

Unicaja Banco

1Q18 results presentation

3rd May 2018

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Key highlights

**Results &
business**

**Asset quality,
liquidity &
solvency**

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Key highlights

**Results &
business**

**Asset quality,
liquidity &
solvency**

Final remarks

Summary of 1Q 2018 results

Business

- **Performing loan book⁽¹⁾** increased +0.5% QoQ, showing an increase in public sector, SMEs and other corporates (ex-RE developers)
- **New loan production** grew 55% QoQ in corporates and +31% QoQ in individuals.
- **Customer funds** increased over the last 12 months by 2.7%, specially in sight deposits (+9.4%) and off-balance sheet funds (+8.4%). The mix between sight/term deposits continues to improve.

Results

- **Net income** reached €57 million in 1Q18, increasing 13% vs. 1Q17 and **attributable net income** grew 12% YoY to €58m
- **NII** increased for the second consecutive quarter, growing +5.1% above 1Q17
- **Operating expenses** decreased by -2.5% compared to 1Q17.
- **Total impairments**, both for credit and foreclosed assets, decreased significantly.

Asset quality, liquidity & solvency

- **Non performing assets** (NPAs) fell -5.2% QoQ and -21.6% over the last 12 months, representing a reduction of €1,199 million. The **NPA coverage** grew from 56% in 4Q17 to 59% in 1Q18
- Comfortable **liquidity** position with net liquid assets representing 23.2% of total assets
- **CET1 phase-in** grew to 15.4% in 1Q18 and **CET1 fully loaded** reached 13.5% (without considering 1Q18 retained earnings). Both figures include the negative impact from the acquisition of Unión del Duero Vida y Pensiones accounted this quarter.

(1) Excluding reverse repos

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Key highlights

**Results &
business**

**Asset quality,
liquidity &
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Final remarks

The Group has shown a relevant results generation capacity

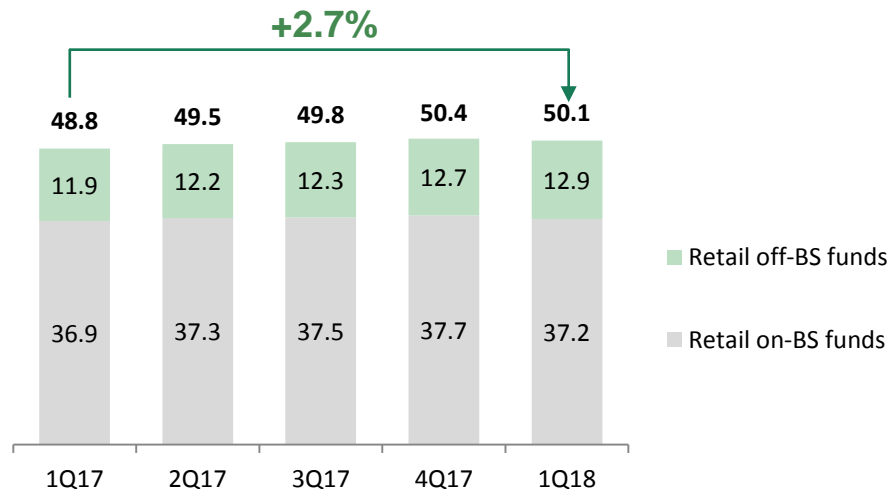
Profit & loss account (€ million)

€ million	1Q17	2Q17	3Q17	4Q17	1Q18	QoQ %
Net Interest Income	145	146	141	151	152	0.9%
Net Fees	53	56	55	56	53	-6.3%
Dividends	3	10	7	3	2	-19.6%
Associates	4	17	20	9	11	19.7%
Trading Income + Exch. Differences	45	32	2	18	16	-14.4%
Other Revenues / (Expenses)	31	17	31	-55	17	-
Gross Margin	281	279	256	181	250	37.7%
Operating Expenses	160	160	158	155	156	0.4%
Personnel Expenses	101	101	100	99	98	-1.3%
SG&A	47	48	48	46	49	5.6%
D&A	11	11	10	10	9	-7.0%
Pre Provision Profit	121	118	99	26	94	nr
Provisions and Other	-47	-118	-43	-17	-16	-4.0%
Credit	-26	-19	-21	17	5	-73.7%
Foreclosed Assets	-20	-2	-13	-8	-4	-50.9%
Other provisions & other results	0	-98	-8	-26	-17	-36.0%
Pre Tax Profit	74	0	56	10	78	nr
Tax	23	-24	10	-9	21	-
Results from Disc. Operations	0	0	0	0	0	-
Net Income	51	24	46	18	57	nr
Attributable Net Income	52	34	50	6	58	nr

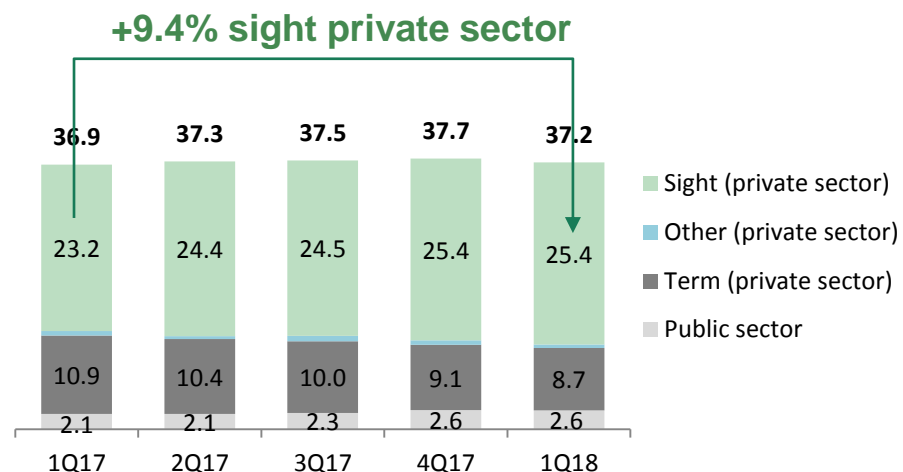
1Q17	1Q18	YoY %
145	152	5.1%
53	53	0.1%
3	2	-25.8%
4	11	nr
45	16	-65.6%
31	17	-46.8%
281	250	-10.9%
160	156	-2.5%
101	98	-3.6%
47	49	3.2%
11	9	-16.5%
121	94	-22.0%
-47	-16	-65.7%
-26	5	-
-20	-4	-79.6%
0	-17	nr
74	78	5.5%
23	21	-11.0%
0	0	-
51	57	13.1%
52	58	11.6%

Customer funds continue to grow

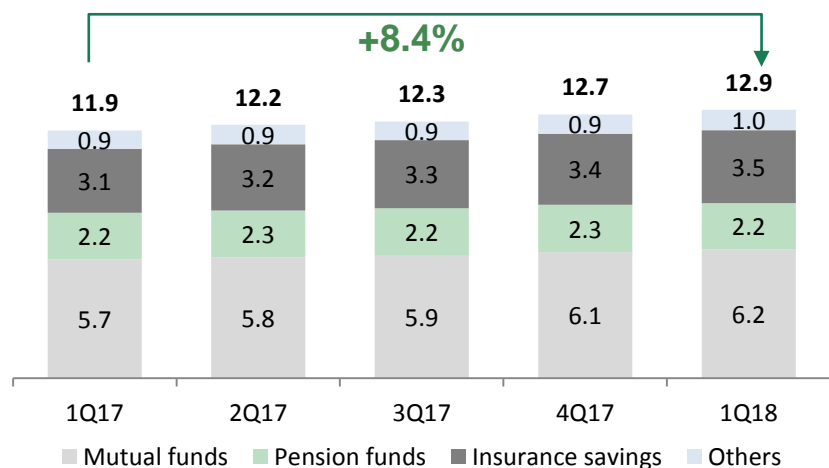
Total retail customer funds (€ bn)



