1H2015 RESULTS

July 31, 2015

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Main Highligths

- **Total retail funds increase 2.6% YoY with a profitable mix**. Current accounts and off-balance sheet funds represent 68.5% of total retail funds.
  - Ibercaja Banco reaches €9bn in mutual funds with a 3.9% market share.
- **New lending production accelerates and reaches €1.9mm (35.9% YoY)** in 1H, however deleveraging still taking place (-5.0% YoY).
  - Consumer loan portfolio grows 6.7% YTD and SME lending turns positive QoQ.
- **Net profit of €69.7mm.** Deposit cost reduction, non banking commissions (+12.1% YoY) and a sound decrease in recurring operating expenses (-3.0% YoY) drive the P&L account.
- **NPL ratio down 45 basis points to 10.3% with one of the highest coverage ratios in the sector (57.2%).** NPL stock decreases 7.6% YoY (€301mm).
- **CET1 Phased-In ratio improves 41 b.p. YTD to 11.5%.**
  - 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 required by Basel III regulation for this instrument.

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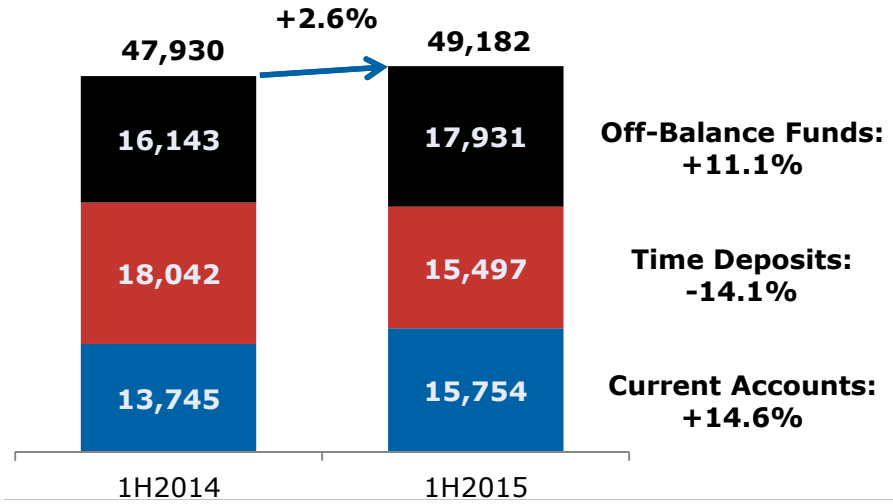
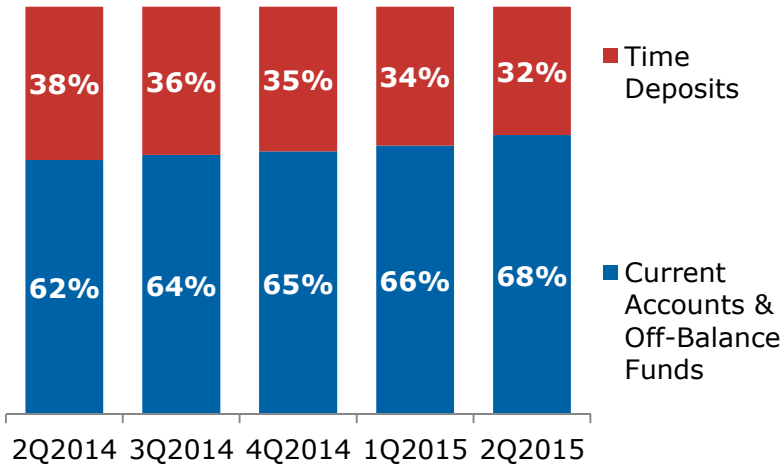
Retail Funds (1/2)

- **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



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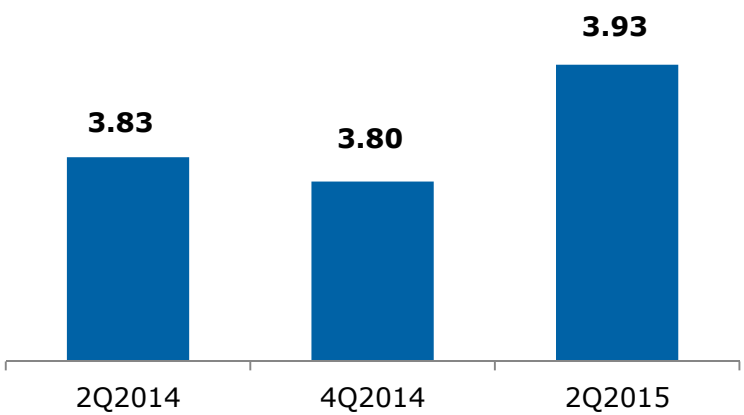
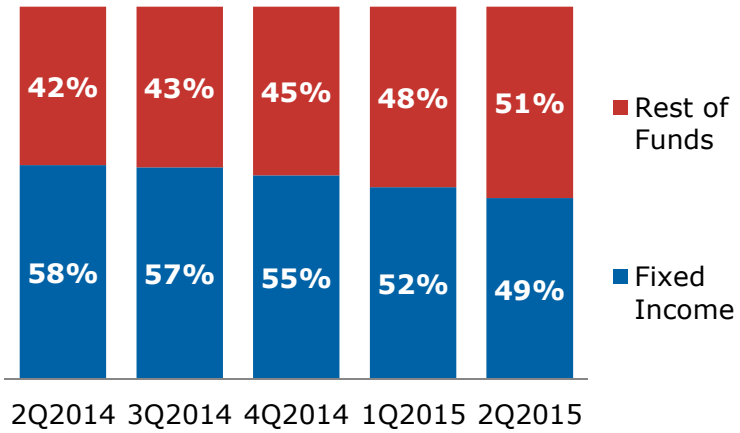
Retail Funds (2/2)

- **Excellent evolution in mutual funds:** Ibercaja Banco reaches €9bn funds with a 3.9% market share. Ibercaja Gestión becomes the 8th largest mutual fund manager[1] in Spain.
  - Net new money in 1H reaches €1.3bn (+124.4% YoY).
  - Market share well in excess of the banking business and growing (+13 b.p. YTD).
  - Improved product mix with fixed income funds already below 50% of total funds.

Ibercaja Market Share[1] – %



Breakdown of Mutual Funds[2]



[1] Source: Inverco
[2] Ibercaja Gestión

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Customer Loans (1/2)

Loan Portfolio Evolution – mm€

	1H2014	2H2014	1H2015	YoY	YTD
Loans to Individuals	**25,879**	**24,979**	**24,470**	**-5.4%**	**-2.0%**
Mortgages	24,388	23,685	23,090	-5.3%	-2.5%
Consumer & Others	1,491	1,294	1,380	-7.5%	6.7%
Loans to SME/Corporate	**10,458**	**10,016**	**9,728**	**-7.0%**	**-2.9%**
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%
Public Sector & Others	**822**	**1,066**	**1,105**	**34.5%**	**3.6%**
Gross Loans ex Reverse Repo	**37,159**	**36,061**	**35,303**	**-5.0%**	**-2.1%**

- **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.

