

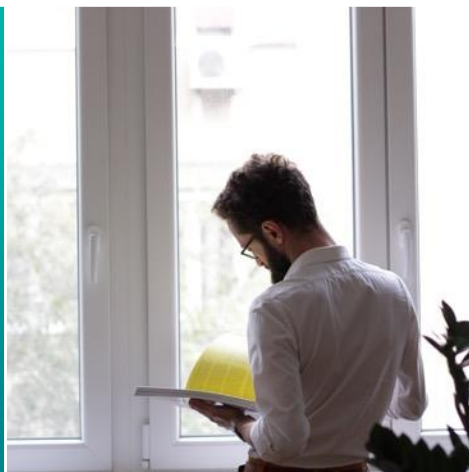


# Activity in 2018 and 2019 business strategy



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## 01 Sareb's mission



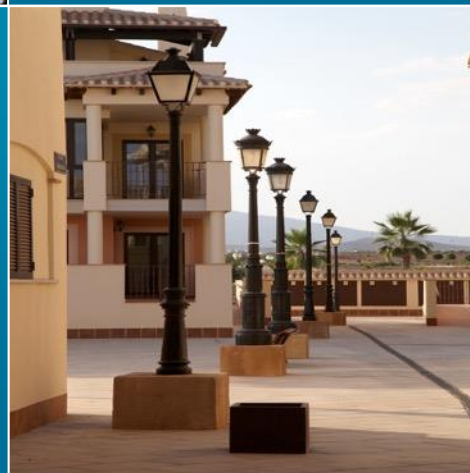
