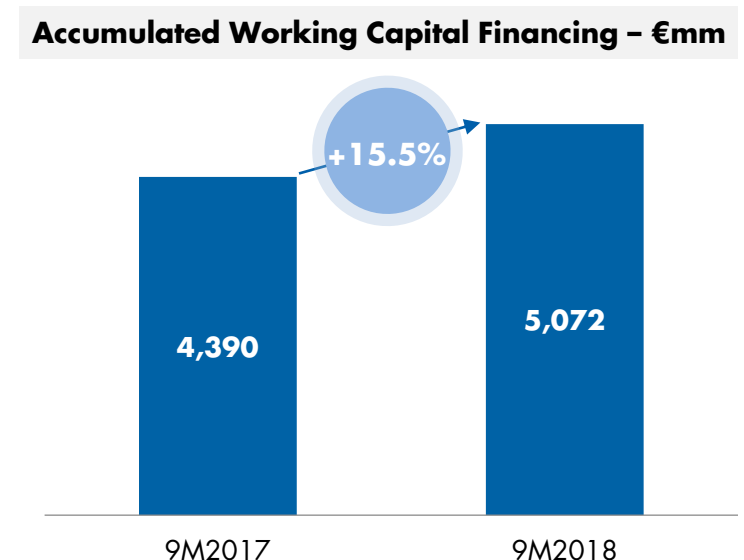
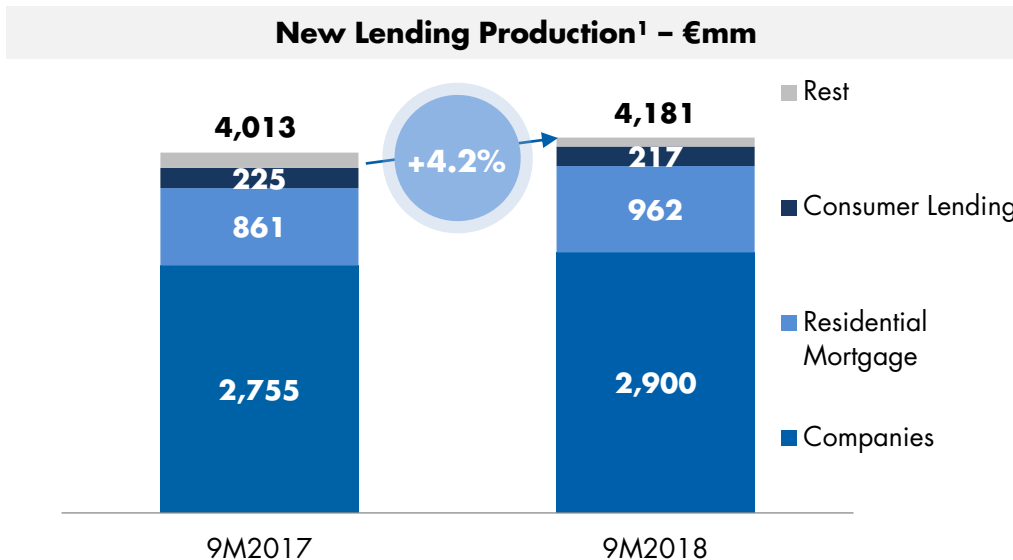
# CUSTOMER LOANS (1/2)

**New lending reaches €4,181mm, 4.2% more than in the same period of the previous year**

- **New lending to companies** rises **5.3% YoY** and account for 69% of new lending.
- **Mortgage granting** grows **11.7% YoY**.
- **Madrid & Mediterranean Basin** account for **48%** of new lending.

**In addition, accumulated working capital financing surpasses €5,000mm (+15.5% YoY)**

- **International trade financing** increases **18.6% YoY**.



# CUSTOMER LOANS (2/2)

## Performing loans ex repo decrease 0.6% YoY.

- **Excluding public sector loans**, performing loans decrease **0.3% YoY** and the company reaches its **target of stabilising the stock of performing loans**.
- **Loans to companies** rise **6.7% YoY**.

Lending Stock - €mm			
	3Q2017	3Q2018	YoY
<b>Loans to Individuals</b>	<b>21,789</b>	<b>21,229</b>	<b>-2.6%</b>
Mortgages	20.296	19.747	-2,7%
Consumer and Others	1.493	1.482	-0,7%
<b>Loans to Companies</b>	<b>7,203</b>	<b>7,685</b>	<b>6.7%</b>
Real Estate Companies	871	1,002	15.0%
Non-Real Estate Companies	6,332	6,683	5.5%
<b>Public Sector and Others</b>	<b>941</b>	<b>825</b>	<b>-12.3%</b>
<b>Performing Loans ex Repo</b>	<b>29,933</b>	<b>29,739</b>	<b>-0.6%</b>
Repo	952	929	-2.4%
Doubtful Loans	2,635	2,401	-8.9%
<b>Total Gross Loans</b>	<b>33,520</b>	<b>33,069</b>	<b>-1.3%</b>

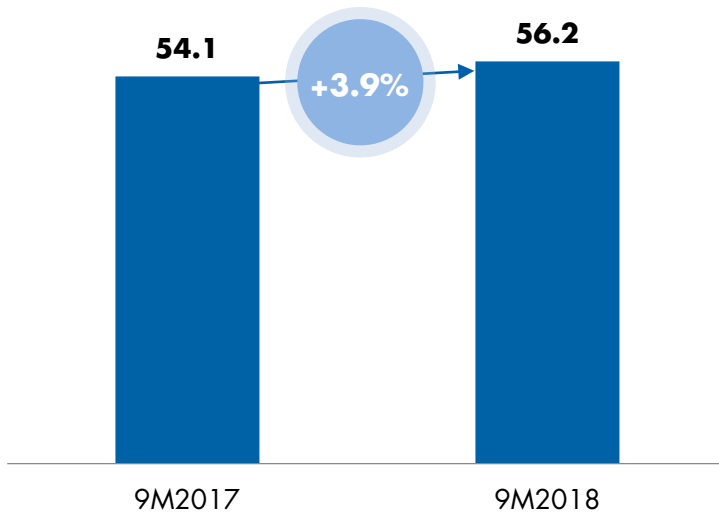
# RISK INSURANCE

Risk insurance premiums (life risk and non-life<sup>1</sup>) rise 6.4% YoY and reach €199mm.