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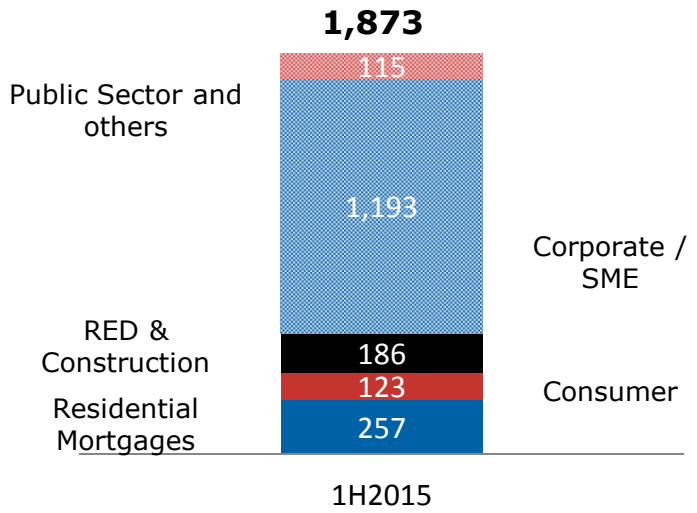
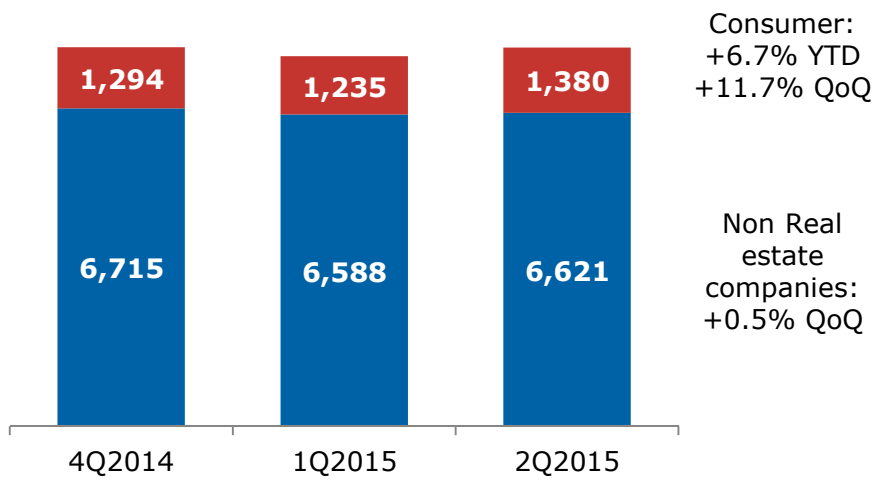
Customer Loans (2/2)

- **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 new loan production increases 54.7% YoY accounting for 64% of total new lending.
- **As a consequence, consumer lending grows 6.7% YTD and SME lending turns positive on a quarterly basis.**

New Lending Production – mm€



Loan Portfolio – mm€



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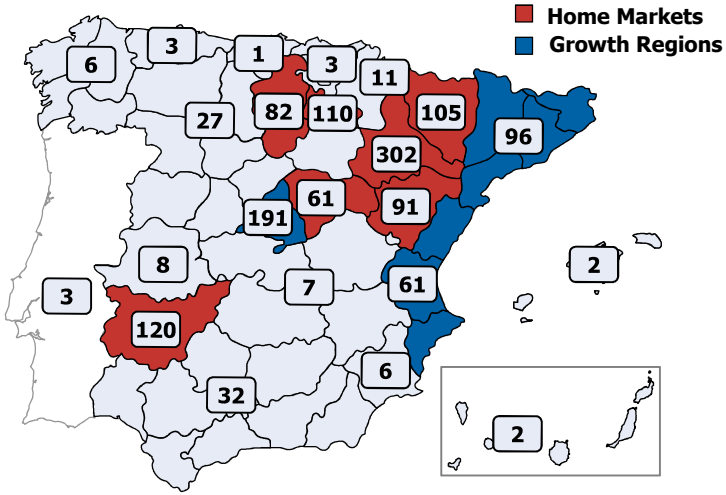
Main Markets Evolution

- Ibercaja Banco's early expansion into Madrid and the Mediterranean Basin **"Growth Regions"** has resulted in a well established footprint outside the bank's Home Markets. **These regions represent close to 30% of Ibercaja Banco's business volume.**

Branch Network (1H2015)



1,330 Branches (1H2015)

- Recent trends in the Growth Regions are positive:
  - New loan production grows 45.8% YoY and represents 47.9% of total production in 1H.
  - Total retail funds increase 6.7% YoY.
- In Aragón, synergies from Cajatres integration are materialising while maintaining the strong market share:
  - 24 additional branch closures in Aragón during the semester.
  - Customer funds increase 1.3% YoY.

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1H2015 Results

mm€	1H2014	1H2015	YoY	1H14 Non-recurring Items	1H15 Non-recurring Items	Adjusted YoY[1]
Net Interest Income	**350.0**	**334.8**	**-4.3%**			
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%			
Gross Operating Income	**939.7**	**613.4**	**-34.7%**			**7,9%**
Operating Costs	-354.9	-310.9	-12.4%	+34.3		-3.0%
Pre Provision Profit	**584.8**	**302.5**	**-48.3%**			**22.7%**
Total Provisions	-103.8	-208.6	+100.9%		+64.8	38.5%
Other Gains and Losses	5.4	4.7	-13.0%			
Profit Before Taxes	**486.4**	**98.6**	**-79.7%**			**9.6%**
Taxes & Minorities	144.6	28.9	-80.0%			
Net Profit Attributable to Shareholders	**341.8**	**69.7**	**-79.6%**			**9.8%**

[1] 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.