## 02 Market context



## 03 Sareb in 2018



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# 01 Sareb's mission



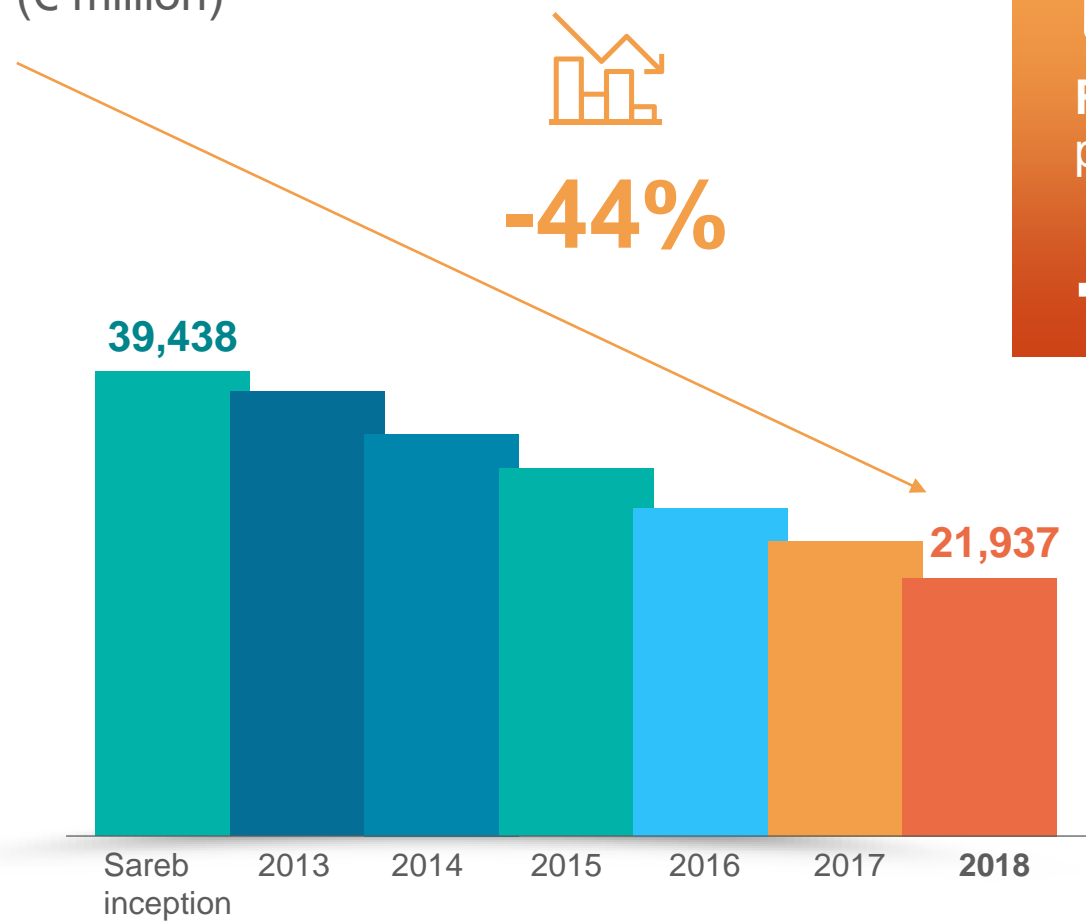
Sareb is a corporate vehicle



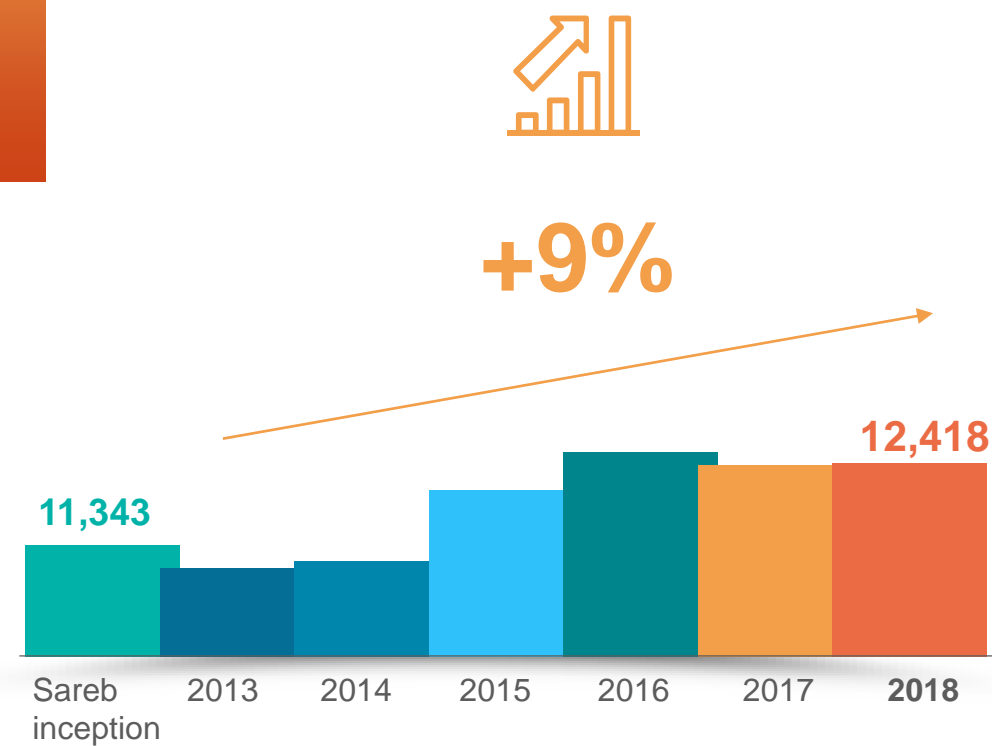
Created with the following objectives:



