S&P Global Ratings

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Ibercaja Banco S.A.

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Ibercaja Banco S.A.

Ratings Score Snapshot

Global Scale Ratings
Issuer Credit Rating
BBB-/Stable/A-3
Resolution Counterparty Rating
BBB/--/A-2

SACP: bbb- → **Support: 0** → **Additional factors: 0**

Anchor	bbb	
Business position	Moderate	-1
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
BBB-/Stable/A-3
Resolution counterparty rating
BBB/A-2

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 a competitive environment.
Improved asset quality and low-risk credit profile.	

Ibercaja successfully executed its business plan, resulting in an upgrade to investment grade. The bank effectively restructured and streamlined its business, while also making good progress toward digitalizing its operations. In particular, we note that it completed a headcount reduction of approximately 15% over 2017-2022 to tackle its high cost base. We understand that this has not impaired the bank's business generation and has helped to bring its efficiency in line with peers' (its cost-to-income declined to 62% in 2022). This positions the bank well to now benefit from the more positive interest rate environment. The bank has also drastically reduced its nonperforming assets and strengthened its capitalization.

The higher interest rate environment will provide a significant boost to Ibercaja's earnings, making its profits converge with peers. As a result of its largely floating balance sheet that makes up almost 60% of its loan book, as well as its cheap deposit funding base, Ibercaja will likely materially benefit from the repricing of its balance sheet to higher rates.

A much higher net interest income (likely to be up 25% this year and largely maintained thereafter) will complement its already solid fee income generation from its asset management, pension, and insurance businesses. The latter, combined with contained credit costs, will help the bank to achieve return on equity between 9.0%-10% over 2023-2024, up from 7.0% at end-2022, even after absorbing Spain's new windfall tax. Still, this level of returns will not be clearly above the bank's cost of capital.

Ibercaja's capitalization continues to strengthen, providing the bank a comfortable buffer to deal with unexpected events. We expect Ibercaja will continue to gradually accumulate capital, with a risk-adjusted capital (RAC) ratio approaching 10% by 2025, from 9.0% as of end-2022, on the back of solid earnings generation and modest business expansion. Higher dividend payouts of around 50%-60% will support the build-up of the €315 million mandatory reserve fund by its main foundation-shareholder. The latter will give the bank's owner some flexibility to provide capital support if needed. This will partly offset concerns related to Ibercaja's ability to raise capital directly in the market, given its unlisted status, and the foundation's limited sources of wealth other than the bank.

New problem loans could emerge, but deterioration will be fairly contained. The slowdown in economic activity and higher funding costs will take a toll on some borrowers, but we expect the impact to be fairly manageable for Ibercaja, given its low-risk lending mix (skewed to mortgages), limited exposure to potentially more vulnerable segments, strong coverage levels, and prudent risk management. We expect nonperforming assets (NPAs) to increase from the current 2.9% of loans, but peak below 4.0% by end-2024, and credit costs to grow only moderately, ranging between 35-45 basis points (bps) of average loans in 2023-2024.

A strong regional player, but with limited national scale. Despite its leading position in its home market of Aragon, Ibercaja is small when compared nationally. In addition, its lending profile is more concentrated, both by geography and asset class, than top players, which renders it more vulnerable to competition, limits its investment capacity, and makes it more difficult for it to dilute its fixed cost base. We believe that this will continue to weigh on our assessment of its credit profile.

Outlook

The stable outlook reflects that we expect Ibercaja will continue improving its earnings capacity and efficiency over the next 18-24 months, with its net interest income (NII) benefitting from the rising interest rate environment. It also indicates that we expect asset quality deterioration to be more modest than for other Spanish players, and capitalization to remain sound, with the RAC ratio approaching 10% by end-2025.

Downside scenario

We could lower the rating if Ibercaja's performance deviated from our expectations, increasing the gap with peers again. We could also lower the ratings if asset quality deteriorated substantially.

Upside scenario

We could consider an upgrade if the bank's capital strengthened to the point that, when compared to the risks it faces, we thought it represented a ratings strength, provided that the bank's higher creditworthiness also aligned with similarly rated peers'. An upgrade could also take place if the bank progressed in building its bail-in-able buffers with subordinated instruments.

Key Metrics

Ibercaja Banco S.A.--Key ratios and forecasts

	--Fiscal year ended Dec. 31 --				
(%)	**2021a**	**2022a**	**2023f**	**2024f**	**2025f**
Growth in operating revenue	6.8	3.5	13-15	0-1	0-1
Growth in customer loans	(1.3)	0.5	(1)-(1.5)	0-0.5	0.5-1
Net interest income/average earning assets (NIM)	1.0	1.1	1.3-1.5	1.3-1.5	1.3-1.5
Cost to income ratio	66.9	62.1	57-59	58-60	59-60
Return on average common equity	5.2	7.0	9.5-10	9.0-10	9.0-10
New loan loss provisions/average customer loans	0.3	0.3	0.4	0.4	0.3
Gross nonperforming loans/customer loans	2.4	1.7	2.2-2.5	2.2-2.5	2.1-2.3
Risk-adjusted capital ratio	8.1	9.0	9.1-9.3	9.3-9.6	9.8-10.2

All figures are S&P Global Ratings-adjusted. a--Actual. e--Estimate. 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 factors in its wealthy, diversified, and open economy. Persistent inflation and higher interest rates will weigh on growth this year, but the Spanish economy is set to expand faster than most European peers given the benefits of EU support, among other factors. Furthermore, the private sector's current debt levels are manageable (117% of GDP at end-2022) following significant deleveraging over the past decade. The real estate market, too, is showing no signs of imbalances that could undermine loan performance. Therefore, while some problem loans could yet emerge this year and next, asset quality deterioration will likely stay contained and credit provisions will increase only marginally to just below 50 basis points of average loans. The sizable share of potentially vulnerable corporate exposures covered by state guarantees will help keep credit costs under control. Some structural weaknesses still weigh on our assessment of Spain's economic risk, namely high unemployment and the public sector's elevated debt (99% of GDP at end-2022), which will require the government to pursue fiscal consolidation. There is also the fragmented political landscape, which complicates policy action.

