

Unicaja Banco

3Q18 Results presentation

29th October 2018

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Summary of 3Q 2018 results

Business

- **Performing loans to private sector** remained stable in the quarter when excluding 2Q seasonal advances.
- **New loan production** increased both to individuals (21%) and SMEs (27%) with an improvement in loan yields. Growth in new production to public sector and corporates slowed down owing to our pricing policy.
- **Customer funds** increased over the last 12 months by 1.8%, specially in sight deposits (10,5%) and off-balance sheet funds (4.8%).

Results

- **Net Interest Income** in 9M18 was 4.6% over the same period in the previous year.
- **Net fee income** grew by 2.6% like-for-like.
- **Operating expenses** decreased by 2.5% compared to the 9 first months of 2017.
- **Loan loss charges and foreclosed assets provisions** remained quarter after quarter below those of the previous year, accumulating a very significant decrease.

Asset quality, liquidity & solvency

- **Non performing assets (NPAs)** fell -15.2% YTD and -21.3% over the last 12 months, representing a reduction of €1,054 million.
- Comfortable **liquidity position** with a LTD ratio of 74% and a LCR of 412%
- **CET1** reached 15.6% under the phase-in approach and 13.7% under fully loaded terms, implying a surplus above SREP requirements of €1,744 in CET1 and €978m in total capital.

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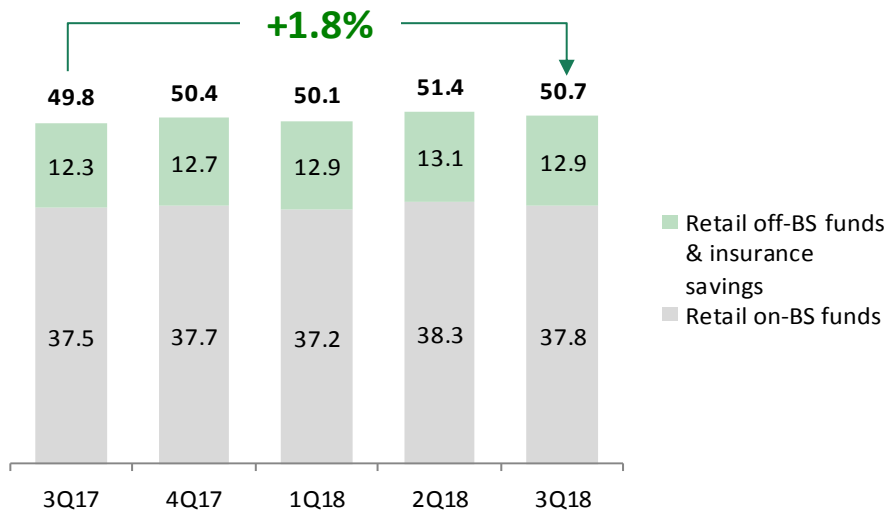
The Group has shown a relevant results generation capacity

Profit & loss account (€ million)

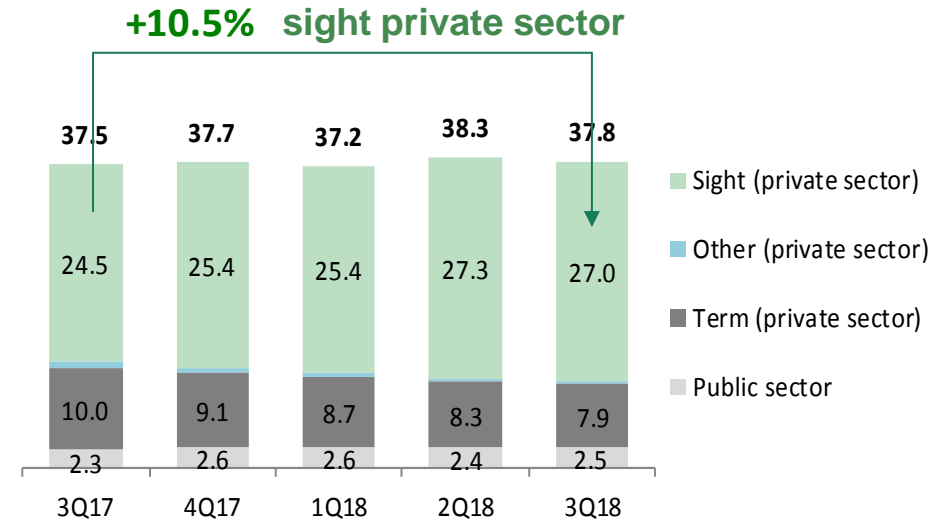
€ million	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	QoQ %	Sep'17	Sep'18	YoY %
Net Interest Income	145	146	141	151	152	151	149	-1.2%	432	452	4.6%
Net Fees	53	56	55	56	53	55	55	-0.1%	164	163	-0.4%
Dividends	3	10	7	3	2	13	5	-57.8%	20	20	-1.0%
Associates	4	17	20	9	11	10	12	16.8%	40	32	-19.3%
Trading Income + Exch. Differences	45	32	2	18	16	13	15	17.9%	80	44	-44.8%
Other Revenues / (Expenses)	31	17	31	-55	17	0	7	nr	79	23	-70.4%
Gross Margin	281	279	256	181	250	242	243	0.6%	816	735	-9.9%
Operating Expenses	160	160	158	155	156	155	155	0.2%	478	466	-2.5%
Personnel Expenses	101	101	100	99	98	97	98	0.8%	302	293	-3.1%
SG&A	47	48	48	46	49	49	48	-0.7%	143	145	1.4%
D&A	11	11	10	10	9	9	9	-2.3%	32	27	-14.6%
Pre Provision Profit	121	118	99	26	94	87	88	1.4%	338	269	-20.3%
Provisions and Other	-47	-118	-43	-17	-16	-25	-36	46.8%	-208	-77	-62.8%
Credit	-27	-19	-21	17	5	10	-10	-	-66	4	-
Foreclosed Assets	-20	-2	-13	-8	-4	7	-4	-	-35	-2	-95.2%
Other provisions & other results	0	-98	-9	-26	-17	-41	-22	-46.3%	-107	-79	-25.8%
Pre Tax Profit	74	0	56	10	78	62	52	-16.7%	130	192	47.6%
Tax	23	-24	10	-9	21	16	14	-12.5%	10	50	nr
Results from Disc. Operations	0	0	0	0	0	0	0	-	0	0	-
Net Income	51	24	46	18	57	47	38	-18.1%	120	142	18.4%
Attributable Net Income	52	34	50	6	58	47	37	-21.8%	136	142	4.5%

Customer funds continue to grow

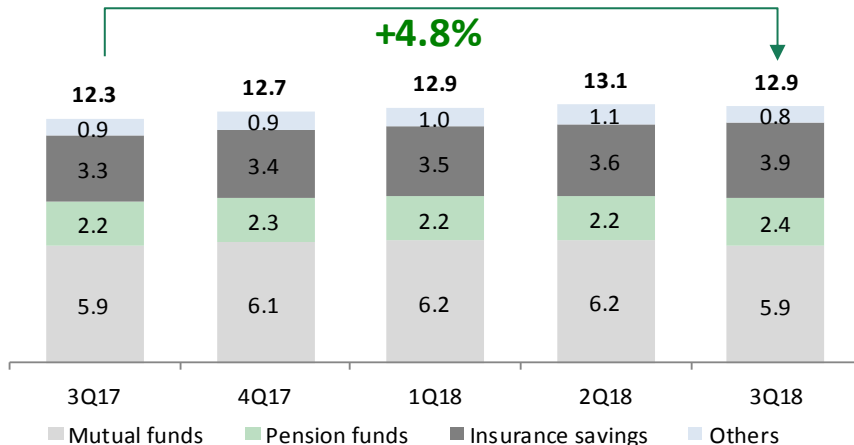
Total retail customer funds (€ bn)



