

Unicaja Banco

2Q18 results presentation

30th July 2018

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Final remarks

Summary of 2Q 2018 results

Business

- **Performing loan book**⁽¹⁾ grew 1.8% YTD in 2Q18. Excluding 2Q seasonal advances the growth was 0.4% YTD.
- **New loan production** in first half of 2018 was 45% above the previous semester in corporates and 36% in individuals. It is also highlighting the evolution in the quarter of the production in SMEs (+17%) and retail mortgages (+16%)
- **Customer funds** increased over the last 12 months by 3.8%, specially in sight deposits (12.0%) and off-balance sheet funds (7.1%). The sight/term deposits mix continues to improve.

Results

- **Net Interest Income** in 1H18 was 4,2% above the previous year.
- **Net fee income**, excluding the impact from the full acquisition of Unión del Duero, grew by 2.1% YoY in 1H18.
- **Operating expenses** decreased by 3% in 1H18 compared to the 6 first months of 2017
- **Loan loss charges and foreclosed assets provisions** decreased significantly, confirming the positive trend of the previous quarters.

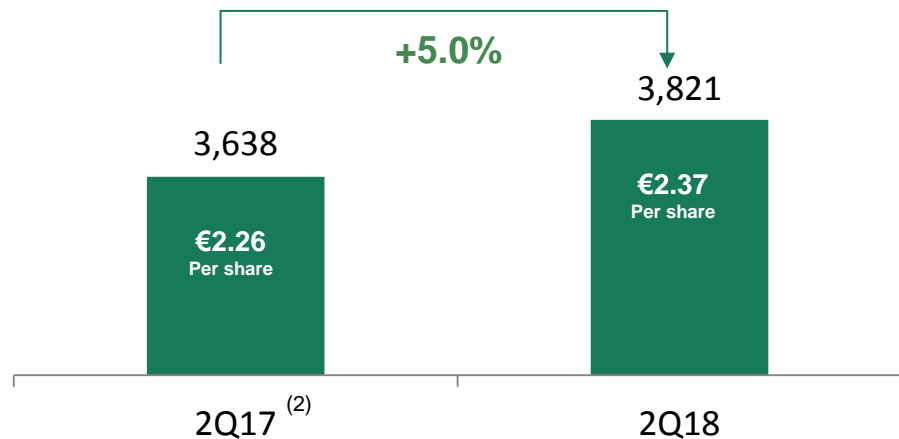
Asset quality, liquidity & solvency

- **Non performing assets** (NPAs) fell -10.2% YTD and -23.3% over the last 12 months, representing a reduction of €1.248 million.
- Comfortable **liquidity position** with net liquid assets representing 25.2% of total assets.
- **CET1** reached 15.3% under the phase-in approach and 13.5% under fully loaded terms, growing 0.8 p.p. and 0.7 p.p. respectively YTD.

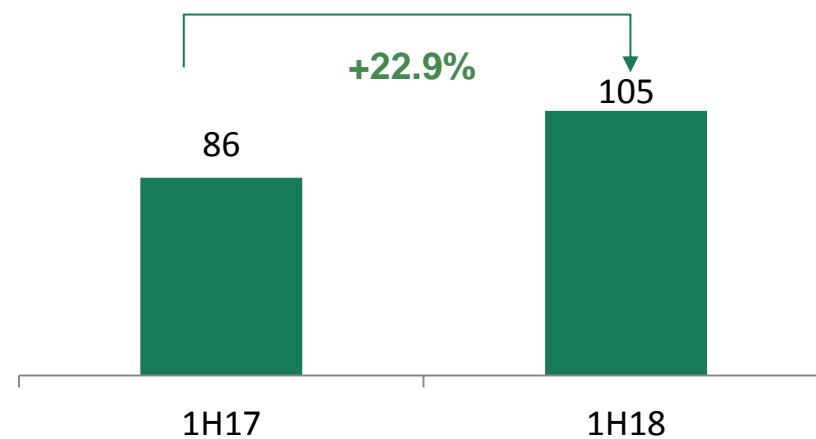
(1) Credit and loans excluding reverse repos

One year listed

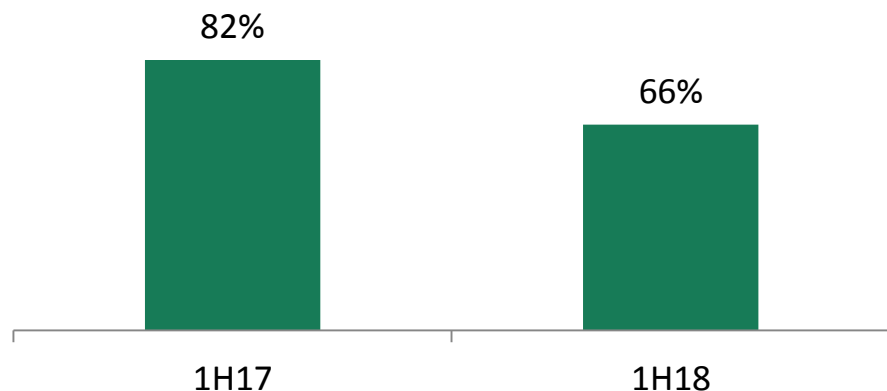
Tangible book value (€M) ⁽¹⁾



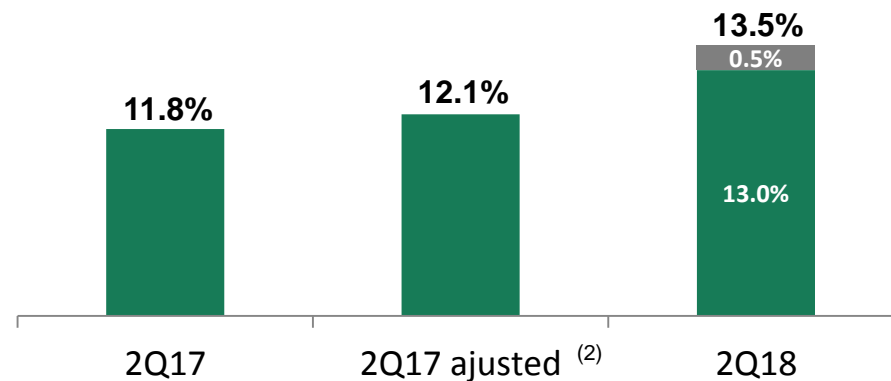
Attributable Net Income (€M)



Texas ratio (%)



CET1 fully loaded (%)



(1) Total equity minus minority interests, Pecos and intangible assets
 (2) 2Q17 adjusted by the IPO and Green Shoe

■ Unrealized capital gains from the debt portfolio

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Final remarks

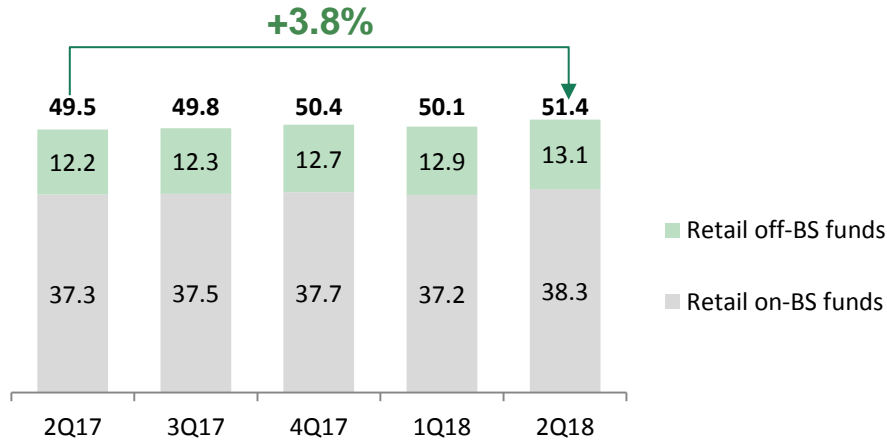
The Group has shown a relevant results generation capacity

Profit & loss account (€ million)