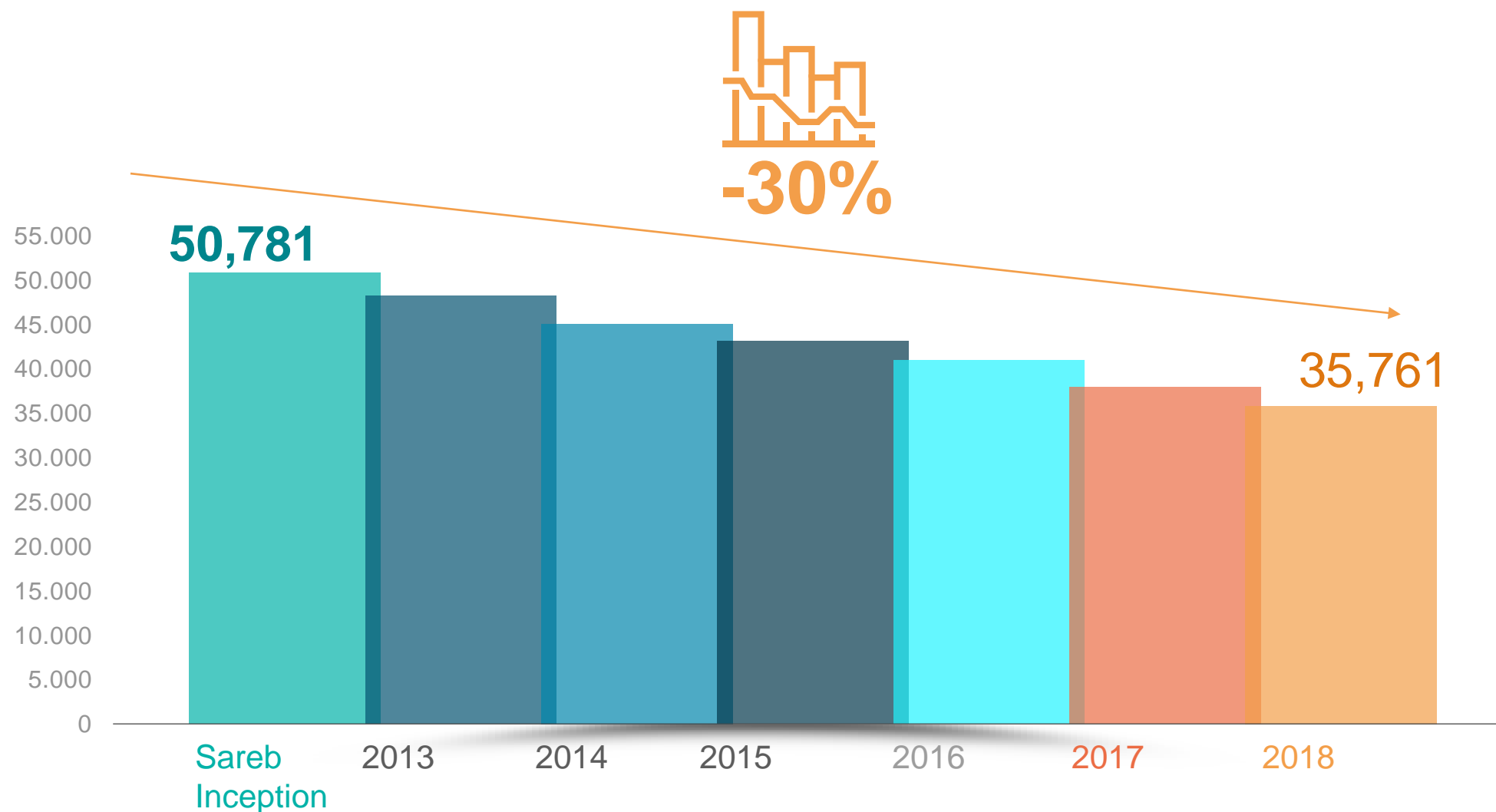
Non-performing loan portfolio (NPLs)  
(€ million)



Property portfolio (€ million)



## Reduction of debt underwritten by the Spanish State (€ million)





## 02 Market backdrop







### Increased macro-portfolio sales

by the banking sector in order to reduce its exposure to the real estate sector.



### Tough competition

from new players in the sector with property portfolios: investment funds.



### Downward revision

of growth forecasts for the Spanish economy (IMF, OECD, Bank of Spain).



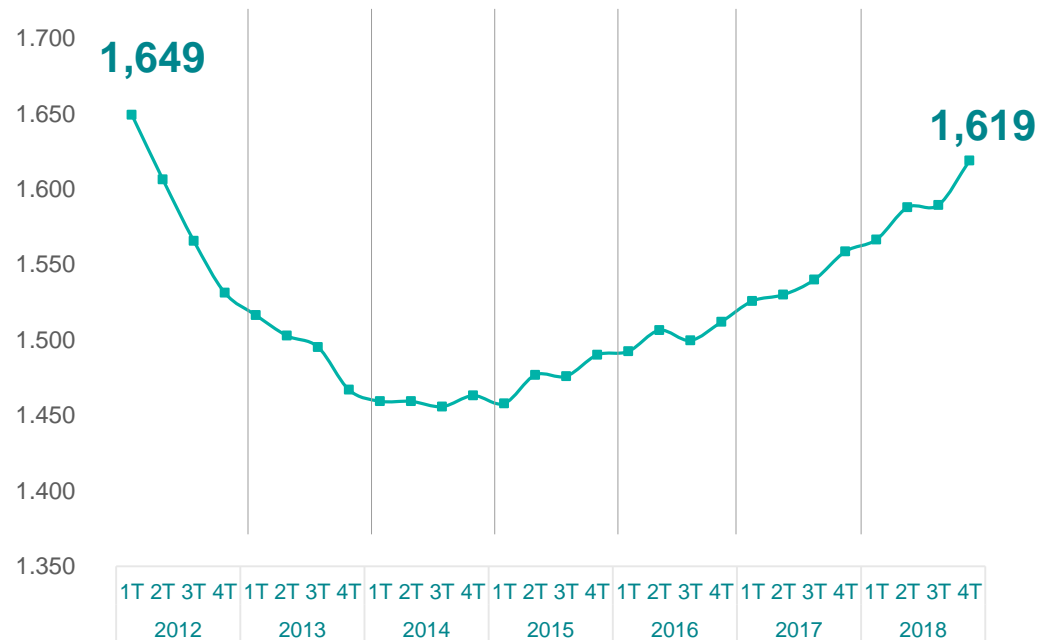
### Uneven

growth across the real estate sector at present.