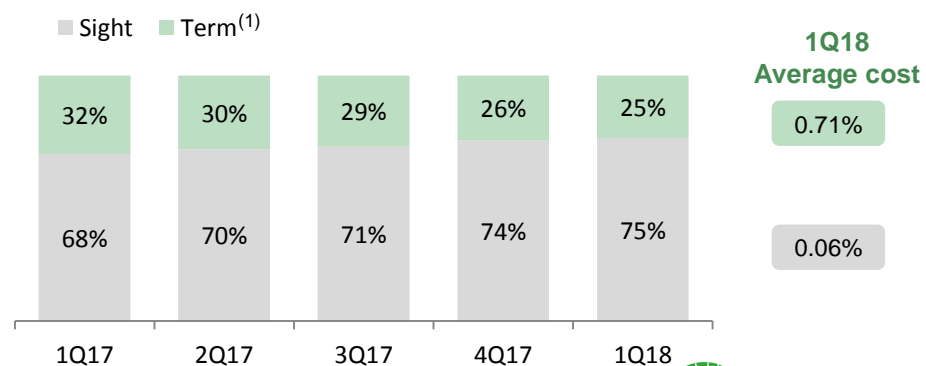
On-balance sheet customer funds (€ bn)



Off-balance sheet customer funds (€ bn)



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

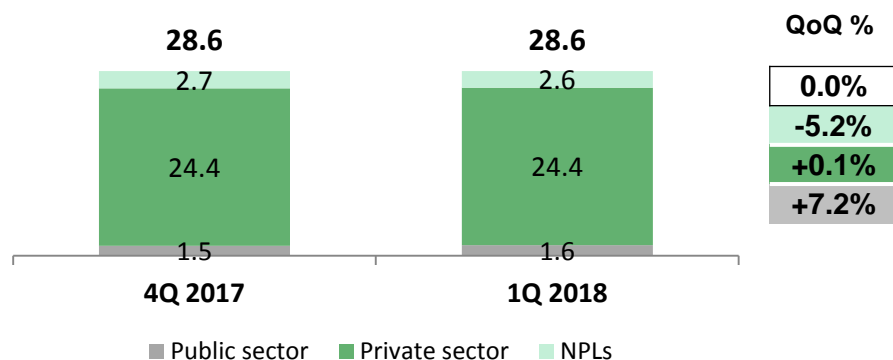


(1): Term deposits excluding multi-issuer covered bonds

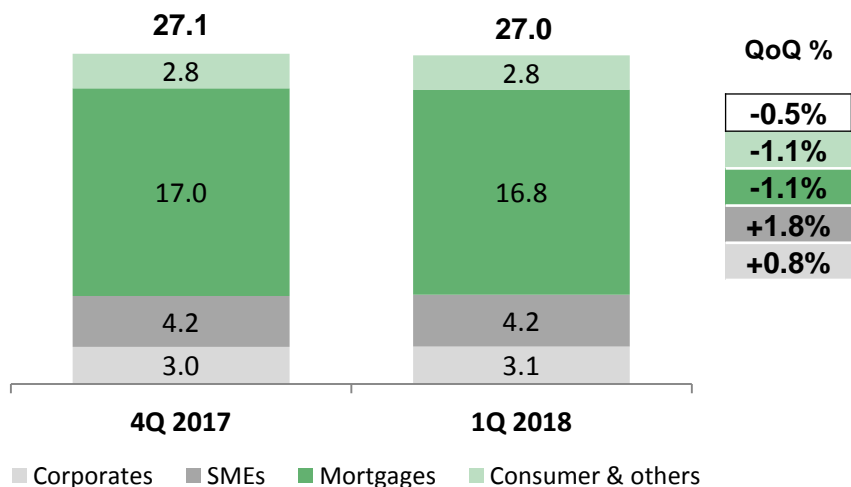
Performing loan book increased in 1Q18

Gross loans (€ Bn)

Total gross loans (ex-reverse repos)

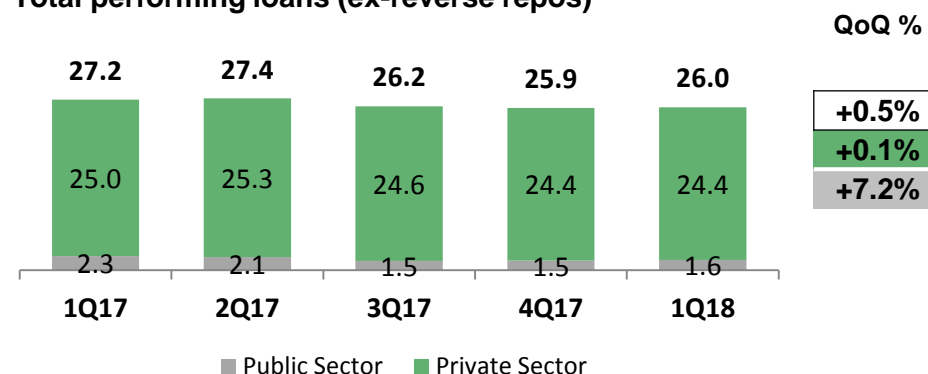


Private sector gross loans

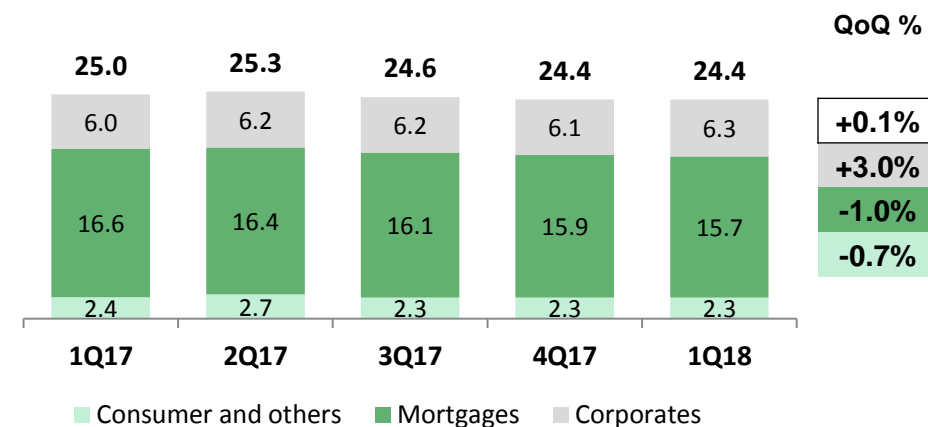


Performing loans evolution (€ Bn)

Total performing loans (ex-reverse repos)

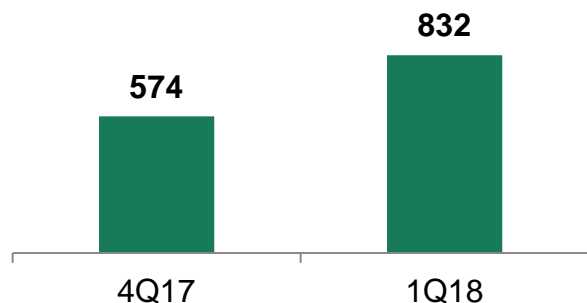


Private sector performing loans



We continue to gain momentum in new loan production both in individuals and corporates

