1H2017 RESULTS

JULY 31ST 2017

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COMMERCIAL ACTIVITY · RESULTS · ASSET QUALITY · SOLVENCY

MAIN HIGHLIGHTS

COMMERCIAL ACTIVITY

» **Customer funds** grow **4.4% YoY** (€2,364mm).

» **AuM and life insurance products** rise **16.1% YoY** or €3,454mm and account for 45% of total customer funds.

» **New lending** in the semester surpasses €2,700mm, **7.6%** more than in 1H2016.

» **Performing loans to non-real estate companies** grow **7.4% YoY** and **consumer lending** rises **4.0% YoY.**

RESULTS

» **Recurring revenues** in the semester grow **3.5% YoY** based on the turning point reached in net interest income (+0.4% YoY) and the strong growth in net fee income (+8.7% YoY).

» Total operating costs grow 25.8% YoY due to the accounting of **€71.6mm** of **extraordinary expenses** related to the redundancy plan announced in May. The agreement will allow Ibercaja to **reduce its structure by 11%.**

» **Total provisions** drop **45% YoY** vs. same period of the previous year.

» **Net profit** stands at €41.7mm. Excluding the extraordinary expenses related to the redundancy plan, net income increases **31.1% YoY**

MAIN HIGHLIGHTS

ASSET QUALITY

» **Stock of problematic assets** (doubtful loans and foreclosed assets) falls **3.4% YTD** or €161mm. **Coverage ratio of problematic assets** stands at **48%.**

» In July, Ibercaja Banco has signed an agreement to sell a **€490mm** **portfolio of real estate loans**. The transaction represents a **36%** reduction in the **stock of non-performing real estate loans** as of March 2017.

» **Foreclosed assets sales** rise **32% YoY**. The bank releases €9mm of provisions as a result of these sales.

SOLVENCY

» **CET1 Phased In** ratio stands at **11.1%** and **Total Capital** ratio reaches **13.3%**, significantly above SREP requirements (7.25% and 10.75%, respectively).

» During this semester Ibercaja has amortized in advance €223mm of **CoCos.** As a result, Ibercaja has fully redeemed **€407mm** of CoCos from Cajatres without selling strategic assets or diluting its shareholders.

» **CET1 Fully Loaded** improves **14 b.p.** YTD, to 10.3%.

COMMERCIAL ACTIVITY

BANKING BUSINESS · MUTUAL FUNDS · LONG TERM SAVINGS PRODUCTS · RISK INSURANCE

BANKING BUSINESS: CUSTOMER FUNDS

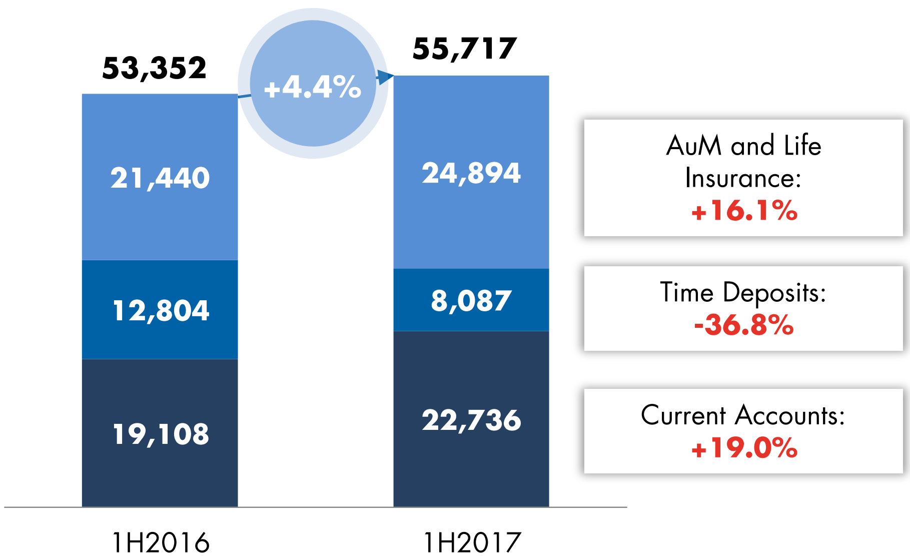
Customer funds grow 4.4% YoY (€2,364mm).

AuM and life insurance products rise 16.1% YoY or €3,454mm and account for 45% of total customer funds.

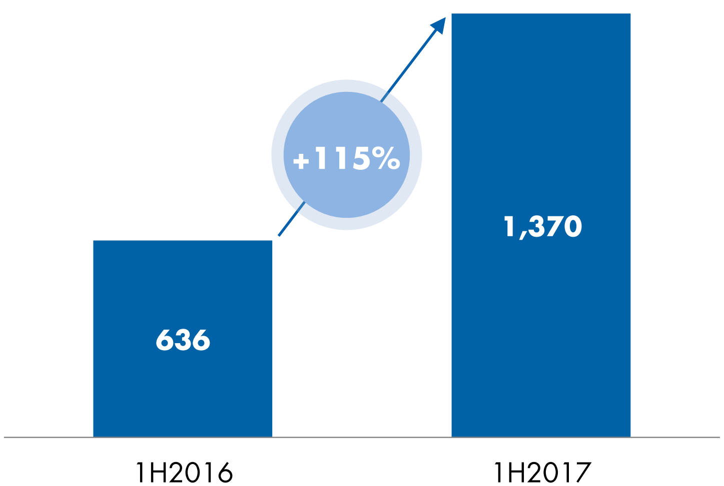
- **Net new money** into AuM and life insurance products amount to **€1,370mm** YTD, a 115% increase vs. same period of the previous year.

Current accounts continue increasing their weight in total deposits with a **19% YoY** increase and represent 74% of total deposits.

Customer funds – €mm



Net New Money AuM and Life Insurance – €mm



Note: total customers deposits include retail network distribution and companies' pension schemes

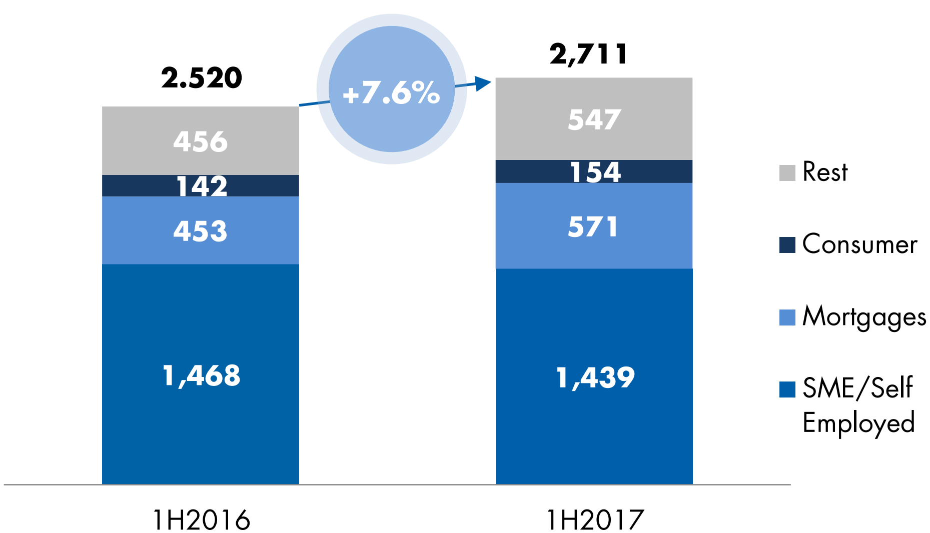
BANKING BUSINESS: CUSTOMER LOANS (1/2)

New lending in the semester surpasses €2,700mm, 7.6% more than in 1H2016.

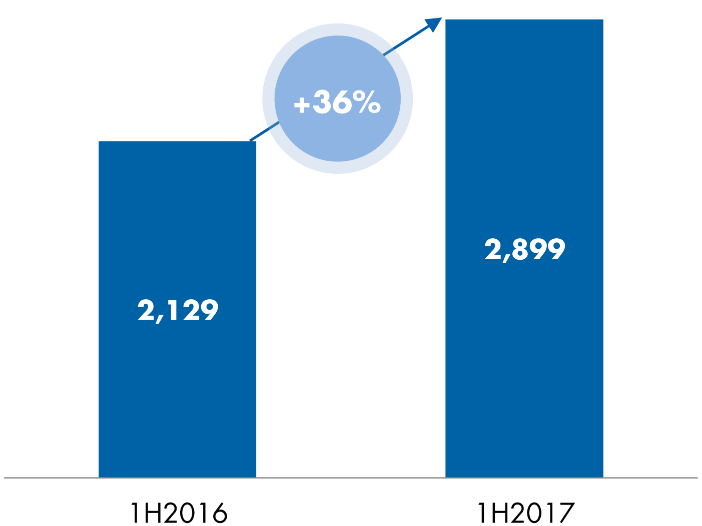
- **Mortgage** granting grows **26% YoY** reaching €571mm in the period.
- Strong momentum in **Madrid** where new lending grows **30% YoY** after launching Plan + Madrid one year ago. Madrid represents 35% of total new lending YTD.

In addition, accumulated working capital financing amounts to €2,899mm, +36% YoY.

New Lending Production[1] – €mm



Accumulated Working Capital Financing – €mm



[1] Rest includes leasing, renting, RED and other purposes

BANKING BUSINESS: CUSTOMER LOANS (2/2)

Performing loans ex repos decrease 1.8% YoY.