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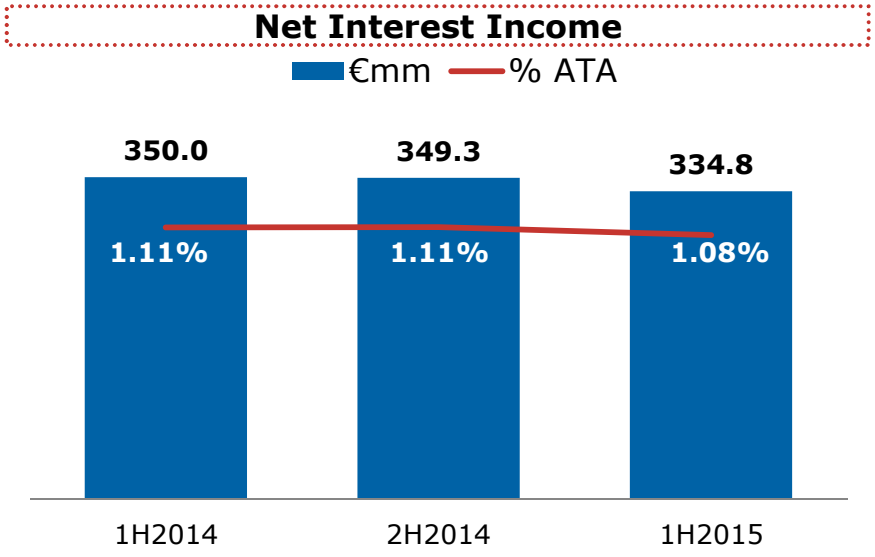
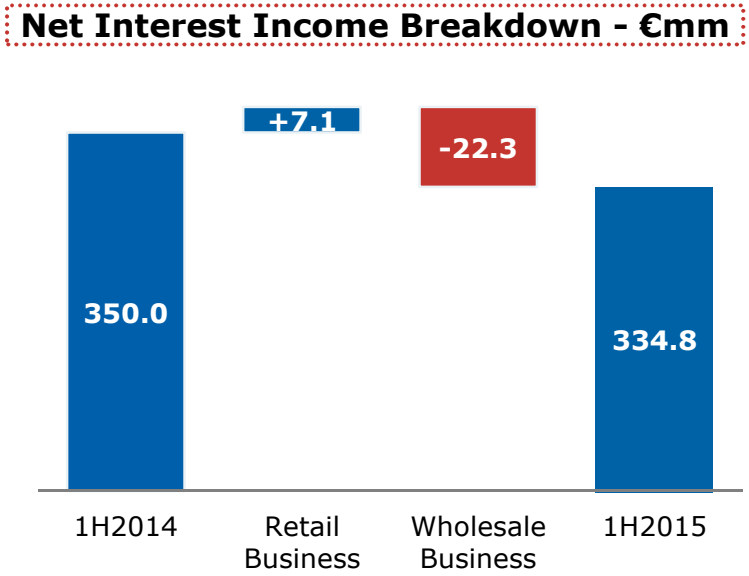
Net Interest Income





- **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.

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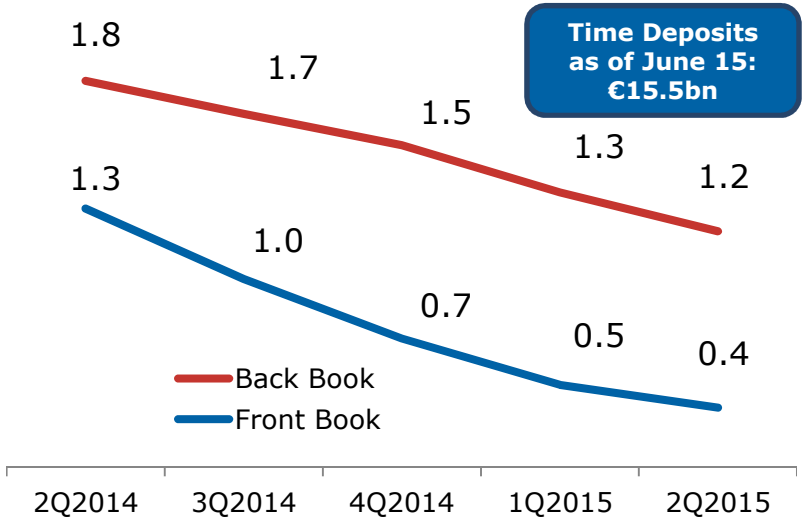
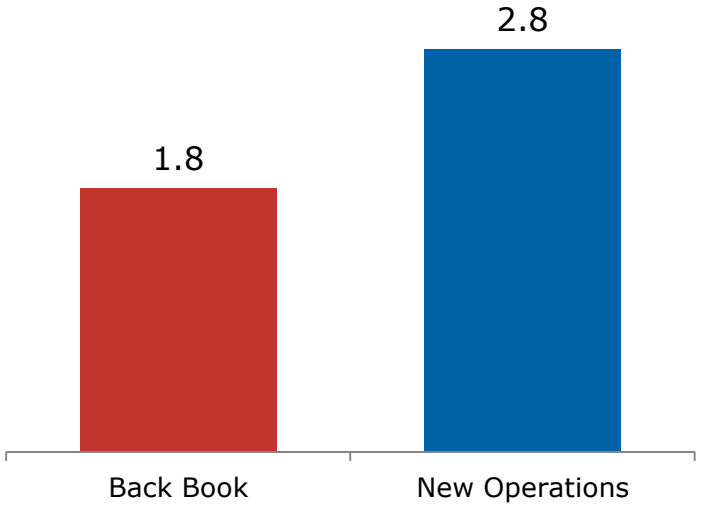
Margin Evolution (1/2)

- **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.

Time Deposits Cost - %



Loan Yield 2Q2015 - %



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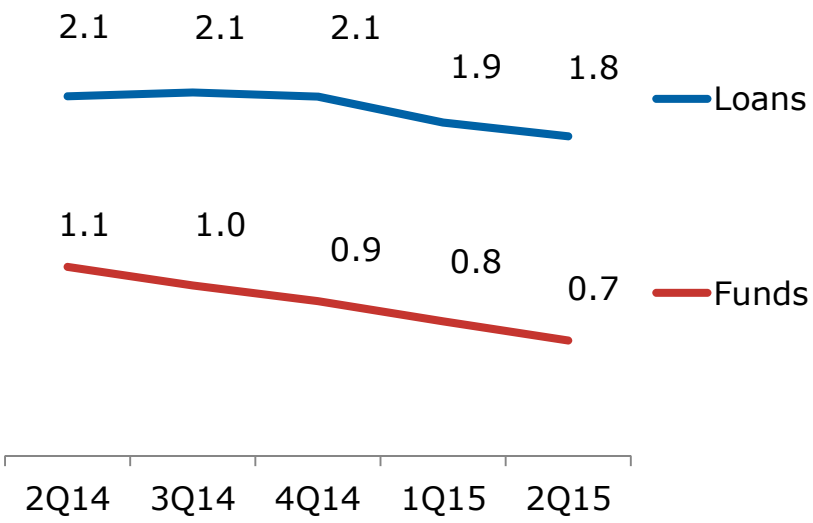
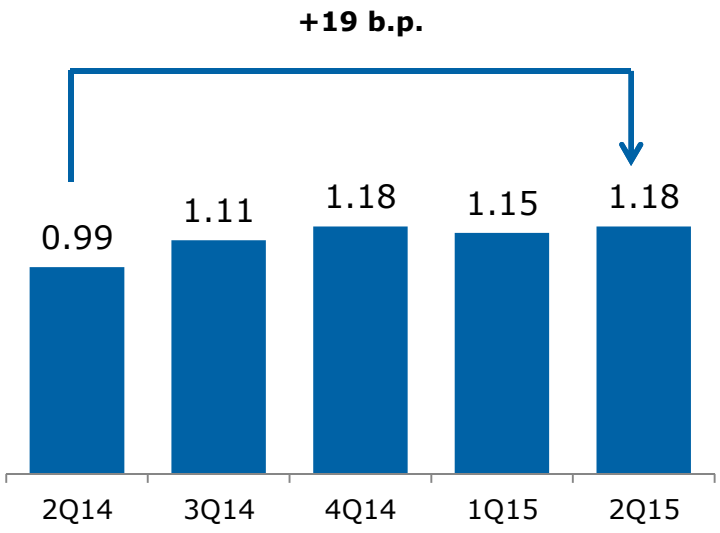
Margin Evolution (2/2)