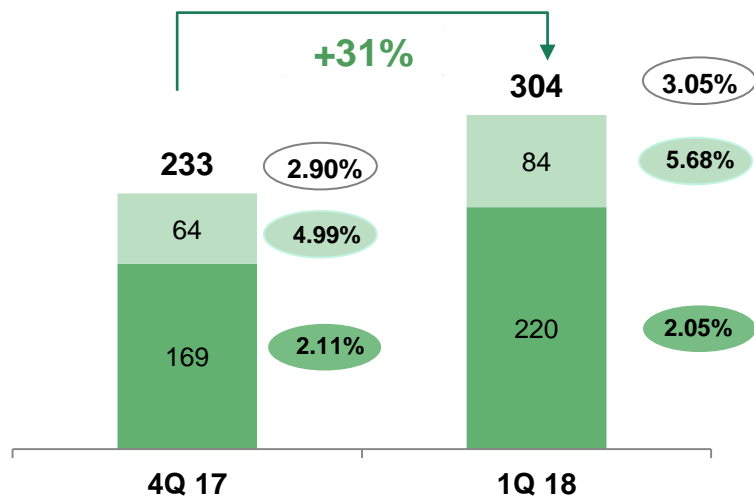
Private sector new lending evolution (€ million)



+45%
Private sector new leading quarter on quarter increase

Individuals

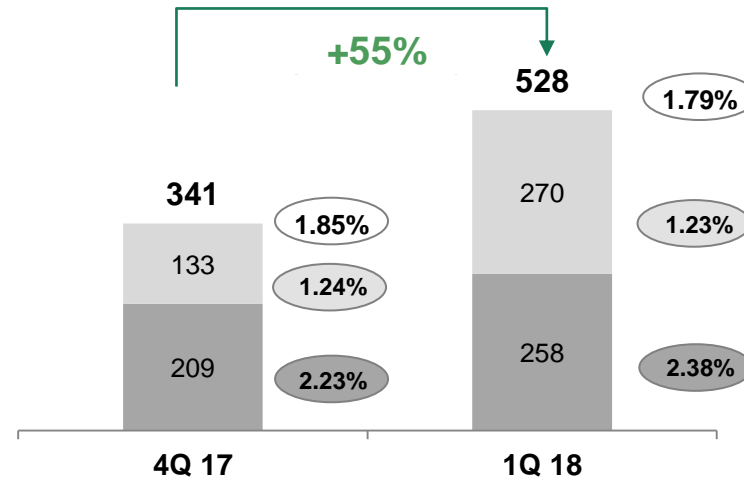
€ million / average yield



■ Mortgages ■ Consumer & others

Corporates

€ million / average yield

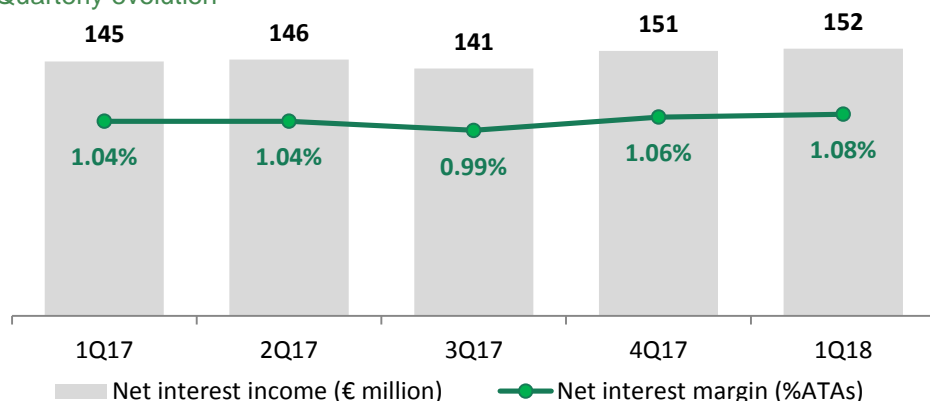


■ SMEs ■ Corporates

NII increased for the second consecutive quarter and lending yield grew for first time in many years

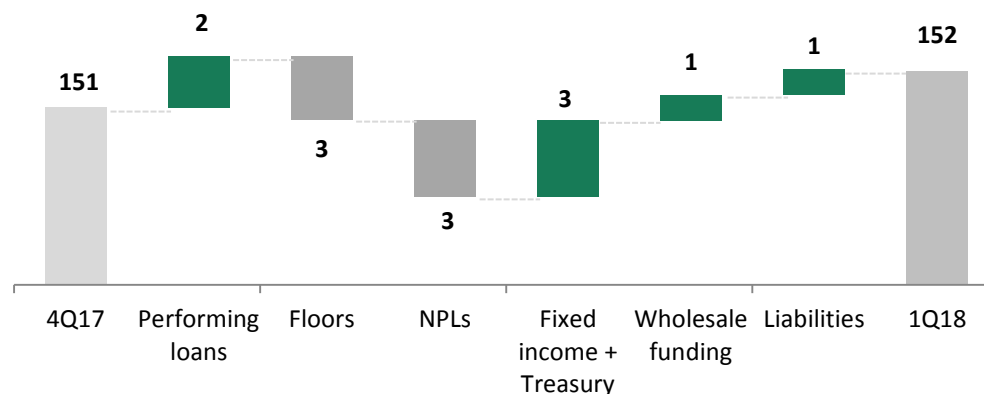
Net interest margin

Quarterly evolution



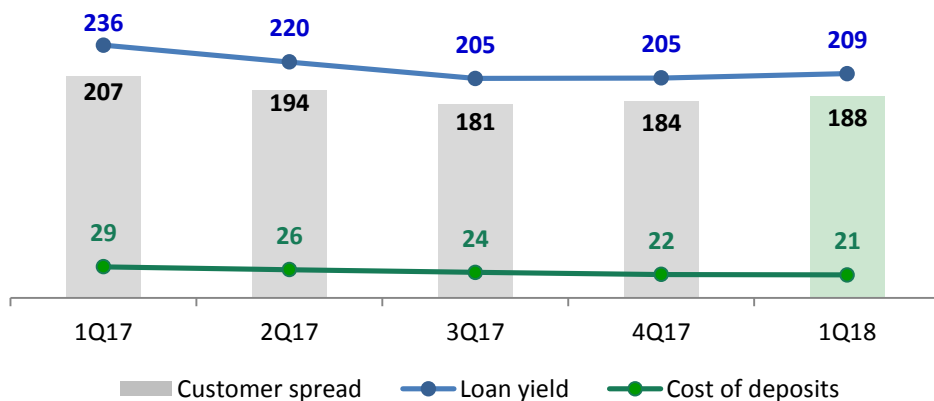
Net interest income bridge 1Q 2018

€ million



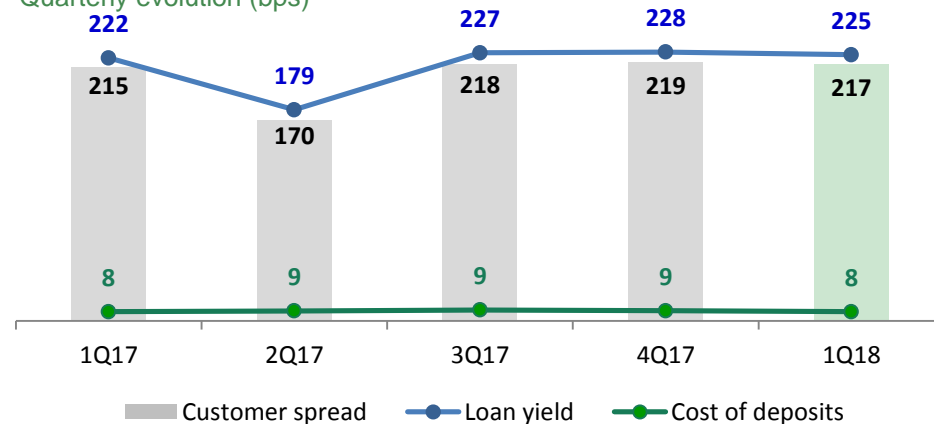
Customer spread (Back Book)

Quarterly evolution (bps)



Customer spread (Front Book)

