



**iberCaja**



**EUROMONEY/ECBC COVERED BOND CONGRESS**

**10th September, 2015**





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## Overview of Ibercaja Banco



**Introduction**



**Key Highlights**

- 
- 1. Ibercaja Financial Group
  - 2. Cajatres Acquisition
  - 3. Asset Quality
  - 4. Liquidity & Solvency



**2017 Targets & Concluding Remarks**



## Covered Bond Programme



## 1H2015 Results

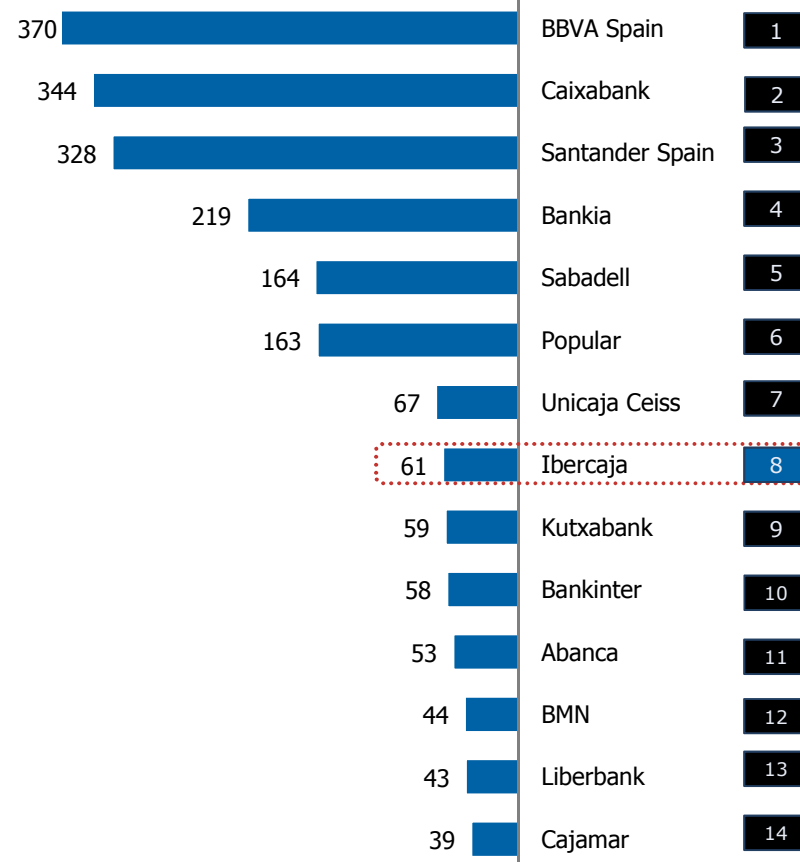
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# Overview of Ibercaja Banco

## Business Description

- 8<sup>th</sup> largest bank in Spain in terms of assets (balance sheet size of €61bn as of June 2015), with market shares of 2.7% in customer loans and 3.2% in customer deposits
- Acquired Banco Grupo Cajatres ("Cajatres") (resulting entity from the merger of 3 savings banks) in July 2013
- 6<sup>th</sup> largest domestic financial entity in asset gathering with over €21.3bn assets under management: Mutual Funds (€9.2bn), Life Savings and Insurance (€6.4bn), Pension Plans (€4.5bn), Others (€1.2bn)
- One of the four former savings banks (out of 45) that has not directly received any state aid
- Rated "BB" by Standard & Poor's, "BB+" by Fitch and "B1" by Moodys

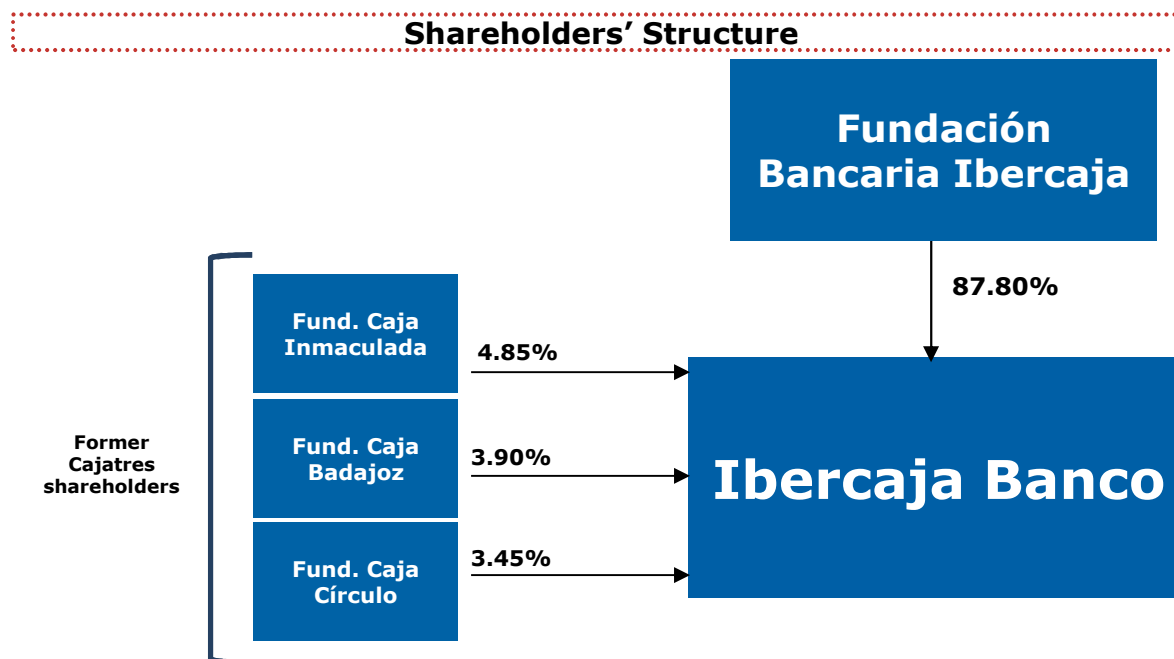
## Ranking by Assets (€bn, 1H2015)



Source: Company information, Bank of Spain

# Shareholder Structure

- The main shareholder of the bank, Ibercaja, became a banking foundation in June 2014
- By law, the Fundación Bancaria Ibercaja's stake in the Bank will have to be below 50% by 2018
- An IPO is expected to take place no later than 2018

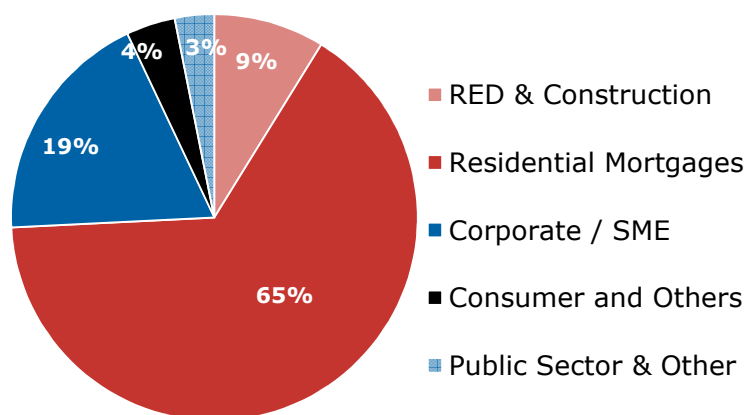


More information regarding Corporate Governance on Annex 3

# Banking Business

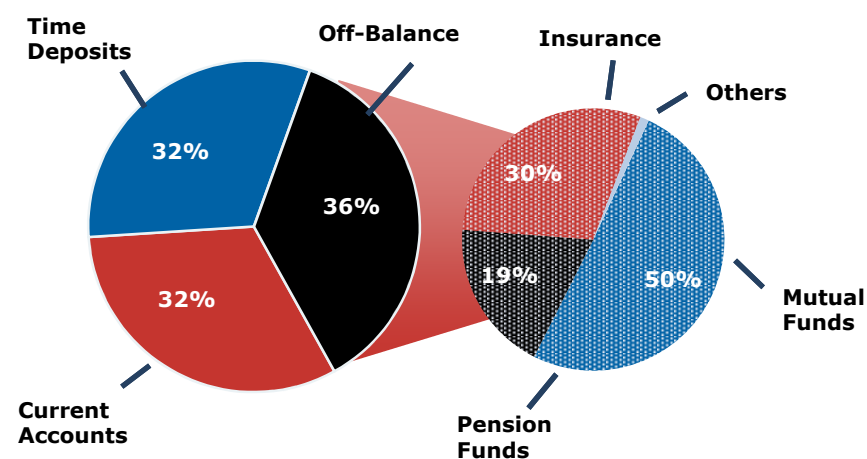
- **Ibercaja is a pure retail bank**
- **Specialist in first home retail mortgages and asset gathering**
- **Profitable and stable retail funds mix** : 68.5% of customer funds are in current accounts or off-balance funds

Lending Split by Segment (1H2015)



Gross loans:  
€35.3bn

Customer Funds (1H2015)

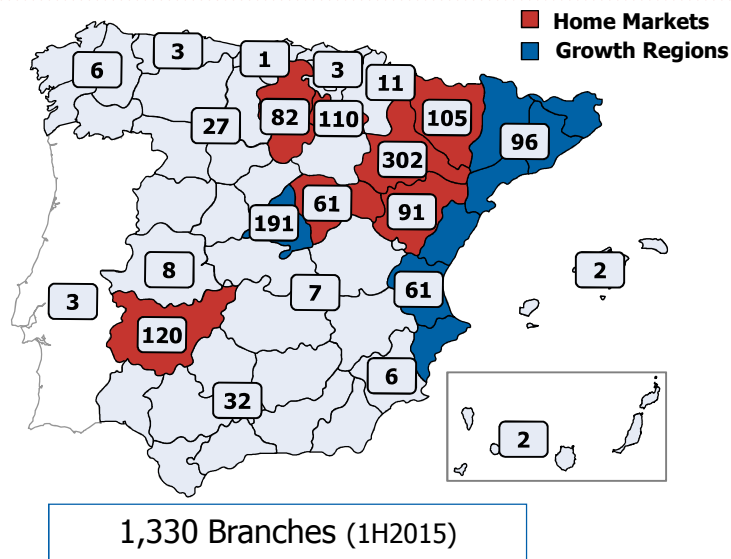


Retail Customer Funds : €49.2bn

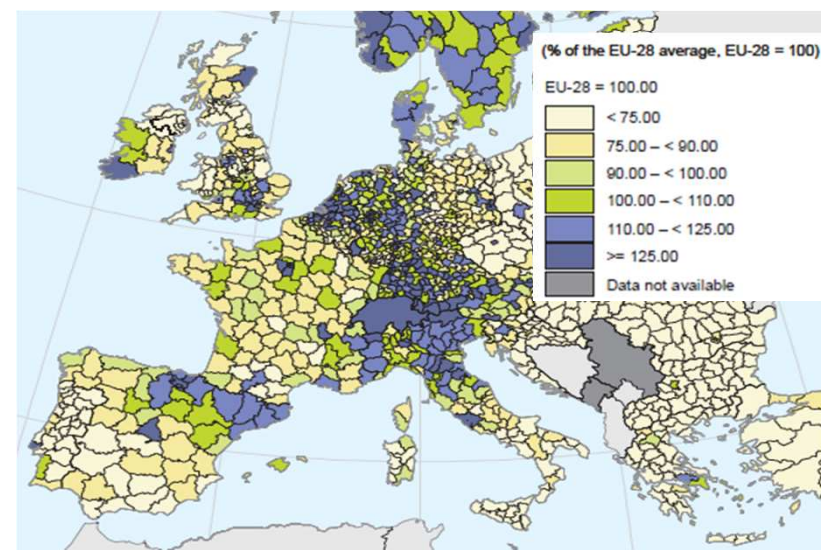
# Positioning in the Spanish Market

- Clear leadership in the Home Markets of Aragón (c. 40% market share), La Rioja, Guadalajara, Burgos and Badajoz (15%+ market shares). These markets represent 60% of Ibercaja's business volume
- Throughout the 80's and 90's, the bank built a significant presence in key regions of the Spanish economy as Madrid and the Mediterranean Basin (Cataluña and Comunidad Valenciana), with 191 and 157 branches, respectively. This early expansion has resulted in a well established footprint in key regions of the Spanish economy
- Nationwide distribution network of 1,330 branches with 5,900 banking employees, serving c. 2.9mm clients

**Branch Network (1H2015)**



**GDP per Capita 2011 Average EU28=100**



Source: Company information, Bank of Spain, Eurostat

Note: Home Markets consist of Aragón, La Rioja, Guadalajara, Burgos and Badajoz; Growth Regions consist of Madrid and Mediterranean Basin (includes Cataluña and Comunidad Valenciana)

More information regarding Spanish Economy / Aragón on Annex 2/3

# Well Established Presence in our Core Markets

- Early expansion has resulted, over the years, in a **well established footprint outside our Home Markets** in key regions of the Spanish economy

## Distribution by Branches, Business Volume and Clients (%)

Region (1H2015)	Branches	Business Volume <sup>1</sup>	Clients
Home Markets	65.5%	59.8%	64.6%
Growth Regions	26.2%	30.0%	26.9%
Madrid	14.4%	18.2%	16.1%
Mediterranean Basin	11.8%	11.8%	10.8%
<b>Core Markets</b>	<b>91.7%</b>	<b>89.8%</b>	<b>91.5%</b>
Rest of Spain	8.3%	10.2%	8.5%

Commercial network distribution

Note: Home Markets consist of Aragón, La Rioja, Guadalajara, Burgos and Badajoz; Mediterranean Basin consists of Cataluña and Comunidad Valenciana

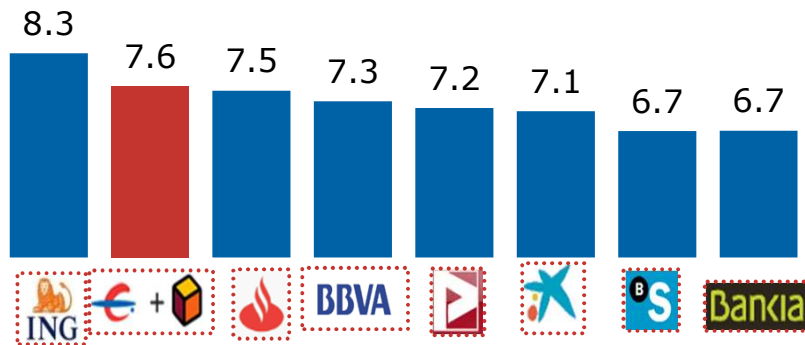
<sup>1</sup> Defined as the sum of customer loans, retail customer deposits and off-balance customer funds



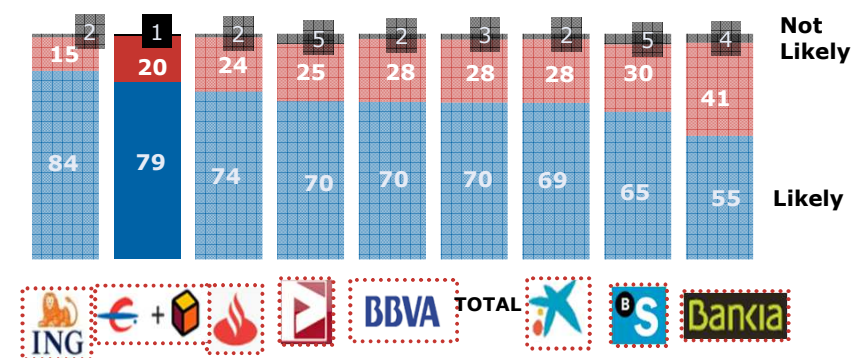
# Best-in-Class Customer Service Levels

- Ibercaja has achieved its position in these markets thanks to its **best-in-class customer service levels**

Customer Satisfaction (2014)<sup>1</sup>



Customer Loyalty (2014)<sup>2</sup>



- In 2007 Ibercaja was awarded with the stamp for the European Foundation for Quality Management (EFQM) where it has achieved the 500+ mark
- Only 2 more banks in Spain are entitled with this distinction: Banco Sabadell (2006) and La Caixa (2012)



- In 2012, Ibercaja was the first Spanish bank certified by the Spanish Association for Standardization and Certification (AENOR) for its excellence in personal banking advisory

<sup>1</sup> Source: FRS INMARK scale 1 to 10. Average of answers per bank  
<sup>2</sup> Source: FRS INMARK, Is it likely you will maintain your current relationship with the bank?