- **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 - %



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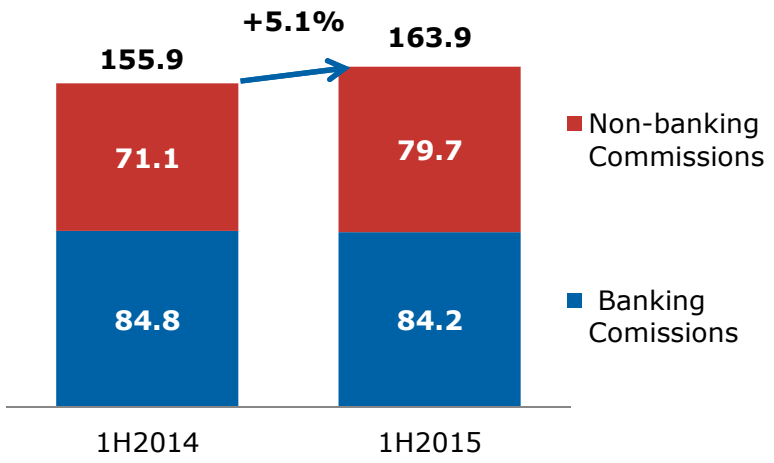
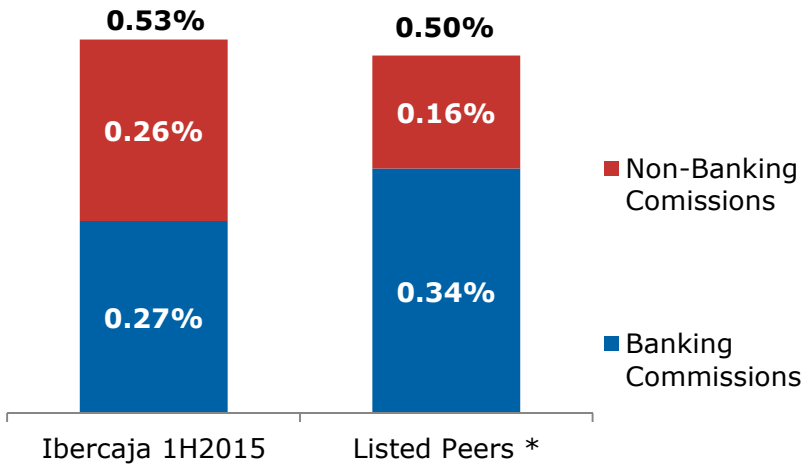
Net Fee Income

Net Fee Income – €mm



Net Fee Income – % ATA



- **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

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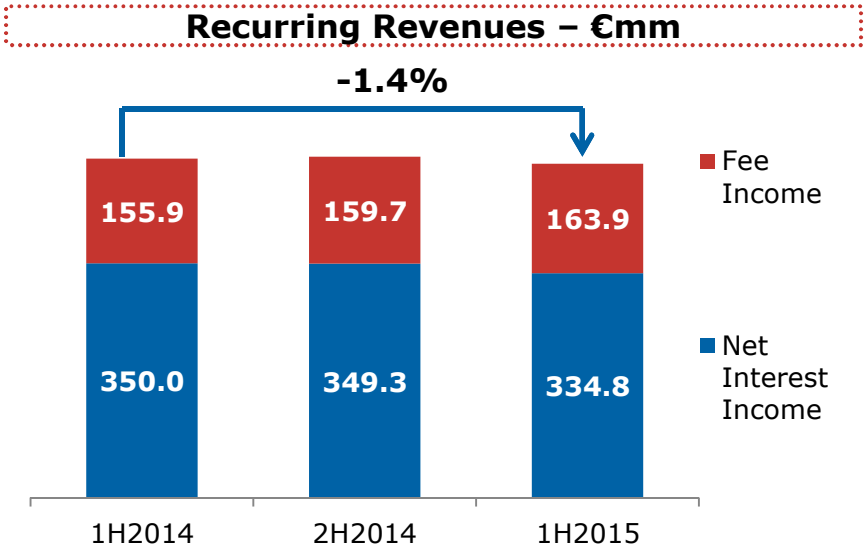
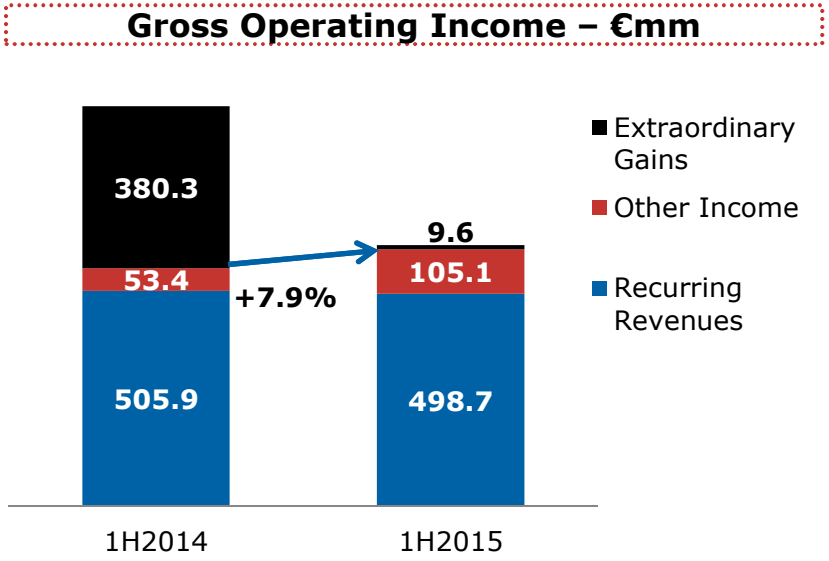
Gross Operating Income





- **Recurring revenues (net interest income + net fee income) remains fairly stable YoY (-1.4%).**
  - In a low rates and deleveraging environment, Ibercaja Banco strong franchise in asset gathering is a key strength to increase revenues.
- **Adjusted gross operating income grows 7.9%[1].**
- **Reported gross operating income drops 34.7% YoY due to lower extraordinary trading income.**

[1] For 2014, it excludes trading gains related to the extraordinary sale of the fixed income portfolio (€380.3mm). For 1H2015, it excludes the result from the sale of doubtful and written off loans (€9.6mm).