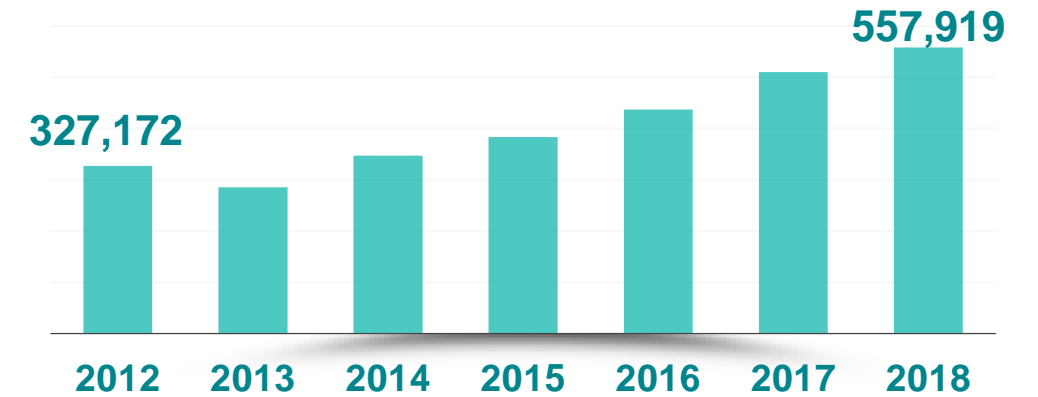


## The real estate market

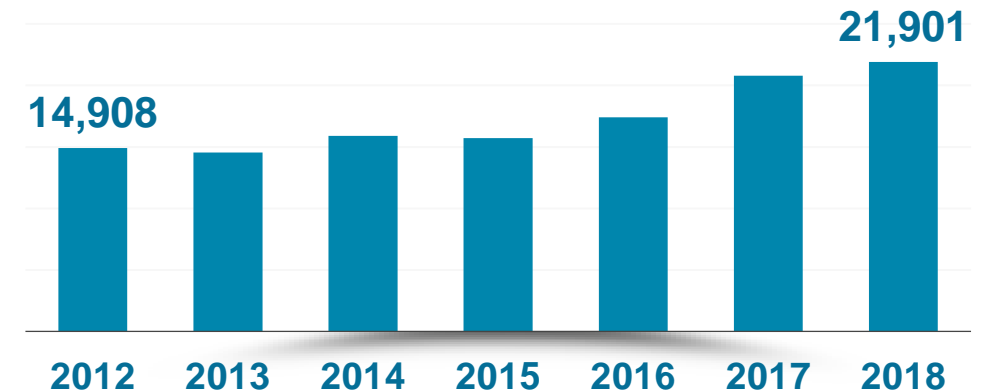
Free market homes (regulated valuation price) (€/sqm)