- **Performing loans to non-real estate companies** grow **7.4% YoY and consumer lending rises 4.0% YoY.**
- Excluding loans to real estate companies (which are falling 24% YoY), **performing loans fall 0.8% YoY.**

Customer Loans – €mm

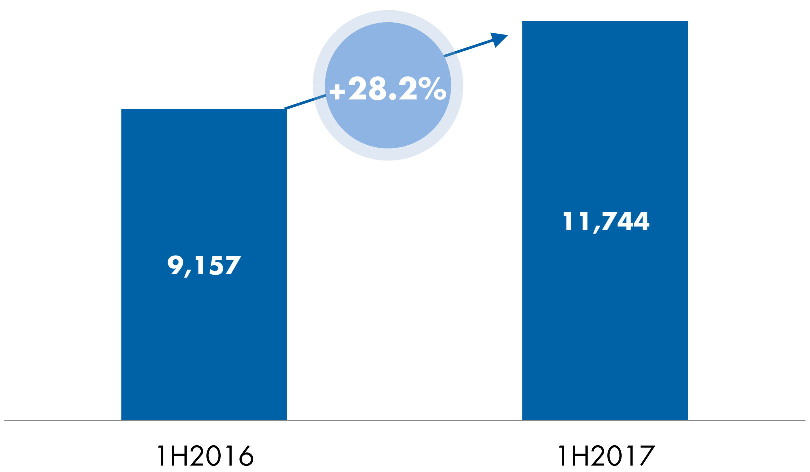
	1H2016	1H2017	Var.
Loans to Individuals	**22,447**	**21,783**	**-3.0%**
Mortgages	21,195	20,481	-3.4%
Consumer and Others	1,252	1,302	4.0%
Loans to Companies	**7,276**	**7,416**	**1.9%**
Real Estate Companies	1,252	949	-24.2%
Non-Real Estate Companies	6,024	6,467	7.4%
Public Sector and Others	1,033	1,009	-2.3%
Performing Loans ex Repo	**30,756**	**30,208**	**-1.8%**
Repo	510	992	94.4%
Doubtful Loans	2,990	2,974	-0.6%
Total Gross Loans	**34,257**	**34,174**	**-0.2%**

MUTUAL FUNDS

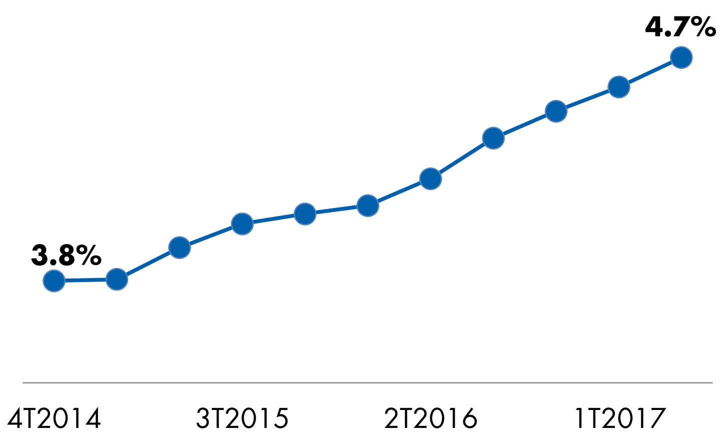
Assets under management reach €11,700mm, with a 28% YoY increase.

- With net inflows amounting to €1,144mm, Ibercaja Banco is the **3rd mutual fund management company in terms of net new money in 2017,** with a 9.3% market share.
- **The Bank has increased its market share** by **21 b.p. YTD,** and stands at 4.7%. Since launching its 2015-2017 Strategic Plan, the company has improved its market share by 87 b.p.
- **Managed account services** represent **35%** of total AuM..

Assets under Management – €mm



Quarterly Mutual Funds Market Share – %



 Source: Inverco

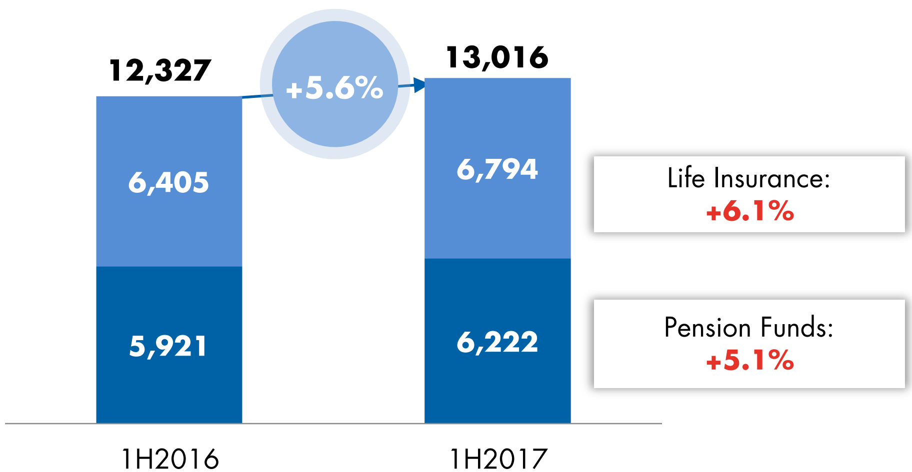
LONG TERM SAVINGS PRODUCTS: LIFE INSURANCE AND PENSION FUNDS

Long term savings products surpasses €13,000mm, +5.6% vs. same period of the previous year.

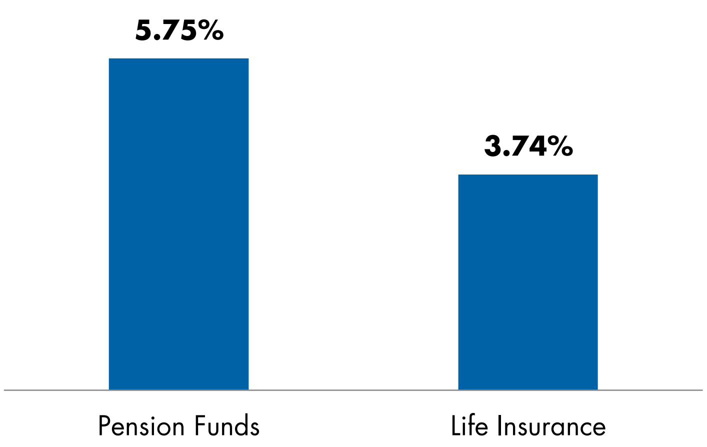
- Life insurance growth is based on **systematic individual savings plans (+10% YoY)** and **life annuities (+5% YoY).**
- **Customer contributions to individual pension plans** grow **20.5% YoY** while **net transfers from 3rd party pension plans** rise **57% YoY.**

Ibercaja Banco holds a market share in these products significantly above its banking business market share.

Long Term Savings - €mm



Market Share - % 1H2017



Source: Inverco and ICEA;

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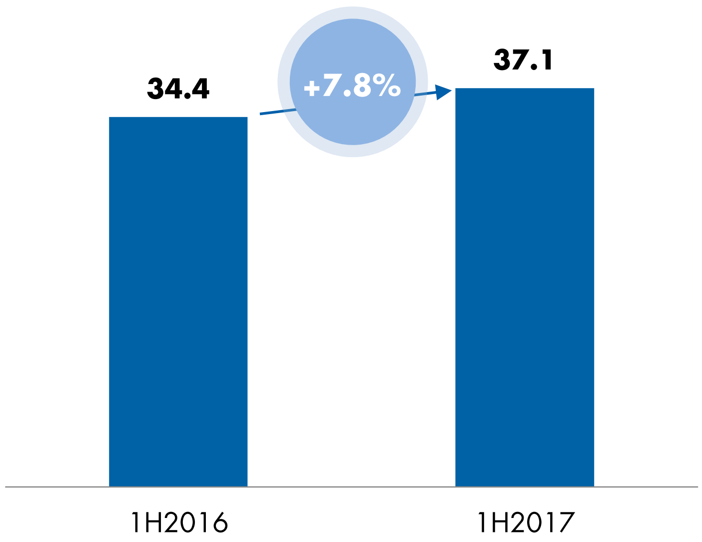
RISK INSURANCE

Risk insurance premiums (life risk and non-life [1]) rise 6.3% YoY.

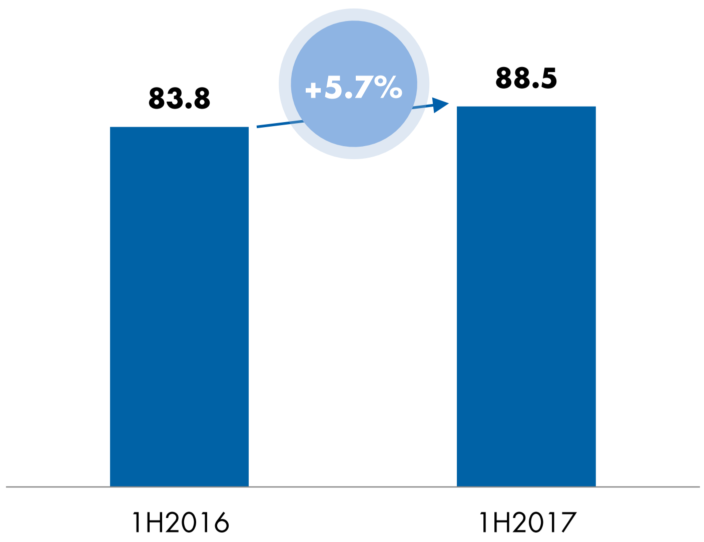
- Strong momentum in **health and car insurance** with premiums growing **9.8% YoY** and **8.8% YoY** respectively.

