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## Ibercaja Banco S.A.

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# Ibercaja Banco S.A.

<b>SACP</b>	<b>bb+</b>		+	<b>Support</b>	<b>0</b>	+	<b>Additional Factors</b>	<b>0</b>
<b>Anchor</b>	<b>bbb</b>			<b>ALAC Support</b>	<b>0</b>		<b>Issuer Credit Rating</b>  <b>BB+ / Stable / B</b>	
<b>Business Position</b>	<b>Weak</b>	<b>-2</b>		<b>GRE Support</b>	<b>0</b>			
<b>Capital and Earnings</b>	<b>Adequate</b>	<b>0</b>		<b>Group Support</b>	<b>0</b>			
<b>Risk Position</b>	<b>Adequate</b>	<b>0</b>		<b>Sovereign Support</b>	<b>0</b>			
<b>Funding</b>	<b>Average</b>	<b>0</b>						
<b>Liquidity</b>	<b>Adequate</b>							

## Credit Highlights

Key strengths	Key risks
Dominant market position in its home market of Aragon.	Weak underlying profitability.
Conservative culture and management.	Reliance on modest internal capital generation and limited financial flexibility.
Ample liquidity and retail-oriented funding profile.	Geographic and business concentration.
	Limited scale amid tougher operating environment and increased competition.

*Ibercaja's regional concentration, higher weight of lower-yielding mortgages, and hefty operating structure constrain its earnings capacity and competitiveness relative to peers.* Coupled with a still-challenging operating environment and the need to continue investing in digital transformation to remain competitive, this will continue to pressure its already feeble profitability, in our view.

*Its capitalization has gradually strengthened and should prove resilient to a harsher economic environment.* We expect our risk-adjusted capital (RAC) ratio will hover around 7.9%-8.3% in the next 12-18 months and that it would be able to cope with harsher economic conditions in Spain, remaining sustainably above the 7% threshold. That said, its exclusive reliance on retained earnings and limited financial flexibility of its main foundation-shareholder partly constrain our view on capital.

*Ibercaja's asset quality might prove more resilient than other domestic peers' through the ongoing shock.* Its limited exposure to potentially more vulnerable segments, adequate coverage levels, and prudent risk management standards support this. We expect that nonperforming assets (NPAs) could peak at 6%-7% of gross loans, compared with 9.5% for the Spanish system.

**Outlook: Stable**

The stable outlook on Ibercaja reflects our belief that, while the spillover effects of the pandemic on asset quality are yet to come, additional problem loans will be manageable, and its capitalization will not be challenged over the next 12-18 months. We see NPAs potentially reaching 7% of gross loans in 2022, compared with 5.1% at year-end 2020. The outlook also indicates that ultra-low interest rates, still high costs, and elevated credit provisions, will continue to weigh on Ibercaja's already-weak profitability, which will likely remain lower than that of higher-rated peers.

**Downside scenario:** We could lower the ratings if the bank's internal capital generation proves much weaker than we expect, or if asset quality deteriorates substantially.

**Upside scenario:** An upgrade is currently unlikely. However, we could consider it in the medium term if Ibercaja enhances its efficiency and underlying profitability to levels closer to those of higher-rated domestic peers, while preserving its capital strength and conservative risk profile.

**Key Metrics****Ibercaja Banco S.A.--Key Ratios And Forecasts\***

	--Fiscal year ended Dec. 31--				
	2018a	2019a	2020a	2021f	2022f
Growth in operating revenue (%)	(7.3)	(4.3)	(3.4)	1.9-2.3	(1.6)-(1.9)
Growth in customer loans (%)	(1.3)	(3.3)	(3.1)	(0.5)-(0.6)	0.0-0.0
Net interest income/average earning assets (NIM) (%)	1.2	1.1	1.1	1.0-1.1	1.0-1.1
Cost to income ratio (%)	66.1	67.3	66.9	65.8-69.2	63.3-66.5
Return on equity (%)	1.4	2.9	0.8	2.3-2.5	3.4-3.7
New loan loss provisions/average customer loans (%)	0.5	0.4	0.7	0.7-0.8	0.5-0.5
Gross nonperforming loans/customer loans (%)	7.1	4.2	3.4	4.1-4.6	5.1-5.6
Risk-adjusted capital ratio (%)	5.9	7.1	7.9	7.8-8.2	7.9-8.3

\*All figures adjusted by S&P Global Ratings. a--Actual. e--Estimate. f--Forecast.

**Anchor: 'bbb' For Spanish Domestic Banks**

The anchor for banks operating primarily in Spain is 'bbb', reflecting our economic risk assessment of '4' and our industry risk assessment of '4' (on a scale of '1' to '10', '10' signifying the highest risk). We view the trend for economic risk as negative and the trend for industry risk as stable.

Spanish banks operate in a wealthy economy that, following the severe, double-dip recession of 2009-2013, managed to return to growth and correct previous imbalances, notably the persistent current account deficit and the previously high private sector indebtedness. The economy's external account has been in surplus since 2013, while private sector leverage is now adequately aligned to its debt capacity, after having declined by the equivalent of almost 70

percentage points of GDP over the past decade. Although it has taken a while, the banking system has also largely completed the provisioning of NPAs that were left after the property bubble burst and recession ensued, and we note stronger capital overall. In our view, the property market no longer shows signs of imbalances.