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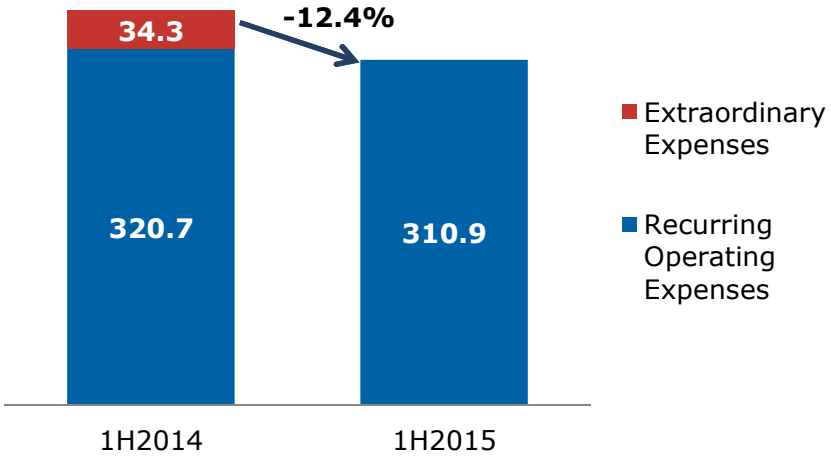
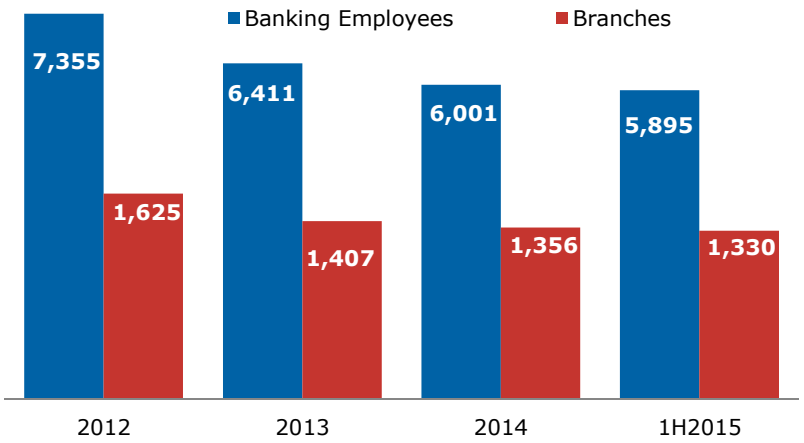
Operating Expenses

Operating Expenses - €mm



Ibercaja´s Structure



- **Sound decline in recurring operating expenses (-3.0% YoY).**
  - After provisioning redundancy plans in 2014, cost synergies will positively impact the P&L as execution progress in coming quarters .
- **Since 2012, a 20% reduction in headcount has already been implemented**
  - 1.9% reduction in headcount and branches during the semester.

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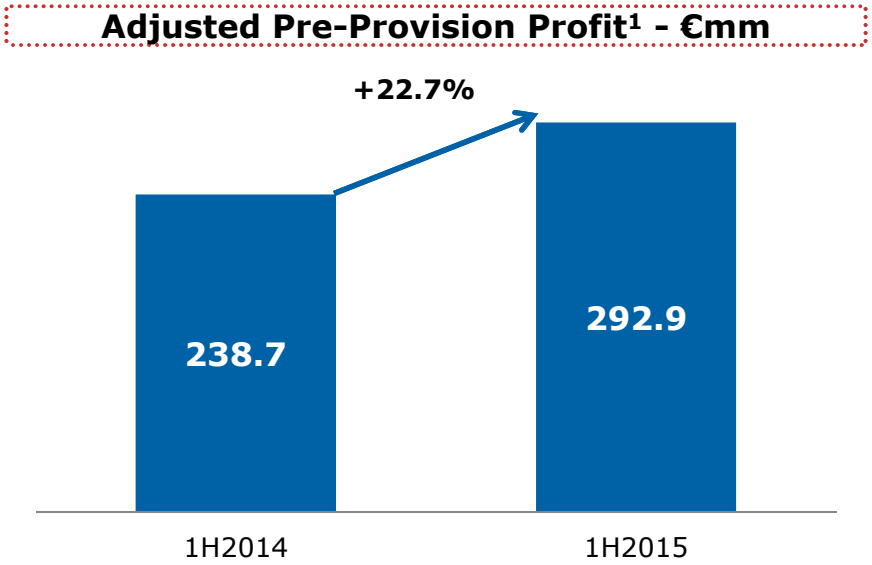
Pre-Provision Profit



- **Adjusted pre-provision profit[1] increases 22.7% YoY.**
- **Reported pre-provision profit fall (-48.3%) is due to lower extraordinary trading income.**

[1] 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).

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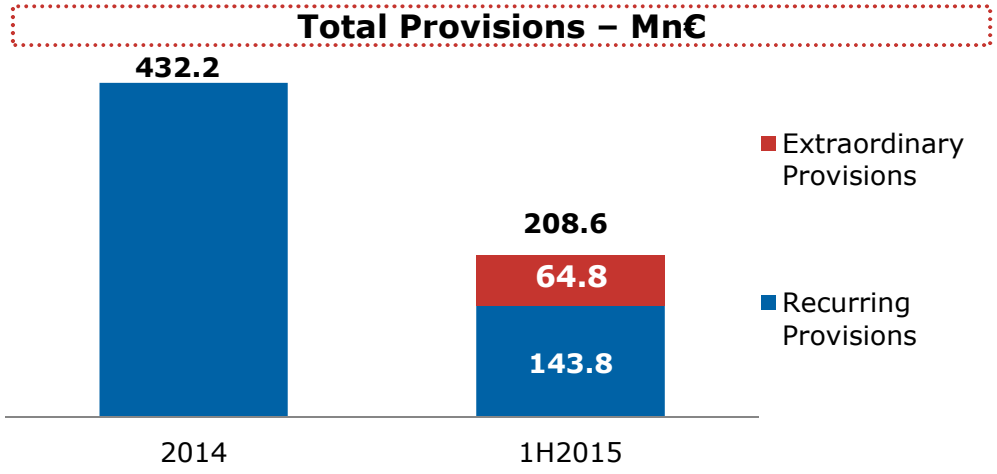
Provisions and Net Profit



- **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[1] increases 9.8% YoY.**

[1] 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.