These products already represent 9% of Ibercaja's recurring revenues.

Life Risk Insurance Premiums – €mm



Non-Life Insurance Premiums[1] – €mm



[1] Premiums collected from CASER insurance products

1H2017 RESULTS

P&L ACCOUNT · NET INTEREST INCOME· CUSTOMER SPREAD· NET FEE INCOME · RECURRING REVENUES · OPERATING COSTS · PROVISIONS · PROFIT BEFORE TAXES

P&L ACCOUNT

€mm	1H2016	1H2017	YoY
Net Interest Income	**277.7**	**278.7**	**0.4%**
Net Fee Income	165.4	179.9	8.7%
Trading Income	135.1	106.1	-21.4%
Other Operating Inc. / Exp. (Net)	65.7	8.5	-87.1%
of which: net gain from sale of the real estate servicer	69.3		
Gross Operating Income	**643.9**	**573.2**	**-11.0%**
Operating Costs	-312.9	-393.6	25.8%
of which: 2017 redundancy plan		-71.6	
Pre-Provision Profit	**331.0**	**179.6**	**-45.7%**
Total Provisions	-230.4	-126.8	-45.0%
Other Gains and Losses	2.2	3.5	59.8%
Profit before Taxes	**102.8**	**56.4**	**-45.2%**
Taxes & Minorities	-30.5	-14.6	-52.0%
Net Profit Attributable to Shareholders	**72.3**	**41.7**	**-42.3%**
Profit before Taxes ex 2017 redundancy plan	**102.8**	**128.0**	**24.5%**
Net Profit ex 2017 redundancy plan	**72.3**	**94.7**	**31.1%**

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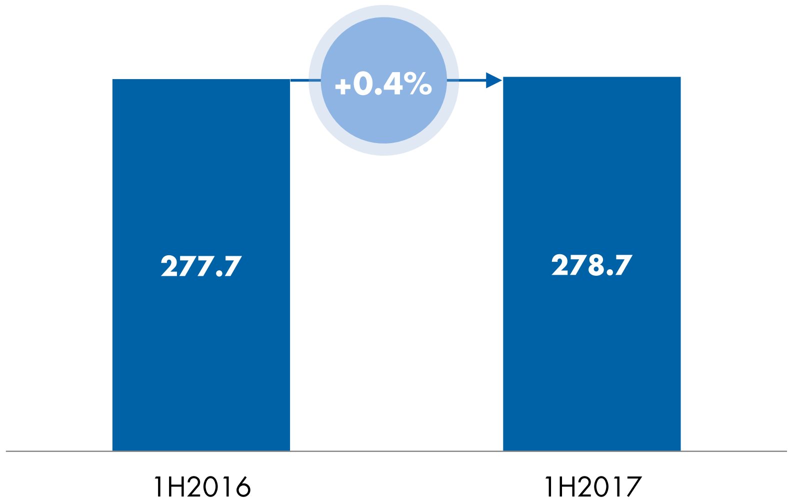
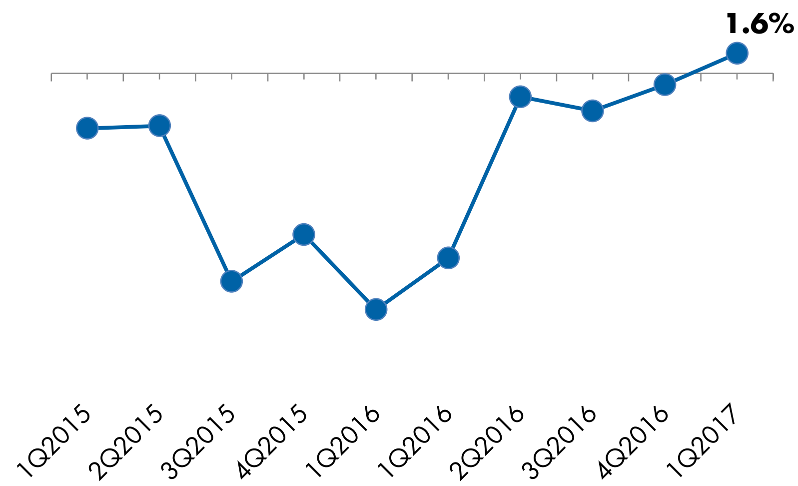
NET INTEREST INCOME (1/2)

Net Interest Income – €mm



Var. Net Interest Income – Quarterly YoY

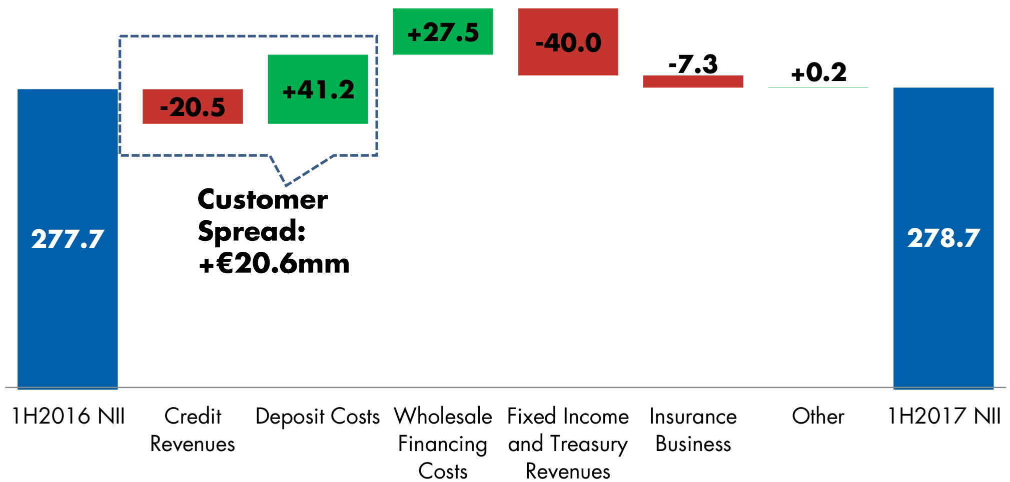


Ibercaja Banco has reached the turning point in net interest income evolution after 2 years falling.

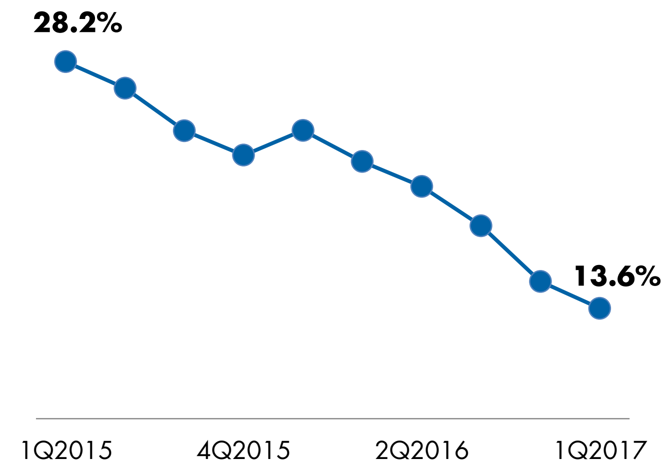
- **Net interest income grows 0.4% YoY in the first half of the year.**
- **Quarterly net interest income grows 1.6% YoY.**

NET INTEREST INCOME (2/2)

Net Interest Income Breakdown - €mm



Fixed Income Portfolio Revenues % Interest Income



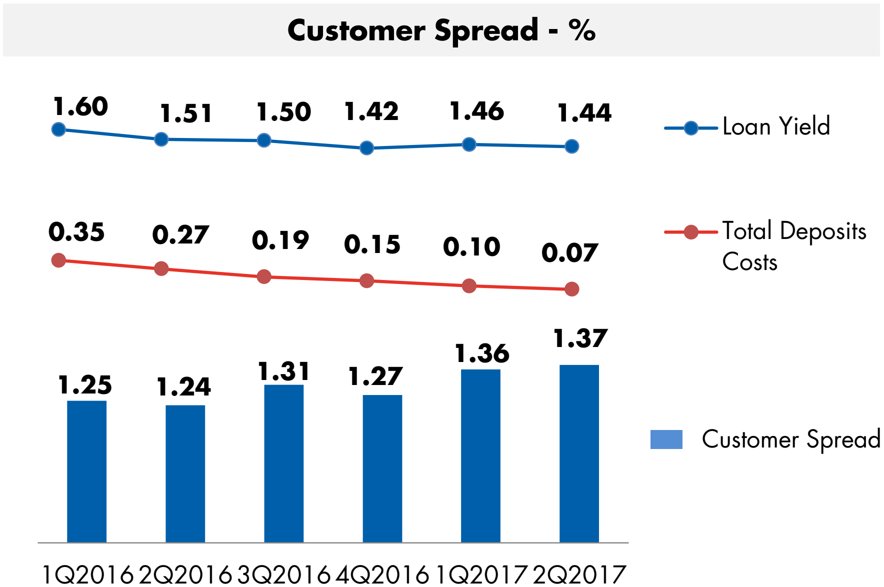
The increase in the net interest income is explained by:

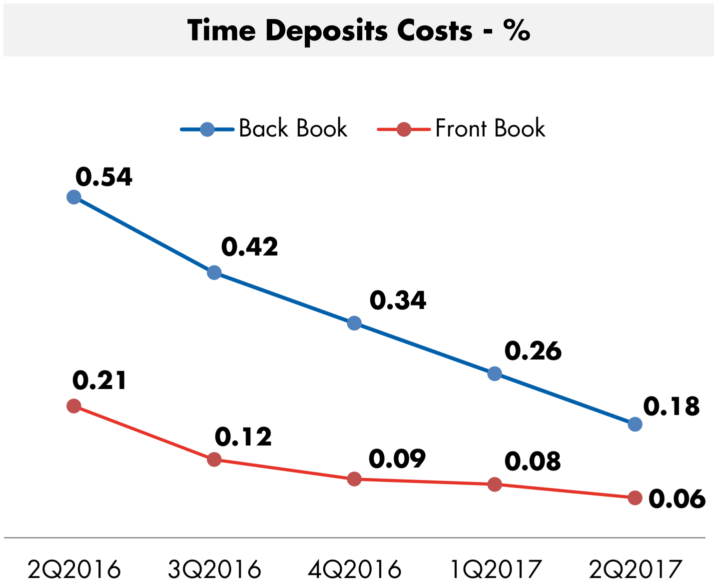
- **Customer spread** rises **€20.6mm** based on the reduction in deposits costs.
- **Wholesale financing costs** drop **€27.5mm** after CoCos repayment.

