

# IBERCAJA BANCO 2019 RESULTS

March 3<sup>rd</sup>, 2020

EL BANCO  
DEL

*Vamos*

iberCaja 



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# KEY HIGHLIGHTS

# KEY HIGHLIGHTS

## SIGNIFICANT INCREASE IN NET PROFIT

**84.0**  
€m

Net profit grows 106% YoY and reaches €84.0m

**+9.7%**

Profit before provisions grows 9.7% and reaches €326.5m

**-28.1%**

Provisions for credits and foreclosed assets fall 28.1% YoY

## STRONG NPA REDUCTION

**-36.9%**

NPAs decrease 36.9% or €1,124m

**5.8%**

Gross NPA ratio falls 303 b.p. YoY to 5.8%

**80**  
b.p.

NPL ratio stands at 4.0%, 80 b.p. below sector average

## SOUND CAPITAL GENERATION

**11.4%**

CET1 Fully Loaded ratio increases 82 b.p. and reaches 11.4%

**+0.2%**

The sale of 4.45% of CASER is expected to generate 0.2% of CET1 Fully Loaded

**15.5%**

Total Capital Fully Loaded ratio stands at 15.5%



# COMMERCIAL ACTIVITY

# CUSTOMER FUNDS

Customer funds have increased 6.6% YoY or €3,735m to over €60,600m.

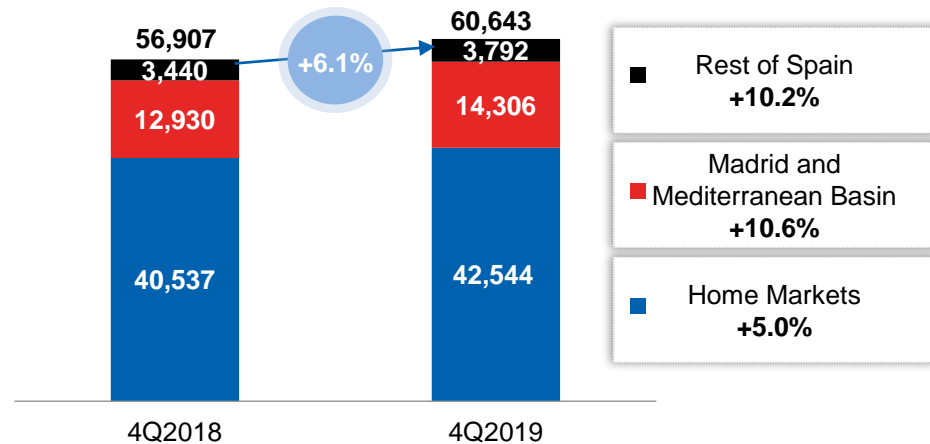
- ▶ Customer funds in **Madrid and Mediterranean Basin** grow 10.6% YoY or €1,376m.
- ▶ **Personal banking** segment represents 60% of customer funds' growth in the year.

Ibercaja continues improving its customer funds mix:

- ▶ **Assets under management and life insurance products** grow 9.9% YoY or €2,502m up to €27,870m.
- ▶ **Customer deposits** grow 3.9% YoY. **Current accounts** represent 87% of total customer deposits.

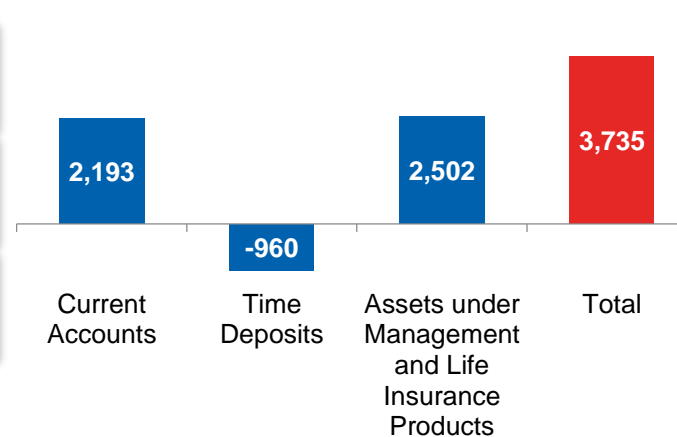
## Customer Funds

€m and %



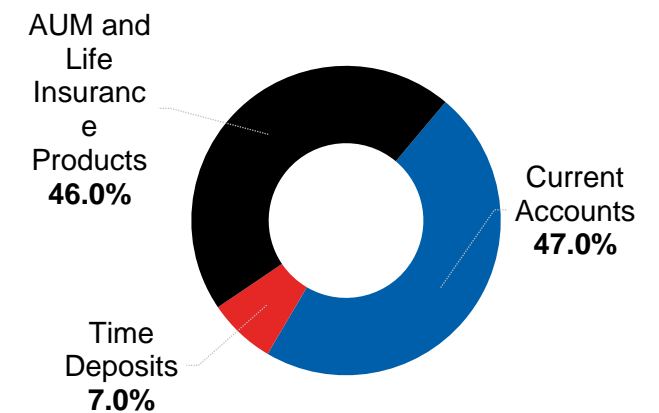
## Customer Funds Evolution Breakdown

€m – 4Q2019 vs. 4Q2018



## Customer Funds Breakdown by Product

% - 4Q2019



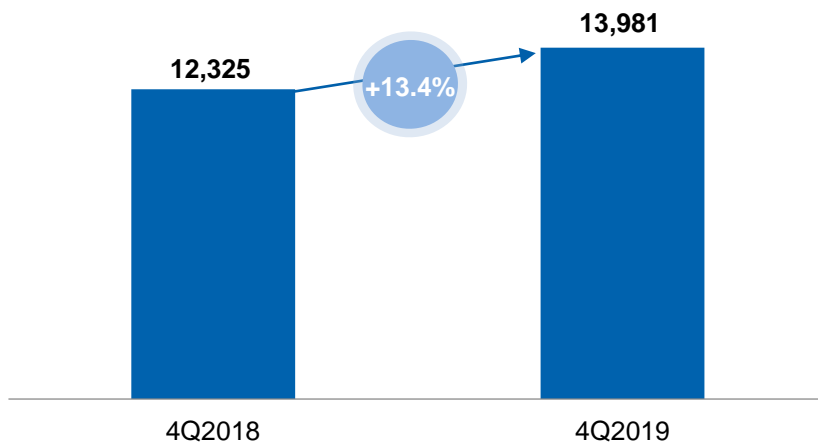
# MUTUAL FUNDS

## Ibercaja continues to improve its differentiated positioning in mutual funds:

- ▶ The **stock of mutual funds** grows **13.4% YoY** or €1,656m and reaches roughly **€14,000m**.
- ▶ **Net new money** to Ibercaja Gestion funds reaches **€735m**, 57.2% more than in 2018. Ibercaja ranks 3<sup>rd</sup> in terms of net inflows among Spanish banks.
- ▶ The market share reaches **5.1%<sup>1</sup>** (+27 b.p. market share gain in 2019).

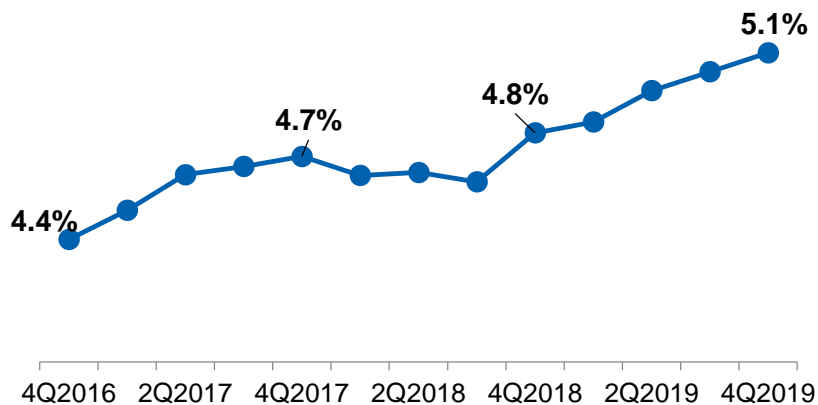
### Stock of Mutual Funds<sup>1</sup>

€m & %



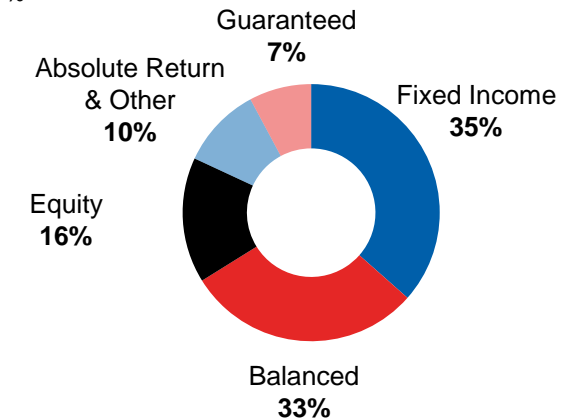
### Mutual Funds Market Share<sup>1</sup>