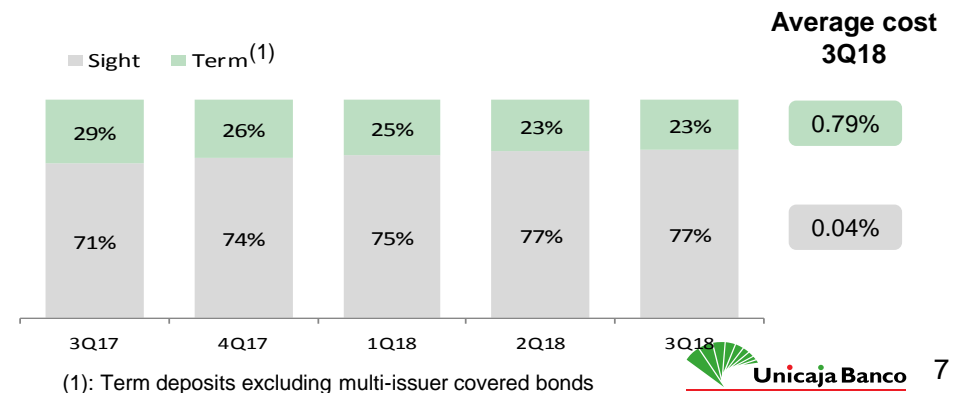
On-balance sheet customer funds (€ bn)



Off-balance sheet & insurance customer funds (€ bn)



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

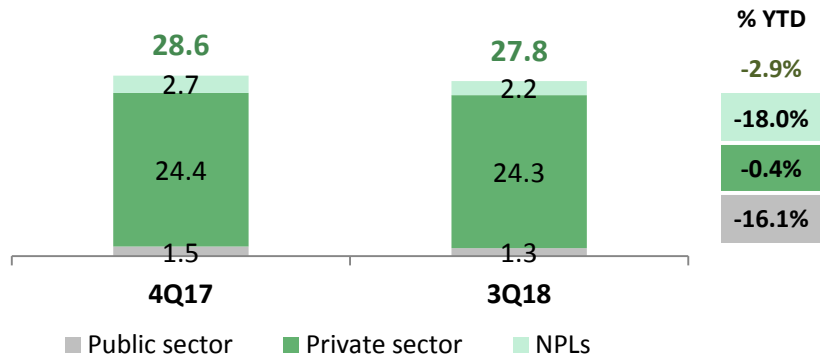


(1): Term deposits excluding multi-issuer covered bonds

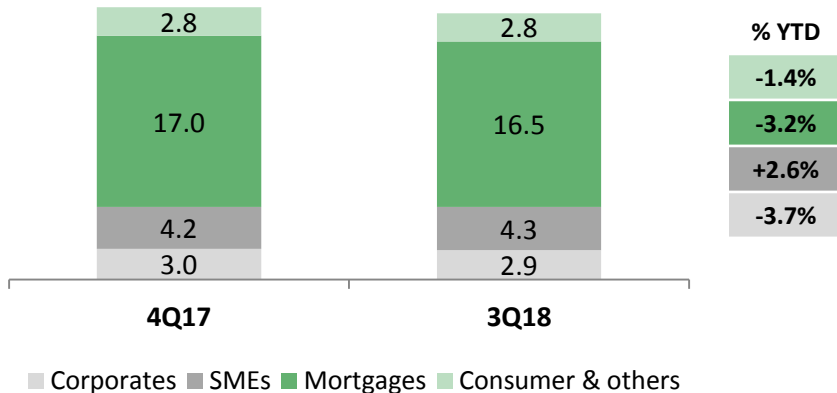
Nearing the inflection point due to the improving trend in private sector performing loans

Gross loans (€ Bn)

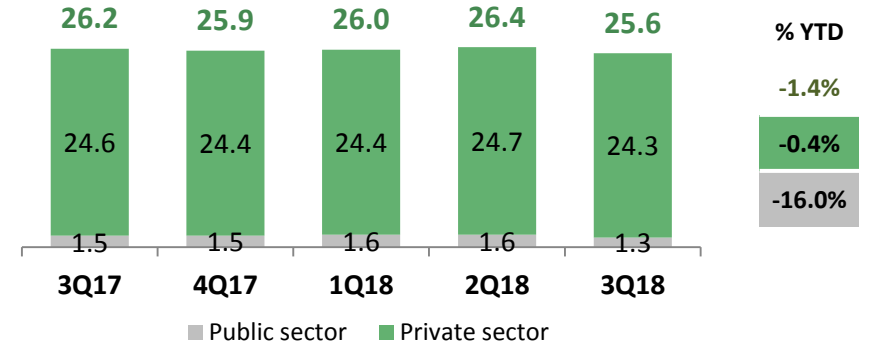
Total gross loans (ex-reverse repos)



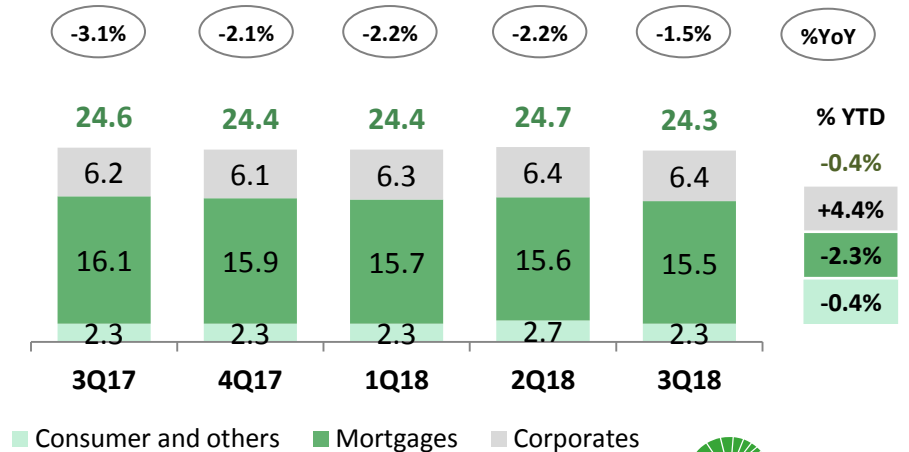
Private sector



Performing loans evolution (€ Bn)