Total free market home sales



Total land sales

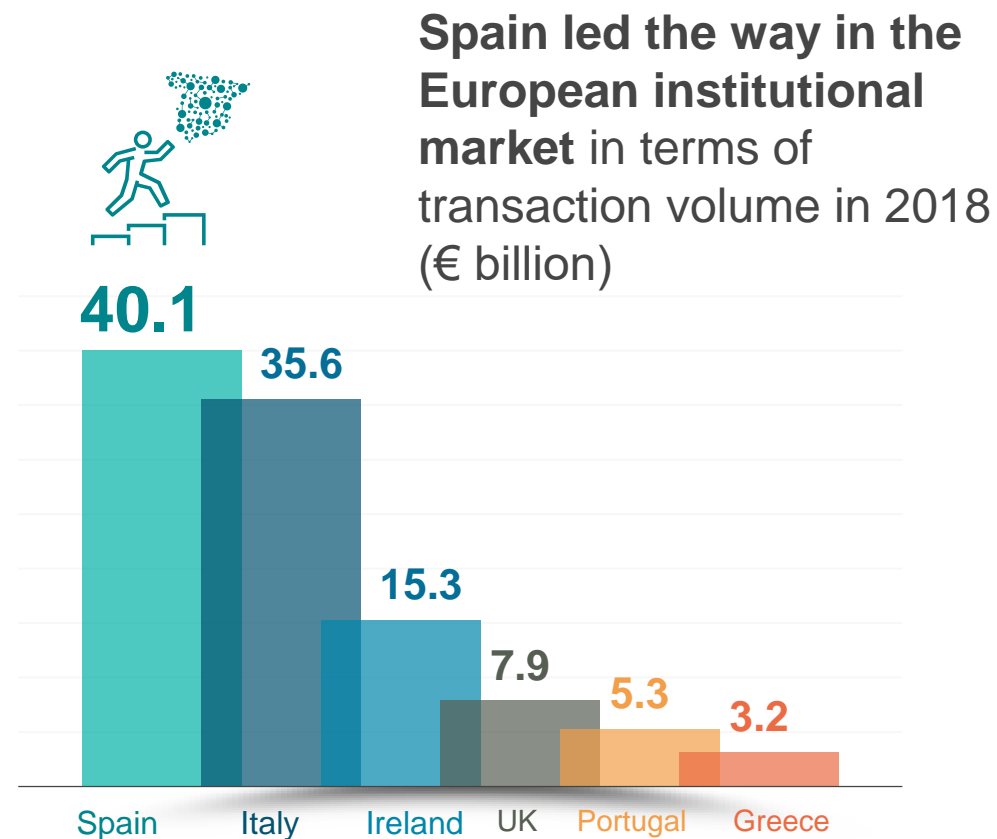


The Spanish banking sector is actively divesting assets in order to reduce its exposure to the real estate sector...

Foreclosures and NPL transactions linked to the real estate arm of Spanish banks in 2018.

€40,100M

\*Source: Evercore. European Distressed Real Estate Market. Q4



\*Source: Evercore. European Distressed Real Estate Market. Q4



# 03 Sareb in 2018





## Properties



**RECORD**

**21,152 Units**

Sold in 2018

**+12%**

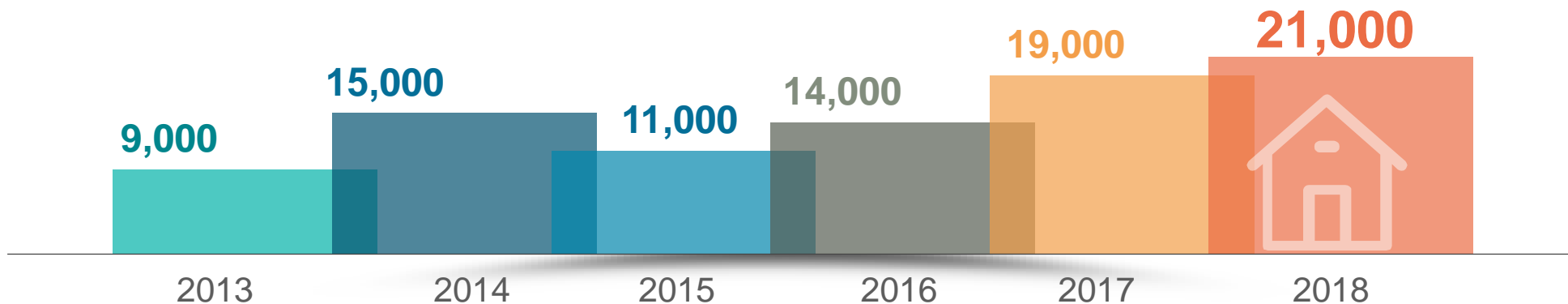
Developer  
agreements

**7,823**



**13,329**  
Sareb-  
owned

Annual property sales (units)