% - Inverco



### Mutual Funds Breakdown

%



<sup>1</sup> Source: Inverco



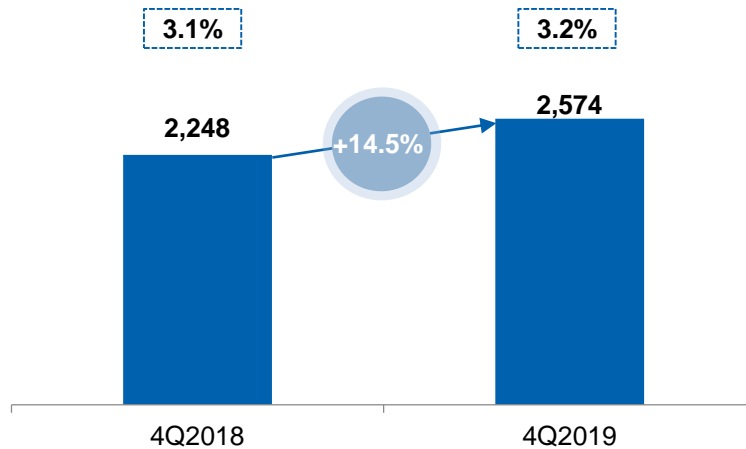
# PENSION FUNDS

## Strong performance in pension funds:

- ▶ **Gross new money** increases **12% YoY** and reaches €263m.
- ▶ **Funds managed** grow **9.5% YoY** and reach €6,794m.
- ▶ Ibercaja Pensión improved its **market share in individual schemes by 11 b.p.** and in **company schemes by 17 b.p.**

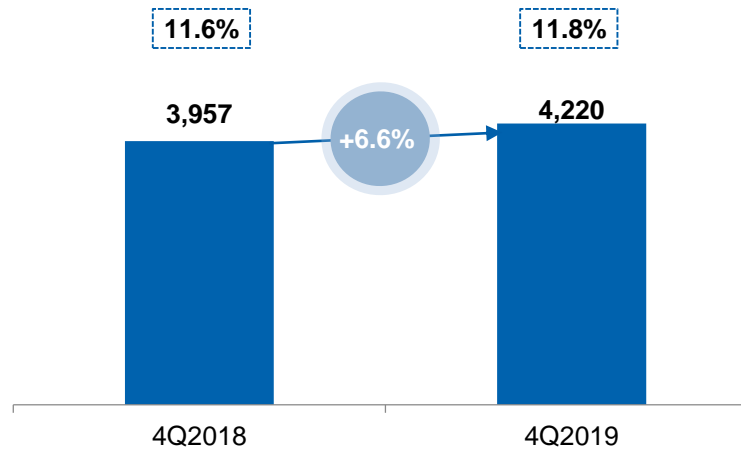
### Individual schemes: Volume and market share<sup>1</sup>

€m and % - Inverco



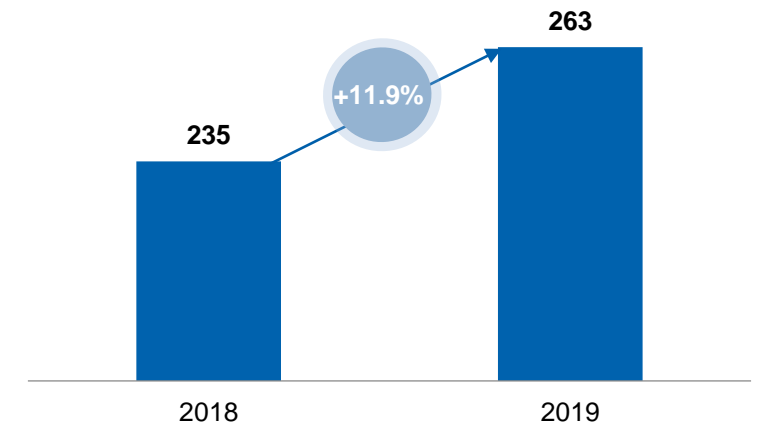
### Company schemes: Volume and market share<sup>1</sup>

€m and % - Inverco



### Net new money

€m



<sup>1</sup> Source: Inverco

# CUSTOMER LOANS

**New lending reaches €5,434m** with a diversification strategy focused on non-RE companies (52% of new lending).

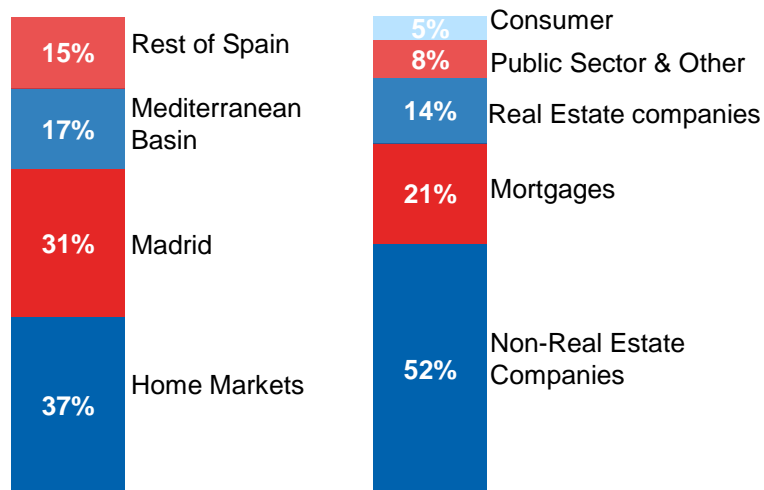
**Accumulated working capital financing grows 8.5% YoY and reaches €7,643m.**

**Performing gross loans ex repos fall 0.3% YoY.**

- **48%** of new lending focused on **Madrid and the Mediterranean Basin**, which allowed performing gross loans ex repos in the region to grow 0.3% YoY.

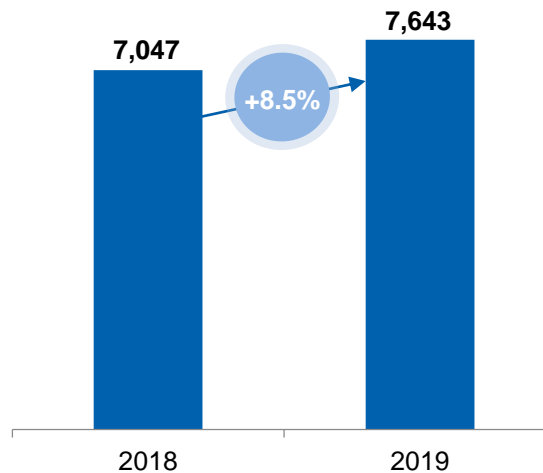
## New Lending Production

% - 2019



## Accumulated Working Capital Financing

€m



## Loan Portfolio

€m

	4Q2018	4Q2019	Var.
<b>Loans to Individuals</b>	<b>20,999</b>	<b>20,434</b>	<b>-2.7%</b>
Mortgages	19,492	18,932	-2.9%
Consumer and Others	1,507	1,502	-0.3%
<b>Loans to Companies</b>	<b>7,745</b>	<b>7,807</b>	<b>0.8%</b>
Non-Real Estate Companies	6,786	6,750	-0.6%
Real Estate Companies	959	1,058	10.7%
<b>Public Sector and Others</b>	<b>1,002</b>	<b>1,412</b>	<b>41.0%</b>
<b>Performing Gross Loans ex Repos</b>	<b>29,746</b>	<b>29,655</b>	<b>-0.3%</b>
Repos	1,704	1,616	-5.2%
Doubtful Loans	2,275	1,293	-43.1%
<b>Gross Loans</b>	<b>33,724</b>	<b>32,563</b>	<b>-3.4%</b>

# Risk insurance

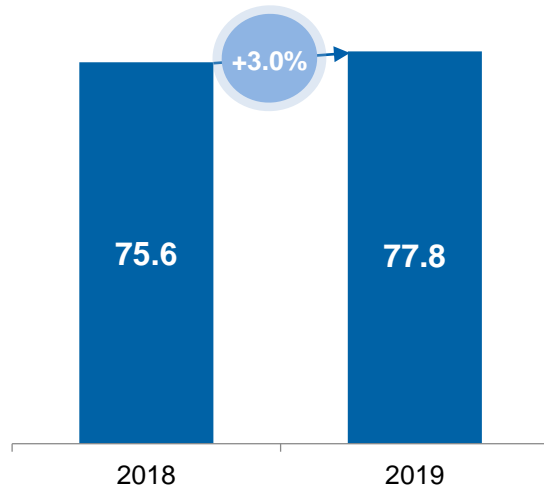
Risk insurance premiums (life risk and non-life) grow 3.5% YoY and reach €276m.

Ibercaja has reached an agreement with Helvetia to sell a 4.45% stake in Caser for c.€51m; Ibercaja will retain a 9.5% stake in Caser and will sign a novation of its non-life distribution agreement.

- **The sale will increase CET1 Fully Loaded ratio by 0.2%.** The novation\* envisages a fixed non-adjustable upfront fee of **€70m** plus and an earn-out of up to **€50m** over the next 10 years.

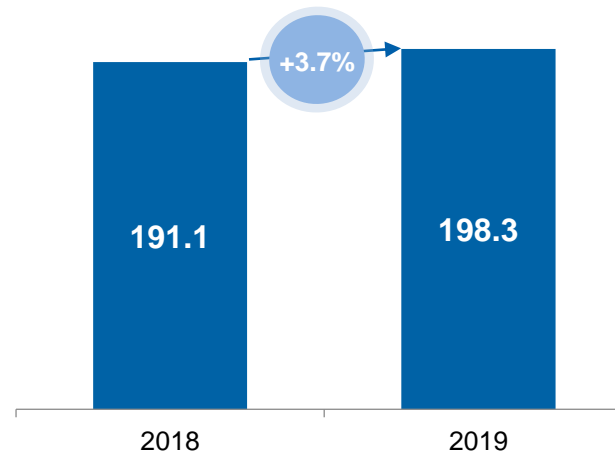
Life risk insurance premiums

€m



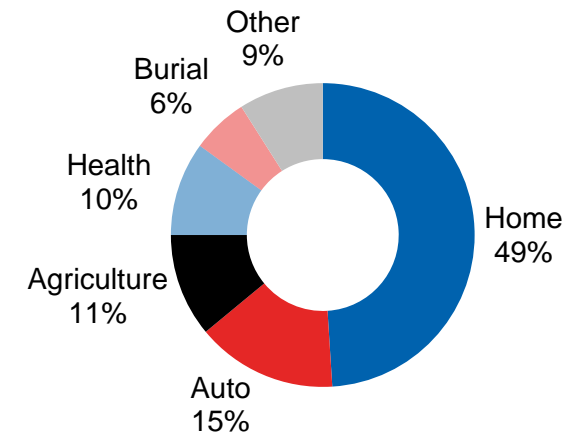
Non-life insurance premiums

€m

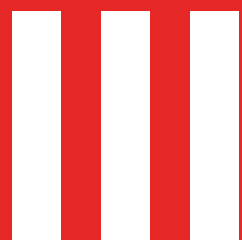


Breakdown of CASER agreement-related premiums

%



\*The novation implies keeping the existing distribution fees unchanged. The payment of the fixed upfront fee can not be reviewed or adjusted by any circumstance or fact.