Nevertheless, the COVID-19 outbreak and lockdown measures represented a meaningful shock for the Spanish economy. We expect that, after the abrupt contraction in economic activity in 2020, the Spanish economy will rebound in 2021, with GDP expanding by 6.3%, and that the output lost during the downturn will be fully recovered late in 2022. Certain sectors have been particularly affected, such as tourism, which is quite important for the Spanish economy. In addition, unemployment will increase from already comparatively high levels, potentially reaching 15.8% in 2021. The toll on the government's fiscal accounts has also been evident. While we have seen little evidence of asset quality deterioration yet, we expect banks' asset problem loans to grow as support measures are wound down and credit costs to remain elevated. We estimate that credit provisions will remain elevated this year, at 80%, only modestly below those of 2020. We expect a possible more significant drop in provisioning only in 2022, subject to a healthy economic rebound.

Our assessment of industry risk reflects Spanish banks' balanced funding profiles and ample liquidity, as well as the profitability challenges ahead. Customer deposits now fund the bulk of banks' loan books, and at historically low costs. Reliance on wholesale market funding is therefore limited and markets remain open. In addition, through the targeted longer-term refinancing operations (TLTRO) III program, the European Central Bank (ECB) will continue to ensure banks' access to funding, if needed, at attractive prices. The COVID-19 shock, however, is aggravating existing profitability challenges resulting from low rates, limited business growth, and intense competition. The prospect of banks achieving returns in line with their cost of capital was already remote, particularly for midsize banks, and much more so currently. Banks' profitability will only partially recover in 2021. However, we expect Spanish banks to remain fairly efficient compared with peers.

## **Business Position: Regional And Less-Diversified Business Weighs On Profitability**

Ibercaja is a regional player in the Spanish market, with a dominant position in its home market of Aragon. However, its limited geographical and business diversification, coupled with a tough operating environment, will further weigh on its already-weak profitability, in our view.

With €57.8 billion assets at end-March 2021, Ibercaja is the ninth-largest financial institution in Spain by total assets, with nationwide market shares of about 2.4% in loans (see chart 1). Its business is concentrated in its home territory of Aragon--where it has a deposit market share of about 42% in 2020--and where it benefits from a loyal customer base. Ibercaja's revenue-generation capacity is limited by its concentration of lower-yielding residential mortgages--61% of the loan book at end-March 2021, compared with the Spanish banking system average of about 42%.

To rebalance this mortgage-concentration to higher-yielding segments, Ibercaja targeted small and midsize enterprises (SMEs). However, progress has been modest, with corporate loans (ex-real estate) representing 23% of loans at end-March 2021, compared with 19% at end-2016. Additionally, Ibercaja has only partially succeeded in growing its

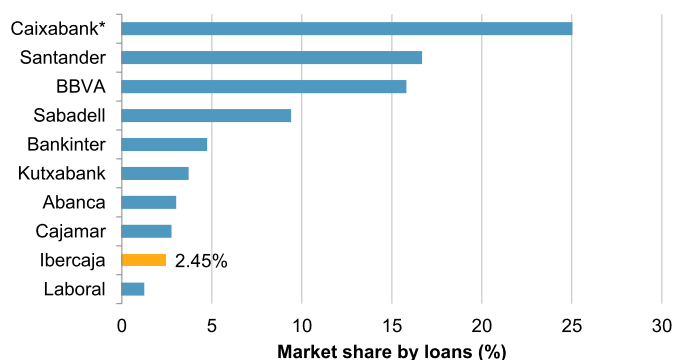
business volumes outside its home market over the past few years. In 2020, Madrid, Catalonia, and Valencia represented 61% of Ibercaja's new residential mortgage production, but just 46% of its outstanding mortgage exposure.

Despite the important adjustment undertaken to downsize its branch network and headcount and improve its efficiency, Ibercaja's operating structure is still heavier than most Spanish-rated banks, relative to its loan book (see chart 2). The ongoing redundancy plan affecting 15% of employees will contribute to some cost savings, although less than proportionally.

**Chart 1**

**Ibercaja's Scale Is More Limited Compared With Larger Domestic Rated Banks**

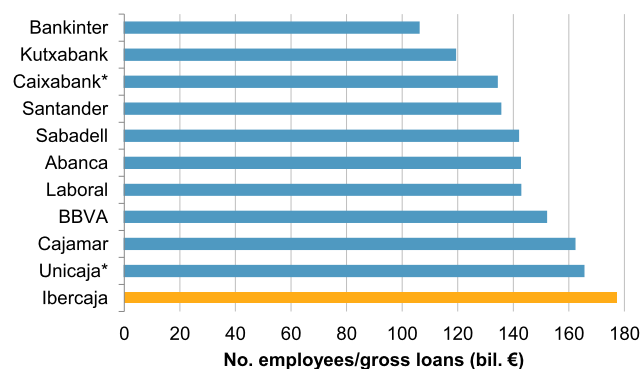
Domestic loans at end-2020



Data refers to Spain-only gross loans. \*Caixabank's data includes Bankia's acquisition. Source: S&P Global Ratings. Copyright © 2021 by Standard & Poor's Financial Services LLC. All rights reserved.