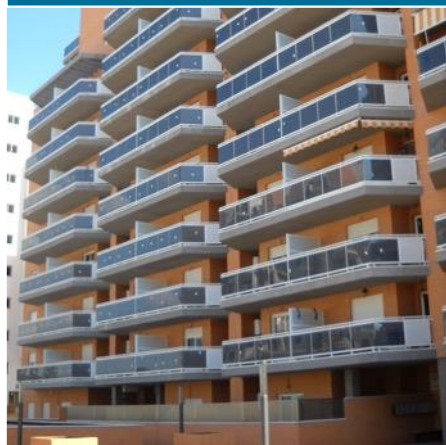




## Properties

### Revenue by business line

REVENUE  
**€1,419M\***  
**+19%**  
vs. 2017

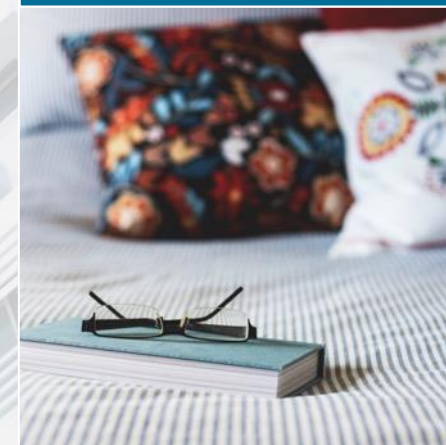


RESIDENTIAL  
**€944M**

LAND AND COMMERCIAL  
**€439M**

RENTS  
**€36M**

GROSS  
MARGIN  
**€208M**  
**+2%**  
vs. 2017



\*Includes the transfer of properties for €145 million to T  m  tre Properties at the end of 2018, under a ROFO framework agreement signed between Sareb and the Socimi.

## Properties

Targeted plans for provinces with lower real estate activity.

**+68%**  
units sold  
in 2018



- Castellón
- Murcia
- Zaragoza
- Huelva
- Tarragona



## Properties. Real estate development



**1,636**

NEW HOMES APPROVED IN 2018



**331**

HOMES  
COMPLETED



**981**

HOMES SOLD

**6,958**

homes approved  
since  
Sareb founded

## Properties

### REIT



Specialist rental property management



Listed on the Alternative Stock Exchange (MAB)



Alternative property divestment option for Sareb



Competitive process underway to sell Sareb's stake in Témpore Properties

LIQUIDITY

CAPITAL GAIN



2,250 homes

€339M\*  
Total NAV

\*Includes residential properties and ancillaries



## Properties

Specialist management of unique properties

€790M



Value of Sareb's unique properties

(Hotels, shopping centres, golf courses, offices and exclusive retail units...)

6.5%

All of the company's properties



### Hacienda del Álamo (Murcia)



Full-scale refurbishment and **driving** the region's **tourism industry and economy**



120

Direct jobs created



Opening of a Hotel Sheraton (Managed by Grupo ADH Hoteles)



+€18M

Invested

Works and maintenance since transfer

## Loans

Slowdown of loan portfolio activity due to:



**Tougher competition**



**Demand for greater discounts**



**Sharp reduction in institutional transactions**



**Lower revenue** from debt repayment and interest received



**Less room to manoeuvre**



**Loans** transformed to properties



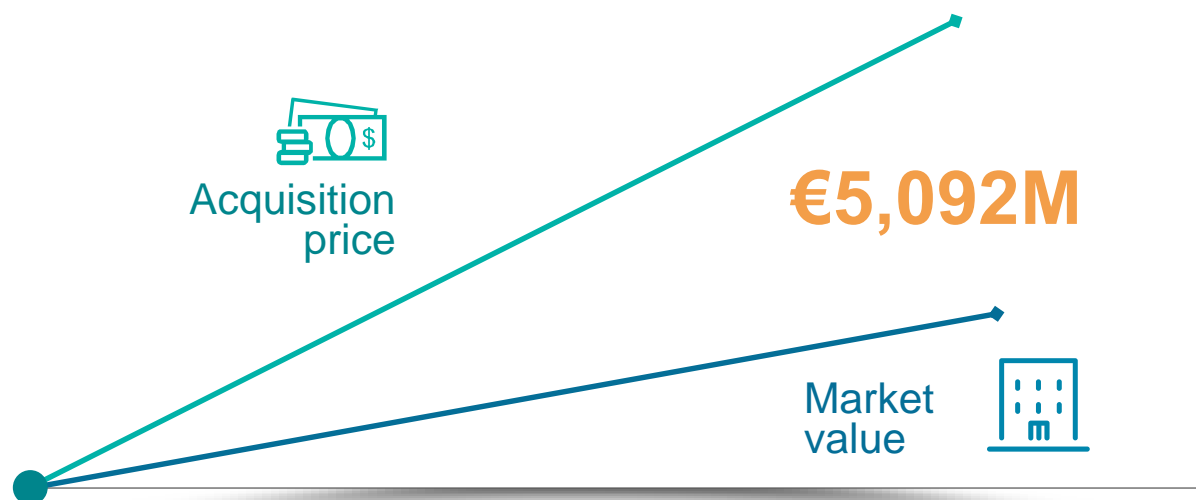
**€1,400M**



## Loans

Capital losses  
from the loan  
portfolio

Properties acquired  
above market value



Impairment of financial assets is  
attributed to adjustments due to changes  
in the equity value