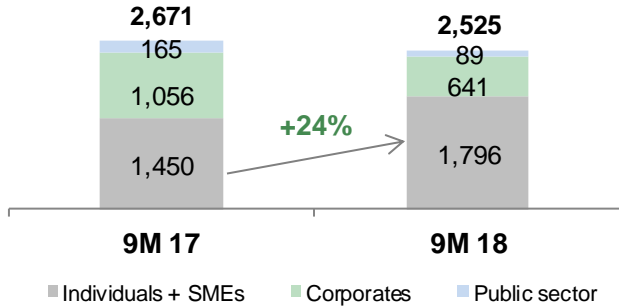


Private sector performing loans



New loan production to individuals and corporates continues gaining momentum

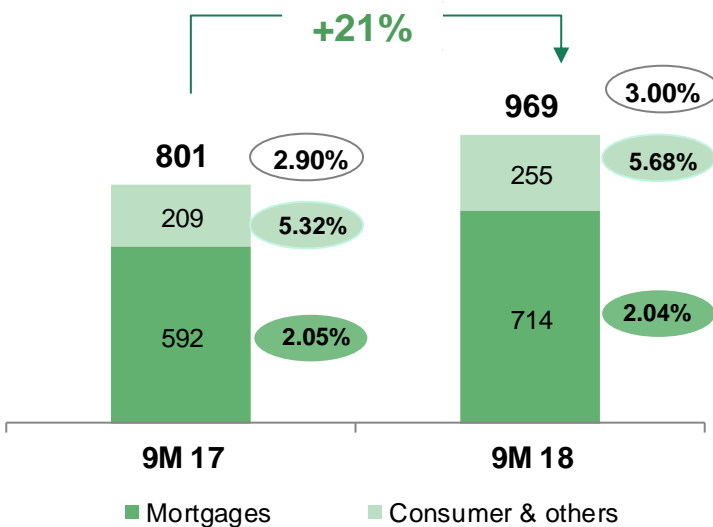
New lending evolution (€ million)



+24% YTD
New production to individuals and SMEs

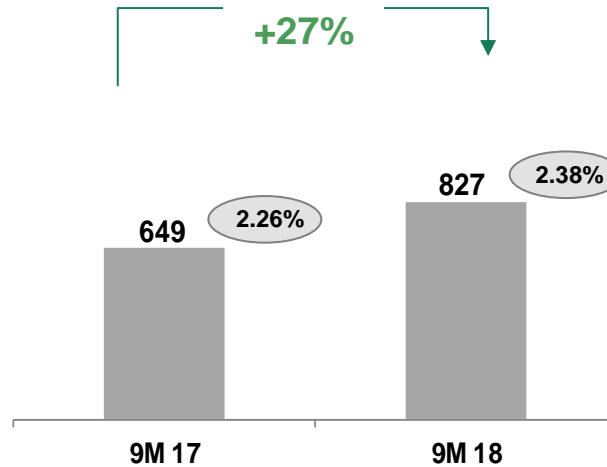
New lending: Individuals

€ million / ○ average yield



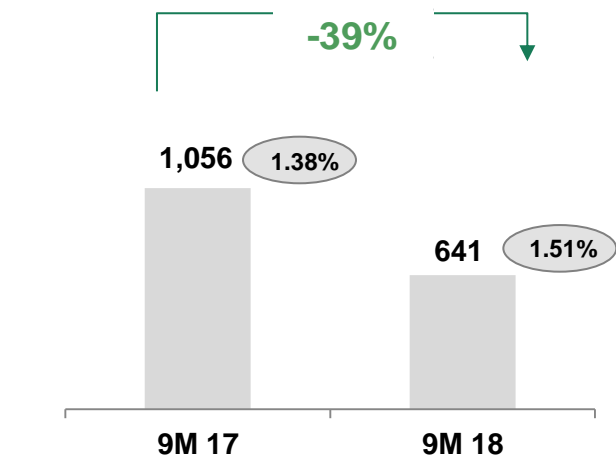
New lending: SMEs

€ million / ○ average yield



New lending: Corporates

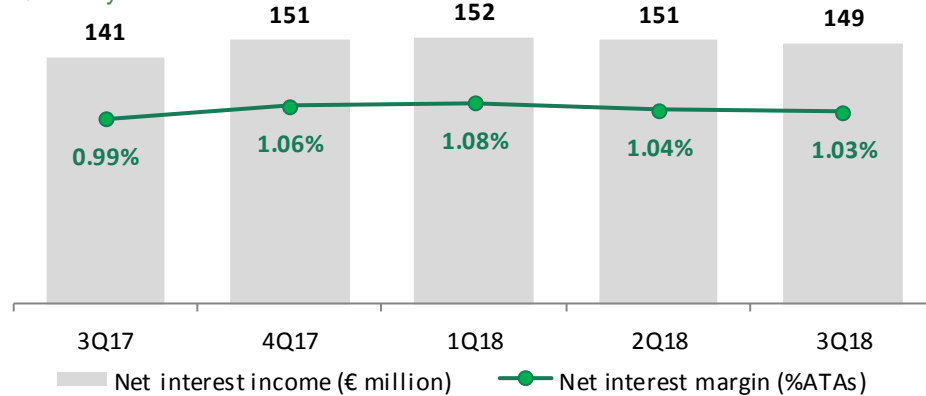
€ million / ○ average yield



Net interest income remains stable supported by the improvement in front-book spread owing to a prudent pricing strategy