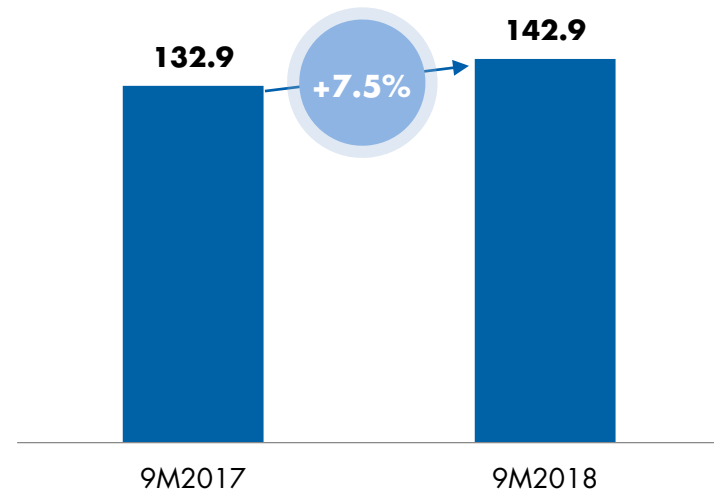
- Non-life risk premiums grow 7.5% YoY.
- Life risk premiums increase 3.9% YoY.

Thanks to its strong commercial focus in risk insurance, Ibercaja has achieved significant penetration levels: 1 out of 3 families that work with Ibercaja have signed a risk insurance product with the bank.

Life Risk Insurance Premiums – €mm



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



# EL BANCO DEL VAMOS



Ibercaja has launched a new communication and marketing strategy, “El Banco del Vamos”. This new approach is a result of the transformation that the Bank is carrying out under the 2018-2020 Strategic Plan. Ibercaja’s ambition is to be the leader bank in customer satisfaction levels in Spain.

# 9M2018 RESULTS

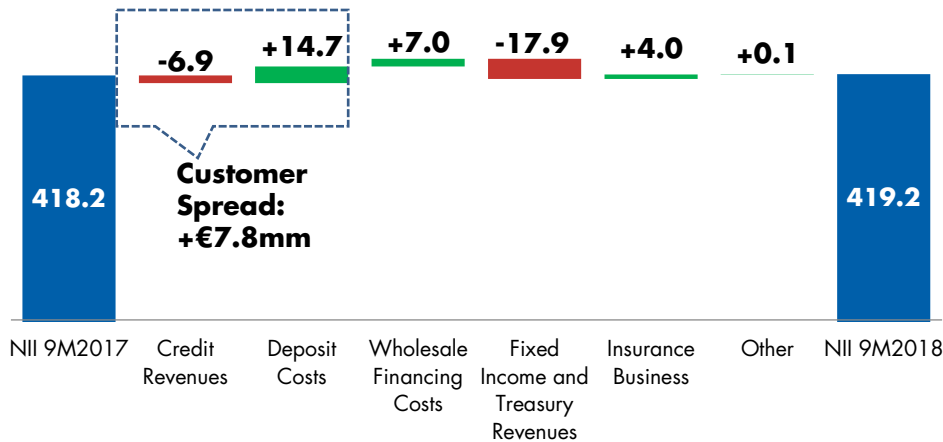
P&L ACCOUNT · NET INTEREST INCOME · NET FEE INCOME · RECURRING REVENUES ·  
OPERATING COSTS · RECURRING PROFITS BEFORE PROVISIONS · PROVISIONS

# P&L ACCOUNT

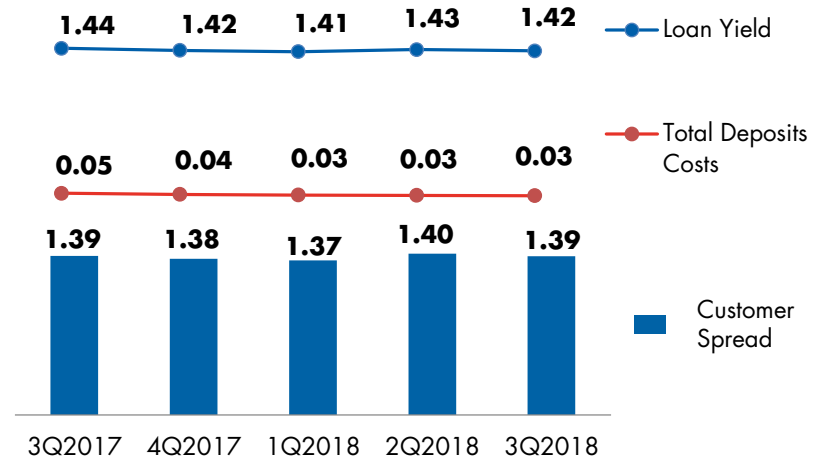
€mm	9M2017	9M2018	YoY
<b>Net Interest Income</b>	<b>418.2</b>	<b>419.2</b>	<b>0.2%</b>
<b>Net Fee Income</b>	268.6	279.8	4.2%
<b>Trading Income</b>	58.2	42.3	-27.3%
<b>Other Operating Inc. / Exp. (Net)</b>	13.9	3.1	-77.5%
<b>Gross Operating Income</b>	<b>759.0</b>	<b>744.4</b>	<b>-1.9%</b>
<b>Operating Costs</b>	-548.3	-511.2	-6.8%
of which: Recurring Costs	-476.7	-455.7	-4.4%
of which: Redundancy Plan	-71.6	-55.5	-22.5%
<b>Pre-Provision Profit</b>	<b>210.7</b>	<b>233.2</b>	<b>10.7%</b>
<b>Total Provisions</b>	-98.0	-105.3	7.4%
<b>Other Gains and Losses</b>	-0.3	-12.2	n/a
<b>Profit before Taxes</b>	<b>112.4</b>	<b>115.8</b>	<b>3.0%</b>
<b>Taxes &amp; Minorities</b>	-31.6	-43.2	36.6%
<b>Net Profit Attributable to Shareholders</b>	<b>80.7</b>	<b>72.5</b>	<b>-10.1%</b>