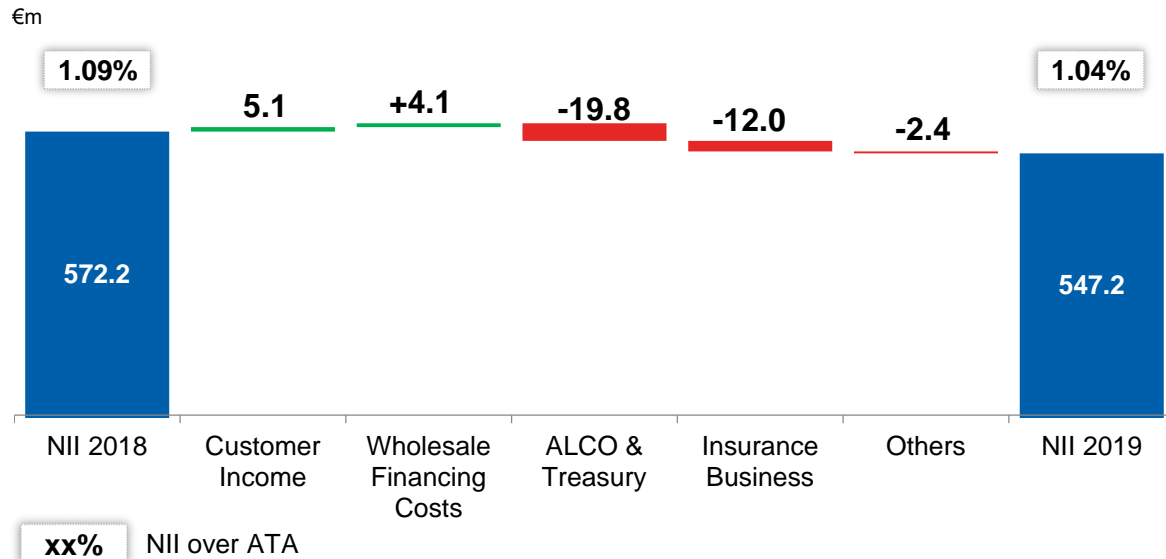
# RESULTS

# P&L ACCOUNT

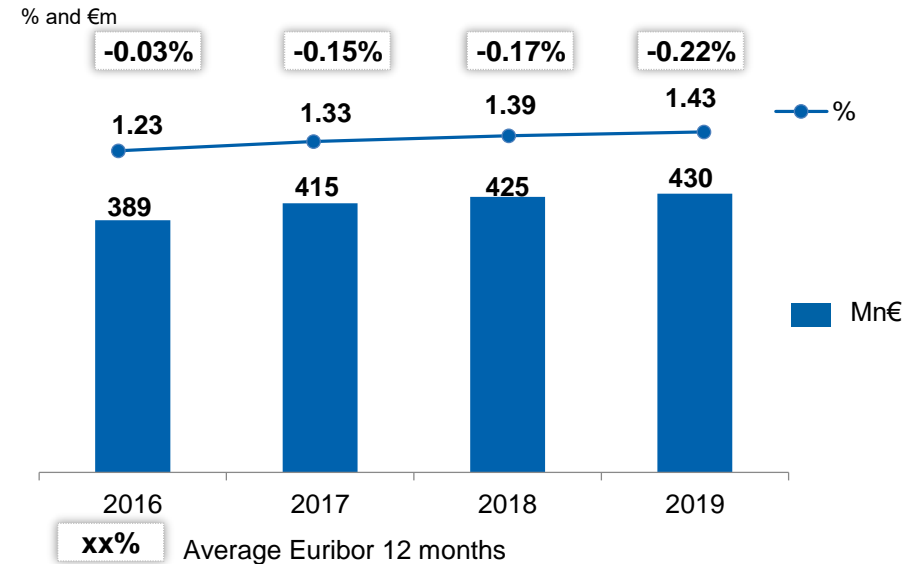
	€m		
	2018	2019	YoY
Net Interest Income	572.2	547.2	-4.4%
Net Fee Income	375.6	394.8	5.1%
<b>Recurring revenues</b>	<b>947.7</b>	<b>942.1</b>	<b>-0.6%</b>
Gains/Losses on Financial Assets and Liabilities	43.6	7.1	-83.8%
Other Operating Income (net)	-24.7	-22.6	-8.7%
<b>Gross Operating Income</b>	<b>966.6</b>	<b>926.6</b>	<b>-4.1%</b>
Operating Costs	-668.8	-600.1	-10.3%
of which: Recurring Costs	-613.1	-600.1	-2.1%
of which: Redundancy Plan	-55.8	0.0	n/a
<b>Pre-Provision Profit</b>	<b>297.7</b>	<b>326.5</b>	<b>9.7%</b>
Total Provisions	-167.3	-184.5	10.3%
Other Gains and Losses	-49.6	-13.3	-73.1%
<b>Profit before Taxes</b>	<b>80.8</b>	<b>128.6</b>	<b>59.1%</b>
Taxes & Minorities	-40.0	-44.6	11.5%
<b>Net Profit Attributable to Shareholders</b>	<b>40.8</b>	<b>84.0</b>	<b>105.8%</b>

# NET INTEREST INCOME

## Net Interest Income Breakdown



## Customer Spread

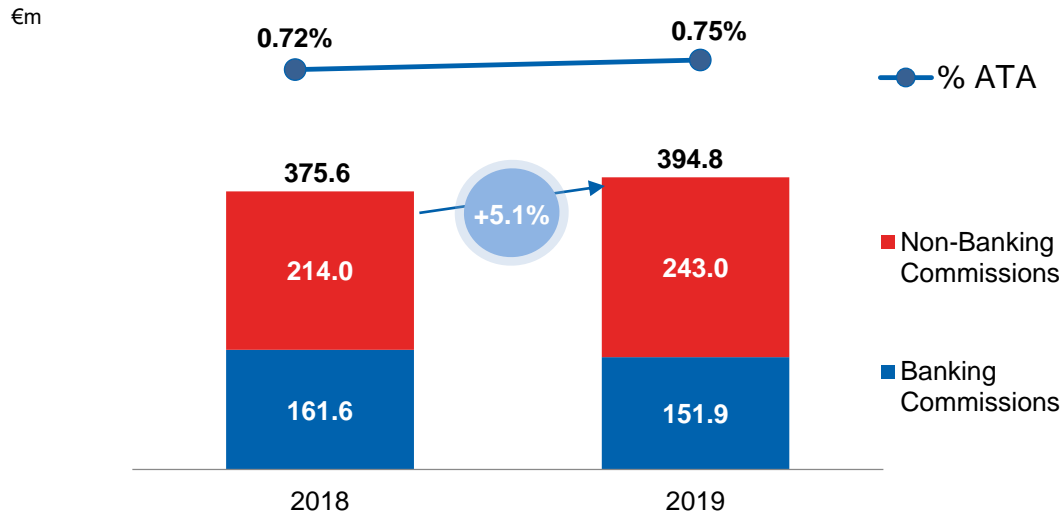


### Net interest income decreases 4.4% YoY or €24.9m.

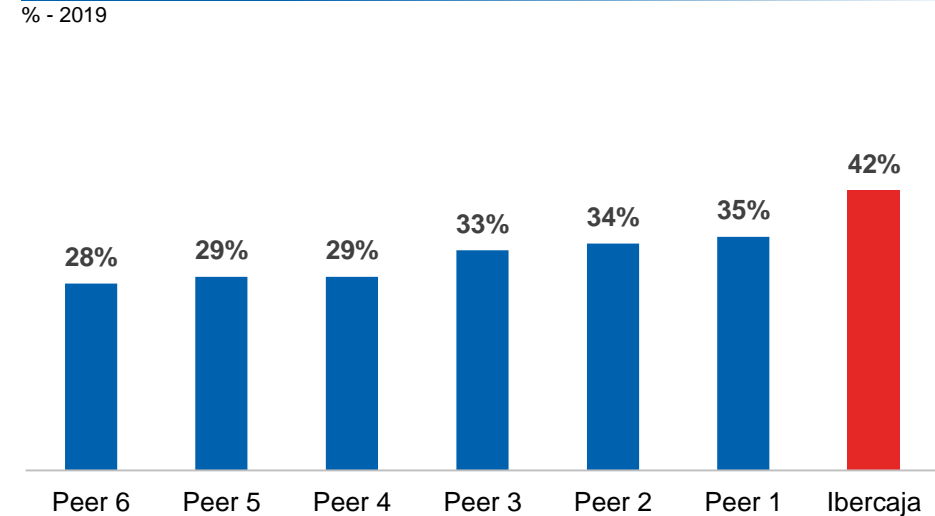
- ▶ **Customer income**, loan revenues minus customer deposit costs, **grows 1.2% YoY or €5.1m. Customer spread reaches 1.43%** vs. 1.39% in 2018.
- ▶ **ALCO portfolio and treasury revenues** fall **€19.8m**. The **ALCO portfolio** accounts for **10.4%** of financial revenues.