Our industry risk assessment is supported by Spanish banks' solid funding profiles. Customer deposits, largely from households and therefore cheap and sticky, more than fully fund banks' loan books and banks have become net external creditors. Additionally, banks' profitability, which has been under substantial pressure in recent years, is set to benefit from the rapid increase in interest rates. That said, it will take some time for returns to comfortably exceed banks' cost of capital, particularly for midsize banks. Spanish banks are well positioned to deal with inflationary pressures on costs because they have significantly downsized their operating structures over the past decade. But they face other headwinds such as the new temporary banking tax, which will on average eat into about 12% of banks' 2023 and 2024 profits. Furthermore, the public's opinion of banks has somewhat deteriorated. Banks gained recognition for their role during the pandemic, when they ensured credit continued to flow into the economy, but public sentiment has recently become more negative as customers feel the effects of higher financing costs. Largely supervised by the European Central Bank, Spain's institutional framework is aligned with international standards.

Business Position: Profitability Will Improve Amid Higher Rates, But The Bank's Scale And Diversification Will Remain Far From That Of Large Peers

Our assessment of Ibercaja's business position takes into account its leading position in its home territory of Aragon, a region with lower unemployment and higher GDP per capita than Spain's average, where the bank holds a high 42% share of deposits, as well as its loyal, deeply penetrated customer base (on average customers have at least seven products with the bank). But, Aragon only accounts for about half of the bank's business, and growth in the past few years came from outside its home market, namely Madrid and the Mediterranean area. The latter accounted, for 64% of Ibercaja's new mortgage production in the first quarter of 2023. Furthermore, Ibercaja has limited scale at a national level. With €54 billion of assets at end-March 2023, Ibercaja is the 10th-largest financial institution in Spain by total assets, holding a market share of just 2.3% of loans.

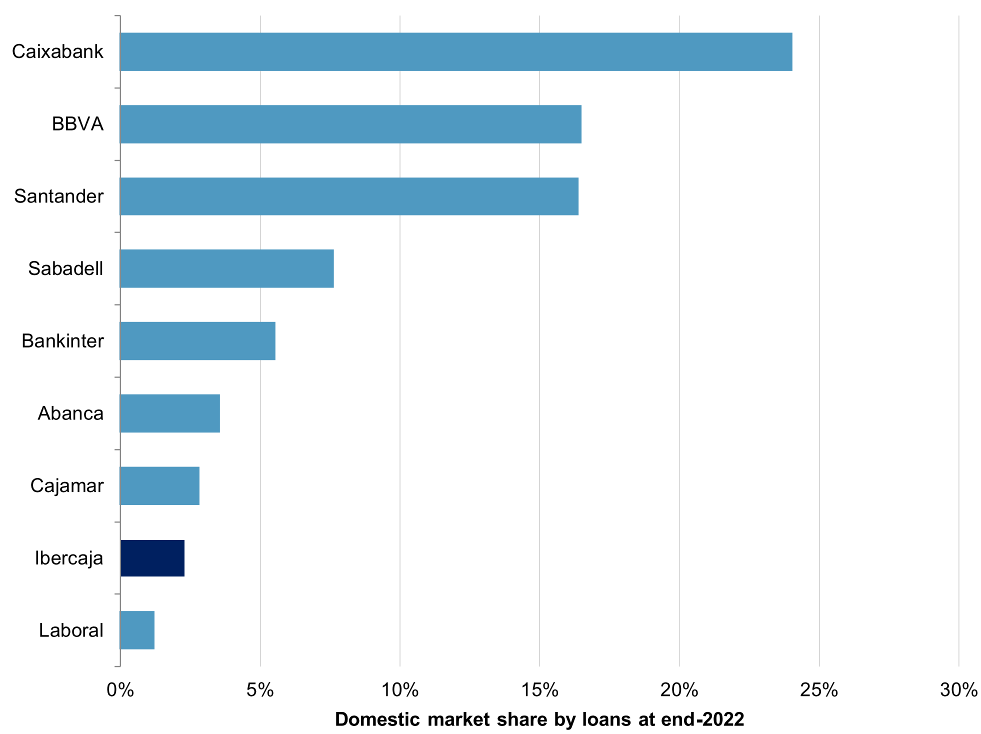
Ibercaja's lending is concentrated in residential mortgages--60% of the loan book at end-March 2023, compared with about 42% for the Spanish banking system average. What sets it apart, though, are its higher-than-average market shares in para-banking products, namely asset management (6.1%), pensions (6.0%), and savings insurance (5.3%). These fee-generating businesses provide the bank with revenue diversification and have helped in recent years to partly offset the impact of negative rates on earnings. The life insurance business, for example, contributed 9% on average of the group's operating revenues over the past three years.

