

# IBERCAJA BANCO 2020 RESULTS

3<sup>rd</sup> March 2021

EL BANCO  
DEL  
*Vamos*

iberCaja 



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# KEY HIGHLIGHTS

# KEY HIGHLIGHTS (1/2)

## REINFORCEMENT OF THE BALANCE SHEET

12.6%

**CET1 Fully Loaded** increases 124 bps from December 2019 (+8 bps in 4Q) to **12.6%**, exceeding the Entity's strategic objective.

549  
bps

**MDA distance** stands at **549 bps** vs. 327 bps close of 2019.

-14.9%

**NPAs** fall by **14.9%** or **€286m YTD**. NPLs ratio stands at 3.2% and Ibercaja extends its positive gap vs. sector to **123bps** (81bps in 4Q2019).

62.2%

**The coverage ratio of NPAs** stands at **62.2%** vs. 51.6% at the end of 2019.

# KEY HIGHLIGHTS (2/2)

## IBERCAJA MAINTAINS A SOUND COMMERCIAL ACTIVITY

+7.9%

**Customer funds** grow by 7.9% YoY

1.167  
€m

**2nd Entity in Spain** by volume of net new money flows into **mutual funds**

+18.2%

**New lending** grows by 18.2%

## RECURRING PROFIT BEFORE PROVISIONS REMAINS STABLE

-3.5%

**Recurring revenue** falls by 3.5% YoY

-5.4%

**Recurring expenses** shrinks 5.4% YoY

-0.2%

**Recurring pre-provision profit** remains **stable**

## EXTRAORDINARY IMPACTS AMOUNT TO -€126M (PBT)

-151  
€m

The estimated total cost of the **redundancy plan**, amounts to EUR **€151m**

-90  
€m

The **additional COVID provisions** rise to **€90m** in the year

+115  
€m

The entity generates **extraordinary trading income** totaling **€115m** in 4Q

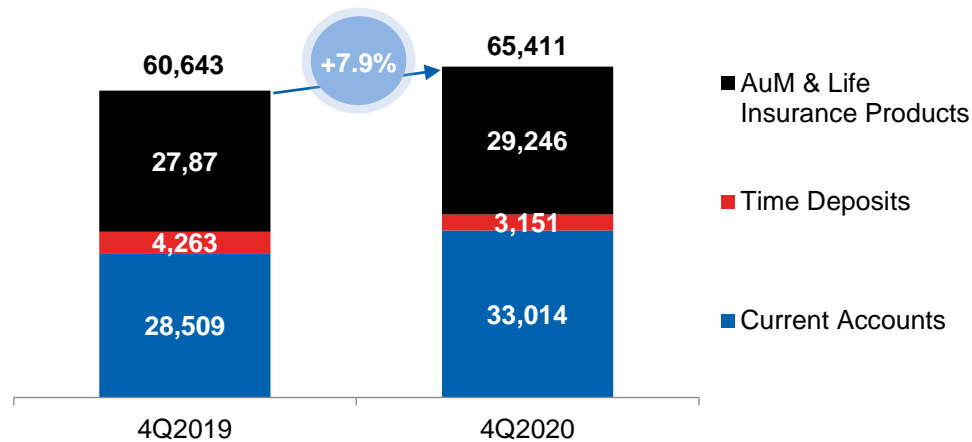


# COMMERCIAL ACTIVITY

# CUSTOMER FUNDS

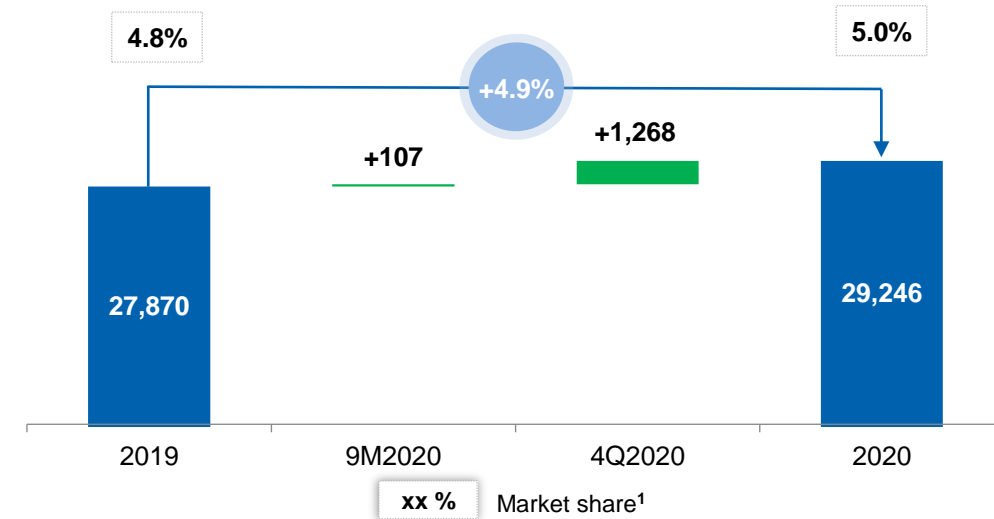
## Customer funds

€m



## Assets under management and life insurance products evolution

€m



### Customer funds increase 7.9% YoY or €4,768m vs. end of 2019.

- ▶ **Total customer deposits** (current accounts and time deposits) grow **10.4%** YoY, driven by current accounts (+15.8%).
- ▶ **Assets under management and life insurance** advance by **4.9%**, +€1,375m, vs. end of 2019. In 4Q, growth reaches €1.268m. Despite the high volatility of markets throughout the year, assets under management and life insurance have a positive revaluation of €178m. **Market share in asset management and life<sup>1</sup> insurance reaches 5%** (+18 bps in the year).