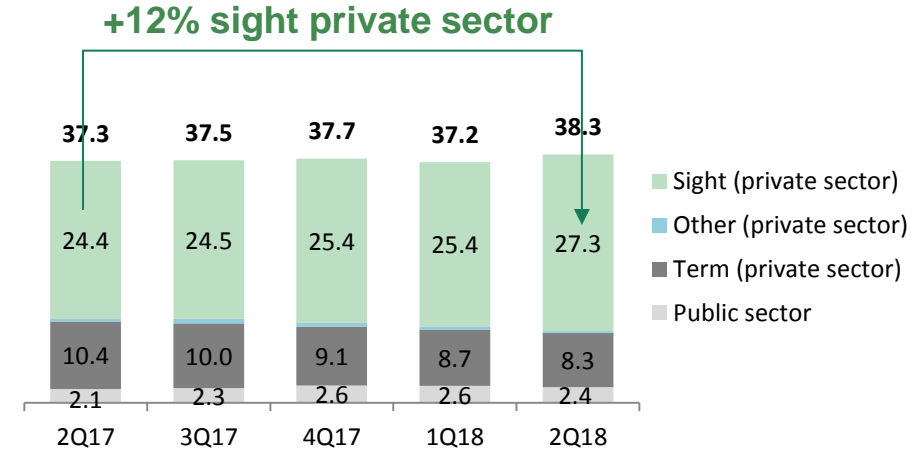
€ million	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	QoQ %	Jun'17	Jun'18	YoY %
Net Interest Income	145	146	141	151	152	151	-1.2%	291	303	4.2%
Net Fees	53	56	55	56	53	55	5.3%	109	108	-0.9%
Dividends	3	10	7	3	2	13	498.3%	13	15	11.7%
Associates	4	17	20	9	11	10	-5.6%	20	21	1.8%
Trading Income + Exch. Differences	45	32	2	18	16	13	-15.9%	78	29	-63.1%
Other Revenues / (Expenses)	31	17	31	-55	17	0	-99.3%	48	17	-65.5%
Gross Margin	281	279	256	181	250	242	-3.2%	559	492	-12.1%
Operating Expenses	160	160	158	155	156	155	-0.4%	320	311	-3.0%
Personnel Expenses	101	101	100	99	98	97	-0.6%	203	195	-3.8%
SG&A	47	48	48	46	49	49	0.2%	95	97	1.9%
D&A	11	11	10	10	9	9	-2.5%	22	19	-16.1%
Pre Provision Profit	121	118	99	26	94	87	-7.8%	239	181	-24.3%
Provisions and Other	-47	-118	-43	-17	-16	-25	54.2%	-165	-41	-75.3%
Credit	-27	-19	-21	17	5	10	107.7%	-45	14	-
Foreclosed Assets	-20	-2	-13	-8	-4	7	-	-21	2	-
Other provisions & other results	0	-98	-9	-26	-17	-41	145.7%	-98	-57	-41.6%
Pre Tax Profit	74	0	56	10	78	62	-20.5%	74	140	89.3%
Tax	23	-24	10	-9	21	16	-25.2%	0	36	-
Results from Disc. Operations	0	0	0	0	0	0	-	0	0	-
Net Income	51	24	46	18	57	47	-18.8%	75	104	39.6%
Attributable Net Income	52	34	50	6	58	47	-18.5%	86	105	22.9%

Customer funds continue to grow

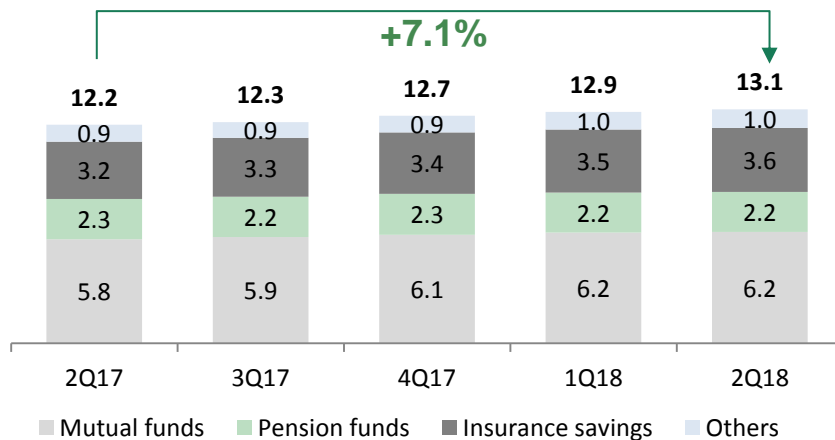
Total retail customer funds (€ bn)



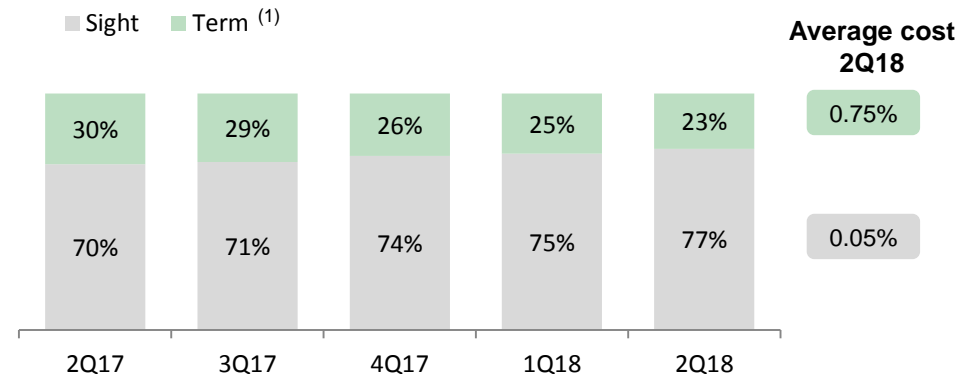
On-balance sheet customer funds (€ bn)



Off-balance sheet customer funds (€ bn)



Private sector deposits (excluding repos): sight vs. term (%)

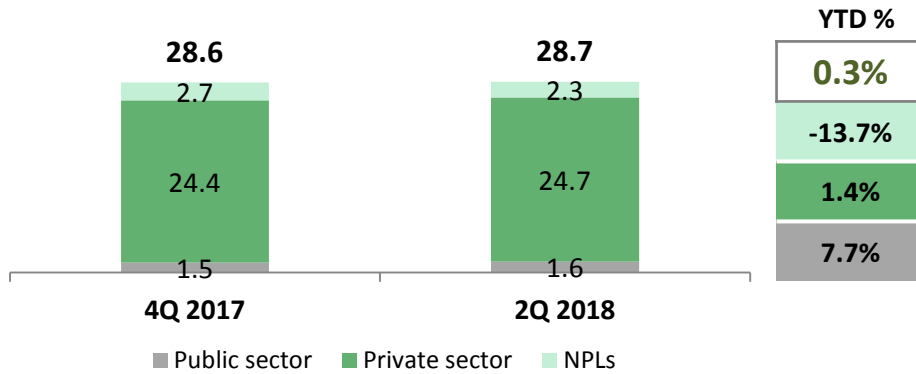


(1): Term deposits excluding multi-issuer covered bonds

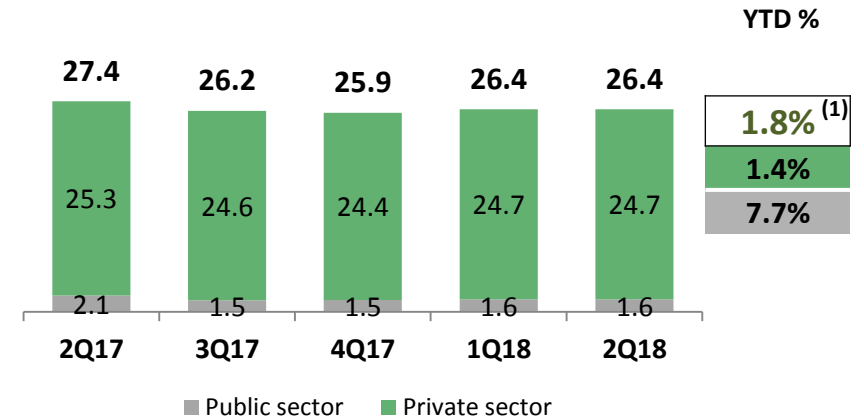
Performing loan book grew year to date

Gross loans (€ Bn)

