

# Ibercaja Banco

**1H2022 Results**

29<sup>th</sup> July 2022

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# Key highlights

# Key highlights

1

Ibercaja achieves its lowest NPL ratio in the last fifteen years

NPLs

-13.6%  
YtD

(System -3%)\*

NPL  
Ratio

1.9%  
4Q2021:2.3%

(System: 4.2%)\*

NPL  
Coverage

81.6%  
4Q2021: 75.3%

2

Good performance of the main income statement items in the first half of the year

Recurring  
Revenues

+4.7%  
YoY

Recurring  
Costs

-4.1%  
YoY

Recurring profit  
before provisions

21.7%  
YoY

Provisions

-8.9%  
YoY

Recurrent efficiency ratio improves by 5.5 bps.

# Key highlights

3

**Net profit reaches €115m, 22,2% higher than 2021 and 51% higher than recorded before the pandemic**

**Net income**

**€115m**

**YoY**

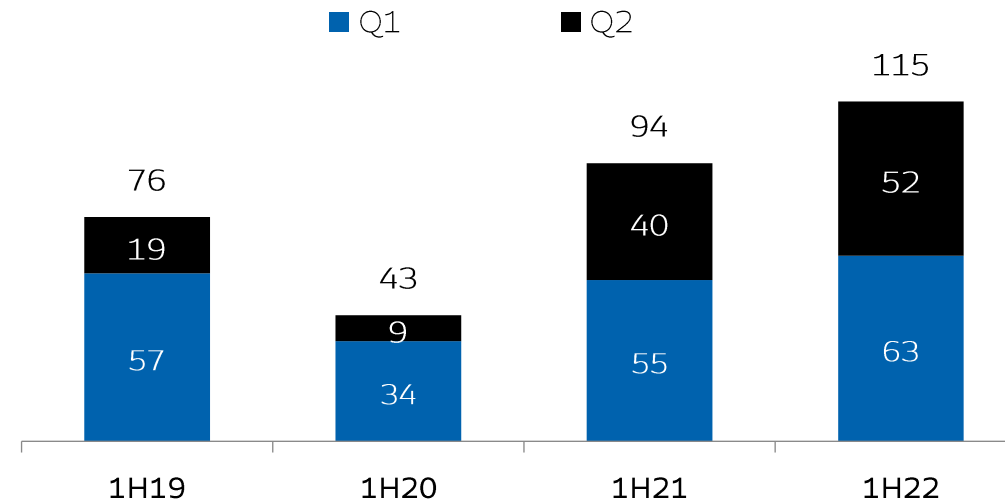
**+22.2%**

**ROTE  
1H annualised\***

**8.7%**

**Net Income 1H**

€m



\* It doesn't include Deposit Guarantee Fund contribution expected in Q4



# Commercial activity

# Customer funds

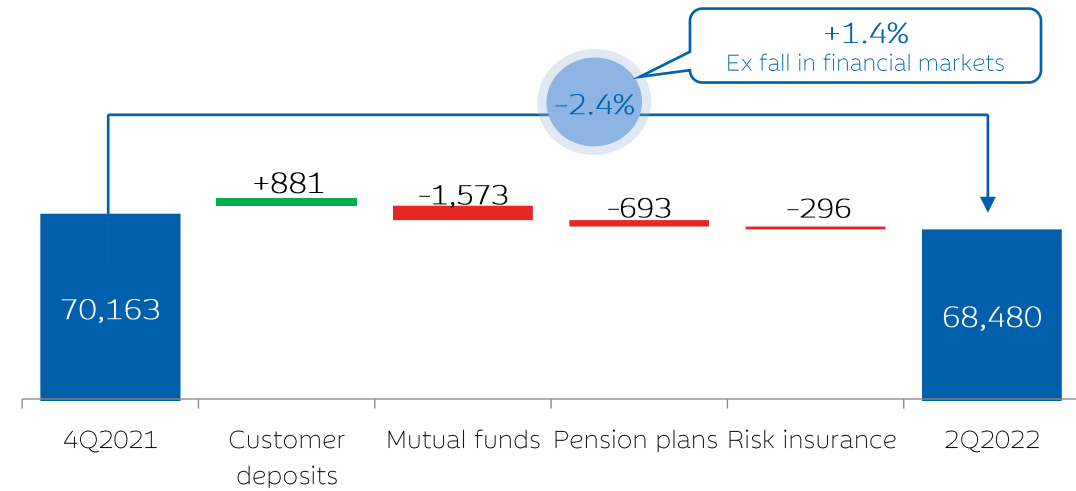
## Customer funds

€m and %

	2Q2022	YoY	QoQ
Customer deposits	38,012	7.3%	2.4%
Current Deposits	35,823	9.6%	3.3%
Time Deposits	2,189	-19.9%	-11.0%
AuM & Life insurance products	30,469	-4.3%	-7.8%
Mutual funds	18,027	-2.8%	-8.0%
Pensión funds	5,869	-7.0%	-10.6%
Risk insurance	6,572	-5.7%	-4.3%
<b>Customer funds</b>	<b>68,480</b>	<b>1.8%</b>	<b>-2.4%</b>

## Customer funds variation in 2022

€m



**Customer funds decreased 2.4% in the period or €1,682m.**

- ▶ AuM and life insurance products decreased -7.8% or €2,563m impacted by the fall in the financial markets. However, excluding this effect, customer funds grow by 1.4% (€980m) in 2022.

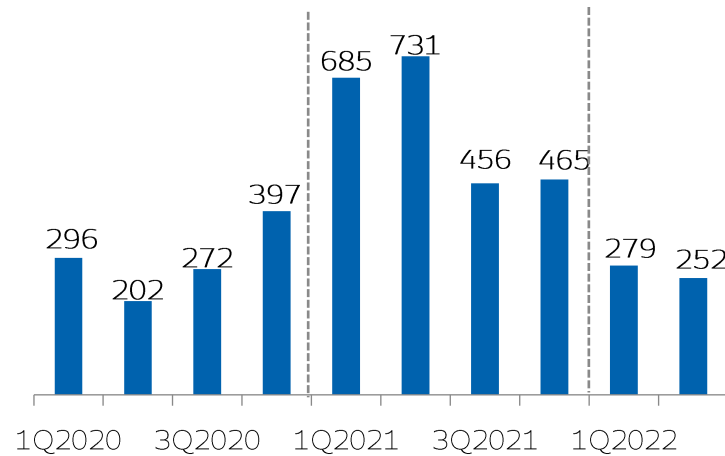
**In YoY terms, customer funds grow 1.8% or €1,233m.**



# Mutual funds

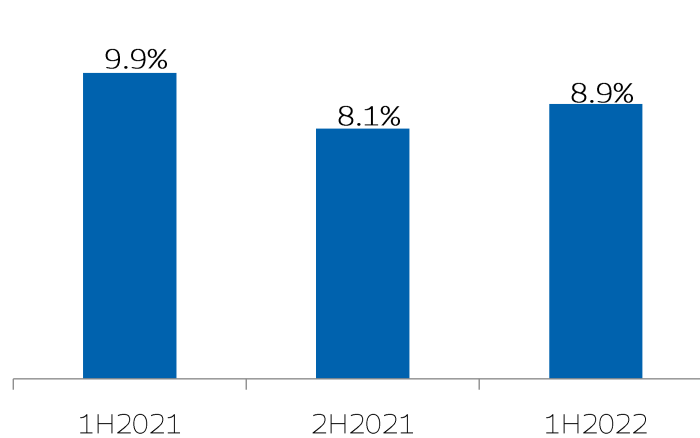
## Net new money inflows

€m - Source: Inverco



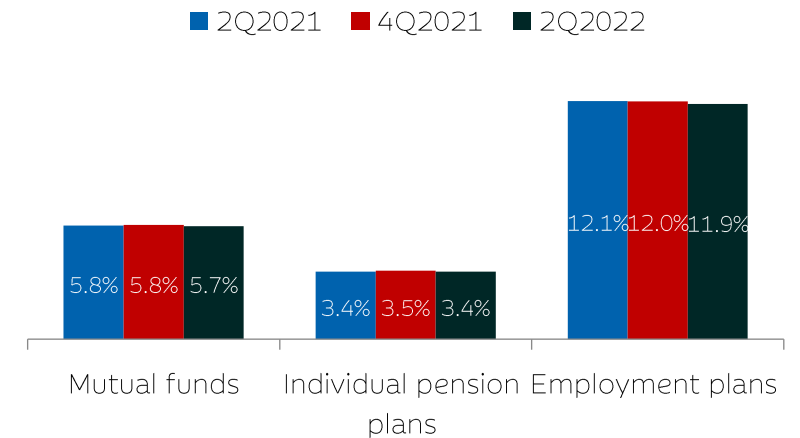
## Market share in net new money inflows

% - Source: Inverco



## Market share in AuM

% - Source: Inverco



**During the first half of the year, the stock in mutual funds decreased 8.0% or €1,537m due to the fall in the financial markets.**

- ▶ Ibercaja’s advisory model allows the Entity to register €531m of net new money inflows during the first half of the year, which is equivalent to 8.9% of net new money inflows of the system.
- ▶ The stock in mutual funds exceeds in €1,793m the amount of December 2020, when Plan Estrategico 2023 was launched, which implies an increase of 11.0%.