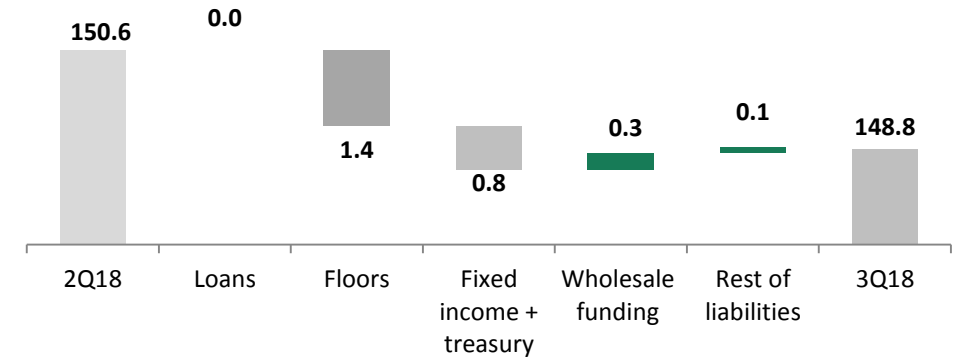
Net interest margin

Quarterly evolution



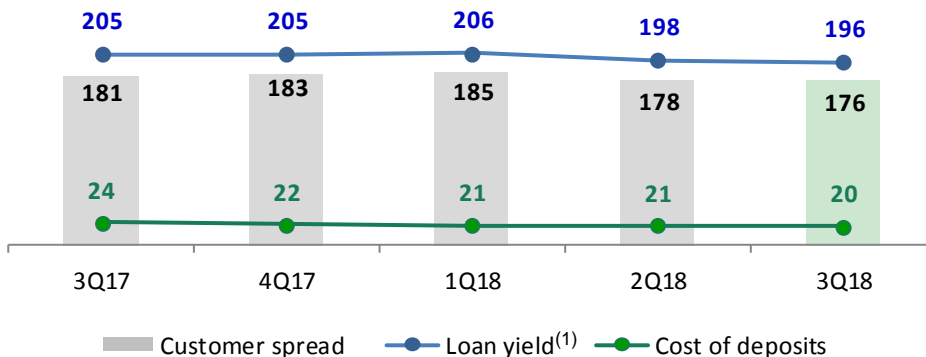
Net interest income bridge 3Q 2018

€ million



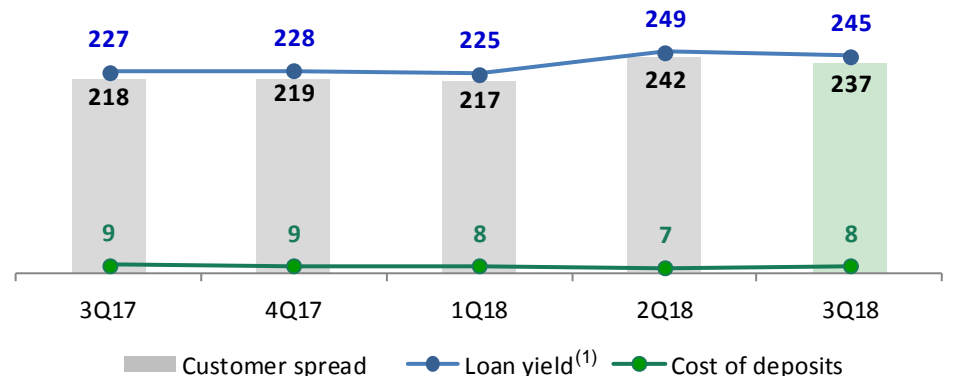
Customer spread (Back Book)

Quarterly evolution (bps)



Customer spread (Front Book)

Quarterly evolution (bps)

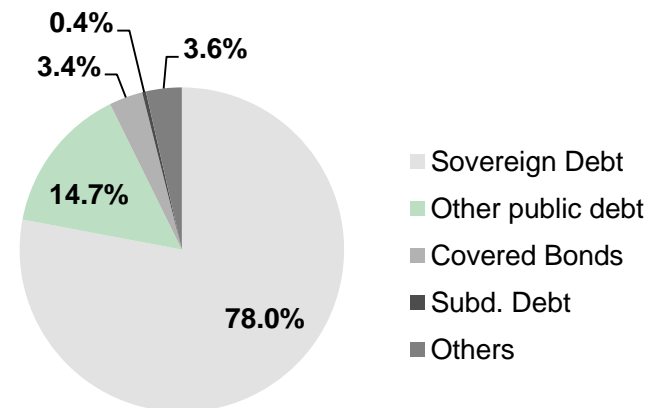
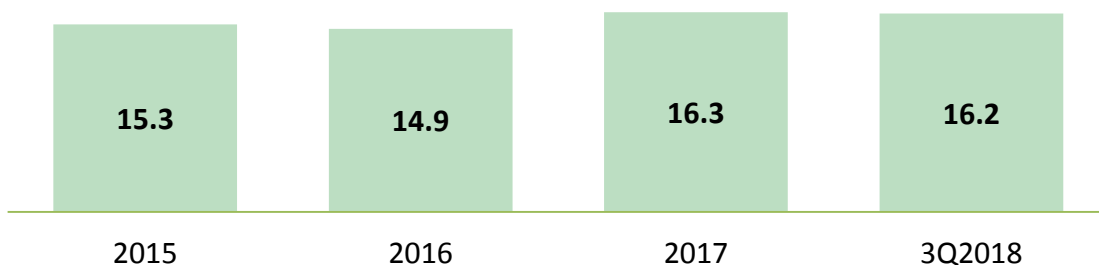


(1) Loan yield calculated over total net loans ex repo & ex other financial assets

Conservative management of the debt portfolio

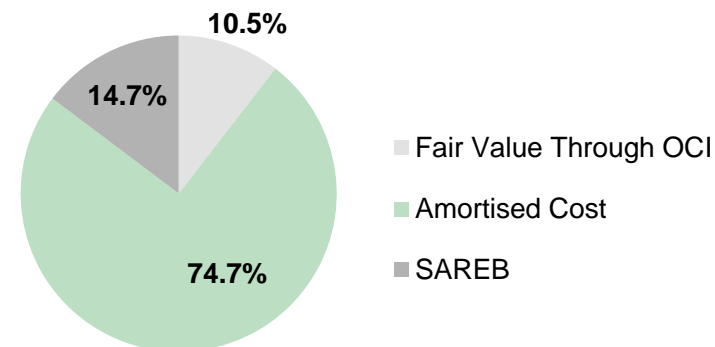
Breakdown, size and evolution of the debt portfolio (Fair Value Through OCI, Amortised Cost and SAREB)⁽¹⁾

€bn



		Size	Duration
		€ Bn	Years
Amortised cost	Structural Portfolio	8.6	5.0
	TLTRO	3.5	2.5
	SAREB	2.4	0.2
	FVTOCI ⁽¹⁾	1.7	1.4

1.28% 3Q18 average yield

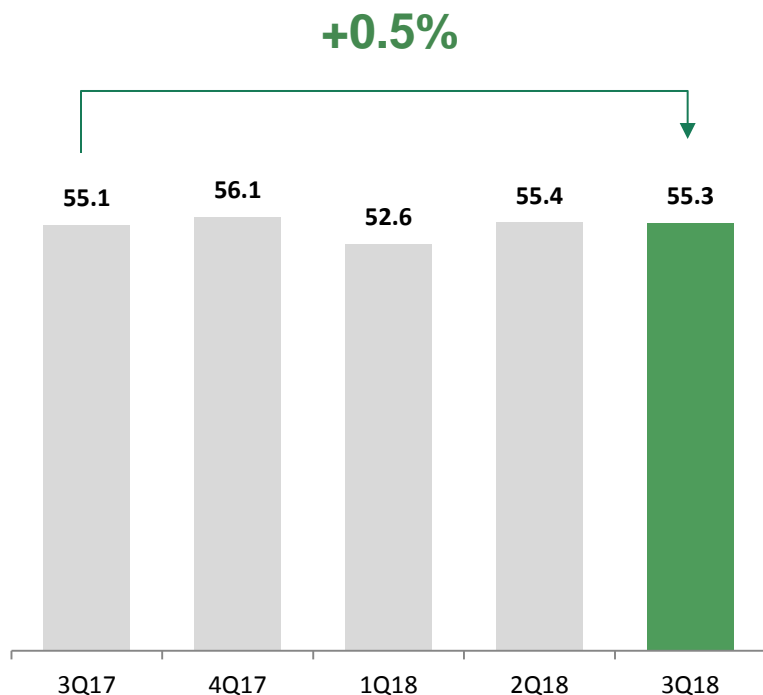


Total: €16,2 bn

(1) FVTOCI figures are net of forward positions sold value date 3Q2018 (€2,9 bn), and includes forward bought positions value date 3Q2018 (€1,1 bn). Excluding the insurance business debt portfolio

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

Net fees (€ million)



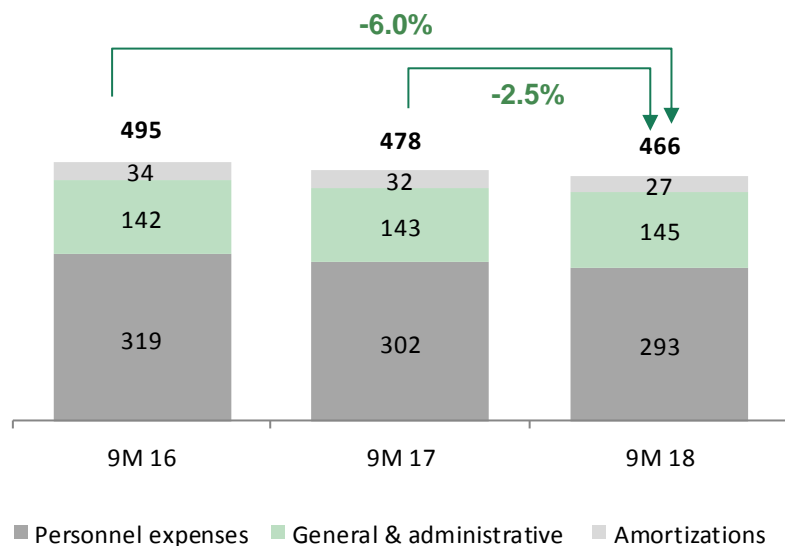
Fees breakdown (€ million)