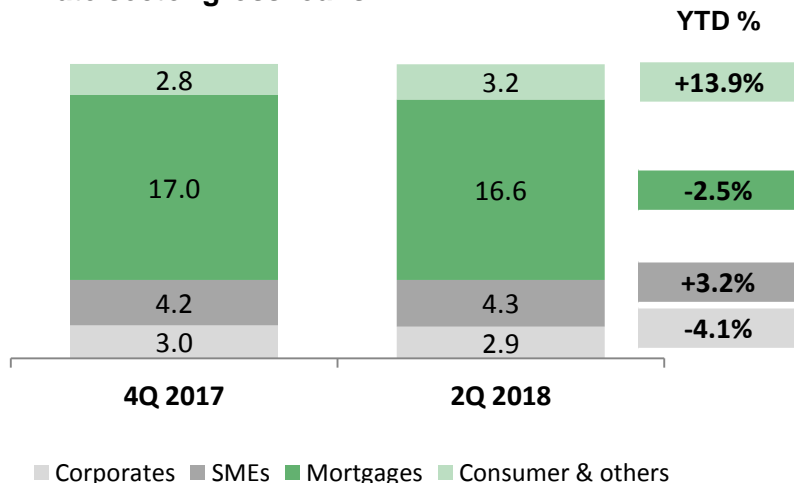
Total gross loans (ex-reverse repos)



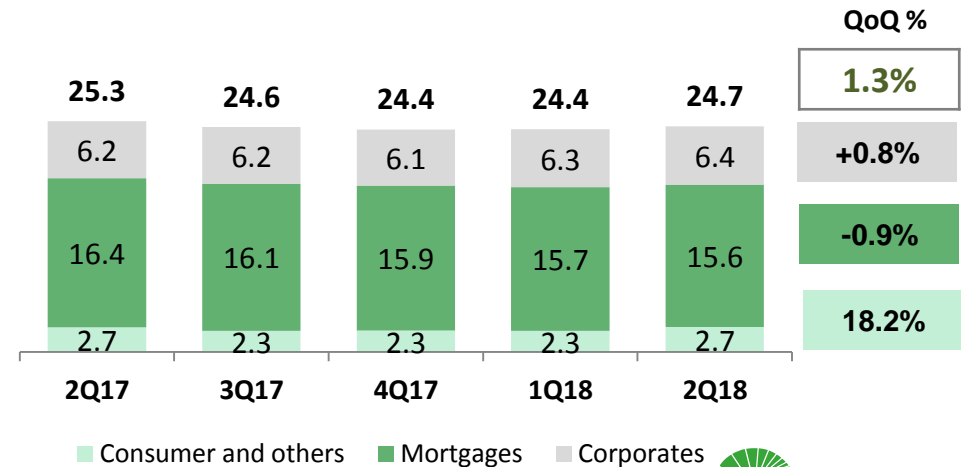
Performing loans evolution (€ Bn)



Private sector gross loans



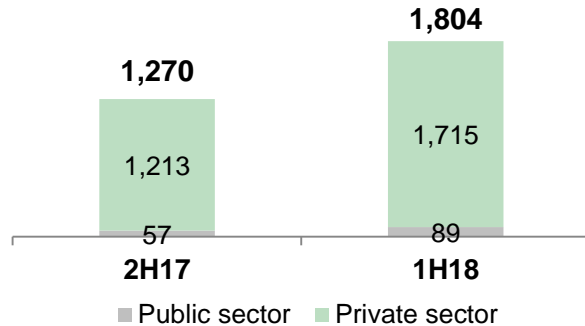
Private sector performing loans



(1) YTD growth excluding seasonal advances was +0,4%

The impulse in new loan production continues in both individuals and corporates

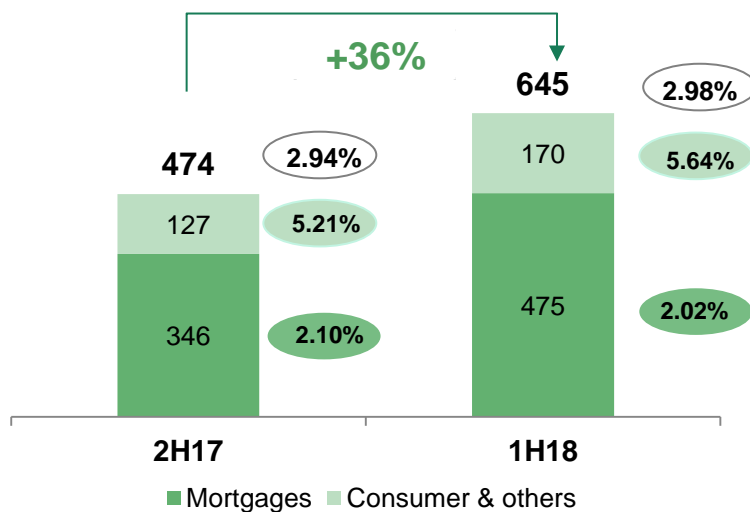
New lending evolution (€ million)



