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Ibercaja Banco S.A.

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Ibercaja Banco S.A.

Rating Score Snapshot

Issuer Credit Rating
BB+/Stable/B

SACP: bb+ → **Support: 0** → **Additional factors: 0**

Anchor	bbb	
Business position	Constrained	-2
Capital and earnings	Adequate	0
Risk position	Adequate	0
Funding	Adequate	0
Liquidity	Adequate	
CRA adjustment		0

ALAC support	0
GRE support	0
Group support	0
Sovereign support	0

Issuer credit rating
BB+/Stable/B

ALAC--Additional loss-absorbing capacity. CRA--Comparable ratings analysis. GRE--Government-related entity. ICR--Issuer credit rating. SACP--Stand-alone credit profile.

Credit Highlights

Key strengths	Key risks
Dominant market position in its home market of Aragon.	Geographic and business concentration.
Conservative culture and management.	Limited scale amid competitive environment.
Improved asset quality and low-risk credit profile.	Weak track record of delivering on its profitability targets.

Ibercaja's profitability should improve in the coming quarters, but its high concentration and lower scale continue to constrain its structural earnings capacity. Thanks to completed employee layoffs and a material asset quality clean up, we expect Ibercaja's profitability to gradually strengthen in coming years on the back of rising interest rates. Its return on equity will improve, in our view, to about 7.5% over the next 18 months, compared with 2.9% at end-2019 and 5.2% at end-2021. Its largely floating mortgage book (making up for over 60% of the total loan book) will also position Ibercaja to potentially benefit, more so than some peers, from increasing net interest income. That said, its concentrated business profile and smaller scale in the national context will continue constraining its credit profile, in our view.

Strengthened capitalization balances its limited financial flexibility. We expect our risk-adjusted capital (RAC) ratio will stand sustainably above 9% in the next 12-18 months, compared with 8.1% at end-2021. Following various failed IPO attempts over the past six years, we view the bank's exclusive reliance on retained earnings and the limited financial flexibility of its main foundation-shareholder as partial constraints on its capital. We expect this to be somewhat offset by its main shareholder build-up of a €320 million reserve fund to meet the regulatory requirement for having an equity stake above 50% in the bank.

Ibercaja's asset quality should prove more resilient than other domestic peers'. Its low-risk lending mix skewed to mortgages, limited exposure to potentially more vulnerable segments, adequate coverage levels, and prudent risk management support our view. We expect nonperforming assets (NPAs) to remain slightly above 4.0% of gross loans by end-2023, compared with 5.6% for the Spanish system.

Outlook

The stable outlook on Ibercaja reflects our opinion that, over the next 12-18 months, the spillover effects on the bank's asset quality stemming from the pandemic and the Russia-Ukraine conflict will be manageable. We expect total cost of risk will hover around 35-40 basis points (bps) and its capitalization will not be hampered. We see the bank's RAC ratio improving to 9.3%-9.8% by end-2023, from 8.1% in 2021. Efficiency and profitability should also improve on increasing rates and reduced operating costs after the headcount reduction of the past couple of years. We expect Ibercaja's gap with higher-rated peers will still exist, albeit gradually reducing over the next 12-18 months.

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 sustainably 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--				
	2019a	**2020a**	**2021a**	**2022f**	**2023f**
Growth in operating revenue (%)	(4.3)	(3.4)	6.8	(1.4)-(1.7)	7.1-8.7
Growth in customer loans (%)	(3.3)	(3.1)	(1.3)	0.0-0.0	0.7-0.9
Net interest income/average earning assets (NIM) (%)	1.1	1.1	1.0	0.9-1.0	1.0-1.1
Cost to income ratio (%)	67.3	66.9	66.9	62.0-65.1	59.1-62.2
Return on equity (%)	2.9	0.8	5.2	6.0-6.6	7.1-7.9
New loan loss provisions/average customer loans (%)	0.4	0.7	0.3	0.3-0.3	0.2-0.3
Gross nonperforming loans/customer loans (%)	4.2	3.4	2.4	2.5-2.8	2.9-3.2
Risk-adjusted capital ratio (%)	7.1	7.9	8.1	9.2-9.6	9.3-9.8

*All figures adjusted by S&P Global Ratings. a--Actual. f--Forecast. NIM--Net interest margin.

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 1-10, with '10' signifying the highest risk). We view the trends for economic and industry risks as stable.