Ibercaja has successfully executed its 2021-2023 business plan, achieving most of its stated targets one year ahead of schedule. This led us to raise our ratings on the bank in November 2022. We note in particular that it completed a headcount reduction of around 15% between 2017-2022, which was very much needed to address its high cost base. As a result, the bank's efficiency is converging toward that of peers. Furthermore, this streamlining effort has not impaired the bank's ability to continue generating business, while the more positive interest rate environment will now provide a further boost to profits.

Given Ibercaja's largely floating balance sheet and high share of cheap deposits, its net interest income should materially strengthen, complementing its already solid fee income generation. We therefore believe that Ibercaja will be able to achieve its goal of delivering return on tangible equity above 9% by the end of the year, despite having to accommodate the new windfall tax. Unlike in the past, however, this level of return will be very much aligned with that of peers, although it will still be below the bank's cost of capital.

Chart 1

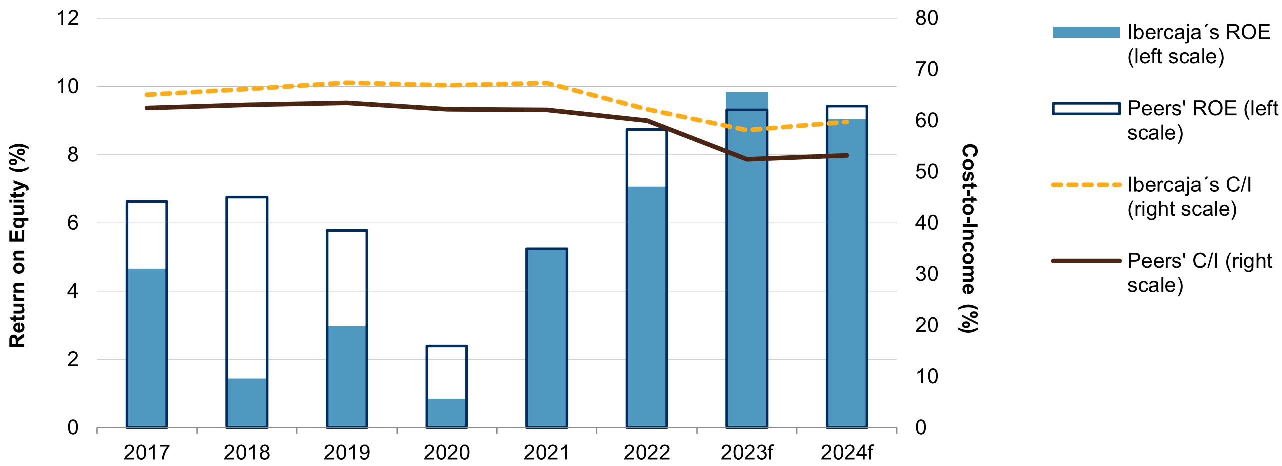
Ibercaja´s scale is more limited that that of large domestic rated banks



Source: S&P Global Ratings. Data refers to Spain-only gross loans, as of end-2022.

Chart 2

Ibercaja´s efficiency and profitability gap versus peers should reduce



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

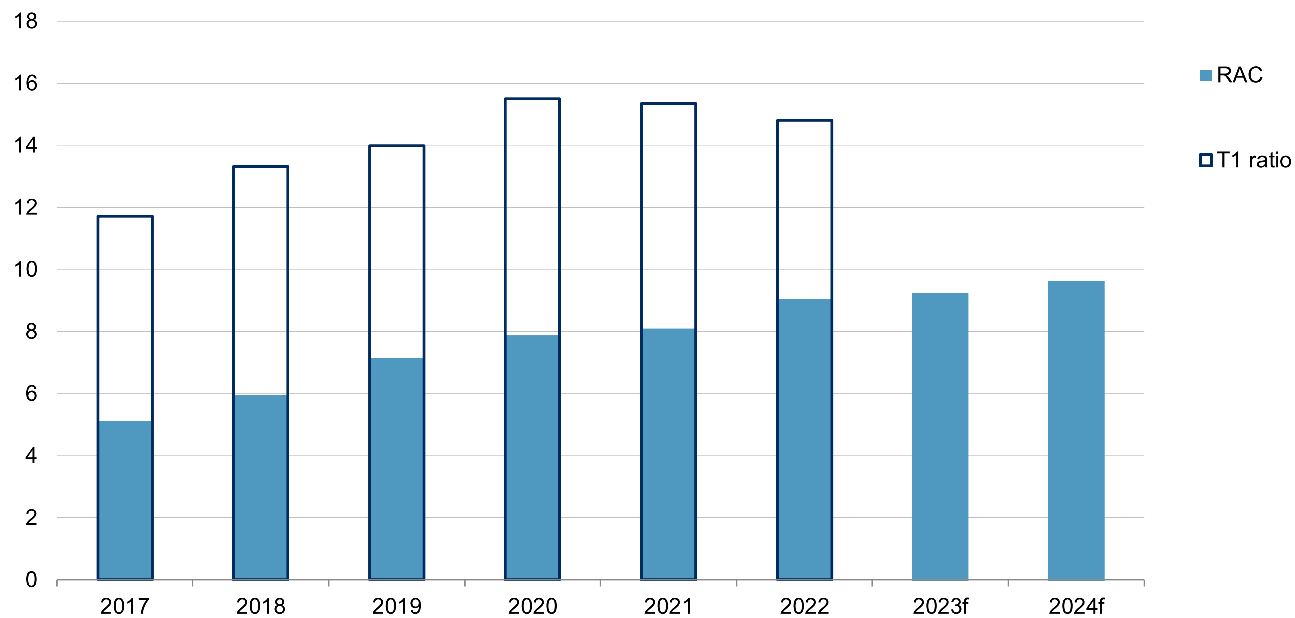
Over the past few years, Ibercaja has also progressed in digitalizing its business, with clients increasing their use of remote channels to interact and contract products with the bank. While the functionality of its app is not as extensive as that of more advanced domestic peers, we believe it meets clients' needs well and note that it is highly valued by them. We do not expect Ibercaja to be a front-runner of the digital change since, among other factors, it has more limited investment capacity that top players. For example, it has made limited progress in its use of advanced technologies and achieving efficiencies through public cloud adoption. We expect to see the bank make further advances toward digitalization in the years ahead.