Additionally, the two main negatives impacts in the NII evolution over the last years have started to moderate:

- **Credit revenues** fall moderates to **-8% YoY** vs. -25% YoY registered in 1H2016.
- **Fixed income portfolio revenue**, that drop 39% YoY, represent just **13.6%** of interest income in 2Q2017, a level close to historical average.

CUSTOMER SPREAD





Customer spread improves 13 b.p. vs. 2Q2016.

- **Loan yield** has remained **stable at 1.4%** over the last 3 quarters thanks to attractive yield in new operations (>2.2% in 2Q2017) that compensates falling Euribor (-7 b.p. YTD)
- **Total cost of deposits continues to fall** based on the increase of current accounts as % of total deposits (74% vs. 60% in 1H2016) and the decline in front book time deposits cost.

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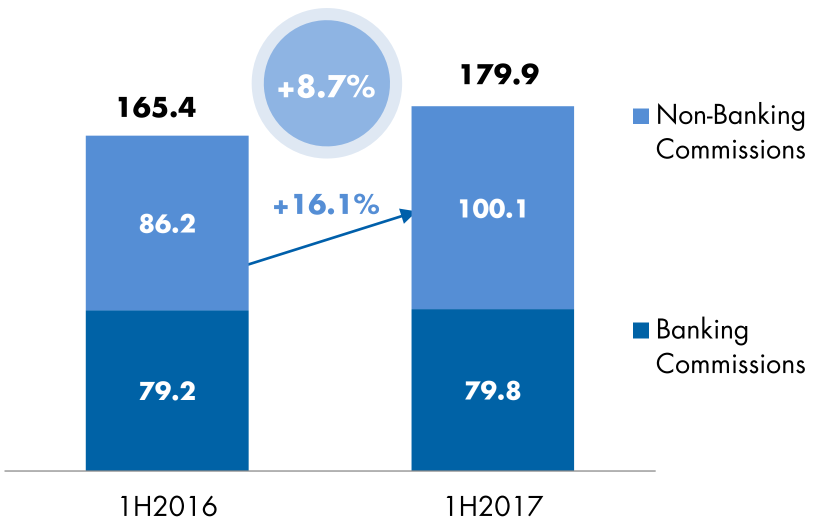
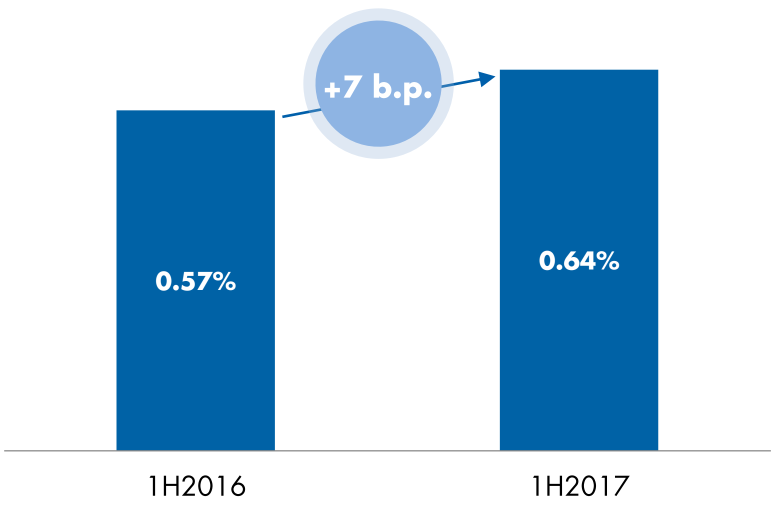
NET FEE INCOME

Net Fee Income - €mm



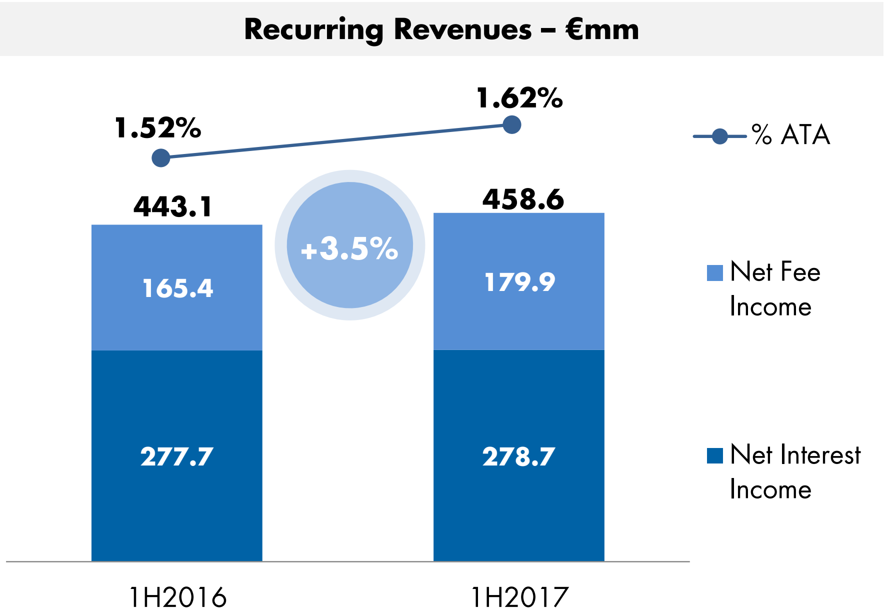
Net Fee Income – % ATA

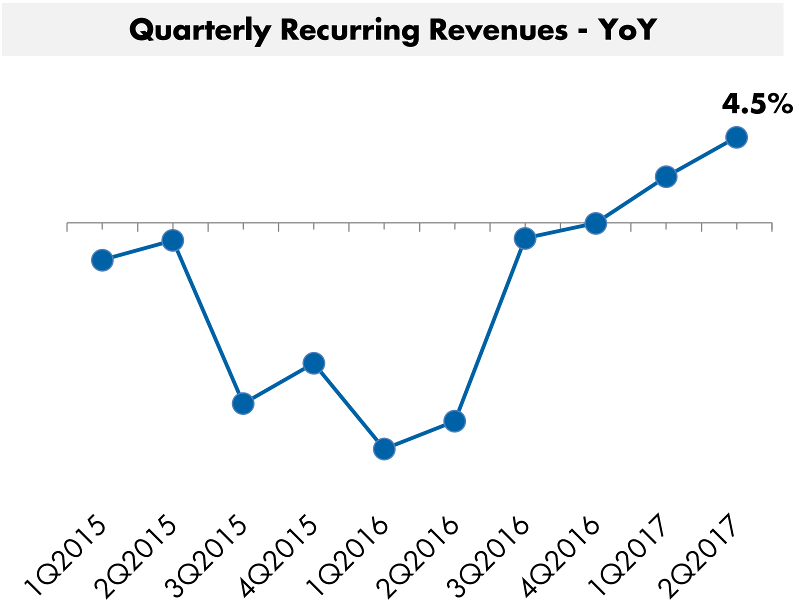


Net fee income grows 8.7% YoY.

- **Non-banking commissions** (mutual funds, risk insurance and pension funds) rise **16.1% YoY**, based on **mutual funds commissions** that surge **21.3% YoY**.
- **Banking commissions rise 1.9% YoY** not taking into account the termination of the servicer contract with SAREB (vs. 0.7% reported)

RECURRING REVENUES (1/2)





The turning point in recurring revenues that took place in 1Q2017 has gained strength in the 2Q2017:

- **Recurring revenues** in the first half of the year grow **3.5% YoY**.
- **Quarterly recurring revenues** grow **4.5% YoY** and accelerate vs. 2.4% growth achieved in 1Q2017.

Recurring revenues as % ATA improve 10 b.p.

RECURRING REVENUES (2/2)

Contribution to Recurring Revenues (Net Interest Income + Net Fee Income) – % 1H2017

Risk Insurance
Risk insurance premiums advance 6.3% YoY.

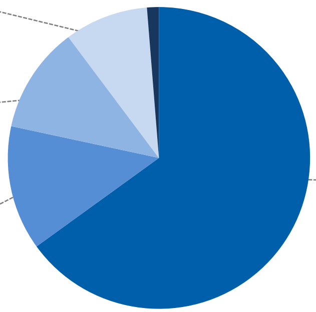
9%

Long Term Savings
Long term savings products grow 5.6% YoY.