Our economic risk assessment for Spain takes into account the country's successful transition to a less leveraged, more open economy; benefits from substantial NextGenerationEU grants; and the banking system's resilience to the pandemic. While credit losses doubled in 2020 compared to 2019, delinquencies did not increase and credit losses had almost returned to pre-pandemic levels a year later. Strong fiscal and monetary support from the Spanish authorities has helped contain the damage. Some problem loans have yet to materialize and the private sector will feel the effects of the Russia-Ukraine conflict through higher energy costs and inflation. However, we expect the deterioration in asset quality to be manageable overall, with credit provisions remaining in the 40-50 bps range. Some structural weaknesses also weigh on our assessment of Spain's economic risk, namely the country's underperforming and dual labor market and high public sector debt (108% of GDP in 2021), which will require further fiscal consolidation. In addition, the country's political fragmentation complicates policy action.

Our industry risk assessment balances Spanish banks' solid funding profiles and supportive institutional framework with the considerable profitability challenges and technological disruption that the industry faces and the pandemic only intensified. Customer deposits now fund the bulk of banks' credit operations, and at historically low costs. Recourse to external funding has fallen meaningfully, with the banking sector's net external position even turning negative. Furthermore, banks' borrowings from the European Central Bank's (ECB's) third targeted longer-term refinancing operations are largely back at the ECB. That said, the pandemic aggravated existing profitability challenges and accelerated digitalization trends, making it more difficult for banks, particularly midsize ones, to achieve higher returns than their cost of capital. While higher interest rates will support interest income growth, we still anticipate limited volume growth and potentially rising pressure on operating costs will partly offset benefits from higher margins.

Business Position: Regional And Less-Diversified Business Profile Weighs On Competitiveness

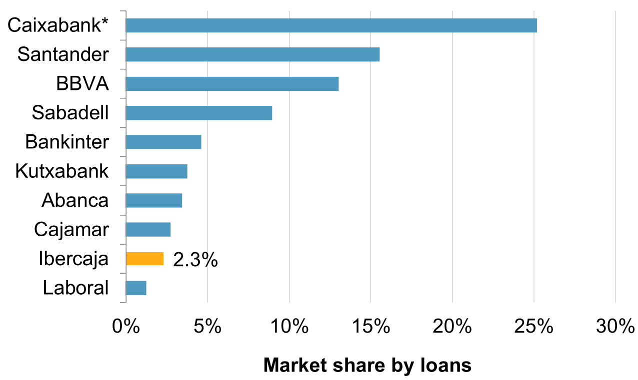
Limited scale and a concentrated business profile weigh on our rating on Ibercaja. With €59 billion of assets at end-March 2022, Ibercaja is the ninth-largest financial institution in Spain by total assets, with a limited nationwide market share of about 2.3% in loans (chart 1). Its business is concentrated in its home territory of Aragon--where it has a dominant lending and deposit market share of about 37% and where it benefits from a loyal customer base (more than seven contracted products per client on average). Aragon benefits from lower unemployment and higher GDP per capita than Spain's average. Ibercaja's lending mix is also concentrated in lower-yielding residential mortgages--60% of the loan book at end-March 2022, compared with the Spanish banking system average of about 42%.

The bank's efforts to diversify its business profile have partly succeeded, so far. To rebalance its mortgage concentration toward higher-yielding segments, Ibercaja has targeted small and midsize enterprises. The bank has made some progress, with corporate loans (excluding real estate) representing 30% of loans at end-March 2022, compared with 19% at end-2016. Ibercaja has also partially succeeded in growing its business volumes outside its home market over the past few years. Madrid, Catalonia, and Valencia represented 59% of Ibercaja's new lending production in 2021, but still 44% of its performing loans as of end-March 2022.

Past restructuring efforts should yield efficiency improvements in the next 12-18 months. The 15% headcount reduction since 2020 and the digitalization of some internal processes should contribute to an about 7% reduction in costs in 2022 and improve its cost-to-income ratio toward 60% by end-2023 (67% in 2021). We also anticipate that the bank's efficiency gap compared with the Spanish system average and peers will remain, but should gradually narrow (chart 2). Contrary to our previous view, rising inflation amid tightening monetary policy might lift pressure on Ibercaja to undertake a further round of structural measures to address its cost base, similar to some of its domestic and international peers. That said, we note that its employee and branch market shares are still somewhat above its natural market share, at 2.8% and 4.8% as of end-March 2022.

Chart 1

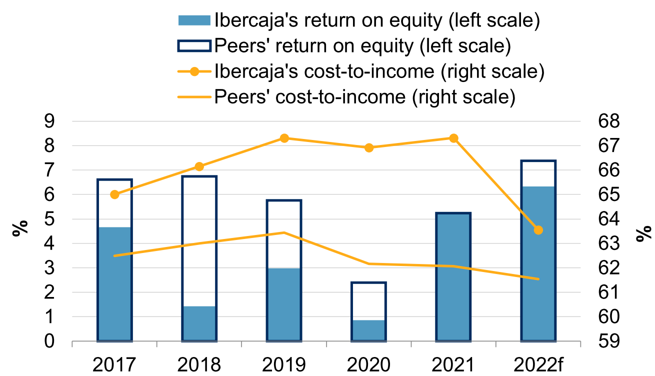
Ibercaja's Scale Is More Limited Compared With Larger Domestic Rated Banks
Domestic loans at end-2021



Data refers to Spain-only gross loans. Source: S&P Global Ratings.