Capital And Earnings: Strengthened Capital Provides A Comfortable Buffer To Deal With Unexpected Events

Ibercaja's capitalization has continuously strengthened over the past four years driven by retained earnings, deleveraging, and reduced market risks. Additionally, the upstreaming last year of an extraordinary €100 million from its life insurance company, which was highly capitalized, supported an additional 50bp increase in our RAC ratio, with the latter standing at 9.0% at end-2022. We expect Ibercaja to continue accumulating capital in the coming years, with the RAC growing toward 9.5%-10.0% over 2023-2025, moving closer to the upper threshold of the 7%-10% adequate range. This level of capital therefore places the bank in a comfortable position to absorb unexpected shocks.

Chart 3

Ibercaja´s capitalization has strengthened, a process that we expect to continue



Source: S&P Global Ratings.

Our RAC ratio forecasts reflect the following assumptions:

- S&P Global Ratings' risk-weighted assets (RWAs) will grow by 1.0%-1.5% on average in 2023-2025, reflecting very limited loan volume growth and some credit shift toward higher risk-weighted segments;
- Pre-provision income will increase by around 25% in 2023 as the loan book completes the repricing at higher rates, and despite higher costs due to inflation; and in 2024-2025 it will remain relatively flat or decline moderately, due to higher funding cost on retail deposits primarily;
- Credit losses of around 40 bps in 2023 (50 bps if including provisions on foreclosed assets), gradually declining to about 35-30 bps in 2024-2025 (35 bps);
- An estimated cash dividend payout of 60% in 2023 and 50% thereafter, which the main shareholder (Fundación Bancaria Ibercaja,holding an 88% interest in the bank) will use to complete the build-up of the Foundation's €315 million required reserve fund (equivalent to 1.75% of regulatory RWAs). Given that as of the end of 2022, 49% of the reserve fund was already constituted, it is likely that the Foundation will comply with the regulatory requirement one year ahead of the 2025 deadline.

We do not include the reserve fund in our RAC calculation, nor the regulator in its regulatory capital ratios. We acknowledge that the reserve fund gives the main owner some capacity to provide capital support to the bank in case of need. However, we believe that it will help to partly offset shareholders' lack of additional sources of wealth (the bank is the banking foundation's main asset) and Ibercaja's limited financial flexibility, given that it is not listed and cannot resort to the markets to raise capital if needed so depends only on its internal earnings generation. Ibercaja has previously made several failed attempts to launch an IPO, and, while we understand that it has not fully abandoned the idea, it will more likely be a longer-term goal.

Regulatory capital ratios stand comfortably above requirements. At end-March 2023, Ibercaja reported a regulatory fully loaded common equity Tier 1 (CET1) ratio of 12.8% (slightly above its medium-term target of 12.5%) and total capital ratio of 17.7%, which compare positively with the 8.2% and 12.7% required. The bank follows the standardized approach for the calculation of its regulatory RWAs. The bank has already filled its AT1 and Tier 2 regulatory buckets with hybrid issuances.