	9M 17	9M 18	%
Fee income	182.8	180.3	-1.4%
From contingent risk and commitments	7.4	7.4	-0.1%
From payments and collections	98.6	91.9	-6.8%
From non banking products	70.9	77.0	8.6%
Other fees	5.9	4.0	-32.6%
Fee expenses	18.8	17.0	-9.5%
Net fees ⁽¹⁾	164.0	163.3	-0.4%

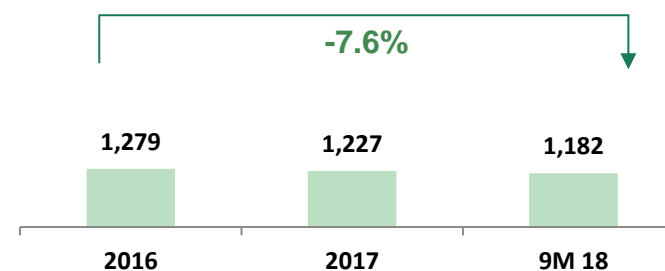
(1) Unión del Duero Vida & Duero Pensiones fully integration represents €5.0 million lower fee income in 9M2018. Excluding such impact fee income grew 2.6% in comparison to same period of last year.

Operating expenses continue to fall owing to the crystallization of synergies

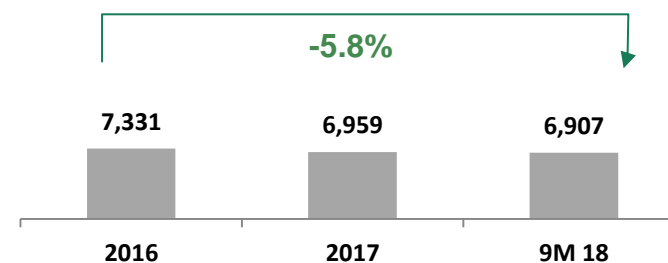
Operating expenses (€ million)



Spanish branches evolution

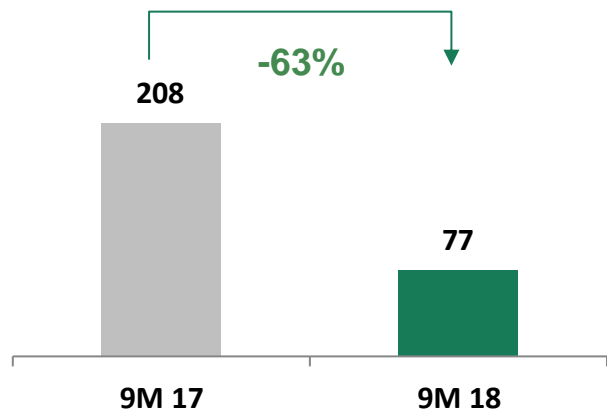


Employees evolution – FTEs

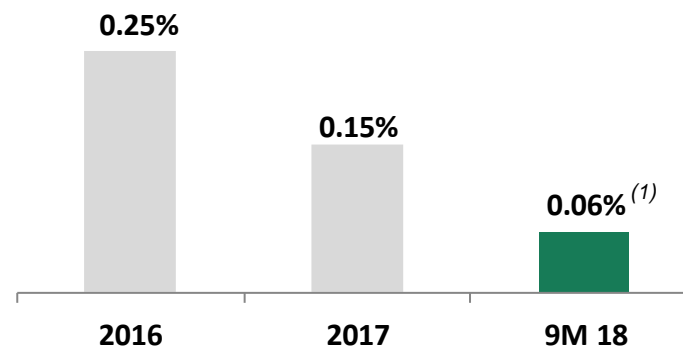


Total impairments consolidates its downward path

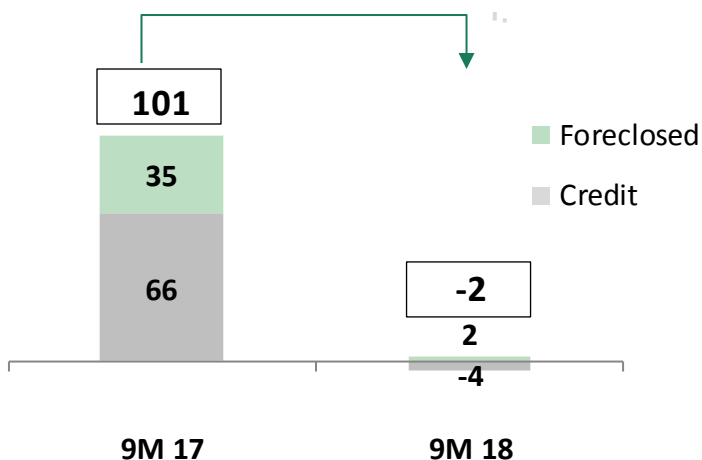
Total impairments (€ million)



Cost of risk – Credit (%)



Provisions for credit and foreclosed assets (€ million)



6bps

⁽¹⁾ Adjusted by written-offs sales, cost of risk without adjustment represents -0,02%

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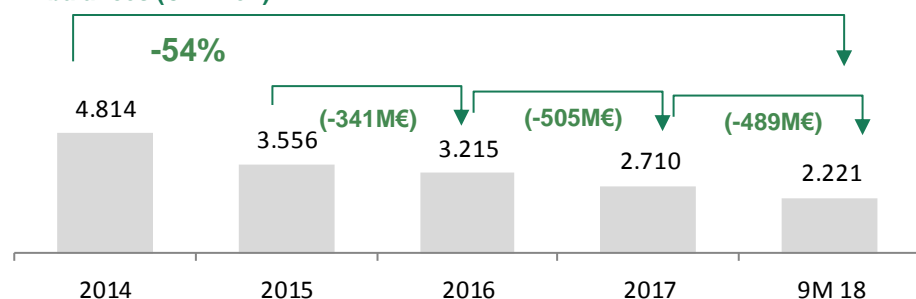
**Asset quality,
liquidity &
solvency**

Final remarks

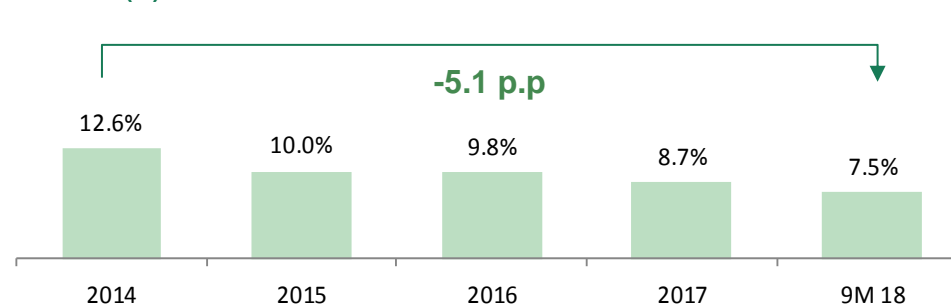
The reduction of NPLs continue to fell at a significant pace....