Chart 2

Ibercaja's Efficiency And Profitability Gap Versus Peers Should Reduce In Coming Quarters



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

We consider the bank's 2023 business plan targets to be sensible overall, aided by rising interest rates. Until recently, Ibercaja had made slower progress than competitors in shoring up its operating profitability to the levels of higher-rated peers. We think, however, that it is well positioned to benefit from higher interest rates on the back of its largely floating-rate mortgage portfolio. We therefore see management's target of 9% return on total equity by end-2023 as reasonable and not far from our forecast (table 2). The completed cost restructuring and lower-than-system cost of risk should also contribute to management's business targets.

Table 2

Management's 2023 Financial Goals Are Reasonable, Overall

Metric by end-2023	Ibercaja	S&P Global Ratings assumption
Dividend payout (%)	60.0	--
NPA ratio (%)	4.0	4.3
Cost-of-risk (bps)*	30	35
Return on tangible equity (%)	9.0	8.3

Table 2

Management's 2023 Financial Goals Are Reasonable, Overall (cont.)

Metric by end-2023	Ibercaja	S&P Global Ratings assumption
Cost-to-income recurring (%)	55.0	60.7

NPA--Net performing assets. *Including provisions on foreclosed assets.

Positively, Ibercaja's fully owned financial arm supports its revenue diversification. Ibercaja's nationwide market shares of these businesses are larger than for its banking business. For example, it has a 5.8% market share of asset management, pensions (6.0%), and life insurance businesses (3.4%). These fee-generating businesses have provided revenue-base diversification and have partly offset the pressure on low net interest income in previous years. In particular, the life-insurance business contributed to a relevant 9% of the group's operating revenues over the past three years, on average.

A targeted digital offering balances the need to continue its internal transformation. Ibercaja's digital value proposition through its app received better-than-average domestic reviews. We think that this is partly because the bank has successfully transposed its loyal relationship with clients to remote channels. For example, it launched an app for senior customers prior to the pandemic, and it is working on launching a savings-focused fintech (so called 'Pensumo') through the Spanish sandbox. Conversely, we think that its more limited resources compared with larger players somewhat limit its internal use of advanced technologies and achievement of efficiencies through the use of, for instance, public cloud adoption.

Capital And Earnings: Strengthened Capital Balances Structurally Lower Earnings Generation

Ibercaja's capital should remain adequate. It has gradually improved over the past three years driven by retained earnings, deleveraging, and reduced market risks. We expect it to be adequate for the risks it bears, like most of its peers. We forecast that its RAC ratio will stand above 9% by end-2023, compared with 8.1% at end-2021. At this level, it would have a comfortable cushion to absorb unforeseeable shocks and preserve its adequate assessment.

Our RAC ratio forecasts reflect the following assumptions:

- Pre-provision income in 2022 (+7%-10%) to be supported largely by cost reductions from previous headcount reductions, and in 2023 to grow materially (about +14%-18%) due to loan book repricing at higher rates;
- Credit losses of around 30 bps in 2022 (or about 40 bps including provisions on foreclosed assets), gradually declining to about 25-30 bps in 2023 (35 bps);
- A cash dividend payout of 60% to fund the main shareholder "foundation's reserve fund";
- A €100 million reduction in the stake of its insurance subsidiary following expected dividend distribution to the parent, which should have a positive 80 bps impact on RAC;
- S&P Global Ratings' risk-weighted assets (RWAs) to increase by 1.5%-2.0% on average in 2022-2023, reflecting loan volume growth and some credit shift toward higher risk-weighted segments; and
- Deferred-tax assets to decline by about 7% on average in 2022 and 2023, driven by the expected liquidation of a real estate subsidiary and writeback of some provisions created for the completed employee layoff.

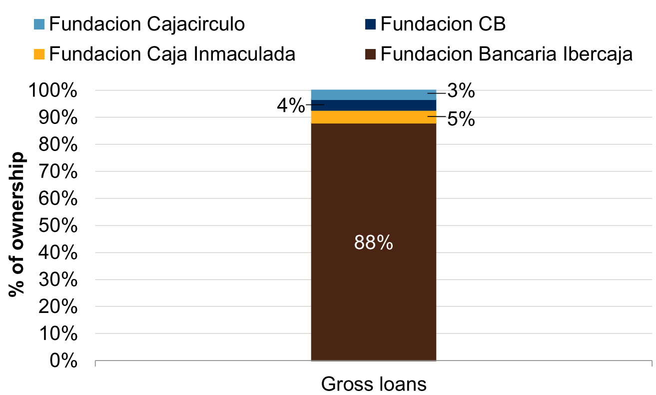
Regulatory capital ratios compare well with local players. At end-March 2022, Ibercaja reported a regulatory fully loaded common equity Tier 1 (CET1) ratio of 12.5% and total capital ratio of 17.2%, versus its 12.5% supervisory review and evaluation process (SREP) requirement. We expect capital ratios 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.