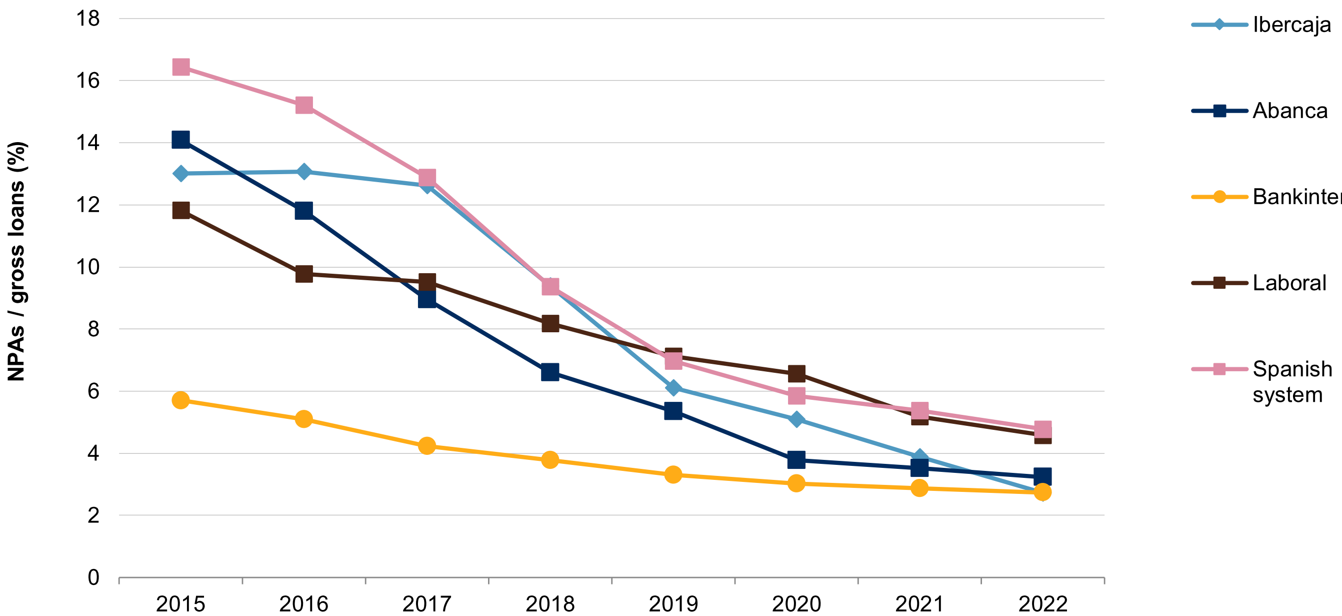
The large amount of deferred tax assets (DTAs) on Ibercaja's books weighs on its capitalization. As of March 2023, Ibercaja's DTAs (including both tax-loss carry-forwards and DTAs from temporary differences) were equivalent to 46% of its total adjusted capital (TAC), the numerator of the RAC. Depending on the nature of those DTAs, we either deduct them directly from the bank's TAC or apply higher risk-weights, thus affecting the denominator.

Risk Position: Resilient Asset Quality Profile Following Material Clean-Up

Over the past three years, the bank has significantly reduced the size of its NPA backlog (almost 57% cumulative reduction compared with pre-pandemic levels), mainly through organic efforts (see chart 4). At March 2023, Ibercaja's NPAs, including nonperforming loans (NPLs) and remaining real estate assets, amounted to €900 million, or 2.9% of gross loans, compared with 5.9 in December 2019. This metric also compares favorably with other rated Spanish peers (see chart 5). Equally, Ibercaja's NPA coverage has strengthened materially. At 77% at March 2023, this has become one of the strongest in the system and sits at quite a comfortable level considering that problem loans are largely collateralized by real estate.

Chart 4

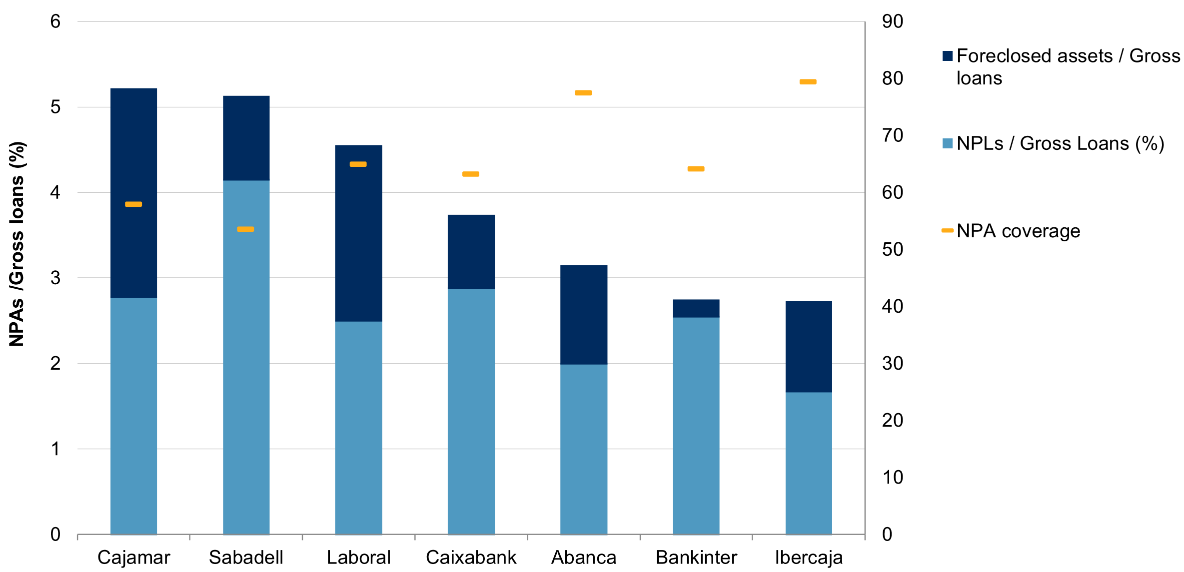
Ibercaja has accelerated the reduction of its NPAs in recent years



Source:S&P Global Ratings.

Chart 5

Ibercaja's asset quality metrics are currently better than most of its domestic peers
Data as of end-December 2022



Source: S&P Global Ratings. Domestic only.

Although we anticipate some credit quality deterioration from the slower economic growth ahead and the impact of higher financing costs on borrowers, we believe deterioration will be contained. Ibercaja's defensive credit profile will help, given that it largely focuses on mortgages with an average loan-to-value of 49%.