**Chart 2**

**Ibercaja's Employee Network Is the Largest In Spain, In Relative Terms**

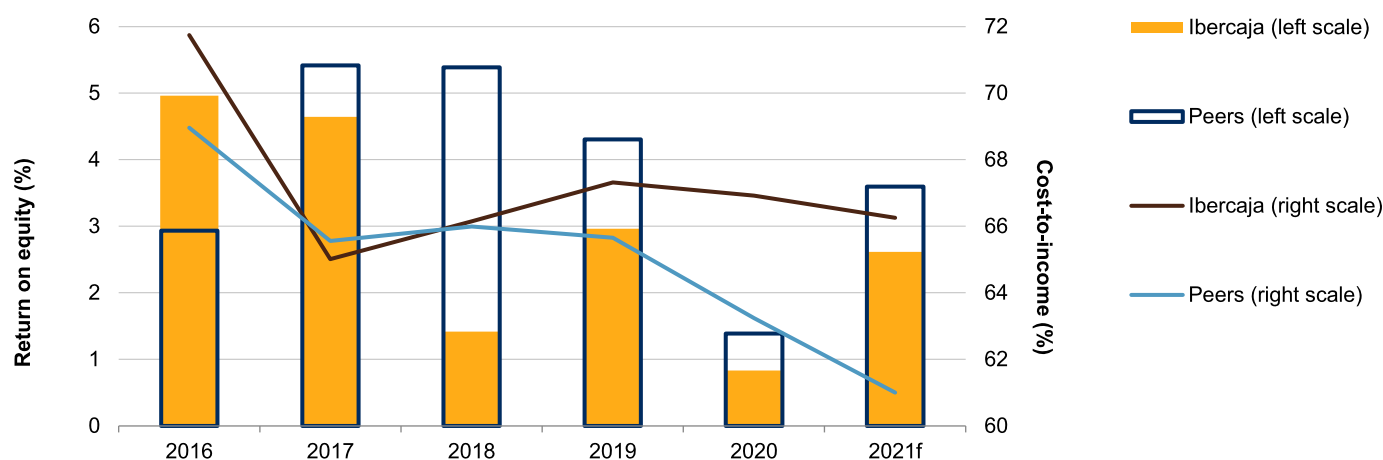


Data refers to domestic only. Data is as of end-2020. \*Caixabank and Unicaja pro forma of acquisitions. Source: Banks' financial statements. Copyright © 2021 by Standard & Poor's Financial Services LLC. All rights reserved.

Ibercaja has made little progress in the past couple of years in shoring up its operating profitability to the levels of higher-rated peers. The bank's ROE stood at 1.7%, on average between 2018-2020 (compared with 3.7% for its peers), and its cost-to-income ratio stood at a still-high 67%. Ultra-low interest rates, high competition amid a more concentrated domestic market, and a cost of risk likely above pre-pandemic levels will likely continue to weigh on Ibercaja's profitability this year and next. Its focus on fee-generating business (i.e. asset management and insurance) as part of its new business plan should partly offset the pressure on net interest income. We forecast these revenues will grow about 4.0%-5.0% per year, on average. We also expect some cost reduction around the mid-single-digits driven by synergies from employee layoffs, though only in 2022, supporting pre-provision income. Overall, we expect a ROE of about 2.6% in 2021, gradually improving to 3.4%-3.7% in 2022 (see chart 3), which would still compare less favorably with that of higher rated peers.

Chart 3

### Ibercaja's Earnings Capacity Will Likely Remain Weaker Than Peers'



Peers include Abanca, Laboral, Sabadell, Cajamar, Kutxabank, Bankinter, BCP, Permanent TSB, and Alto Adige. f--Forecast. Source: S&P Global Ratings.

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We therefore consider management's target of 7% return on tangible equity by end-2023 (or about 6.4% ROE) as difficult to achieve. We also anticipate that the bank's efficiency gap will remain high compared with the Spanish system average, with cost to income standing at about 66% over the coming quarters, compared with our expectation of 53% for the Spanish banking system and 61% for its peer group. This pressure could spur Ibercaja to undertake a further round of structural measures to address its performance issues.

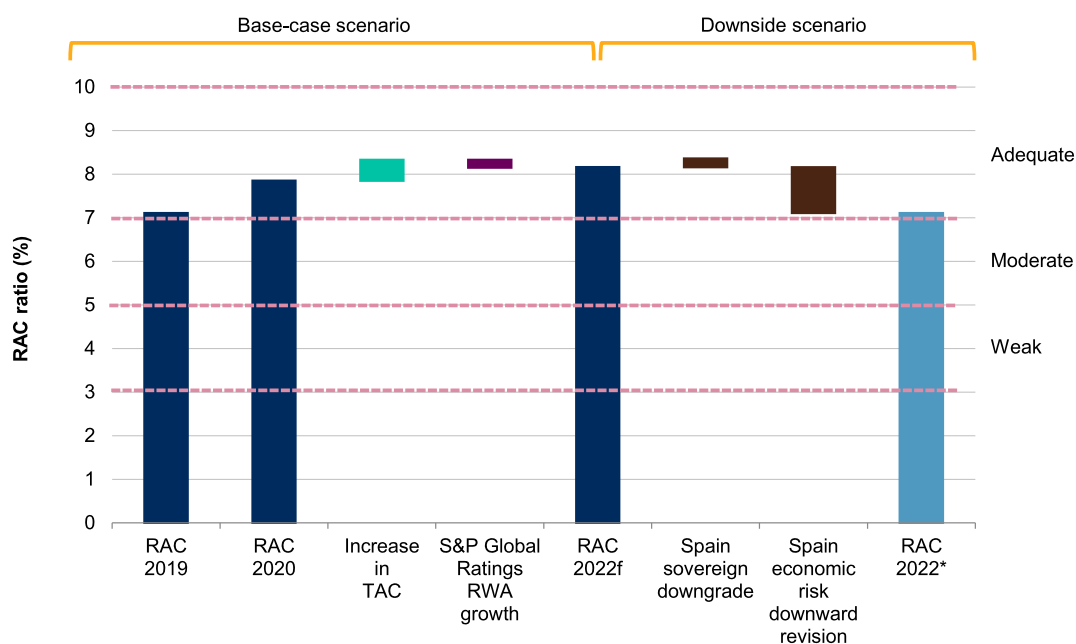
Positively, Ibercaja fully owns a financial arm comprising companies that specialize in asset management and bancassurance, benefiting from market shares well in excess of its banking business. This business provides diversification to its revenue base. In addition, we believe that management has implemented a conservative culture throughout the organization, and has maintained prudent liquidity standards.