Non performing loans evolution

NPL balances (€ million)



NPL ratio (%)



NPLs gross entries and recoveries evolution

€m	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18
BoP	3,339	3,208	3,215	3,032	2,910	2,833	2,710	2,570	2,340
Gross NPL entries	102	255⁽¹⁾	134	108	112	88	60	56	35
Recoveries	-138	-187	-216	-178	-138	-182	-177	-249	-114
ow/ cash recoveries & sales	-89	-98	-137	-97	-87	-104	-95	-155	-44
ow/ foreclosed assets & others	-47	-86	-79	-82	-52	-78	-82	-96	-69
Write-offs	-95	-61	-102	-52	-51	-28	-24	-38	-39
Net NPL entries	-131	7	-184	-122	-77	-123	-141	-230	-119
EoP	3,208	3,215	3,032	2,910	2,833	2,710	2,570	2,340	2,221
QoQ growth	-4%	0%	-6%	-4%	-3%	-4%	-5%	-9%	-5%

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

... without damaging coverage and collateralization levels of NPLs...

Exposure, NPL and coverage

Gross exposure € million		NPLs € million	
% NPL ratio		% Coverage ratio	
Total gross loans and advances to customers			
29,427		2,221	
7.5%		55.0%	
Corporates		Individuals	
7,210	793	19,290	1,426
11.0%	66.4%	7.4%	47.7%
ow/ RE developers		ow/ mortgages	
695	189	16,485	956
27.2%	80.3%	5.8%	35.7%
ow/ rest of corporates		ow/ other loans to individuals	
6,515	604	2,805	470
9.3%	62.1%	16.8%	72.2%

NPL collateralization levels

Type of NPL (€ million)	NPLs	%	Appraisal value ¹
Unsecured	181	8.2%	-
Secured	2,040	91.8%	3,926
ow/ finished buildings	1,782	80.2%	3,011
ow/ commercial	132	5.9%	336
ow/ land	117	5.3%	556
ow/ under construction	9	0.4%	24
Total	2,221	100.0%	3,926

(1) Appraisal value at origin

92%
of total NPLs
are secured

x 2
Appraisal value
over gross NPLs

...and real estate assets, that continue to improve the result from disposals

Foreclosed assets as at September 2018 (€ million)

Total Foreclosed assets

Gross value	1,689	597	Net value
Provisions	1,092	64.7%	% Coverage

ow/ Real Estate Assets ⁽¹⁾

1,668	595	Appraisal v.
1,073	64.3%	1,157

From RE developers

920	236
684	74.4%

ow/ finished buildings

139	62
78	55.8%

ow/ under construction

128	51
77	60.3%

ow/ land

652	123
529	81.1%

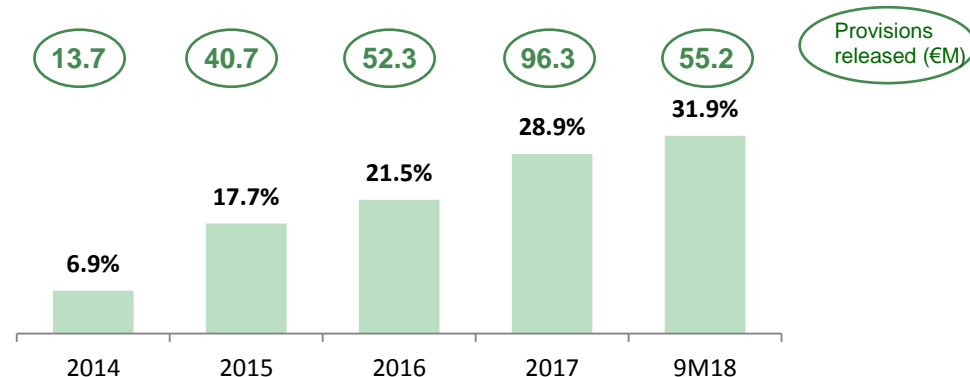
from retail mortgages

494	254
240	48.6%

Other foreclosed assets

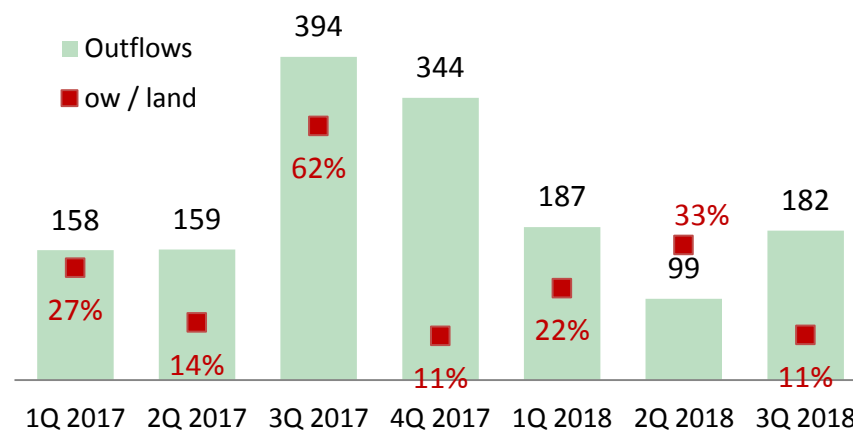
254	106
148	58.4%

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)

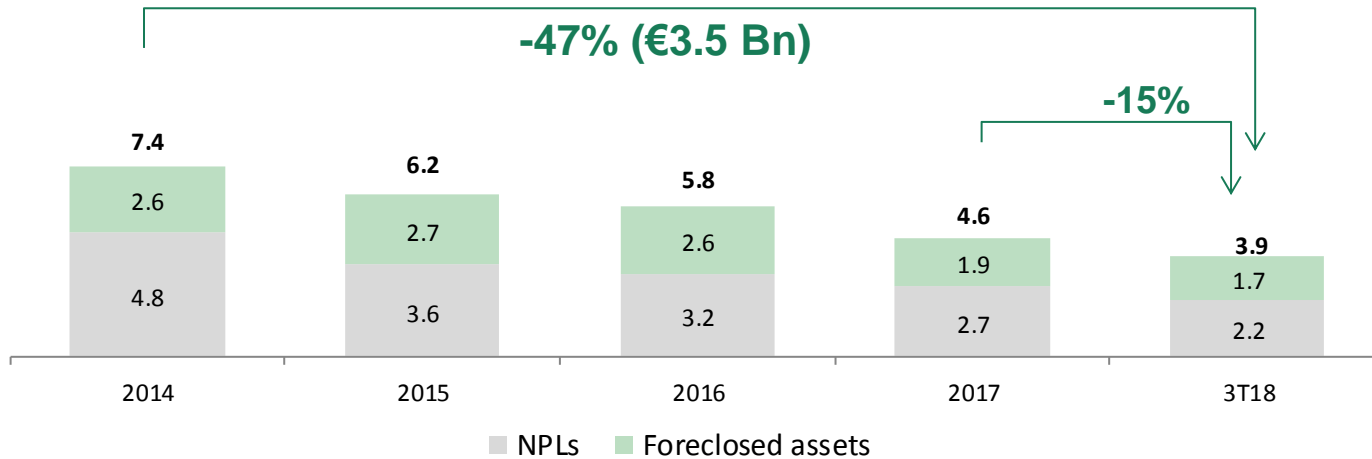


(1) Excludes €20 million gross of capital instruments (€1m net)