Declining deferred tax assets (DTAs) should support capital. The amount of DTAs that Ibercaja has on its books weakens the bank's capital base and was equivalent to 59% of its TAC at end-2021 (including both tax-loss carry-forwards and DTAs from temporary differences). We expect a gradual reduction in the next couple of years, which should improve the quality of capital and support our RAC by about 50 bps.

Its banking foundation ownership limits financial flexibility, and an IPO seems unlikely in the current environment. Ibercaja is owned by the banking foundations of the original savings banks (chart 3). 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 six years without success. The last attempt in February 2022 was put on hold due to market volatility originated by the Russia-Ukraine conflict. But the final regulatory deadline for its main foundation shareholder to reduce its stake below 50% is end-2022, following some extensions already granted in previous years. Considering the current volatile environment, which makes an IPO unlikely in the upcoming months, the main shareholder has started to set aside funds for the required reserve fund (equivalent to 1.75% of its regulatory requirements, or €320 million). We expect that it will be able to comply with regulatory requirement by 2025 (see chart 4) and we think it partly offsets the shareholder's more limited capital flexibility because it provides an exclusive fund to fulfill the bank's potential capital needs upon the Bank of Spain's request. We understand that an IPO is still part of management's plan, but the timing is uncertain. If it happened, it could enable the bank to access capital markets to strengthen its capital.

Chart 3

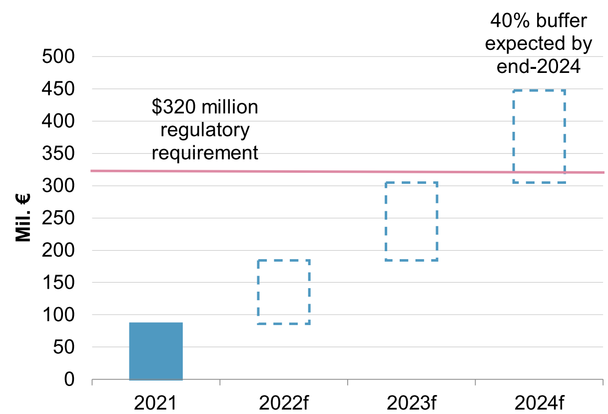
Failure To Reduce Its Stake Below 50% Means The Primary Owner Will Have To Set Aside A Regulatory Reserve Fund...
Data as of end-2021



Source: Bank's financial statements.

Chart 4

We Think Build-Up Of A €320 Million Fund Is Feasible Considering The Extended Timeline



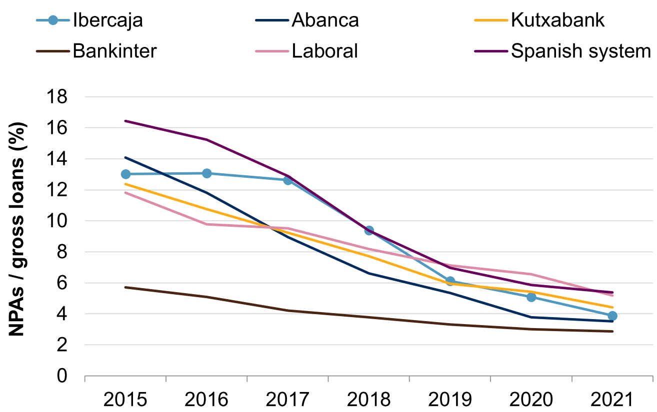
f--Forecast. Source: S&P Global Ratings and bank financials.

Risk Position: Resilient Asset Quality Profile Following Material Clean-Up, Supported By Low-Risk Credit Mix

Ibercaja's efforts at ameliorating the quality of its loan portfolio have resulted in healthy metrics. Over the past two years, the bank has improved its position relative to peers by reducing the size of its NPA backlog (almost 40% cumulative reduction compared with pre-pandemic levels), mainly through organic efforts (chart 5). At year-end 2021, Ibercaja's NPAs accounted for €1.1 billion, or 3.9% of gross loans, compared with 6.1% two years before and compared favorably with other rated Spanish peers (chart 6).