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## Covered Bond Programme

## 1H2015 Results

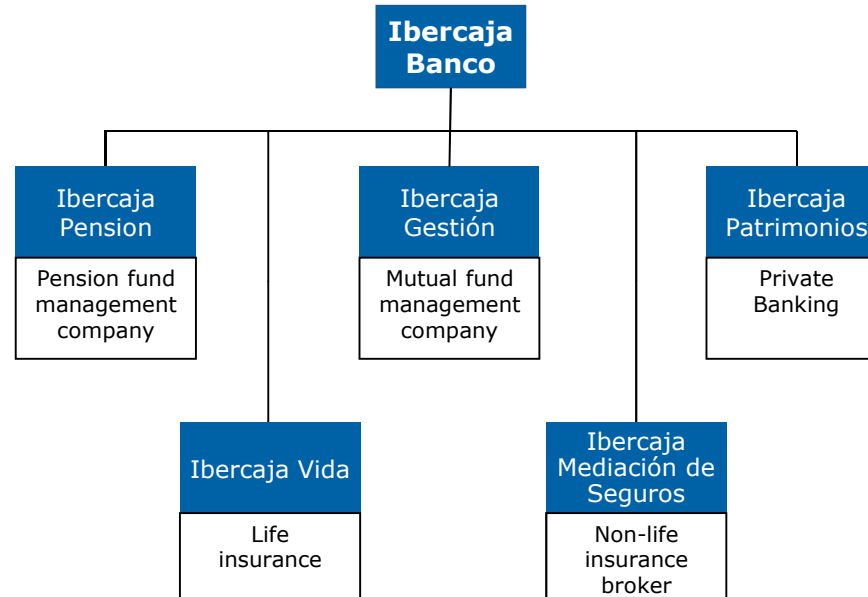
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# Ibercaja Financial Group (1/3)

## Ibercaja Financial Group Overview

- Ibercaja has over the years built a sizeable Financial Group managing over **€21bn<sup>1</sup>** of assets which provides a stable and diversified revenue base



**100%  
OWNERSHIP**

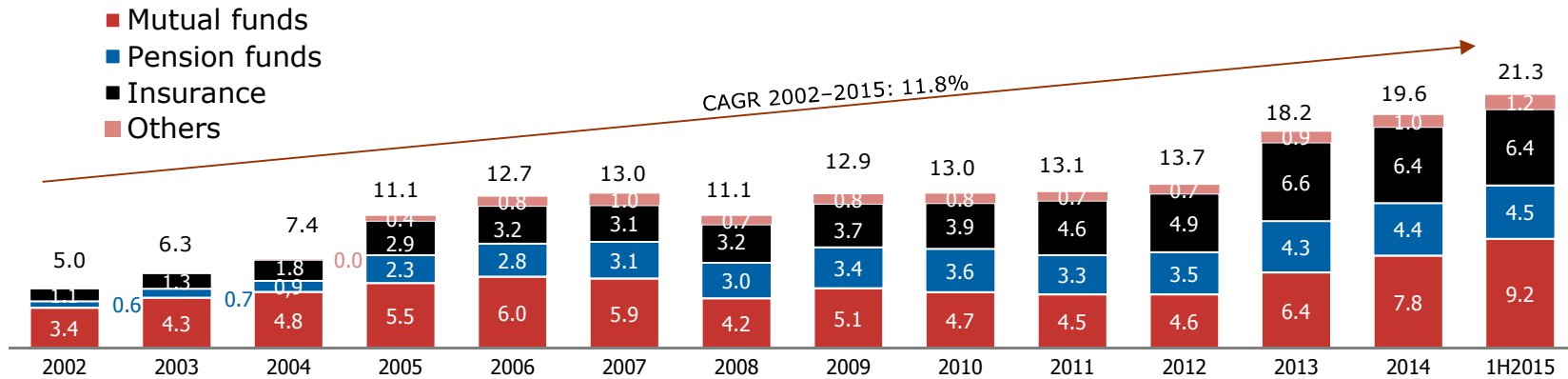
### Financial Group

- Established in 1988, Ibercaja Financial Group consists of companies specialising in mutual funds, savings and pension plans, bancassurance, private banking, renting and leasing
- Ibercaja controls 100% of these businesses allowing it to retain the entire fee income without having to share it with a partner. This is a distinctive feature in the Spanish financial sector
- Market shares well in excess of the banking business

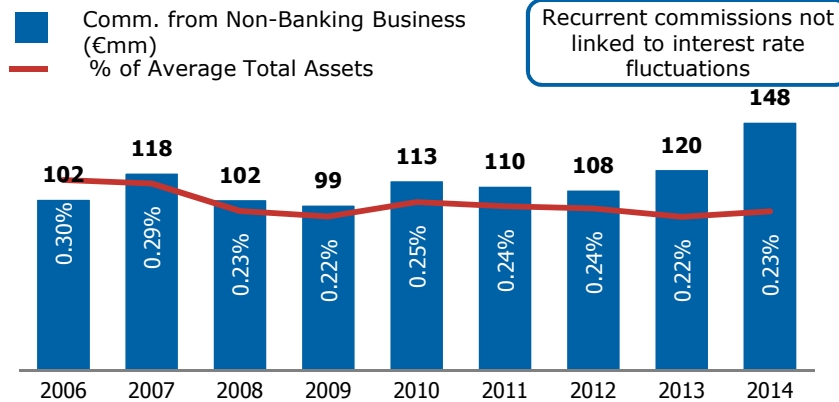
<sup>1</sup> Mutual Funds, Pension Funds and Insurance Products managed or intermediated by Grupo Ibercaja

# Ibercaja Financial Group (2/3)

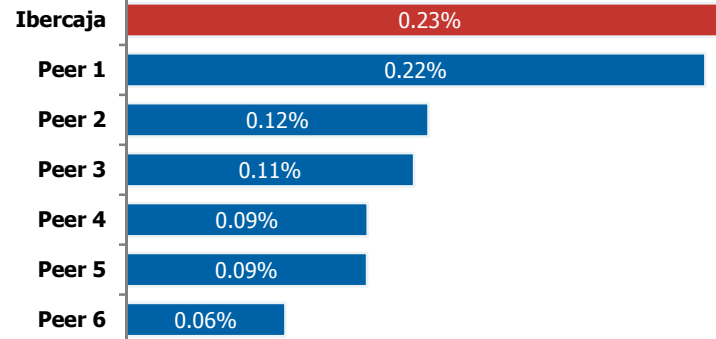
## Ibercaja AuM Evolution (€bn)



## Commissions from Non-Banking Business / Average Total Assets (2014)



## Peer benchmarking (2014)



Peer Group includes Caixabank, Popular, Sabadell, Bankia, Bankinter and Liberbank

# Ibercaja Financial Group (3/3)

## Key Business Lines

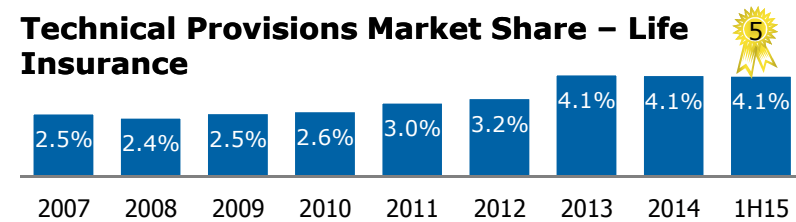
### Insurance

- 5<sup>th</sup> largest Life Insurance Company (4.1% market share)
- Non-life insurance broker
  - Exclusive distribution agreement with Caser (€168mm premiums in 2014)

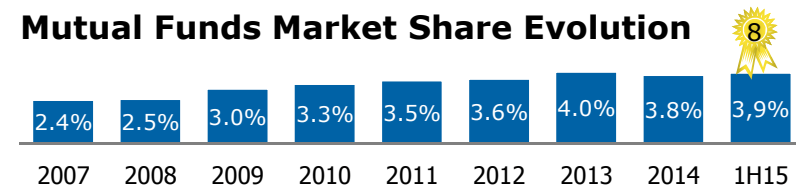
### Asset Management

- 8<sup>th</sup> largest Mutual Fund Manager (3.9% market share)
- 5<sup>th</sup> largest Pension Fund Manager (5.8% market share)
- 3<sup>rd</sup> largest manager of company pension schemes (11.3% market share)

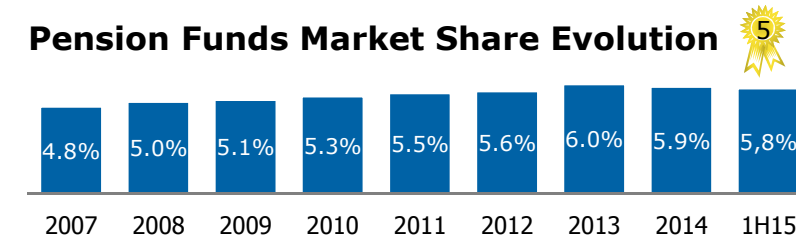
**Technical Provisions Market Share – Life Insurance**



**Mutual Funds Market Share Evolution**



**Pension Funds Market Share Evolution**



Source: Company information, ICEA, Inverco

# Cajatres Acquisition (1/4)

## The Opportunity

- Oliver Wyman's stress test of the Spanish banking system released in September 2012 identified a capital deficit at Cajatres of €779mm (7.5% RWA) under the adverse scenario. Consequently, Cajatres was classified as Group 2<sup>1</sup> entity
- The European Commission and the Bank of Spain required Cajatres to integrate into a larger financial group. On May 23<sup>rd</sup>, 2013, Ibercaja Banco agreed to acquire Cajatres. Effective acquisition took place in July 2013

## Preconditions that Minimised the Transaction Risk

- Before the integration, several restructuring measures had to be accomplished by Cajatres:
  - ✓ Transfer to SAREB ("bad bank") of Real Estate Assets (net amount of €2.2bn) (February 2013)
  - ✓ Issue of Contingent Convertible Bonds (CoCo's), €407mm, subscribed by FROB (March 2013)
  - ✓ Burden sharing of hybrid capital instruments (subordinated debt), limited to institutional investors (profit of €39mm) (June 2013)
  - ✓ Labour agreement in Cajatres to reduce number of employees (592; -23%) and branches (187; -32.4%)

**All these measures were implemented before integration with Ibercaja Banco**

<sup>1</sup> Denomination established by the Memorandum of Understanding referring to banks with a capital shortfall, identified by the stress test, which needed State aid to cover it

# Cajatres Acquisition (2/4)

## Strategic Rationale of the Acquisition of Cajatres

### 1 Reinforce and protect the home market

- Acquisition of the 2<sup>nd</sup> player in the region of Aragón with a market share of c. 15%, allowing Ibercaja to reach a clear leadership with a combined market share of 40%

### 2 Increase in size in a rapidly consolidating market

- The Cajatres acquisition allowed Ibercaja to move from 15<sup>th</sup> to today's 8<sup>th</sup> place in the ranking of Spanish banks by total assets

€bn, Dec. 2013*	Ibercaja	Cajatres	Grupo Ibercaja	
Total assets	42.9	20.2	63.1	
Customer loans (net)	28.2	8.6	36.8	
Core customer deposits <sup>1</sup>	20.0	11.7	31.7	

\* Retail branch network information

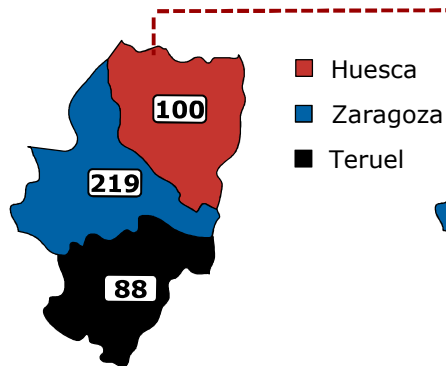
<sup>1</sup> Defined as the sum of current accounts, savings accounts and time deposits

# Cajatres Acquisition (3/4)

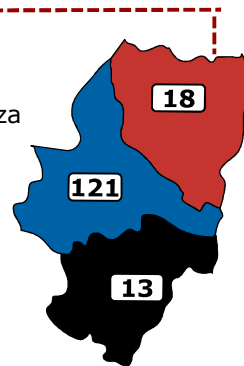
## Strategic Rationale of the Acquisition of Cajatres

- 3 Strong cost and revenue synergies prospects**
  - Large geographic overlap branch network in Aragón

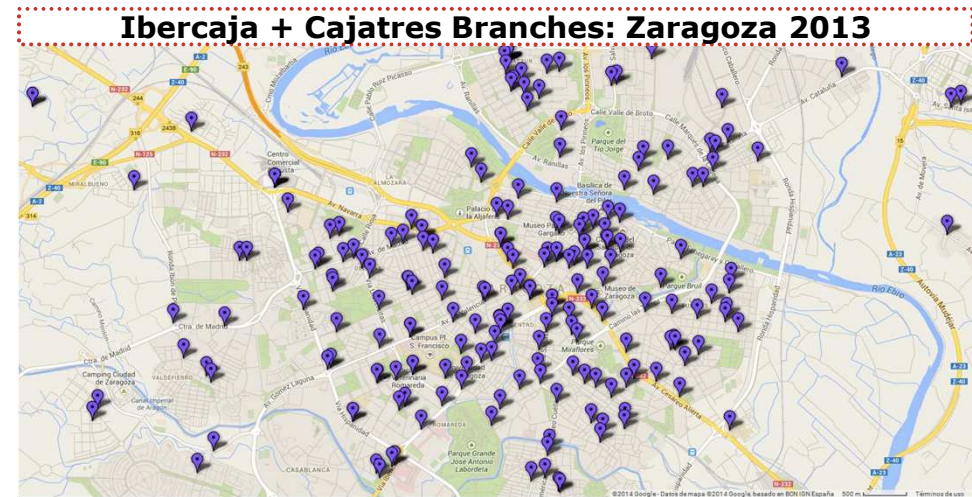
Ibercaja Branches in Aragón (Dec 2013)



Cajatres Branches in Aragón (Dec 2013)



■ Huesca  
■ Zaragoza  
■ Teruel



- Potential for revenues synergies arising from the implementation of Ibercaja’s commercial best practices at Cajatres

Dec 2013*	Ibercaja	Cajatres	
AuM	39%	19%	as % of total retail funds
Non-banking commissions	0.25%	0.11%	as % of average total assets
Cost of retail funding	1.1%	1.4%	

\* Retail branch network information

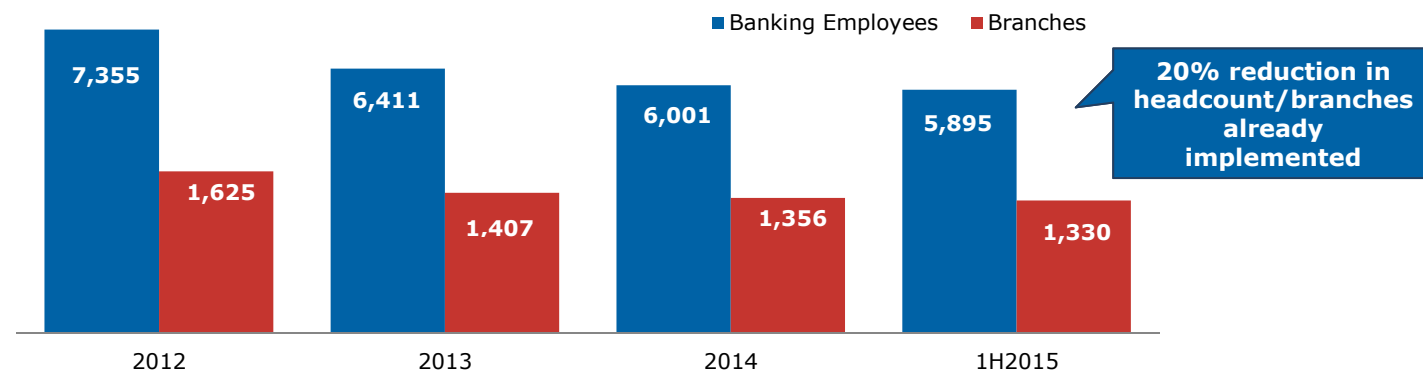


# Cajatres Acquisition (4/4)

## Cost Synergies

- As the integration process has advanced, **Ibercaja has increased the total cost savings expected from the initial estimate of €134mm to over €170mm** (22% of the combined costs in 2012). This amount includes the savings from the restructuring process of Cajatres in addition to the synergies from the integration of Ibercaja + Cajatres
- Over **70% of the total adjustment has already been implemented** (in terms of headcount and branches)
- Ibercaja expects to reach a ratio of **Total Operating costs / ATA of 1% in 2018 (vs. current 1.25%)**

### Ibercaja's Structure

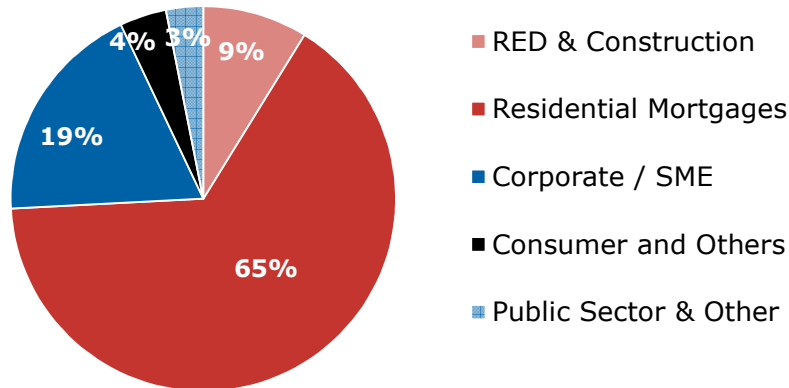


# Asset Quality (1/8)

## Loan Portfolio

- **High exposure to residential mortgages, 65% of total lending portfolio**, of which second home mortgages represent less than 7%
- **Highly collateralised portfolio (84%)**
- **High granularity**