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

Significant decrease of NPAs

Non performing assets evolution (€ Bn)



59%

NPA coverage

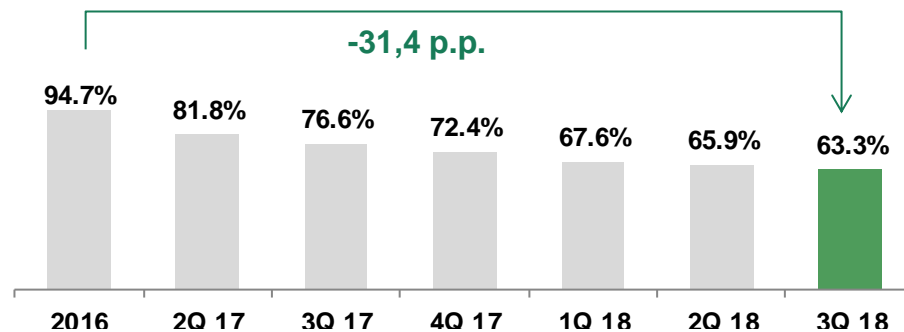
2.8%

Net NPA / total assets

-693 m. €

NPAs reduction in 9M2018

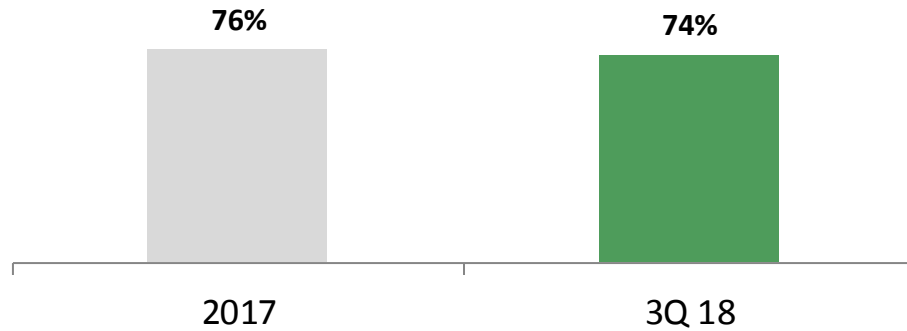
Texas ratio evolution (%) ⁽¹⁾



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

Comfortable liquidity position

Loan to deposits ratio

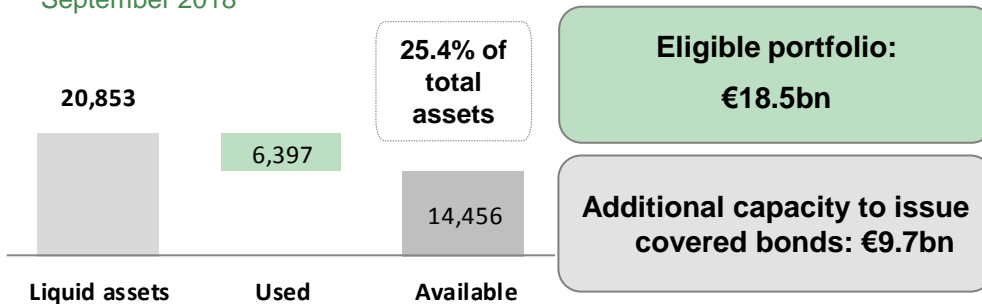


NSFR & LCR

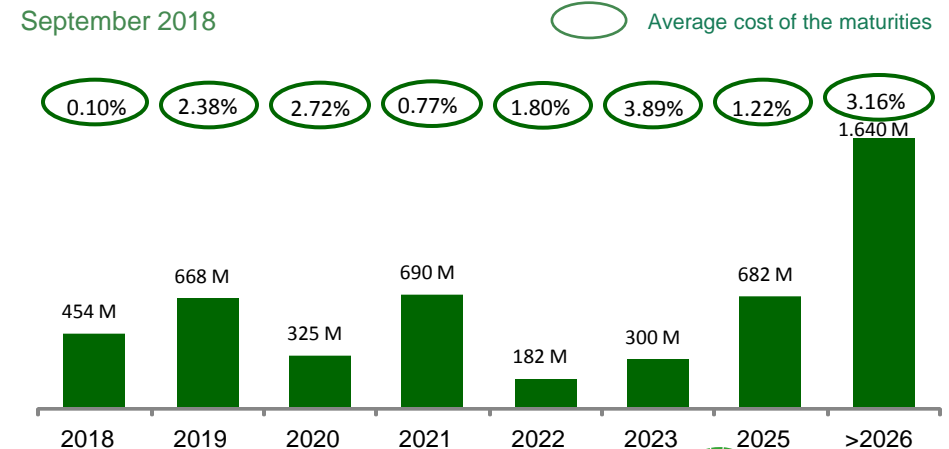
Ratio	Requirements	Unicaja Banco 3Q 2018
NSFR	100%	139%
LCR	80% (100% en 2019)	412%