We expect net inflows of problem loans will largely arise from vulnerable small and midsize enterprises (SMEs) and, to a lesser extent, unsecured consumer lending. However, the ongoing workout of existing nonperforming exposures could still partly offset new problem loans. We expect NPAs (including NPL and real estate assets) to peak at below 4% of loans in 2024, up from 2.9% in March 2023. The bank would most likely have already identified new problem loans as part of their Stage 2 credits. At March 2023, these accounted for 4.9% of total loans, below the average level reported by the Spanish banking system. Loans that could show weaker performance include:

- Loans that benefit from state guarantees provided during the pandemic, largely granted to SMES, that account for about 16% of total corporate exposures (5% of total loans).
- Loans to borrowers that operate in potentially more vulnerable sectors (transportation, accommodation, entertainment, autos) that represent 9.5% of the corporate loan book (2.9% of the total).

Aside from credit risk, Ibercaja is structurally exposed to interest rate risk given its largely floating balance sheet and large share of nonsensitive deposits. These factors mean that the bank can benefit from interest rate increases, but also suffer from declines. The bank partly hedges this risk through its ALCO portfolio (about €10 billion) to maintain the exposure within the tolerance limits approved in its Risk Appetite Framework. The ALCO portfolio, 96% of which is classified as held-to-collect, was largely built up in 2020. Given the subsequent, significant rate hikes, it carries large unrealized losses. We don't expect them to be realized, though, and expect them to decline over time. The average duration of the portfolio is slightly over four years.

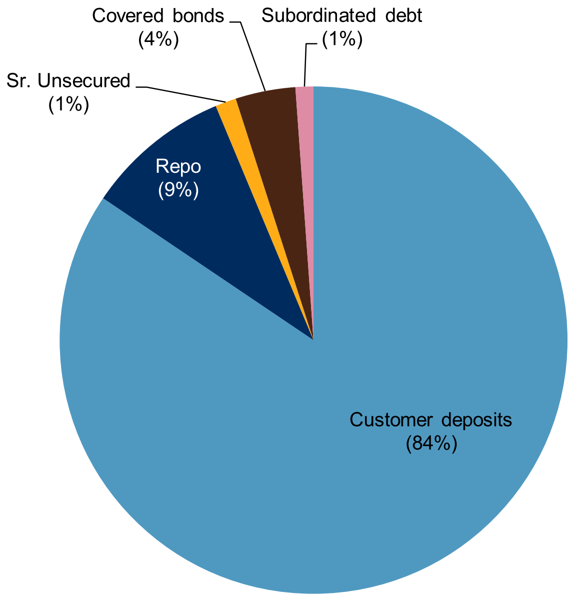
Funding And Liquidity: A Strong Retail Funding Base And Ample Liquidity Buffers

Ibercaja benefits from a balanced, stable funding profile, which it should be able to preserve over the next 12-18 months. Its balance sheet is largely funded by customer deposits (see chart 6), which are granular and loyal. The bank's top 20 depositors account for less than 2% of the total, about 77% of deposits are insured, and 50% of its client base have been bank customers for over 20 years. While in the now higher-rate environment we have started to see some depositors moving resources to off-balance-sheet products, the loan-to-deposit ratio (at 84.5% in March 2023) remains quite comfortable.

Wholesale funding is limited, consisting mainly of repo (repurchase agreement) financing for its securities portfolio and a limited number of debt placements in the form of covered bonds and MREL-eligible instruments (MREL--minimum requirement for own funds and eligible liabilities). In November 2022, the bank repaid in full to the ECB its TLTRO (targeted longer-term refinancing operations) borrowings. Given the modest lending growth expected over the next few years, we don't expect wholesale debt to increase much, with new issuance instead aiming to replace maturing instruments.

Chart 6

Ibercaja is primarily deposit-funded
As of end-March 2023



Source: S&P Global and 1Q23 Consolidated Financial Statements.

Ibercaja's liquidity position is also sound, with liquid assets accounting for 20% of total assets and covering 31% of customer deposits at end-March 2023. Liquid assets mainly include cash and reserves at central banks (€1.2 billion) and government bonds (€9 billion). They also include €1.4 billion (3% of total assets) of SAREB bonds, which the state guarantees. However, these are less liquid as they can be subject to a repo but not sold in the market.

Support: No Notches Of Uplift To The Stand-Alone Credit Profile

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. Therefore, the ratings on Ibercaja would not be entitled to benefit from potential extraordinary government support, despite the bank having, in our view, moderate systemic importance in Spain.

The ratings on Ibercaja do not benefit from ALAC uplift either. Although we see its sale of whole business resolution strategy as credible, its buffer of bail-inable instruments is not large enough to protect senior creditors in a resolution scenario. At December 2022, Ibercaja's ALAC buffer--comprising a €500 million Tier 2 instrument--accounted for just 208bp of S&P Global Ratings RWAs, far from the 400 bp level required for a one-notch uplift to its ratings. This 400 bp threshold is 100 bp higher than the standard threshold, reflecting the concentration of the ALAC buffer in a limited number of instruments, and its consequently higher refinancing risks.

Given that Ibercaja already complies with its MREL requirement--23.6% MREL at May 2023 versus the 21.1% requirement (including the 2.5% combined capital buffer requirement)--it is unlikely to issue more bail-inable debt that would further strengthen its ALAC. The bank's ALAC buffer could only approach the 400bp threshold if it were to replace the €500 million senior preferred MREL-eligible instrument that matures in 2024 with a senior nonpreferred instrument. That is quite uncertain at this point, however, not least because Ibercaja is not subject to subordinated MREL requirements.