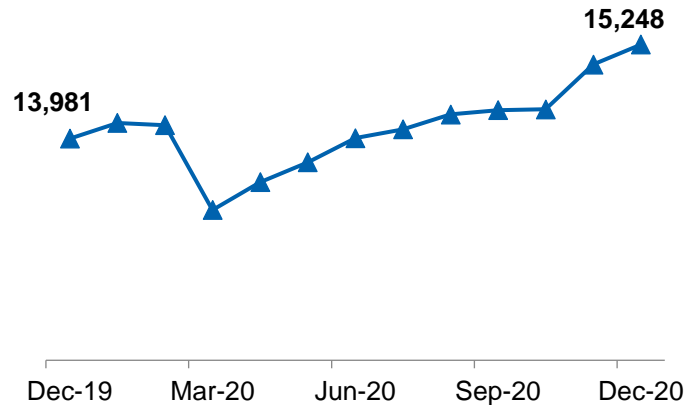
<sup>1</sup> Source: ICEA, Inverco



# MUTUAL FUNDS

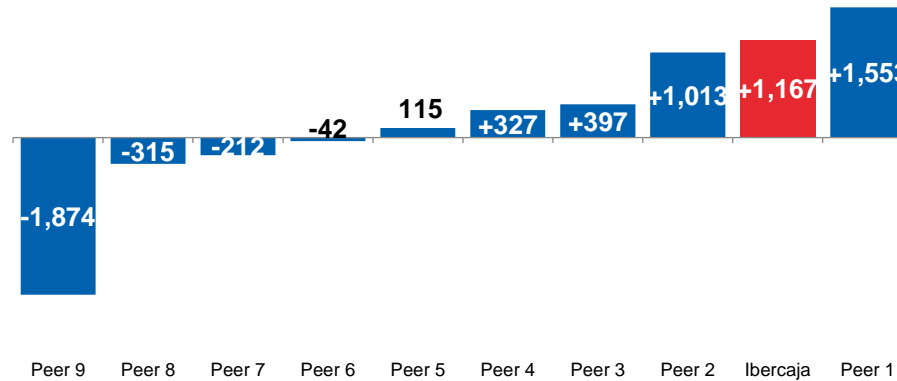
## Stock of mutual funds

€m - Ibercaja Gestión



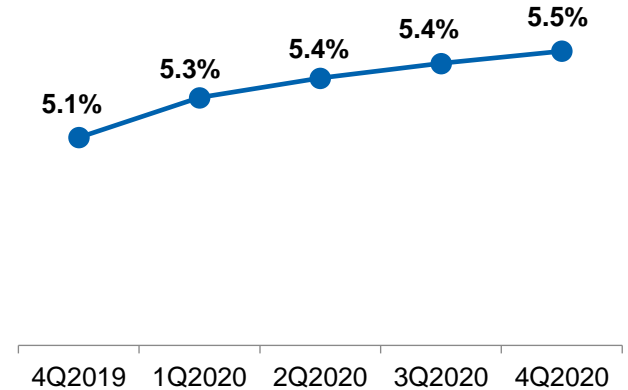
## Net new money inflows

€m - 2020; 10 top mutual funds management groups in Spain



## Mutual funds market share

% - Ibercaja Gestión

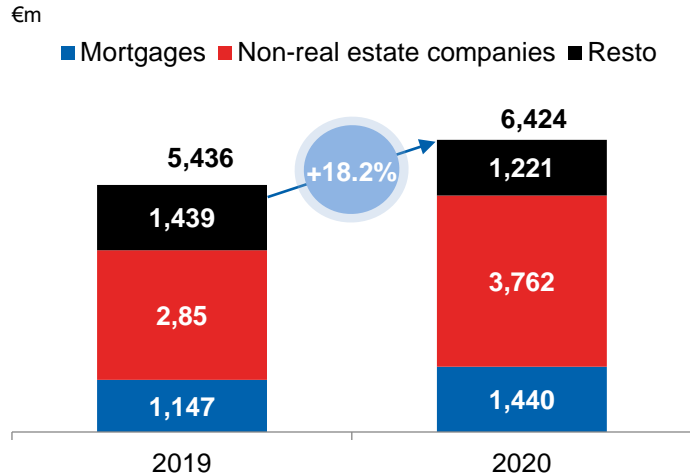


The stock of mutual funds grows €1,268m or 9.1% YoY (+6.2% QoQ) and stand above €15,000m.

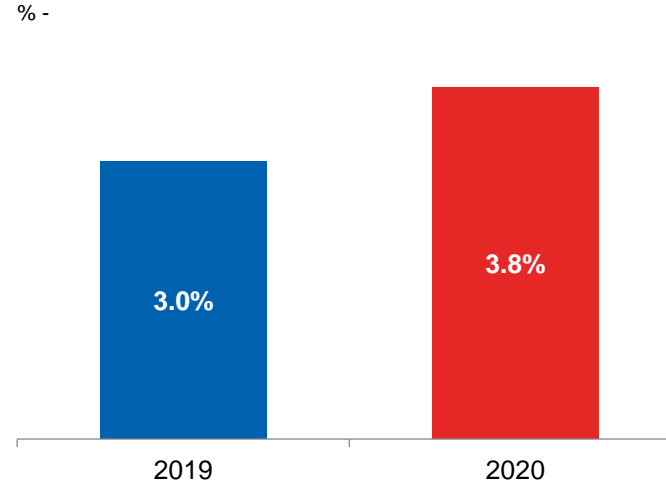
- ▶ Ibercaja Gestión ranks 2nd in terms of net new money inflows in Spain with €1,167m (+58.7% vs. 2019 levels).
- ▶ Market share increases 46 bps in the year, up to 5.5%.

# CUSTOMER LOANS

## New lending production



## Market share in new mortgages



## Loan portfolio

€m

	4Q2019	4Q2020	Var.
<b>Loans to Individuals</b>	<b>20,524</b>	<b>20,383</b>	<b>-0.7%</b>
Mortgages	18,932	18,615	-1.7%
Consumer and Others <sup>2</sup>	1,592	1,768	11.1%
<b>Loans to Companies</b>	<b>7,718</b>	<b>7,498</b>	<b>-2.9%</b>
Non-Real Estate Companies	6,661	6,557	-1.6%
Real Estate Companies	1,058	941	-11.1%
<b>Public sector and Others</b>	<b>1,412</b>	<b>1,075</b>	<b>-23.9%</b>
<b>Performing Gross Loans ex Repos</b>	<b>29,654</b>	<b>28,956</b>	<b>-2.4%</b>
Repos	1,616	1,621	0.3%
Doubtful Loans	1,293	1,013	-21.7%
<b>Total Gross Loans</b>	<b>32,563</b>	<b>31,590</b>	<b>-3.0%</b>

Ibercaja maintains an intense commercial activity in new lending activities which exceeds €6,400m (+18.2% YoY).

- ▶ **New mortgage production** grows **25.6% YoY** and Ibercaja reaches a **market share** in new production of **3.8%**<sup>1</sup>.
- ▶ **New lending to non-real estate companies** increased by **32.0% YoY** thanks to the strong momentum in ICO financing.

**Stock of performing loans ex repos falls 2.4% YTD.**

- ▶ 48.3% of the decline is explained by the variation in public sector and others. **Loans to the private sector** (families and businesses) falls **1.3%**.

<sup>1</sup> Source: Bank of Spain

<sup>2</sup> Impact from advance payments to pensioners: +€166m

# MORATORIA AND ICO GUARANTEED LENDING

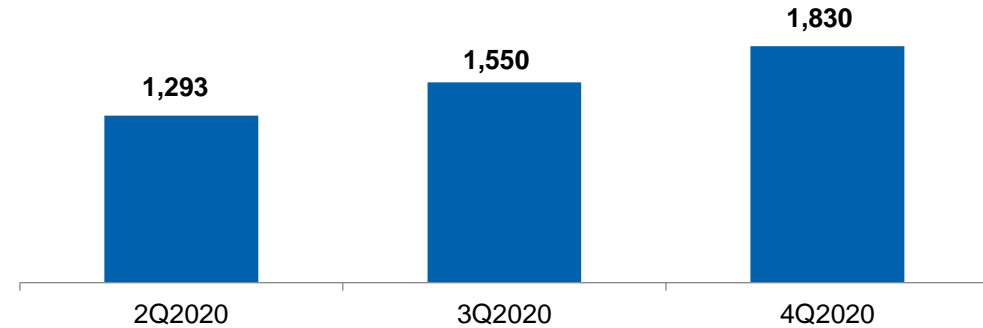
## Moratoria granted and outstanding as of 2020YE

€m



## Accumulated evolution of ICO lending

€m



### Outstanding moratoria amounts to €366m or 1.2% of gross lending.

- ▶ Outstanding **mortgage moratoria** amounts to **€308,3m**, or **1.6%** of the stock.
- ▶ Outstanding **consumer lending moratoria** stands at **€1,1m**.
- ▶ **Expired moratoria** represents **50.6% of total** with no relevant impact in the NPL ratio.

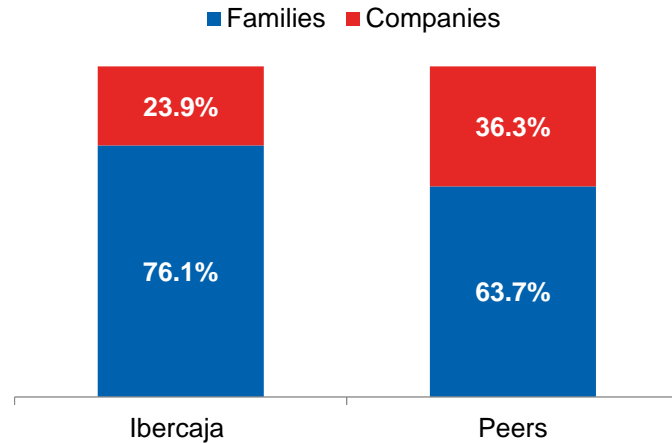
### Ibercaja has granted €1,830m in loans with ICO guarantee (+€280m in the quarter).

- ▶ **82%** of loans have been granted to **SMEs and self-employed**.
- ▶ **ICO financing drawn (€1,454m)** represents **18.3%** of companies' loans. In most exposed sectors (transport, hospitality and leisure), this ratio reaches **24.3%**

# A DEFENSIVE CREDIT PORTFOLIO

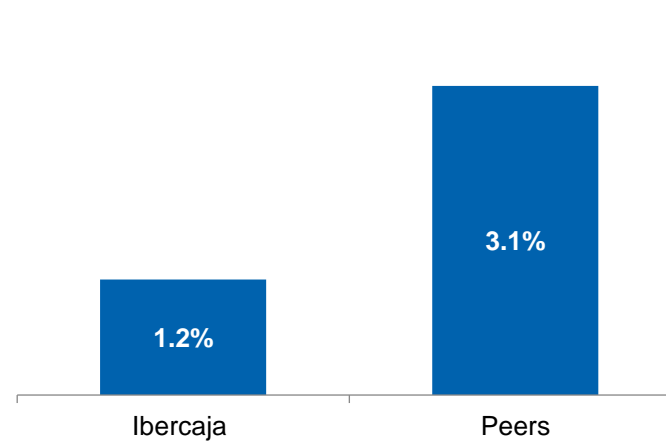
## Loans to the private sector<sup>1</sup>