### Capital And Earnings: Strengthened Capital Balances Its Low Earnings Generation Capacity And Limited Financial Flexibility

Ibercaja's capital has gradually improved over the past two years driven by deleveraging and reduced market risks and we now expect it to be adequate for the risks it bears. We forecast that its RAC will stand around 7.9%-8.3% by end-2022, compared with 7.9% at end-2020. At this level, it would have a comfortable cushion to preserve its adequate assessment (see chart 4).

Chart 4

### Ibercaja's Strengthened Capitalization Could Withstand Harsher Economic Conditions



\*Shows the potential RAC if the negative trend on Spain materialize. f--Forecast. RAC--Risk-adjusted capital. RWA--Risk-weighted assets. TAC--Total adjusted capital. Source: S&P Global Ratings. Copyright © 2021 by Standard & Poor's Financial Services LLC. All rights reserved.

Our RAC forecasts reflect:

- Our expectations of constrained core operating revenues (net interest income and fee income), declining by about 1% in 2021 and increasing only by about 1% thereafter due to pressure on interest margins and overall flattish credit growth;
- Above-normal credit losses of around 65-70 bps in 2021, gradually declining to about 50bps in 2022;
- A cash dividend payout that will gradually increase from 20% in 2021 to 40% in 2022; and
- S&P Global Ratings' risk-weighted assets (RWAs) to increase by 1.0%-1.5% on average in 2021-2022, reflecting our expectation of a gradual credit shift toward higher risk-weighted segments and some asset quality deterioration.

At end-March 2021, Ibercaja reported a regulatory fully loaded Common Equity Tier 1 (CET1) ratio of 12.6% and total capital ratio of 17.2%, versus its 12.5% supervisory review and evaluation process (SREP) requirement, relatively in line with rated Spanish banks. We expect capital ratios to remain relatively stable, given that the bank has already filled its AT1 and Tier 2 regulatory buckets with hybrid issuances. We therefore expect the bank to achieve its CET1 ratio target of 12.5% by end-2023.

Ibercaja is owned by the banking foundations of the original savings banks. We believe that this limits its financial



flexibility compared with other listed entities. Ibercaja has been working on the listing of its shares for the past four years, so that its major shareholder--Fundacion Bancaria Ibercaja--can reduce its 88.0% stake to below 50%. The regulatory deadline was extended by two years amid the COVID-19 pandemic and financial markets' fragility, and is now end-2022. A potential listing could enable the bank to access capital markets to strengthen its capital. However, the still-fragile operating conditions for many European banks and low valuations of similar peers would make the process difficult and uncertain, in our view. Meanwhile, Ibercaja's main shareholder will have to start setting aside a reserve fund of about €320 million, which we expect will gradually build through dividends from the bank.

The amount of deferred tax assets (DTAs) that Ibercaja has on its books weakens the bank's capital base. DTAs included in TAC equaled 32% of Ibercaja's TAC at end-2020. This level is lower than that of some other domestic peers, but still sizable, in our view.

### **Risk Position: Asset Quality Metrics Should Prove More Resilient Than Peers To The Spillover Effect Of The Pandemic**

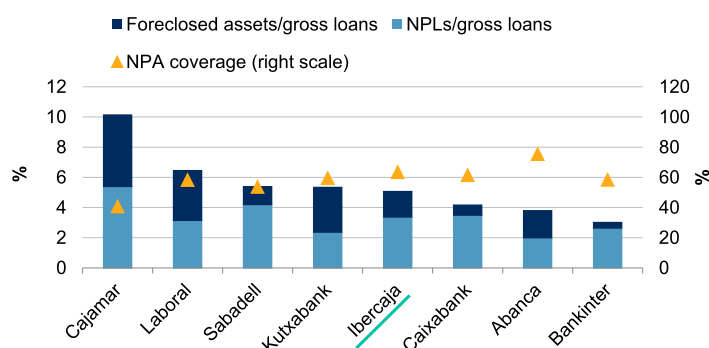
We expect that the recent economic downturn due to COVID-19 will drive some deterioration of Ibercaja's asset quality, once supportive measures the authorities put in place to support the private sector are gradually withdrawn. It will also likely delay the reduction of the remaining stock of problematic assets from the previous recession. That said, we expect a more modest deterioration compared with peers and do not expect a meaningful increase in provisioning needs on the legacy stock of NPAs, which already carry 64% coverage and are largely backed by real estate.

At year-end 2020, Ibercaja's NPAs accounted for €1.5 billion, or 5.1% of gross loans, compared with 6.1% a year before and largely in line with its closest Spanish-rated peers (see chart 5). We expect its improved work-out internal models, as opposed to market sales, to be the primary driver of further NPA workout, which was the case over the past five years. Also, NPA sales might come at a higher cost in the current environment, as they could require higher provisioning on top of the already higher pandemic-related cost of risk. We believe that management's revised 5% NPA ratio targeted by end-2023 (from 3.5% published in its previous business plan) is less ambitious amid the current environment. That said, we expect NPAs to peak at 6%-7% of gross loans in 2022, which, although above management's targets, would compare favorably with our expectation for the Spanish system (see chart 6).