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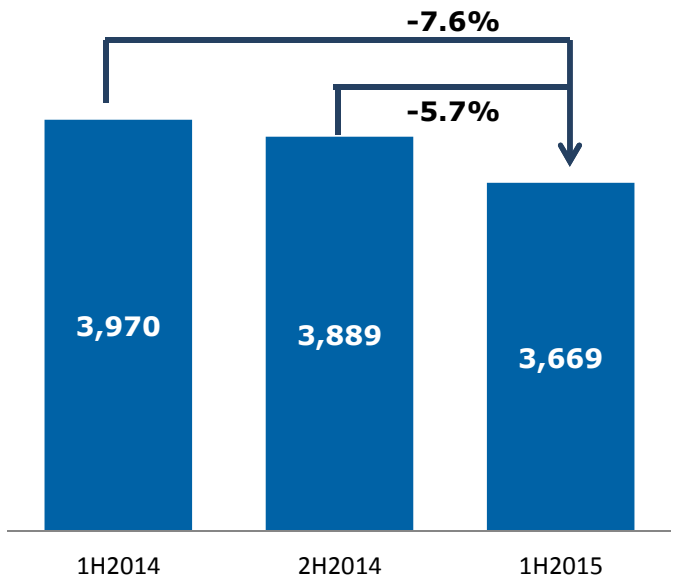
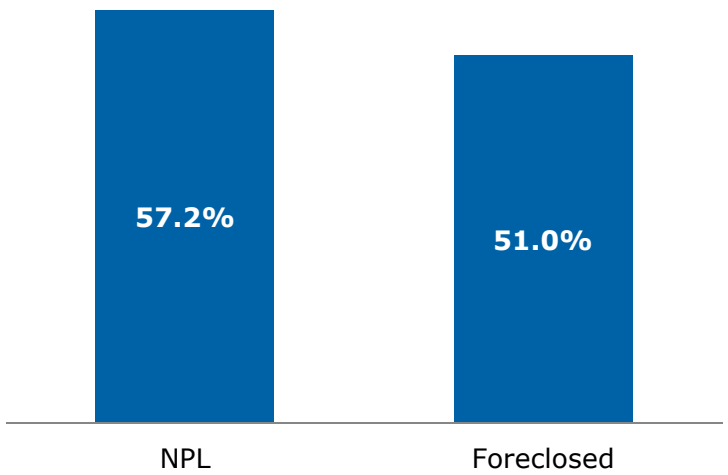
Asset Quality (1/2)

- **NPL ratio down 45 basis points YTD to 10.3% (10.8% in 2014).** Ibercaja NPL ratio is 10% lower than the sector while maintaining one of the highest coverage levels.
  - Mortgage NPL ratio is 3.9%, one of the lowest in the sector.
- **NPL stock down 7.6% YoY (€301mm).**

NPL Evolution - €mm



Coverage Ratio - %



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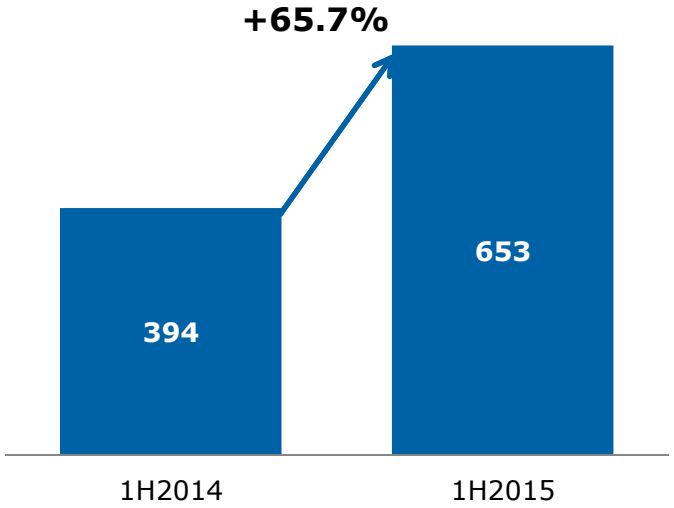
Asset Quality (2/2)

- **Net stock of foreclosed assets stand at €0.9bn** and remains broadly stable YTD (+€7.9mm vs. 2014).
- **Net positive results in foreclosed asset sales during the period (+€6.5mm).**
- **In 2Q, Ibercaja Banco has sold a portfolio of doubtful and written-off unsecured loans,** which were fully provisioned, totalling €210mm. The transaction has generated a gross gain of €9.6mm.

Foreclosed Assets: No. of Units Sold



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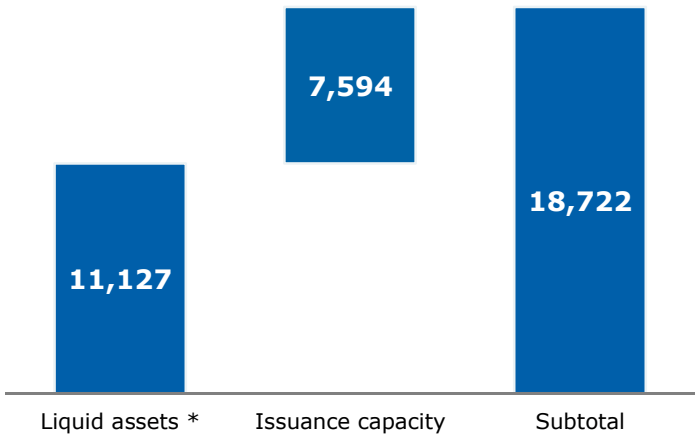
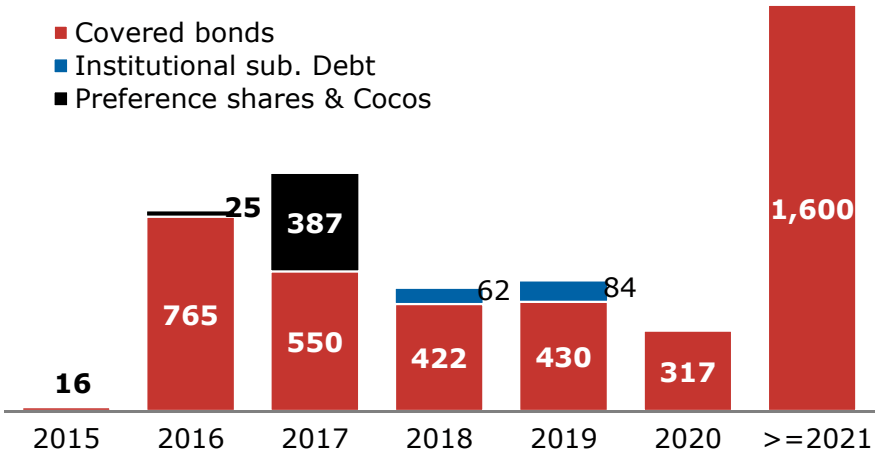
Liquidity and Solvency (1/4)