# NET INTEREST INCOME

Net Interest Income Breakdown - €mm



Customer Spread - %



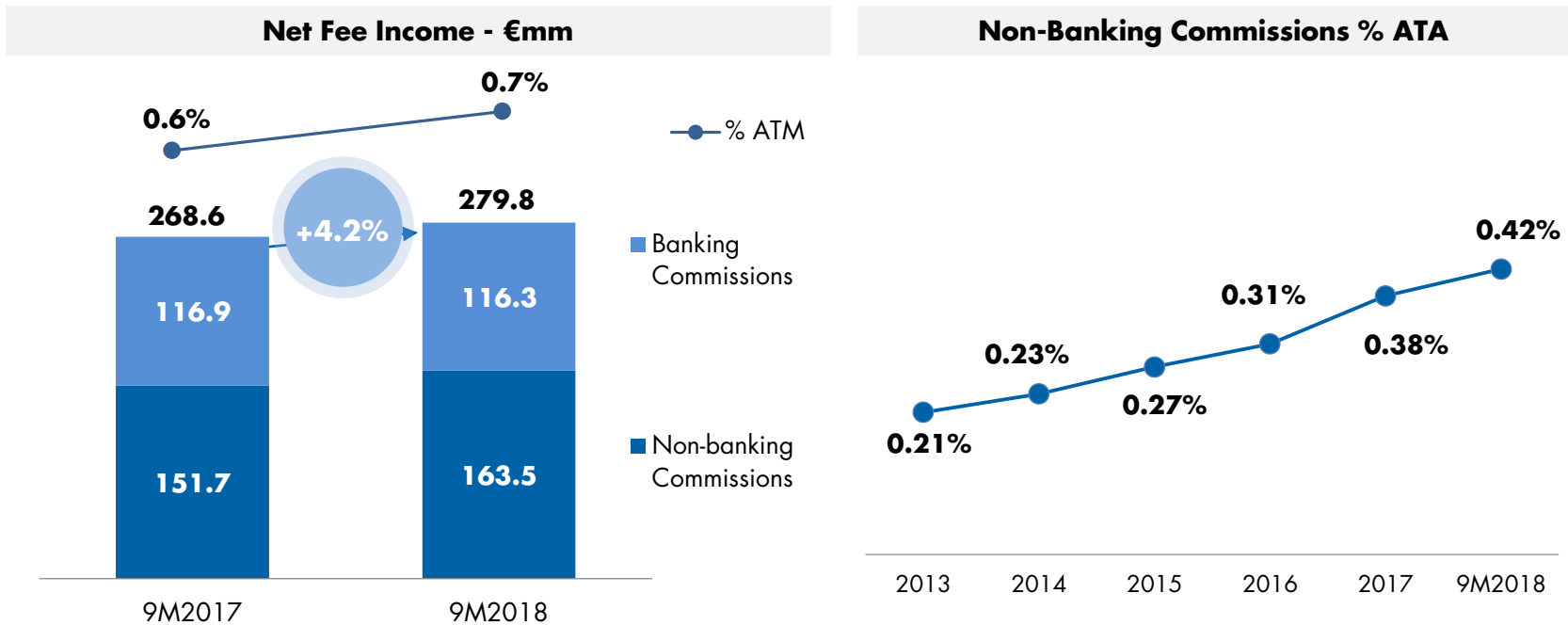
**Net interest income grows 0.2% YoY. Net interest income as % of ATA improves 7 b.p. and reaches 1.1%.**

- **Customer spread** grows **2.5% or €7.8mm**.
- **Fixed income portfolio revenues** decrease **17%**. This portfolio accounts for just **12% of the financial revenues** YTD.

**Customer spread remains stable at 1.4%.**



# NET FEE INCOME



## Net fee income rises 4.1% YoY.

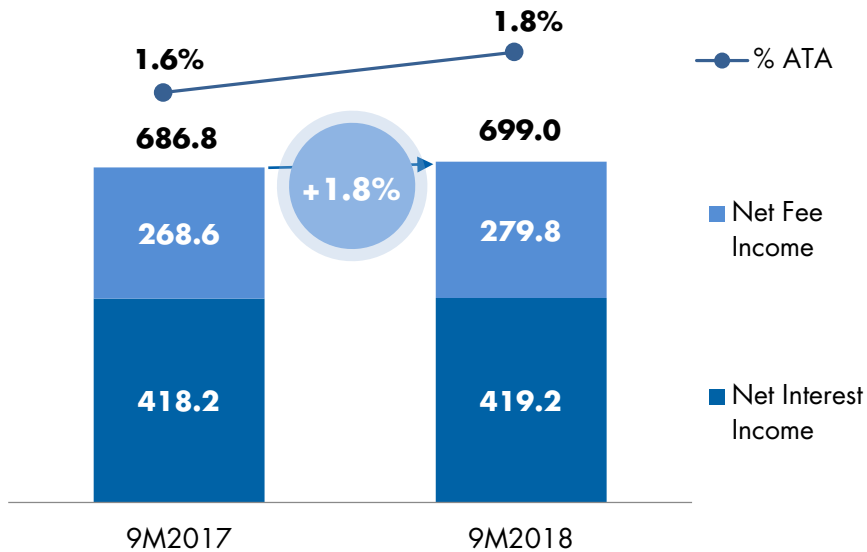
- **Non-banking commissions\*** (mutual funds, risk insurance and pension funds) grow **7.7% YoY**.
- **Banking commissions** fall **0.5% YoY**.

## As % of ATA, net fee income improves 7 b.p. and reaches 0.7%.

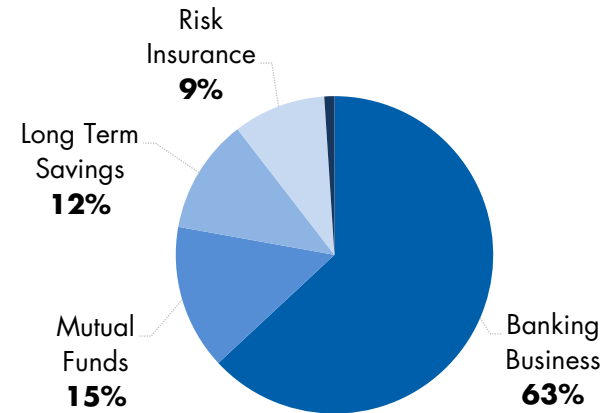
- **Non-banking commissions as % ATA** exceed **0.4%**, a historical level for the bank.