# NET FEE INCOME

## Net Fee Income



## Net fee income as % of recurring revenues



### Net fee income grows 5.1% YoY.

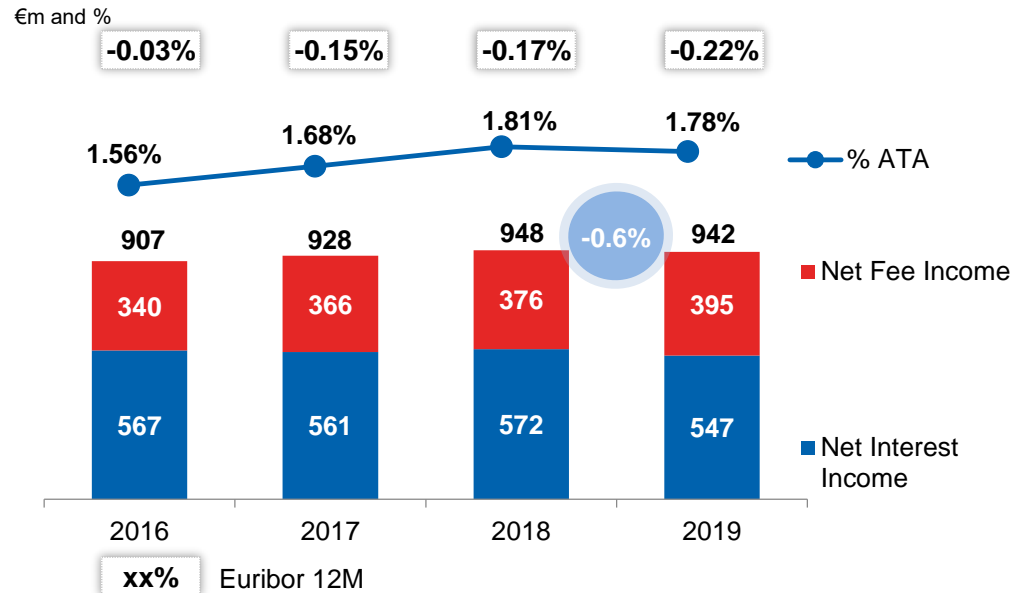
- **Non-banking commissions\*** (mutual funds, risk insurance and pension funds) **rise 13.6% YoY** driven by net inflows and positive market evolution and includes success fees amounting to €22m. **Banking commissions decrease 6.0% YoY.**

**Net fee income as % of ATA at 0.75% which is one of the highest levels among peers. Net fee income accounts for 42.0% of recurring revenues, highest weight among peers.**

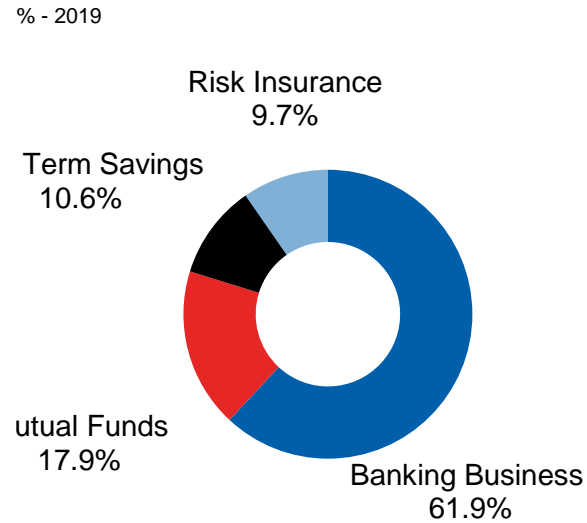
\* Includes both commissions from non-banking financial products' commercialization and commissions from asset management. Peer group includes Bankia, Bankinter, Caixabank, Liberbank, Sabadellex TSB and Unicaja.

# RECURRING REVENUES

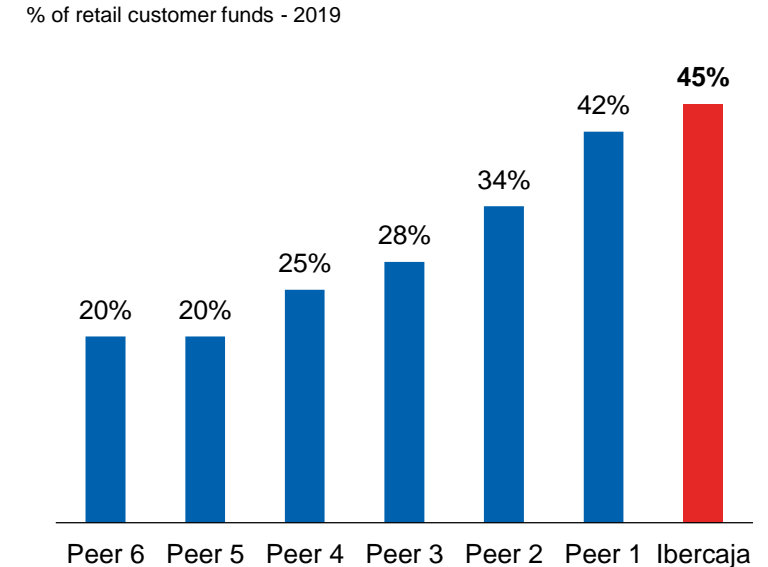
## Recurring Revenues



## Recurring Revenues Breakdown



## Asset management & life insurance



### Recurrent revenues fall 0.6% YoY.

- ▶ Under the current **low-rates environment**, Ibercaja continues to show a **more resilient income-generation capacity** vis-à-vis other regional and/or mortgage-focused banks driven by Ibercaja's higher exposure to the asset management and bancassurance businesses.
- ▶ **Asset management and life insurance** weight in total retail customer funds remains the **highest among peers**.

### Revenues from asset management and bancassurance represent 38.1% of Ibercaja's recurring revenues.

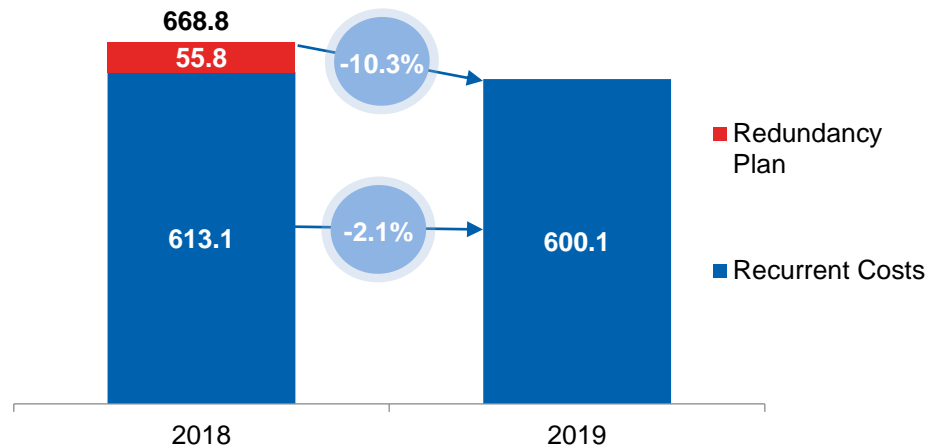
Peer group includes Bankia, Bankinter, Caixabank, Liberbank, Sabadell, TSB and Unicaja.



# OPERATING COSTS

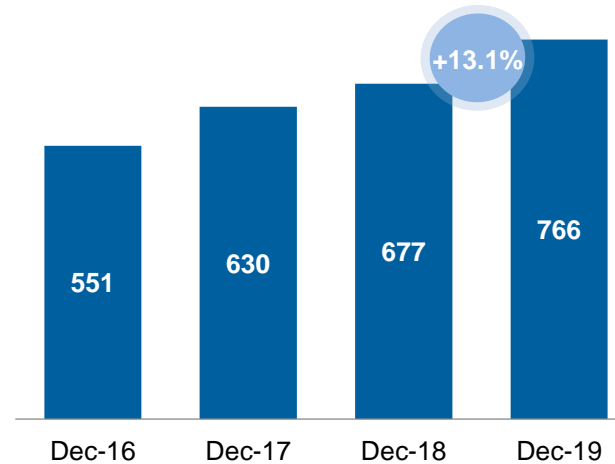
## Operating Costs

€m



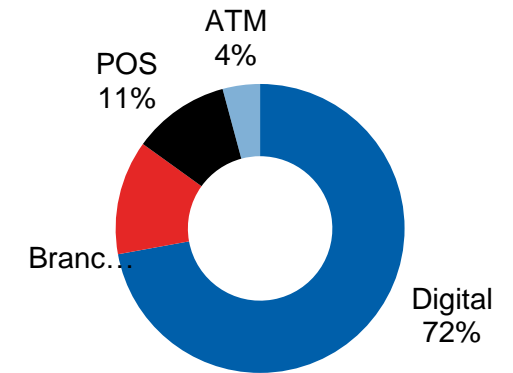
## Digital Customers<sup>1</sup>

000



## Breakdown of Customer Transactions

% - 2019



Total operating costs fall 10.3% YoY driven by the absence of extraordinary expenses.

- ▶ Recurring costs fall 2.1% YoY.
- ▶ The company has started the negotiations to implement a **new redundancy plan in 2020**.

Digital customers grow 13.1% in the year, driven by a 38.7% increase in Ibercaja app's customers to over 432,000.