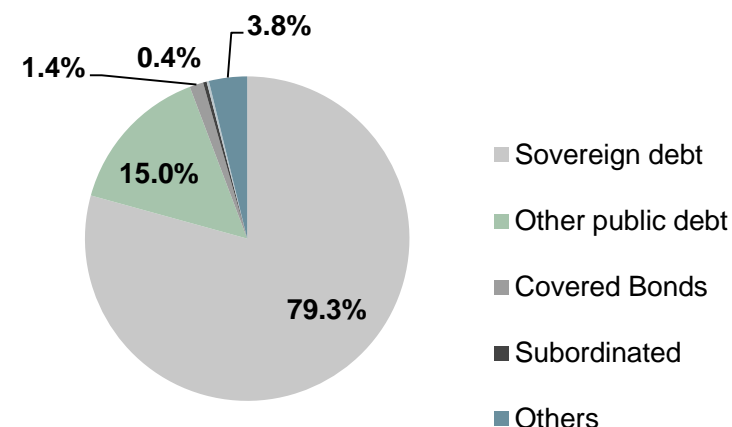
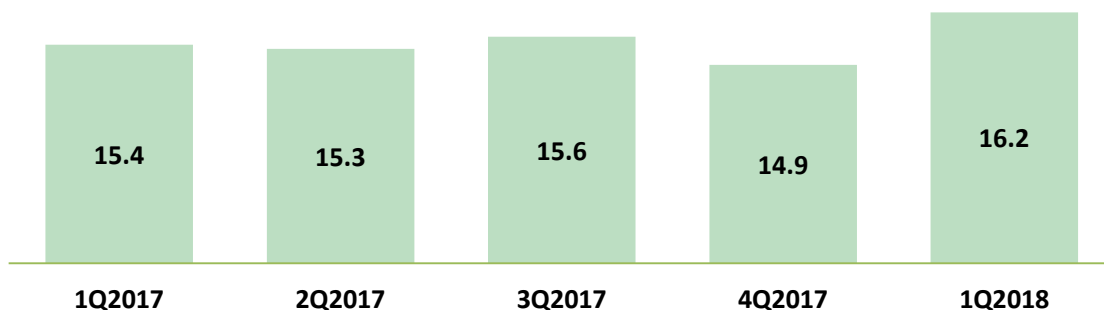
Quarterly evolution (bps)



A conservative management of the debt portfolio lowering the duration

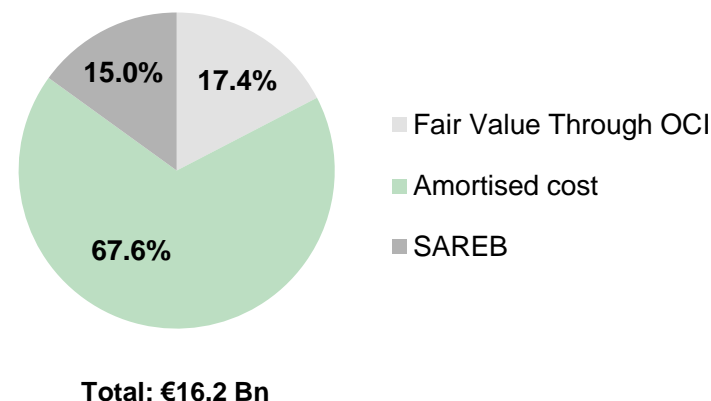
Breakdown, size and evolution of the debt portfolio (Fair Value Through OCI ⁽¹⁾, Amortised Cost and SAREB) ⁽²⁾

€bn



		Size € Bn	Duration Years
Amortised cost	Structural Portfolio	7.4	4.8
	TLTRO	3.6	3.1
	SAREB	2.4	0.1
	FVTOCI ⁽¹⁾	2.8	1.8

1.38%
1Q18 average yield



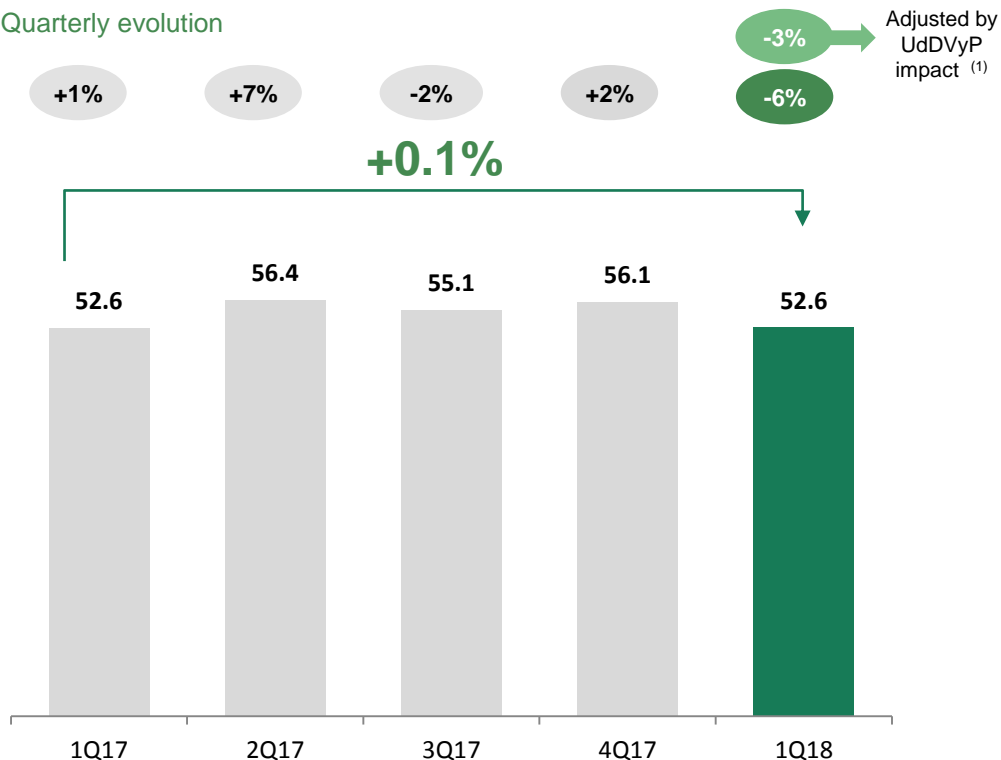
(1) FVTOCI net of forward positions sold value date 2Q2018 (€2,4 bn)

(2) Excluding de insurance business debt portfolio

Fee income impacted by the integration of Unión del Duero Vida y Duero Pensiones⁽¹⁾

Net fees (€ million)

Quarterly evolution



Fees breakdown (€ million)

	1Q 17	1Q 18	%
Fee income	58.1	58.2	0.2%
From contingent risk and commitments	2.1	2.4	14.7%
From payments and collections	31.7	29.7	-6.1%
From non banking products	22.6	24.5	8.6%
Other fees	1.7	1.5	-11.5%
Fee expenses	5.5	5.6	1.5%
Net fees	52.6	52.6	0.1%