% - Source: EBA transparency exercise – FINREP criteria



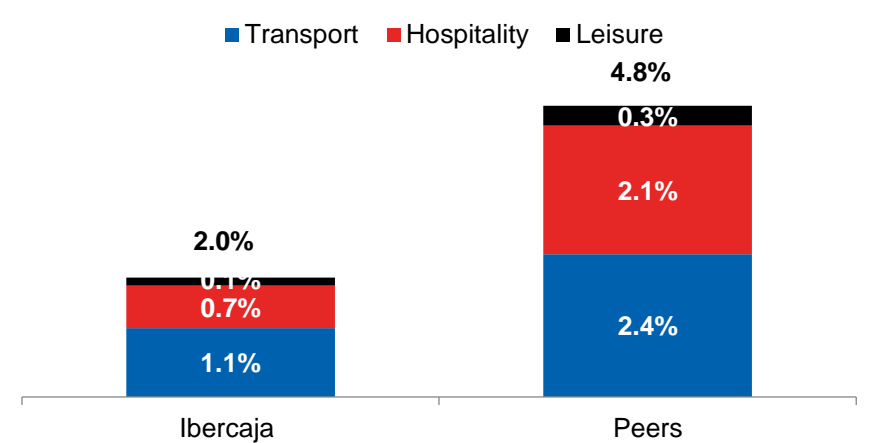
## Moratoria as % of gross loans<sup>2</sup>

% - Source: results presentations



## Loans to transport, hospitality and leisure % gross loans<sup>1</sup>

% - Source: EBA transparency exercise – FINREP criteria



### Ibercaja faces 2021 with a stronger and more defensive credit portfolio than the sector:

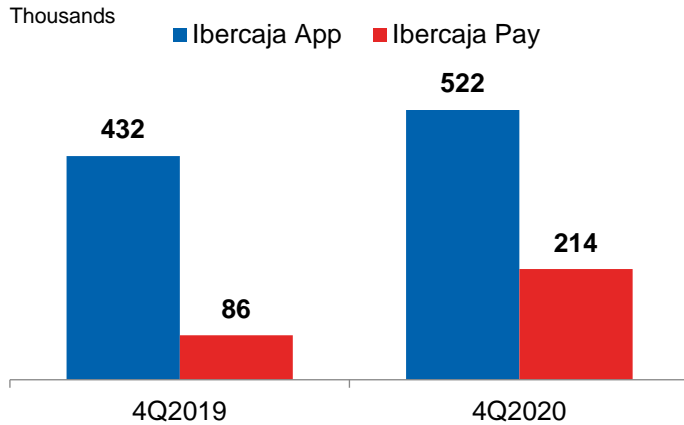
- ▶ The weight of **loans to families in Ibercaja**, with a lower expected loss, is **12.4 p.p.** higher than comparable entities.
- ▶ The **need for moratoria** on Ibercaja's credit portfolio, 1.2%, is **63% lower** than peers.
- ▶ Exposure to credit to **transport, hospitality and leisure** stands **59% lower** than peers.

<sup>1</sup> Peer group includes Caixabank, Sabadell, Bankinter, Bankia, Unicaja y Liberbank as of June 2020. Ibercaja refers to December 2020

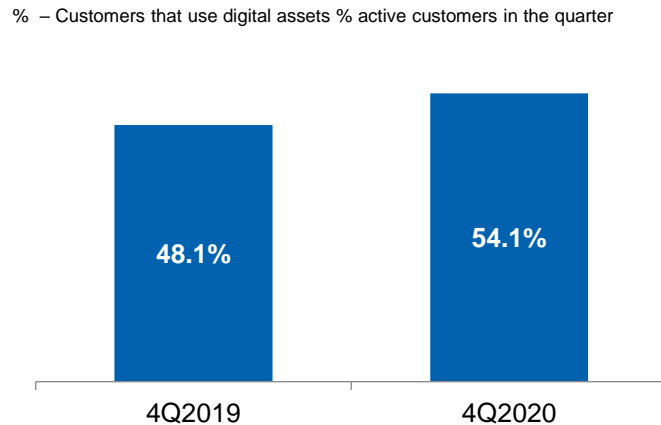
<sup>2</sup> Peer group includes Caixabank ex BPI, Sabadell ex TSB, Bankia, Unicaja y Liberbank as of December 2020

# DIGITALIZATION

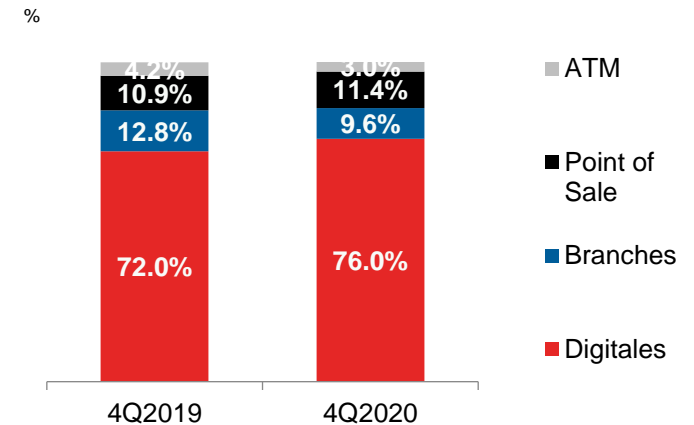
## Ibercaja App & Ibercaja Pay users



## Digital customers % total customers



## Digital transactions % total



### Digital customers grow 10.0% to 842,000.

- ▶ This growth is driven by the increase in usage of **Ibercaja App** (+20.7% YoY) and **Ibercaja Pay** (+148.4% YoY).

### 54.1% of customers have used the bank's digital assets in the last quarter.

### Digitization is allowing for greater proximity: total interactions with customers increase by 84% YoY

### Digital channels already account for 76.0% of the Bank's transactions (72% at the end of 2019).

- ▶ Digital channels represent **75%** of **new consumer lending**
- ▶ Since 2Q, **8.5%** of **new mortgages** (not subrogated) have been granted through digital channels.

# LAUNCH OF SUSTAINABILITY POLICY

Ibercaja has approved a new sustainability policy that will drive the integration of the “ESG” aspects into its business strategy.

- ▶ The Entity formalizes a **global framework for action to grow in a sustainable, inclusive and environmentally friendly manner.**
- ▶ The new roadmap reinforces Ibercaja's social commitment to fulfilling its corporate purpose: **"Helping people build their life story"**.



## Our Commitments



Signatory to the **United Nations Responsible Banking Principles**



Adherence to the **TCFD Recommendations**



Aligned with the **SDGs**

## Our actions to combat climate change

- ▶ **Carbon neutrals by 2020**
- ▶ **100% green energy at Headquarters**
- ▶ **9.138Tn CO2** avoided with the purchase of green energy
- ▶ **1,174 Tn CO2** offset by our sustainable products
- ▶ **ISO14001** certification in environmental management

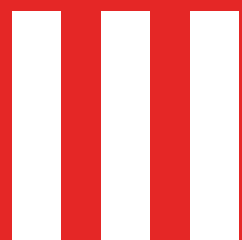
## Our new products and services

- ▶ **7 Sustainable Investment Plans and Funds** with more than **€1,000M** under management
- ▶ **ONE credit / debit card** sustainable and inclusive (recycled PVC)
- ▶ **New sustainable financing products**

# SUPPORTING SOCIETY DURING THE PANDEMIC

Ibercaja has implemented numerous measures to be a key part of recovery

- ▶ **ICO Covid-19 lines:** 17,082 transactions granted for a total amount of **€1,830m (82% to SMEs and self-employed).**
- ▶ **Moratoria:** 8,664 transactions granted for a total of **€741m** (of which €366m remain outstanding).
- ▶ **Retirement benefits advances:** **€4,056m** euros since the start of the pandemic.
- ▶ **Unemployment benefits advances:** **€635m.**
- ▶ Strengthening relationship channels with our customers:
  - ▶ Launch of **Ibercaja Proxima:** the personalized remote management service with 60 digital managers that serve almost 50,000 customers.
  - ▶ Call centres' activity increases by 51% in the year.
- ▶ Suspension of cash withdrawal fees at ATMs of other Spanish entities.
- ▶ Suspension of monthly POS fees during lockdown.
- ▶ Payment facilities for insurance premiums.
- ▶ Possibility of rescuing pension plans.
- ▶ Private donation plan.