+42%
1H18 vs. 2H17 new leading increase

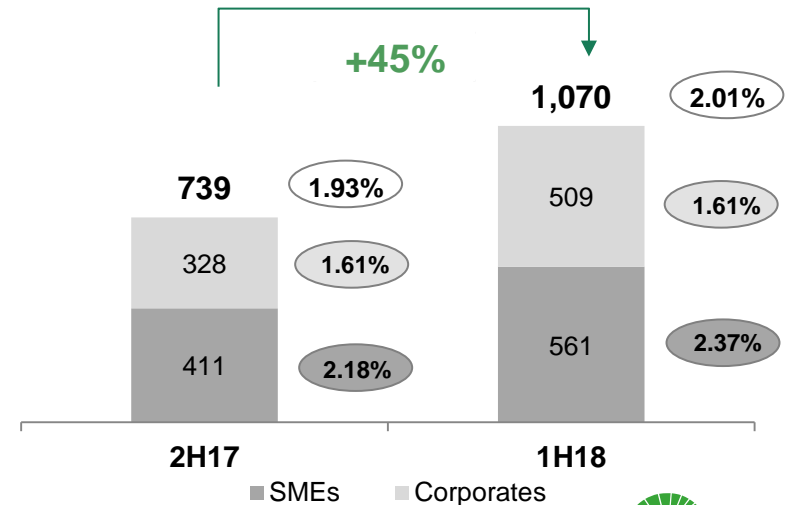
Private sector new lending: Individuals

€ million / ○ average yield



Private sector new lending: Corporates

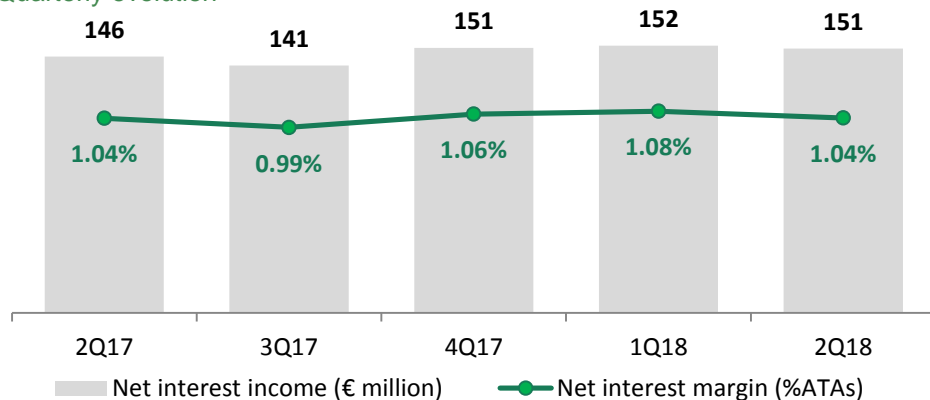
€ million / ○ average yield



Stable net interest income in the quarter

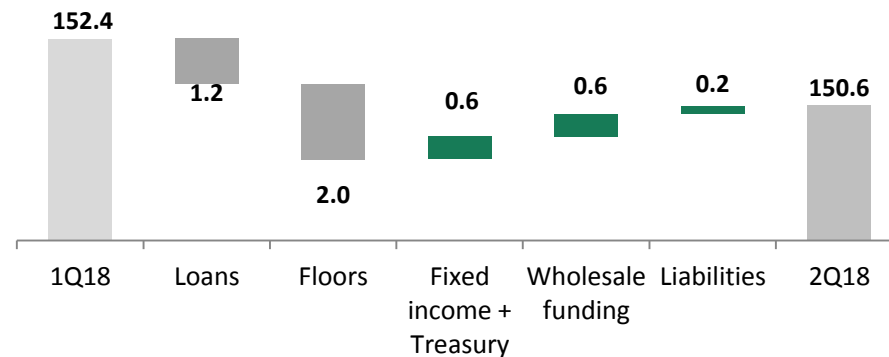
Net interest margin

Quarterly evolution



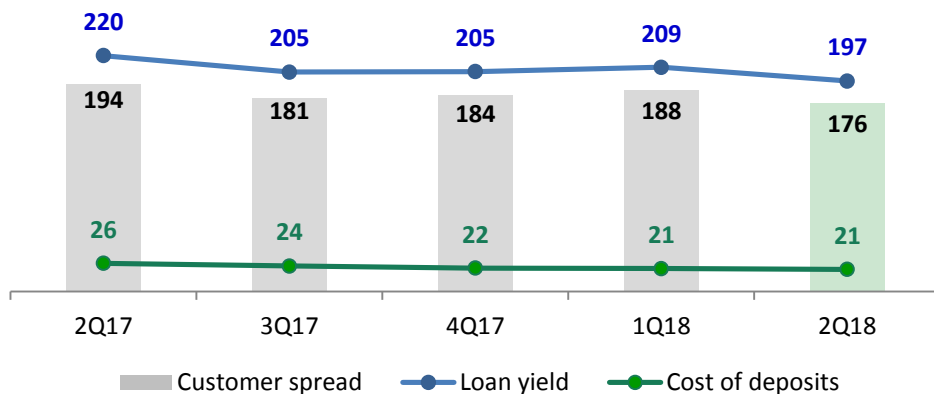
Net interest income bridge 2Q 2018

€ million



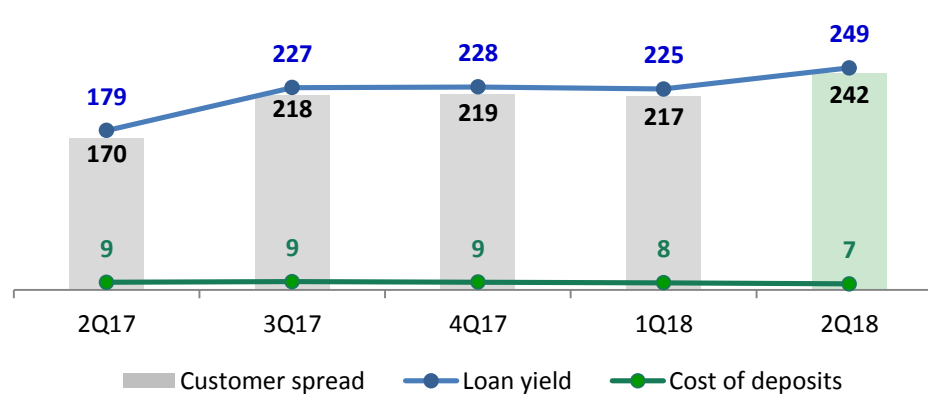
Customer spread (Back Book)

Quarterly evolution (bps)



Customer spread (Front Book)

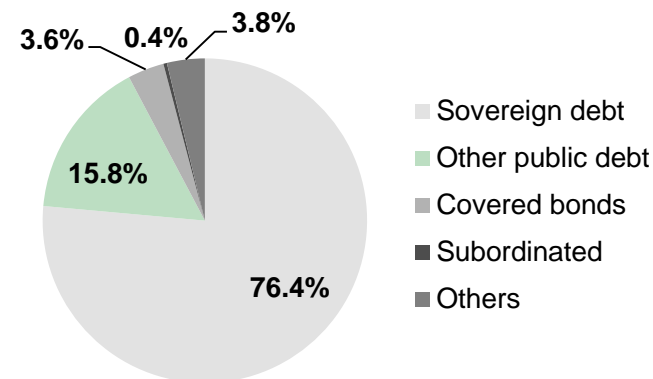
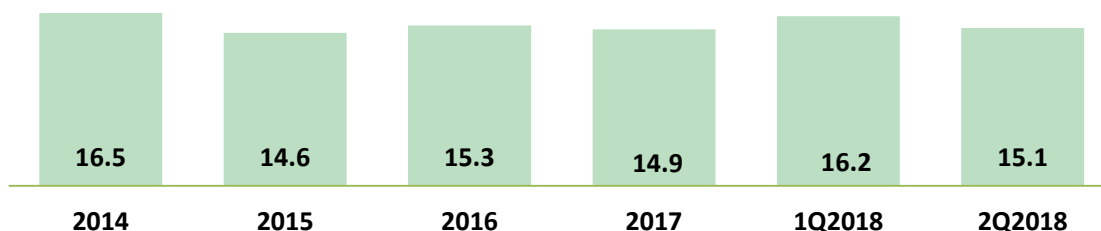
Quarterly evolution (bps)



Conservative management of the debt portfolio

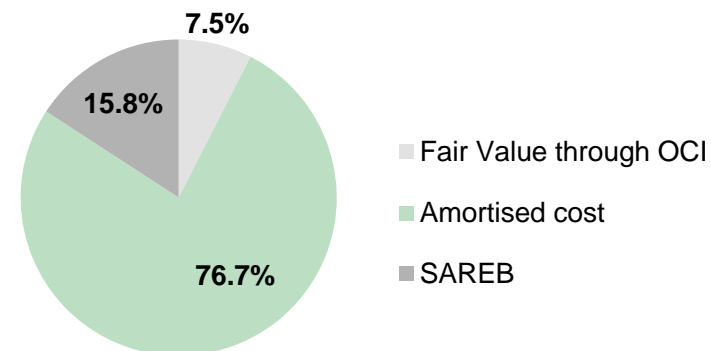
Breakdown, size and evolution of the debt portfolio (Fair Value Through OCI ⁽¹⁾, Amortised Cost and SAREB) ⁽²⁾

€bn



		Size	Duration
		€ Bn	Years
Amortised cost	Structural Portfolio	8.0	4.8
	TLTRO	3.6	3.1
	SAREB	2.4	0.1
	FVTOCI ⁽¹⁾	1.1	0.8