**Chart 5**

**Ibercaja's Asset Quality Metrics Are Mostly In Line With Our View Of Domestic Rated Peers'**

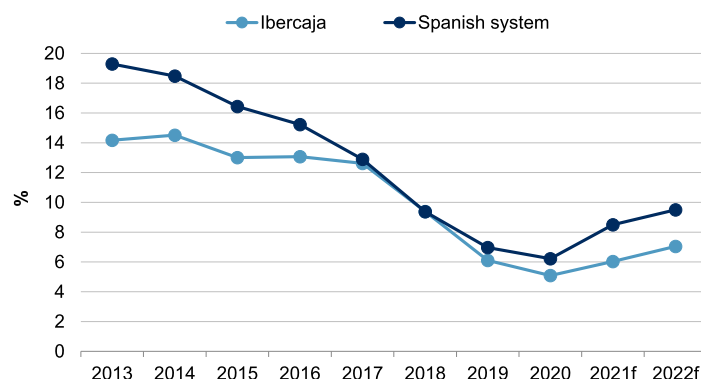
Data as of end-December 2020



NPA--Nonperforming assets. NPL--Nonperforming loans. Source: S&P Global Ratings. Copyright © 2021 by Standard & Poor's Financial Services LLC. All rights reserved.

**Chart 6**

**Ibercaja's Asset Quality Gap Versus Spanish System Declined In Recent Years But Should Recover In The Next Two**

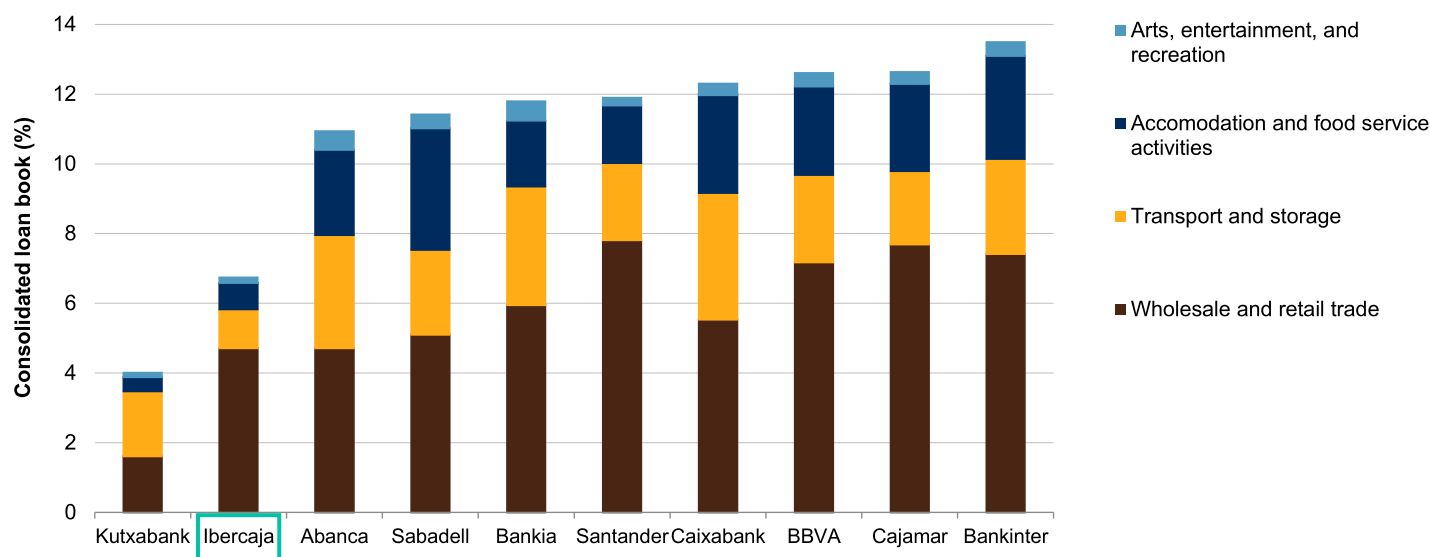


f--Forecast. Source: S&P Global Ratings. Copyright © 2021 by Standard & Poor's Financial Services LLC. All rights reserved.

We think Ibercaja's underwriting standards are prudent and its credit profile should prove more resilient to the nature of the ongoing downturn. This is supported by its comparatively lower exposure to potentially more vulnerable sectors (see chart 7), as well as its lower concentration of corporate and SME lending excluding real estate (representing about 23% of its loan book compared with 38% on average for Spanish banks). Exposure to consumer and other retail lending and the real estate sector is also limited to 5.7% and 3.3% of the loan book, respectively.

Chart 7

### Ibercaja's Exposure To Potentially More Vulnerable Sectors Is Smaller Than Rated-Spanish Banks



Data as of end-June 2020. Source: EBA Transparency Exercise.

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As of end-March 2021, Ibercaja's outstanding moratoria was modest at €355 million (1.9% of its mortgage loans). However, the use of state guaranteed loans has been above that of rated Spanish banks, about €1.6 billion or 20% of corporate loans as of end-March 2021. While only 4% has been categorized as Stage 2, we expect some deterioration to arise in coming quarters.

## Funding And Liquidity: A Strong Retail Funding Base And Ample Liquidity Buffers

We think that Ibercaja will be able to preserve its retail deposit base and balanced funding profile throughout the downturn, while the bank has no financing needs through capital markets and maintains ample access to long-term European Central Bank (ECB) funding. Our assessment also factors in the granularity and loyalty of the bank's retail funding base in its home region, with its top 20 depositors representing just 1.8% of customer deposits and 50% of its client base having been customers for over 20 years.

Following several years of loan contraction, Ibercaja's loan-to-deposits ratio declined to 83% on March 31, 2021, down from 101% at end-2016. Customer deposits accounted for 79% of Ibercaja's funding base (see chart 8).