# RESULTS

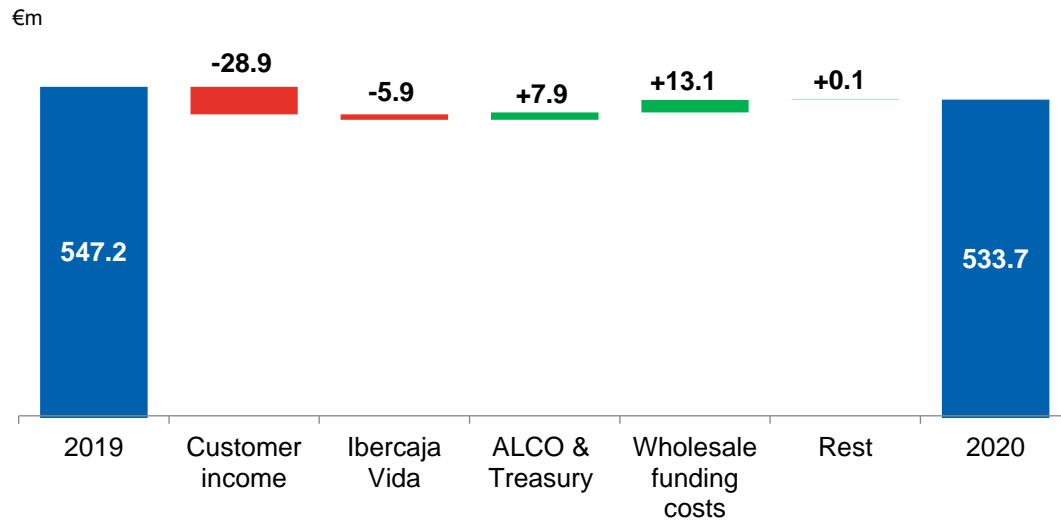


# P&L ACCOUNT

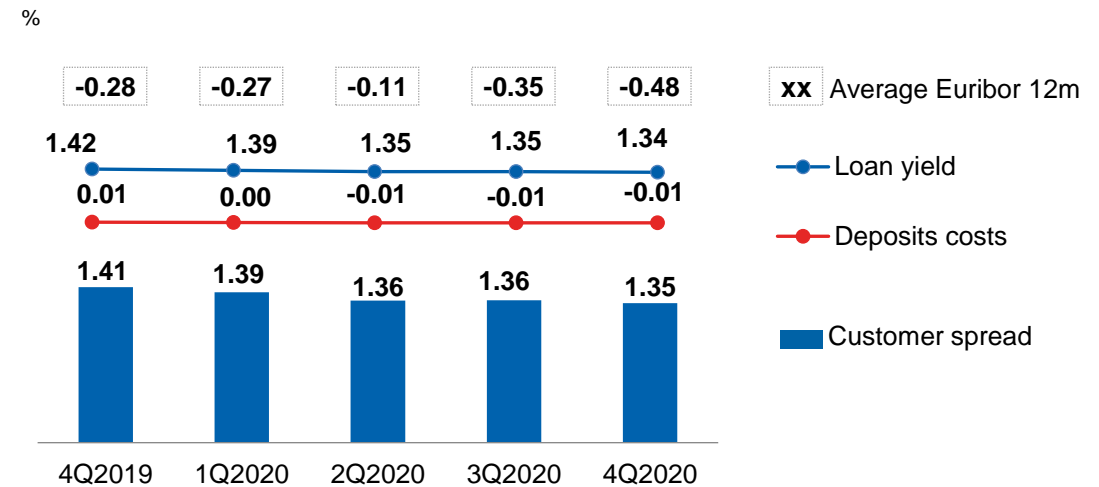
	€m		
	2019	2020	YoY
Net Interest Income	547.2	533.7	-2.5%
Net Fee Income	394.8	375.0	-5.0%
<b>Recurring revenues</b>	<b>942.1</b>	<b>908.7</b>	<b>-3.5%</b>
<b>Gains/Losses on Financial Assets and Liabilities</b>	7.1	119.2	n/a
of which: Sale of a Portfolio at Amortized Cost		114.6	n/a
Other Operating Income (net)	-22.6	-26.0	15.1%
<b>Gross Operating Income</b>	<b>926.6</b>	<b>1,001.8</b>	<b>8.1%</b>
Operating Costs	-600.1	-718.5	19.7%
of which: Recurring Costs	-600.1	-567.5	-5.4%
of which: 2020 Redundancy Plan		-151.0	n/a
<b>Pre-Provision Profit</b>	<b>326.5</b>	<b>283.3</b>	<b>-13.2%</b>
Total Provisions	-184.5	-225.8	22.4%
of which: Covid-19		-90.1	n/a
Other Gains and Losses	-13.3	-4.0	-69.8%
<b>Profit before Taxes</b>	<b>128.6</b>	<b>53.5</b>	<b>-58.4%</b>
Taxes & Minorities	-44.6	-29.9	-33.1%
<b>Net income</b>	<b>84.0</b>	<b>23.6</b>	<b>-71.9%</b>

# NET INTEREST INCOME

## Net Interest Income breakdown



## Customer spread



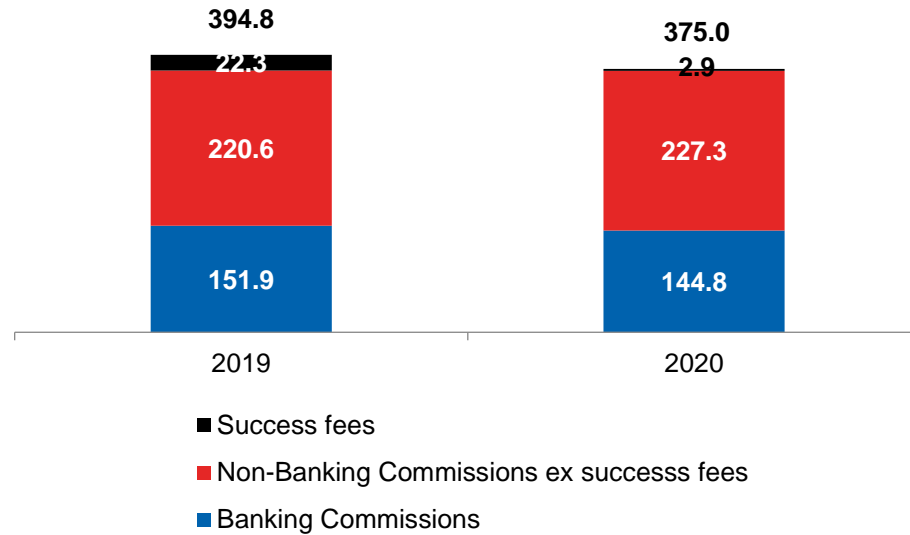
### Interest margin shrinks by 2.5% YoY or €13.6m.

- ▶ **Customer income** falls €28.9m affected by falling credit revenues.
- ▶ **Tiering** and **refinancing Tier II debt** contributes positively to net interest income evolution.

# NET FEE INCOME

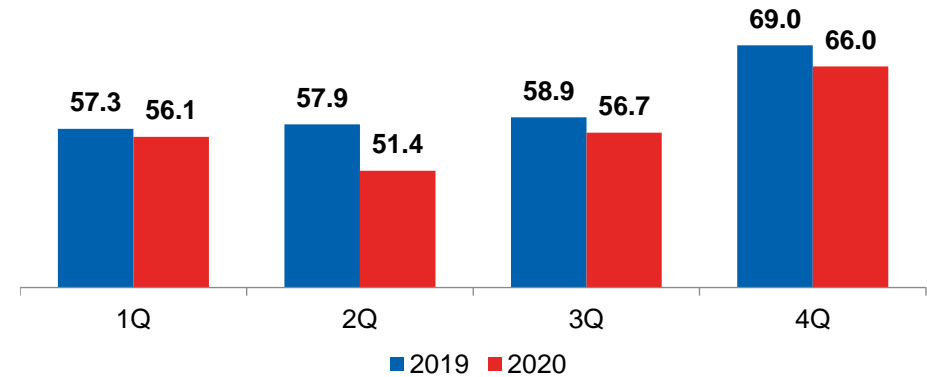
## Net fee income

€m



## Non-banking commissions

€m



**Net fee income falls back by 5.0% YoY or €19.9m euros due to falling success fees (€-19.5m).**

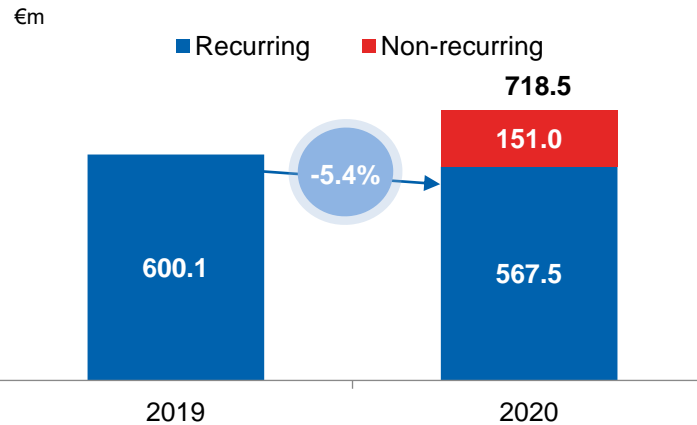
- ▶ Excluding this item, net fee income remains stable (-0.1% YoY).