# Customer loans

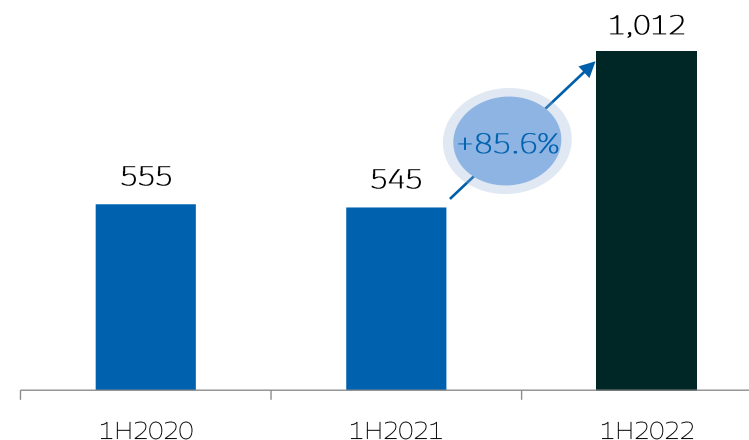
## Customer loans

€m

	2Q2022	YoY	Vs. 4Q2021
Loans to households	20,121	0.9%	1.5%
Mortgages	18,095	-0.6%	0.0%
Consumer and others	2,025	17.3%	17.8%
Loans to companies	8,199	4.2%	2.3%
Non-Real estate companies	7,247	5.7%	2.9%
Real estate companies	952	-5.9%	-2.2%
Public sector and others	1,526	21.1%	48.4%
<b>Performing gross loans ex repos</b>	<b>29,845</b>	<b>2.7%</b>	<b>3.4%</b>
Repos	1,625	0.6%	0.6%
Doubtful loans	620	-30.8%	-13.6%
<b>Customer loans</b>	<b>32,090</b>	<b>1.6%</b>	<b>2.9%</b>

## New mortgages production

€m



### Performing gross loans ex repos grow in the first half of the year 3.4% or €983m.

- ▶ Loans to companies grow 2.3% vs. 4Q2021 or €183m due to the strong increased in revolving loans (the volume negotiated increase 33.4% YoY). Ibercaja increases its market share<sup>1</sup> 7 bps. in the year.
- ▶ Strong growth in new mortgages production in the first half of the year and already exceed €1,000m (+85.6% vs. 1H2021). Thus, the mortgage portfolio remains stable vs. end of 2021.
- ▶ Pension advances contributes €369m to the portfolio in the semester.

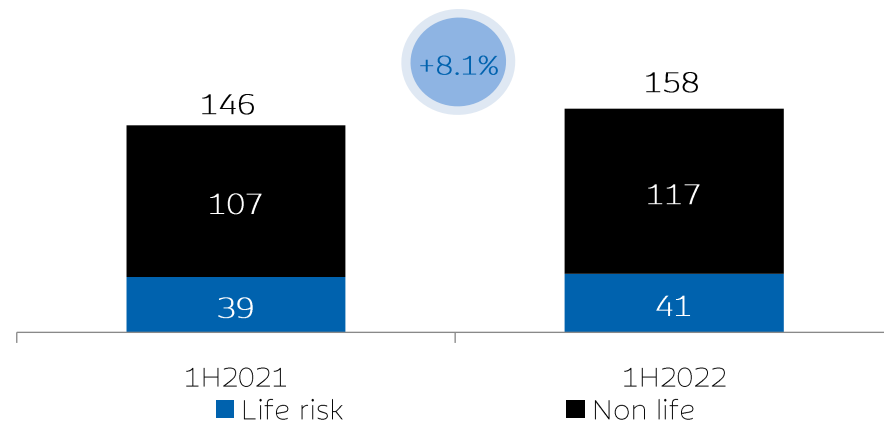
### Performing gross loans ex repos grow 2.7% YoY, boosted by non-real estate companies loans, one of the main strategic targets of the Entity, which grows 5.7% YoY or €390m.

<sup>1</sup> Data as of May 2022

# Risk insurance

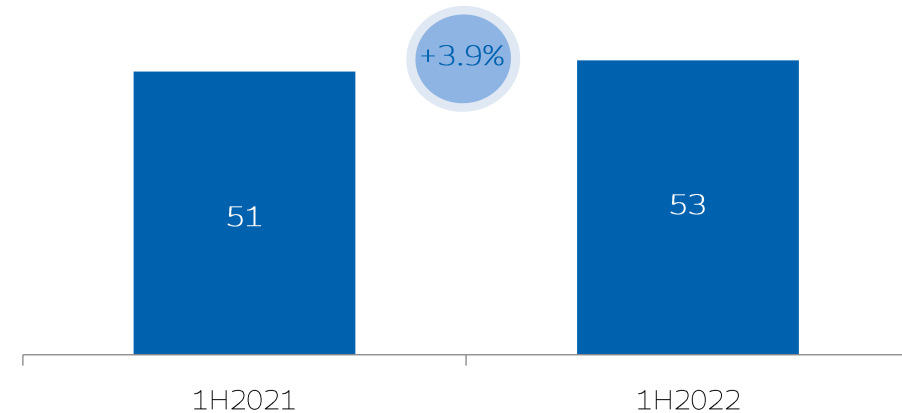
Risk insurance premiums (portfolio)

€m – premiums collected



Contribution to gross margin

€m -



**The risk insurance portfolio grows 8.1% YoY up to €158m (9.1% in non life and 5.6% in life risk).**

**New production of risk insurance reaches €37m in 1H2022, 2.6% more than in 1H2021.**

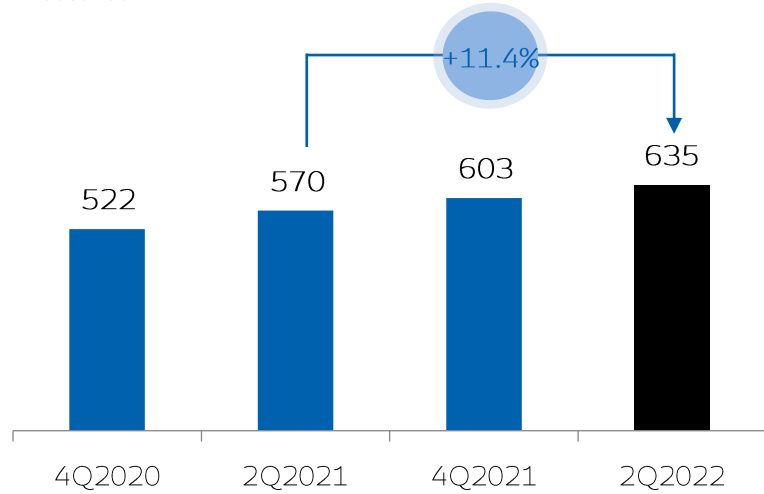
- ▶ Strong boost in new production of life risk insurance, which increases 31.6% YoY.
- ▶ Ibercaja launched “Cuenta de Seguros Vamos” which allows to group the payment of the insurance products contracted in Ibercaja (life, home, car, deaths, health and accidents) to pay them in a single fixed monthly payment.