1.31% 2Q18 average yield



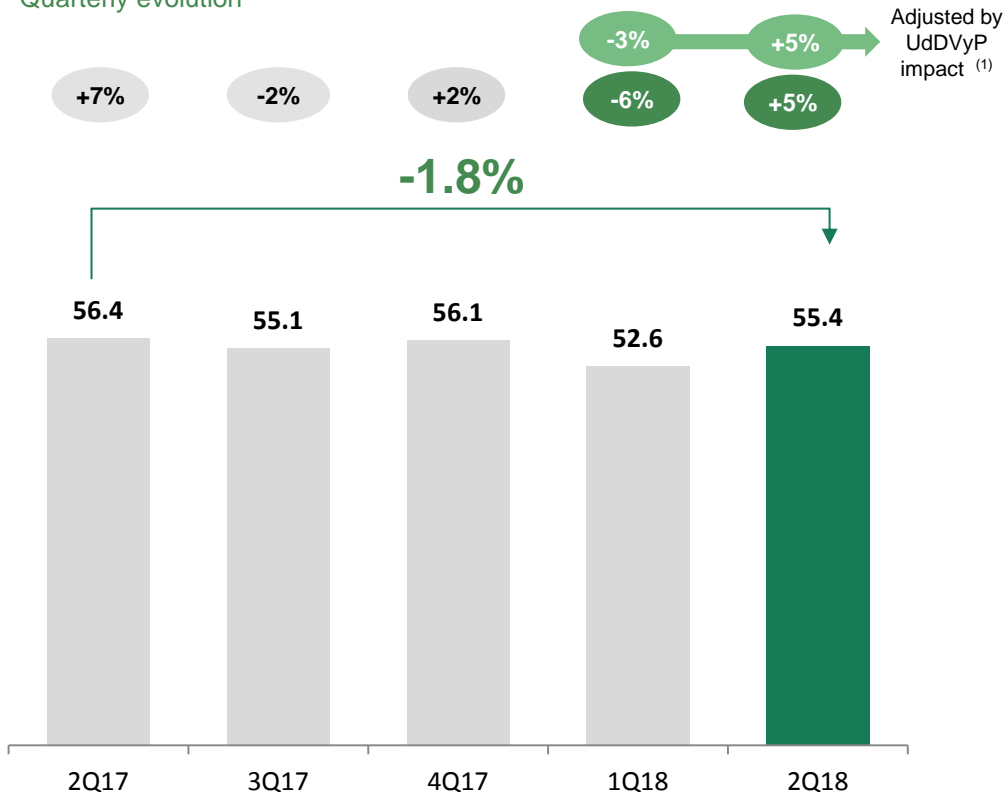
Total: €16.2 bn

(1) FVTOCI balance net of forward positions sold (€3.9bn)
 (2) Excluding de insurance business debt portfolio (€0.7bn)

Fee income impacted by the integration of Unión del Duero Vida y Duero Pensiones

Net fees (€ million)

Quarterly evolution



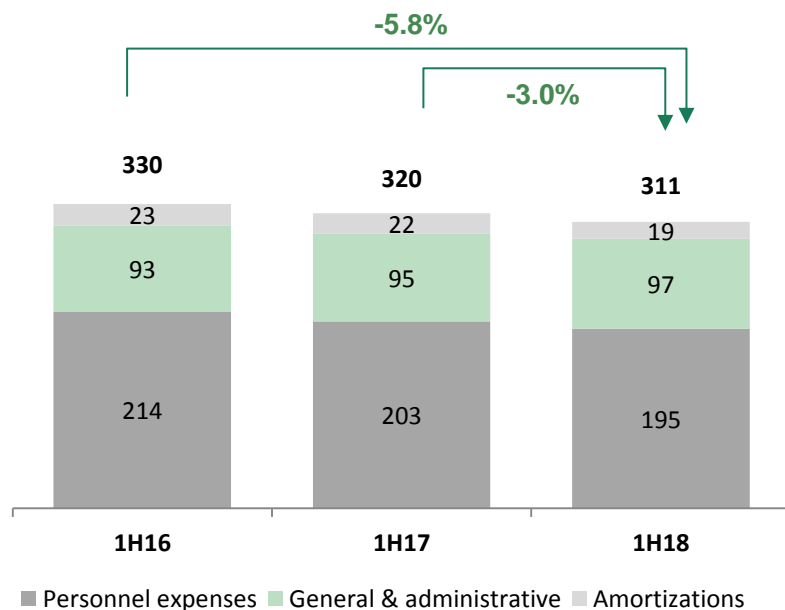
Fees breakdown (€ million)

	1H17	1H18	%
Fee income	121.2	119.1	-1.7%
From contingent risk and commitments	5.0	4.8	-4.5%
From payments and collections	64.6	60.6	-6.1%
From non banking products	48.0	51.0	6.2%
Other fees	3.6	2.7	-24.9%
Fee expenses	12.2	11.1	-9.1%
Net fees	109.0	108.0	-0.9%

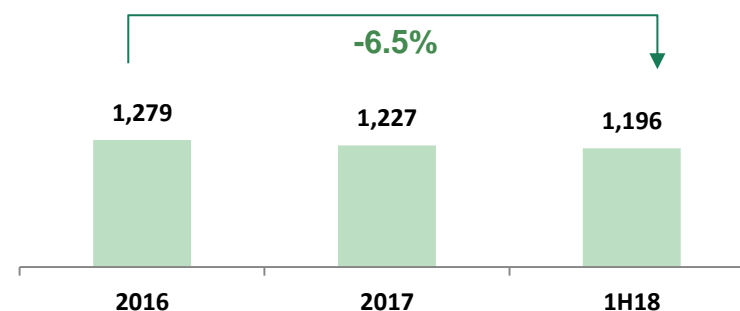
(1) Unión del Duero Vida & Duero Pensiones fully integration represents €3.3 million lower fee income in 1H2018. Excluding such impact fee income grew 2.1% in comparison to same period of last year.

Operating expenses continue to fall owing to the crystallization of synergies

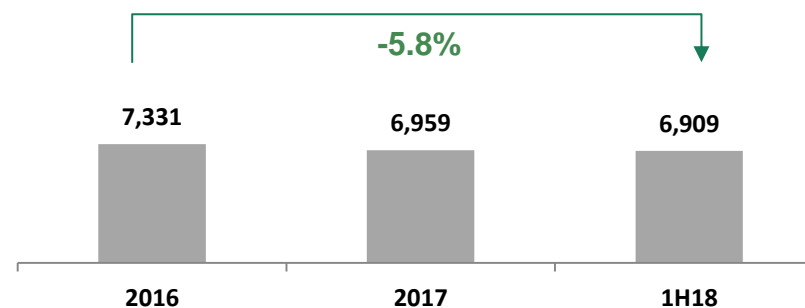
Operating expenses (€ million)



Spanish branches evolution

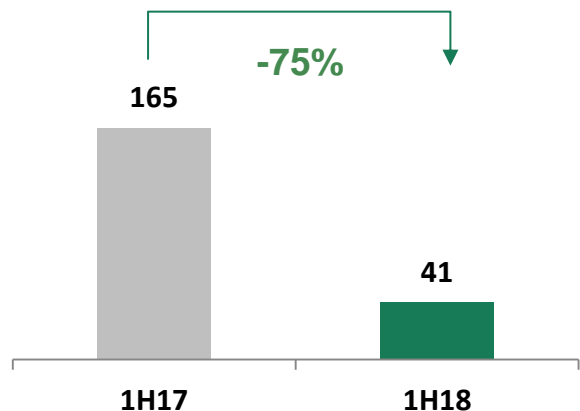


Employees evolution – FTEs (average)

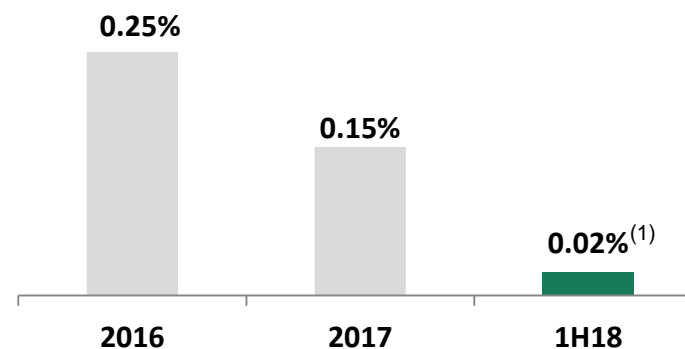


Total impairments improved significantly

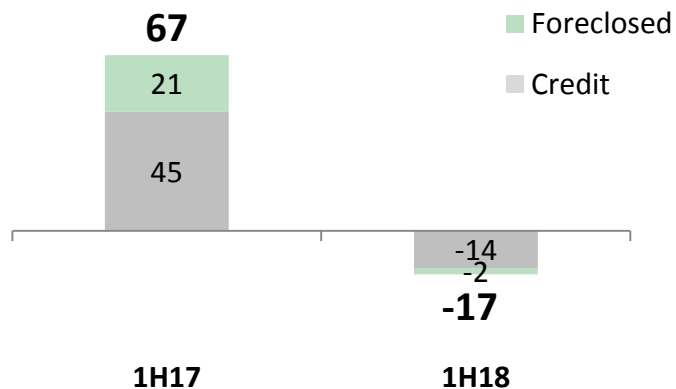
Total impairments (€ million)