- **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%[1].**
- **ECB funding: €2.7bn (4.3% of TA, -€2.1bn YTD), of which TLTRO €2.1bn.**
- **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



[1] 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)

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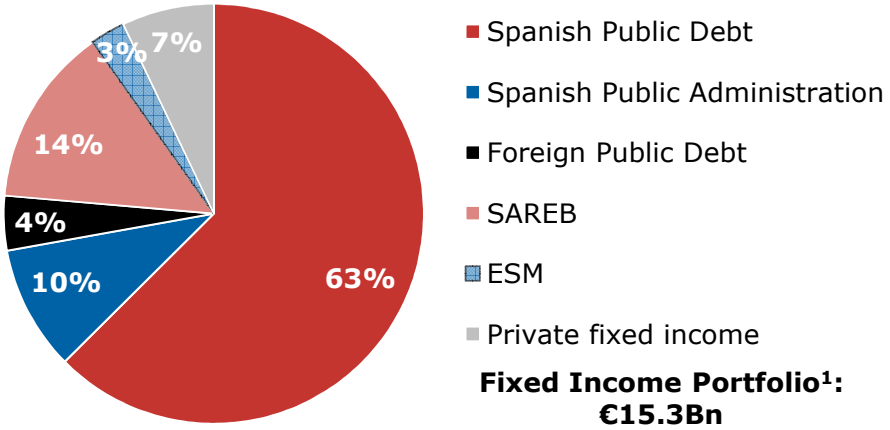
Liquidity and Solvency (2/4)

- **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



[1] Without including held-to-maturiy capital gains

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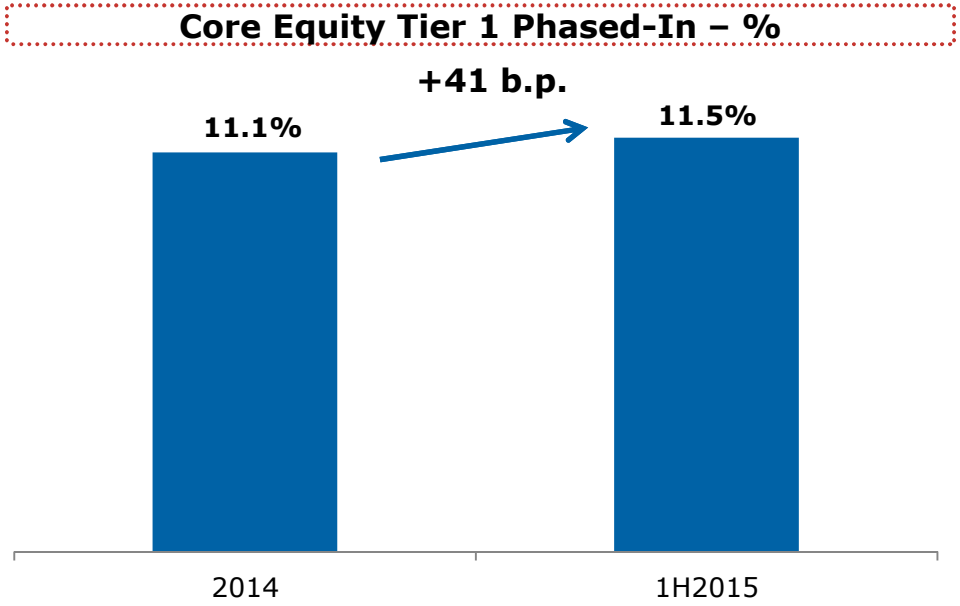
Liquidity and Solvency (3/4)

- **CET1 Phased-In ratio: 11.5%**
- **Total Capital Phased-In ratio: 14.0%[1]**
- **RWA/AT at 39.6% calculated under the standardised approach.**



[1] Including recent Tier II transaction

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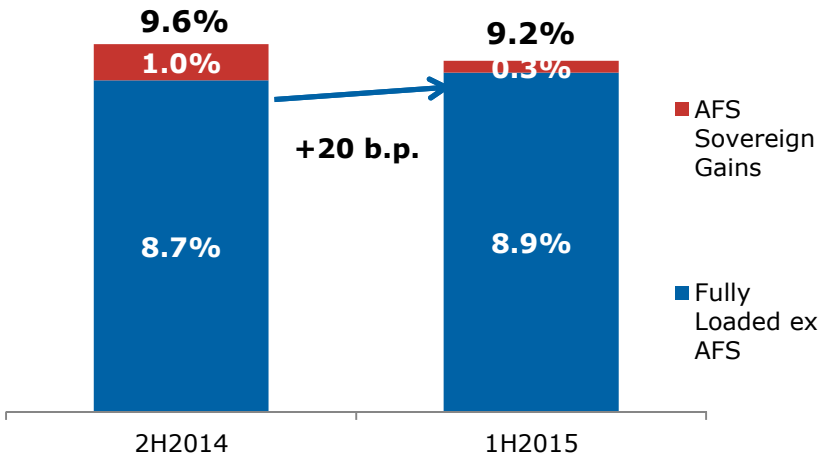
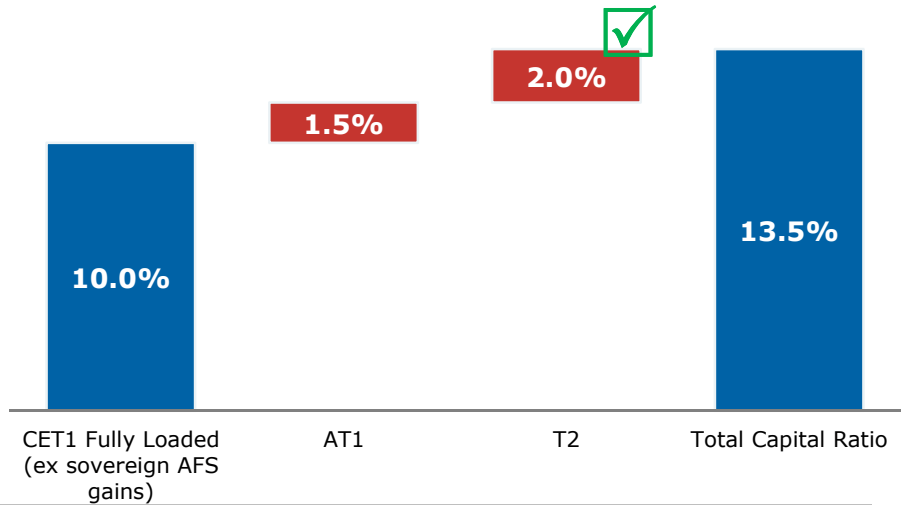
Liquidity and Solvency (4/4)