# RECURRING REVENUES

Recurring Revenues - €mm



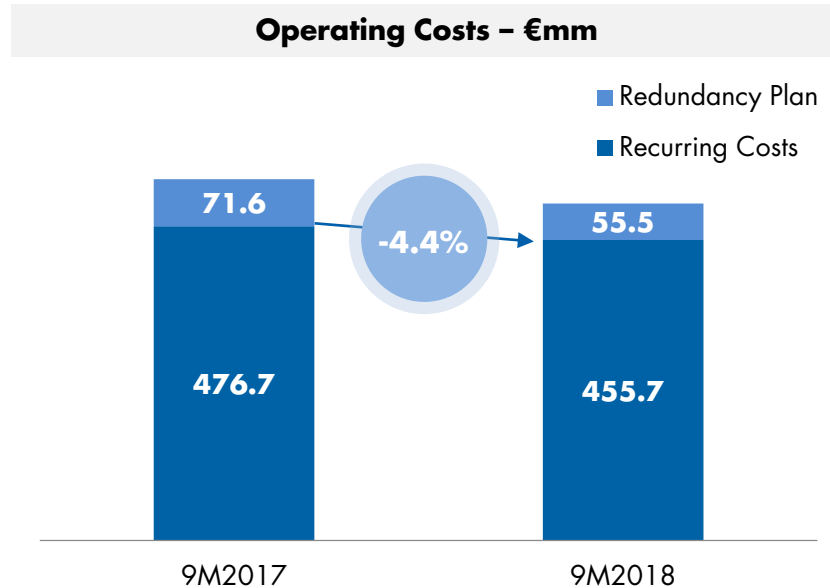
Recurring Revenues Breakdown - % 9M2018



**Revenue diversification based on asset gathering and bancassurance products allows Ibercaja to continue increasing its recurring revenues, a trend initiated in 2017.**

- **Recurring revenues** grow **1.8% YoY** and the yield over ATA improves 14 b.p. to 1.8%. **Recurring revenues represent 94% of the gross margin.**
- **Revenues from asset management and bancassurance** grow **6.5% YoY** and account for 36% of recurring revenues.

# OPERATING COSTS



**Total operating costs, which includes the extraordinary costs related the 2017-2018 redundancy plan, decrease 6.8% YoY.**

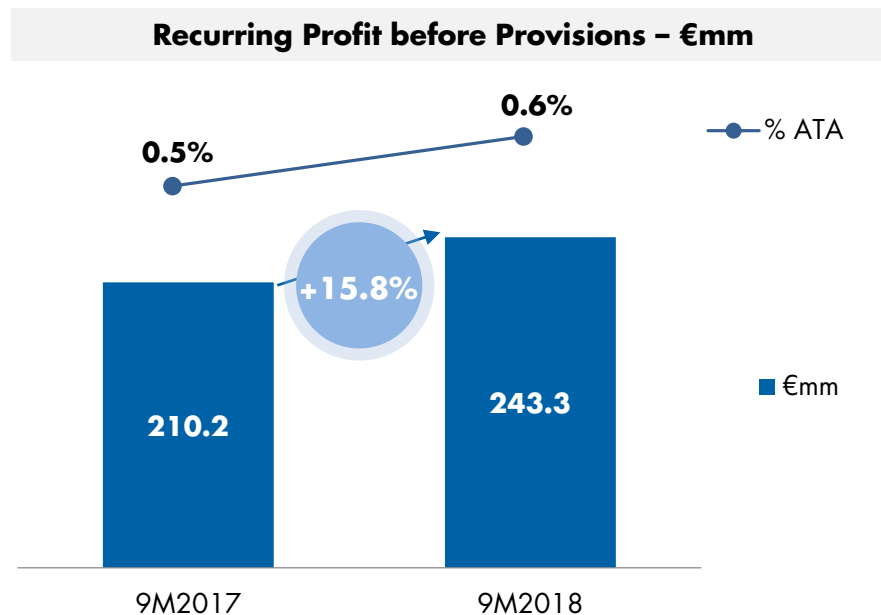
**Recurring costs drop 4.4% YoY as a result of the adjustment measures taken over the last 12 months.**

- After having completed its redundancy plan, Ibercaja has reduces its **number of branches and employees** by **10% and 9% respectively** over the last 12 months.

# RECURRING PROFIT BEFORE PROVISIONS

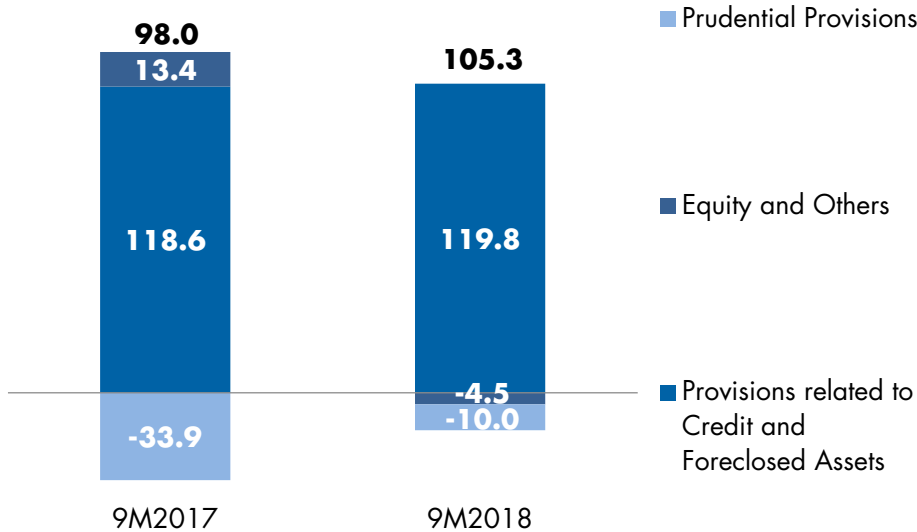
Recurring profit before provisions grows 16% YoY or €33.1mm. As % of ATA, it improves 12 b.p.

- **Recurring revenues** rise **1.8% YoY**.
- **Recurring costs** decrease **4.4% YoY**.

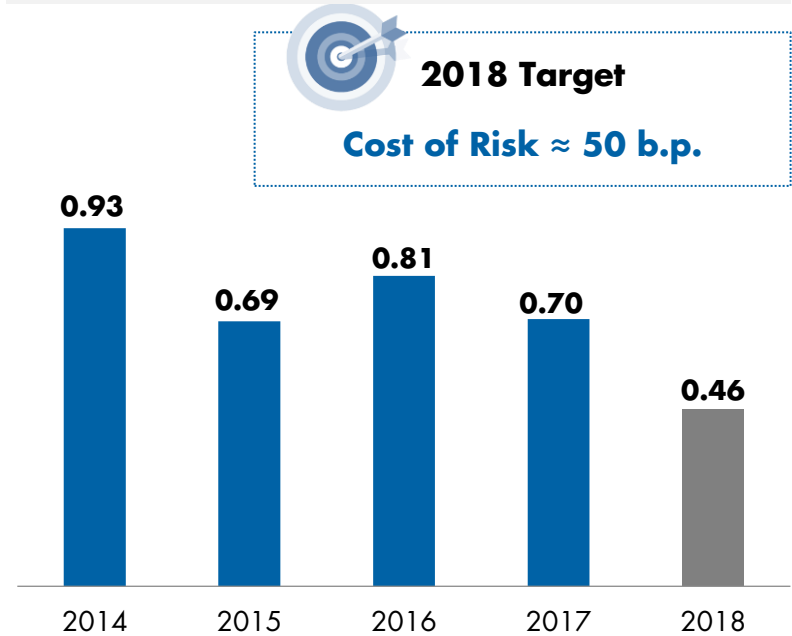


# PROVISIONS

Total Provisions - €mm



Cost of Risk - %



**Provisions related to credit and foreclosed assets remain stable (+1% YoY)**

- **Cost of risk** stands at **46 b.p.** in line with the 2018 target of ≈50 b.p.