Cost of risk – Credit (%)



Provisions for credit and foreclosed assets (€ million)



2bps

⁽¹⁾ Adjusted by written-offs sales, cost of risk without adjustment represents -0,09%

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**Results &
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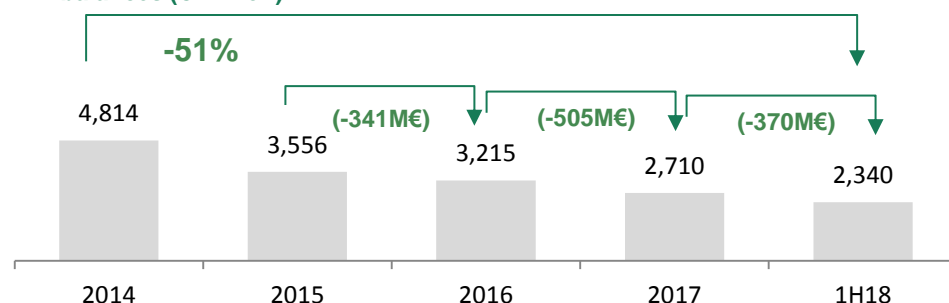
**Asset quality,
liquidity &
solvency**

Final remarks

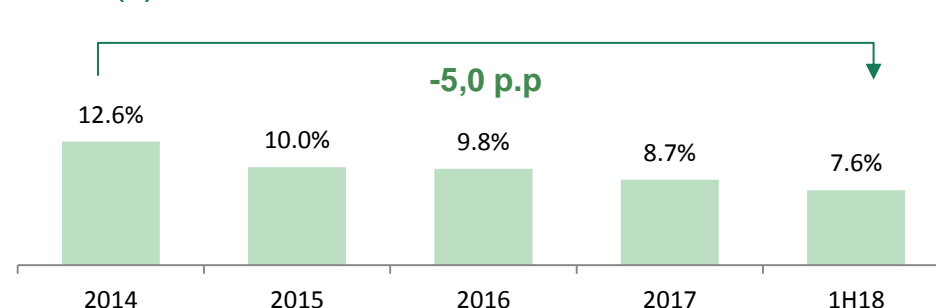
The reduction of NPLs consolidates its downward path

Non performing loans evolution

NPL balances (€ million)



NPL ratio (%)



NPLs gross entries and recoveries evolution

€m	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18
BoP	3,455	3,339	3,208	3,215	3,032	2,910	2,833	2,710	2,570
Gross NPL entries	162	102	255⁽¹⁾	134	108	112	88	60	56
Recoveries	-205	-138	-187	-216	-178	-138	-182	-177	-249
ow/ cash recoveries & sales	-113	-89	-98	-137	-97	-87	-104	-95	-155
ow/ foreclosed assets & others	-88	-47	-86	-79	-82	-52	-78	-82	-96
Write-offs	-73	-95	-61	-102	-52	-51	-28	-24	-38
Net NPL entries	-116	-131	7	-184	-122	-77	-123	-141	-230
EoP	3,339	3,208	3,215	3,032	2,910	2,833	2,710	2,570	2,340
QoQ growth	-3%	-4%	0%	-6%	-4%	-3%	-4%	-5%	-9%

(1) 4Q16 including €123m in gross NPL entries related to the impact of Circular 4/2016 (€132m excluding this impact)

NPL coverage remains stable and incorporates a high level of collateralization

Exposure, NPL and coverage

Gross exposure € million	NPLs € million
% NPL ratio	% Coverage ratio
Total gross loans and advances to customers	
30,614	2,340
7.6%	54.9%

Corporates

7,222	840
11.6%	64.5%

Individuals

19,846	1,498
7.5%	48.5%

ow/ RE developers

725	214
29.5%	77.5%

ow/ mortgages

16,606	1,008
6.1%	36.9%

ow/ rest of corporates

6,497	627
9.6%	60.1%

ow/ other loans to individuals

3,240	490
15.1%	72.4%

NPL collateralization levels

Type of NPL (€ million)	NPLs	%	Appraisal value ¹
Unsecured	200	8.5%	-
Secured	2,140	91.5%	4,280
ow/ finished buildings	1,872	80.0%	3,177
ow/ commercial	142	6.0%	382
ow/ land	117	5.0%	462
ow/ under construction	10	0.4%	259
Total	2,340	100.0%	4,280

(1) Appraisal value at origin

92%
of total NPLs
are secured

x 2
Appraisal value
over gross NPLs

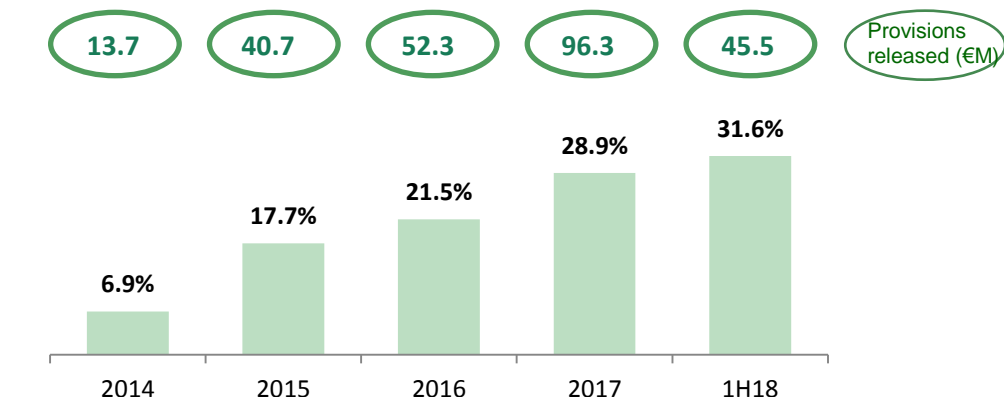
We continue selling Real Estate assets while releasing provisions and maintaining the sound coverage levels

Foreclosed assets as at June 2018 (€ million)

TOTAL FORECLOSED			
Gross value	1,793	642	Net value
Provisions	1,151	64.2%	% Coverage
OW/ REAL ESTATE ASSETS ⁽¹⁾			
	1,772	641	Appraisal v.
	1,132	63.8%	1,233
from RE developers		from retail mortgages	
959	253	536	271
706	73.6%	265	49.4%
ow/ finished buildings		Other foreclosed assets	
172	78	278	117
94	54.7%	161	58.1%
ow/ under construction			
129	51		
78	60.3%		
ow/ land			
658	124		
534	81.1%		

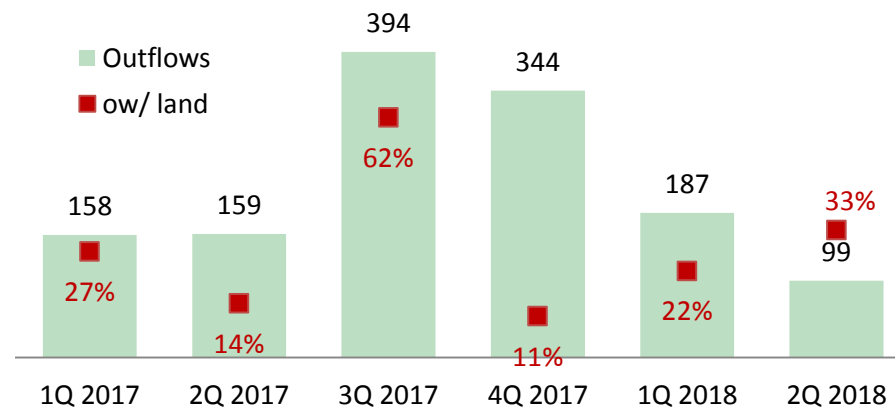
(1) Excludes €20 million gross of capital instruments (€1m net)