**The contribution of risk insurance to gross margin is close to €53m in the first half of the year (3.9% YoY) and represents 11% of the recurring revenues of the Bank.**

# Digitalisation

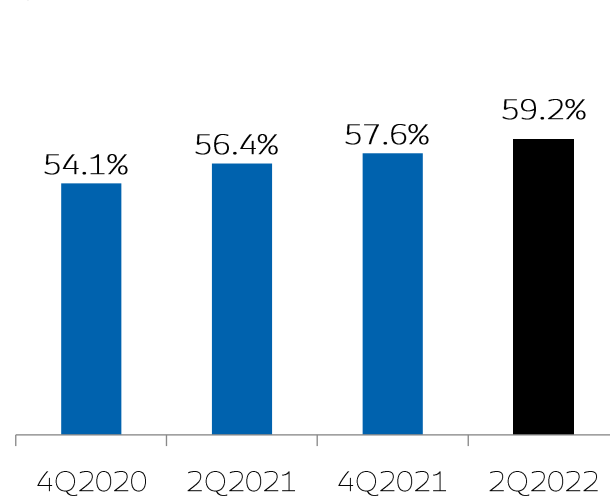
Ibercaja App users<sup>1</sup>

Thousands -



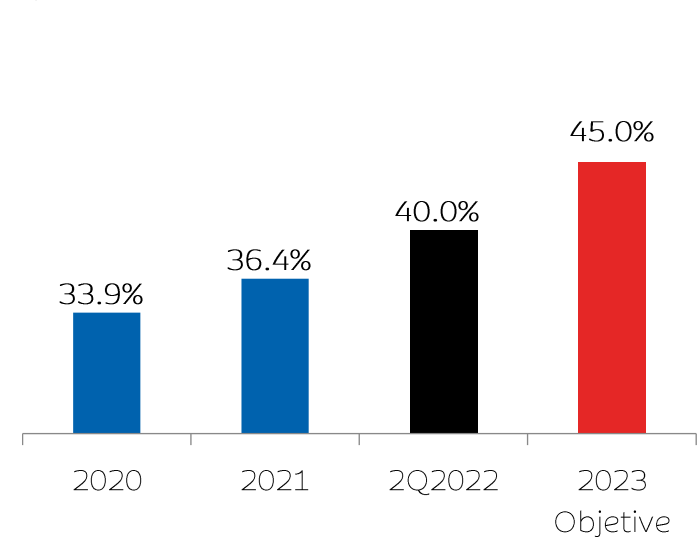
% Digital customers<sup>2</sup>

% -



Digital sales

% -



**The number of Ibercaja App users grow 11.4% YoY. As a result, the number of digital customers grow to more than 894 thousand.**

**Digital customers already represent 59.2% of the total customers of Ibercaja.**

**The percentage of digital sales reaches 40%.**

- The weight of digital channels grew strongly in mortgages to 18.9% and in risk insurance up to 8.4%.

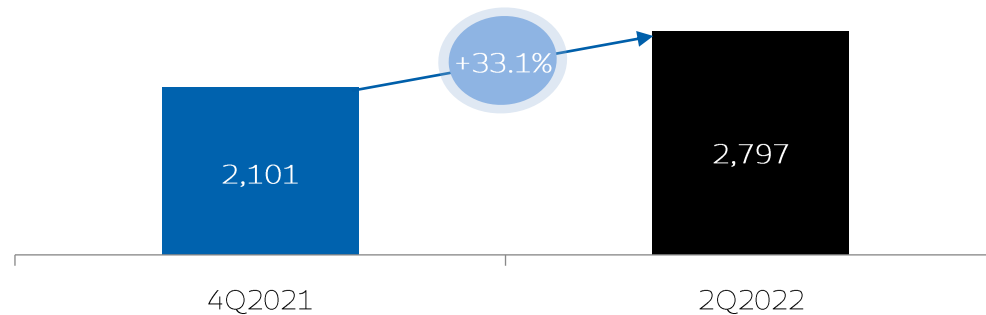
<sup>1</sup> Includes only the active customers in the last month of the quarter.

<sup>2</sup> Customers that have logged the web or App in the last three months of the period.

# Sustainability

## Sustainable mutual funds and pension plans

€m



## Best practices in Corporate Governance<sup>1</sup>

Ibercaja complies with the main recommendations of Corporate Governance:

- ✓ Separation of positions between Executive CEO and Non-executive Chairman
- ✓ 45% of the Board Members are independent
- ✓ 40% of Non-Executive Directors are women
- ✓ The Audit, Large Exposures and Solvency, Appointments and Compensation Committees are chaired by Independent Board Members

### Ibercaja has recorded positive results in the ECB's climate stress test.

- ▶ The ECB has categorized Ibercaja's climate stress test framework with a "medium-advanced" degree of progress, higher than the average score of the banks analysed.

### Ibercaja continues to promote investment with sustainable criteria.

- ▶ The balance of mutual funds and sustainable pension plans amounted to almost €2,800m, 33.1% higher in the first half of the year.

### The Entity promotes gender diversity in its Board of Directors.

- ▶ The Bank has announced the appointment of three female directors. Once the appointments are effective<sup>1</sup>, Ibercaja will comply with the 40% ratio of female representation among non-executive directors, in line with the recommendation of the Council and the European Parliament for listed companies.

<sup>1</sup> Subject to the approval by the ECB.



# Results

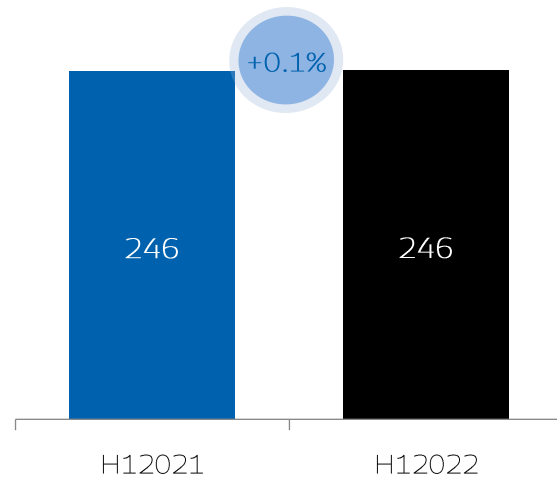
# 1H2022 P&L account

	1H2021	1H2022	YoY
Net Interest Income	246	246	0.1%
Net Fee Income	203	224	10.3%
<b>Recurring Revenues</b>	<b>449</b>	<b>470</b>	<b>4.7%</b>
Gains/Losses on Financial Assets and Liabilities	36	4	-89.1%
Other Operating Income (Net)	2	-5	n.a
<b>Gross Operating Income</b>	<b>487</b>	<b>469</b>	<b>-3.6%</b>
Operating Expenses	-295	-282	-4.1%
<b>Pre-Provision Profit</b>	<b>192</b>	<b>187</b>	<b>-2.7%</b>
Total Provisions	-56	-51	-8.9%
Other Gains and Losses	-1	9	n.a
<b>Profit Before Taxes</b>	<b>135</b>	<b>145</b>	<b>7.3%</b>
Taxes	-41	-30	-27.2%
<b>Net Income</b>	<b>94</b>	<b>115</b>	<b>22.2%</b>