# **ASSET QUALITY, LIQUIDITY AND SOLVENCY**

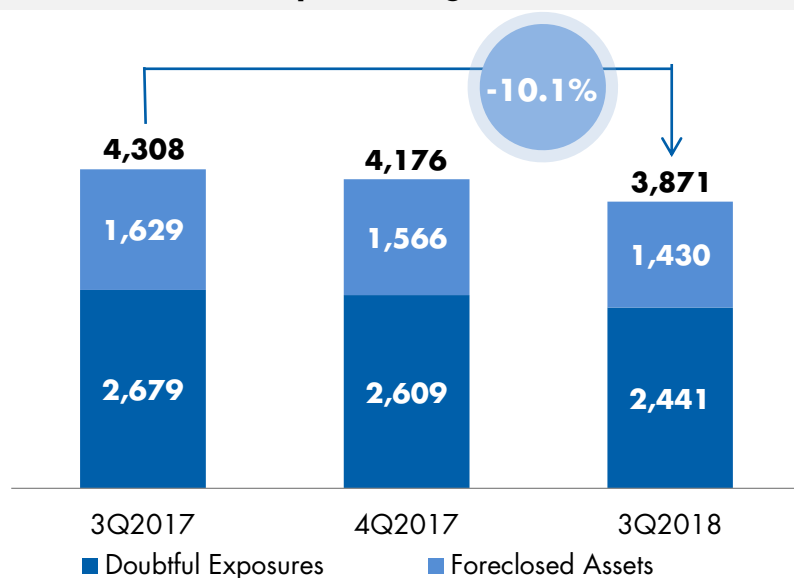
# ASSET QUALITY (1/2)

**Gross non-performing assets -doubtful exposures and foreclosed assets- fall 7.3% YTD or €304.6mm. NPA ratio decreases 72 b.p. to 11.2%.**

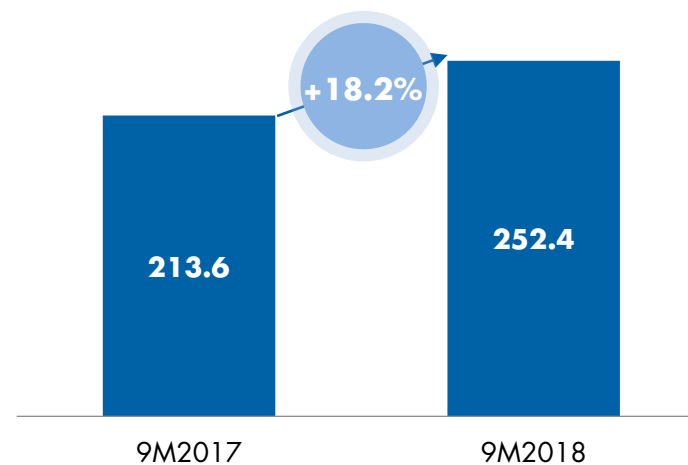
- Stock of **doubtful exposures** decreases **6.5%** or €168.3mm. **NPL ratio** falls 42 b.p. to **7.3%**.
- Stock of **foreclosed assets** drops **8.7%** or €136.3mm. Foreclosed asset sales increase **18.2% YoY** and Ibercaja releases **€9.0mm** of provisions. Land sales over the period amount to **€98mm** (+66% YoY).

**Since 3Q2017, gross non-performing assets have decreased 10.1% YoY or €437mm.**

**Gross Non-performing Assets – €mm**



**Foreclosed Assets Sales – €mm**



# ASSET QUALITY (2/2)

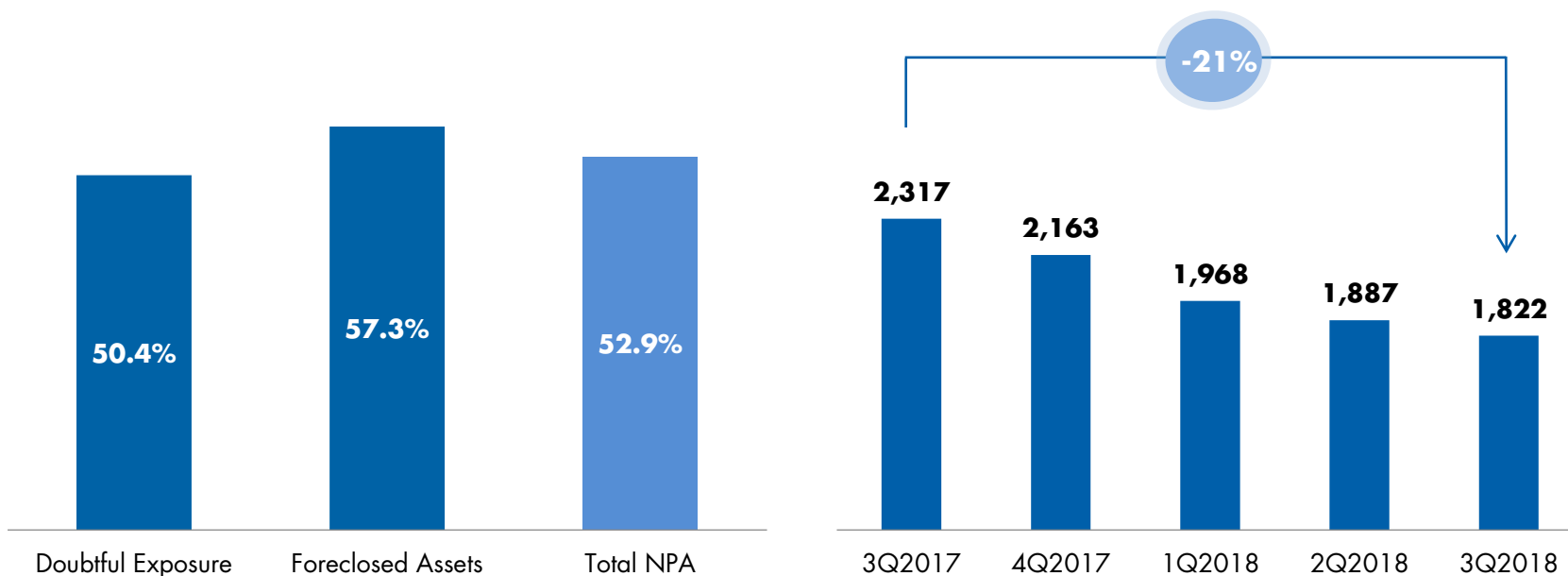
**NPA coverage ratio stands at 52.9% vs. 46.2% in 3Q2017.**