## Lending Split by Segment (1H2015)



**Gross loans:  
€35.3bn**

## Concentration Index \* ICAAP ECB

**Ibercaja's  
Individual  
Concentration  
Index  
0.027**

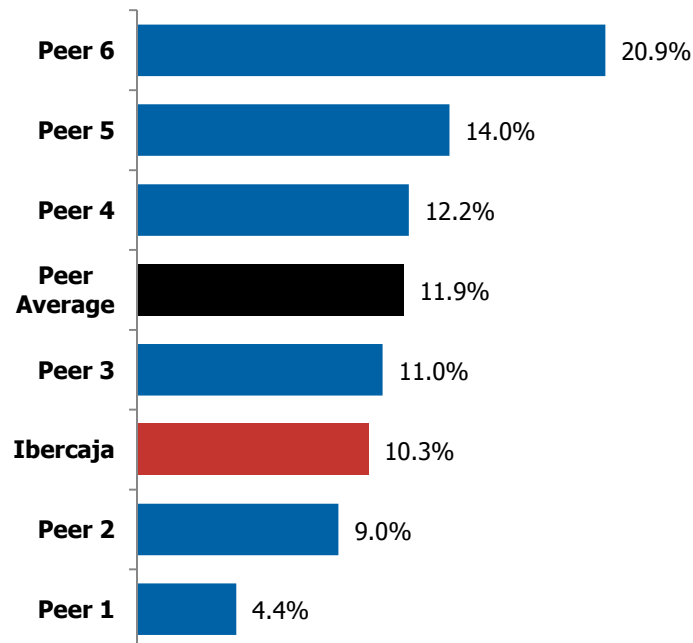
Individual Concentration Index	Add-on
0.1	0.00%
0.15	1.70%
0.3	7.40%
0.6	15.40%
1.2	26.60%
2.4	60.20%
4.8	129.00%
9.6	247.90%
>= 36.54	915.20%

# Asset Quality (2/8)

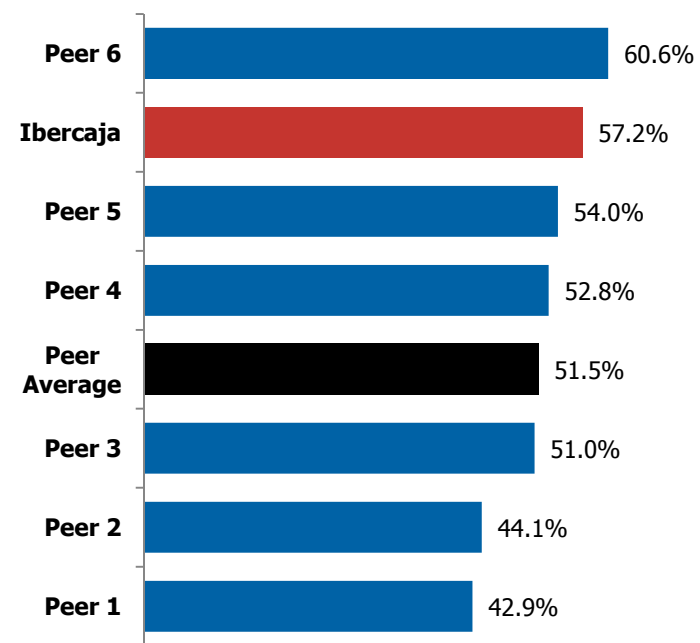
## Non Performing Loans & Coverage Ratio

- **Ibercaja has consistently outperformed the sector in terms of asset quality.** Ibercaja NPL ratio is 15% lower than the sector while maintaining one of the highest coverage levels
- **NPL stock down 7.6% YoY (€301mm)**

### NPL Ratio – 1H2015



### Coverage Ratio – 1H2015



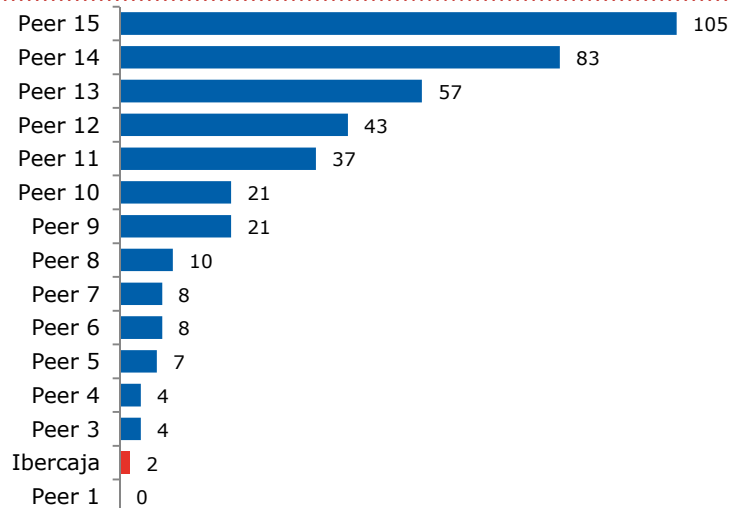
Peer Group includes Caixabank, Popular, Sabadell, Bankia, Bankinter and Liberbank. Includes exposure within the APS.

# Asset Quality (3/8)

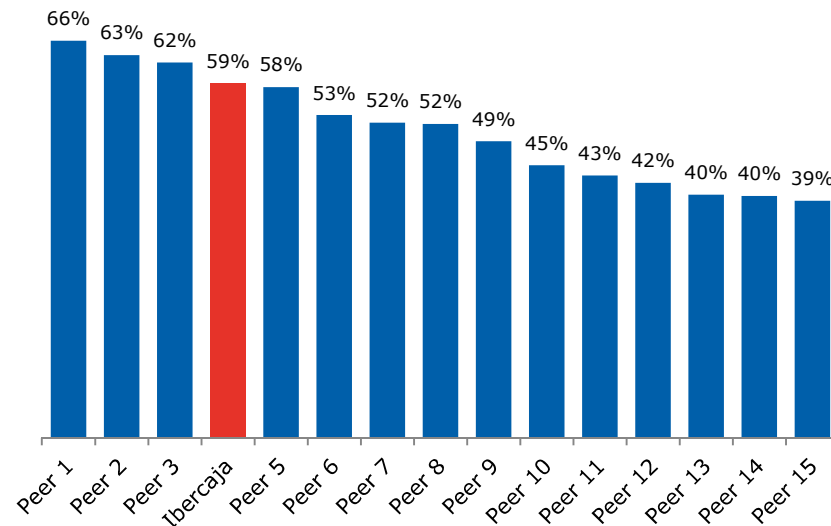
## AQR

- **European AQR highlighted the quality of Ibercaja Banco loan portfolio, its high standards of provisioning and its strict policy for categorising and identifying risks within its portfolio**
  - AQR additional provisions were irrelevant and accounted for net €4.9mm, or 0.05% of the revised portfolio. This meant a CET1 ratio adjustment of just 2 b.p., being the average adjustment for the Spanish sector of 14 b.p.
  - Ibercaja has one of the highest provisioning levels in the Spanish financial sector

### AQR Impact - CET1 b.p.



### Coverage Ratio

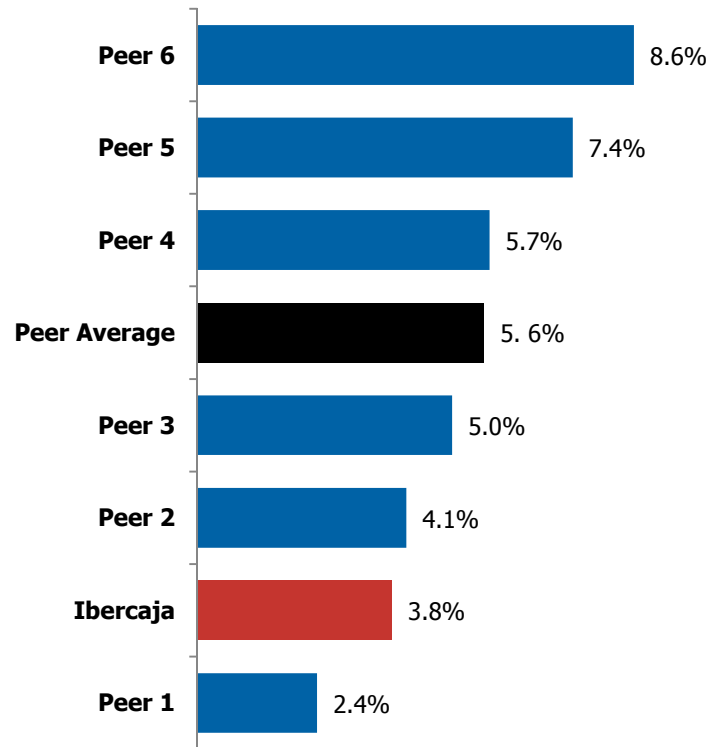


Source: ECB/EBA

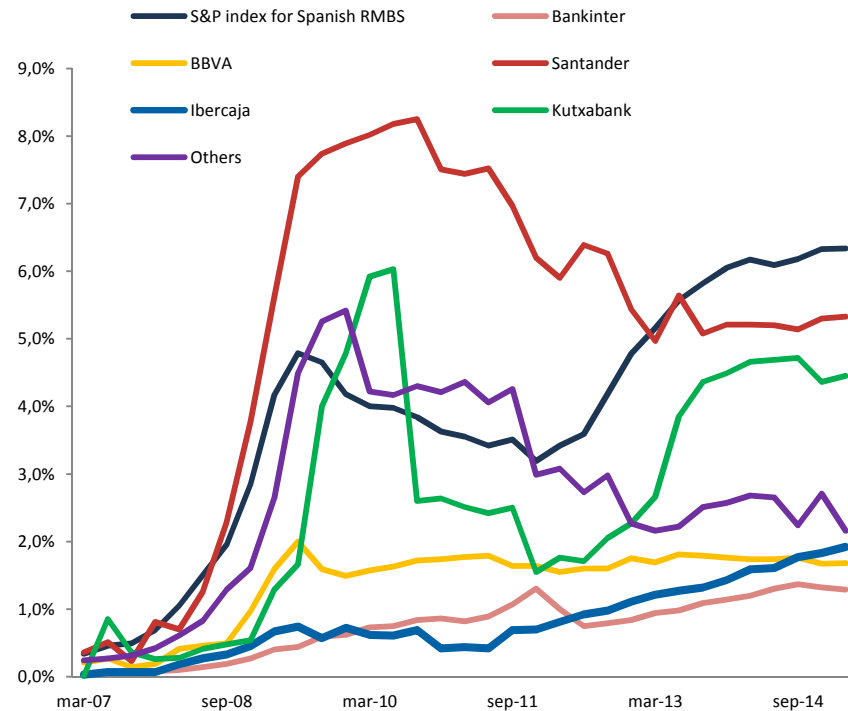
# Asset Quality (4/8)

## Specialists in Residential Mortgages

### Residential Mortgages NPL Ratio – 1H2015



### RMBS Delinquency Rates Evolution (S&P)<sup>1</sup>



**Ibercaja's RMBS amongst the best in the Spanish banking sector**

Peer Group includes Caixabank, Popular, Sabadell, Bankia, Bankinter and Liberbank. Includes exposure within the APS.  
<sup>1</sup> S&P outperforming RMBS

# Asset Quality (5/8)

## Specialists in Residential Mortgages

- Ibercaja has a residential mortgage NPL ratio of 3.8%, well below sector average of 5.9% (1Q2015)

### ■ Ibercaja has maintained high standards of credit underwriting throughout the cycle...

- Strong control of LTV: 93% of mortgages with a LTV<80% (average LTV: 57%)
- High granularity: Average mortgage at inception since 2003: €122,703
  - Average outstanding mortgage: €72,028
- Additional guarantees: Family involvement in a significant percentage of the mortgage portfolio (20%)
- 80% of borrowers maintain their payroll / pension with Ibercaja
- In October 2007, Ibercaja further tightened its underwriting standards. Since then, the average loan size is €122,381 and the NPL ratio is 1.74%

### ■ ...avoiding the riskier segments of the mortgage market

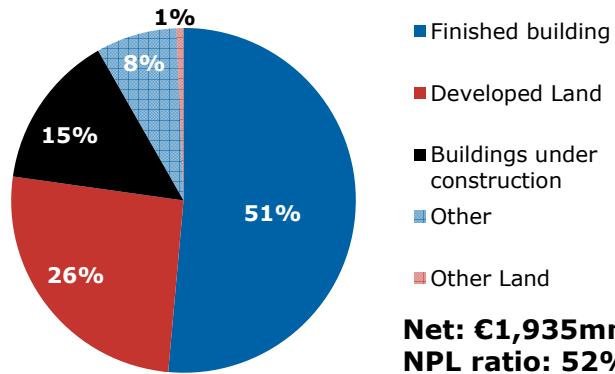
- Mortgages to foreigners (<4%)
- Mortgages originated by brokers (<5%)
- Second home mortgages (<7%)

Overlap

# Asset Quality (6/8)

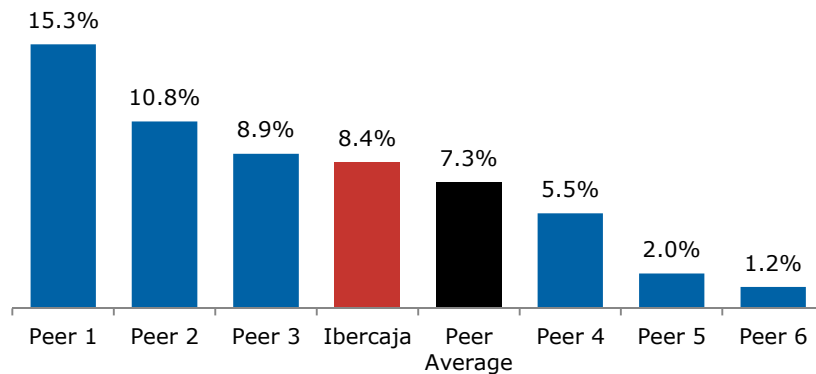
## RED & Construction Loans

### Net RED & Construction Loans Split

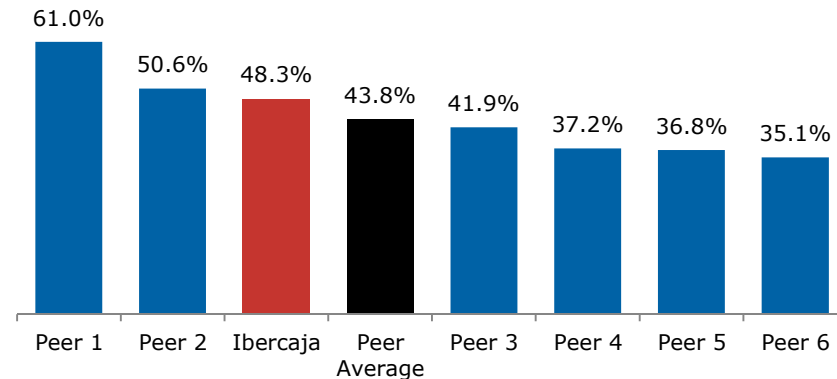


- Net Lending to RED & constructions activities has declined 7.1% YTD or €148mm
- Low LTV at inception. Ibercaja stopped funding new projects for real estate developers in 2006, 2 years ahead of the peak in the housing market.
- Negligible exposure to non-developed land
- Cooperating agreements with real estate and retail clients to help them sell assets through our branch network, have resulted in sales of more than 9,800 units with gross value of almost €1,450mm in 4.5 years

### RED & Construction loans as % of Gross Loan Portfolio 1H2015



### Problematic RED Coverage Ratio<sup>1</sup> 1H2015



Peer Group includes Caixabank, Popular, Sabadell, Bankia, Bankinter and Liberbank. Includes exposure within the APS  
<sup>1</sup> Defined as the provisions on the RED loans divided by the sum of doubtful and sub-standard RED loans

# Asset Quality (7/8)

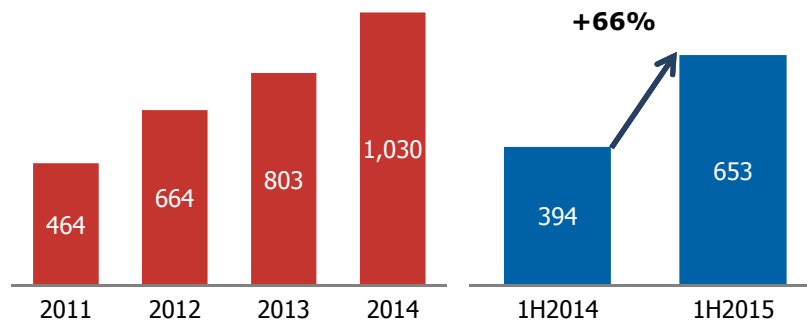
## Foreclosed Assets (1H2015)