Chart 5

Ibercaja's Efforts On Credit Quality Have Resulted In A Gap Versus Peers And System Closing

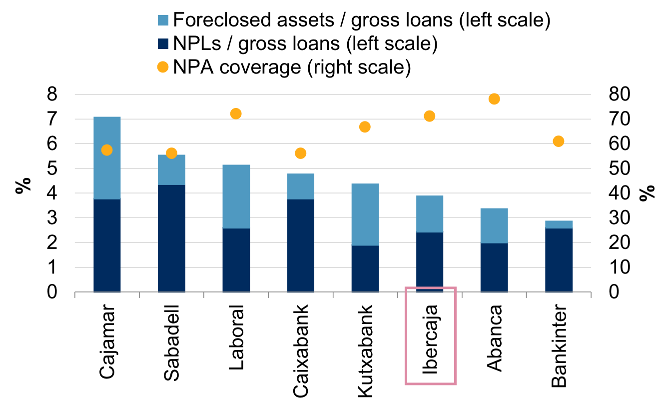


Source: S&P Global Ratings.

Chart 6

Ibercaja's Asset Quality Metrics Are Mostly In Line With Our View Of Its Closest Peers

Data as of end-December 2021



Domestic only. NPL--Nonperforming loans. NPA--Nonperforming assets.

Source: S&P Global Ratings.

NPA coverage is now much stronger than a few years ago. Following two years of solid credit provisions on the back of COVID-19, Ibercaja's NPA coverage has strengthened materially, to become one of the highest in the system, standing at 73% at year-end 2021 (63% a year before). NPAs are largely backed by real estate.

Ibercaja's limited exposure to vulnerable sectors should contain further asset quality deterioration. We believe its defensive credit profile (mortgage focused with average loan-to-value of 49%) should prove more resilient to pandemic-related deterioration, rising energy prices, and protracted high inflation. Also, exposure to potentially more vulnerable sectors such primary, gas and electric-intensive, transportation and automotive is limited at €1.7 billion or 6% of total loans.

We expect asset quality stability over the next 12-18 months, as new inflows should mostly offset organic workout efforts. Deterioration will likely arise mostly from the stage 2 portfolio. Ibercaja's loans classified as stage 2 represented 5.6% of total loans as of end-March 2022, compared with 6.1% for Spain-based rated banks, on average. Borrowers who benefitted from moratoria (27% of portfolio classified as stage 2) and from state guarantees (19% classified as stage 2) could lead to some asset quality deterioration, but these portfolios are limited relative to the overall size of the loan book (6.5% as of end-March 2022).

Ibercaja's balance sheet is structurally exposed to interest rate risk. However, we expect the bank's net interest income to potentially benefit from interest rate hikes because 75% of its mortgage book is referenced to floating rates. Its NII should grow by about 18% on average over the next 24 months from a 200 bps rate increase. Ibercaja manages its interest-rate risk through its asset and liability management portfolio.

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

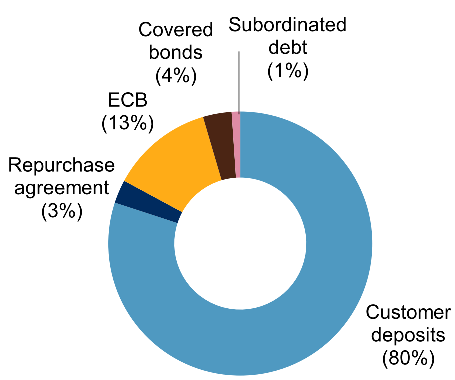
Ibercaja should be able to preserve its balanced, stable funding profile over the next 12-18 months. We factor in the granularity and loyalty of the bank's retail funding base in its home region, with its top 20 depositors representing just 2.1% of customer deposits and 50% of its client base having been customers for over 20 years. Wholesale funding needs are limited to fulfilling its MREL requirement and access to markets should remain, even if at higher prices because its rated speculative grade.

Ibercaja's funding mainly comes from retail deposits. Customer deposits accounted for 80% of the bank's total funding base at end-March 2022 (chart 7). Following several years of loan contraction and savings accumulated over the pandemic that resulted in a €4.4 billion or 13% growth in customer deposits since end-2019, Ibercaja's loan-to-deposits ratio declined to 78% at end-March 2022, down from 101% at end-2016.

It benefits from comfortable liquidity buffers. Liquid assets represented 26% of total assets, in line with peers (chart 8) and covered 41% of customer deposits at end-March 2022. Liquid assets mainly include cash and reserves at central banks (€5.5 billion) and government bonds (€10 billion). But 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, we do not expect any issues in repaying the outstanding €5.9 billion of ECB funding (over 90% of total matures in 2023), given the ample cash cushion and government bonds pool that it could liquidate.