**In 4Q, total commissions grew by 12.6% vs. 3Q.**

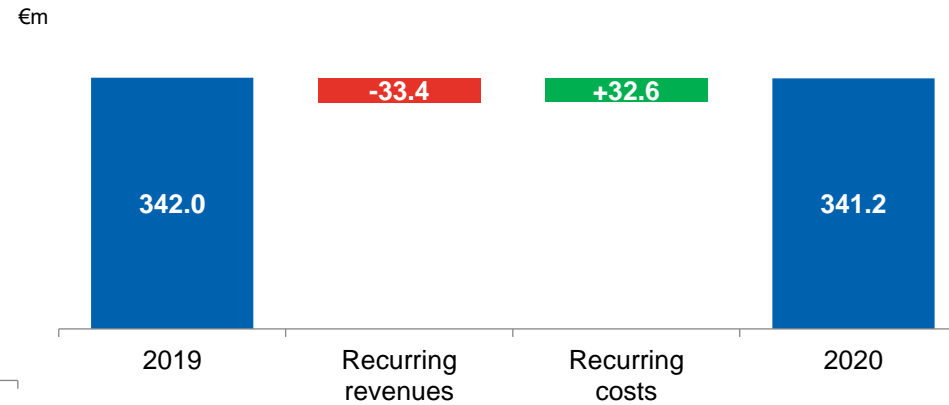
- ▶ The increase in assets under management allows **non-bank commissions to grow by 16.4% in 4Q vs. 3Q.**

# COSTS AND PRE-PROVISION PROFIT

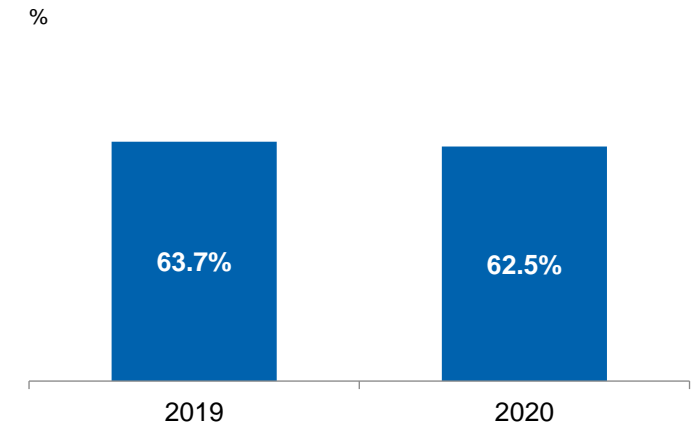
## Total costs



## Recurring pre-provision profit



## Recurring cost to income ratio



Total expenditures increase by 19.7% YoY due to the extraordinary charge of EUR €151.0m related to the total estimated cost of the redundancy plan.

- The Redundancy Plan will apply to **750 employees**, **15% of the staff**, and departures will occur in a staggered manner until **June 2022**.

Recurring expenses fall 5.4% YoY or €33m as a result of the reduction in personnel expenses (-2.6%) and general expenses and amortization (-9.7%).

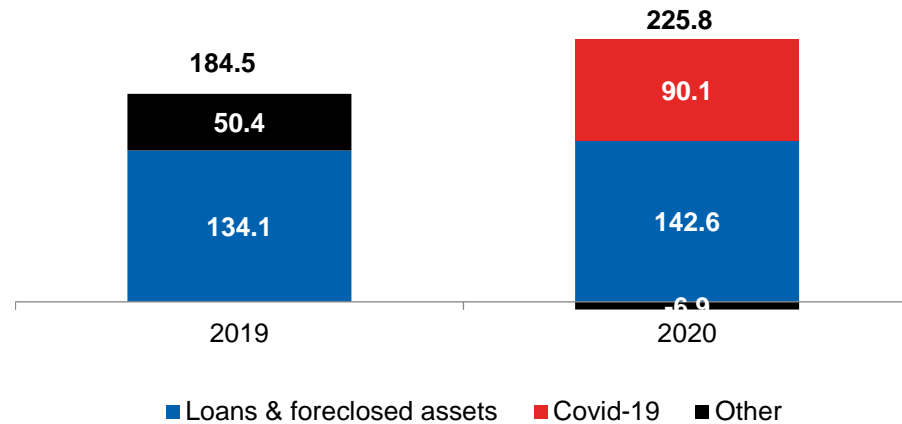
Thus, Ibercaja manages to compensate for the drop in recurring revenues and recurring pre-provision profit remains stable (-0.2% YoY) The recurring efficiency ratio is 62.5%.

Pre-provision profit falls by 13.2% YoY due to the extraordinary cost of the Redundancy Plan, not fully offset by the extraordinary trading income generated in the quarter, €115m.

# PROVISIONS

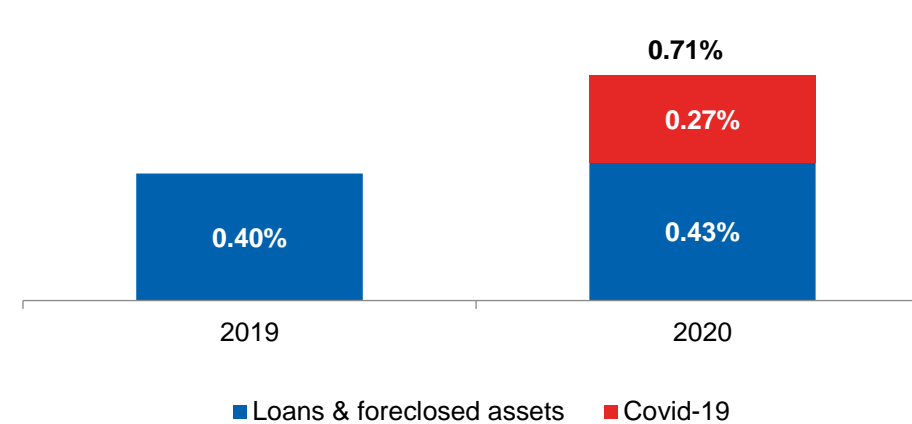
## Total provisions

€m



## Cost of risk

%



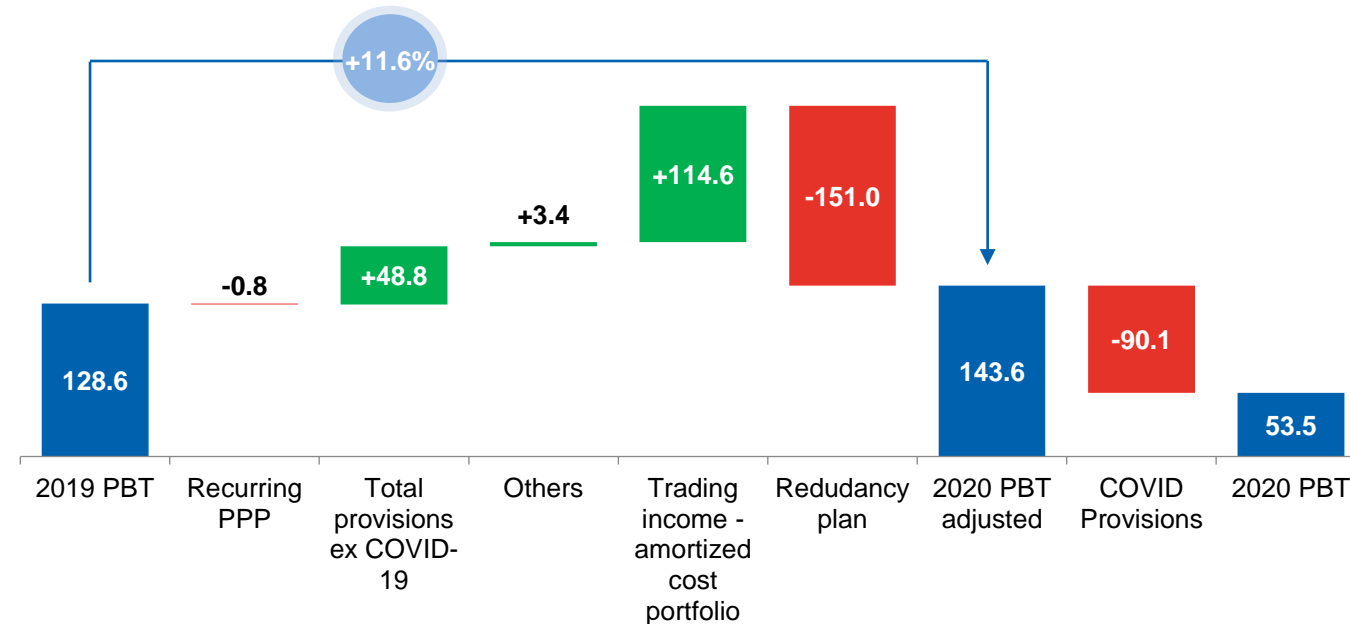
### Total provisions grow 22.4% YoY. Total cost of risk stands at 71 bps.