Liquid Assets Breakdown

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

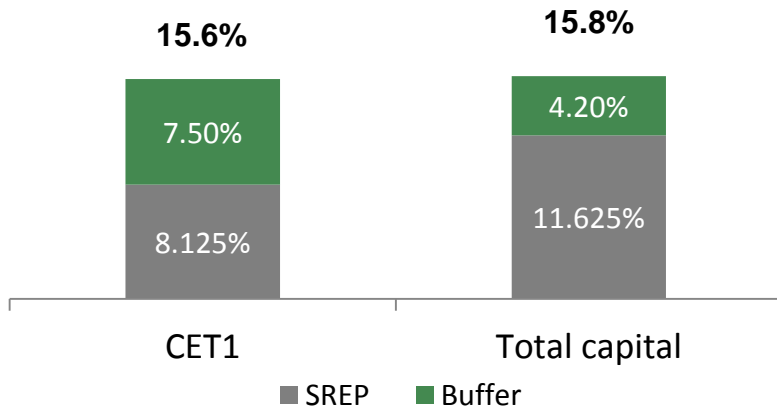


Wholesale funding maturities – Balances (€M) and costs

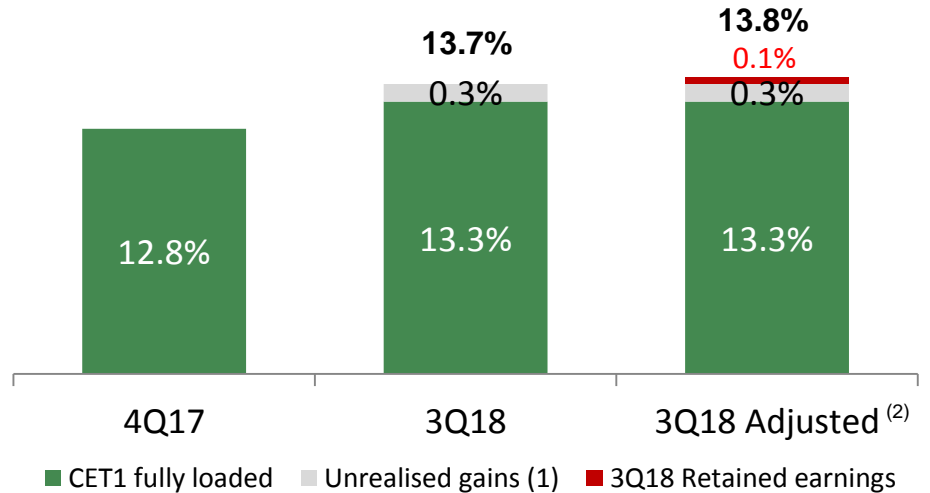


A strong solvency position with comfortable buffers over SREP

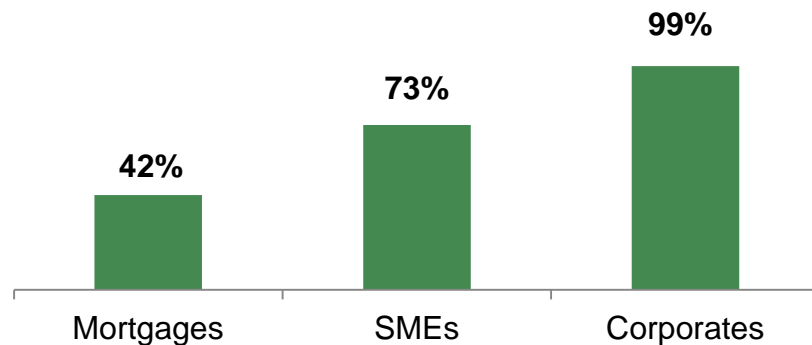
3Q 2018 Phase-in solvency



CET1 fully loaded



3Q 2018 RWAs density



€1,744m

CET1 excess over SREP

€978m

Total Capital excess over SREP

(1) Unrealised capital gains from the debt portfolio

(2) Includes 3Q results

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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	3Q 2018	2Q 2018	1Q 2018	4Q 2017	3Q 2017	2Q 2017	1Q 2017	4Q 2016
Cash & equivalents	2,766	3,060	2,999	3,806	1,221	1,557	1,704	862
Assets held for trading & at fair value through P&L	139	147	182	31	51	54	59	78
Financial assets at fair value through other global result	5,926	6,459	6,925	3,702	4,944	3,601	3,576	5,403
Financial assets at amortised cost	28,916	29,568	29,899	29,822	30,418	31,381	30,496	30,856
Loans to credit institutions	756	278	628	184	484	195	151	170
Loans to customers	28,160	29,290	29,271	29,638	29,935	31,186	30,345	30,686
Fixed income at amortised cost	13,546	12,714	12,615	13,220	13,876	13,896	13,993	13,694
Hedging derivatives	408	427	504	457	477	474	546	606
Associates	363	369	370	483	523	507	284	294
Tangible assets	1,224	1,224	1,244	1,291	1,301	1,313	1,422	1,438
Intangible assets	63	63	64	2	2	1	1	1
Tax assets	2,633	2,651	2,613	2,613	2,586	2,565	2,540	2,586
Other assets	445	470	462	466	494	604	627	660
Non current assets held for sale	414	453	428	439	511	520	741	762
Total Assets	56,843	57,606	58,305	56,332	56,406	56,472	55,989	57,241
Liabilities held for trading & at fair value through P&L	19	25	29	27	27	30	32	51
Financial liabilities at amortised cost	50,572	51,449	52,043	50,941	50,939	51,072	51,611	52,729
Deposits from Central Banks	3,320	3,323	3,327	3,330	3,333	3,337	3,340	0
Deposits from Credit Institutions	2,349	1,960	3,296	715	1,158	805	1,243	2,464
Customer deposits	44,058	44,772	44,565	46,041	45,522	45,217	45,332	48,532
Other Issued Securities	130	130	130	130	200	814	814	814
Other Financial Liabilities	715	1,264	726	725	726	898	881	919
Hedging derivatives	120	157	107	31	26	21	34	50
Provisions	810	843	870	935	968	1,066	678	707
Tax liabilities	265	283	271	209	238	215	227	239
Other liabilities	1,100	893	966	286	285	279	259	281
Total Liabilities	52,886	53,650	54,287	52,430	52,485	52,683	52,840	54,058
Own Funds	3,889	3,837	3,786	3,856	3,705	3,574	2,922	2,918
Other accumulated global result	67	96	202	17	55	46	24	35
Minority Interests	0	24	31	30	162	171	203	230
Total Equity	3,957	3,957	4,019	3,902	3,921	3,790	3,149	3,183
Total Liabilities and Equity	56,843	57,606	58,305	56,332	56,406	56,472	55,989	57,241

Additional financial information

Unicaja Banco Group P&L

Profit & loss account

€m	3Q 2018	2Q 2018	1Q 2018	4Q 2017	3Q 2017	2Q 2017	1Q 2017	4Q 2016	3Q 2016	2Q 2016	1Q 2016	4Q 2015	3Q 2015	2Q 2015	1Q 2015
Net Interest Income	452	303	152	583	432	291	145	620	460	299	135	688	524	352	178
Net Fees	163	108	53	220	164	109	53	207	156	104	53	239	183	124	60
Dividends	20	15	2	23	20	13	3	27	23	18	1	35	24	20	1
Associates	32	21	11	49	40	20	4	35	18	11	5	24	20	13	5
Trading Income + Exch. Differences	43	28	16	98	80	78	45	78	84	86	40	564	238	297	178
Other Revenues / (Expenses)	24	17	17	24	79	48	31	121	142	104	114	25	58	40	16
Gross Margin	735	492	250	997	816	559	281	1,089	882	623	347	1,575	1,046	845	438
Operating Expenses	-466	-311	-156	-633	-478	-320	-160	-656	-495	-330	-165	-681	-515	-353	-175
Personnel Expenses	-293	-195	-98	-401	-302	-203	-101	-427	-319	-214	-107	-445	-333	-231	-117
SG&A	-145	-97	-49	-189	-143	-95	-47	-184	-142	-93	-46	-189	-147	-98	-47
D&A	-27	-19	-9	-42	-32	-22	-11	-45	-34	-23	-12	-47	-35	-23	-11
Pre Provision Profit	269	181	94	364	338	239	121	433	387	293	181	894	531	492	263
Provisions and Other	-77	-41	-16	-224	-208	-165	-47	-242	-147	-124	-78	-677	-260	-243	-48
Credit	4	14	5	-49	-66	-45	-27	-84	-74	-13	-75	-427	-115	-76	-19
Foreclosed Assets	-2	2	-4	-43	-35	-21	-20	-96	-23	-20	-12	-87	-42	-26	-16
Other Provisions	-79	-57	-17	-133	-107	-99	0	-63	-50	-91	8	-163	-102	-141	-14
Pre Tax Profit	192	140	78	140	130	74	74	191	240	169	103	217	272	249	215
Tax	-50	-36	-21	-1	-10	0	-23	-66	-52	-37	-30	-57	-71	-68	-68
Results from Disc. Operations	0	0	0	0	0	0	0	10	4	4	0	24	8	8	5
Net Income	142	104	57	138	120	75	51	135	191	136	74	184	209	189	152
Attributable Net Income	142	105	58	142	136	86	52	142	195	138	78	187	215	188	155

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