# Net interest income

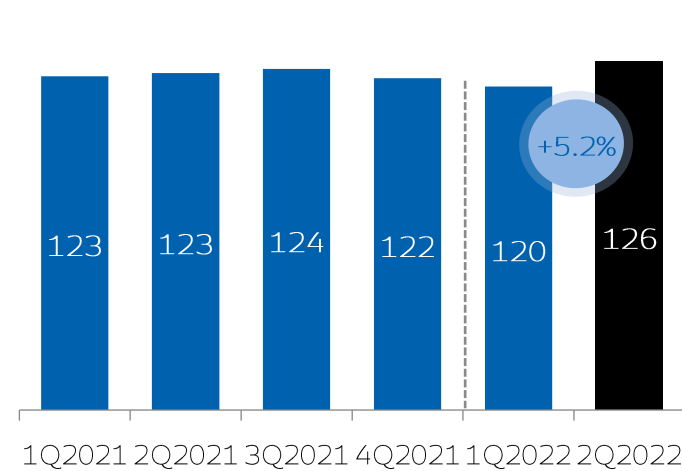
Net interest income

€m



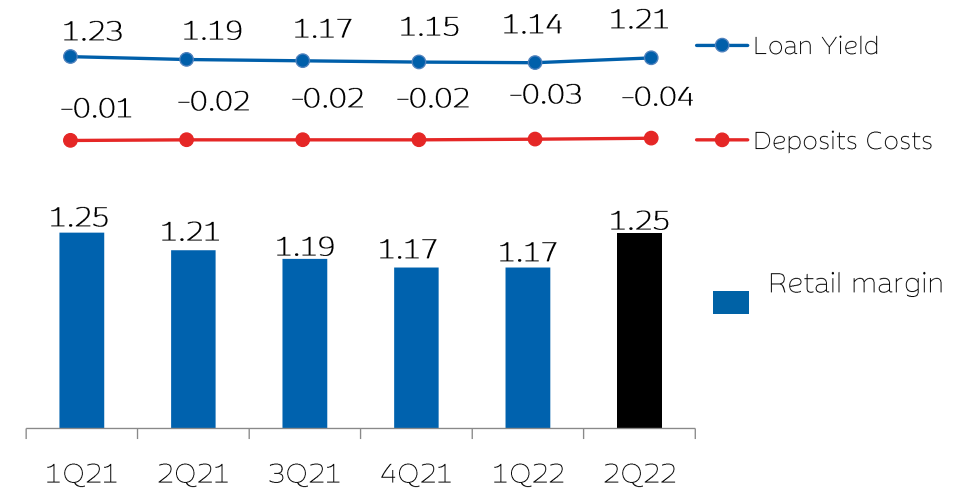
Quarterly net interest income

€m



Retail margin

€m



**Net interest income remained stable (0.1% yoy).**

**In the second quarter, net interest income increased by 5.2% qoq to €126m, driven by the dynamism of lending and the positive impact of the repricing in the variable-rate loan portfolio.**

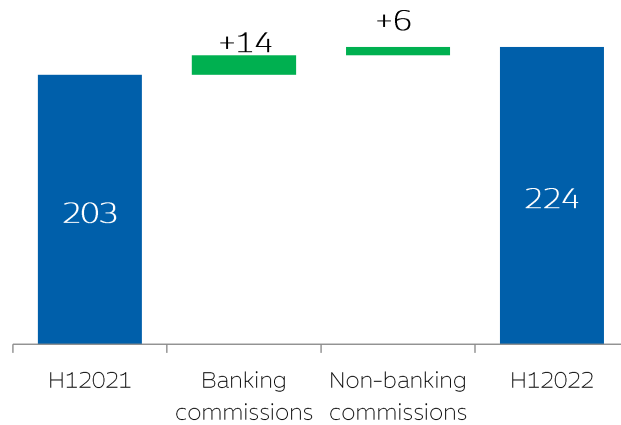
- ▶ Retail margin grew by 8.1% or €7m in the second quarter.
- ▶ Ibercaja expects this positive net interest income dynamic gains traction in the second half of the year.



# Net fee income

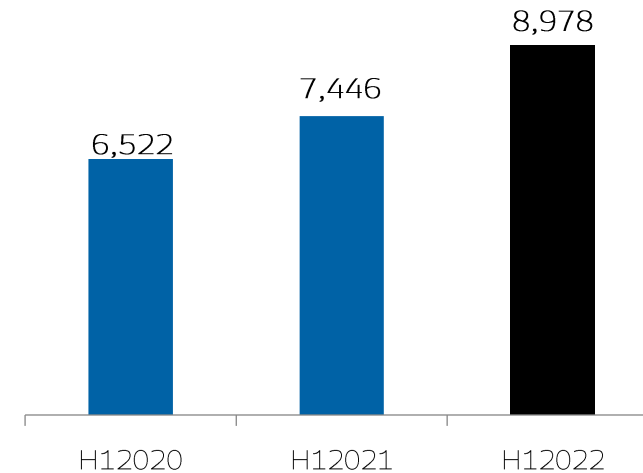
## Net fee income variation

€m



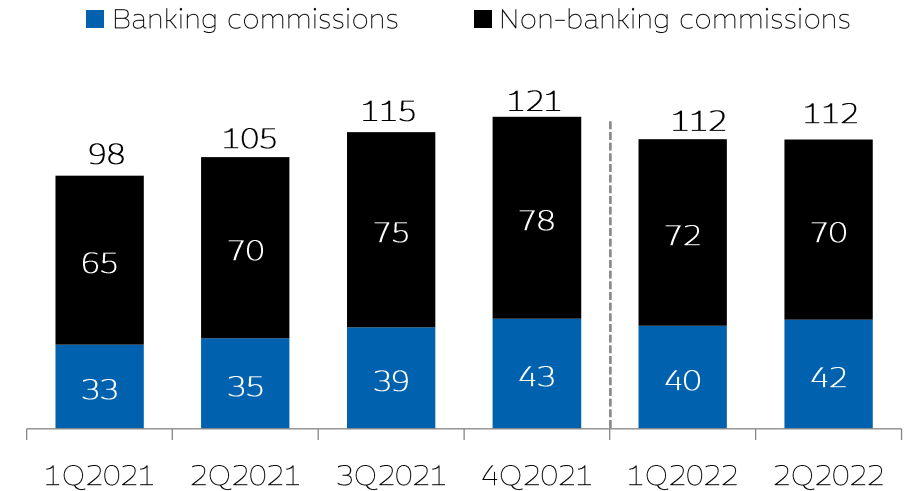
## Turnover cards and POS Ibercaja

€m Turnover last 12m



## Quarterly commissions

€m

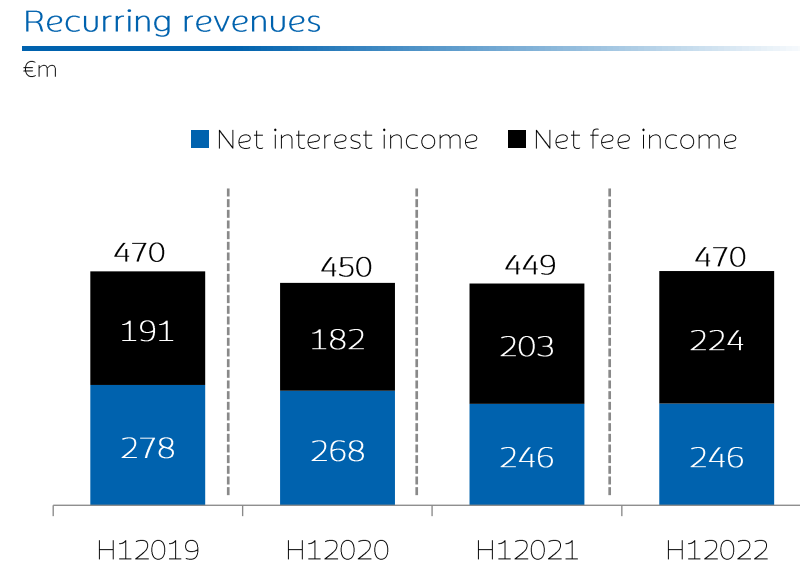
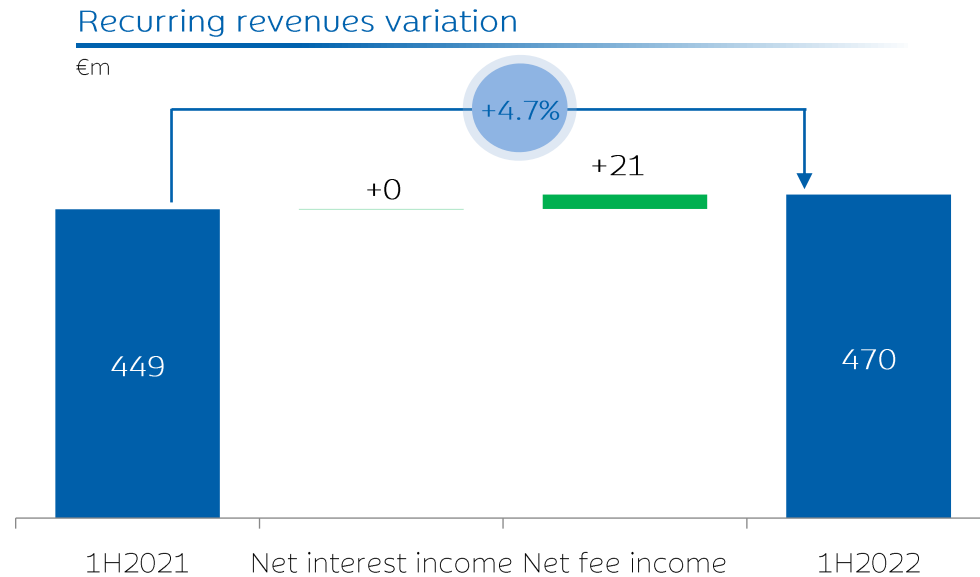


### Net fee income increased 10.3% yoy or €21m.

- ▶ Banking commissions grew by €14m or 21.4% yoy supported mainly by the increased in commercial activity (Ibercaja's card and POS turnover increased by more than 20% yoy) and new tariffs.
- ▶ Non-banking commissions grew by €6m yoy or 4.8% in the period.