Environmental, Social, And Governance (ESG)

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, even if the latter was never completed. 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 is structurally exposed to conduct risks, which have increased systemwide amid growing consumer awareness and activism. However, so far, Ibercaja has been less affected than other players in the system. 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 'bbb-' SACP (see chart 7).

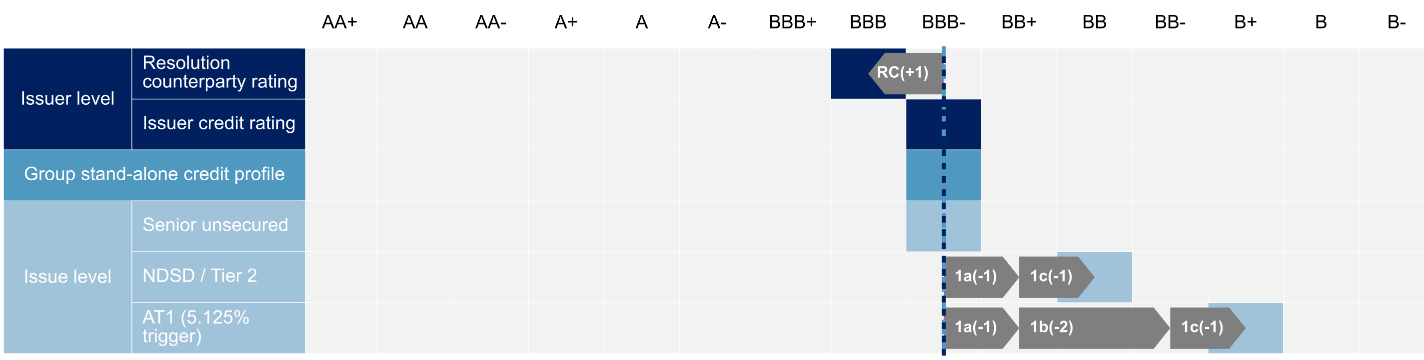
We rate the nondeferrable subordinated debt at 'BB', two notches below the bank's SACP because, in addition to being subordinated (one notch), this debt, which for regulatory purposes is considered a capital instrument, could be written down to absorb losses ahead of resolution--that is, before the institution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

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

- Contractual subordination (one notch);
- 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).

Chart 7

Ibercaja S.A.: Notching



Key to notching

Group stand-alone credit profile
Issuer credit rating
RC Resolution counterparty liabilities (senior secured debt)
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. NVCC--nonviability contingent capital.

Key Statistics

Table 1

Ibercaja Banco S.A.--Key figures

	--Year-ended Dec. 31--				
(Mil. €)	**2023***	**2022**	**2021**	**2020**	**2019**
Adjusted assets	53,746.8	54,046.6	58,351.1	58,152.4	55,198.2
Customer loans (gross)	29,475.5	29,728.7	29,577.3	29,965.1	30,933.0
Adjusted common equity	1,795.4	1,819.3	1,598.5	1,533.7	1,670.0
Operating revenues	302.3	1,066.5	1,030.8	965.4	999.1
Noninterest expenses	158.4	662.8	689.8	646.1	672.6
Core earnings	76.8	228.6	176.4	43.3	128.1

*Data as of March 31.

Table 2

Ibercaja Banco S.A.--Business position

	--Year-ended Dec. 31--				
(%)	2023*	2022	2021	2020	2019
Loan market share in country of domicile	2.4	2.5	2.4	2.4	2.6
Deposit market share in country of domicile	N/A	2.5	2.7	2.5	2.8
Return on average common equity	7.6	7.0	5.2	0.8	2.9

*Data as of March 31. N/A--Not applicable.

Table 3

Ibercaja Banco S.A.--Capital and earnings

	--Year-ended Dec. 31--				
(%)	2023*	2022	2021	2020	2019
Tier 1 capital ratio	14.9	14.8	15.4	15.5	14.0
S&P Global Ratings' RAC ratio before diversification	N/A	9.0	8.1	7.9	7.1
S&P Global Ratings' RAC ratio after diversification	N/A	7.8	7.1	6.9	6.2
Adjusted common equity/total adjusted capital	75.2	83.9	82.0	81.4	82.7
Net interest income/operating revenues	52.1	52.3	47.8	55.3	54.8
Fee income/operating revenues	36.2	41.1	42.5	38.8	39.4
Market-sensitive income/operating revenues	0.0	1.3	4.6	0.5	0.8
Cost to income ratio	52.4	62.1	66.9	66.9	67.3
Preprovision operating income/average assets	1.1	0.7	0.6	0.6	0.6
Core earnings/average managed assets	0.6	0.4	0.3	0.1	0.2

*Data as of March 31. N/A--Not applicable.

Table 4

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	16,029.7	996.2	6.2	1,360.0	8.5
Of which regional governments and local authorities	990.4	0.0	0.0	108.7	11.0
Institutions and CCPs	813.8	169.3	20.8	256.4	31.5
Corporate	4,424.0	4,026.3	91.0	5,527.1	124.9
Retail	21,995.5	8,858.9	40.3	9,928.1	45.1
Of which mortgage	18,136.5	6,350.6	35.0	6,582.1	36.3
Securitization§	0.0	0.0	0.0	0.0	0.0
Other assets†	2,354.3	2,075.6	88.2	3,828.2	162.6
Total credit risk	45,617.3	16,126.2	35.4	20,899.8	45.8
Credit valuation adjustment					
Total credit valuation adjustment	--	12.6	--	0.0	--
Market Risk					
Equity in the banking book	317.0	550.7	173.7	1,689.6	533.0

Table 4

Ibercaja Banco S.A.--Risk-adjusted capital framework data (cont.)