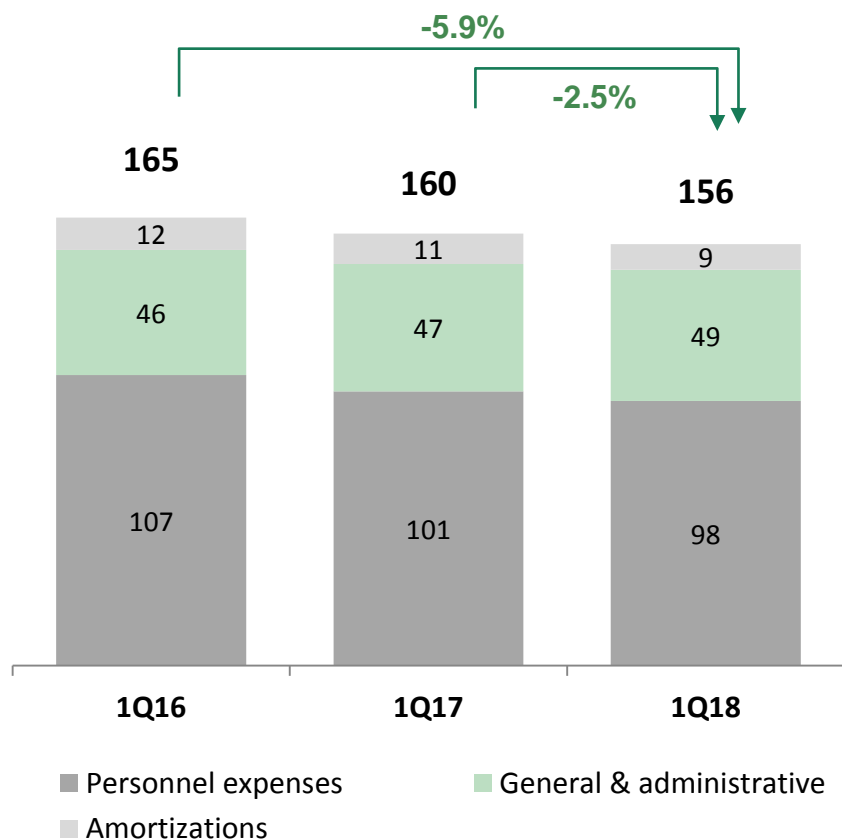
+3.5% YoY

Excluding the impact from the acquisition of UdDVyP ⁽¹⁾

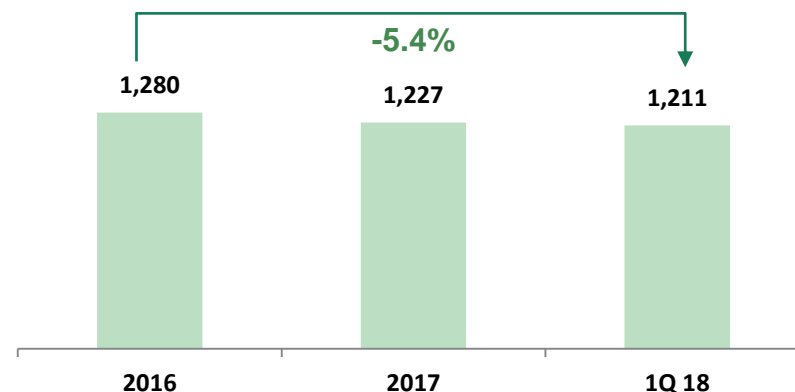
(1) Unión del Duero Vida & Duero Pensiones fully integration represents €2.1m lower fee income in 1Q18. Excluding such impact fee income grew +3.5% year on year in 1Q18.

Operating expenses continue to fall owing to the crystallization of synergies

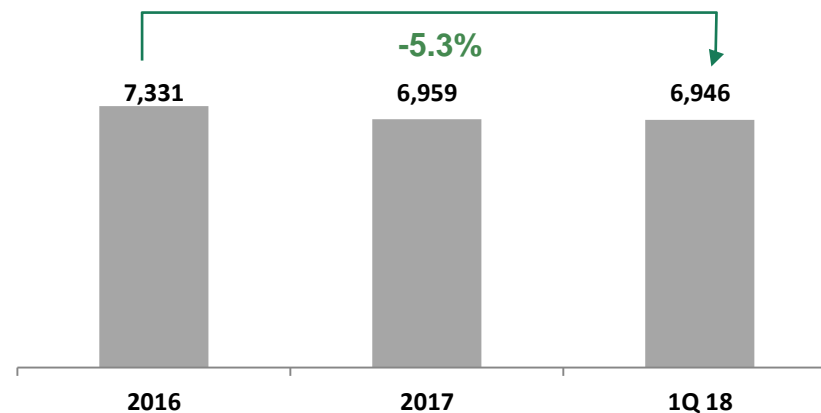
Operating expenses (€ million)



Branches evolution

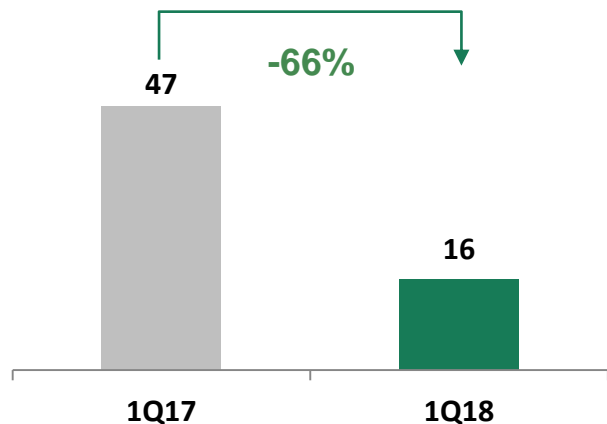


Employees evolution – FTEs (average)

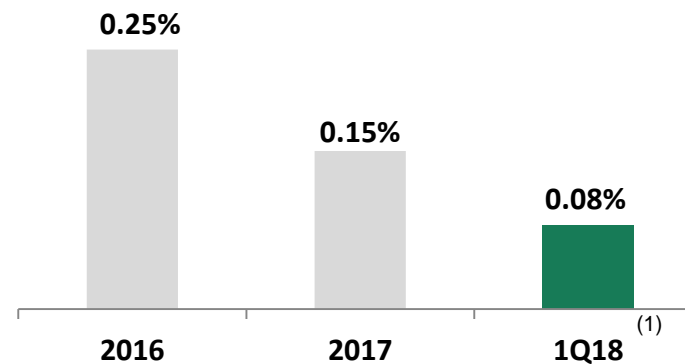


Total impairments improved significantly

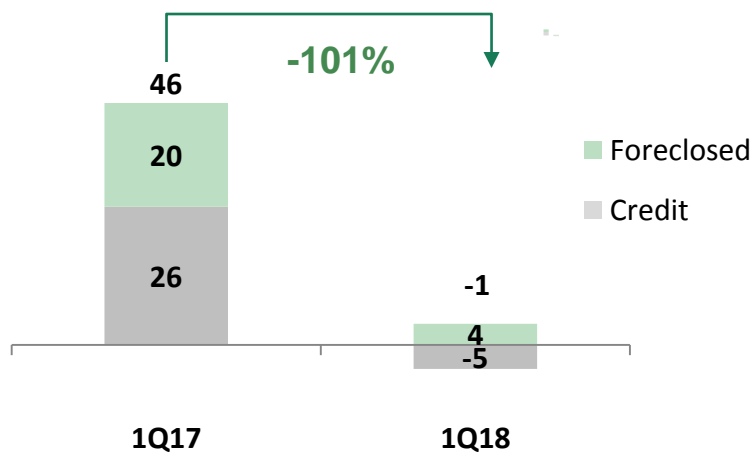
Total impairments (€ million)



Cost of risk – Credit (%)



Provisions for credit and foreclosed assets (€ million)



8bps

(1) 1Q18 adjusted by write-offs sales, cost of risk without adjustment represents -6bps