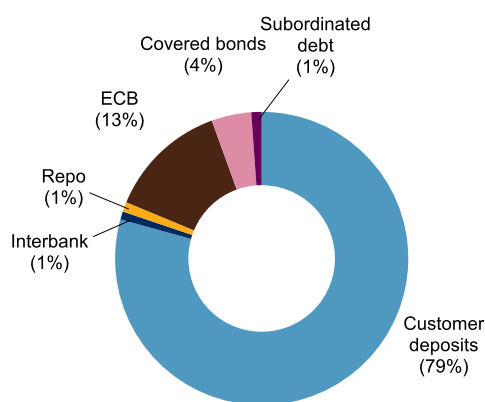
Despite being less active than other larger players in terms of debt placements, Ibercaja tapped the capital markets through different issues over the recent past, the last being a €500 million Tier 2 instrument in January 2020.

Upcoming maturities in 2021 and 2022 amount to €310 million (0.7% of its funding base), relating to covered bonds. On March. 31, 2021, Ibercaja's stable funding ratio stood at 106%, which is relatively in line with peer average of 128%.

We assess Ibercaja's liquidity position as adequate, with liquid assets covering 40% of customer deposits, on March. 31, 2021. The bank maintains a large amount of cash and liquid securities--totaling 25% of assets as of end-March 2021. While liquid assets largely comprise government bonds (11% of total assets), they also include €1.6 billion (3% of total assets) of SAREB bonds, which the state guarantees but are less liquid and cannot be sold in the market. In addition, amid supportive monetary measures by the ECB, Ibercaja has around €5.9 billion of long-term funding in the form of TLTRO-III, as of end-March 2021. Even if its liquidity is ample compared with that of most Spanish peers (see chart 9), we believe it is appropriate given Ibercaja's more limited scale.

**Chart 8**

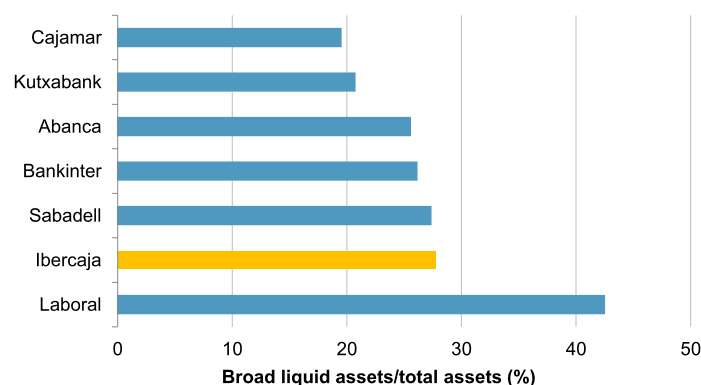
**Ibercaja's Funding Profile Is Primarily Retail**  
As of end-March 2021



Source: S&P Global Ratings.  
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**Chart 9**

**Ibercaja's Liquidity Is Comfortable Compared With Spanish Rated Peers**  
End-December 2020



Source: S&P Global Ratings.  
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## Support: No Notches Of Uplift To The Stand-Alone Credit Profile

We do not incorporate any notches of uplift for potential extraordinary government support, nor for additional loss-absorbing capacity (ALAC).

We believe that the prospects of extraordinary government support for the Spanish banking sector are uncertain, following the full implementation of the EU Bank Recovery and Resolution Directive, including bail-in powers, from Jan. 1, 2016. However, we consider Ibercaja to have moderate systemic importance in Spain.

We do not have sufficient visibility over Ibercaja's resolution plans to conclude that its ratings could be eligible for ALAC uplift. The bank will be required to comply with a minimum requirement for own funds and eligible liabilities (MREL) of 17.88% of its regulatory RWAs by Jan. 1, 2022. However, we understand that similar to other midsize Spanish banks, its resolution would likely be handled using the "sale of business tool". Therefore, in addition to the

ALAC buffers being large enough, ALAC uplift would depend on the final shape of the bank's resolution plan, which would have to provide assurance on the degree of protection envisaged for all senior creditors.

We estimate that ALAC would stand at 3.5%-4.0% of S&P Global Ratings' RWAs at end-2022, still below our required 5% threshold for a one-notch uplift. In addition to Ibercaja's excess RAC ratio (above 5%) already incorporated in the stand-alone credit profile (SACP), we include €500 million of Tier 2 hybrids.

### **Environmental, Social, And Governance (ESG): Strengthened Governance Standards And Transparency Ahead Of Planned IPO**

We view exposure to ESG risks and opportunities for Ibercaja as broadly in line with those of the industry and Spanish peers. Because it was previously a savings bank, Ibercaja is owned by four banking foundations (the major one holds a 88.0% stake in the bank), which limits its financial flexibility compared with listed peers. While its chairman is nonexecutive and 55% of its board members are independent, only 18% are women, displaying some room for improvement. However, unlike other savings banks in Spain, Ibercaja did not have any governance issues during the financial crisis. Additionally, we believe that the bank has strengthened its corporate governance standards and transparency of reporting over the past three years in preparation for its IPO. We also consider top management to be stable and experienced, with a reasonably good track record of preserving a low-risk profile.

Due to its primarily retail focus, Ibercaja may be structurally exposed to conduct risks, which have increased systemwide amid growing consumer awareness and activism. For example, retail banks in Spain have been exposed to litigation claims related to multi-currency mortgages, interest-rate floors on mortgages, and mortgage loan reference index (IRPH) over the past few years. However, so far, Ibercaja has been less exposed than the sector. Environmental risks do not significantly affect our ratings on Ibercaja, which--like peers--is exposed to transition risks in its lending and investing activities. The bank is still in the early stages of planning how to incorporate climate risk in its business strategy, and aims to become carbon neutral by end-2050.