€mm	Gross	Specific coverage	Coverage Ratio
<b>RED &amp; Construction foreclosed assets</b>	<b>1,352</b>	<b>734</b>	<b>54%</b>
<i>Finished properties</i>	404	173	43%
<i>Under construction</i>	54	27	50%
<i>Land</i>	894	534	60%
<b>Retail mortgages foreclosed assets</b>	<b>443</b>	<b>183</b>	<b>41%</b>
<b>Others</b>	<b>89</b>	<b>43</b>	<b>48%</b>
<b>Total</b>	<b>1,883</b>	<b>960</b>	<b>51%</b>

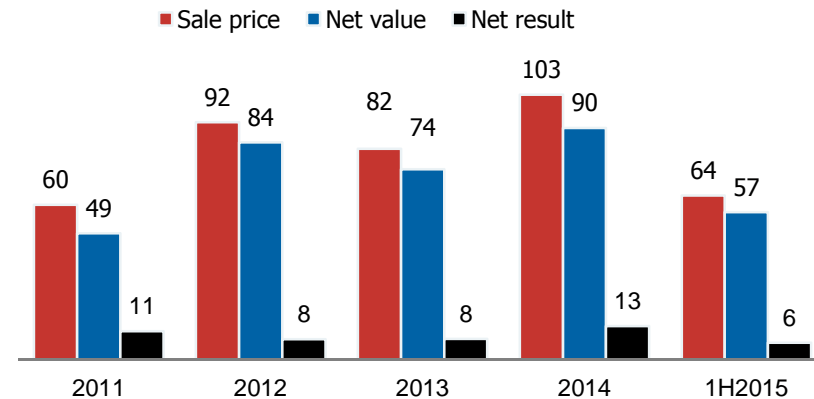
## Evolution of RE Units Sold

- Sales of foreclosed assets so far have resulted in recovery of provisions

### No. of units sold



### Foreclosed asset sales (€mm)



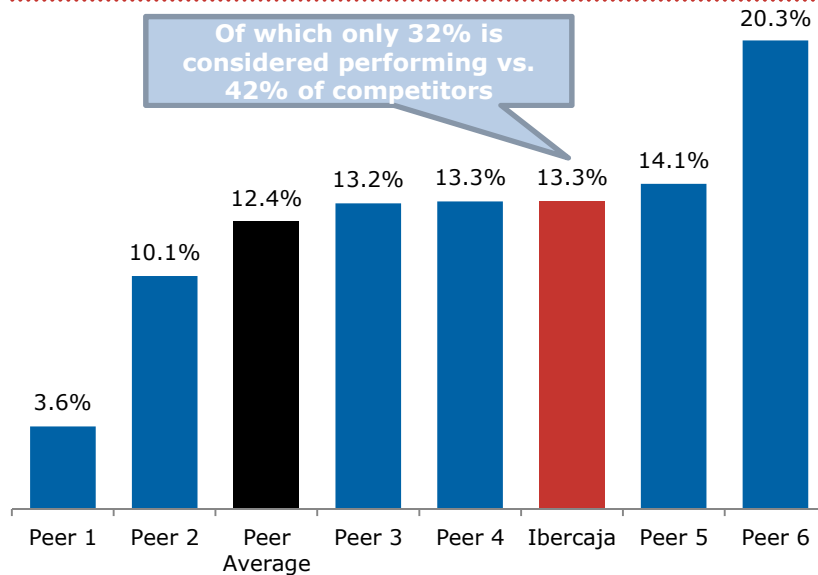


# Asset Quality (8/8)

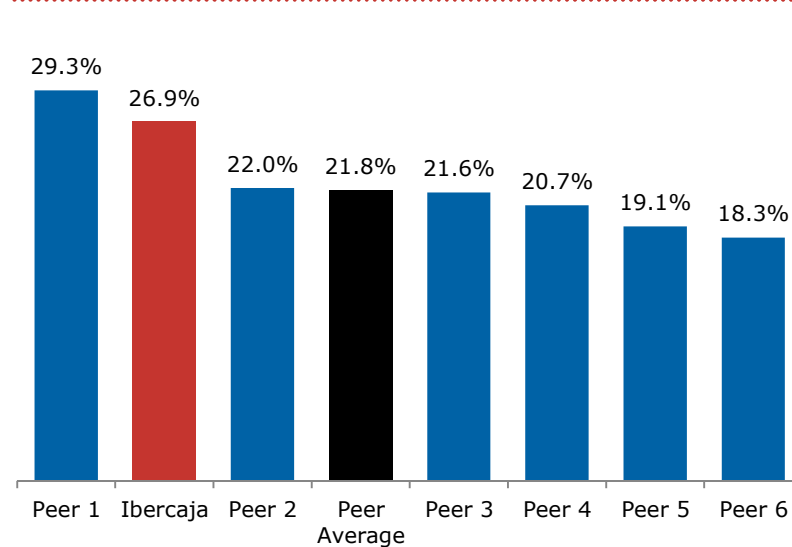
## Refinanced Loans

- **Ibercaja has set high standards regarding underwriting of refinanced loans. All refinanced loans have the followings conditions:**
  - Maintain or increase the credit quality through new guarantees
  - Maximum maturity of operations of 40 years for mortgages
  - Maximum grace period for amortization (24 months) and interest (12 months)
  - Refinanced loans have to be marked and are subject to regular monitoring

**Refinanced Loans % Gross Loans**  
(1H2015)



**Coverage Ratio of Total Refinanced Loans**  
(1H2015)



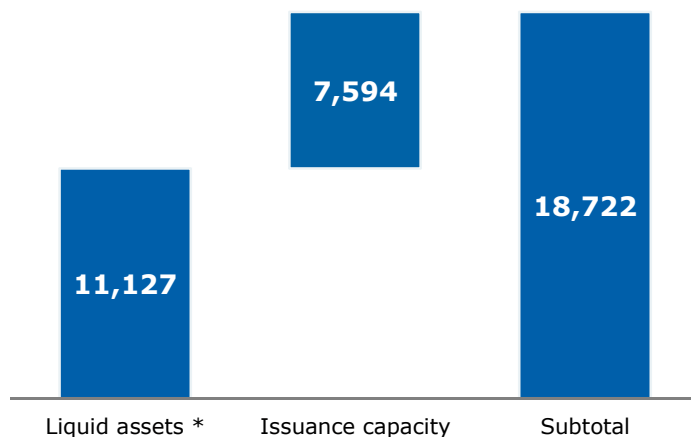
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# Liquidity and Solvency (1/5)

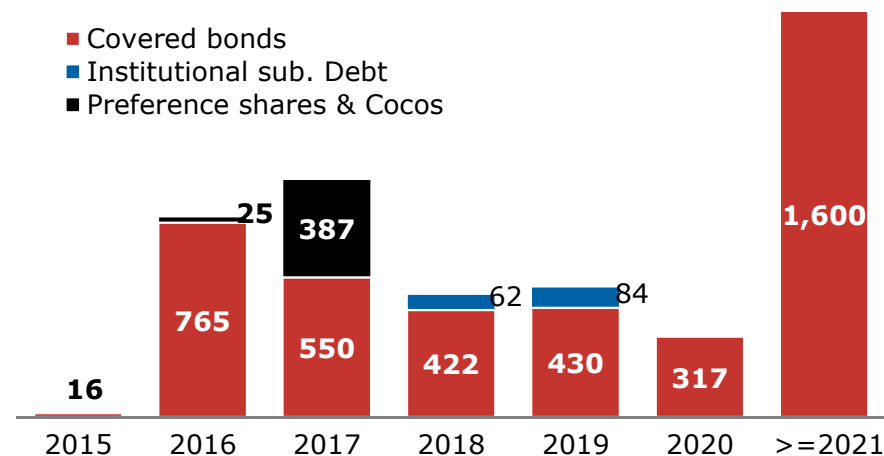
## Liquidity and Maturities

- **Ibercaja Banco benefits from a comfortable liquidity position** with available liquid assets over €11.1bn (18.2% of total assets)
- **LCR and NSFR ratios stand at 231% and 115% respectively (1H2015)**
- **Loan to Deposits ratio stands at 92%<sup>1</sup>**
- **ECB funding: €2.1bn TLTRO (3.4% of TA, -€2.7bn YTD) as of Sept-2015**
- **No relevant maturities left in 2015** and no significant concentration in coming years (below 1.5% of total assets every year)

### Liquidity Position - €mm / 1H2015



### Maturities Profile - €mm / 1H2015



<sup>1</sup> Net Loans ex. securitised loans / Customer deposits ex. repos + retail deposits through Financial Group + Securities distributed through the branch network.

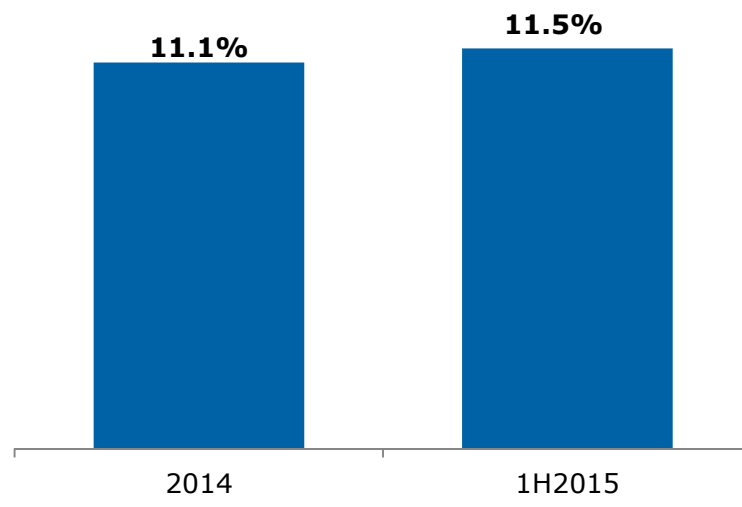
\* Liquid assets include unencumbered public debt + available & eligible fixed income assets (after ECB haircut applied)

# Liquidity and Solvency (2/5)

## Solvency

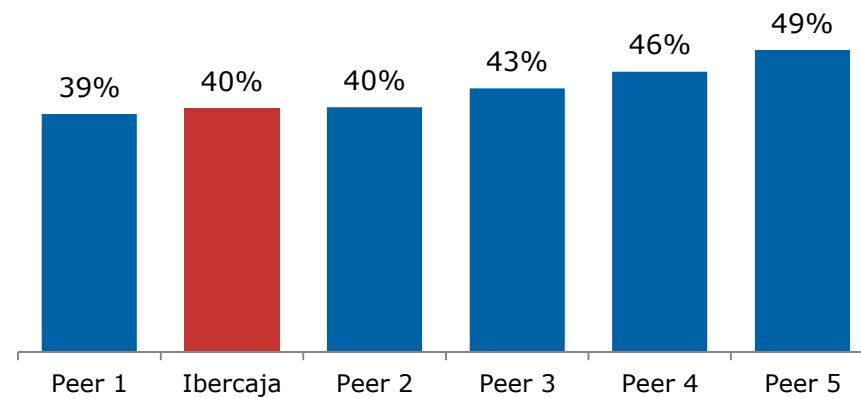
- CET1 Phased-In ratio: 11.5%
- Total Capital Phased-In ratio: 14.0%<sup>1</sup>
- RWA/AT at 39.6% calculated under the standardised approach

### Core Equity Tier 1 Phased-In - %



### RWA / TA %

Residential  
Mortgages%  
Loan Book



<sup>1</sup> Including recent Tier II transaction

# Liquidity and Solvency (3/5)

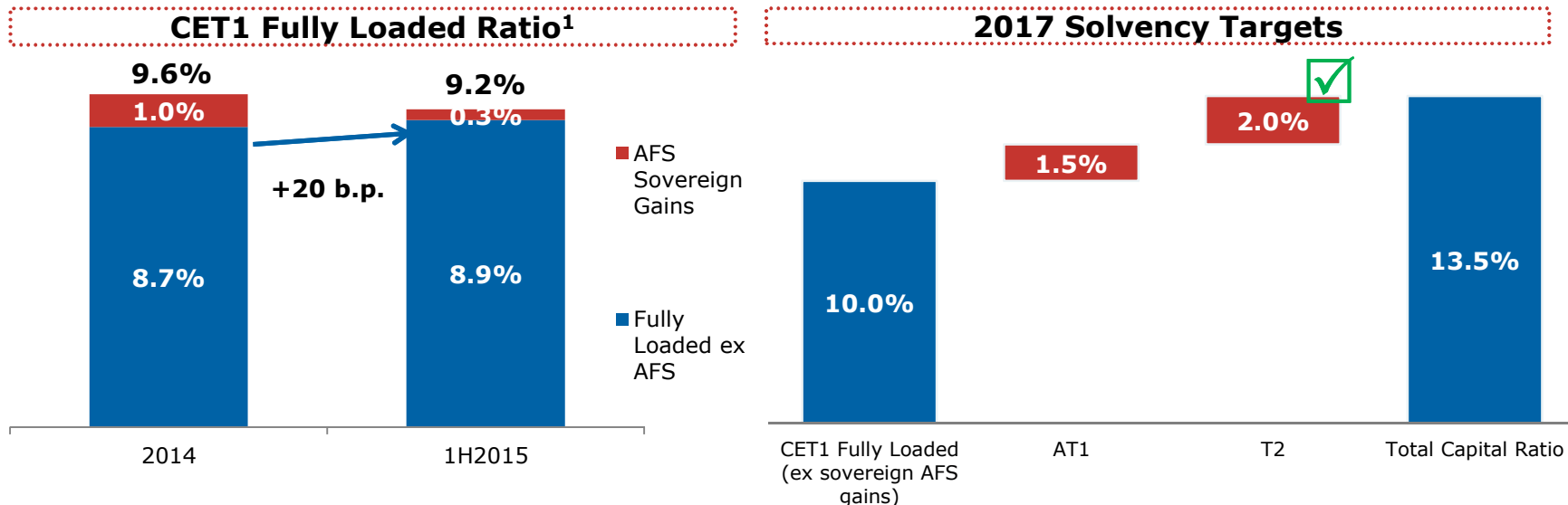
Solvency – ECB Stress Test		
	Base Scenario	Adverse Scenario
CET 1 phased-in (CRDIV/CRR Dec-13)	10.03%	10.03%
<b>AQR Impact</b>	<b>-2 b.p.</b>	<b>-2 b.p.</b>
Capital ratio after AQR	10.01%	10.01%
<b>Stress Test Impact</b>	<b>+56 b.p.</b>	<b>-213 b.p.</b>
CET 1 phased-in (CRDIV/CRR dec-16)	10.57%	7.88%
<b>Capital surplus (€mm)</b>	<b>694</b>	<b>657</b>

- **Ibercaja, under both scenarios, had a capital ratio that exceeded in more than two percentage points the minimum requirements, being such excess over €600mm of equity**

# Liquidity and Solvency (4/5)

## Solvency - Targets

- **Ibercaja Banco has recently completed a placement of Tier II debt totalling €500mm.** The transaction represents 200 basis points of Tier II capital, fulfilling the bucket allowed under Basel III regulation
- Issuing a Tier 2 security is the first step towards **building a more diversified and efficient capital structure after the Cajatres integration.** The next step will be the IPO in any case no later than December 2018
- **Ibercaja Banco is on track to reach a 10% CET1 Fully Loaded ratio (ex AFS sovereign gains) and a 13.5% Total Capital ratio by 2017**



<sup>1</sup> Not including CoCos; including unrealised AFS gains

# Liquidity and Solvency (5/5)

## Solvency

- Over the last years, Ibercaja has made a strong effort in provisioning and acquired Cajatres while maintaining adequate solvency **without**:



- Additionally, Ibercaja has several levers to raise capital if required:

**Sale and leaseback of branches  
(over 40% of the branches are owned by Grupo Ibercaja)**

**Sale of non core assets: real estate servicer, credit recovery platform, credit cards, value of in-force life business...**



# Index

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## Overview of Ibercaja Banco

 Introduction

 Key Highlights

- 1. Ibercaja Financial Group
- 2. Cajatres Acquisition
- 3. Asset Quality
- 4. Liquidity & Solvency

 **2017 Targets & Concluding Remarks**

## Covered Bond Programme

## 1H2015 Results

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# 10 Global Targets

*PLAN+*

2017 Targets & Concluding Remarks



Solvency

CET1 (fully loaded)	10%
Total Capital	13.5%



Profitability

ROTE (2018)	10%
Cost to Income Ratio ex Trading Income (2018)	50%



Leverage

Loan to Deposits Ratio	100%
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Asset Quality

NPL/ NPA Ratio vs. Competitors	-25%
Cost of Risk	50 p.b.