11%

Mutual Funds
Assets under management rise 28% YoY.

13%



65%

Banking Business
New lending in the quarter increases 7.6% YoY
Customer funds grow 4.4% YoY with additional improvement in the mix.

AuM and Bancassurance Revenues: +8% YoY

Recurring Revenues +3.5% YoY

Banking Business Revenues: +1% YoY

After the fall suffered in 2015 and 2016, increasing commercial activity and business diversification allow for growing recurring revenues in YoY terms.

xx% Contribution to Recurring Revenues (Net Interest Income + Net Fee Income)

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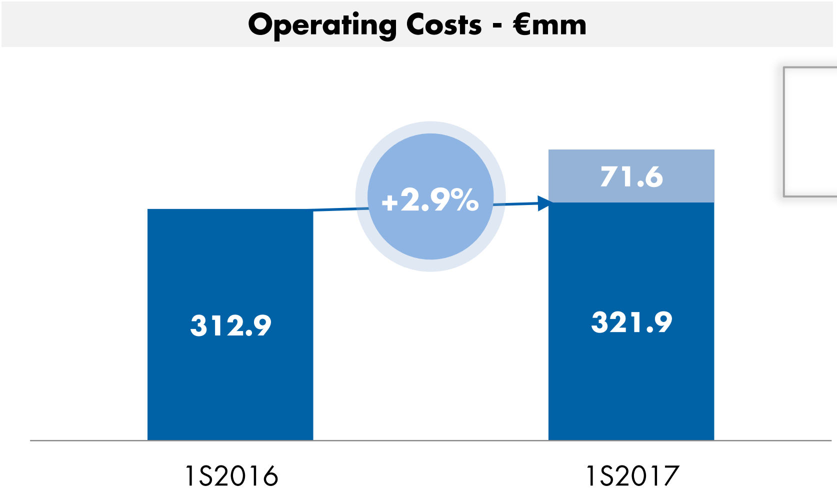
OPERATING COSTS



Recurring Costs 2017 Guidance ≈0% YoY

Total operating costs grow 25.8% YoY due to the accounting of €71.6mm of extraordinary expenses related to the redundancy plan announced in May:

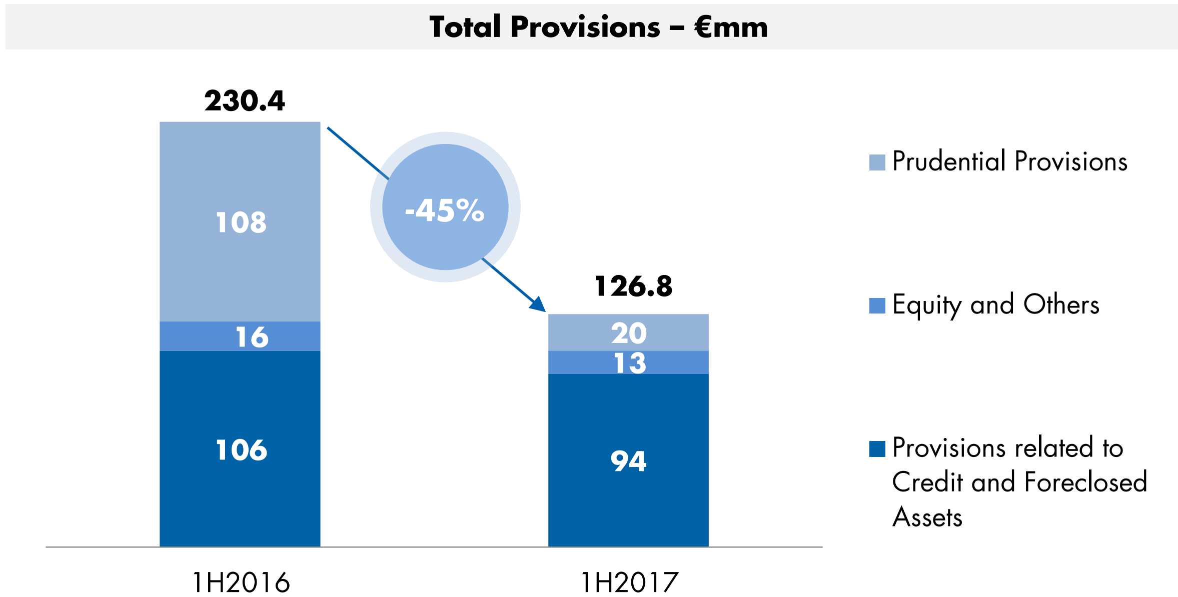
- The agreement will allow Ibercaja to reduce its workforce by up to 590 employees and the closure of up to 140 branches until June 2018. These departures represent **11% of the cost structure of the bank.**
- The reported **€71.6mm** expenses cover the **65% of total announce departures**. The rest of the adjustment, up to the maximum figure announced, will take place in the 1H2018[1].

Recurring costs grow 2.9% YoY vs. +5.9% YoY in the 1Q2017 results.

- Ibercaja Banco reiterates its guidance of **stable recurring costs in 2017 (≈0% YoY)**

[1] Subject to the approval of the Bank's governing bodies and the evolution of the restructuring process.

PROVISIONS



Total provisions drop 45% YoY vs. same period of the previous year.

Provisions related to credit and foreclosed assets fall 11.7% YoY.

- **Cost of risk** stands at **52 b.p.** in line with the Strategic Plan Target.

PROFIT BEFORE TAXES

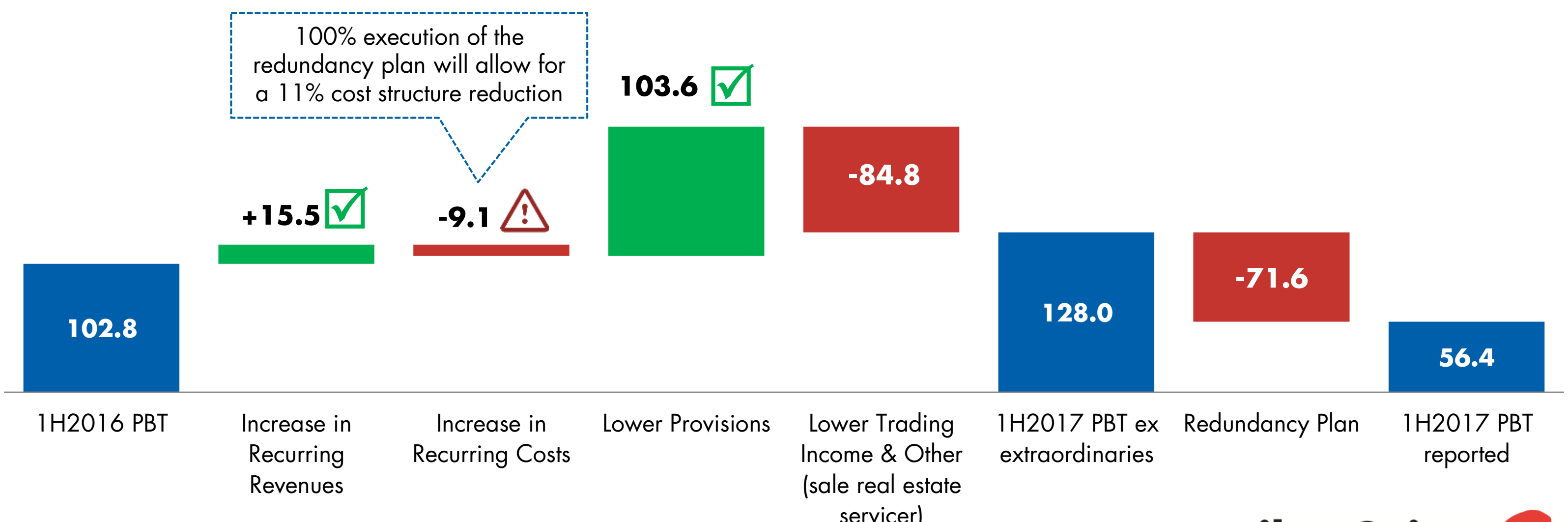
The impact of extraordinary expenses related to the redundancy plan drags out profits evolution.

- Adjusted profit before taxes grows 24.5%

However:

- **Growing recurring revenues and falling total provisions**, two of the 3 main levers to increase long term profitability, grow €119mm YTD.
- Current recurring costs remain stable in 2017 and the Bank has reached and agreement to reduce its cost structure by 11%.

Profit before Taxes Evolution – €mm



ASSET QUALITY, LIQUIDITY AND SOLVENCY

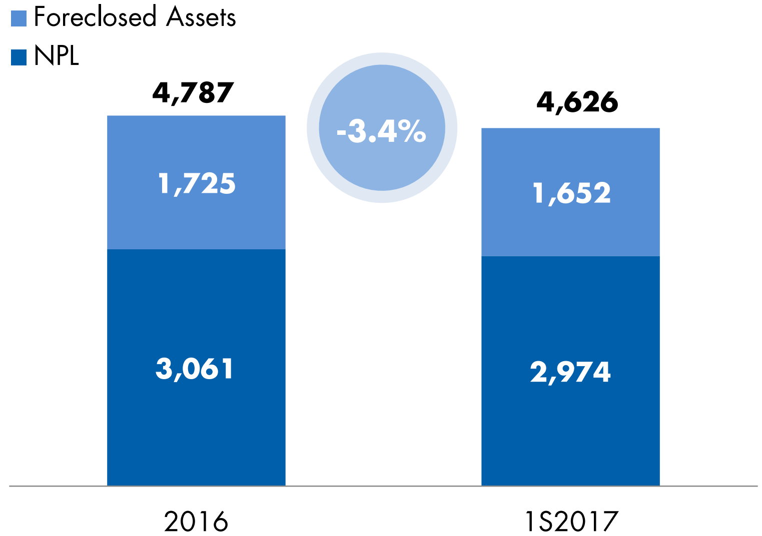
ASSET QUALITY (1/4)

Stock of problematic assets (doubtful loans and foreclosed assets) falls 3.4% YTD or €161mm.