**As a result of the gross NPA reduction and the provisioning effort, net non-performing assets have fallen €495mm or 21% YoY.**

- Since December 2017 **net non-performing assets** decrease **€342mm** or **15.8%**.
- **Net non-performing assets ratio** falls **95 b.p.** YTD to **5,6%**

Coverage Ratio - %

Net Non-performing Assets - €mm



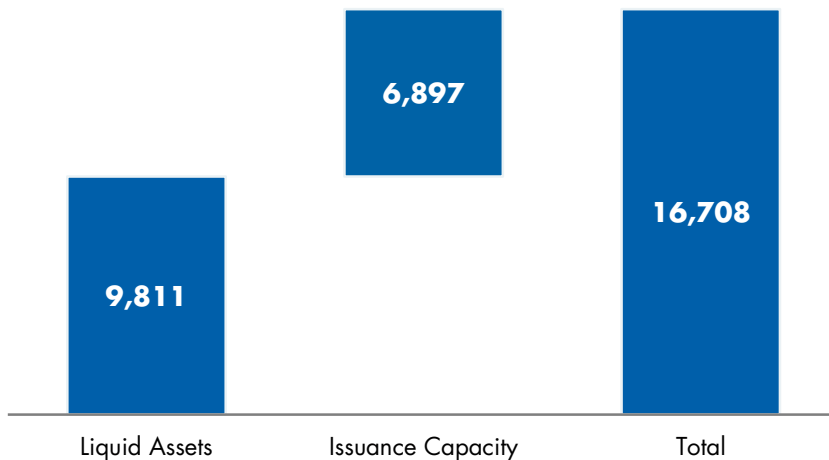


# LIQUIDITY AND SOLVENCY (1/4)

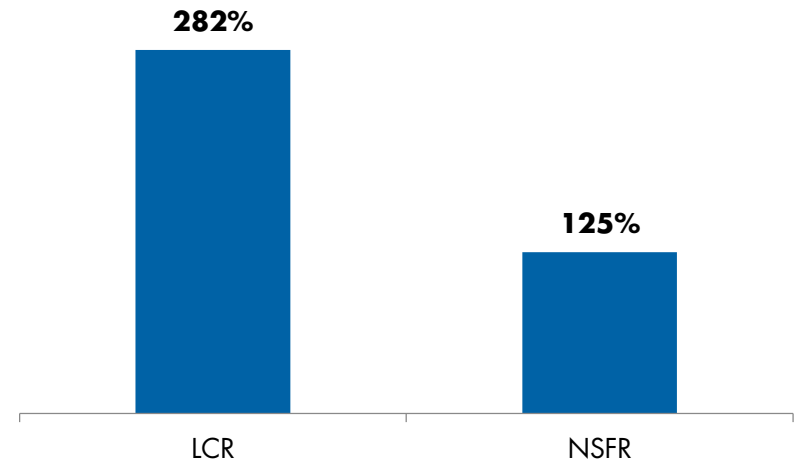
## Sound liquidity position:

- **Available liquid assets** amount to **€9,811mm** (19% of total assets) while the covered bond issuance capacity stands at €6,897mm. As a result, Ibercaja Banco has an **available liquidity position** that surpasses **€16,708mm, or 32% of total assets.**
- Regulatory liquidity and funding ratios (LCR and NSFR) stand comfortably above minimum requirements.

Liquidity Position – €mm



Liquidity and Long Term Funding Ratios – 3Q2018

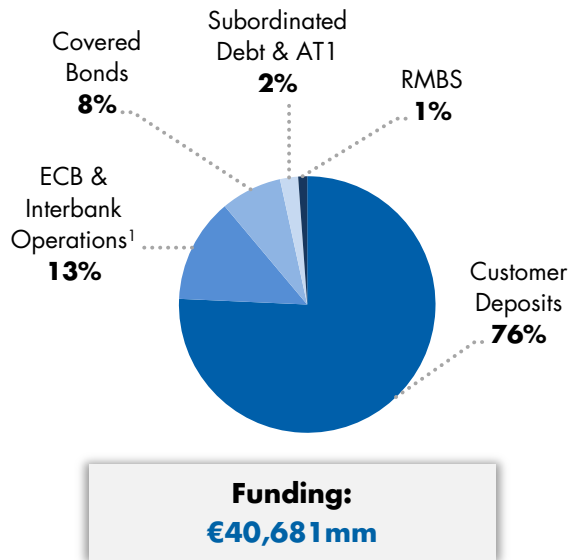


# LIQUIDITY AND SOLVENCY (2/4)

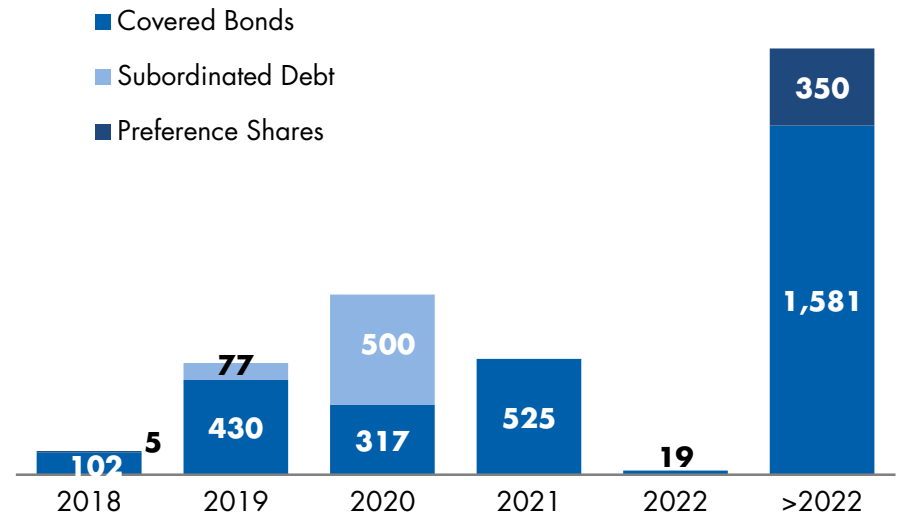
## Stability in the funding structure of the bank:

- **Loan to deposits ratio** stands at **96.1%**.
- **Customer deposits** represent **76% of external funding**.
- ECB: €3,372mm (6% of total assets), 100% TLTRO II.
- **No significant concentration** in institutional funding **maturities** (<2.0% of total assets every year).