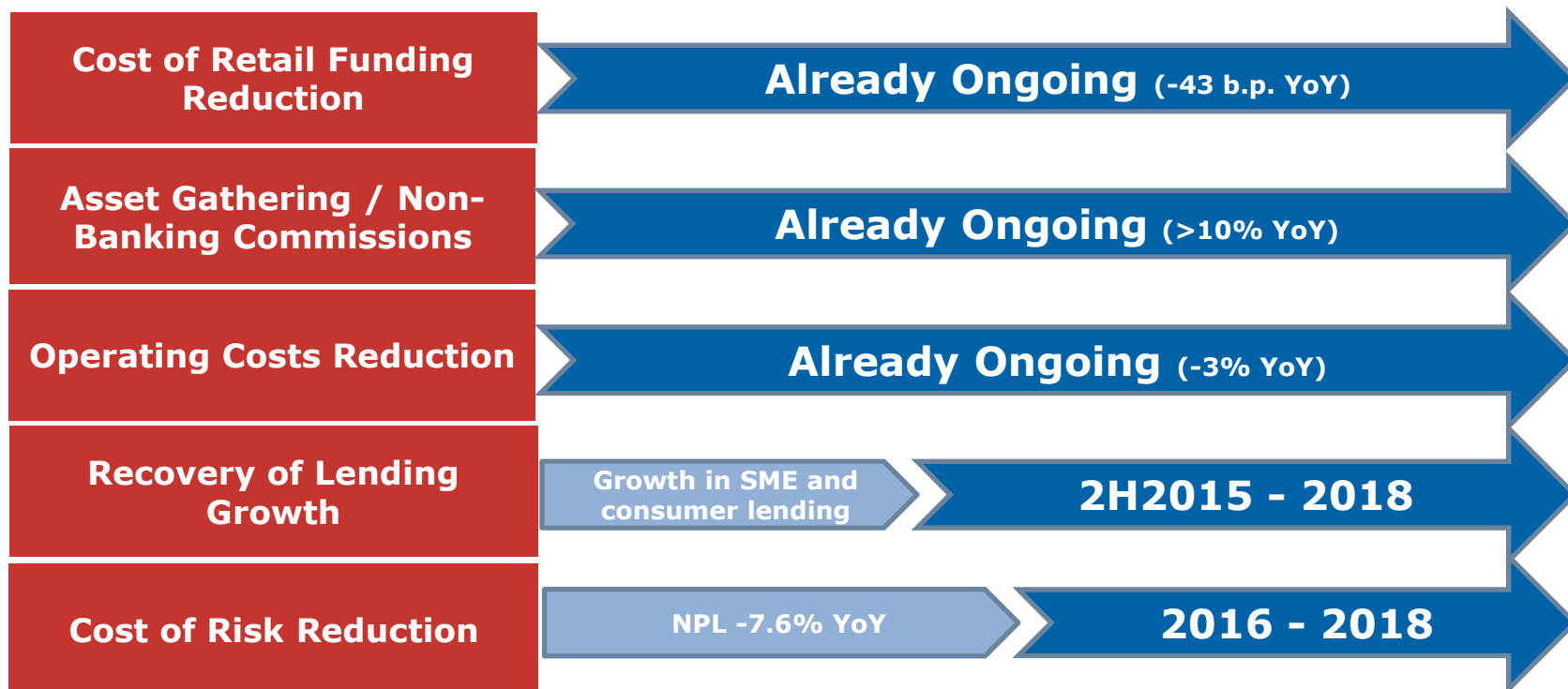
Market Position

Market Share (Business Volume)	10 b.p. / p.a.
Reputation Ranking	Top 3
Service Quality Ranking	Top 3



# 2015-2017 Strategic Plan

- **Ibercaja's Business Plan value drivers are gathering speed and will boost the P&L account in coming quarters**



# Concluding Remarks

<p><b>Prudent Risk Profile</b></p>	<ul style="list-style-type: none"> <li>■ Consistently outperforming the sector in terms of asset quality, Ibercaja has been able to absorb the significant impact of new provisioning requirements without raising capital or selling core assets</li> <li>■ No direct public aid: Ibercaja (excluding Cajatres) is one of the four Spanish former savings banks which has not received any state aid</li> </ul>
<p><b>Best in Class Managing Customer Funds</b></p>	<ul style="list-style-type: none"> <li>■ High loyalty of customer base results in a low cost of retail funding</li> <li>■ The Financial Group, created in the 80's manages 36% of total customer funds</li> <li>■ This positioning offers a diversified and recurrent revenue base, and represents a solid base for growth in attractive niche markets, such as personal banking</li> </ul>
<p><b>Sensible Growth Strategy</b></p>	<ul style="list-style-type: none"> <li>■ Long-term early expansion in key areas of Spain (mainly in Madrid and Mediterranean basin), now offers a well established platform with high growth potential</li> <li>■ Strong strategic rationale of Cajatres acquisition</li> </ul>
<p><b>Customer Service Excellence</b></p>	<ul style="list-style-type: none"> <li>■ Quality of customer service as a differentiating factor: Best Practice in Customer Satisfaction (FRS Inmark), EFQM 500+, first certificate AENOR CONFORM in personal banking advisory ever granted in Spain</li> <li>■ Ibercaja's customer base not impacted by the sale of floors, retail sub-debt and preferred shares which have triggered substantial litigation in the system</li> </ul>
<p><b>2015-2017 Strategic Plan</b></p>	<ul style="list-style-type: none"> <li>■ New strategic plan based in extracting Cajatres acquisition synergies and improving the recurrent revenue generation with an special focus in Personal Banking and the SME sector</li> <li>■ Ibercaja to IPO no later than 2018</li> </ul>



# Index

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▶ **Overview of Ibercaja Banco**

▶ **Covered Bonds Programme**

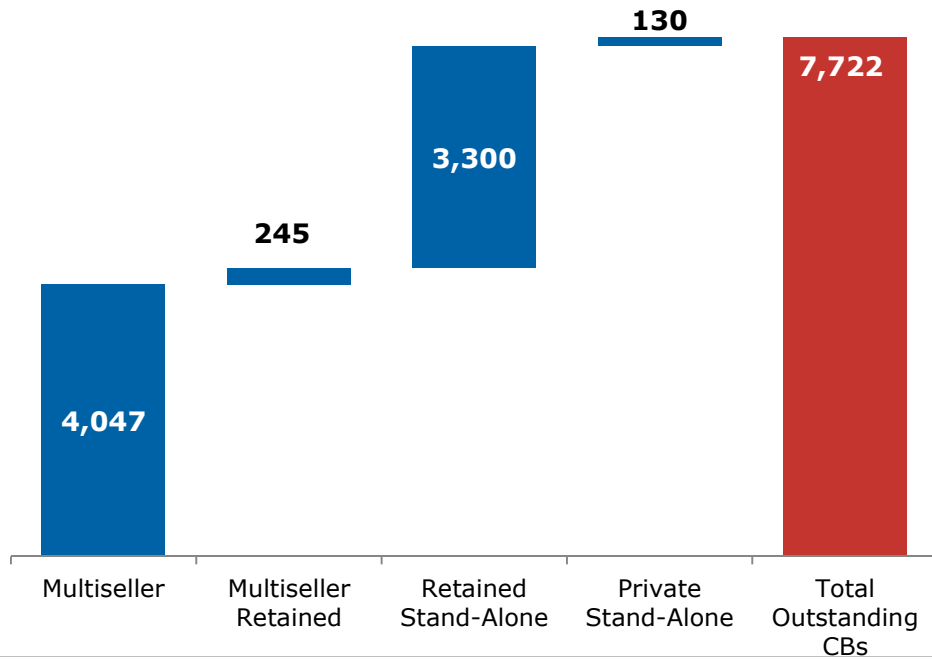
▶ **1H2015 Results**



# Covered Bonds Programme (1/5)

- As of June 2015 the Outstanding Cédulas Hipotecarias stand at €7.7bn
- Covered Bond Label Compliant
- Rated by S&P's and Moody's

Outstanding Cédulas Hipotecarias - 1H2015 €mm



Rating affirmed on March-15  
Outlook stable

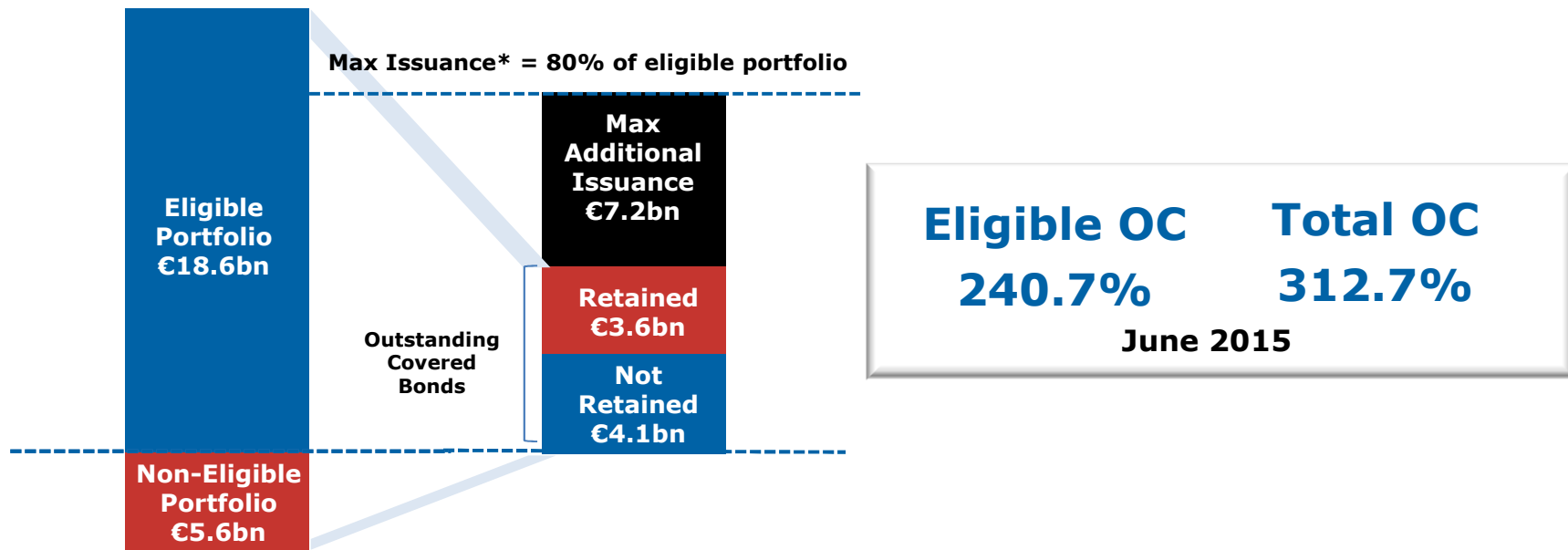


Rating upgraded on June-15:  
+1 notch Outlook stable

# Covered Bonds Programme (2/5)

## Sound Overcollateralisation Ratios...

- By law, outstanding CBs is limited to 80% of Eligible Portfolio. Ibercaja Banco Group ratio is 41.5% with an internal limit of 65%
- Leeway to increase OC ratios given over 40% of maturities are 100% retained covered bonds and the high volume of liquid assets

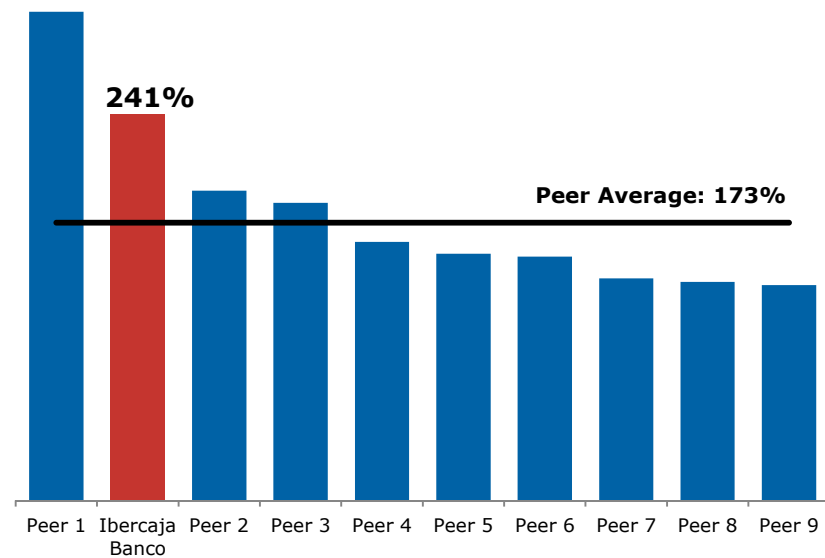
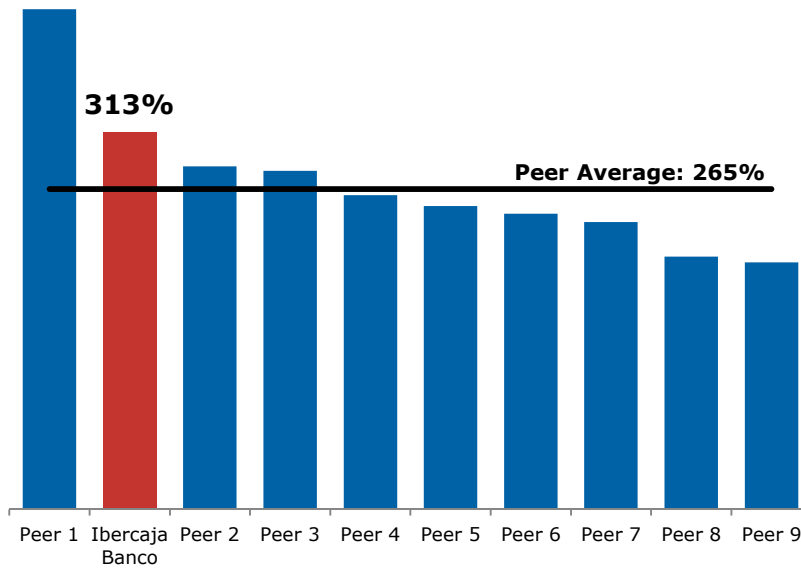


# Covered Bonds Programme (3/5)

... Well Above Sector Average...

Total Overcollateralisation

Eligible Overcollateralisation



Source: Covered Bond Label  
Peer Group includes Bankia, Bankinter, BBVA, Caixabank, Kutxabank, Popular, Sabadell, Santander and Unicaja

# Covered Bonds Programme (4/5)

## ... and Still Remarkable in Highly Stressed Scenarios\*

- Even in an extremely stressed scenario, mortgage portfolio more than doubles outstanding Cédulas Hipotecarias

IBERCAJA BANCO (June 2015)	(€mm)	Stressed Scenario		
		NPL (Defaulted)	Recovery Value	Resulting Mortgage Portfolio (mm)
Residential Mortgage Portfolio	18,142	20%	40%	15,965
Commercial Mortgage Portfolio	6,006	80%	10%	1,682
<b>TOTAL COVER PORTFOLIO</b>	<b>24,148</b>			<b>17,647</b>
<b>OVERCOLLATERALISATION</b>	<b>312.7%</b>			<b>228.5%</b>

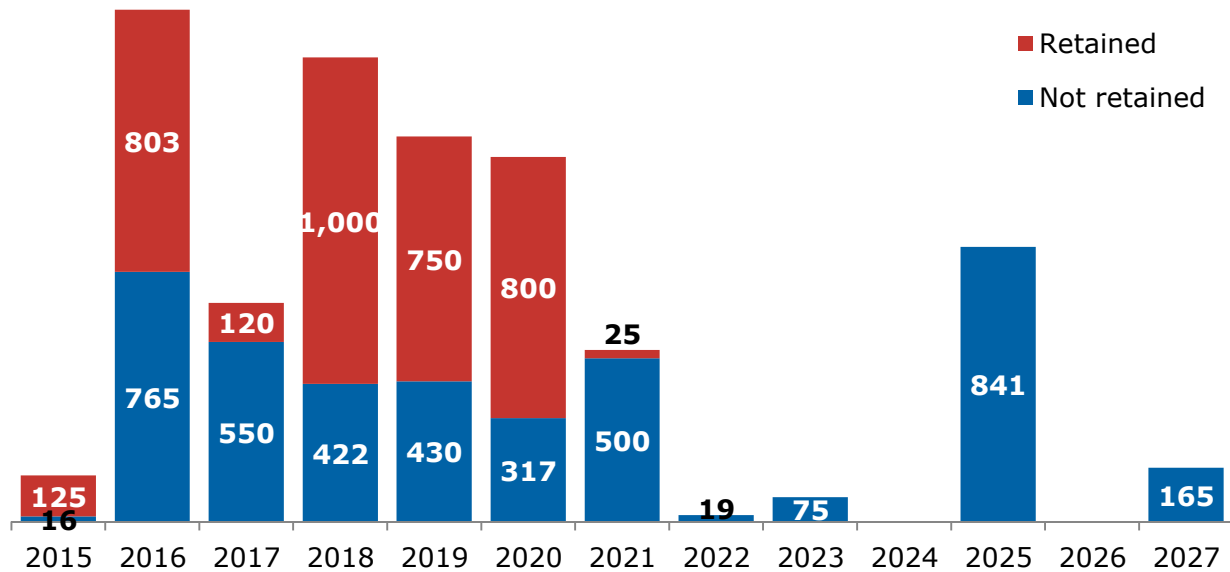
\* This scenario implies Expected Losses of 12% of total residential mortgage portfolio, and 72% of total Commercial Mortgage Portfolio.