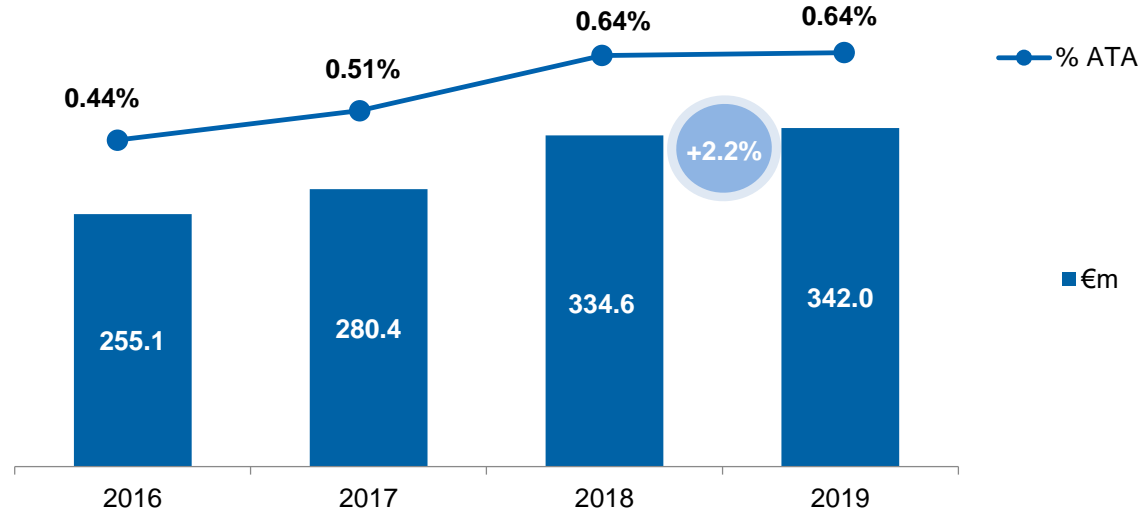
The digital channel accounts for over 70% of customer transactions.

<sup>1</sup> Number of customers that have used the web or the app of Ibercaja during the last month.

# PROFIT BEFORE PROVISIONS

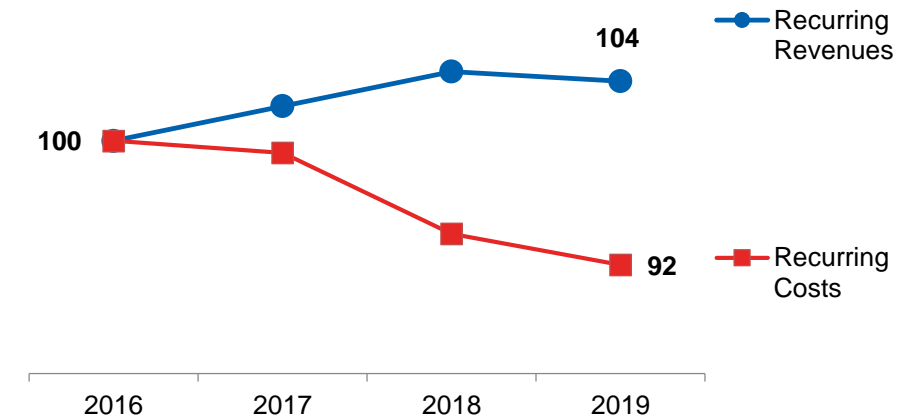
## Recurring Profit before Provisions

€m and %



## Recurring Revenues & Costs

2016 base year = 100



**Profit before provisions increases 9.7% YoY and reaches €326.5m.**

**In 2019, improvement of operating “jaws” has resulted in a 2.2% YoY growth of recurring profit before provisions (net interest income + net commissions – recurring costs).**

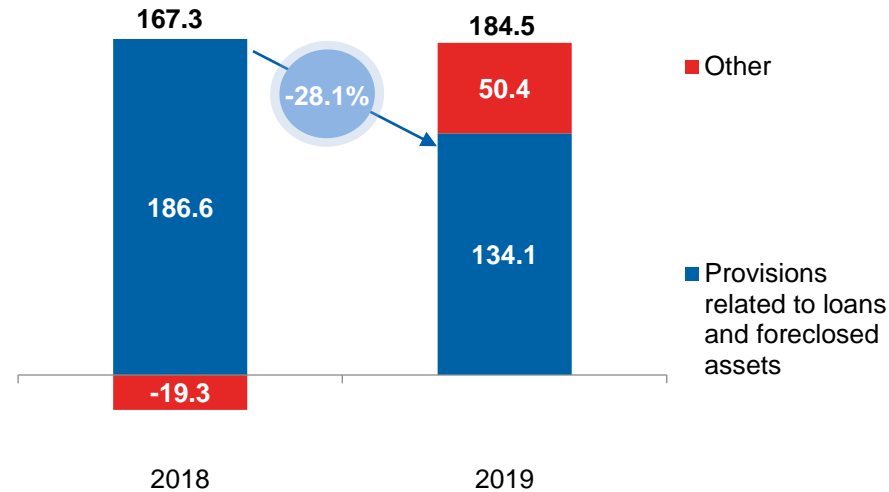
**Since 2016 Ibercaja is taking the necessary measures in terms of revenue generation and cost adjustments in order to improve its operating leverage going forward:**

► **Since 2016 recurring revenues have grown 3.8% and operating costs have fallen 8.0%.**

# PROVISIONS

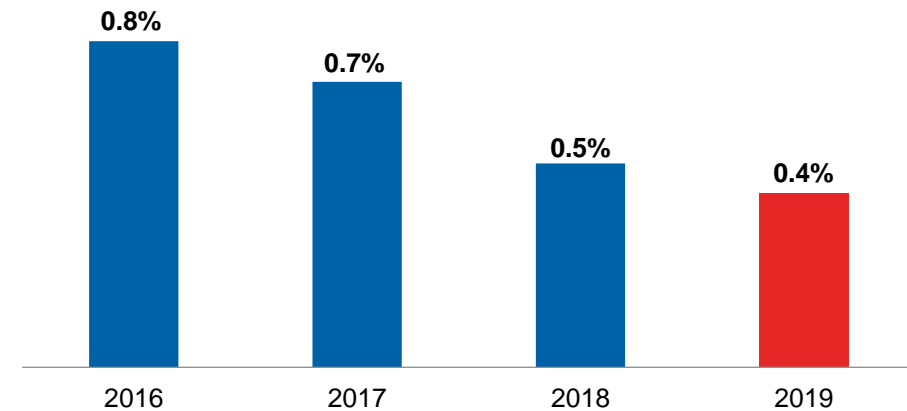
## Total Provisions

€m



## Cost of Risk

%

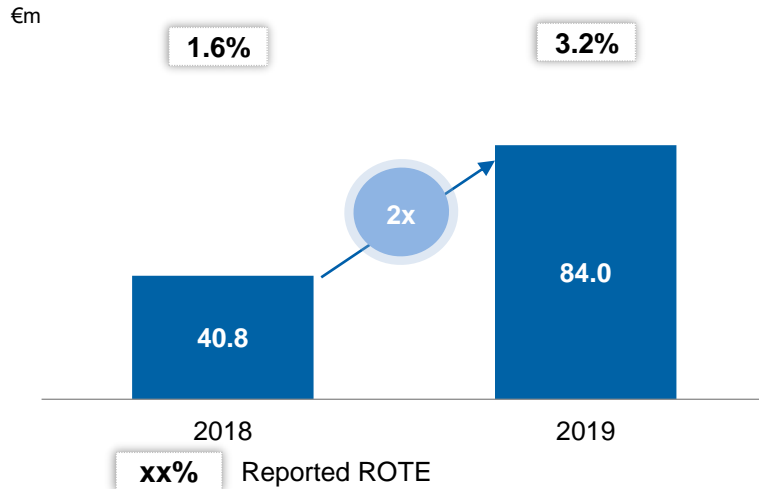


### Total provisions grow 10.3% YoY.

- ▶ Provisions related to loans and foreclosed assets fall 28.1% YoY.
- ▶ Cost of risk continues to improve and stands at **40 b.p.** in 2019.
- ▶ Ibercaja has recorded provisions amounting to **€50m** to anticipate potential impacts from the accelerated NPA reduction that the bank is implementing. **These provisions are not included in the company's coverage ratio.**

# NET PROFIT

## Net Profit



### Extraordinary impacts in 2019 (before tax)

- €42m** Wholesale sale of problematic exposures
- €50m** Provisions to anticipate future impacts due to the accelerated strategy of selling NPAs (not included in coverage ratio)

Ibercaja doubles its net profit in 2019 and reaches €84m.

Results have been impacted by two extraordinary impacts:

- ▶ Wholesale NPA transactions have had a negative impact of **€42m** (pre-tax).
- ▶ **€50m** of provisions (pre-tax) to anticipate potential impacts from the accelerated NPA reduction that the bank is implementing. These provisions are not included in the company's coverage ratio.

# IV

## ASSET QUALITY, LIQUIDITY AND SOLVENCY

# ASSET QUALITY (1/2)

In 2019, non-performing assets – doubtful exposures and foreclosed assets – decrease 36.9% YoY or €1,124m. NPA ratio falls 303 b.p. YoY to 5.8% and comfortably meets Ibercaja’s 6% target.