Released provisions over net book value (%) ⁽²⁾



(2) Does not include the provisions associated with real estate outflows through deconsolidation

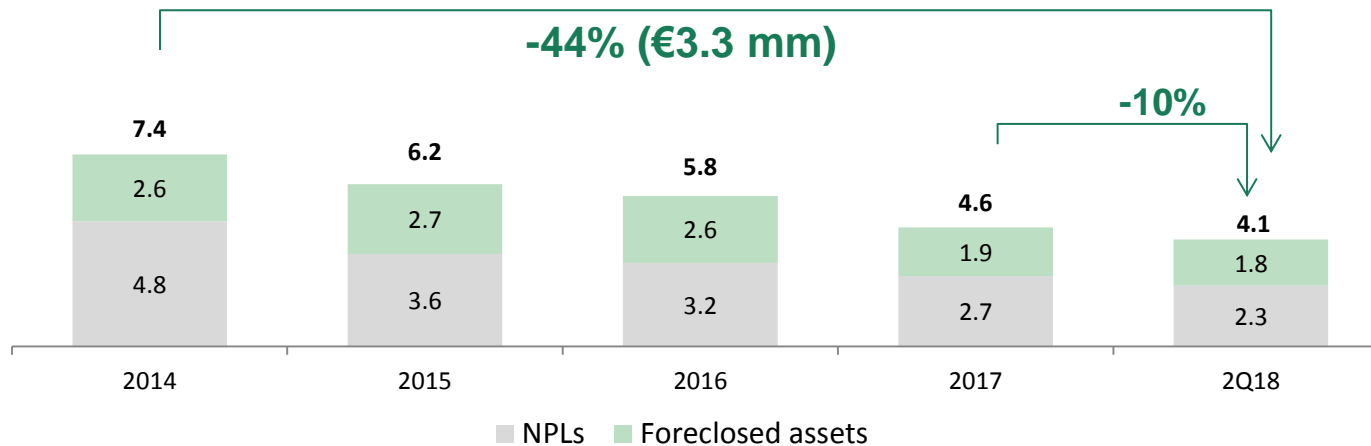
Evolution of gross outflows (€ million)



Overall, the Group demonstrates a high capacity to reduce NPAs without negative impact on results

Significant decrease of NPAs

Non performing assets evolution (€ million)



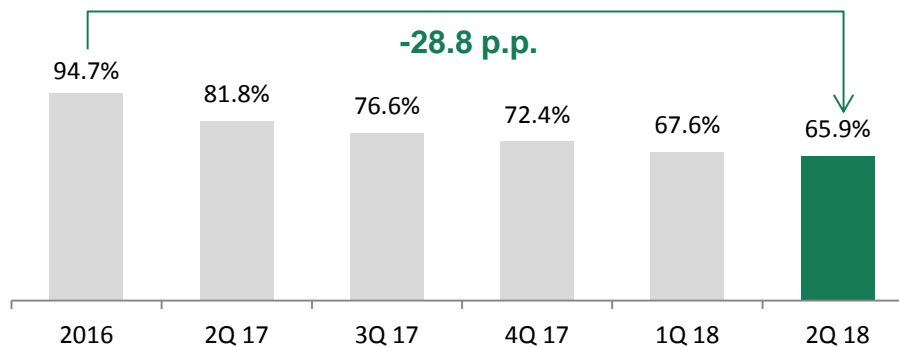
59%

NPA coverage

3%

Net NPA / total assets

Texas ratio evolution (%) ⁽¹⁾



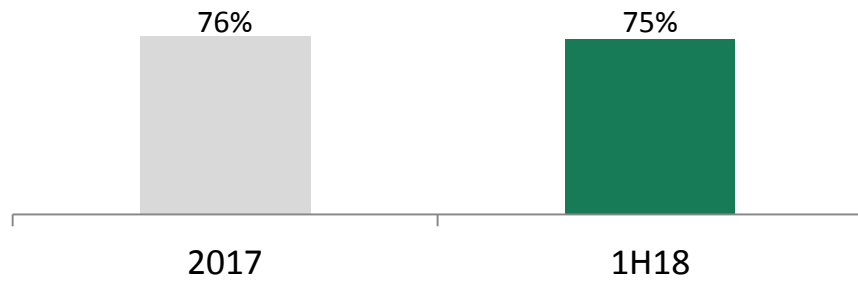
-470 m. €

NPAs reduction in 1H2018

(1) Texas ratio: Gross NPLs plus foreclosed assets over TBV plus NPL and foreclosed assets provisions

Comfortable liquidity position

Loan to deposits ratio

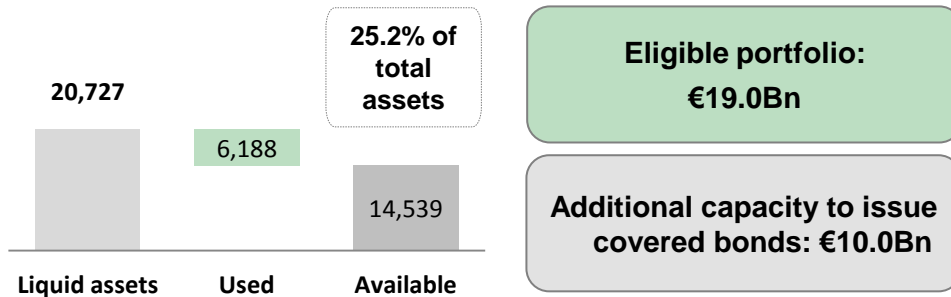


NSFR & LCR

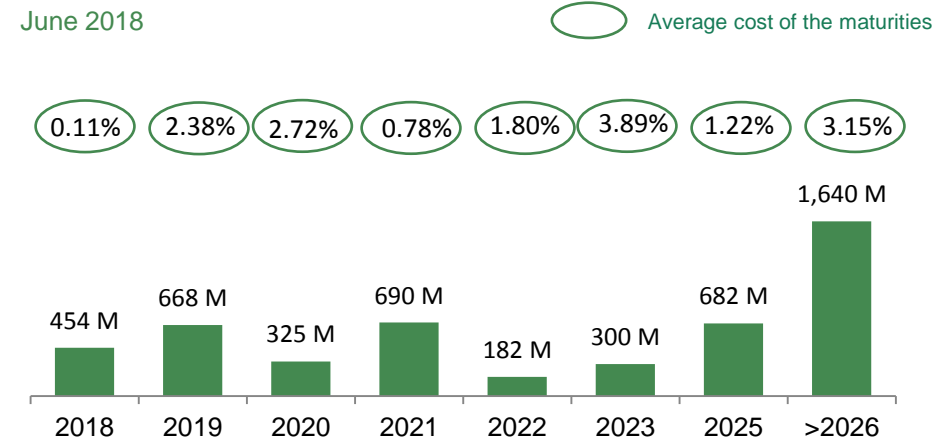
Ratio	Requirements	Unicaja Banco 2Q 2018
NSFR	100%	132%
LCR	80% (100% in 2019)	470%

Liquid Assets Breakdown

Liquidity generation capacity (€ million) Covered bonds issuance capacity
June 2018