- **Provisions related to loans and foreclosed assets** grow by **6.3%YoY** or €8.5m. The **cost of risk related to loans and foreclosed assets** stands at **43 bps** vs. 40 bps recorded in 2019.
- Ibercaja has constituted a **provision of €90.1m** to cover the **potential impact of Covid-19** on the credit portfolio. This Covid fund represents an increase in the **cost of risk of 27 bps**.

# NET PROFIT

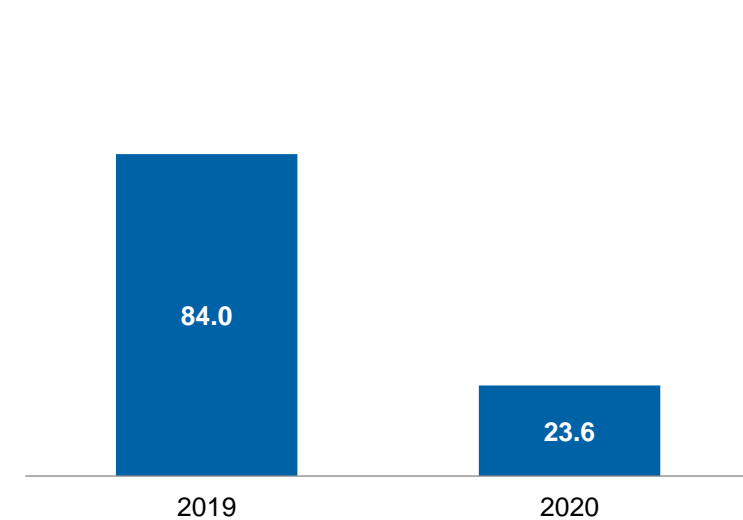
## Var. profit before taxes in 2020

€m



## Net profit

€m



The main extraordinary impacts (redundancy plan cost and Covid-19 provisions + trading income from the amortized cost portfolio sale) subtract €126m to profit before taxes.

- Profit before taxes excluding COVID-19 provisions increases by 11.6% YoY even though the impact from the extraordinary cost of the Redundancy Plan.

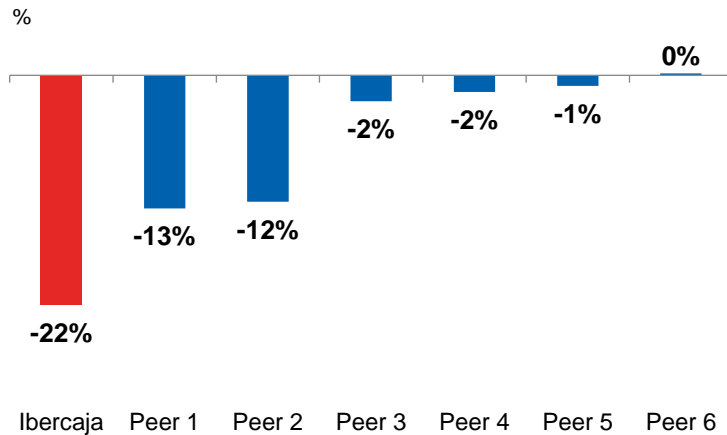
Net profit falls 71.9% YoY to €23.6m due to the impact of the extraordinary items.

# IV

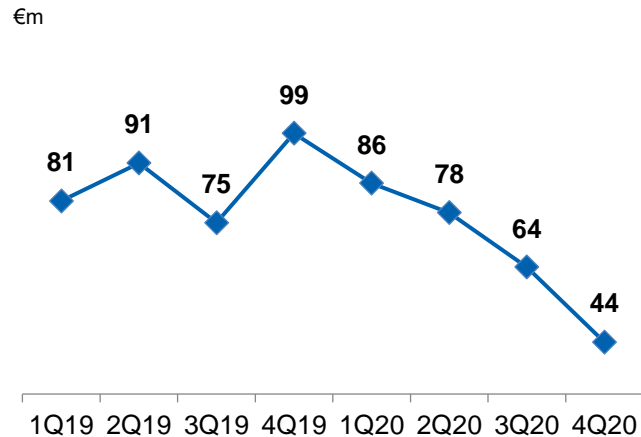
## ASSET QUALITY, LIQUIDITY AND SOLVENCY

# ASSET QUALITY (1/2)

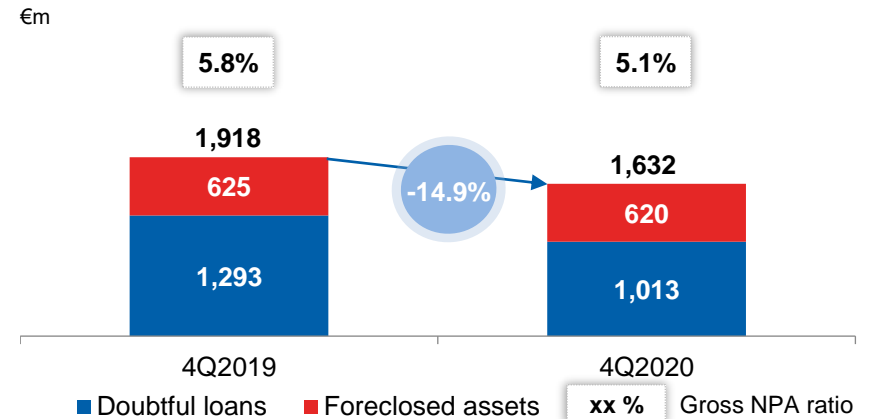
2020 NPL evolution



Gross NPL entries



Gross NPAs



Doubtful loans drop by 21.7% YoY or €280m, the biggest reduction among peers. NPL ratios fall 76 bps to 3.2% and Ibercaja increases its positive gap vs. sector, reaching 123 bps (vs. 81 bps at the end of 2019).

- ▶ **Gross NPL entries** shrink 21.8% YoY.
- ▶ By segments, **companies NPL** fall 17.9% YoY and **families NPL** shrink 24.4% YoY.

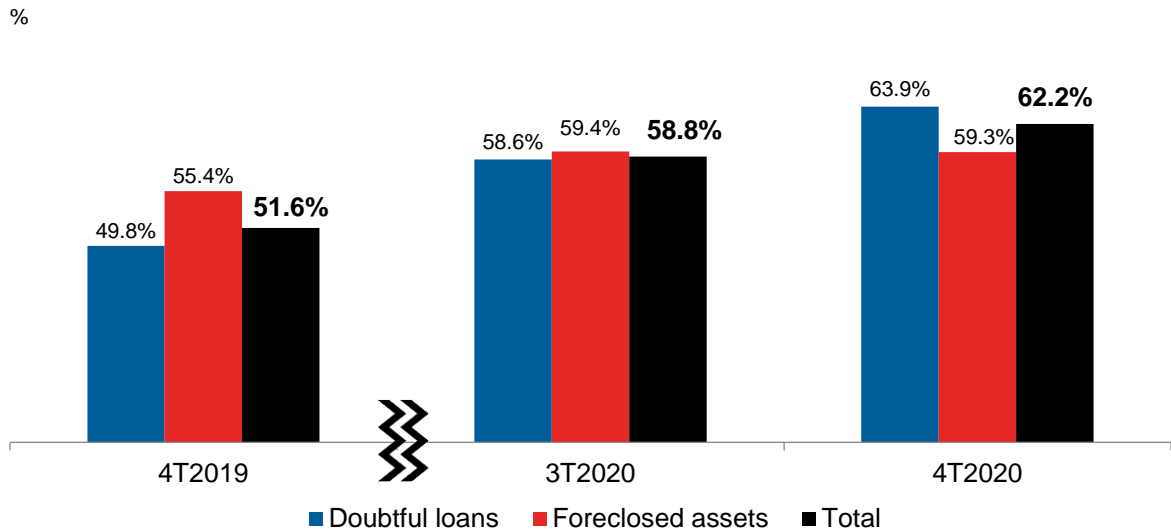
Total stock of non-performing assets falls 14.9% YoY (-€286m) and NPA ratio falls 71 bps to 5.1%.