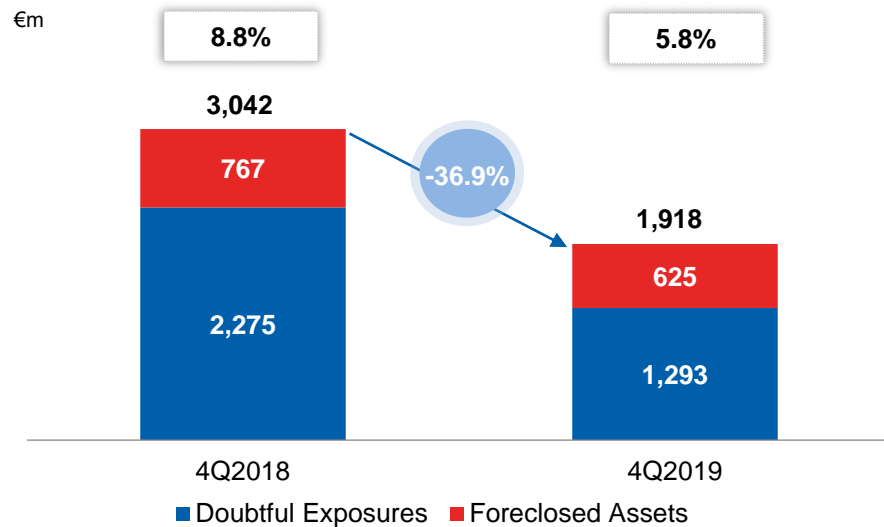
Doubtful exposures fall 43.0% YoY and NPL ratio stands at 4.0%, 80 b.p. below sector average.

► Gross NPL entries fall 23.8% YoY while recoveries grow 5.3% YoY (excl. wholesale transactions).

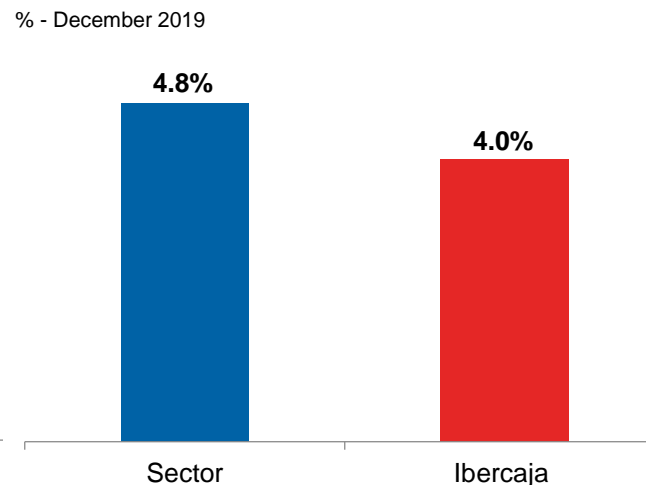
Foreclosed assets fall 18.5% YoY.

► Sales of foreclosed land grow 59% YoY, exceeding €160m.

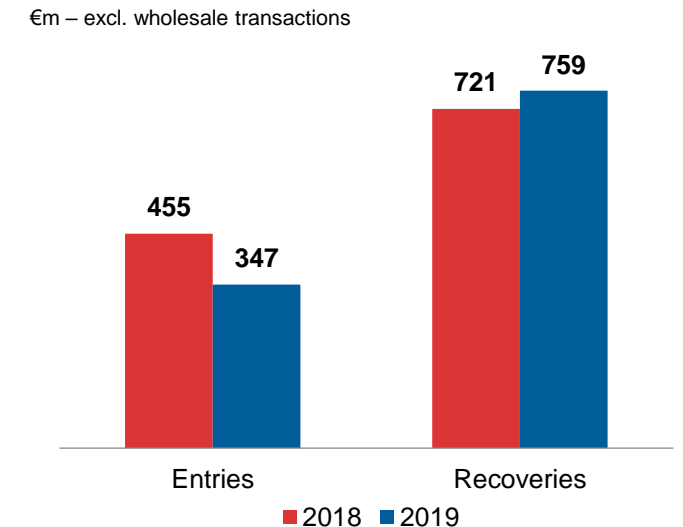
## Non-Performing Assets



## NPL Ratio



## NPL Entries & Recoveries



xx % Gross NPA ratio

# ASSET QUALITY (2/2)

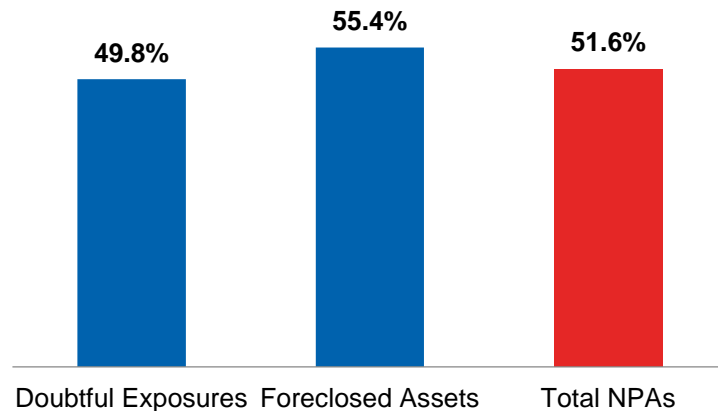
Coverage ratio of non-performing assets stands at 51.6% (vs. 51.5% as of December 2018).

After executing Cierzo and Ordesa transactions<sup>1</sup>, **doubtful residential mortgages, with a lower expected loss, account for 48% of non-performing loans.**

**€548m / 37.1% reduction in net non-performing assets YoY** driven by a reduction of gross non-performing assets together with the provisioning effort. Its **weight as % of total assets represents just 1.7%** (-113 b.p. YoY).

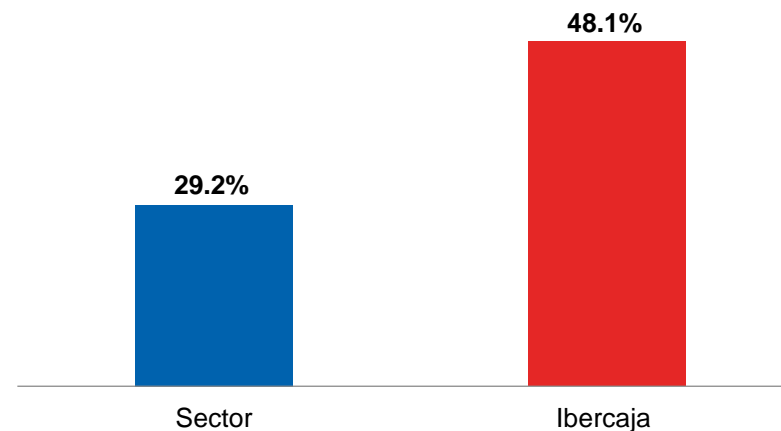
## NPA Coverage Ratio

4Q2019 - %



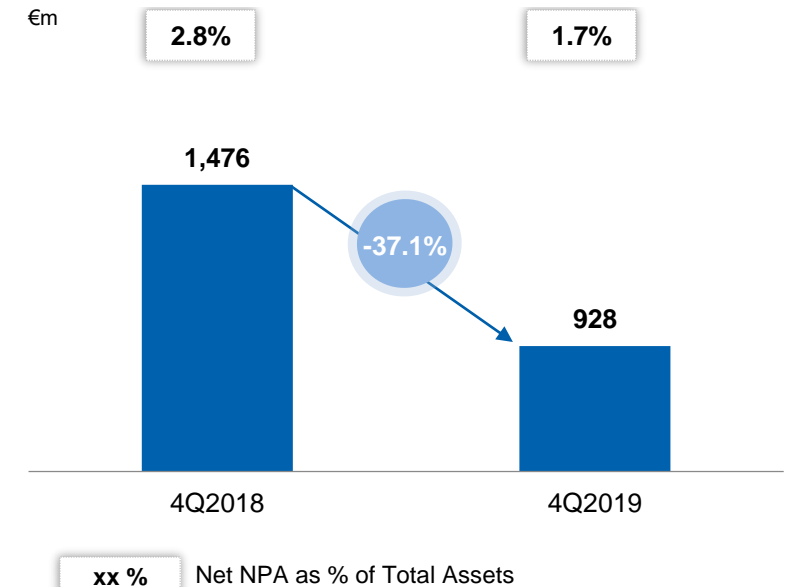
## Doubtful Mortgages as % of NPLs

% - Sector as of September 2019, Ibercaja as of December 2019



## Net Non-Performing Assets

€m



<sup>1</sup> Wholesale transactions that took place in 4Q2018 and 2Q2019 mainly focused in foreclosed assets and doubtful loans to companies with a gross value of €641m and €534m, respectively

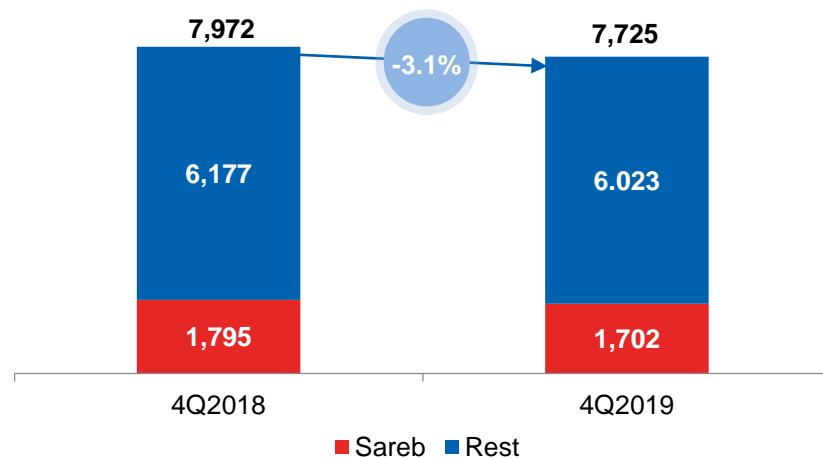
# ALCO PORTFOLIO

Fixed-income portfolio stands at €7,725m<sup>1</sup>. This portfolio has a low risk profile and is mainly composed of Spanish sovereign debt.