**In the second quarter, net fee income remained stable (-0.1%) due to volatility in financial markets, which weighted down non-banking commissions.**

# Recurring revenues and gross operating income



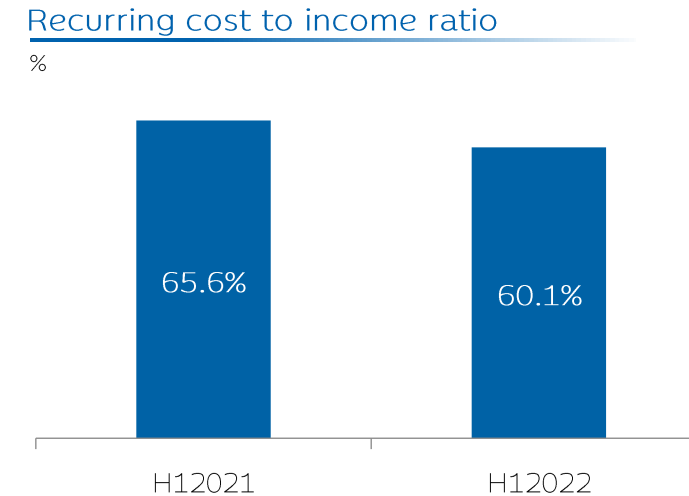
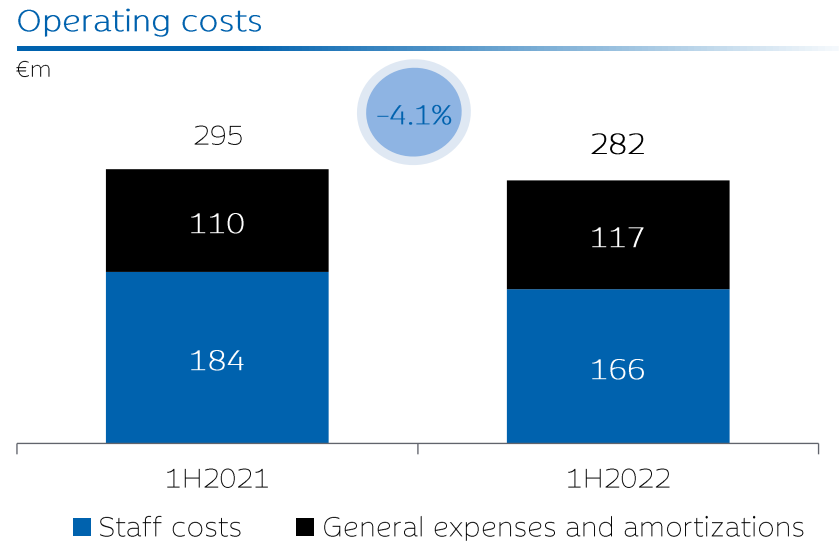
**Recurring revenues rebounded 4.7% yoy or €21m in the first half, supported by growth in fee income and stabilization of net interest income.**

- ▶ Recurring revenues are now at levels similar to those recorded before the pandemic, reaching €470m in the first half of the year.

**Recurring revenues represent 100% of the gross operating income for the first half of the year and prove the recurrence of the Ibercaja's revenues.**

- ▶ Gross operating income declined 3.6% yoy in the first half of the year due to the absence of financial operations results.

# Operating costs



## Recurring costs decreased by 4.1% yoy or €12m.

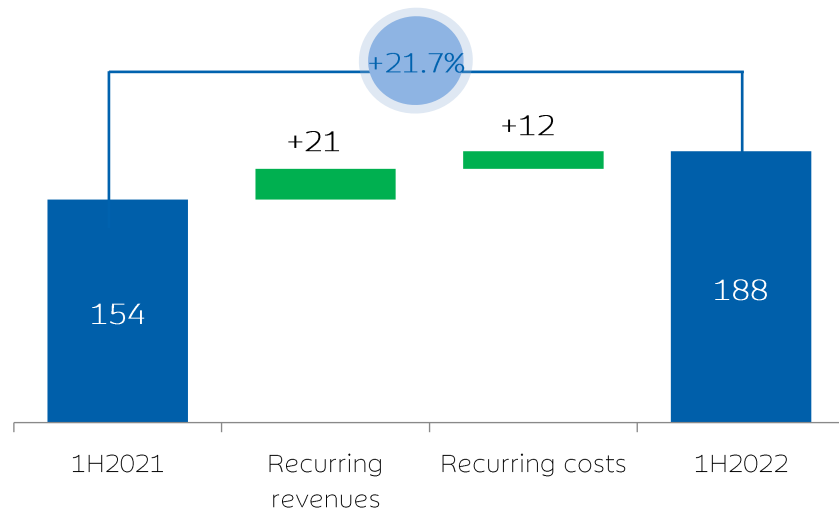
- In 1H22, staff costs decreased by 10.0% yoy or €18m thanks to the cost savings from the 2021-2022 redundancy plan. As of June 2022, all approved departures have been fully implemented, amounting to 750 employees, and 134 branches have been closed.

**Thanks to the recovery of recurring revenues and a cost reduction effort, the recurring efficiency ratio stands at 60% (vs. 66% as of June 2021).**

# Recurring profit before provisions

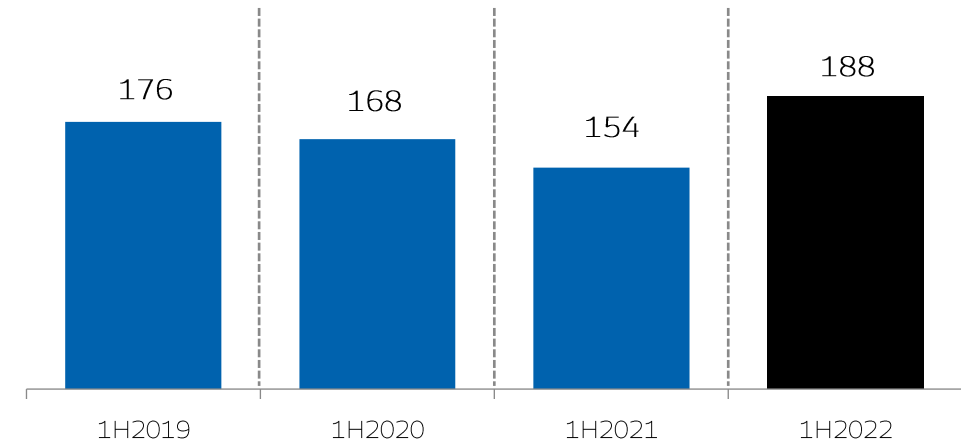
Recurring profit before provisions variation