## Loans

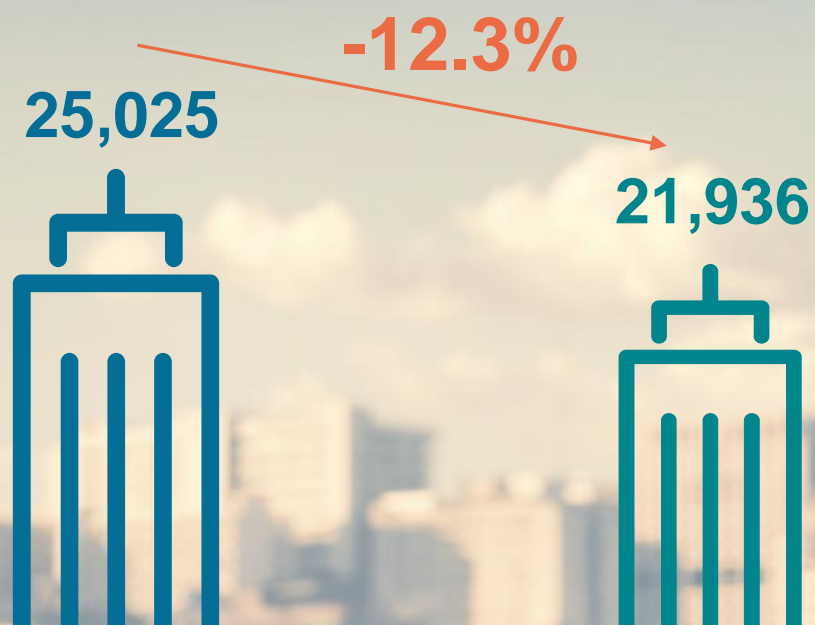


REVENUE  
**€2,208M**  
**-16%**  
vs. 2017



GROSS  
MARGIN  
**€320M**  
**-41%**  
vs. 2017

Reduction of loan portfolio in 2018 (€ million)





## Main costs



## Financial information

(€ million)	2018	2017	Variation (%)
<b>Revenue</b>	<b>3,650</b>	<b>3,833</b>	<b>(5)</b>
Gross margin FA	320	542	(41)
Gross margin REA	208	204	2
Other revenue	23	21	
<b>Total gross margin</b>	<b>550</b>	<b>767</b>	<b>(28)</b>
Operating costs	(697)	(683)	2
Depreciation and others	(74)	(77)	(4)
<b>Operating profit/(loss)</b>	<b>(221)</b>	<b>7</b>	
Financial costs	(658)	(541)	22
Taxes	1	(31)	
<b>Profit/(loss) for the year</b>	<b>(878)</b>	<b>(565)</b>	<b>(55)</b>



## Debt cancellation



\* Includes the upcoming extraordinary repayment of €169 million, accounted to 2018



# 04 Future strategy







▶ **Active management to maintain and increase value of properties**



### Loans

- **Reduce activity**
- **Drive transformation**



### Efficiency

- **Servicing**
- **Regional approach**



### Properties

- **In-house and associated development**
- **Land planning management**
- **Specialist management of unique properties**
- **Boosting sales in difficult areas**

## Reducing loan market activity



Foreclosures and NPL transactions linked to the real estate arm of Spanish banks in 2018.

**€40,100M**



Discounts of  
up to

**70%\***

## Slump in value of heavily discounted assets



## Transformation

€3,800M  
2020

€1,800M  
2019

€1,400M  
2018

€1,000M  
2017



Loans



Properties

Extended terms

Greater liquidity and  
exposure

Higher maintenance and legal  
costs

## External partnership for property development



With a  
renowned  
developer



Creation of a  
Bank Asset Fund  
(FAB).



- Land
- New or ongoing developments



€800M





Land planning management, completion of suspended construction projects, unique properties and targeted sales plans



**Completion of  
suspended  
construction  
projects**

**Investment**

**€45M**

2019

**€95M**

2020



**Specialist management**

of certain assets: unique properties, income-producing properties (REIT).



**TARGETED  
SEARCH FOR  
INVESTORS**



**Planning management**  
for land under development,  
to boost the serviced  
development land portfolio.

**Investment**

**€16M**

2019

**€82M**

2020



**Targeted plans**

to sell properties in secondary  
markets where the sector is  
growing at a slower pace.



**DRIVE UP  
SALES RATES**

## Increase efficiency

### New servicing model

Renegotiate current business model with servicers

---

Greater efficiency in the sales cycle

---

Specialist management (maintenance, litigation...)

---

Direct management by Sareb of certain areas (major debtors, WIPs, developments...)

Greater control over information via the development of internal platforms for storing data on Sareb's assets.