Chart 7

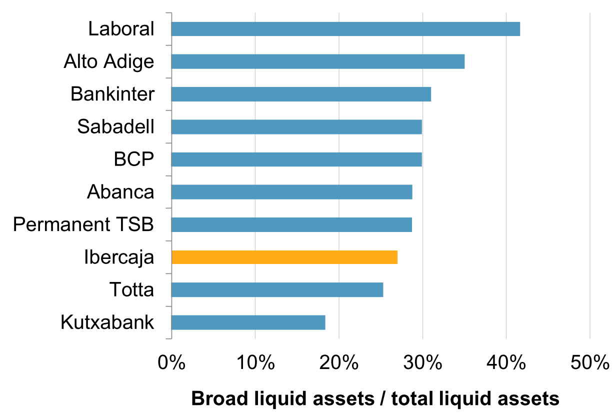
Ibercaja's Funding Profile Is Primarily Retail
As of end-March 2022



ECB--European Central Bank. Source: S&P Global Ratings and 1Q22 consolidated financial statements.

Chart 8

Ibercaja's Liquidity Is Aligned WithThe Peer Average
End-December 2021



Source: S&P Global Ratings.

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 as to Ibercaja's resolution plans to conclude that its ratings could be eligible for ALAC uplift. The bank will need to comply with a minimum requirement for own funds and eligible liabilities (MREL) of 18.59% of its regulatory RWAs by Jan. 1, 2024. 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 as to the degree of protection envisaged for all senior creditors.

Following the criteria update we published on Dec. 9, 2021, our ALAC analysis now focuses only on banks' recapitalization capacity. Our ALAC measure therefore includes the additional subordinated instruments (subordinated and senior nonpreferred debt) that can be bailed in to recapitalize banks once losses have been absorbed by Tier 1 capital.

We estimate that ALAC would stand at 3.5%-4.0% of S&P Global Ratings' RWAs at end-2024, still not sustainably above our required 4% threshold for a one-notch uplift, although close to it. The threshold is 1% above the standard threshold to reflect some issue concentration in its ALAC portfolio.

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

ESG Credit Indicators

E-1	**E-2**	E-3	E-4	E-5	S-1	**S-2**	S-3	S-4	S-5	G-1	**G-2**	G-3	G-4	G-5

ESG credit indicators provide additional disclosure and transparency at the entity level and reflect S&P Global Ratings' opinion of the influence that environmental, social, and governance factors have on our credit rating analysis. They are not a sustainability rating or an S&P Global Ratings ESG Evaluation. The extent of the influence of these factors is reflected on an alphanumerical 1-5 scale where 1 = positive, 2 = neutral, 3 = moderately negative, 4 = negative, and 5 = very negative. For more information, see our commentary "ESG Credit Indicators: Definition And Applications," published Oct. 13, 2021.

We view ESG credit factors as not influencing Ibercaja's credit quality. Because it was previously a savings bank, Ibercaja is owned by four banking foundations, which limits its financial flexibility compared with listed peers. The bank has gradually aligned its board members composition with market standards, with its chairman being nonexecutive, 45% of its board members being independent, and 36% women. We also believe that the bank has strengthened its corporate governance standards and transparency of reporting over the past six years in preparation for its IPO. We 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. However, so far, Ibercaja has been less exposed than the sector. Environmental risks are similar to those of other mortgage-focused peers, with transition risks largely related to the cement industry and physical risks of drought in Spain. The bank has started to incorporate climate risk into its business strategy and risk appetite framework, and aims to become carbon neutral by end-2050.

Hybrid Issue Ratings

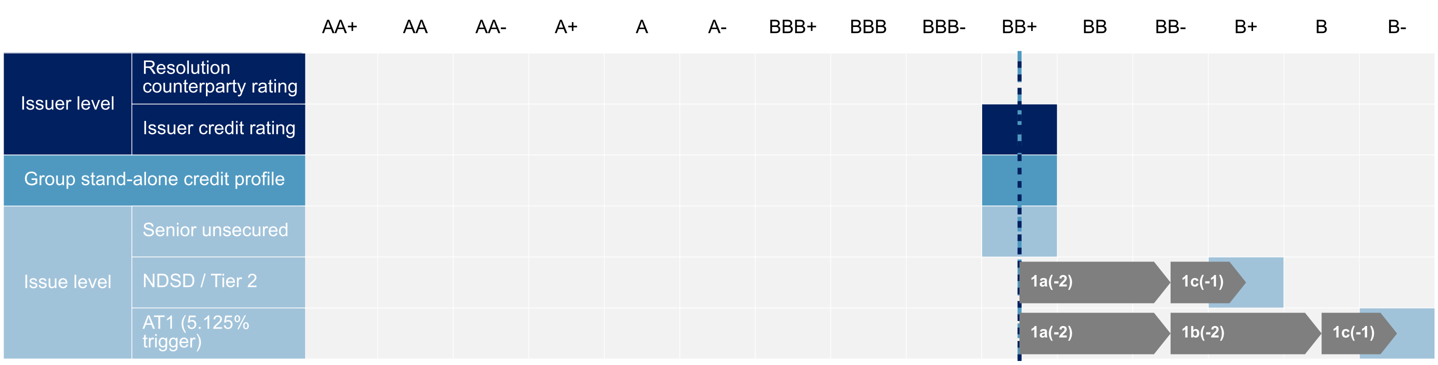
We rate Ibercaja's Tier 2 and AT1 instruments by notching down from the bank's 'bb+' SACP (chart 9).