€m



Recurring profit before provisions

€m



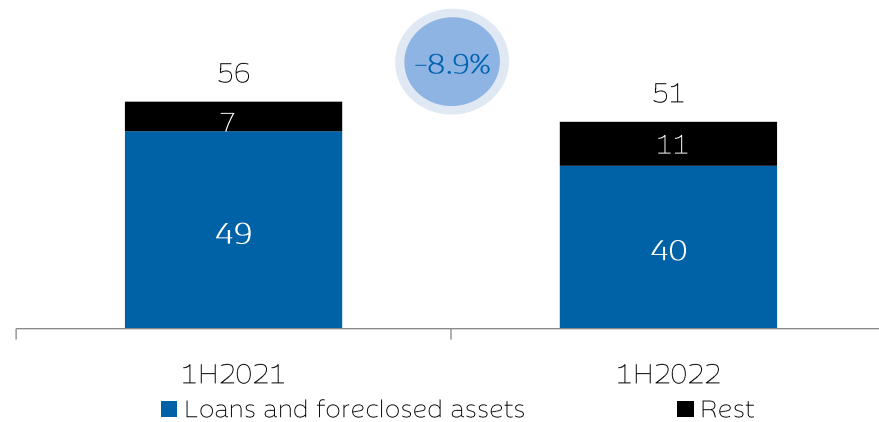
**Recurring profit before provisions grew 21.7% yoy in the first half to €188m, thanks to cost containment and higher recurring revenues.**

**In 1H2022 Ibercaja has surpassed the levels of recurring profit before provisions that it generated before the pandemic.**

# Provisions

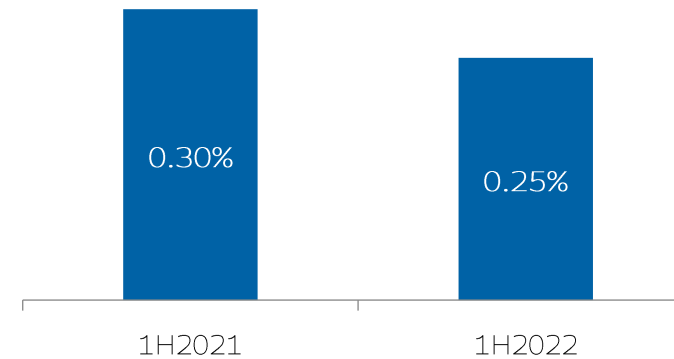
Total Provisions

€m



Cost of Risk

%



**Total provisions recorded a drop of 8.9% yoy or €5m in the first half of the year.**

- Cost of Risk provisions fell 17.5% yoy or €8m in the first half of the year. Cost of risk stands at 25 bps, below medium term target set at 30 bps.

**Ibercaja has set up a €9m fund to reflect the new macroeconomic scenario. In addition, it maintains an unused post-model adjustment of €49m established in 2020.**

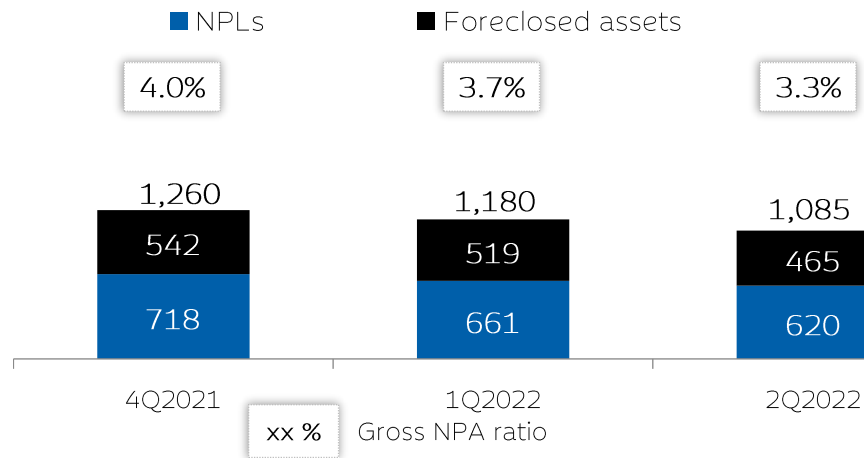
# IV

## Asset quality, liquidity and solvency

# Non-performing assets

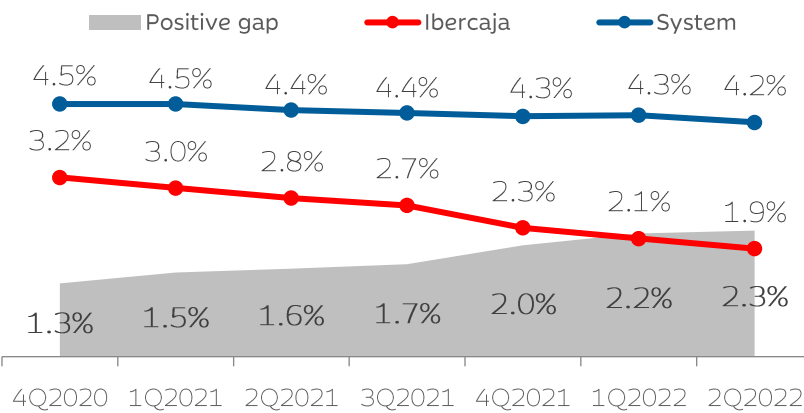
## Gross NPAs

€m



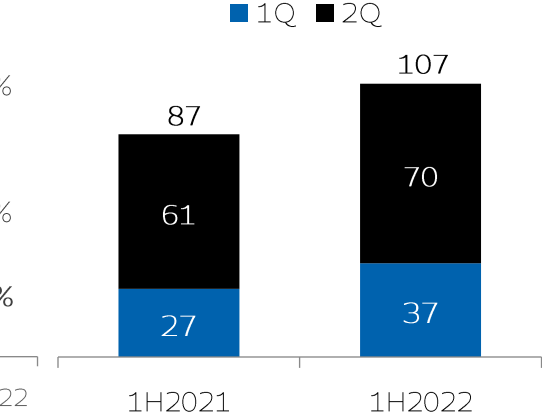
## NPL ratio evolution vs. sector

% - Sector: credit institutions as of May 2022, BdE



## Foreclosed assets sales

€m



**Ibercaja maintains its differential performance in asset quality. The balance of non-performing assets fell by 13.9% or €175m year-to-date (-€95m in 2Q). The NPA ratio improved 37 bps in the quarter to 3.3%.**

**Doubtful loans fell 13.6% or €97m (€41m in 2Q) and NPL ratio decreases to 1.9%.**

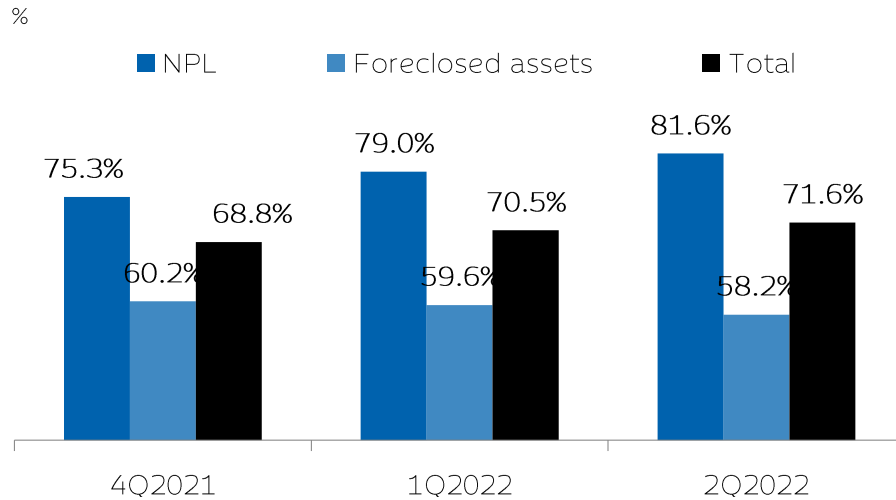
- ▶ Ibercaja reaches its lowest level of NPLs in 15 years and widens its positive NPL spread vs. the sector to 225 bps.
- ▶ 80% of ICO loans have completed the grace period and are paying principal with no impact on asset quality.