# Covered Bonds Programme (5/5)

## Well Diversified Maturity Profile

- Annual maturities of not retained covered bonds below 1.5% of total assets per year

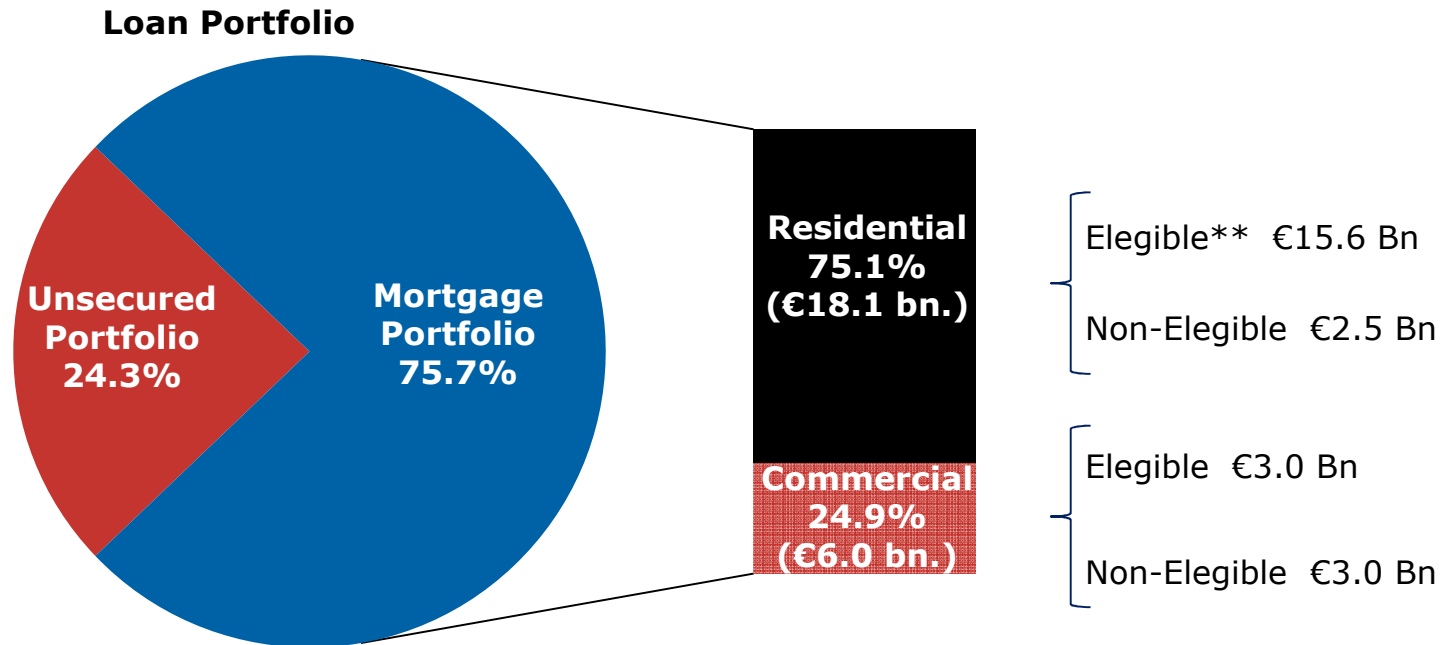
### Maturities - €mm





# Mortgage Portfolio (1/4)

■ Total mortgage portfolio\* stands at €24.1bn



\*Cover pool for Cédulas Hipotecarias. Securitised loans are not included.

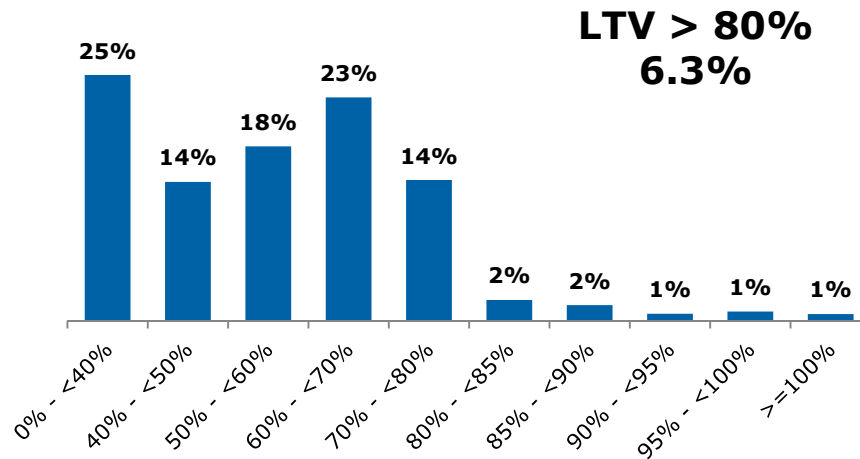
\*\*Composed by first-lien mortgage loans; up to 80% LTV for residential purposes and 60% for commercial purposes; valuation of the securing properties carried out by authorised appraisal companies; maximum 20% corresponding to construction loans; unpaid amounts on the loans do not qualify.

# Mortgage Portfolio (2/4)

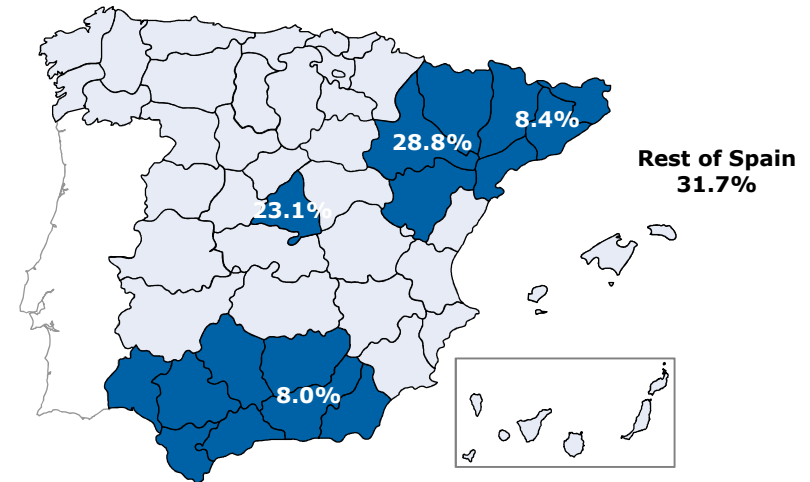
## Total Mortgage Portfolio

<b>Loan Balance</b>	€24.1 Bn	<b>Average Seasoning</b>	78.7 Months
<b>Eligible Portfolio</b>	€18.6 Bn	<b>Avg. Remaining Term</b>	20.0 Years
<b>Average Loan</b>	€85,838	<b>WALTV (%)</b>	53.87%
<b>Number of Loans</b>	281,329	<b>NPL (%)</b>	8.61%
<b>Number of Borrowers</b>	454,542		

## LTV Distribution



## Geographic Distribution

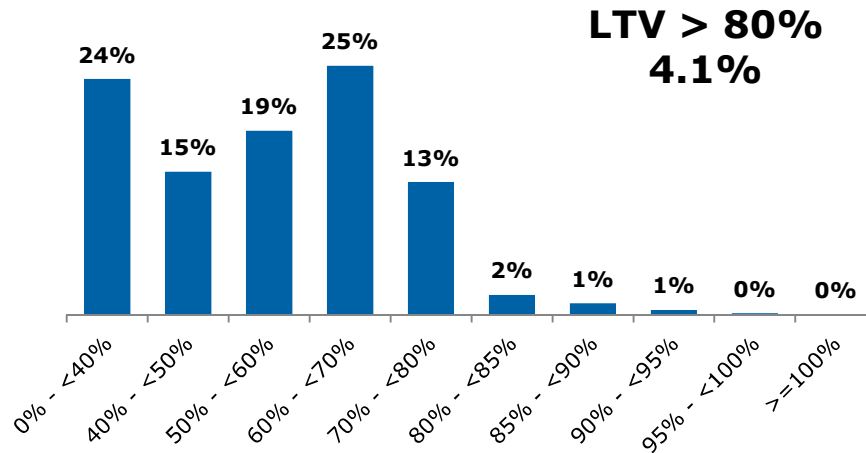


# Mortgage Portfolio (3/4)

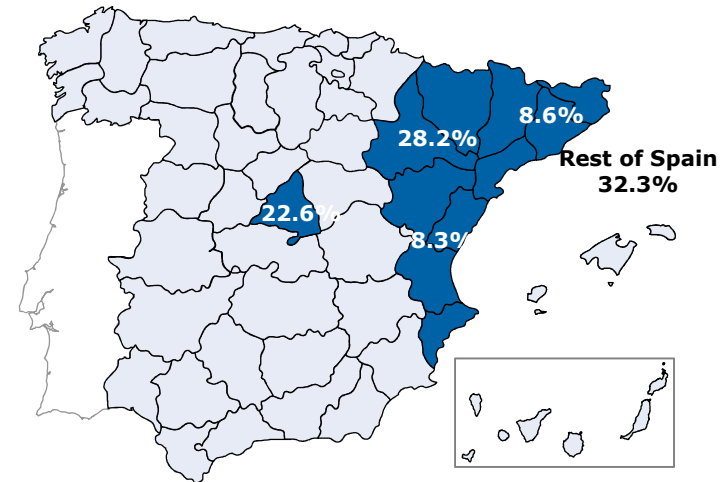
## Residential Portfolio

<b>Loan Balance</b>	€18.1 Bn	<b>Average Seasoning</b>	82.5 Months
<b>Eligible Portfolio</b>	€15.6 Bn	<b>Avg. Remaining Term</b>	22.3 Years
<b>Average Loan</b>	€73,748	<b>WALTV (%)</b>	53.26%
<b>Number of Loans</b>	246,000	<b>NPL (%)</b>	4.06%
<b>Number of Borrowers</b>	401,770		

### LTV Distribution



### Geographic Distribution

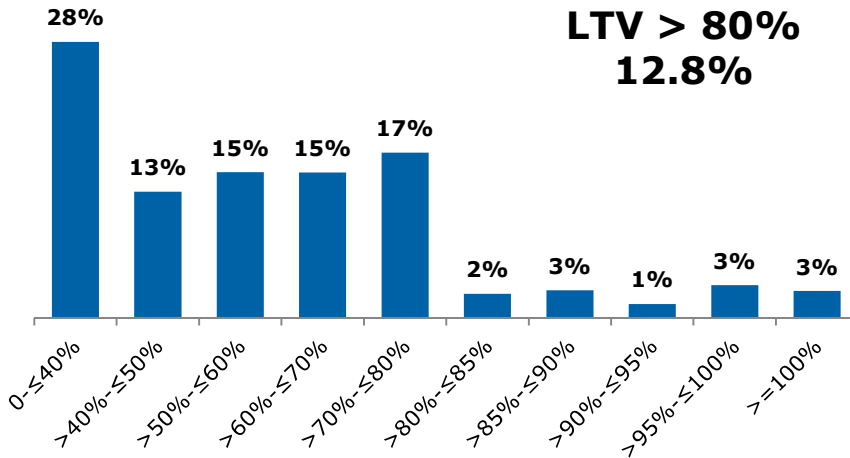


# Mortgage Portfolio (4/4)

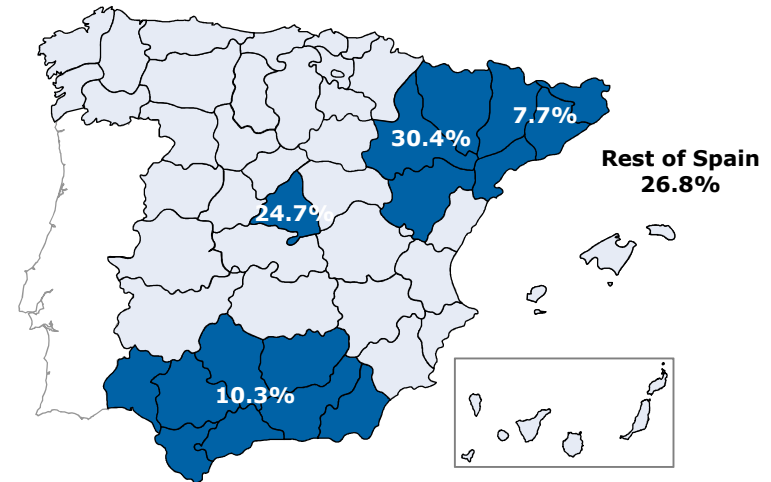
## Commercial Portfolio

<b>Loan Balance</b>	€6.0 Bn	<b>Average Seasoning</b>	67.1 Months
<b>Eligible Portfolio</b>	€3.0 Bn	<b>Avg. Remaining Term</b>	12.9 Years
<b>Average Loan</b>	€169,988	<b>WALTV (%)</b>	55.72%
<b>Number of Loans</b>	35,329	<b>NPL (%)</b>	22.34%
<b>Number of Borrowers</b>	52,772		

### LTV Distribution



### Geographic Distribution





# Index

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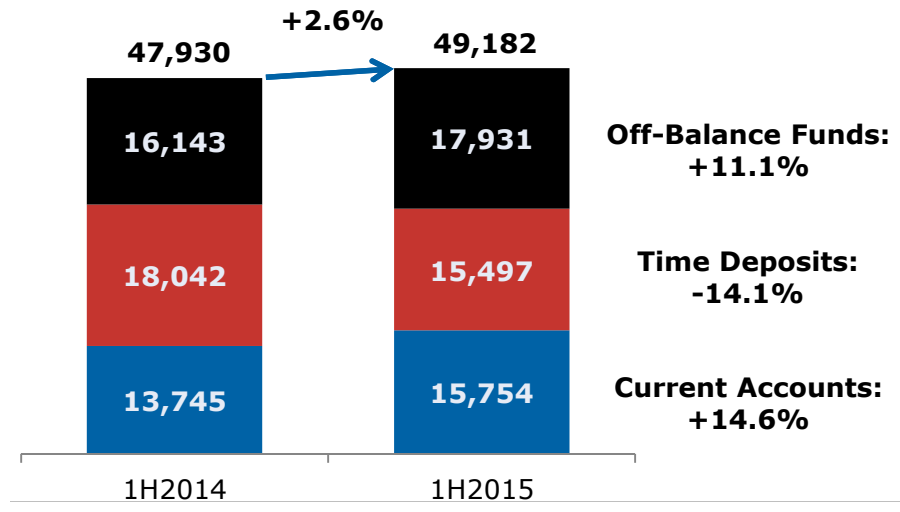
- ▶ **Overview of Ibercaja Banco**
- ▶ **Covered Bonds Programme**
- ▶ **1H2015 Results**



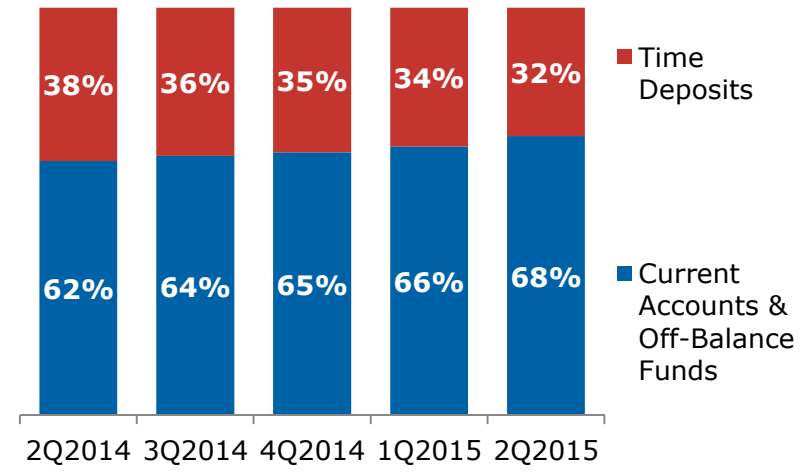
# Retail Funds

- **Total retail funds increase 2.6% YoY (+€1.3bn).**
  - **Profitable mix:** current accounts and off-balance sheet funds represent 68.5% of total retail funds vs. 62.4% in 1H2014
  - **Strong increase in off-balance sheet funds (+11.1% YoY),** especially focused on mutual funds (+24.6% YoY)