External Funding Structure – 3Q2018



Maturity Profile – €mm

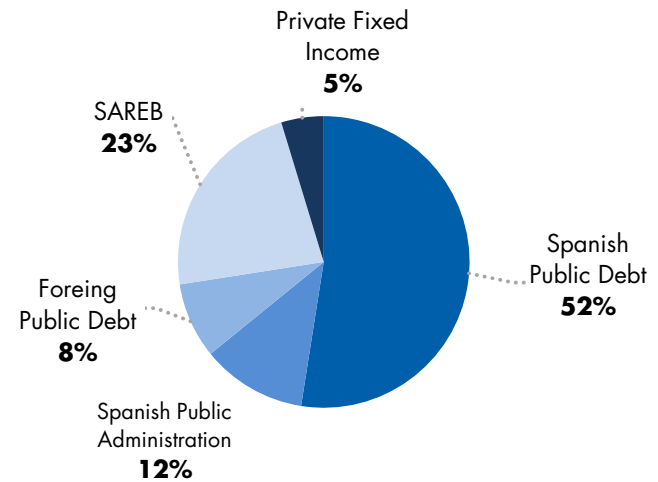
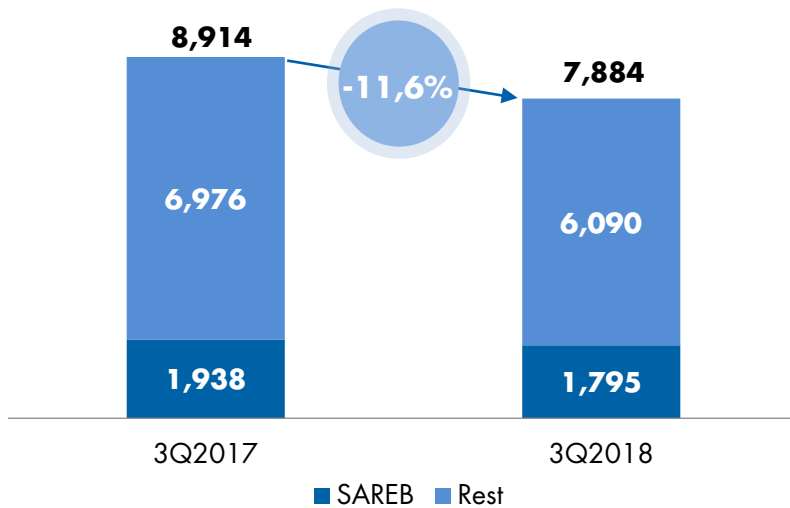


# LIQUIDITY AND SOLVENCY (2/4)

The ALCO portfolio has a low risk profile, mainly composed of Spanish sovereign debt.

- **Average duration** of **4.2 years**<sup>1</sup>.
- **Average yield** stands at **1.3%** ex SAREB (1% including SAREB bonds).
- **81%** of the portfolio is classified as **held to collect**.

Fixed Income Portfolio – €mm



# LIQUIDITY AND SOLVENCY (4/4)

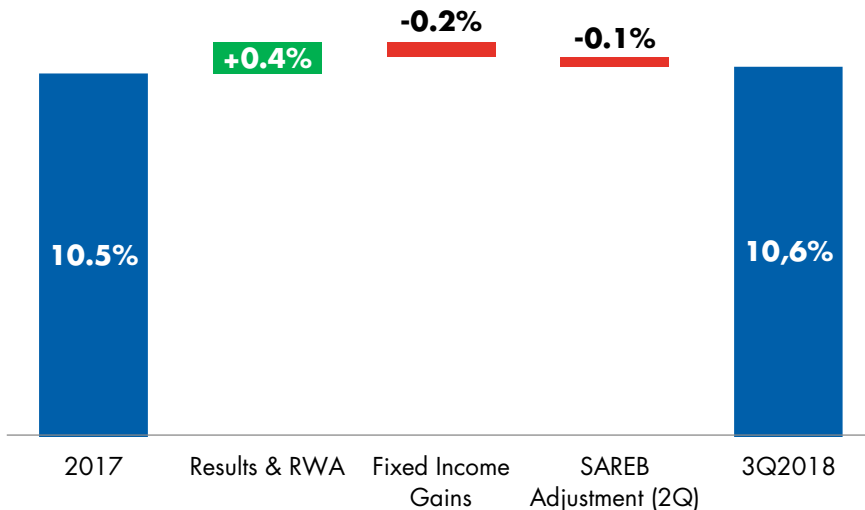
**CET1 Fully Loaded ratio improves 9 b.p. YTD and reaches 10.6%. Total Capital stands at 14.5% and the fully loaded leverage ratio reaches 5.7%.**

- After completing its AT1 capital bucket and considering the high density of RWA (42%, 100% based on the standardised approach), **Ibercaja's leverage ratio ranks among the best in the sector.**

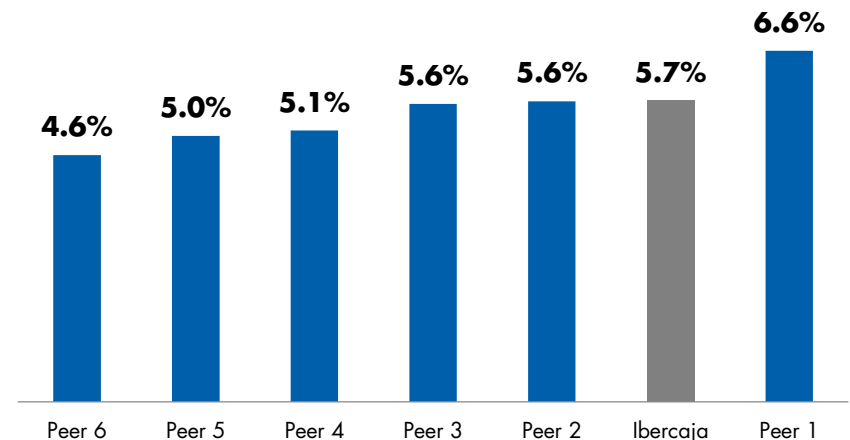
**In phased-in terms, CET1 ratio stands at 11.7% (+5 b.p. YTD) and the total capital ratio is 15.5%.**

- Solvency levels stand **significantly above SREP requirements** (8.125% and 11.625% respectively).