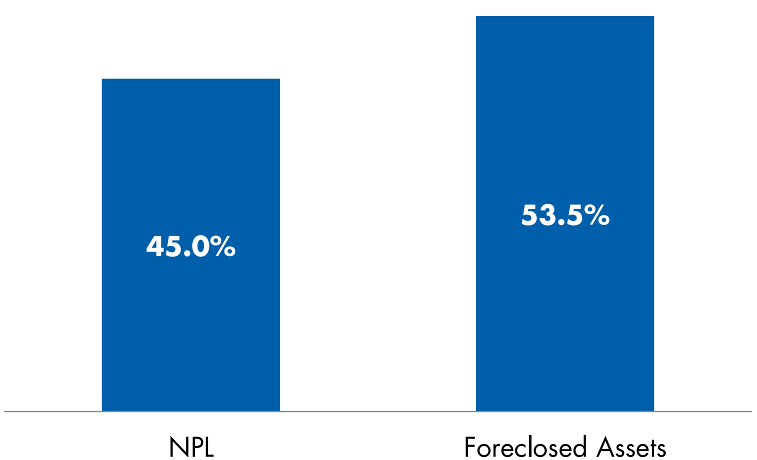
- **Doubtful loans** decrease **2.9%** YTD or €87mm. NPL ratio stands at 8.7%.
- **Stock of foreclosed assets** drops **4.3%** or €73mm.

Coverage ratio of problematic assets stands at 48%.

Stock of Problematic Assets –€mm gross



Coverage Ratios 1S2017 – %



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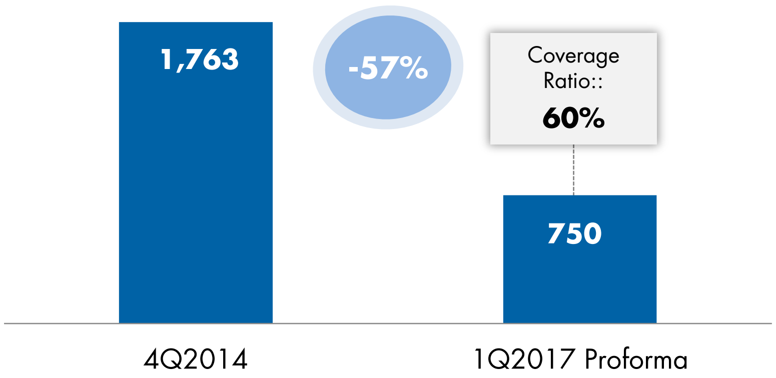
ASSET QUALITY (2/4): PROJECT FLETA

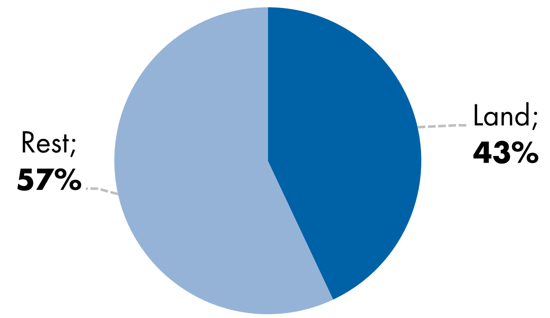
In July, Ibercaja Banco has signed an agreement to sell a €490mm portfolio of real estate loans. The portfolio comprises 505 loans to real estate developers, mostly classified as doubtful.

- The transaction represents a **36% reduction in the stock of non-performing real estate loans** as of March 2017. Since the launch of the Strategic Plan, **these loans have fallen 57%** or more than €1,000mm.
- The **loans granted to finance land** included in the transaction represent **43% of the portfolio**. This % is the highest of any other transaction of this type carried out in Spain. As a result, **Ibercaja Banco's stock of doubtful loans to finance land will be reduced by more than 33%.**
- This transaction **minimizes net exposure to doubtful real estate loans** to just **1% of total loans** thanks to the coverage level reached in the rest of real estate loans.
- This sale **will not have a relevant impact in 2017 net profit** thanks to the provisions that the Bank has already built as of 1H2017. The sale will be accounted for in the **3Q2017 results.**

Real Estate Sector NPL – €mm gross



Project Fleta Breakdown - % gross loans

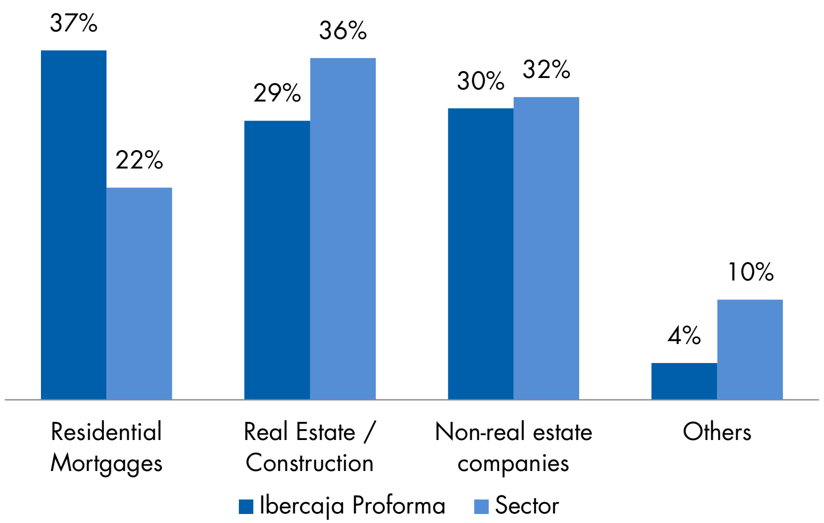


ASSET QUALITY (3/4): PROJECT FLETA

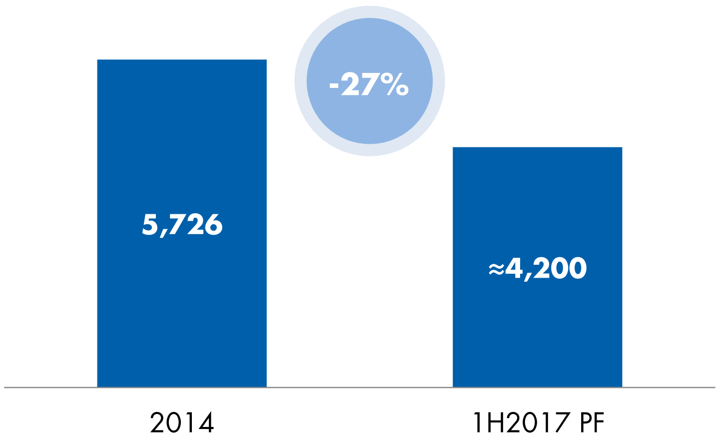
As a result of Project Fleta:

- **NPL ratio** will fall below **8%.**
- **The mix of gross NPLs will improve: weight of real estate NPL** will fall to just **29%** of total NPL (vs. 36% of the system). The weight of residential mortgages NPL increases to 37% of total NPL, significantly above the sector (22%).
- **The reduction of gross problematic assets accelerates:** problematic assets will drop 27% (approx. €1,500mm) since the launching of the 2015-2017 Strategic Plan.

Gross NPL Distribution[1] – %



Gross Problematic Assets – %



[1] Ibercaja: DRC proforma including Project Fleta
Sector: NPL private sector for deposits entities 1Q2017 (last available data), Bank of Spain

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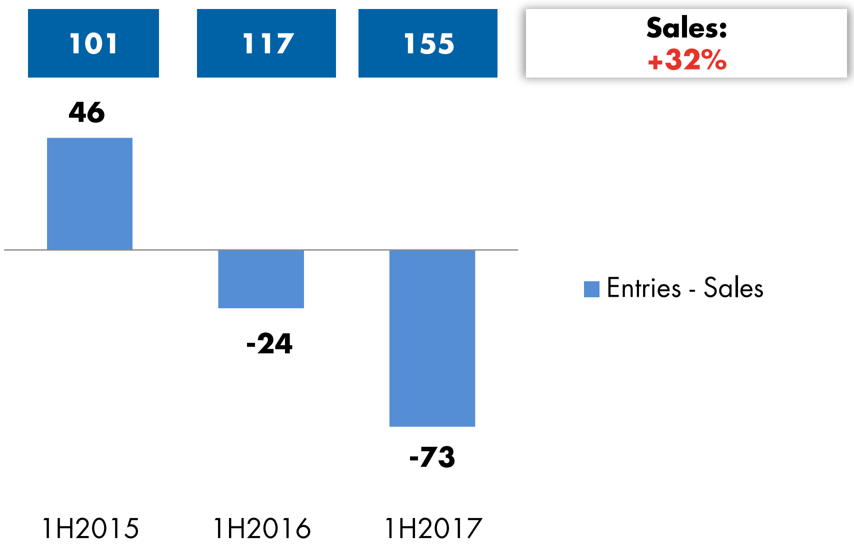
ASSET QUALITY (4/4)

Strong acceleration in the reduction in the stock of foreclosed assets based on the increase of sales, +32% YoY.