## **Hybrid Issue Ratings**

## Ibercaja S.A.: Notching

		AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	BB	BB-	B+	B	B-
Issuer level	Resolution counterparty rating															
	Issuer credit rating															
Group stand-alone credit profile																
Issue level	Senior unsecured															
	NDS / Tier 2															
	AT1 (5.125% trigger)															

## Key to notching

----- Group stand-alone credit profile

----- Issuer credit rating

RC Resolution counterparty liabilities (senior secured debt)

Group Group support

1a Contractual subordination

1b Discretionary or mandatory nonpayment clause and whether the regulator classifies it as regulatory capital

1c Mandatory contingent capital clause or equivalent

Note: The number-letter labels in the table above are in reference to the notching steps we apply to hybrid capital instruments, as detailed in table 3 of our "Hybrid Capital: Methodology And Assumptions" criteria, published on July 1, 2019.

AT1--Additional Tier 1. NDS--Non-deferrable subordinated debt. NVCC--nonviability contingent capital.

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## Key Statistics:

Table 1

## Ibercaja Banco S.A.--Key Figures

(Mil. €)	--Year ended Dec. 31--				
	2021*	2020	2019	2018	2017
Adjusted assets	57,522.9	58,152.4	55,198.2	52,490.7	52,896.1
Customer loans (gross)	30,249.1	29,965.1	30,933.0	31,998.2	32,418.2
Adjusted common equity	1,600.3	1,533.7	1,670.0	1,633.7	1,862.0
Operating revenues	268.5	965.4	999.1	1,044.2	1,126.6
Noninterest expenses	154.0	646.1	672.6	690.7	732.4
Core earnings	57.0	43.3	128.1	98.5	146.0

\*Data as of March 2021.

Table 2

## Ibercaja Banco S.A.--Business Position

(%)	--Year ended Dec. 31--				
	2021*	2020	2019	2018	2017
Loan market share in country of domicile	2.4	2.4	2.6	2.8	2.8
Deposit market share in country of domicile	2.5	2.5	2.8	2.9	2.9

**Table 2**

<b>Ibercaja Banco S.A.--Business Position (cont.)</b>					
	<b>--Year ended Dec. 31--</b>				
<b>(%)</b>	<b>2021*</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Return on average common equity	7.6	0.8	2.9	1.4	4.6

\*Data as of March 2021.

**Table 3**

<b>Ibercaja Banco S.A.--Capital And Earnings</b>					
	<b>--Year ended Dec. 31--</b>				
<b>(%)</b>	<b>2021*</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Tier 1 capital ratio	15.2	15.5	14.0	13.3	11.7
S&P Global Ratings' RAC ratio before diversification	N/A	7.9	7.1	5.9	5.1
S&P Global Ratings' RAC ratio after diversification	N/A	6.9	6.2	5.1	4.4
Adjusted common equity/total adjusted capital	82.1	81.4	82.7	82.4	100.0
Net interest income/operating revenues	45.7	55.3	54.8	54.8	49.8
Fee income/operating revenues	36.4	38.8	39.4	35.9	32.4
Market-sensitive income/operating revenues	12.9	0.5	0.8	4.2	12.5
Cost to income ratio	57.4	66.9	67.3	66.1	65.0
Provision operating income/average assets	0.8	0.6	0.6	0.7	0.7
Core earnings/average managed assets	0.4	0.1	0.2	0.2	0.3

RAC--Risk-adjusted capital. N/A--Not applicable. \*Data as of March 2021.

**Table 4**

<b>Ibercaja Banco S.A.--Risk-Adjusted Capital Framework Data</b>					
<b>(Mil. €)</b>	<b>Exposure*</b>	<b>Basel III RWA</b>	<b>Average Basel III RW(%)</b>	<b>S&amp;P Global Ratings RWA</b>	<b>Average S&amp;P Global Ratings RW (%)</b>
<b>Credit risk</b>					
Government & central banks	18,882.4	1,100.8	5.8	1,082.8	5.7
Of which regional governments and local authorities	757.8	0.0	0.0	84.1	11.1
Institutions and CCPs	516.9	105.6	20.4	156.3	30.2
Corporate	3,511.2	2,955.2	84.2	4,701.2	133.9
Retail	23,355.2	9,525.3	40.8	10,751.3	46.0
Of which mortgage	18,895.9	6,609.8	35.0	6,876.0	36.4
Securitization§	0.0	0.0	0.0	0.0	0.0
Other assets†	2,473.0	2,404.5	97.2	3,964.9	160.3
Total credit risk	48,738.6	16,091.4	33.0	20,656.5	42.4
<b>Credit valuation adjustment</b>					
Total credit valuation adjustment	--	119.6	--	0.0	--
<b>Market Risk</b>					
Equity in the banking book	260.6	788.5	302.5	2,098.7	805.3
Trading book market risk	--	0.0	--	0.0	--
Total market risk	--	788.5	--	2,098.7	--

Table 4

Ibercaja Banco S.A.--Risk-Adjusted Capital Framework Data (cont.)					
Operational risk					
Total operational risk	--	1,353.9	--	1,231.1	--
	Exposure	Basel III RWA	Average Basel II RW (%)	S&P Global Ratings RWA	% of S&P Global Ratings RWA
Diversification adjustments					
RWA before diversification	--	18,353.4	--	23,986.4	100.0
Total diversification/ concentration adjustments	--	--	--	3,152.9	13.1
RWA after diversification	--	18,353.4	--	27,139.2	113.1
	Tier 1 capital	Tier 1 ratio (%)	Total adjusted capital	S&P Global Ratings RAC ratio (%)	
Capital ratio					
Capital ratio before adjustments		2,834.9	15.4	1,883.7	7.9
Capital ratio after adjustments†		2,834.9	15.5	1,883.7	6.9

\*Exposure at default. §Securitization exposure includes the securitization tranches deducted from capital in the regulatory framework. †Exposure and S&P Global Ratings' risk-weighted assets for equity in the banking book include minority equity holdings in financial institutions. ‡Adjustments to Tier 1 ratio are additional regulatory requirements (e.g. transitional floor or Pillar 2 add-ons). RWA--Risk-weighted assets. RW--Risk weight. RAC--Risk-adjusted capital. CCPs--Central counterparty clearing house. Sources: Company data as of Dec. 31, 2020, S&P Global Ratings.