► FLEXIBILITY

Cost savings

€300M

Between now and 2027

## Regional management



**Five regional offices**



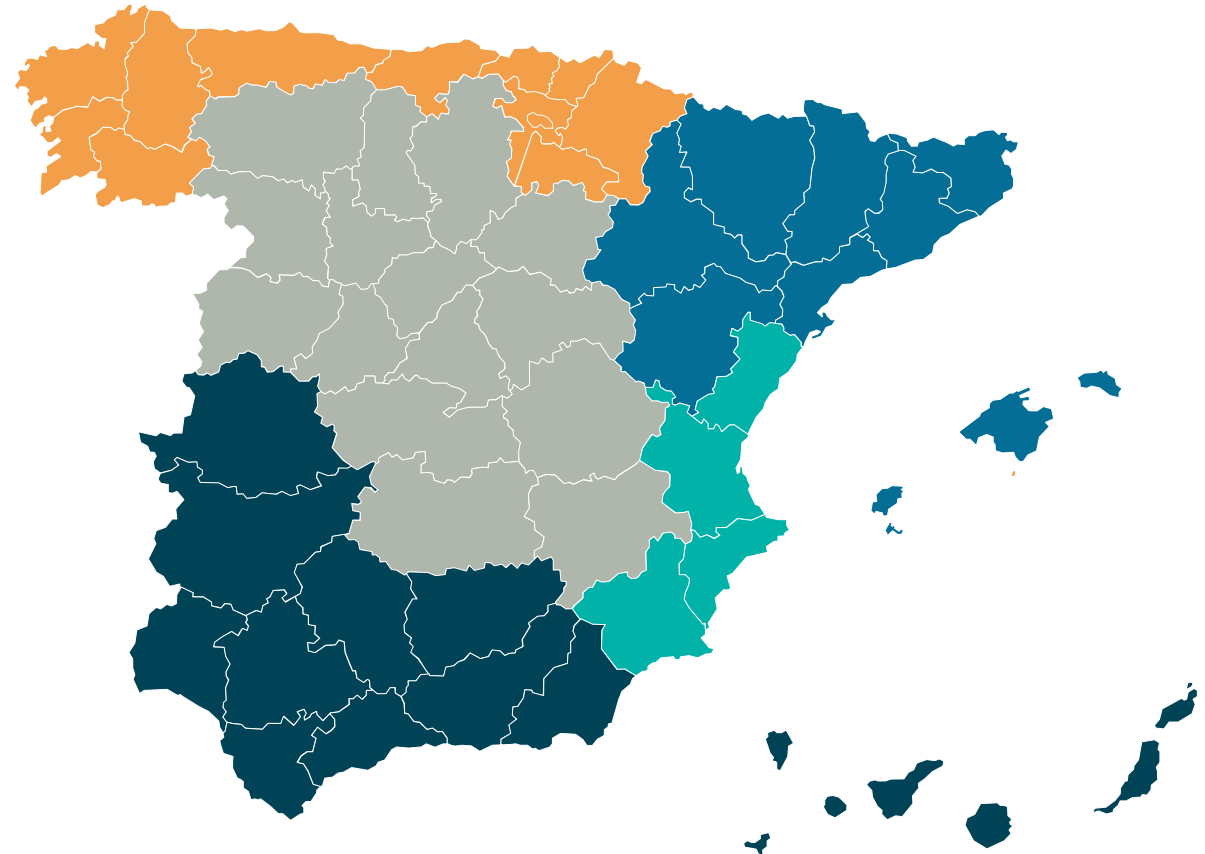
**In-depth understanding  
of properties in local  
markets**



**Offer tailored to  
demand in each  
region**



**More efficient  
debtor  
management**





## Core strategy goals



**Active management to maintain and increase value of properties**



# 05

## Figures and contribution 2012-2018





## Key figures



**€16,430M**

Portfolio  
reduction



**€15,020M**

Debt  
repaid



**€24,350M**

Revenue



**€2,785M**

Interest paid to  
banks



**€1,070M**

Taxes  
paid



**89,500**

Properties  
sold



**63,500**

Developer  
proposals  
managed



**4,100**

Reduction in  
no. of debtors



**6,950**

Homes under  
construction



**4,000**

Homes for  
social welfare  
purposes



## Economic and social contribution

### Sareb's contribution to GDP between 2013 and 2018

**€15,020M**

Debt cancelled

**€6,399M**

Direct, indirect and  
induced economic  
contribution

**€27,329M**

**€1,068M**

Paid in taxes

**€4,842M**

Interest on  
debt

## Social housing plan