**Foreclosed assets decreased by 14.3% or €78m in the first half (€54m in 2Q).**

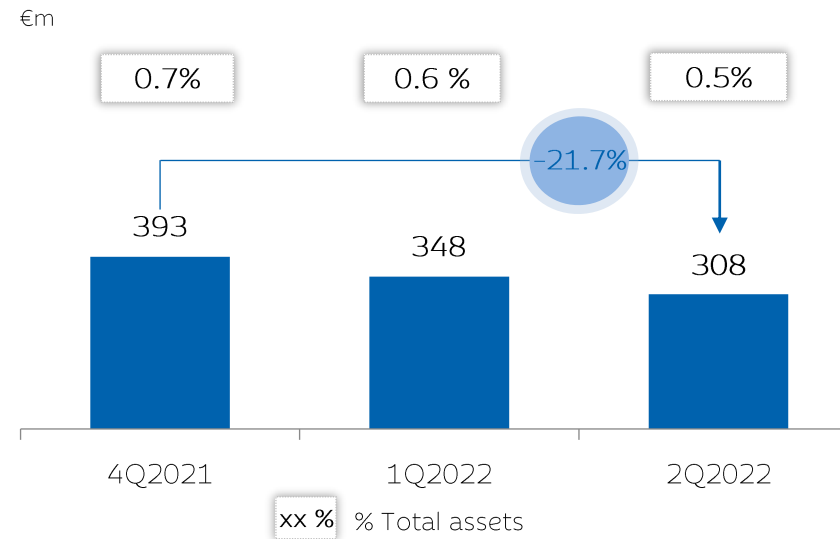
- ▶ Foreclosed assets sales increased 22.6% YoY in the first half of the year to €107m. Land sales accounted for 68% of total sales.

# Coverage ratios

Coverage ratio



Activos problemáticos netos de provisiones



**The NPL coverage ratio continued to improve and reached 81.6% (+6.3% year to date).**

**The total problem assets coverage ratio improved 2.8% in the first half of the year to 71.6%.**

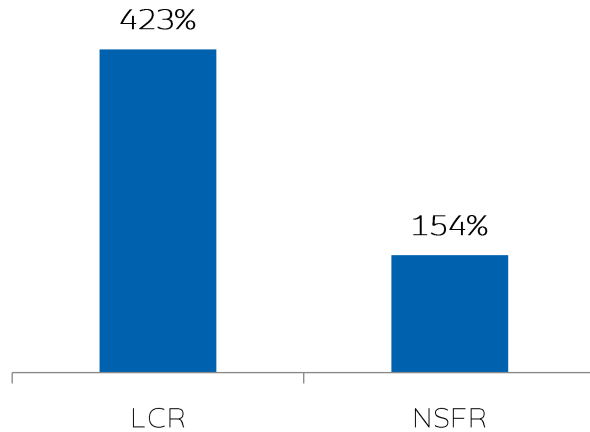
**The volume of non-performing assets net of provisions fell by 21.7% in the first half or €85m (€40m in Q2). Their share of total assets fell to 0.5%, one of the lowest in the system.**



# Liquidity and MREL

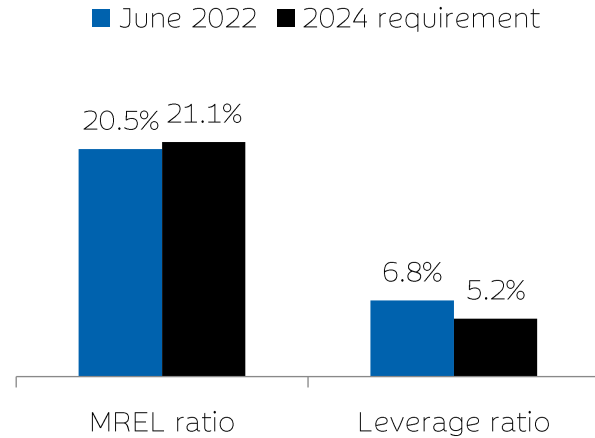
## LCR and NSFR ratios

% - 2Q2022



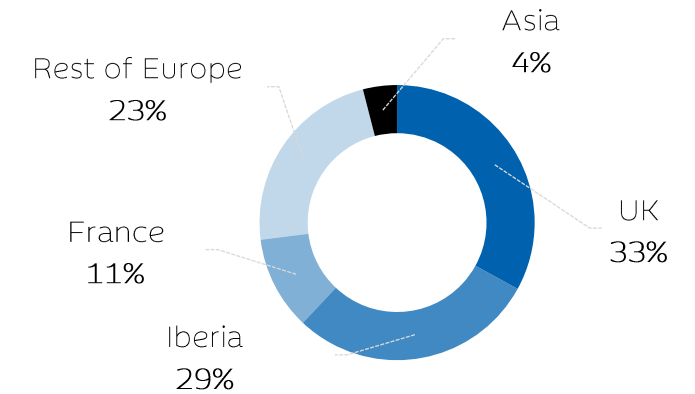
## MREL requirement

% - 2Q2022



## Senior debt issuance – distribution by geography

% -



### Ibercaja has a high liquidity position.

- ▶ The LCR and NSFR ratios are 423.1% and 153.6% respectively, and the loan-to-deposit ratio stands at 78.8%.

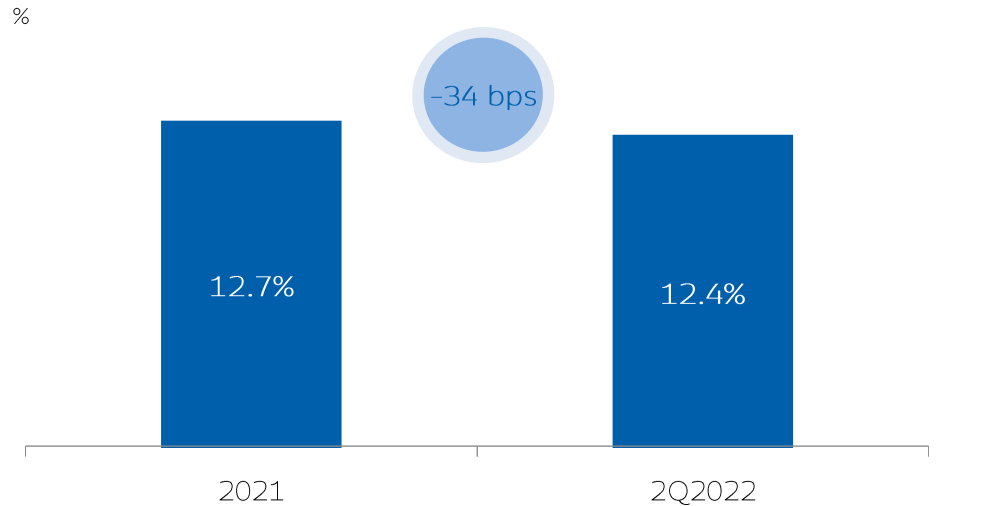
**In June 2022, Ibercaja issued a senior preferred bond 3NC2 for an amount of €500m eligible for the MREL requirement. The total demand received was €800m. 72% of the issue was placed with international investors.**

- ▶ As of June 2022, the MREL ratio stood at 20.5%, a level very close to the 21.1% required for January 2024. The MREL leverage ratio is already well above the 2024 requirements.

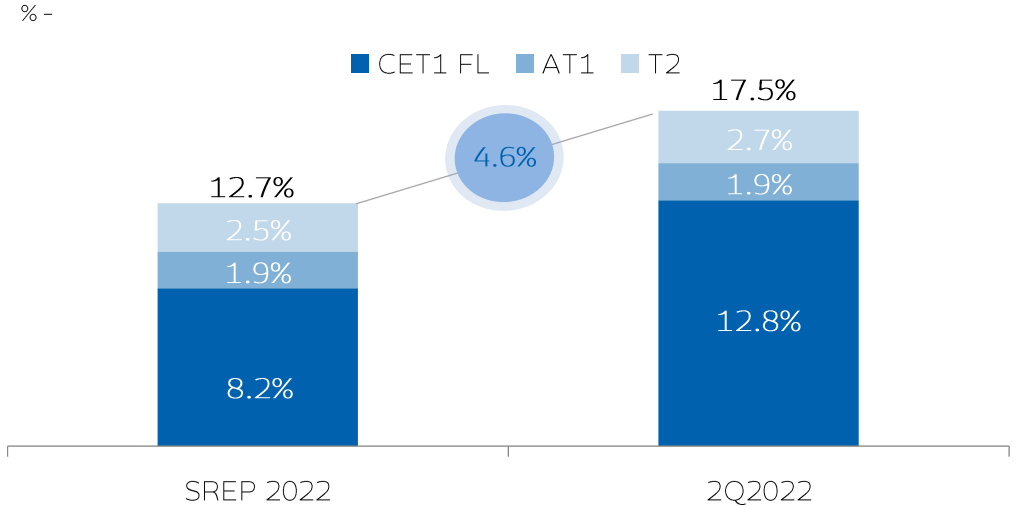
**In July, Fitch rating agency upgraded Ibercaja's rating to BBB-, placing it in investment grade.**

# Solvency

CET1 Fully Loaded



Capital Total Phased In vs. SREP requirements



**CET1 Fully Loaded ratio stands at 12.4% (12.8% in Phased-in terms), decreasing 34 bps vs. 4Q2021.**

- ▶ In the second quarter, the impact of portfolio valuations represents a reduction of 37 bps in capital.
- ▶ The Entity has deducted a payout of 65% from capital in the first half of the year.