- **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 required by Basel III regulation for this instrument.
- 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.**

CET1 Fully Loaded Ratio[1]



2017 Solvency Targets



[1] Not including CoCos; including unrealised AFS gains

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Final Remarks

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

Cost of Retail Funding Reduction		Already Ongoing (-43 b.p. YoY)
Asset Gathering / Non-Banking Commissions		Already Ongoing (>10% YoY)
Operating Costs Reduction		Already Ongoing (-3% YoY)
Recovery of Lending Growth	Growth in SME and consumer lending	2H2015 - 2018
Cost of Risk Reduction	NPL -7.6% YoY	2016 - 2018

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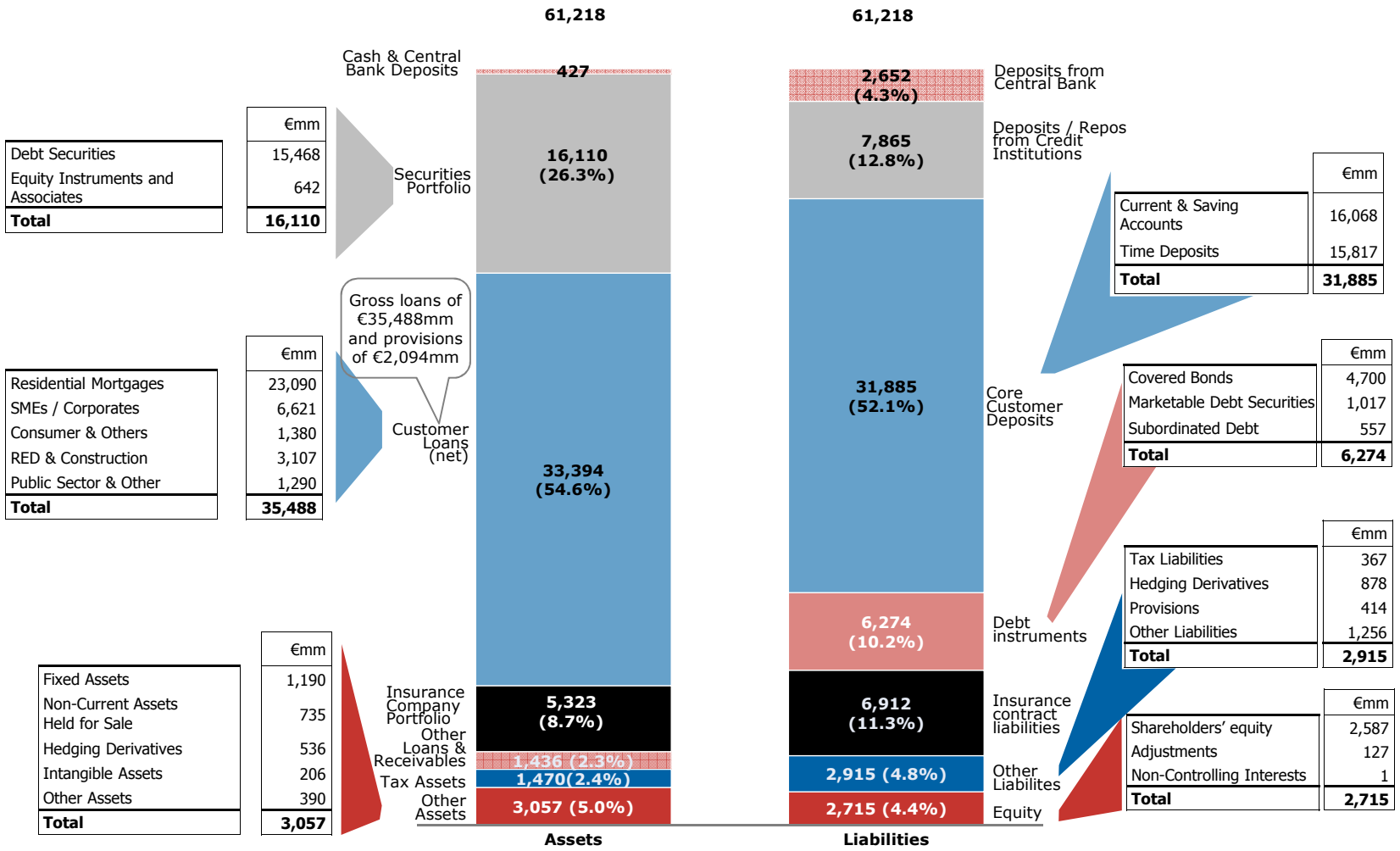
Annex 1: Balance Sheet

Consolidated Balance Sheet



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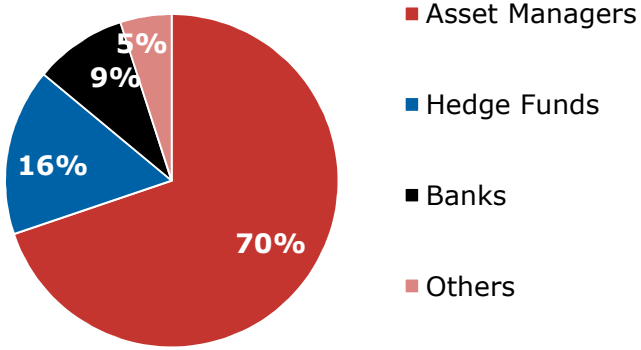
Annex 2: Tier II Transaction

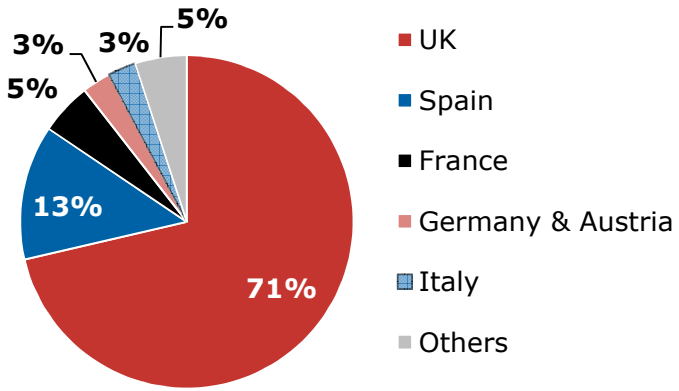
Tier II Transaction

- On July 21 Ibercaja Banco completed a placement of subordinated debt (Tier II) totaling €500mm maturing in 10 years. The yield on the bonds has been set at 5%.The demand has exceeded €925mm with orders from more than 70 investors.
- The €500mm represent 200 basis points of Tier II capital, fulfilling the bucket required by 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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