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Key highlights

**Results &
business**

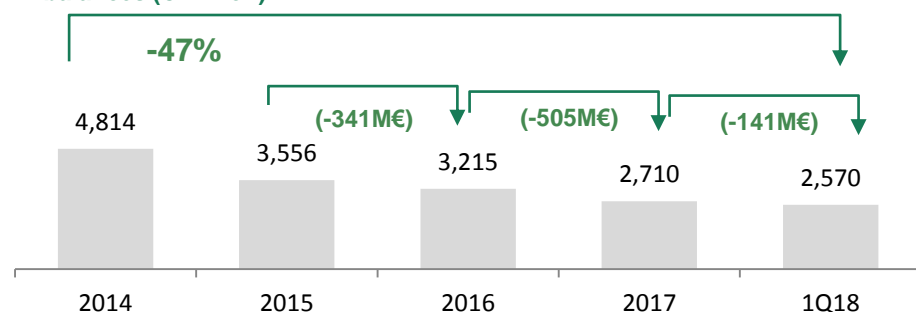
**Asset quality,
liquidity &
solvency**

Final remarks

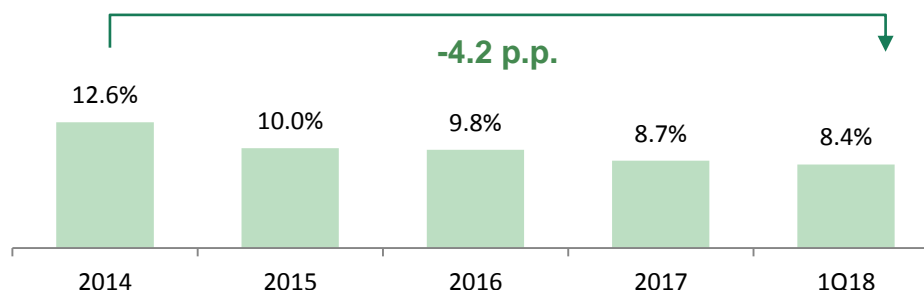
The Group's NPL reduction reinforces its downward trend

Non performing loans evolution

NPL balances (€ million)



NPL ratio (%)



NPLs gross entries and recoveries evolution

€m	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18
BoP	3,455	3,339	3,208	3,215	3,032	2,910	2,833	2,710
Gross NPL entries	162	102	255⁽¹⁾	134	108	112	88	60
Recoveries	-205	-138	-187	-216	-171	-138	-182	-177
ow/ cash recoveries	-113	-89	-98	-137	-97	-87	-104	-95
ow/ foreclosed assets	-88	-47	-86	-74	-73	-45	-70	-80
Write-offs	-73	-95	-61	-102	-60	-51	-28	-24
Net NPL entries	-116	-131	7	-184	-122	-77	-123	-141
EoP	3,339	3,208	3,215	3,032	2,910	2,833	2,710	2,570
QoQ growth	-3%	-4%	0%	-6%	-4%	-3%	-4%	-5%

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

NPL coverage increases 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	
30,771	2,570
8.4%	54.9%
Corporates	
7,315	982
13.4%	64.8%
Individuals	
19,656	1,585
8.1%	48.2%
ow/ RE developers	
827	310
37.5%	71.4%
ow/ rest of corporates	
6,488	672
12.2%	61.7%
ow/ mortgages	
16,842	1,099
6.5%	37.0%
ow/ other loans to individuals	
2,814	487
17.3%	73.5%

NPL collateralization levels

Type of NPL (€ million)	NPLs	%	Appraisal value ¹
Unsecured	303	11.8%	-
Secured	2,267	88.2%	4,687
ow/ finished buildings	1,969	76.6%	3,668
ow/ commercial	154	6.0%	471
ow/ land	133	5.2%	517
ow/ under construction	11	0.4%	30
Total	2,570	100.0%	4,687

(1) Appraisal value at origin

88%
of total NPLs
are secured

x 2
Appraisal value
over gross NPLs

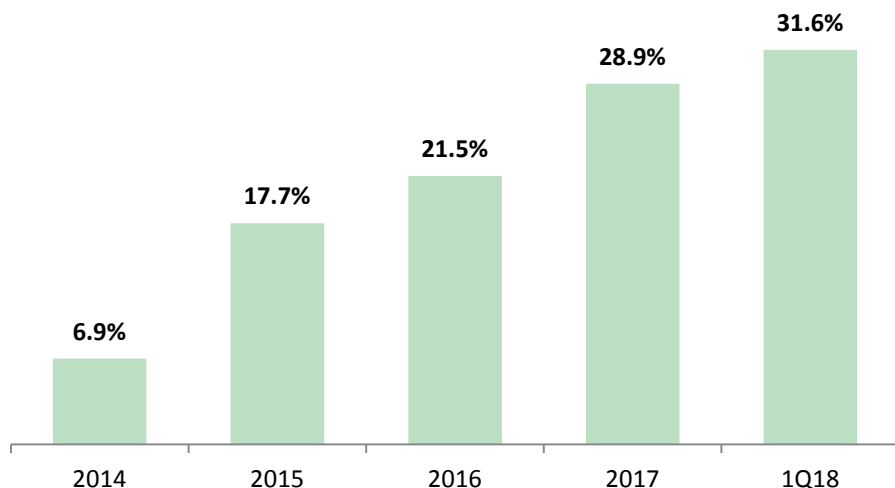
We continue selling Real Estate assets while releasing provisions...

Real estate assets sales (€ million)

Sales evolution	2014	2015	2016	2017	1Q18
Gross RE assets sold	305.8	402.2	436.1	744.7	109.1
Sales price	212.5	270.2	295.1	429.1	73.8
Net book value	198.8	229.5	242.8	332.9	55.9
Allocated provisions	93.3	132.0	141.0	315.6	44.1
Released provisions	13.7	40.7	52.3	96.3	17.7

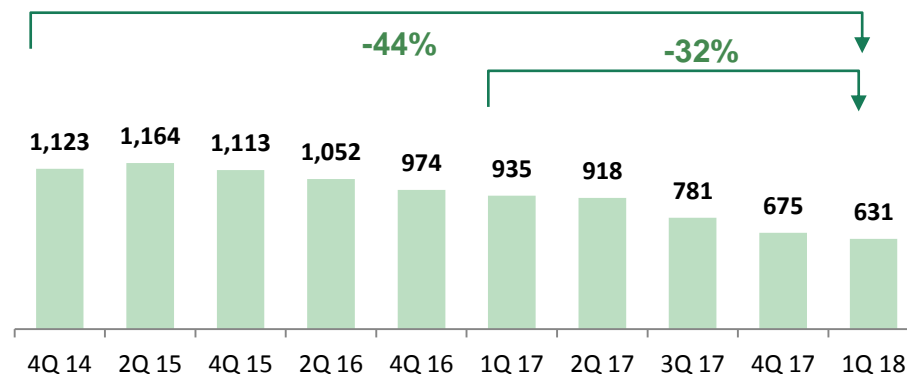
Other portfolio sales					
Gross RE assets sold	-	-	-	302.5	68.5
Released provisions	-	-	-	(0.1)	(3.7)
Overall released provisions				96.2	14,0

Released provisions over net book value (%) ⁽¹⁾

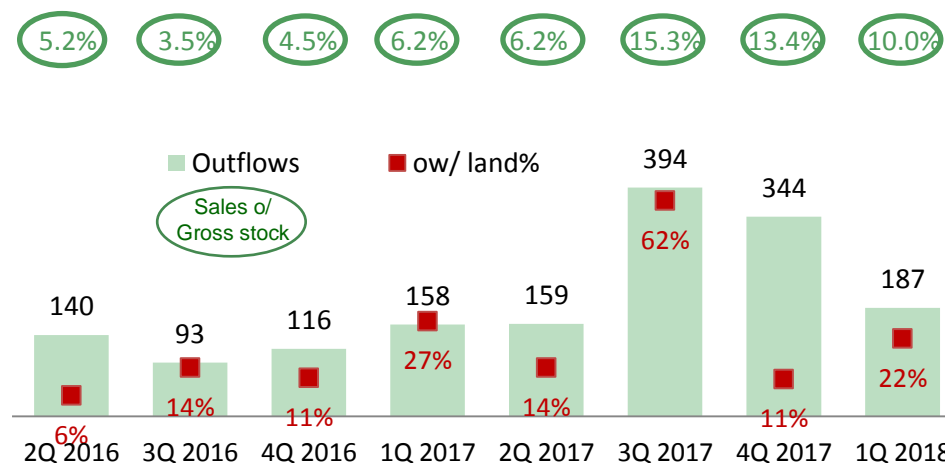


(1) Excluding "other portfolio sales"

Net foreclosed assets evolution (€ million)



Evolution of gross outflows (€ million)