- ▶ **Foreclosed assets** fall 0.9% YoY (-€5.4m).

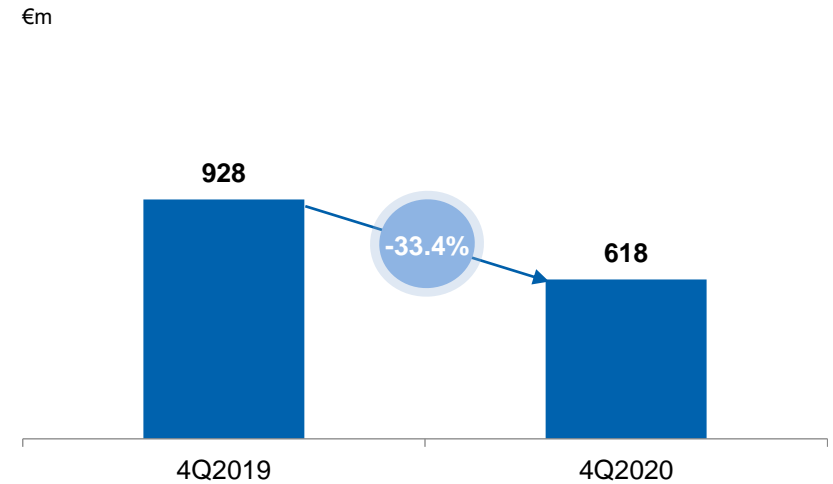


# ASSET QUALITY (2/2)

## NPA coverage ratio



## Net NPAs



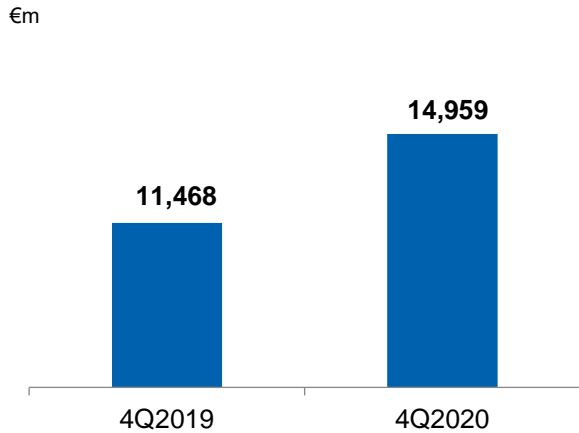
**NPA coverage ratio stands at 62.2%, 10.5 p.p. above 2019YE levels (+3.3 p.p. in 4Q).**

► **NPL coverage ratio increases 14.1 p.p. YoY and reaches 63.9% (+5.3 p.p. in 4Q).**

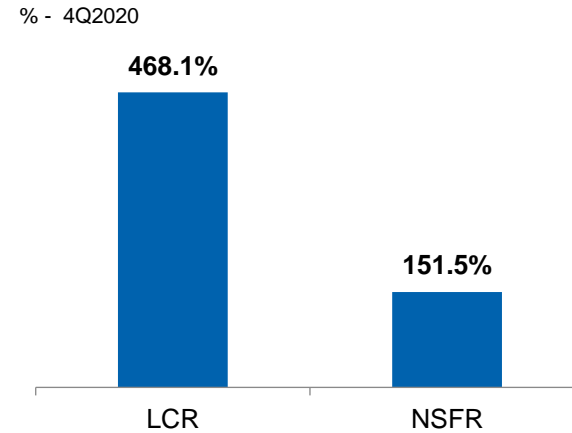
**The reduction of gross non-performing assets coupled with the provisioning effort results in net non-performing assets falling €310m 33.4% YoY.**

# LIQUIDITY AND FUNDING PROFILE

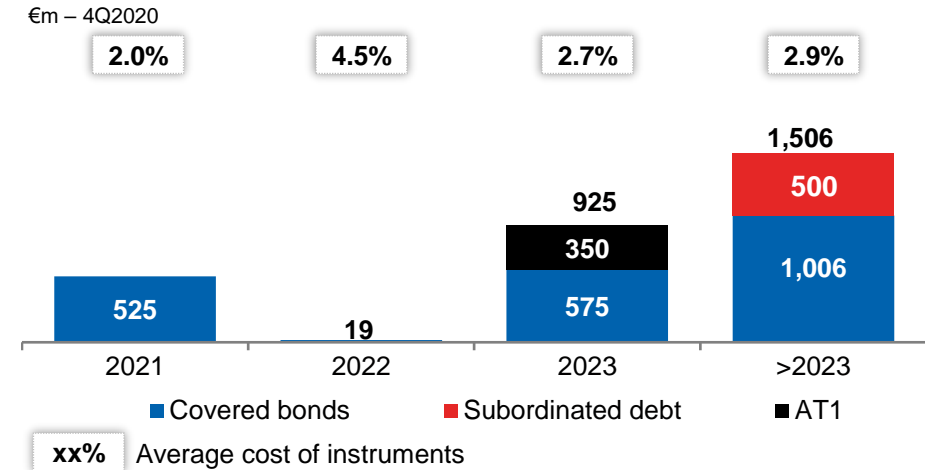
## Liquid Assets



## LCR and NSFR ratios



## Maturity profile



Ibercaja has a sound liquidity position and shows a strong funding profile.

- **Liquid assets** grow €3,492m, **LCR ratio** stands at **468%** and **LTD ratio** reaches **81,1%**.

By the end of 2020 Ibercaja already meets its MREL requirements for 2022 with an MREL ratio of 15.77%\* and a MREL leverage ratio of 7.36%.

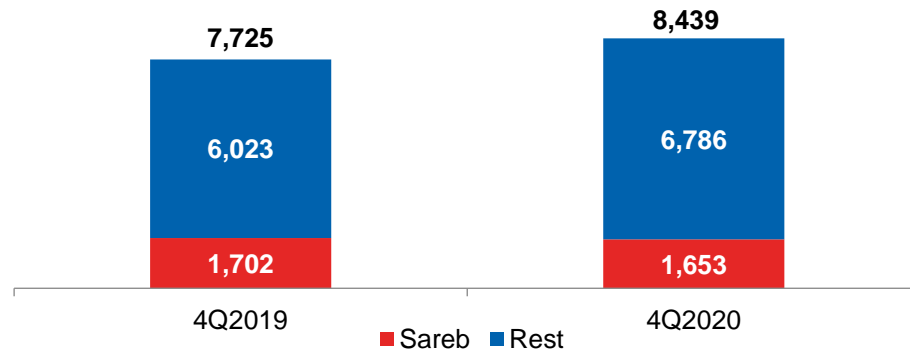
- **January 2022:** the percentage of own funds and eligible liabilities must be **15.38%**. In terms of MREL leverage ratio the requirement stands at 5.24%.
- **January 2024:** the percentage of own funds and eligible liabilities must be **18.42%**. In terms of MREL leverage ratio the requirement stands at 5.24%.

\* Without including capital allocated to the Combined Buffer Requirement (2.5% TREA)

# ALCO PORTFOLIO

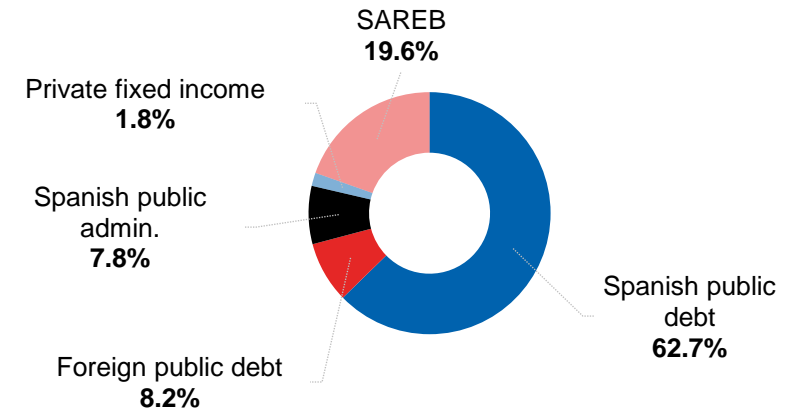
## ALCO Portfolio

€m



## ALCO portfolio breakdown

% - 4Q2020



### Ibercaja has increased its ALCO portfolio<sup>1</sup> by 9.3% YoY.

- ▶ The portfolio has a low risk profile compounded mainly by **Spanish sovereign risk**.
- ▶ **Average duration of 3.9 years<sup>2</sup>**.
- ▶ **Average yield of 0.4%**.
- ▶ **99%** of the portfolio is classified as **amortised cost**.