**Capital Total Fully Loaded ratio stands at 17.0% (17.5% in Phased-in terms).**

**MDA ratio, which measures the excess of capital vs. SREP requirements, is 459 bps.**

**Bank of Spain has approved the Financial Plan of Ibercaja Banking Foundation, which includes the endowment of a Reserve Fund equivalent to 1.75% of the RWAs, before the end of 2025.**

- ▶ Ibercaja Banking Foundation has already endowed €108m, which represents 0.59% of the RWAs as of June 2022.

**V**

**Key remarks**

# Ibercaja moves towards achieving its medium-term targets



\* ROTE considers 1H2022 annualised net Income. It doesn't include Deposit Guarantee Fund contribution expected in Q4

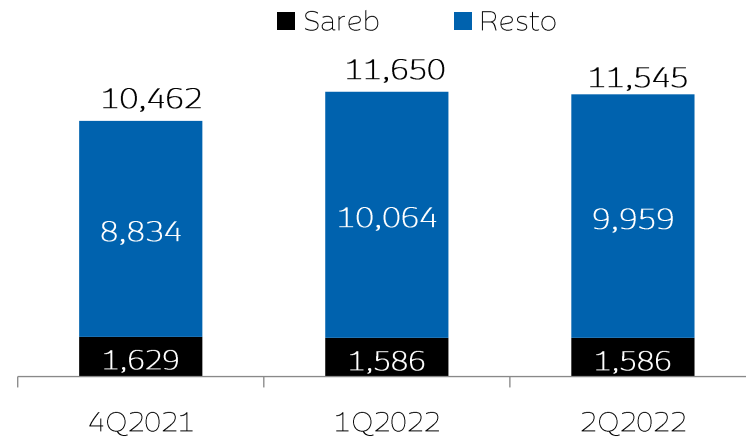
**VI**

**Annex**

# ALCO portfolio

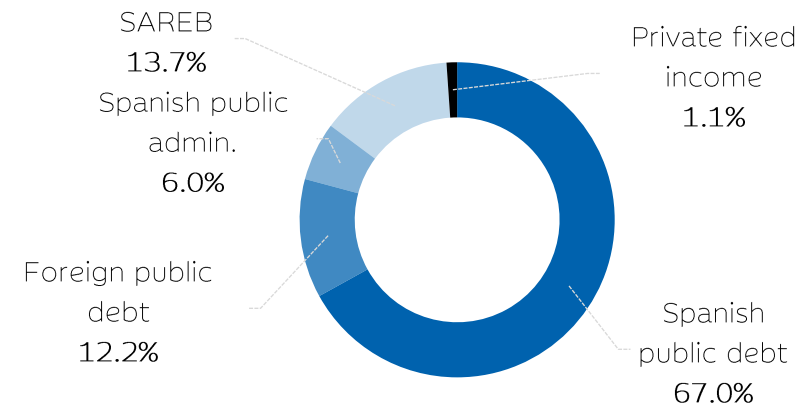
## ALCO portfolio

€m



## ALCO Portfolio breakdown

% - 2Q2022



### The Entity maintains stable its ALCO portfolio<sup>1</sup> in the quarter with a low risk profile.

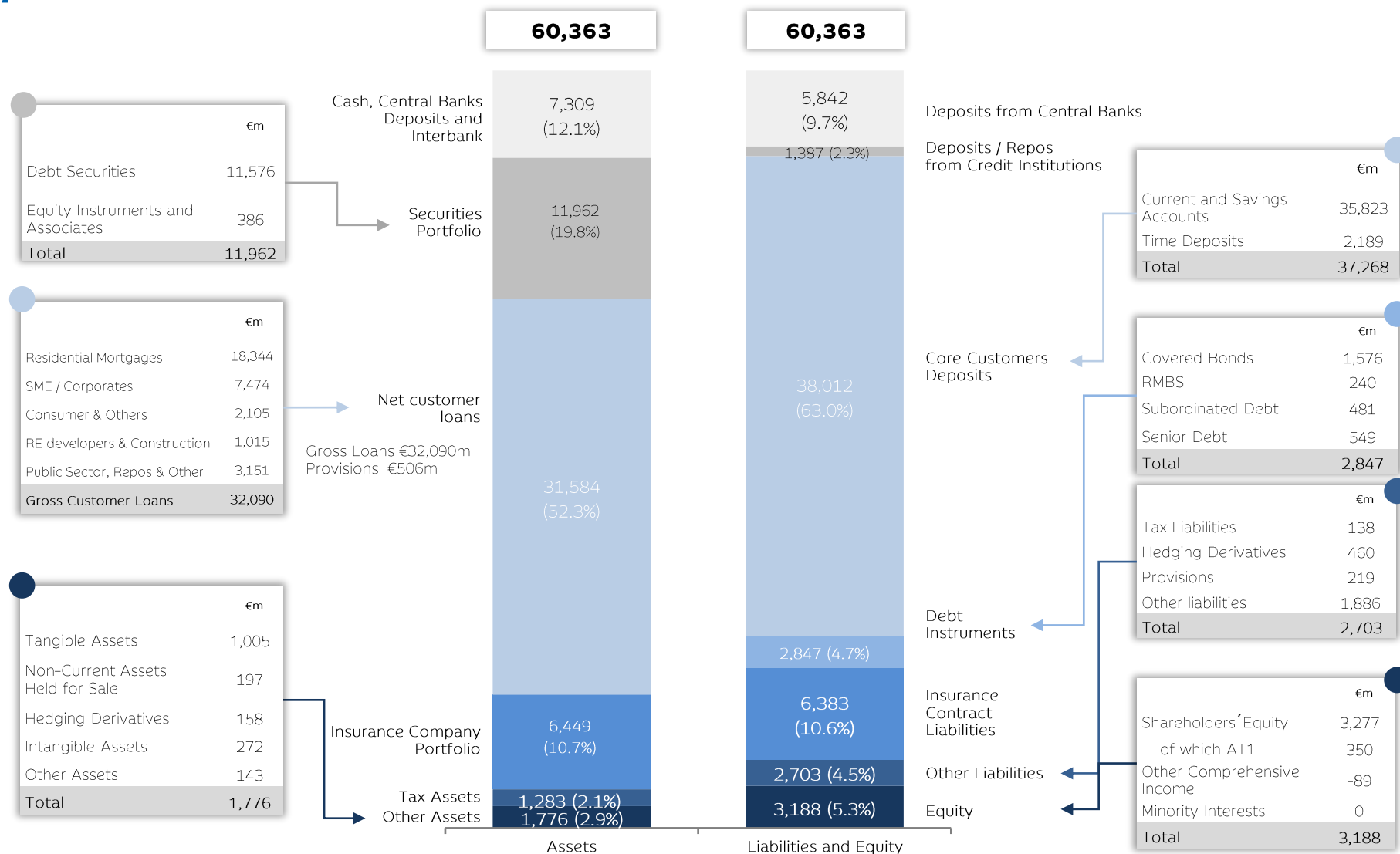
- ▶ The portfolio is mainly composed of Spanish sovereign debt (67.0%) with an average duration of 4.8 years<sup>2</sup> and an average yield of 0.4%.
- ▶ 95% of the portfolio is classified at amortised cost.

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

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

# Balance sheet

€m- 30/06/2022



# 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>Net NPAs</b>	Sum of doubtful balances in loans and advances to customers and net 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



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*vamos*