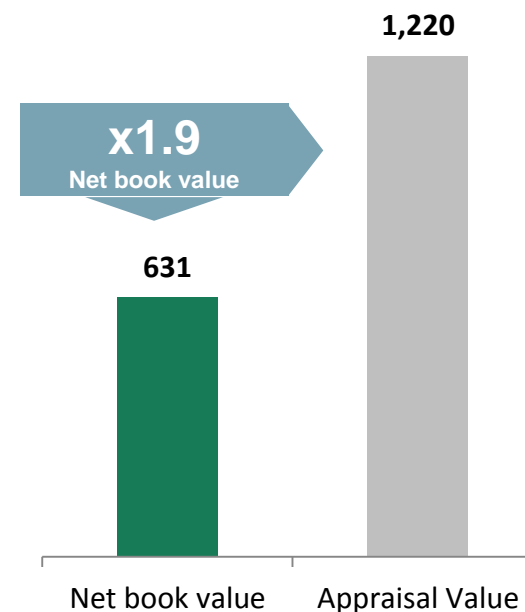
...and maintaining the sound coverage levels

Foreclosed assets as at March 2018 (€ million)

TOTAL FORECLOSED			
Gross value	1,796	633	Net value
Provisions	1,163	64.8%	% Coverage
OW/ REAL ESTATE ASSETS ⁽¹⁾			
	1,776	631	
	1,144	64.4%	
from RE developers		from retail mortgages	
991	258	508	257
733	74.0%	251	49.4%
ow/ finished buildings		Other foreclosed assets	
177	80	276	116
96	54.6%	160	58.0%
ow/ buildings under construction			
127	49		
78	61.4%		
ow/land			
688	129		
559	81.3%		

Foreclosed RE assets appraisal (€ million)

100% ⁽²⁾
Appraisals <1year



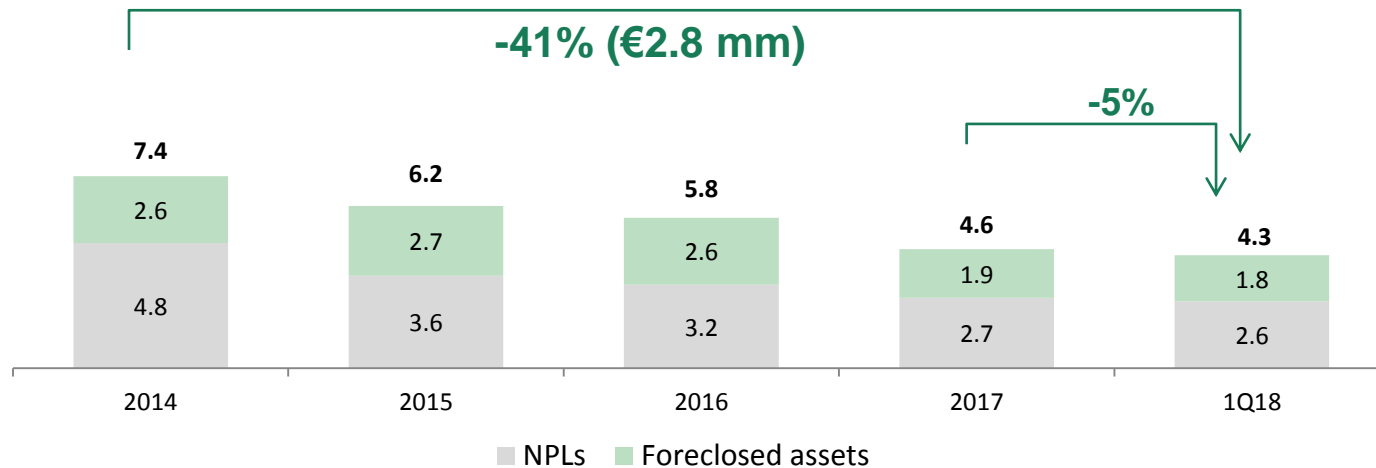
(1) Excludes €20 million gross of capital instruments (€1m net)

(2) Calculated over net value

Proven capability to accelerate the pace of reducing non performing assets without negative impact on results

Significant decrease of NPAs

Non performing assets evolution (€ million)



59%

NPA coverage

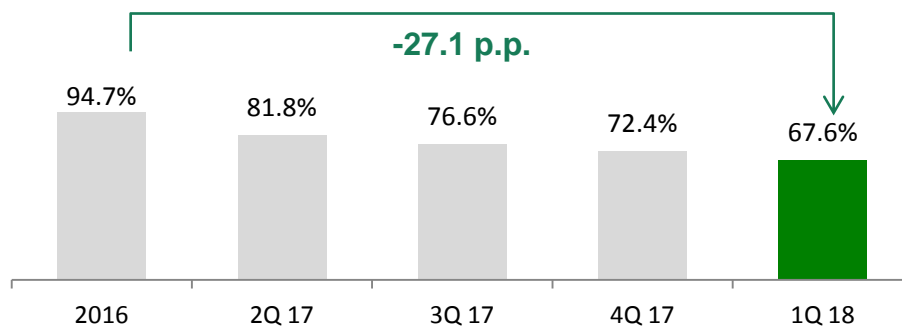
3%

Net NPA / total assets

-237m €

NPAs reduction in 1Q 2018

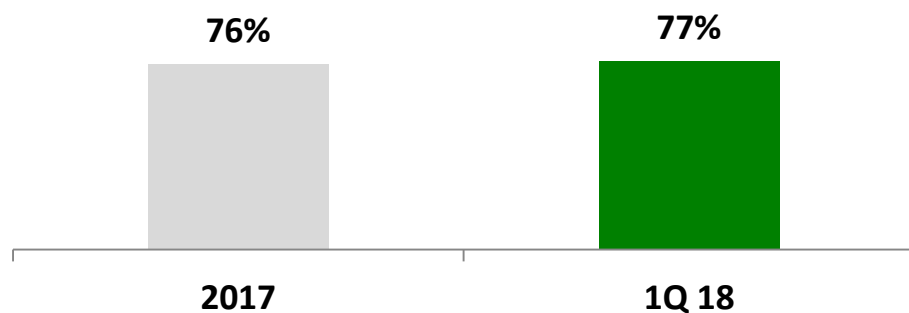
Texas ratio evolution (%) ⁽¹⁾



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

Comfortable liquidity position

Loan to deposits ratio

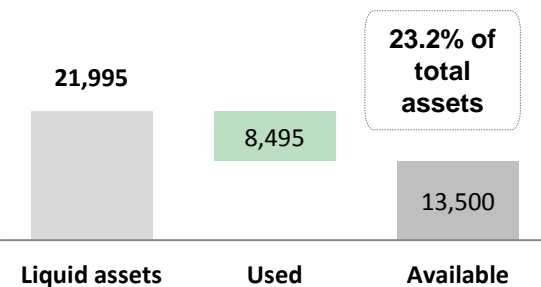


NSFR & LCR

Ratio	Requirements	Unicaja Banco 1Q 2018
NSFR	100%	133%
LCR	80% (100% in 2019)	584%