- As a result of its coverage levels, Ibercaja Banco releases **€9mm** of provisions.
- **Land sales** reach **€47.7mm** in the semester, +127% YoY vs. same period of the previous year.

Stock of Foreclosed Assets – Gross Book Value €mm

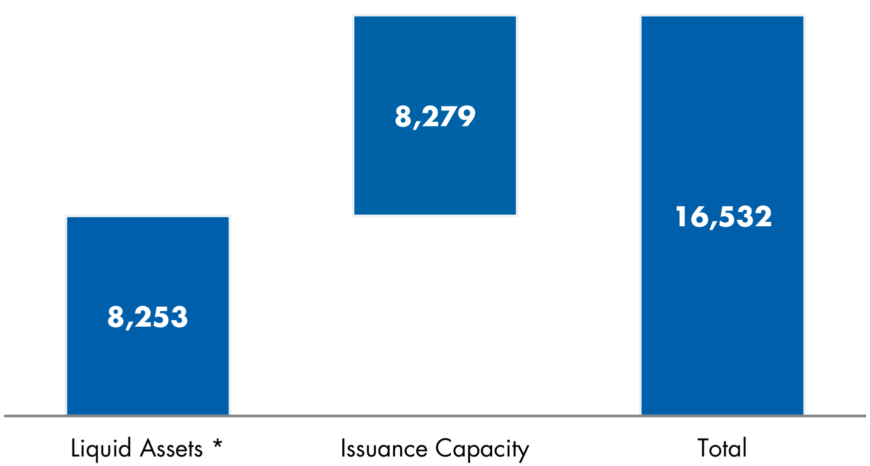


LIQUIDITY AND SOLVENCY (1/4)

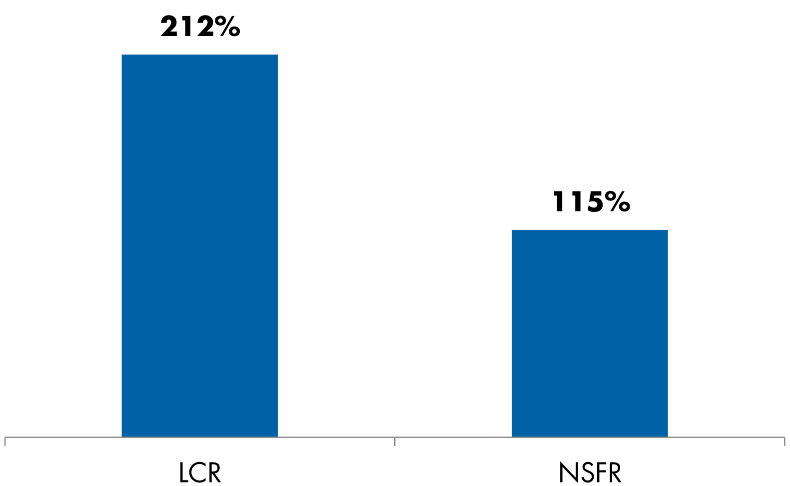
Sound Liquidity Position:

- **Available liquid assets,** above **€8,250mm** (15% of total assets), together with covered bond issuance capacity, represent more than **€16,500mm or 30% of total assets.**
- Regulatory liquidity and funding ratios (LCR and NSFR) comfortably above minimum requirements.

Liquidity Position – €mm



Liquidity and Funding Ratios – 1H2017



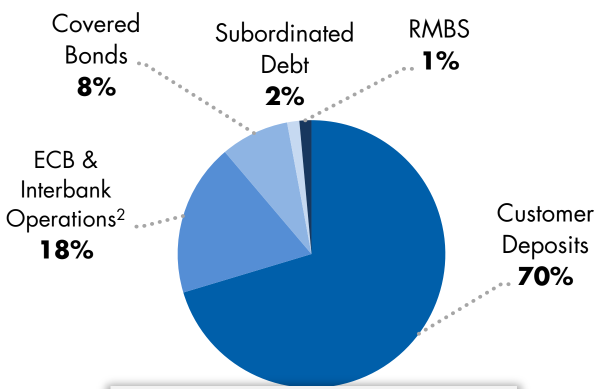
*Liquid assets include unencumbered public debt + available & eligible fixed income assets (after ECB haircut applied)

LIQUIDITY AND SOLVENCY (2/4)

Stable funding structure:

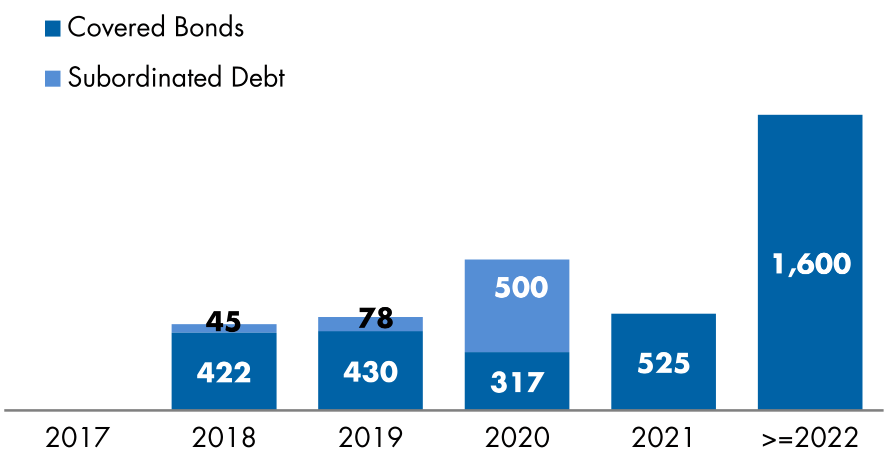
- **Loan to deposits ratio** stands at **98.8%**[1].
- **Customer deposits** represent **70% of total funding.**
- ECB: €3,372mm (6% of assets), 100% TLTRO II.
- **No significant concentration** in institutional funding **maturities** (<1.5% of assets every year).

Funding Structure– 1H2017



Funding:
€43,781mm

Maturity Profile – €mm



[1]Net Loans ex. securitised loans / Customer deposits ex. repos + Securities distributed through the branch network.
[2] Includes long term financing from institutional banks such as ICO and EIB

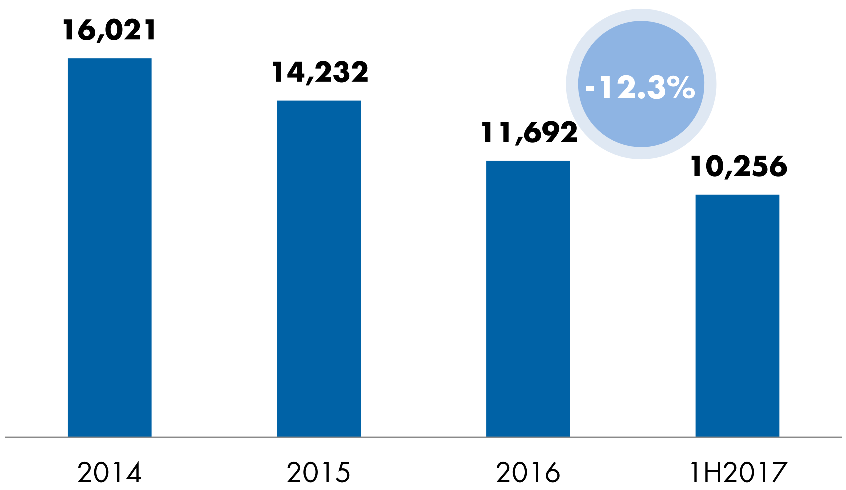
LIQUIDITY AND SOLVENCY (4/4)

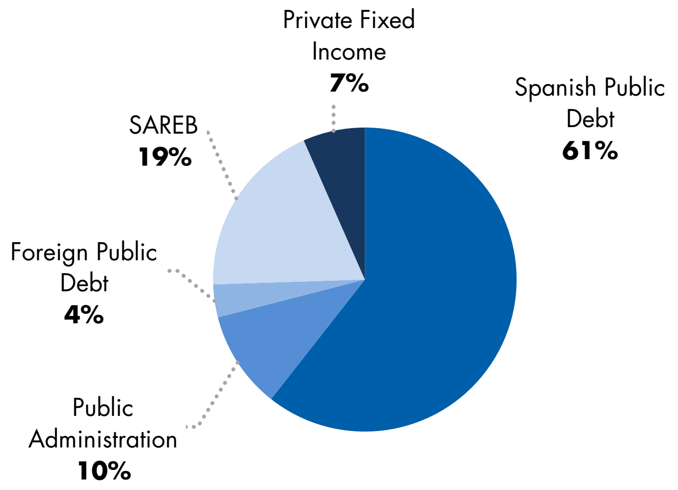
Fixed income portfolio falls 12.3% YTD. Since 2014, this portfolio has fallen 36% or €5,765mm.