**Total Retail Funds – €mm**



**Total Retail Funds Distribution**



# Customer Loans

## Loan Portfolio Evolution – €mm

	1H2014	2H2014	1H2015	YoY	YTD
<b>Loans to Individuals</b>	<b>25,879</b>	<b>24,979</b>	<b>24,470</b>	<b>-5.4%</b>	<b>-2.0%</b>
Mortgages	24,388	23,685	23,090	-5.3%	-2.5%
Consumer & Others	1,491	1,294	1,380	-7.5%	6.7%
<b>Loans to SME/Corporate</b>	<b>10,458</b>	<b>10,016</b>	<b>9,728</b>	<b>-7.0%</b>	<b>-2.9%</b>
Real Estate	3,545	3,301	3,107	-12.4%	-5.9%
Non Real Estate	6,914	6,715	6,621	-4.2%	-1.4%
<b>Public Sector &amp; Others</b>	<b>822</b>	<b>1,066</b>	<b>1,105</b>	<b>34.5%</b>	<b>3.6%</b>
<b>Gross Loans ex Reverse Repo</b>	<b>37,159</b>	<b>36,061</b>	<b>35,303</b>	<b>-5.0%</b>	<b>-2.1%</b>

- **Deleveraging still taking place with a 5.0% YoY fall of customer loans focused in residential mortgages and the progressive reduction of real estate loans**
  - Recent evolution shows more encouraging trends. Loan portfolio falls just 0.5% on quartely basis, a significant improvement vs. previous quarters
- **New lending production is on track to achieve the €4bn target for 2015**
  - New lending production accelerates in the 2Q (€1.2bn) and reaches €1.9bn in 1H with a 35.9% YoY increase. SME accounts for 64% of total new lending

# 1H2015 Results

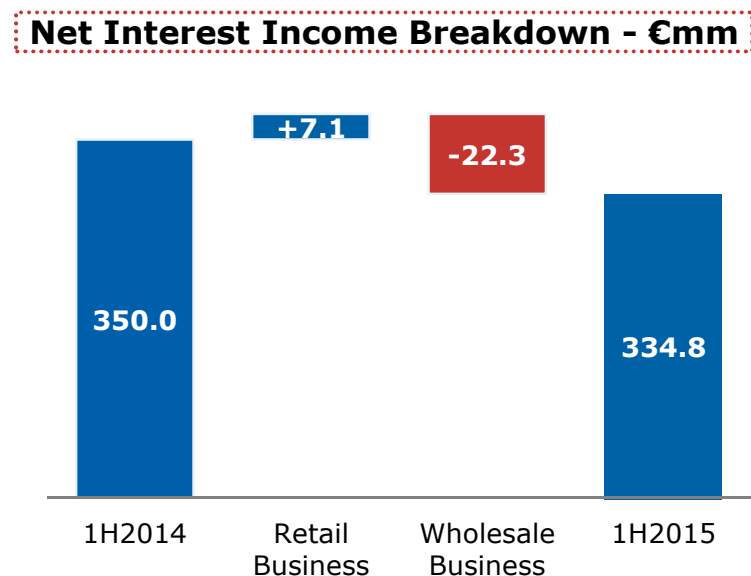
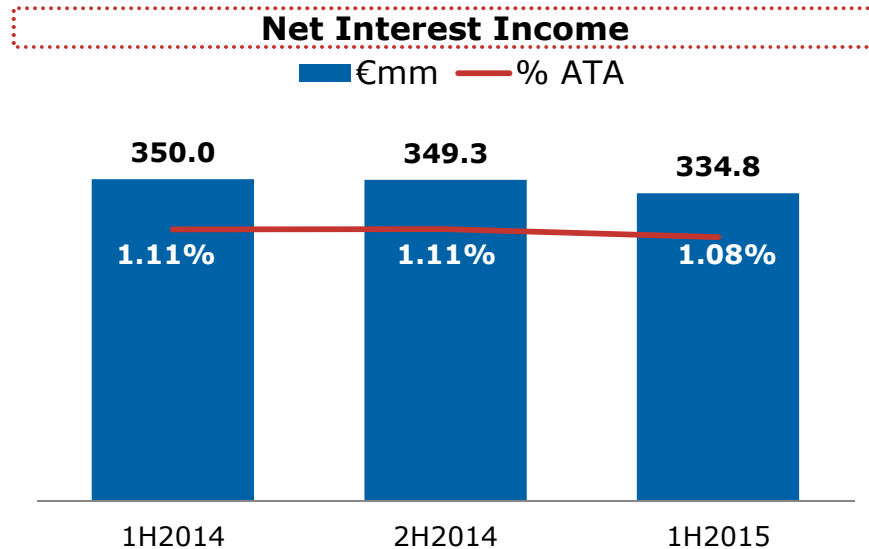
€mm	1H2014	1H2015	YoY	1H14 Non-recurring Items	1H15 Non-recurring Items	Adjusted YoY <sup>1</sup>
<b>Net Interest Income</b>	<b>350.0</b>	<b>334.8</b>	<b>-4.3%</b>			
Net Fee Income	155.9	163.9	+5.1%			
Trading Income	423.8	94.1	-77.8%	-380.3	-9.6	
Other Operating Inc. / Exp. (Net)	10.0	20.6	+106.0%			
<b>Gross Operating Income</b>	<b>939.7</b>	<b>613.4</b>	<b>-34.7%</b>			<b>7.9%</b>
Operating Costs	-354.9	-310.9	-12.4%	+34.3		-3.0%
<b>Pre Provision Profit</b>	<b>584.8</b>	<b>302.5</b>	<b>-48.3%</b>			<b>22.7%</b>
Total Provisions	-103.8	-208.6	+100.9%		+64.8	38.5%
Other Gains and Losses	5.4	4.7	-13.0%			
<b>Profit Before Taxes</b>	<b>486.4</b>	<b>98.6</b>	<b>-79.7%</b>			<b>9.6%</b>
Taxes & Minorities	144.6	28.9	-80.0%			
<b>Net Profit Attributable to Shareholders</b>	<b>341.8</b>	<b>69.7</b>	<b>-79.6%</b>			<b>9.8%</b>

<sup>1</sup> For 2014, it excludes trading gains related to the extraordinary sale of the fixed income portfolio (€380.3mm) and extraordinary expenses for the redundancy plans (€34.3mm in 1H2014). For 1H2015, it excludes the result from the sale of doubtful and written off loans (€9.6mm) and extraordinary provisions of €64.8mm

Note: for comparative purposes and due to IFRIC21 application (DGF levies) 1H2014 figures have been restated.



# Net Interest Income



## ■ Net interest income down 4.3% YoY

- Positive growth in retail business revenues as deposit cost reduction offsets loan deleveraging and Euribor fixing at historic lows
- Income reduction in wholesale business mainly related to the lower contribution of SAREB bonds and the progressive reduction of the fixed income portfolio

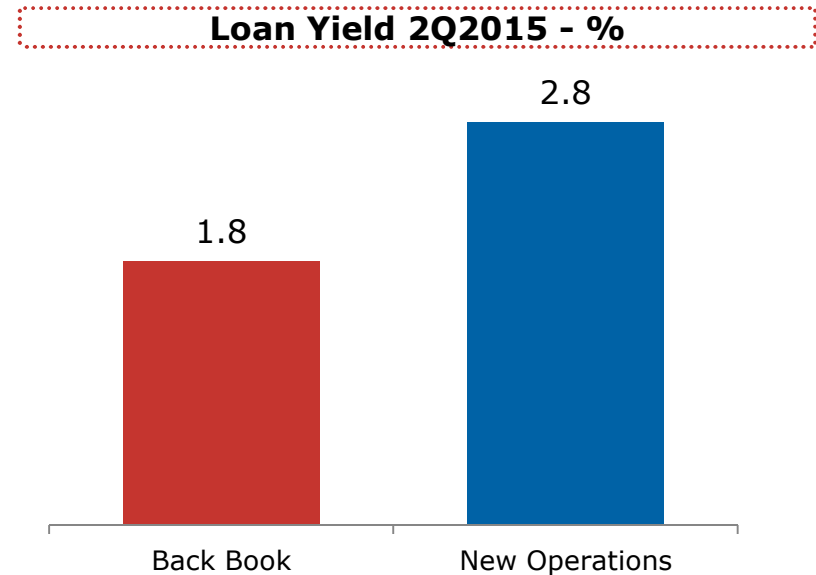
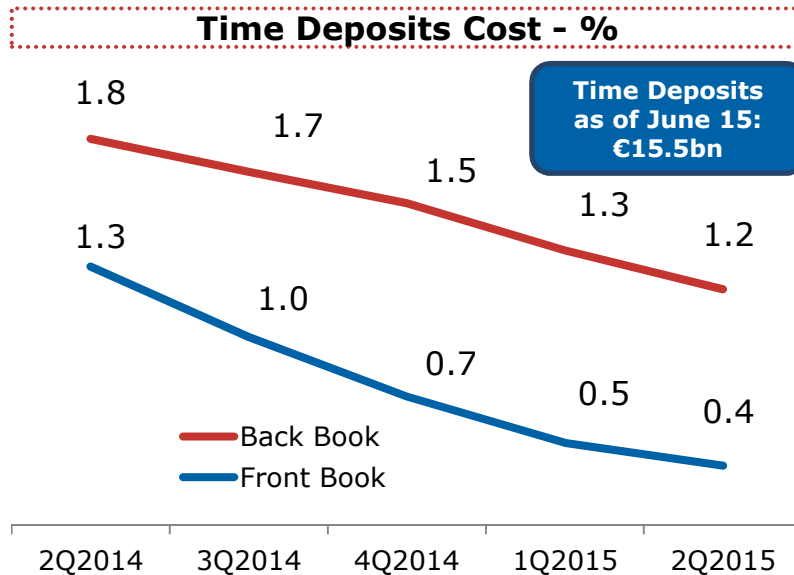
# Margin Evolution (1/2)

## ■ Retail funds cost reduction continues in 1H2015

➤ The repricing of time deposits book at current market rates represents a significant margin opportunity amounting to over €110mm or 17% of NII

## ■ Positive dynamics in loan repricing thanks to an improved new lending mix

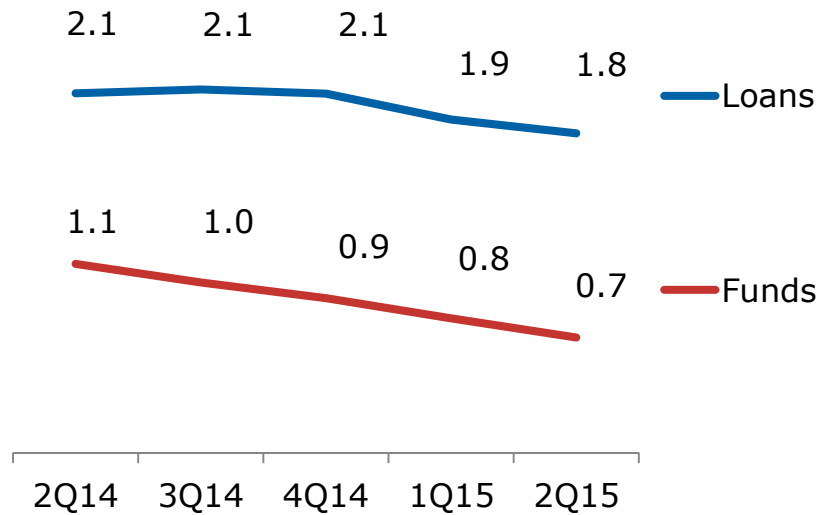
➤ Loan pricing for new operations is significantly above current portfolio



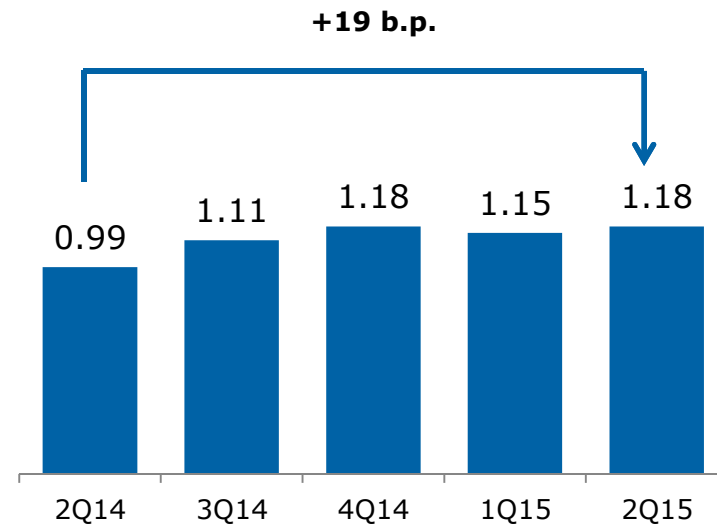
# Margin Evolution (2/2)

- Client margin improves 3 basis points QoQ (+19 b.p. YoY) as cost deposit reduction compensates for the lower loan yield

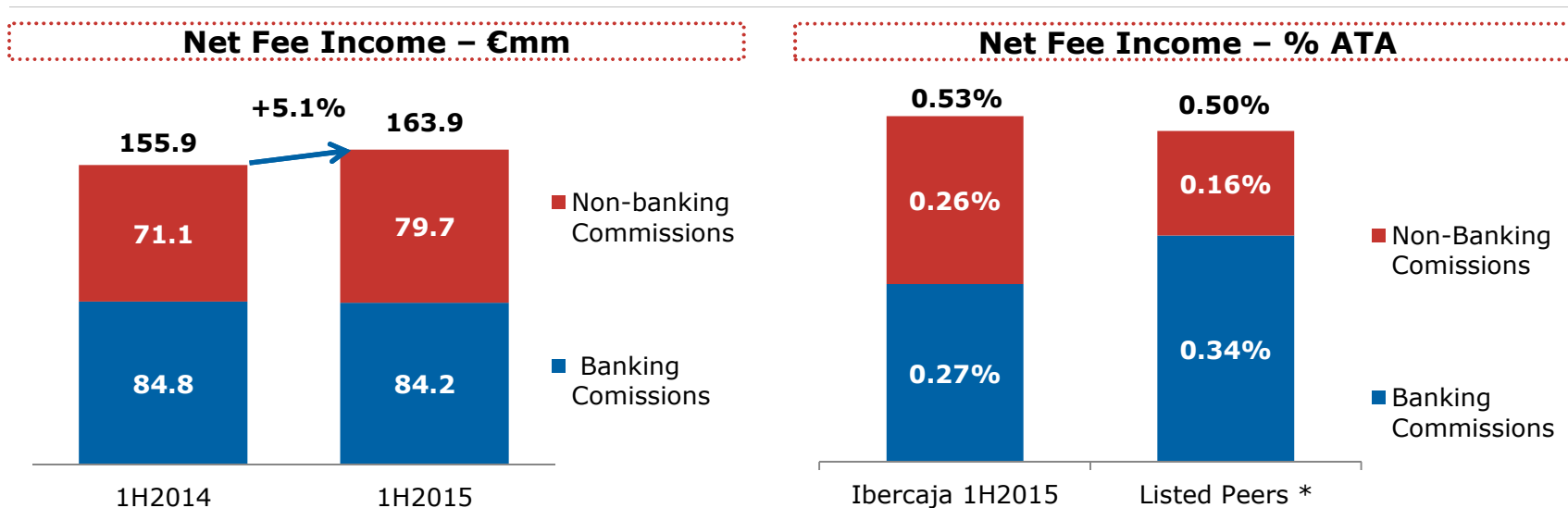
Loan Yield & Deposit Cost - %



Customer Spread - %



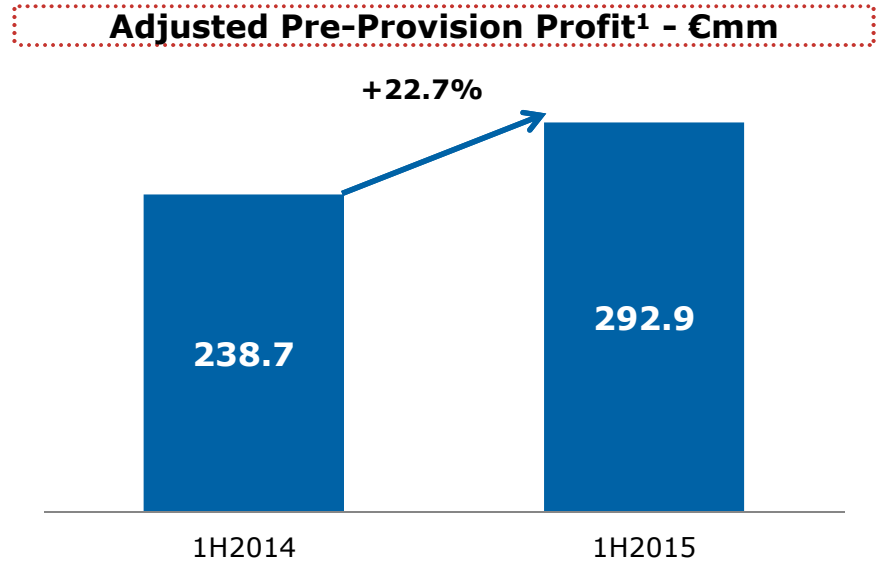
# Net Fee Income



- **Strong growth in net fee income (+5.1% YoY) driven by non-banking commissions (+12.1%)**
  - Non-banking commissions as % of ATA significantly higher than listed domestic banks thanks to 100% ownership of financial group (“Grupo Financiero”)
- **Banking commissions (-0.7%)** are affected by regulatory changes in credit cards fees
  - Growth in SME lending represents an opportunity to increase banking commission as % of ATA