**CET1 Fully Loaded Post IFRS9 - %**



**Leverage Ratio Fully Loaded - %**

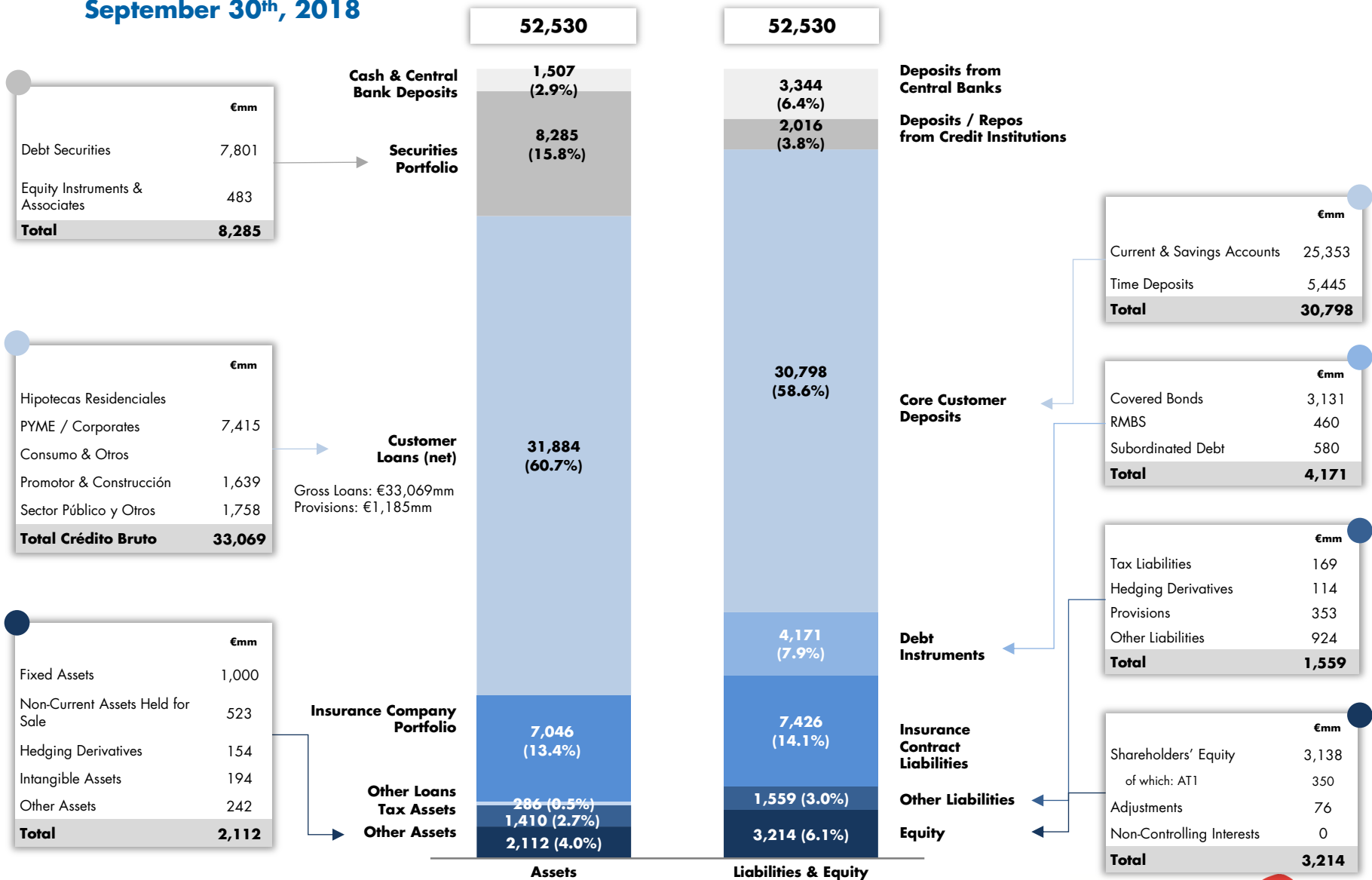


# ANNEX 1

## CONSOLIDATED BALANCE SHEET

# CONSOLIDATED BALANCE SHEET

September 30<sup>th</sup>, 2018



# ANNEX 2

## GLOSSARY

# GLOSARIO

Ratio / APM	Definition
<b>Customer Spread</b>	Difference between the average yield on the loan portfolio and the cost of retail deposits.
<b>Recurring Revenues</b>	Net interest income plus net fee and commission income plus net exchange differences.
<b>Recurring Costs</b>	Total operating expenses (administration expenses plus amortisation and depreciation) minus extraordinary expenses (redundancy plan expenses).
<b>Recurring profit before provisions:</b>	Recurring revenues minus recurring costs.
<b>NPL ratio</b>	Doubtful balances in loans and advances to customers divided by gross loans and advances to customers.
<b>Coverage for total doubtful risk</b>	Relationship between total asset impairment losses and provisions for risks and contingent commitments and doubtful risks.
<b>Coverage ratio of foreclosed assets</b>	Value adjustments for impairment losses on foreclosed assets divided by gross value of foreclosed assets.
<b>NPA Ratio</b>	Gross non-performing assets (total non-performing risks plus gross foreclosed assets) divided by gross loans and advances to customers plus the gross foreclosed assets.
<b>NPA Ratio Coverage</b>	Accumulated impairment of foreclosed assets plus impairment losses on loans and advances to customers (excluding provisions related to clauses which set a minimum interest rate for mortgages) divided by gross non-performing assets (non-performing loans plus gross foreclosed assets).
<b>Cost of Risk</b>	Percentage of write-downs associated with credit risk and real estate in relation to gross loans and advances to customers plus gross foreclosed assets.
<b>Liquid Assets % Total Assets</b>	Total liquid assets divided by total assets. Liquid assets include unencumbered public debt + available & eligible fixed income assets (after ECB haircut applied).
<b>LTD Ratio</b>	Net loans (excluding securitisation liabilities) divided by customer deposits, promissory notes and subordinated liabilities (excluding individual mortgage bonds, temporary transfers of assets, wholesaler promissory notes, wholesale subordinated debt and preferred shares).
<b>NSFR Ratio</b>	Amount of available stable funding relative to the amount of required stable funding.
<b>LCR Ratio</b>	High quality liquid assets divided by net outflows during the following 30 days.





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