	Exposure	Basel III RWA	Average Basel II RW (%)	S&P Global Ratings RWA	% of S&P Global Ratings RWA
Trading book market risk	--	0.0	--	0.0	--
Total market risk	--	550.7	--	1,689.6	--
Operational risk					
Total operational risk	--	1,391.3	--	1,489.7	--

	Exposure	Basel III RWA	Average Basel II RW (%)	S&P Global Ratings RWA	% of S&P Global Ratings RWA
Diversification adjustments					
RWA before diversification	--	18,080.8	--	24,079.1	100.0
Total Diversification/ Concentration Adjustments	--	--	--	3,712.2	15.4
RWA after diversification	--	18,080.8	--	27,791.3	115.4

	Tier 1 capital	Tier 1 ratio (%)	Total adjusted capital	S&P Global Ratings RAC ratio (%)
Capital ratio before adjustments	2,673.0	14.8	2,169.3	9.0
Capital ratio after adjustments‡	2,673.0	14.8	2,169.3	7.8

*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. Sources: Company data as of 'Dec. 31 2022', S&P Global Ratings.

Table 5

Ibercaja Banco S.A.--Risk position

	--Year-ended Dec. 31--				
(%)	**2023***	**2022**	**2021**	**2020**	**2019**
Growth in customer loans	(3.4)	0.5	(1.3)	(3.1)	(3.3)
Total diversification adjustment/S&P Global Ratings' RWA before diversification	N/A	15.4	13.0	13.1	14.0
Total managed assets/adjusted common equity (x)	30.1	29.9	36.7	38.1	33.2
New loan loss provisions/average customer loans	0.2	0.3	0.3	0.7	0.4
Net charge-offs/average customer loans	(0.3)	(0.1)	(0.1)	N.M.	0.6
Gross nonperforming assets/customer loans + other real estate owned	1.7	1.7	2.4	3.4	4.2
Loan loss reserves/gross nonperforming assets	90.5	89.3	75.1	63.7	49.7

*Data as of March 31. N/A--Not applicable. N.M.--Not meaningful.

Table 6

Ibercaja Banco S.A.--Funding and liquidity

	--Year-ended Dec. 31--				
(%)	**2023***	**2022**	**2021**	**2020**	**2019**
Core deposits/funding base	83.0	87.7	80.4	79.1	77.7
Customer loans (net)/customer deposits	84.4	78.4	78.1	80.9	92.1
Long-term funding ratio	90.6	93.6	95.2	94.1	89.2
Stable funding ratio	94.3	99.0	109.8	109.2	94.6
Short-term wholesale funding/funding base	10.2	6.8	5.1	6.3	11.6
Broad liquid assets/short-term wholesale funding (x)	2.6	3.8	6.7	5.6	2.5

Table 6

Ibercaja Banco S.A.--Funding and liquidity (cont.)					
	--Year-ended Dec. 31--				
(%)	2023*	2022	2021	2020	2019
Net broad liquid assets/short-term customer deposits	18.2	22.6	38.2	38.0	23.9
Short-term wholesale funding/total wholesale funding	54.7	52.3	25.2	29.2	50.1
Narrow liquid assets/3-month wholesale funding (x)	2.8	4.9	7.4	7.1	3.0

*Data as of March 31.

Ibercaja Banco S.A.--Rating component scores	
Issuer Credit Rating	BBB-/Stable/A-3
SACP	bbb-
Anchor	bbb
Economic risk	4
Industry risk	4
Business position	Moderate
Capital and earnings	Adequate
Risk position	Adequate
Funding	Adequate
Liquidity	Adequate
Comparable ratings analysis	0
Support	0
ALAC support	0
GRE support	0
Group support	0
Sovereign support	0
Additional factors	0

ALAC--Additional loss-absorbing capacity. GRE--Government-related entity. SACP--Stand-alone credit profile.

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

- Economic Outlook Eurozone Q3 2023: Short-Term Pain, Medium Term Gain, June 26, 2023
- Credit Conditions Europe Q3 2023: The Slow Burn of Rising (Real) Rates. June 27, 2023
- Banking Industry Country Risk Assessment Spain, April 14, 2023
- Spain, March 20, 2023
- Slides: Spanish Banks in 2023: Navigating Rough Seas Again, Jan. 18, 2023
- The Improving Resolvability of Europe''s Midsize Banks Offers Greater Protection to Senior Creditors, Dec. 7, 2022
- Spain-based Ibercaja Banco S.A. Upgraded to 'BBB-/A-3' On Profitability Converging With Peers'; Outlook Stable, Nov. 25, 2022

Ratings Detail (As Of July 27, 2023)*	
Ibercaja Banco S.A.	
Issuer Credit Rating	BBB-/Stable/A-3
Resolution Counterparty Rating	BBB/--/A-2
Preferred Stock	B+
Senior Unsecured	BBB-
Subordinated	BB
Issuer Credit Ratings History	
25-Nov-2022	BBB-/Stable/A-3
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.