- ▶ Average duration of 4.1 years<sup>2</sup>.
- ▶ Average yield stands at 0.97%.
- ▶ 91% of the portfolio is classified as amortised cost.

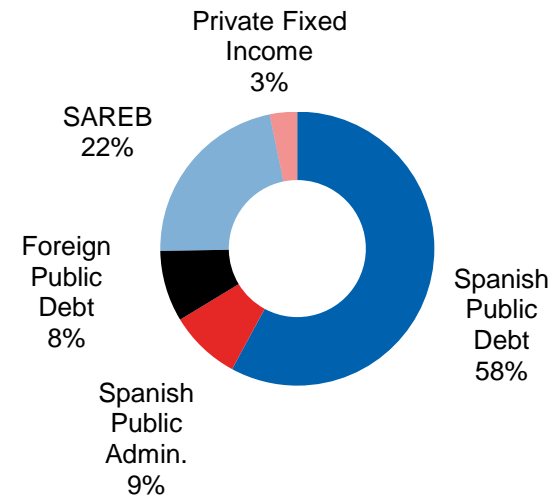
## ALCO Portfolio

€m



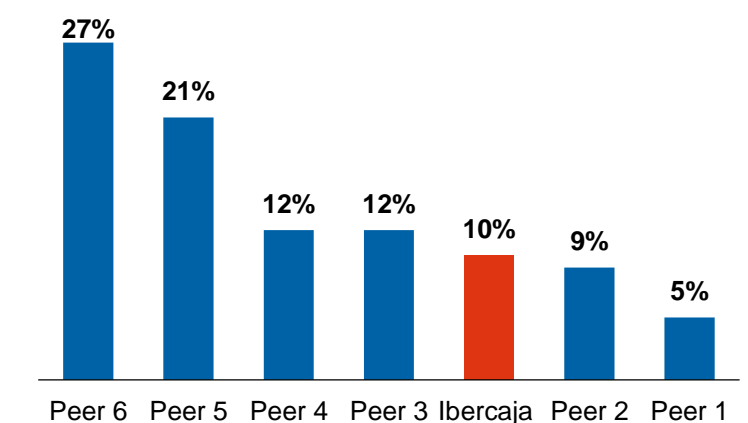
## ALCO Portfolio Breakdown

4Q2019 - %



## ALCO Portfolio revenues as % of Financial income

2019 - %



<sup>1</sup> ALCO portfolio does not include insurance portfolio.

<sup>2</sup> Includes interest rate swaps.

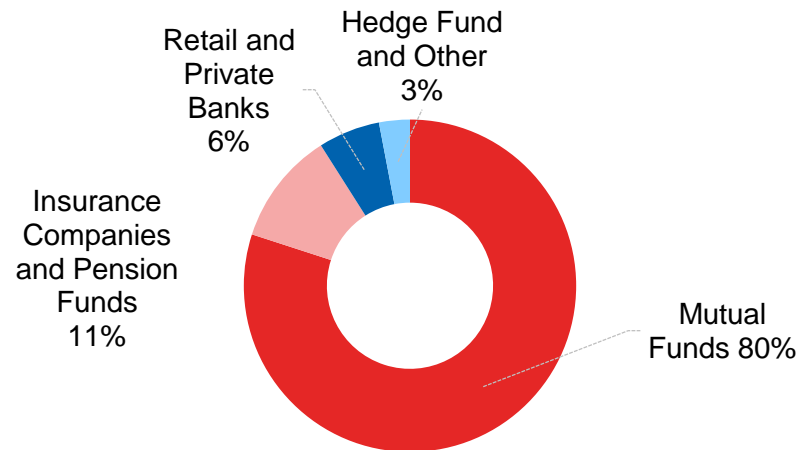
Peer group includes Bankia, Bankinter, Caixabank, Liberbank, SabadellxTSB and Unicaja.



# TIER II ISSUANCE REFINANCING

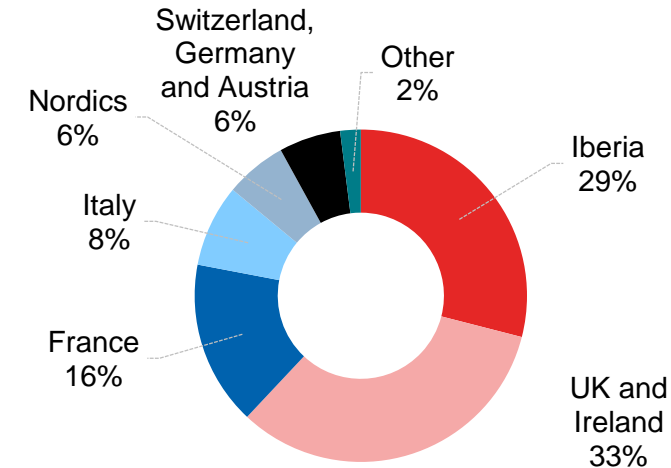
Tier II Investor Base – By Investor Type

% demand



Tier II Investor Base – By Region

% demand



## On January 16<sup>th</sup>, Ibercaja successfully completed the refinancing strategy of the Tier II instruments issued in 2015:

- ▶ Ibercaja has issued €500m of Tier II in 10.5NC5.5 format. Investors' demand reached **€1,800m** and over 70% of investors were international. **Coupon was priced at 2.75%** vs. 5% of the previous issuance, which implies over **€11m** annual savings (~2% of net interest income).
- ▶ At the same time Ibercaja **has repurchased 56% of the instrument issued in 2015** and the remaining 44% has a call date in July.

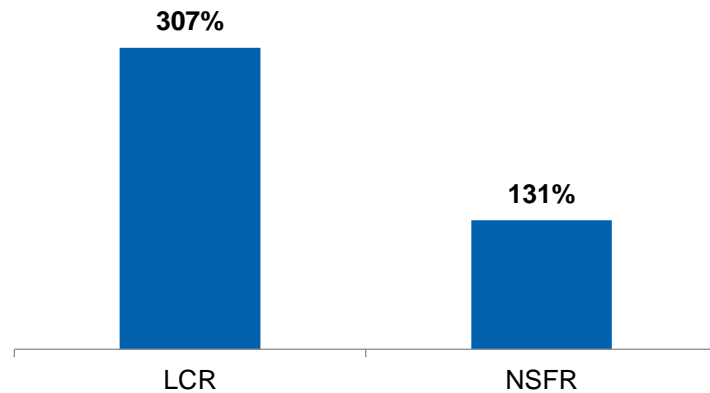
# LIQUIDITY AND FUNDING PROFILE

Ibercaja holds a comfortable liquidity position (liquid assets account for 20.7% of total assets) and a prudent funding profile (customer deposits account for 77% of gross external funding).

- ▶ **LCR and NSFR ratios** stand well above regulatory requirements.
- ▶ **LTD ratio** stands at **92.5%**.
- ▶ Ibercaja has repaid 50% of its TLTRO II financing and it does not intend to use any TLTRO III financing.

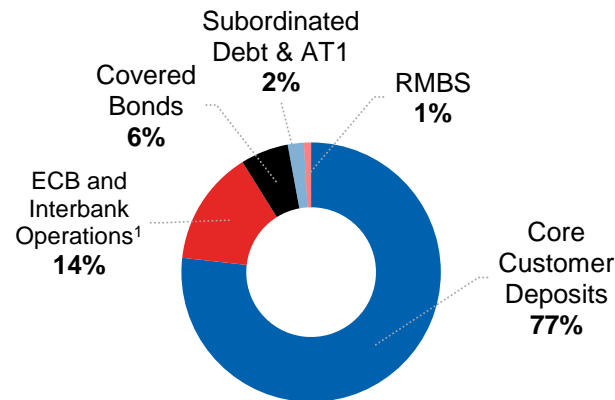
## LCR and NSFR Ratios

% - 4Q2019



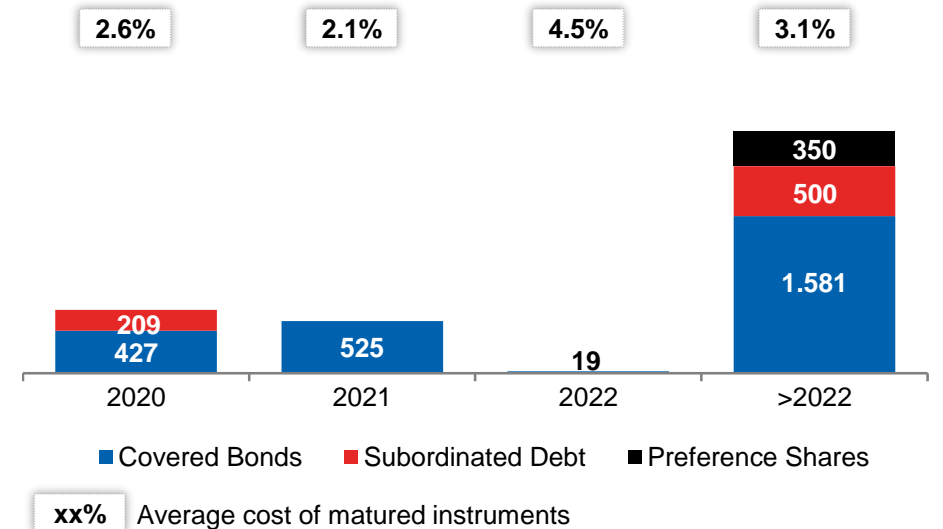
## Gross External Funding

% - 4Q2019



## Maturity Profile

€m - 31/01/2020 post Tier II refinancing



<sup>1</sup> Includes long term funding from institutional banks such as ICO and EIB