We rate the nondeferrable subordinated debt at 'B+', three notches below the bank's SACP because, in addition to being subordinated (two notches), this debt, which for regulatory purposes is considered a capital instrument, could be written down to absorb losses ahead of resolution--that is, before the institution reaches the point of nonviability (one notch).

We also rate the bank's AT1 instrument at 'B-', five notches below the bank's SACP. This reflects:

- Contractual subordination (two notches);
- Capacity to skip coupon payments, having Tier 1 regulatory capital status (two notches);
- Contractual common equity conversion clause (one notch) when the CET1 ratio falls below 5.125% (a level that we see as a nonviability trigger).

Ibercaja S.A.: Notching



Key to notching

Group stand-alone credit profile
Issuer credit rating
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 2 of our "Hybrid Capital: Methodology And Assumptions" criteria, published on March 2, 2022.
AT1--Additional Tier 1. NDSD--Non-deferrable subordinated debt.

Key Statistics

Table 3

Ibercaja Banco S.A.--Key Figures

	--Year ended Dec. 31--					
(Mil. €)	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**
Adjusted assets	58,624.7	58,351.1	58,152.4	55,198.2	52,490.7	52,896.1
Customer loans (gross)	29,731.9	29,577.3	29,965.1	30,933.0	31,998.2	32,418.2
Adjusted common equity	1,640.6	1,598.5	1,533.7	1,670.0	1,633.7	1,862.0
Operating revenues	246.9	1,030.8	965.4	999.1	1,044.2	1,126.6
Noninterest expenses	148.9	689.8	646.1	672.6	690.7	732.4
Core earnings	57.2	176.4	43.3	128.1	98.5	146.0

Table 4

Ibercaja Banco S.A.--Business Position

	--Year ended Dec. 31--					
(%)	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**
Loan market share in country of domicile	2.5	2.4	2.4	2.6	2.8	2.8
Deposit market share in country of domicile	2.5	2.7	2.5	2.8	2.9	2.9
Return on average common equity	8.7	5.2	0.8	2.9	1.4	4.6

Table 5

Ibercaja Banco S.A.--Capital And Earnings

	--Year ended Dec. 31--					
(%)	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**
Tier 1 capital ratio	14.9	15.4	15.5	14.0	13.3	11.7
S&P Global Ratings' RAC ratio before diversification	N/A	8.1	7.9	7.1	5.9	5.1
S&P Global Ratings' RAC ratio after diversification	N/A	7.1	6.9	6.2	5.1	4.4
Adjusted common equity/total adjusted capital	82.4	82.0	81.4	82.7	82.4	100.0
Net interest income/operating revenues	48.7	47.8	55.3	54.8	54.8	49.8
Fee income/operating revenues	45.2	42.5	38.8	39.4	35.9	32.4
Market-sensitive income/operating revenues	2.1	4.6	0.5	0.8	4.2	12.5
Cost to income ratio	60.3	66.9	66.9	67.3	66.1	65.0
Preprovision operating income/average assets	0.7	0.6	0.6	0.6	0.7	0.7
Core earnings/average managed assets	0.4	0.3	0.1	0.2	0.2	0.3

N/A--Not applicable. RAC-Risk-adjusted capital.

Table 6

Ibercaja Banco S.A.--Risk-Adjusted Capital Framework Data

(Mil. €)	**Exposure***	**Basel III RWA**	**Average Basel III RW(%)**	**S&P Global Ratings RWA**	**Average S&P Global Ratings RW (%)**
Credit risk					
Government & central banks	19,937.0	1,097.4	5.5	1,272.5	6.4