Table 5

Ibercaja Banco S.A.--Risk Position	--Year ended Dec. 31--				
	2021*	2020	2019	2018	2017
(%)					
Growth in customer loans	0.9	(3.1)	(3.3)	(1.3)	(2.7)
Total diversification adjustment/S&P Global Ratings' RWA before diversification	N/A	13.1	14.0	16.0	14.2
Total managed assets/adjusted common equity (x)	36.1	38.1	33.2	32.3	28.6
New loan loss provisions/average customer loans	0.4	0.7	0.4	0.5	0.6
Net charge-offs/average customer loans	N.M.	N.M.	0.6	0.8	0.5
Gross nonperforming loans /customer loans	3.2	3.4	4.2	7.1	7.9
Loan loss reserves/gross nonperforming loans	67.1	63.7	49.7	49.1	42.5

\*Data as of March 2021. RWA--Risk-weighted assets. N.M.--Not meaningful. N/A--Not applicable.

Table 6

Ibercaja Banco S.A.--Funding And Liquidity					
	--Year-ended Dec. 31--				
	2021*	2020	2019	2018	2017
(%)					
Core deposits/funding base	79.29	79.13	77.67	78.63	75.97
Customer loans (net)/customer deposits	82.79	80.90	92.11	97.46	99.38
Long-term funding ratio	94.81	94.07	89.18	95.71	94.36
Stable funding ratio	105.67	109.19	94.60	98.45	108.99
Short-term wholesale funding/funding base	5.54	6.31	11.59	4.61	6.02
Broad liquid assets/short-term wholesale funding (x)	5.78	5.60	2.55	5.65	5.83
Net broad liquid assets/short-term customer deposits	34.51	37.96	23.85	28.09	40.09



**Table 6**

<b>Ibercaja Banco S.A.--Funding And Liquidity (cont.)</b>					
		<b>--Year-ended Dec. 31--</b>			
Short-term wholesale funding/total wholesale funding	25.78	29.19	50.06	20.71	25.05
Narrow liquid assets/3-month wholesale funding (x)	6.98	7.12	3.00	7.83	7.34

\*Data as of March 2021

## Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions, July 1, 2019
- General Criteria: Group Rating Methodology, July 1 2019
- General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Banks: Bank Rating Methodology And Assumptions: Additional Loss-Absorbing Capacity, April 28, 2015
- Banks: Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions, July 17, 2013
- Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- Principles of Credit Ratings, Feb. 16, 2011

## Related Research

- Various Rating Actions Taken On Spanish Banks Amid Proven Resilience And Industry Challenges, June 24, 2021
- Capital Resilience Alone Won't Stabilize European Bank Ratings in 2021, Feb. 3, 2021
- Low-For-Even-Longer Interest Rates Maintain Margin Pressure On European Banks, Feb. 2, 2021
- Lower And Later: The Shifting Horizon For Bank Credit Losses, Feb. 2, 2021
- Spanish Banks Need To Bolster Provisions, Cut Costs, And Preserve Capital In 2021, Jan. 25, 2021
- Extending Depositor Preference To All Depositors Would Not Trigger Rating Changes On Spanish Banks, Nov. 25, 2020
- Banking Industry Country Risk Assessment: Spain, June 18, 2020
- Outlooks Revised To Negative On Several Spanish Banks On Deepening COVID-19 Downside Risks, April 29, 2020
- Spain-Based Ibercaja Outlook Revised To Negative On Economic Downturn Linked To COVID-19; 'BB+/B' Ratings Affirmed, April 29, 2020

Anchor Matrix										
Industry Risk	Economic Risk									
	1	2	3	4	5	6	7	8	9	10
1	a	a	a-	bbb+	bbb+	bbb	-	-	-	-
2	a	a-	a-	bbb+	bbb	bbb	bbb-	-	-	-
3	a-	a-	bbb+	bbb+	bbb	bbb-	bbb-	bb+	-	-
4	bbb+	bbb+	bbb+	bbb	bbb	bbb-	bb+	bb	bb	-
5	bbb+	bbb	bbb	bbb	bbb-	bbb-	bb+	bb	bb-	b+
6	bbb	bbb	bbb-	bbb-	bbb-	bb+	bb	bb	bb-	b+
7	-	bbb-	bbb-	bb+	bb+	bb	bb	bb-	b+	b+
8	-	-	bb+	bb	bb	bb	bb-	bb-	b+	b
9	-	-	-	bb	bb-	bb-	b+	b+	b+	b
10	-	-	-	-	b+	b+	b+	b	b	b-

### Ratings Detail (As Of June 29, 2021)\*

#### Ibercaja Banco S.A.

Issuer Credit Rating BB+/Stable/B

Preferred Stock B-

Subordinated B+

#### Issuer Credit Ratings History

24-Jun-2021 BB+/Stable/B

29-Apr-2020 BB+/Negative/B

04-Apr-2019 BB+/Stable/B

09-Feb-2017 BB+/Positive/B

#### Sovereign Rating

Spain A/Negative/A-1

\*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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