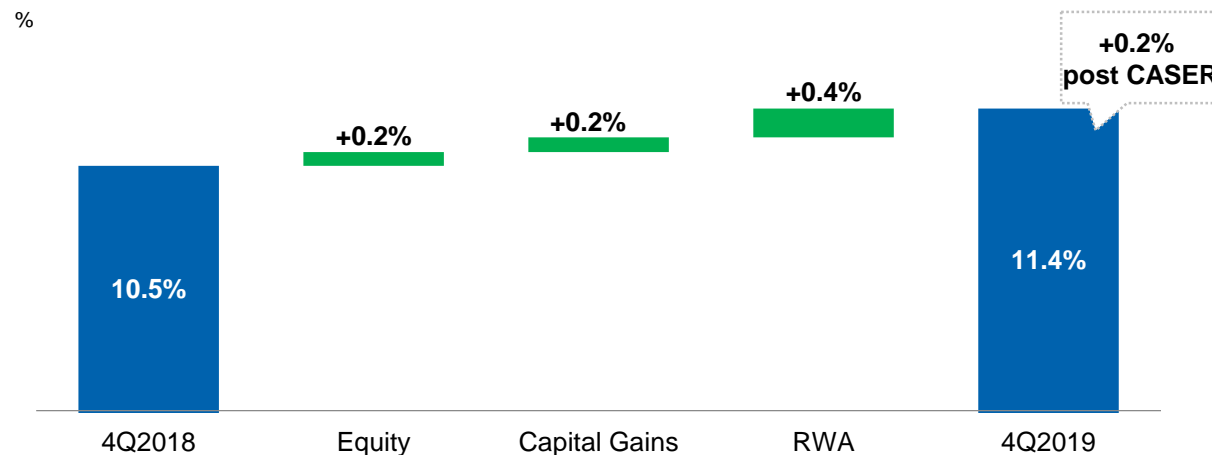
# SOLVENCY

In 2019 Ibercaja has generated 82 b.p. of capital. CET1 Fully Loaded ratio reaches 11.4% while Total Capital Fully Loaded ratio stands at 15.5%.

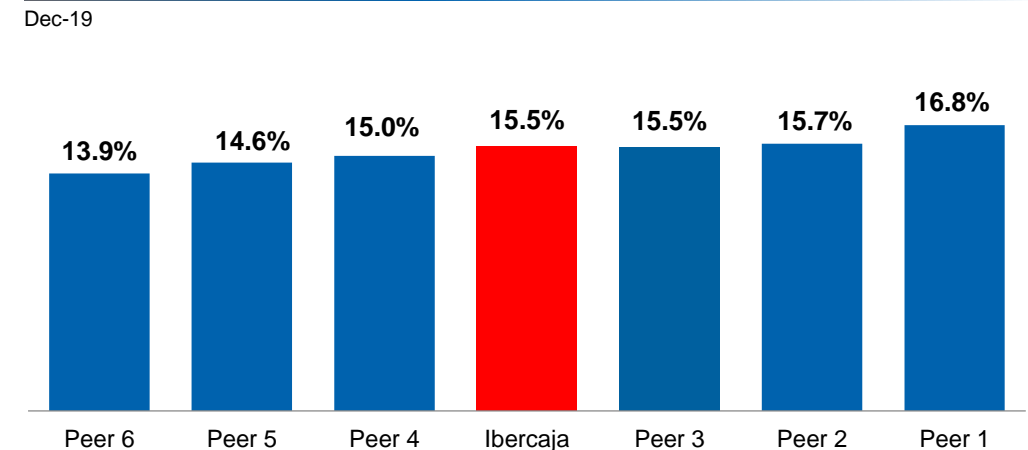
- ▶ Fully Loaded leverage ratio stands at 5.5%.
- ▶ The closing of 4.45% CASER sale will imply a 0.2% increase in CET1 Fully Loaded ratio and is expected during 1H20.

In Phased-In terms, CET1 ratio stands at 12.3% and Total Capital at 16.4% vs. 9% and 12.5% requirements, respectively.

CET1 Fully Loaded



Total Capital Fully Loaded

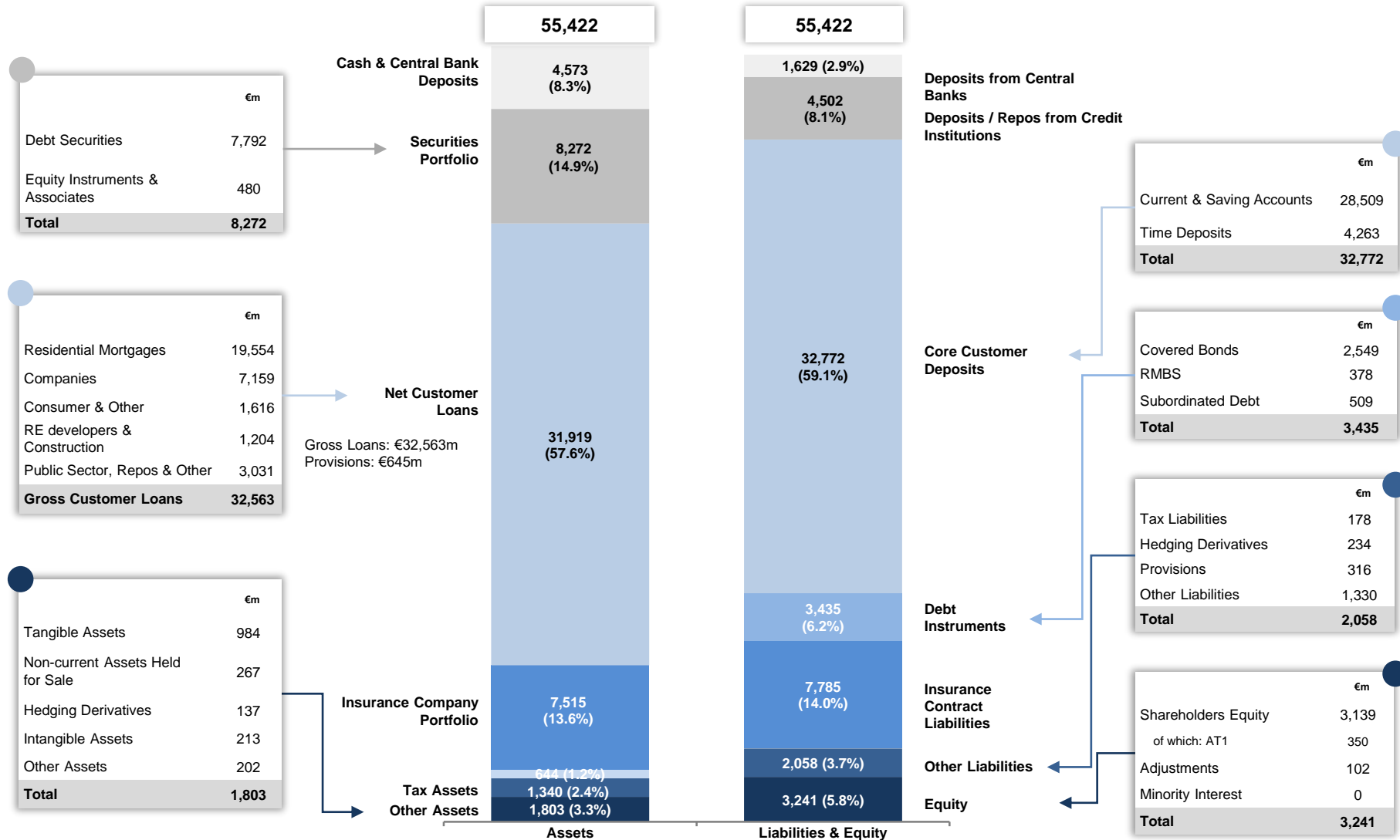


V

ANNEX

# CONSOLIDATED BALANCE SHEET

€m - 31/12/2019



# GLOSSARY

Ratio / APM	Definition
<b>Customer Spread</b>	Difference between the average yield on the loan portfolio and the cost of retail deposits (ex. repos and covered bonds)
<b>Recurring Revenues</b>	Net interest income plus net fee and commission income plus net exchange differences
<b>Recurring Costs</b>	Personnel expenses plus other administration expenses plus amortisation and depreciation minus extraordinary expenses (redundancy plan)
<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>NPL coverage ratio</b>	Loans and advances to customers impairments divided by balances in loans and advances to customers
<b>Foreclosed Assets coverage ratio</b>	Foreclosed assets impairment losses (since loan origination) divided by gross foreclosed assets
<b>Non-performing Assets (“NPAs”)</b>	Sum of doubtful balances in loans and advances to customers and gross foreclosed assets
<b>NPA ratio</b>	Gross non-performing assets divided by gross loans and advances to customers plus gross foreclosed assets
<b>NPA coverage ratio</b>	Sum of foreclosed assets impairments and loans and advances to customers impairments divided by gross non-performing assets
<b>Cost of Risk</b>	Sum of impairments associated with credit risk and foreclosed assets divided by the average balance of the sum of gross loans and 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>Loans-to deposits ratio</b>	Net customer loans (ex. repos) divided by customer deposits (ex. repos and covered bonds)
<b>Net Stable Funding Ratio</b>	Amount of available stable funding relative to the amount of required stable funding
<b>Liquidity Coverage Ratio</b>	High quality liquid assets divided by net outflows during the following 30 days
<b>ALCO portfolio</b>	Bank’s fixed-income portfolio. Excludes the fixed-income portfolio of the insurance company

# THANKS!

For further information:  
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