\* Listed Peers includes Caixabank, Bankia, Popular, Sabadell, Bankinter & Liberbank. Data as of 1Q2015

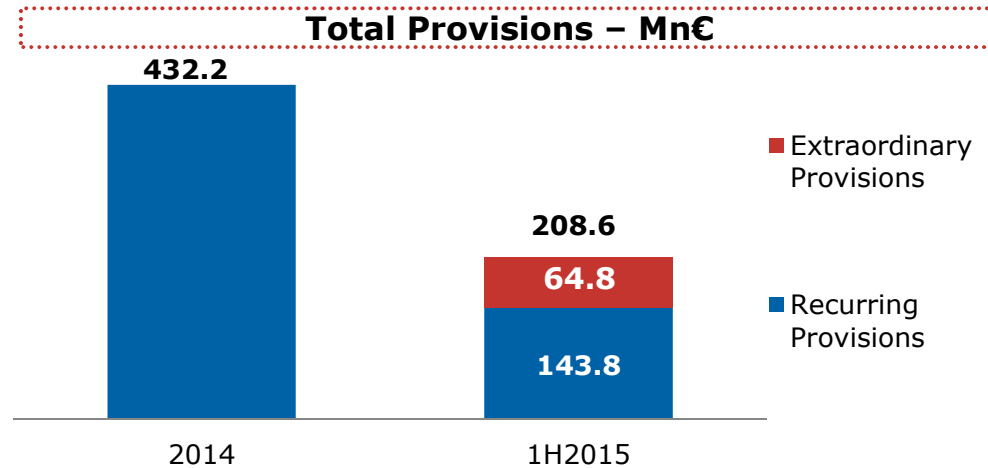
# Pre-Provision Profit



- Adjusted pre-provision profit<sup>1</sup> increases 22.7% YoY
- Reported pre-provision profit fall (-48.3%) is due to lower extraordinary trading income

<sup>1</sup> For 2014, it excludes trading gains related to the extraordinary sale of the fixed income portfolio (€380.3mm) and extraordinary expenses for the redundancy plans (€34.3mm in 1H2014). For 1H2015, it excludes the result from the sale of doubtful and written off loans (€9.6mm).

# Provisions and Net Profit



- **Total provisions reach 209Mn€ in 1H2015. Ibercaja has increased its provisioning effort with extraordinary provisions of €64.8mm in 1H**
  - ▣ Annualised recurrent provisions still above normalised levels
  - ▣ Ibercaja targets a 0.5% cost of risk in 2016
- **Reported net profit stands at €69.7mm. Adjusted net profit<sup>1</sup> increases 9.8% YoY**

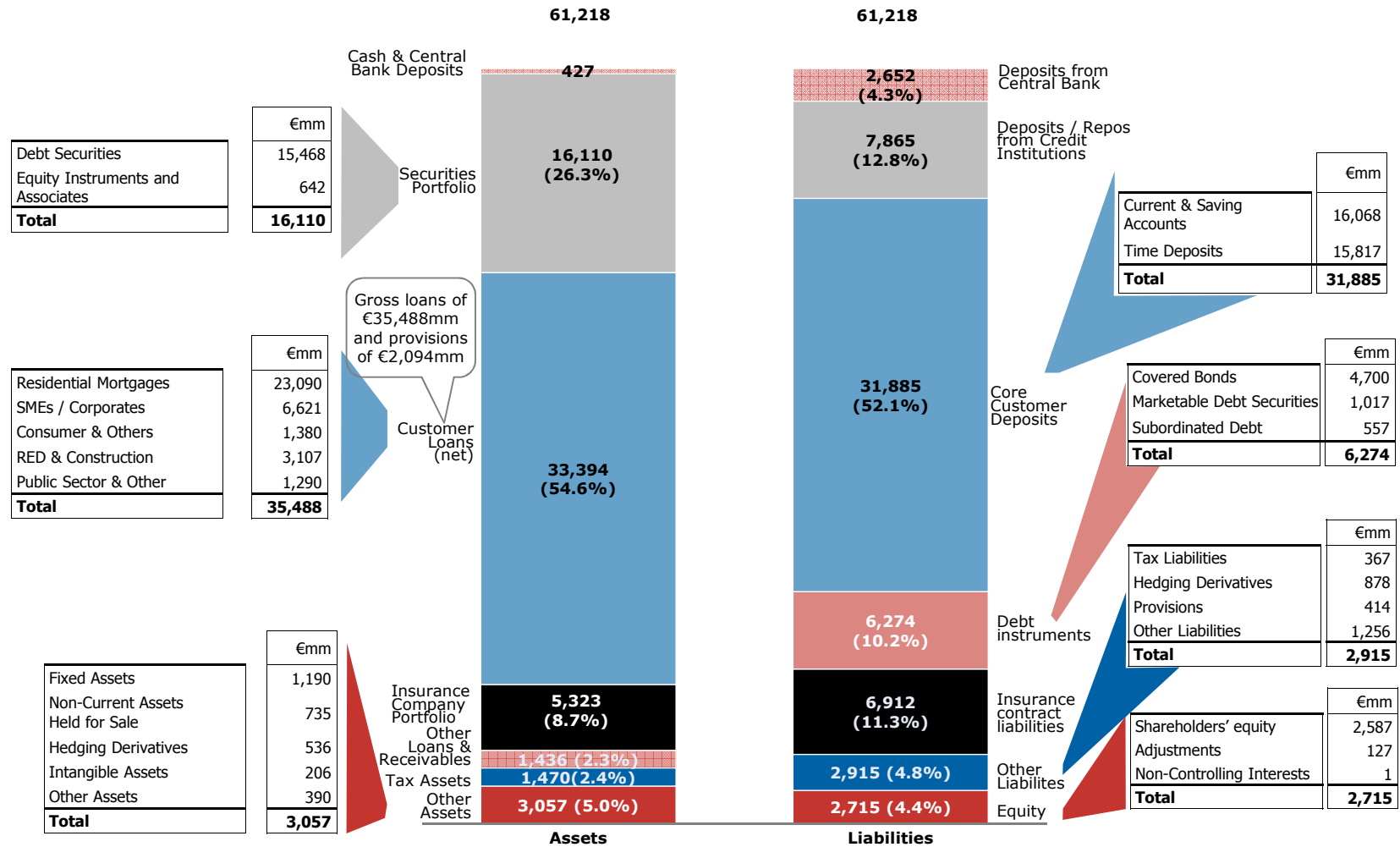
<sup>1</sup> For 2014, it excludes trading gains related to the extraordinary sale of the fixed income portfolio (€380.3mm) and extraordinary expenses for the redundancy plans (€34.3mm in 1H2014). For 1H2015, it excludes the result from the sale of doubtful and written off loans (€9.6mm) and extraordinary provisions of €64.8mm.



## **Annex 1: Balance Sheet & Fixed Income Portfolio**



# Consolidated Balance Sheet





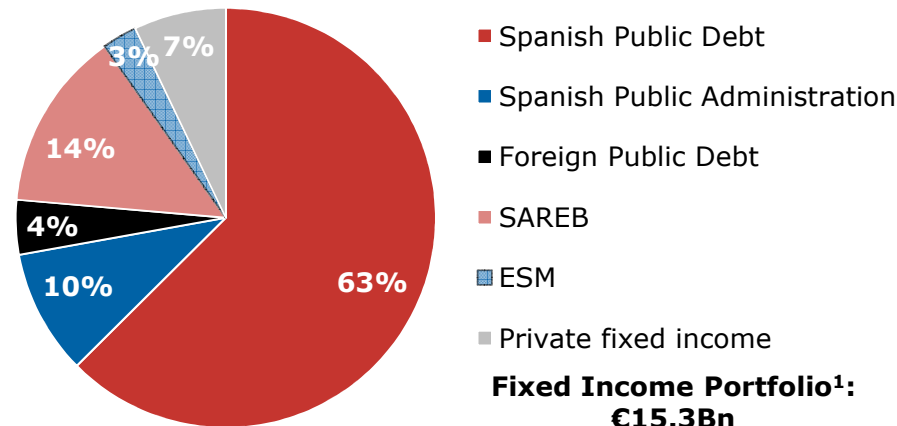
# Fixed Income Portfolio

- **Low risk with focus on Spanish sovereign debt and a low duration**

- Average duration of 3.2 years and unrealised capital gains over €136mm as of June 2015 (of which €46mm are AFS)
- Average yield stands at 1.9%

- **Early in 2Q, the portfolio was reduced by 5%. During the quarter, it has generated trading gains of over €50mm**

Fixed Income Portfolio – 1H2015



<sup>1</sup> Without including held-to-maturity capital gains



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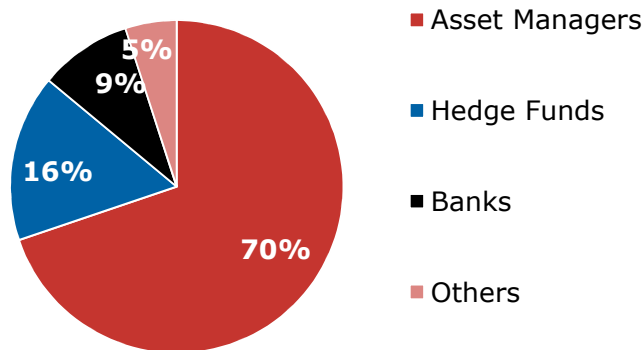
 **Annex 2: Tier II Transaction**



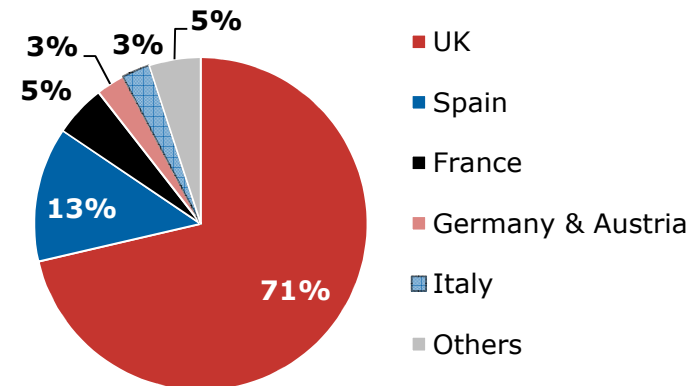
# Tier II Transaction

- On July 21 Ibercaja Banco completed a placement of subordinated debt (Tier II) totaling €500mm maturing in 10 years. The yield on the bonds was set at 5%.The demand exceeded €925mm with orders from more than 70 investors
- The transaction represents 200 basis points of Tier II capital, fulfilling the bucket allowed under Basel III regulation
- Ibercaja Banco is the first Spanish non listed bank to issue subordinated debt since the beginning of the restructuring of the financial system

**Investor Type Distribution**



**Geographic Distribution**





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 **Annex 3: Corporate Governance**



# Corporate Governance (1/4)

## Board of Directors

- 11 members, 3 independents
- According to the bylaws, the Board of Directors would have between 5-15 members
- The Board will:
  - Approve key corporate policies and strategies as well as monitor its implementation
  - Establish and monitor the Group's information and risk control systems
  - Prepare the Group and individual consolidated accounts
  - Appoint and remove of CEO

Name	Title	Type
Mr. Amado Franco Lahoz	Chairman	Non-executive proprietary director
Mr. José Luis Aguirre Loaso	First Vicechairman	Non-executive proprietary director
Mr. Francisco Manuel García Peña	Second Vicechairman	Non-executive proprietary director
Mr. Víctor Iglesias Ruiz	Chief Executive Officer	Executive
Mr. Jesús Bueno Arrese	Director	Non-executive proprietary director
Mr. Jesús Solchaga Loitegui	Director	Non-executive independent director
Ms. Gabriela González-Bueno Lillo	Director	Non-executive independent director
Mr. Juan María Pemán Gavín	Director	Non-executive proprietary director
Mr. Vicente Eduardo Ruiz de Mencía	Director	Non-executive proprietary director
Mr. Vicente Cándor López	Director	Non-executive independent director
Mr. Jesús Barreiro Sanz	Secretary of the Board	Non-executive proprietary director

# Corporate Governance (2/4)

## Other Committees

- **Audit and Compliance Committee.** 4 members, 2 independent (being the Chairman one of them). Its main powers, among others, are (i) to monitor the effectiveness of internal control, internal audit and risk management systems; (ii) monitor the preparation and presentation of regulated financial information (iii) issue annually, prior to the issuance of the audit report, a report stating an opinion about the independence of the auditor or the audit firm
- **Appointments Committee.** 4 members, 2 independent (being the Chairman one of them). It is entrusted with general powers to propose and report to the Board of Directors or the Shareholders meeting about any matters regarding appointments and terminations of Board members
- **Compensation Committee.** 4 members, 2 independent (being the Chairman one of them). It is entrusted with general powers to propose and report to the Board of Directors about any matters regarding compensations
- **Large Exposures and Solvency Committee.** 3 members, 1 independent (Chairman). Its main powers, among others, are: (i) proposing to the Board of Directors setting limits by type of risk and business; (ii) reporting, prior to its approval by the Board, the Risk Appetite Framework ("RAF") and the Risk Appetite Statement ("RAS") of Ibercaja Banco (iii) analysing and evaluating the risk management (including tax risk) policies of the Group in terms of risk profile (expected loss) and (iv) proposing measures it deems appropriate in order to strengthen the solvency of the Company, reporting on the Capital Adequacy Policy
- **Strategy Committee.** 4 members, 2 independent. It focuses on reporting to the Board about the strategic policy of Ibercaja Banco, ensuring that there is a specific organisation for its implementation

# Corporate Governance (3/4)

## Board of Trustees of Fundación Bancaria Ibercaja

- The main Governing Body of Fundación Bancaria Ibercaja is a Board of Trustees (*Patronato*). Fundación Bancaria Ibercaja has elaborated a protocol on the management of its participation in Ibercaja Banco. Such protocol, approved by the Bank of Spain, establishes:
  - The strategic basic criteria which governs the management of the participation of the Fundación Bancaria Ibercaja in Ibercaja Banco;
  - The relationship between Fundación Bancaria Ibercaja and the governing bodies of Ibercaja Banco;
  - General criteria ruling transactions between the Fundación Bancaria Ibercaja and Ibercaja Banco and mechanisms to avoid potential conflicts of interests;
  - Flows of information allowing the Fundación Bancaria Ibercaja and Ibercaja Banco to prepare their respective financial statements and to comply with their reporting obligations;
  - Principles of a potential cooperation of the Fundación Bancaria Ibercaja and Ibercaja Banco on corporate responsibility issues
- As a matter of law, by June 2016, the current Chairman of Ibercaja Banco / Fundación Bancaria Ibercaja will have to step down of one of the former positions

# Corporate Governance (4/4)

## Board of Trustees of Fundación Bancaria Ibercaja

Name	Title	Representation Group
Mr. Amado Franco Lahoz	Chairman	People with financial knowledge and experience
Mr. Honorio Romero Herrero	Trustee	Founding Entity*
Mr. Pilar de Yarza Monpeón	Trustee	Founding Entity*
Mr. Santiago Marraco Solana	Trustee	Entities that represent collective interests
Mr. Juan Francisco Sáenz de Buruaga y Marco	Trustee	Entities that represent collective interests
Mr. Juan Ramón Fabre Marqués	Trustee	Entities that represent collective interests
Mr. Jesús Máximo Bueno Arrese	Trustee	People with financial knowledge and experience
Ms. Eugenio Nadal Reimat	Trustee	People with financial knowledge and experience
Mr. Fernando Vicente Thomas	Trustee	People with financial knowledge and experience
Mr. Luis Enrique Arrufat Guerra	Trustee	People with financial knowledge and experience
Mr. Francisco Javier Palomar Gómez	Trustee	People with financial knowledge and experience
Mr. Jaime Jesús Sanaú Villaroya	Trustee	Renowned people in matters related to social welfare
Mr. José Luis Aguirre Loaso	Secretary (not a trustee)	-
Mr. Jesús Barreiro Sanz	Vicesecretary (not a trustee)	-

*\*Real y Excelentísima Sociedad Económica Aragonesa de Amigos del País*





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For more information, please visit our Website:  
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