The portfolio has a low risk profile, mainly composed of Spanish sovereign debt

- **Average duration** of **4.0 years.**
- **Average yield stands** at **0.9%** (1.1% ex SAREB bonds)

Fixed Income Portfolio[1] – €mm





[1] Excluding capital gains from held-to-maturity portfolio

LIQUIDITY AND SOLVENCY (4/4)

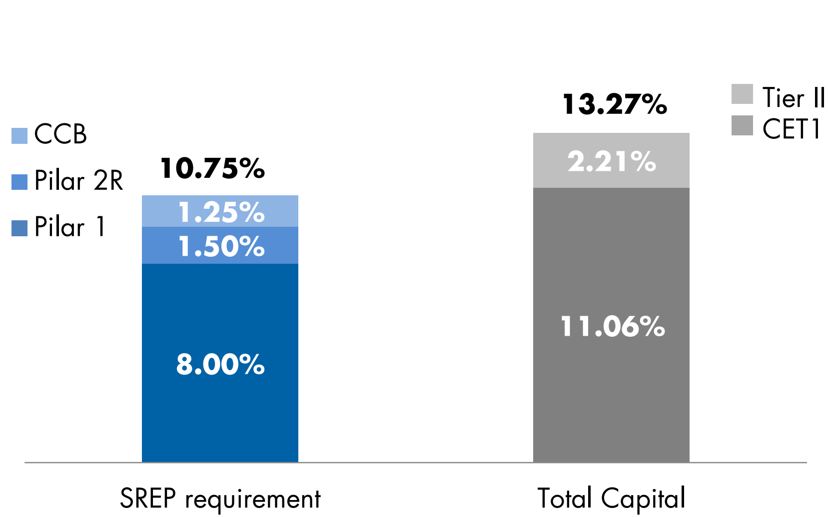
CET1 Phased In ratio stands at 11.1% and Total Capital ratio reaches 13.3%, significantly above SREP requirements (7.25% and 10.75% respectively).

- During this semester Ibercaja has amortized in advance €223mm of CoCos. As a result, **Ibercaja has fully redeemed €407mm of CoCos from Cajatres** without selling strategic assets or diluting its shareholders.
- **RWA / TA** ratio stands at **41.2%,** applying **standard methodology** calculation.

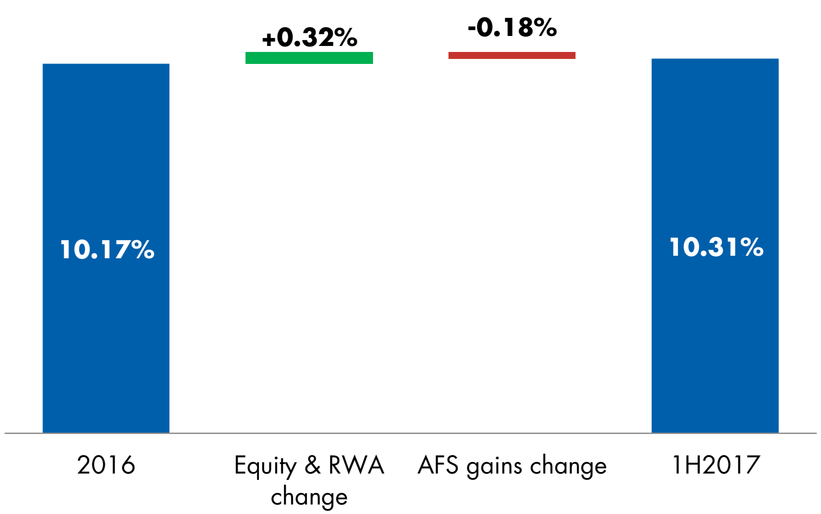
CET1 Fully Loaded improves 14 b.p. YTD, to 10.3%.

Leverage ratio reaches **5.0%**

Total Capital – 1S2017



CET1 Fully Loaded – %



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CONCLUSIONS & 2017 GUIDANCE

CONCLUSIONS

Ibercaja Banco has achieved significant progress in the execution of its Strategic Plan 2015-2017 in this semester

Profitability

+3.5% Turning point reached in revenues with Net Interest Income and Net Fee Income growing 3.5% YoY

-11% Agreement to reduce the cost base up to 11%

Asset Quality

€490 mm Agreement to sell a €490mm portfolio of real estate loans mostly classified as doubtful.

Solvency

€224 mm Ibercaja has amortized in advance €223mm of CoCos. As a result, Ibercaja has fully redeemed €407mm of CoCos from Cajatres

2017 GUIDANCE

Ibercaja Banco reiterates its 2017 guidance.

Recurring Revenues (Net Interest Income+ Net Fee Income)	Recurring Operating Costs	Cost of Risk
>0% YoY	≈0% YoY	< 50 b.p.
+3.5% YoY	+2.9% YoY	52 b.p.
Turning point in revenues in 2017	Costs evolution moderates vs. 5.8% YoY in 1Q.	Cost of Risk in line with the Strategic Plan target

ANNEX 1

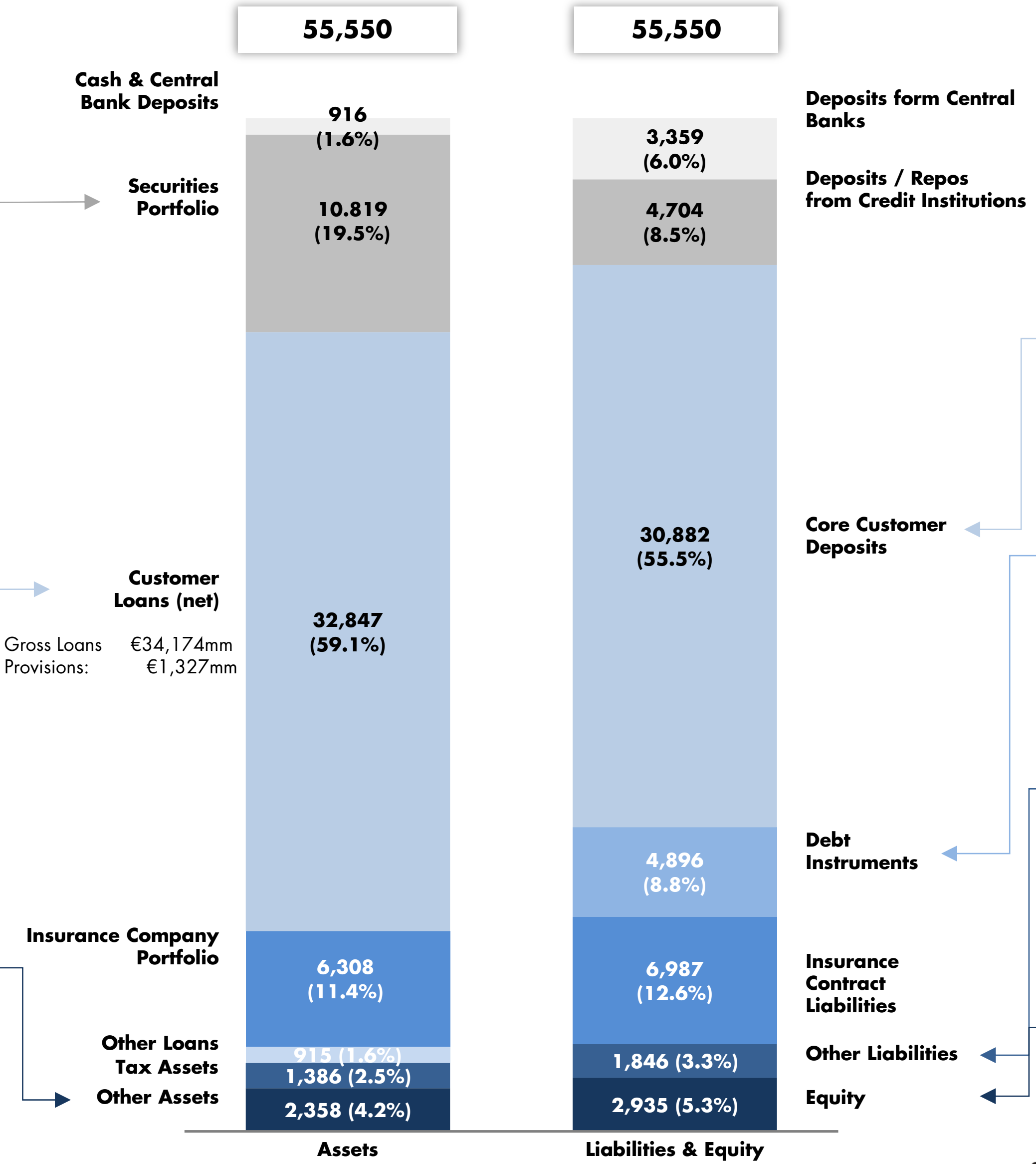
CONSOLIDATED BALANCE SHEET

CONSOLIDATED BALANCE SHEET

	€mm
Debt Securities	10,334
Equity Instruments & Associates	485
Total	**10,819**

	€mm
Residential Mortgages	21,428
SMEs / Corporates	7,221
Consumer & Others	1,408
RED & Construction	2,108
Public Sector & Other	2,007
Total Gross Loans	**34,174**

	€mm
Fixed Assets	1,070
Non-Current Assets Held for Sale	609
Hedging Derivatives	208
Intangible Assets	195
Other Assets	275
Total	**2,358**



	€mm
Current & Savings Accounts	22,736
Time Deposits	8,087
Total	**30,822**

	€mm
Covered Bonds	3.617
RMBS	634
Subordinated Debt	645
Total	**4,896**

	€mm
Tax Liabilities	211
Hedging Derivatives	85
Provisions	479
Other Liabilities	1,071
Total	**1,846**

	€mm
Tax Liabilities	2,757
Hedging Derivatives	177
Provisions	0
Total	**2,935**

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CONTACT
investors@ibercaja.es

For more information, VISIT OUR WEBSITE:
http://www.ibercaja.com/