Table 6

Ibercaja Banco S.A.--Risk-Adjusted Capital Framework Data (cont.)					
Of which regional governments and local authorities	851.0	0.0	0.0	93.3	11.0
Institutions and CCPs	423.5	105.2	24.8	122.3	28.9
Corporate	3,738.4	3,336.0	89.2	4,947.3	132.3
Retail	22,503.4	9,162.2	40.7	10,292.7	45.7
Of which mortgage	18,289.6	6,402.1	35.0	6,638.7	36.3
Securitization§	0.0	0.0	0.0	0.0	0.0
Other assets†	2,582.8	2,209.9	85.6	4,098.8	158.7
Total credit risk	49,185.0	15,910.7	32.3	20,733.6	42.2
Credit valuation adjustment					
Total credit valuation adjustment	--	16.7	--	0.0	--
Market Risk					
Equity in the banking book	368.7	760.8	206.3	1,937.1	525.4
Trading book market risk	--	0.0	--	0.0	--
Total market risk	--	760.8	--	1,937.1	--
Operational risk					
Total operational risk	--	1,361.6	--	1,503.2	--
	Exposure	**Basel III RWA**	**Average Basel II RW (%)**	**S&P Global Ratings RWA**	**% of S&P Global Ratings RWA**
Diversification adjustments					
RWA before diversification	--	18,049.8	--	24,173.9	100.0
Total diversification/ concentration adjustments	--	--	--	3,131.1	13.0
RWA after diversification	--	18,049.8	--	27,305.0	113.0
		Tier 1 capital	**Tier 1 ratio (%)**	**Total adjusted capital**	**S&P Global Ratings RAC ratio (%)**
Capital ratio					
Capital ratio before adjustments		2,770.0	15.3	1,949.0	8.1
Capital ratio after adjustments‡		2,770.0	15.3	1,949.0	7.1

*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. CCP--Central counterparty clearing house. Sources: Company data as of Dec. 31, 2021, S&P Global Ratings.

Table 7

Ibercaja Banco S.A.--Risk Position						
	--Year ended Dec. 31--					
(%)	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**
Growth in customer loans	2.1	(1.3)	(3.1)	(3.3)	(1.3)	(2.7)
Total diversification adjustment/S&P Global Ratings' RWA before diversification	N/A	13.0	13.1	14.0	16.0	14.2
Total managed assets/adjusted common equity (x)	35.9	36.7	38.1	33.2	32.3	28.6
New loan loss provisions/average customer loans	0.3	0.3	0.7	0.4	0.5	0.6

Table 7

Ibercaja Banco S.A.--Risk Position (cont.)

	--Year ended Dec. 31--					
(%)	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**
Net charge-offs/average customer loans	(0.3)	(0.1)	N.M.	0.6	0.8	0.5
Gross nonperforming loans /customer loans	2.2	2.4	3.4	4.2	7.1	7.9
Loan loss reserves/gross nonperforming loans	79.1	75.1	63.7	49.7	49.1	42.5

RWA--Risk-weighted assets. N/A--Not applicable. N.M.--Not meaningful.

Table 8

Ibercaja Banco S.A.--Funding And Liquidity

	--Year ended Dec. 31--					
(%)	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**
Core deposits/funding base	79.6	80.4	79.1	77.7	78.6	76.0
Customer loans (net)/customer deposits	78.3	78.1	80.9	92.1	97.5	99.4
Long-term funding ratio	93.9	95.2	94.1	89.2	95.7	94.4
Stable funding ratio	107.9	109.8	109.2	94.6	98.5	109.0
Short-term wholesale funding/funding base	6.5	5.1	6.3	11.6	4.6	6.0
Broad liquid assets/short-term wholesale funding (x)	5.1	6.7	5.6	2.5	5.6	5.8
Net broad liquid assets/short-term customer deposits	34.3	38.2	38.0	23.9	28.1	40.1
Short-term wholesale funding/total wholesale funding	30.5	25.2	29.2	50.1	20.7	25.1
Narrow liquid assets/3-month wholesale funding (x)	5.6	7.4	7.1	3.0	7.8	7.3

Related Criteria

- Hybrid Capital: Methodology And Assumptions, March 2, 2022
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings , April 7, 2017
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- When Rates Rise: Not All European Banks Are Equal, June 8, 2022
- Inflation, War, And COVID Drag On, May 17, 2022

- Growth Forecasts Lowered On Longer Russia-Ukraine Conflict And Rising Inflation; May, 17, 2022
- Banking Industry Country Risk Assessment: Spain, April 11, 2022
- Spain Outlook Revised To Stable From Negative On Balanced Growth; A/A-1 Ratings Affirmed, March 18, 2022
- Spanish Banks Ratings Affirmed Under Revised FI Criteria, Jan. 27, 2022

Ratings Detail (As Of July 11, 2022)*	
Ibercaja Banco S.A.	
Issuer Credit Rating	BB+/Stable/B
Preferred Stock	B-
Senior Unsecured	BB+
Subordinated	B+
Issuer Credit Ratings History	
24-Jun-2021	BB+/Stable/B
29-Apr-2020	BB+/Negative/B
04-Apr-2019	BB+/Stable/B
Sovereign Rating	
Spain	A/Stable/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.