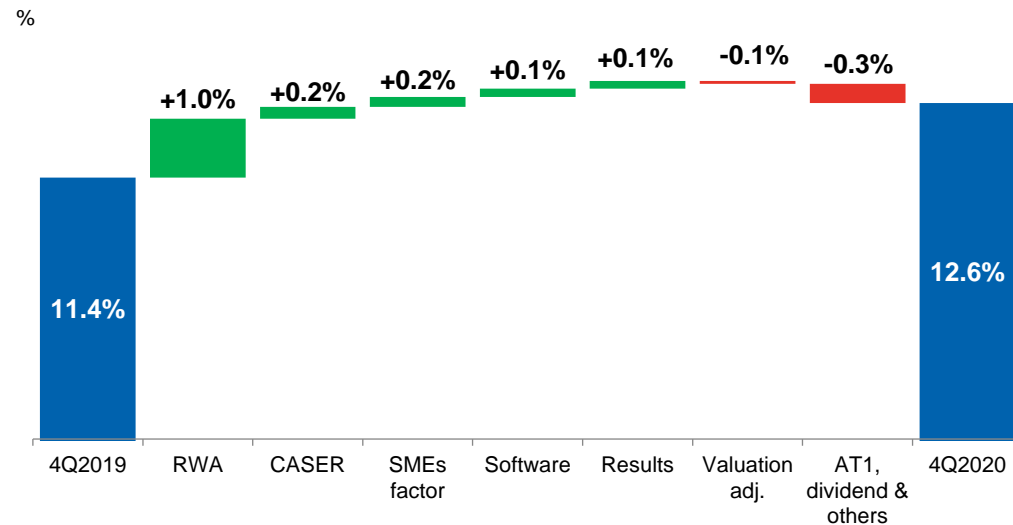
**In 4Q Ibercaja has sold an amortized cost portfolio amounting to €1,382m nominal value of which €300m have been executed through a forward sale. The spot sale has generated €114.6m of extraordinary trading income.**

<sup>1</sup> Excludes insurance activity portfolio.

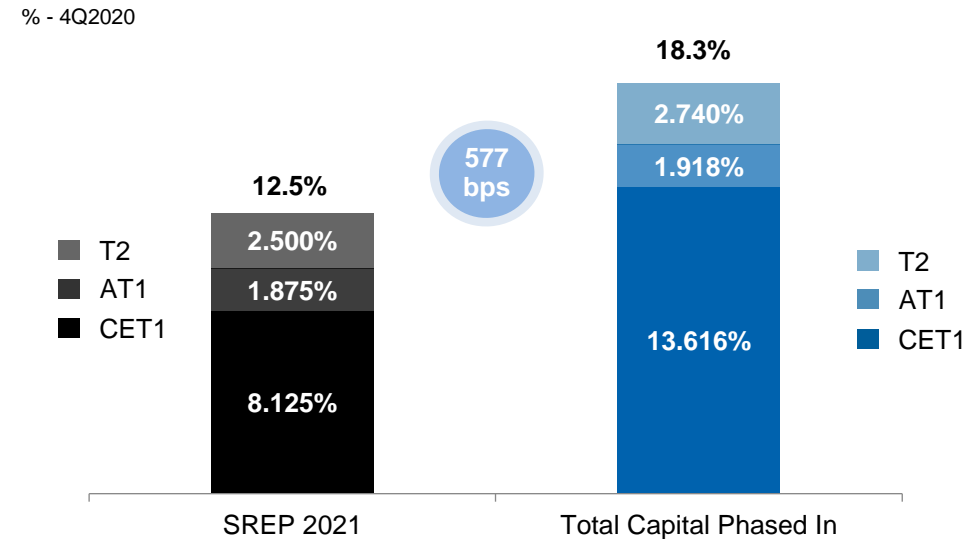
<sup>2</sup> Includes interest rate swaps.

# SOLVENCY

## CET1 Fully Loaded



## SREP requirement vs. Total Capital



**CET1 Fully Loaded ratio improves 124 bps YoY (+8 bps in 4Q) and reaches 12.6%, above Ibercaja's strategic target.**

**Total Capital Fully Loaded Ratio reaches 17.3% driven by the pre-emptive strategy executed by Ibercaja to complete its hybrid capital buffers.**

**In Phased In terms, CET1 ratio stands at 13.6% and Total Capital ratio at 18.3%. Leverage ratio reaches 6.3%.**

- The **excess of capital vs. 2021 SREP requirement\*** is **577 bps**. In **MDA** terms, the excess of capital amounts to **549 bps** vs. 327 bps as of 2019YE.

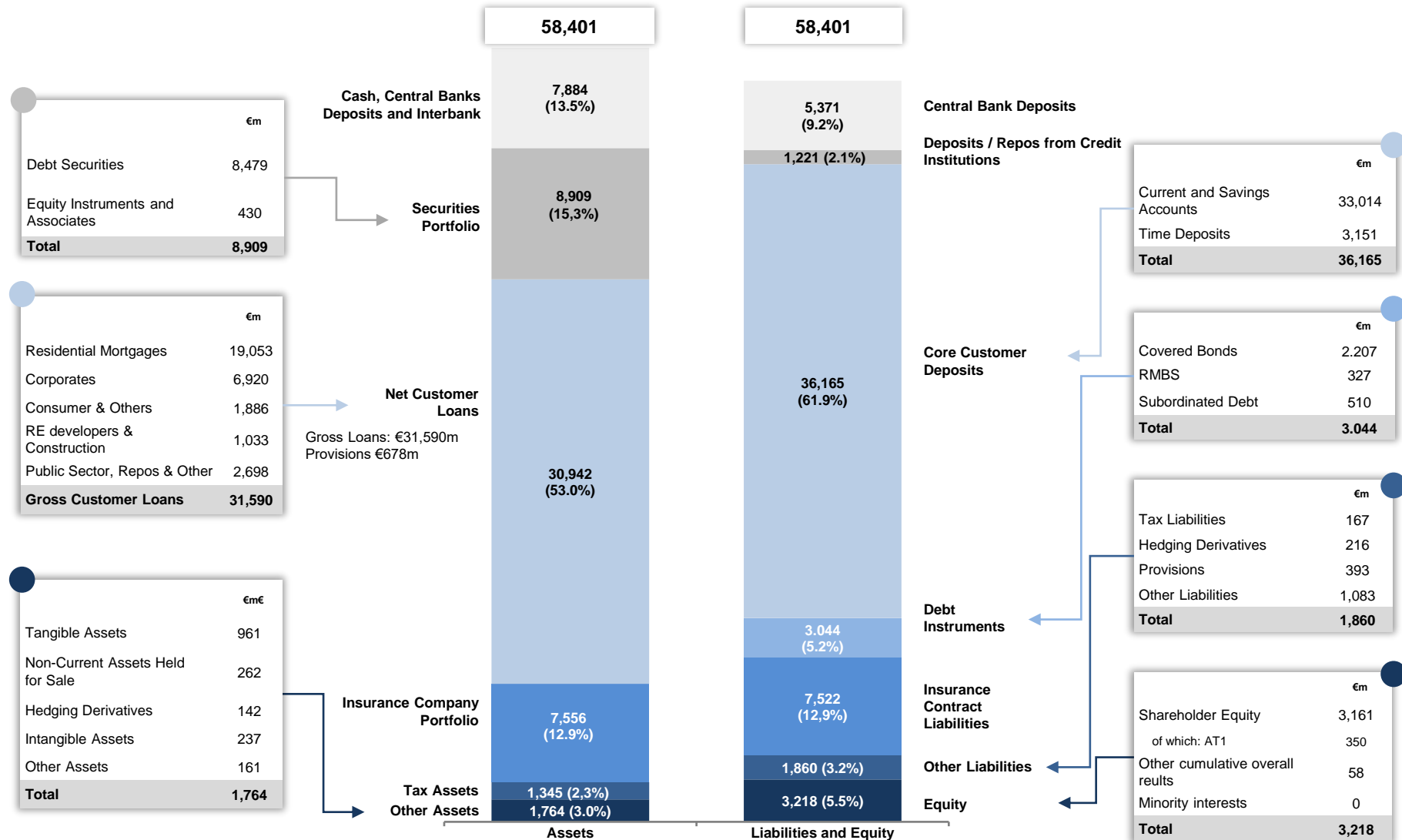
\* 2021 SREP requirement stand in line with 2020 levels

V

ANNEX

# CONSOLIDATED BALANCE SHEET

€m – 4Q2020



# 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



# Vamos

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