Liquid Assets Breakdown

Liquidity generation capacity (€ million)
March 2018



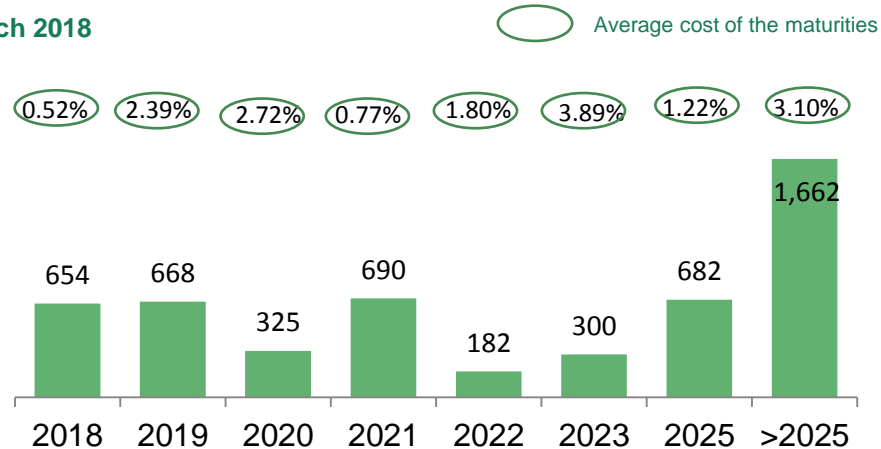
Covered bonds issuance capacity

Eligible portfolio:
€19.0Bn

Additional capacity to issue
covered bonds: €9,9Bn

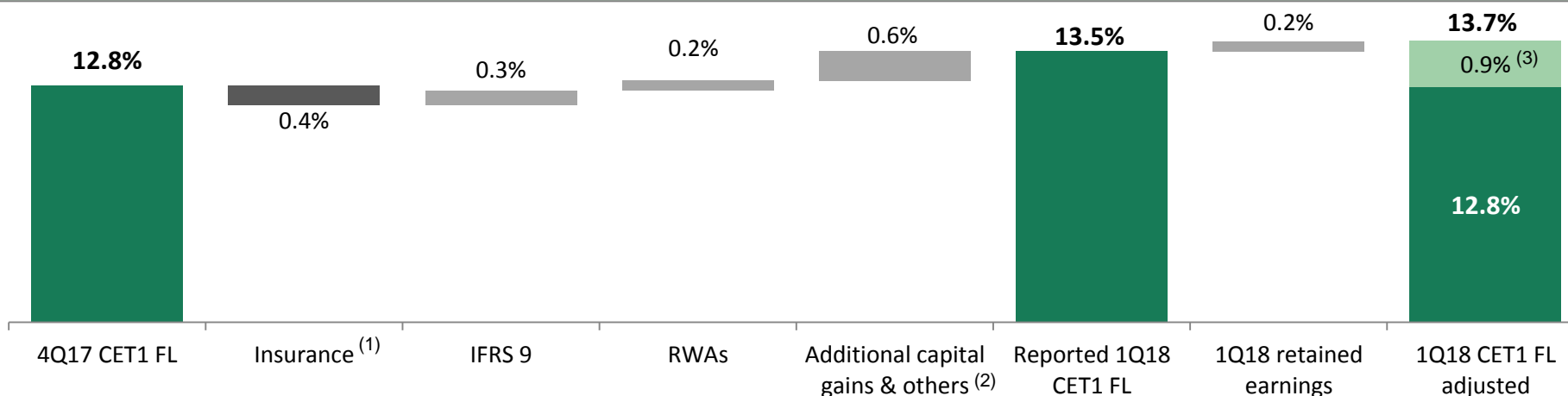
Wholesale funding maturities – Balances (€Bn) and costs

March 2018

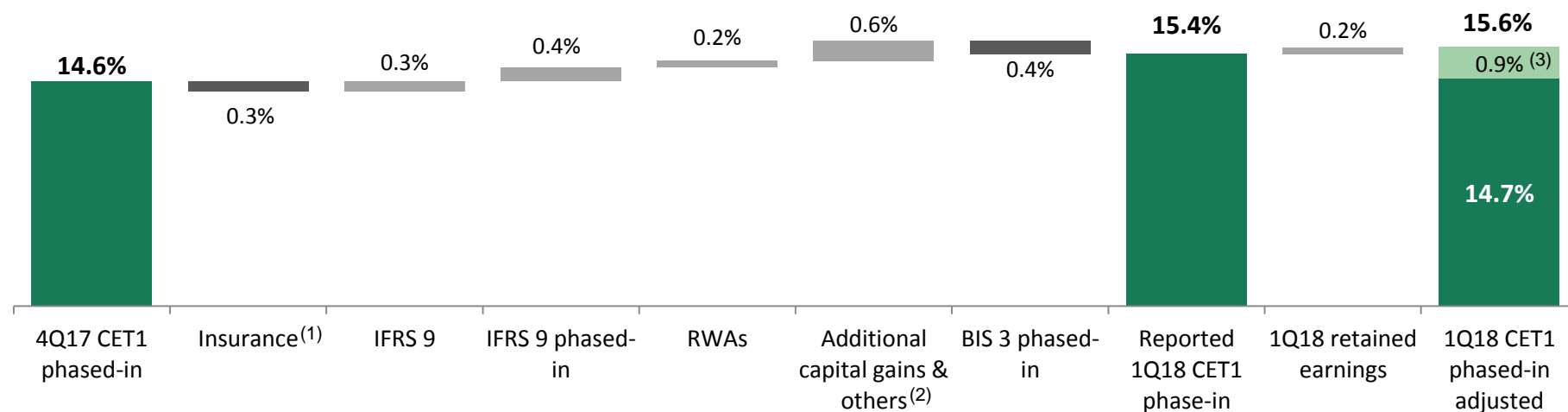


A strong solvency position...

CET1 Fully Loaded quarterly evolution



CET1 phase-in quarterly evolution



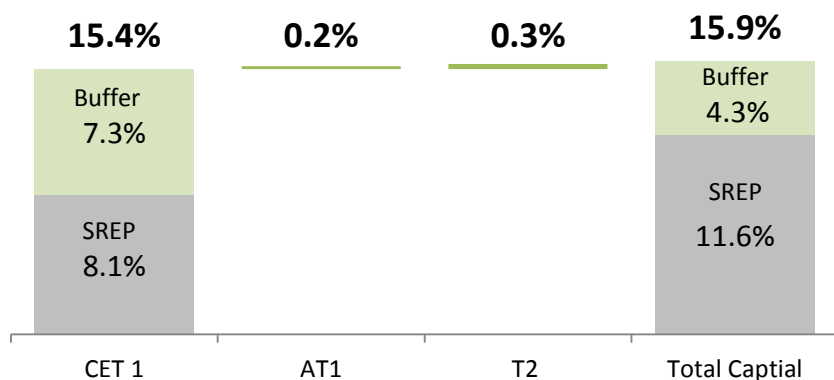
(1) Higher deductions from the acquisition of Unión del Duero Vida y Pensiones

(2) Quarterly mark to market of "Fair Value to Other Comprehensive Income" portfolio and others

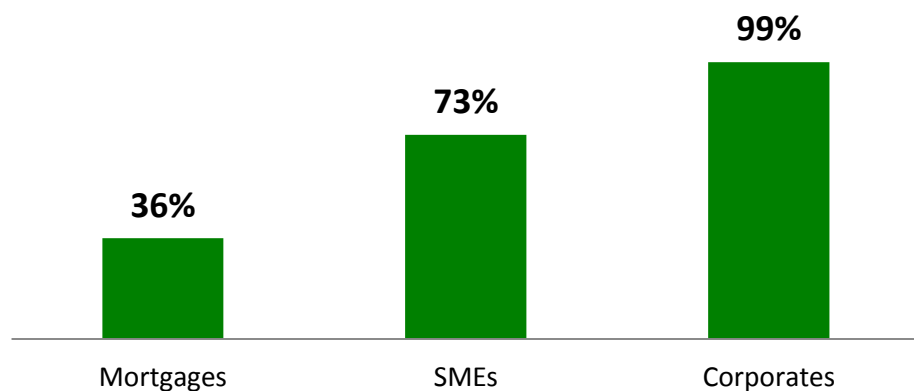
(3) Unrealised capital gains

... including comfortable buffers

1Q 2018 Phase-in solvency



RWAs density



€1.7bn

CET1 buffer over SREP

€1.0bn

**Total capital buffer over
SREP**

100%

Standard approach

Index

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

Additional financial information

Unicaja Banco Group P&L

P&L

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

Many thanks

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