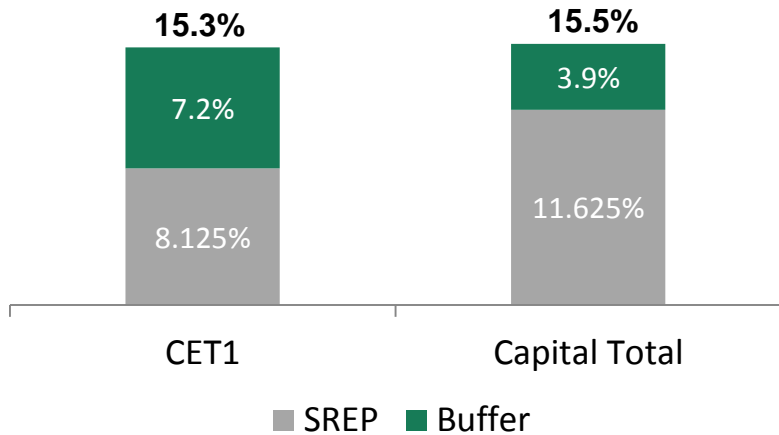


Wholesale funding maturities – Balances (€M) and costs

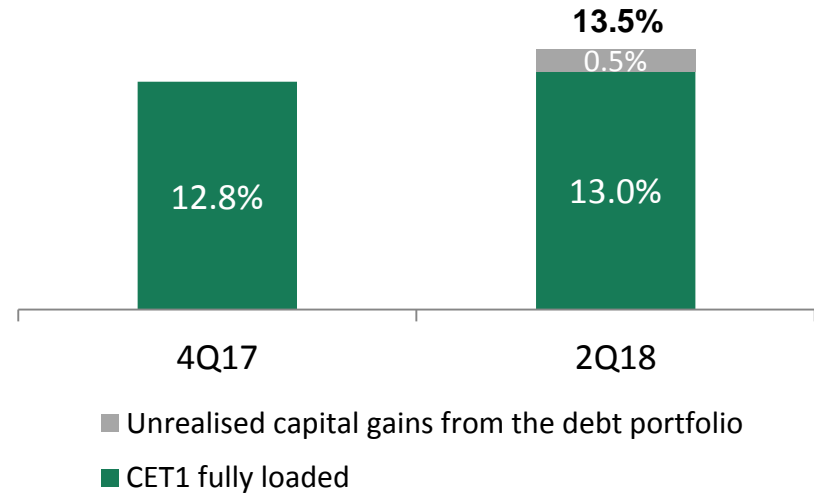


A strong solvency position with comfortable buffers over SREP

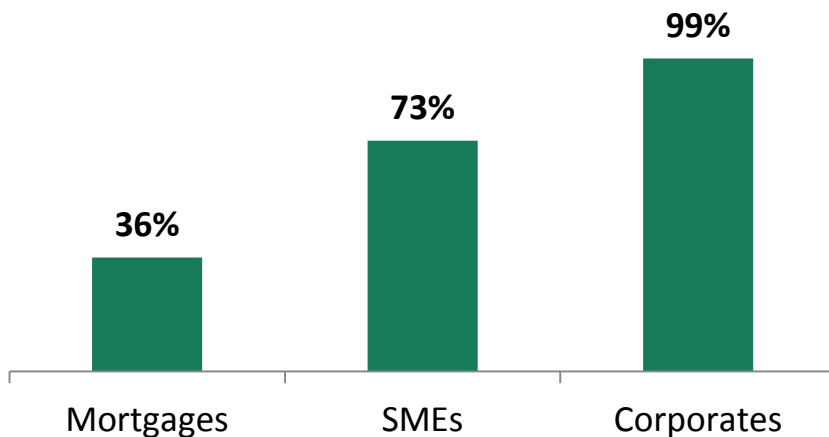
2Q2018 Phase-in solvency



CET1 fully loaded



2Q2018 RWAs density



€1,724m

CET1 excess over SREP

€936m

Total Capital excess over SREP

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Key highlights

**Results &
business**

**Asset quality,
liquidity &
solvency**

Final remarks

Final remarks

Results generation capacity

Commercial activity gaining momentum

Strong reduction of NPAs without negative impact on results

High coverage of NPLs and foreclosed assets

Comfortable solvency and liquidity position

Many thanks

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Appendix

Additional Information

Additional financial information

Unicaja Banco Group Balance Sheet

Balance sheet

Million Euros	2Q 2018	1Q 2018	4Q 2017	3Q 2017	2Q 2017	1Q 2017	4Q 2016
Cash & equivalents	3,060	2,999	3,806	1,221	1,557	1,704	862
Assets held for trading & at fair value through P&L	147	182	31	51	54	59	78
Financial assets at fair value through other global result	6,472	6,925	3,702	4,944	3,601	3,576	5,403
Financial assets at amortised cost	29,568	29,899	29,822	30,418	31,381	30,496	30,856
Loans to credit institutions	278	628	184	484	195	151	170
Loans to customers	29,290	29,271	29,638	29,935	31,186	30,345	30,686
Fixed income at amortised cost	12,714	12,615	13,220	13,876	13,896	13,993	13,694
Hedging derivatives	427	504	457	477	474	546	606
Associates	355	370	483	523	507	284	294
Tangible assets	1,224	1,244	1,291	1,301	1,313	1,422	1,438
Intangible assets	63	64	2	2	1	1	1
Tax assets	2,651	2,613	2,613	2,586	2,565	2,540	2,586
Other assets	470	462	466	494	604	627	660
Non current assets held for sale	453	428	439	511	520	741	762
Total Assets	57,606	58,305	56,332	56,406	56,472	55,989	57,241
Liabilities held for trading & at fair value through P&L	25	29	27	27	30	32	51
Financial liabilities at amortised cost	51,449	52,043	50,941	50,939	51,072	51,611	52,729
Deposits from Central Banks	3,323	3,327	3,330	3,333	3,337	3,340	0
Deposits from Credit Institutions	1,960	3,296	715	1,158	805	1,243	2,464
Customer deposits	44,772	44,565	46,041	45,522	45,217	45,332	48,532
Other Issued Securities	130	130	130	200	814	814	814
Other Financial Liabilities	1,264	726	725	726	898	881	919
Hedging derivatives	157	107	31	26	21	34	50
Provisions	843	870	935	968	1,066	678	707
Tax liabilities	283	271	209	238	215	227	239
Other liabilities	893	966	286	285	279	259	281
Total Liabilities	53,650	54,286	52,430	52,485	52,683	52,840	54,058
Own Funds	3,837	3,786	3,856	3,705	3,574	2,922	2,918
Other accumulated global result	96	202	17	55	46	24	35
Minority Interests	24	31	30	162	171	203	230
Total Equity	3,957	4,019	3,902	3,921	3,790	3,149	3,183
Total Liabilities and Equity	57,606	58,305	56,332	56,406	56,472	55,989	57,241

Additional financial information

Unicaja Banco Group P&L

Cuenta de resultados

Million Euros	2Q 2018	1Q 2018	4Q 2017	3Q 2017	2Q 2017	1Q 2017	4Q 2016	3Q 2016	2Q 2016	1Q 2016
Net Interest Income	303	152	583	432	291	145	620	460	299	135
Net Fees	108	53	220	164	109	53	207	156	104	53
Dividends	15	2	23	20	13	3	27	23	18	1
Associates	21	11	49	40	20	4	35	18	11	5
Trading Income + Exch. Differences	28	16	98	80	78	45	78	84	86	40
Other Revenues / (Expenses)	17	17	24	79	48	31	121	142	104	114
Gross Margin	492	250	997	816	559	281	1,089	882	623	347
Operating Expenses	-311	-156	-633	-478	-320	-160	-656	-495	-330	-165
Personnel Expenses	-195	-98	-401	-302	-203	-101	-427	-319	-214	-107
SG&A	-97	-49	-189	-143	-95	-47	-184	-142	-93	-46
D&A	-19	-9	-42	-32	-22	-11	-45	-34	-23	-12
Pre Provision Profit	181	94	364	338	239	121	433	387	293	181
Provisions and Other	-41	-16	-224	-208	-165	-47	-242	-147	-124	-78
Credit	14	5	-49	-66	-45	-27	-84	-74	-13	-75
Foreclosed Assets	2	-4	-43	-35	-21	-20	-96	-23	-20	-12
Other Provisions	-57	-17	-133	-107	-99	0	-63	-50	-91	8
Pre Tax Profit	140	78	140	130	74	74	191	240	169	103
Tax	-36	-21	-1	-10	0	-23	-66	-52	-37	-30
Results from Disc. Operations	0	0	0	0	0	0	10	4	4	0
Net Income	104	57	138	120	75	51	135	191	136	74
Attributable Net Income	105	58	142	136	86	52	142	195	138	78

Many thanks

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