


# THE EUROMONEY/ECBC COVERED BOND CONGRESS

September 15th, 2016

# Disclaimer

This presentation on no account should be considered as a (i) service of financial analysis, (ii) investment recommendation (iii) or advice of any type, (iv) nor does it aim to offer any kind of financial product or service. The information contained in this presentation is general and does not reveal all the risks or other material factors. Before entering into any transaction, potential investors must ensure that they fully understand the terms of the securities/transactions and the risks inherent in them, considering (i) the information submitted to the Comisión Nacional del Mercado de Valores www.cnmv.es (not the information contained in this presentation) and (ii) having taken appropriate professional or other advice.

Ibercaja Banco cautions that this presentation might contain forward-looking statements. While these statements represent our judgement and future expectations concerning the development of our business, a number of risks, uncertainties and other important factors could cause actual developments and results that differ materially from our expectations. It is expressly remarked here that no information herein contained should be taken as a guarantee of future performance or results.

The content in this presentation is regulated by the Spanish law applicable at time of writing, and it is not addressed to any person or legal entity located in any other jurisdiction (particularly USA or UK). For this reason it may not necessarily comply with the prevailing rules or legal requirements as required in other jurisdictions.

Neither Ibercaja nor other persons shall be liable for any direct, indirect, special, incidental, consequential, punitive or exemplary damages, including lost profits arising in any way from the information contained in this communication.

Any price(s) or value(s) are provided as of the date or time indicated and no representation is made that any trade can be executed at these prices or values. In addition, Ibercaja has no obligation to update any information contained herein.

This marketing communication is not intended for distribution to any kind of investors in the U.S.A., nor retail clients in the UK under any circumstances. Information set out on the presentation has come from a variety of sources, which Ibercaja considers to be reliable and have been chosen by Ibercaja with due diligence and reasonable care. Ibercaja does not provide any guarantee or warranty in respect of the accuracy, completeness, up-to-datedness', or quality as well as the availability at any time of the data and other information provided on the presentation. Any views, statements or representations provided for on this presentation do not necessarily reflect the opinion of Ibercaja.

Under no circumstances, including negligence, shall Ibercaja be liable for any DIRECT, INDIRECT, INCIDENTAL, SPECIAL or CONSEQUENTIAL DAMAGES, or LOST PROFITS that result from the reliance by a recipient on any information obtained from this presentation.



iberCaja

# Index


**Overview of Ibercaja Banco**

**Covered Bonds Programme**

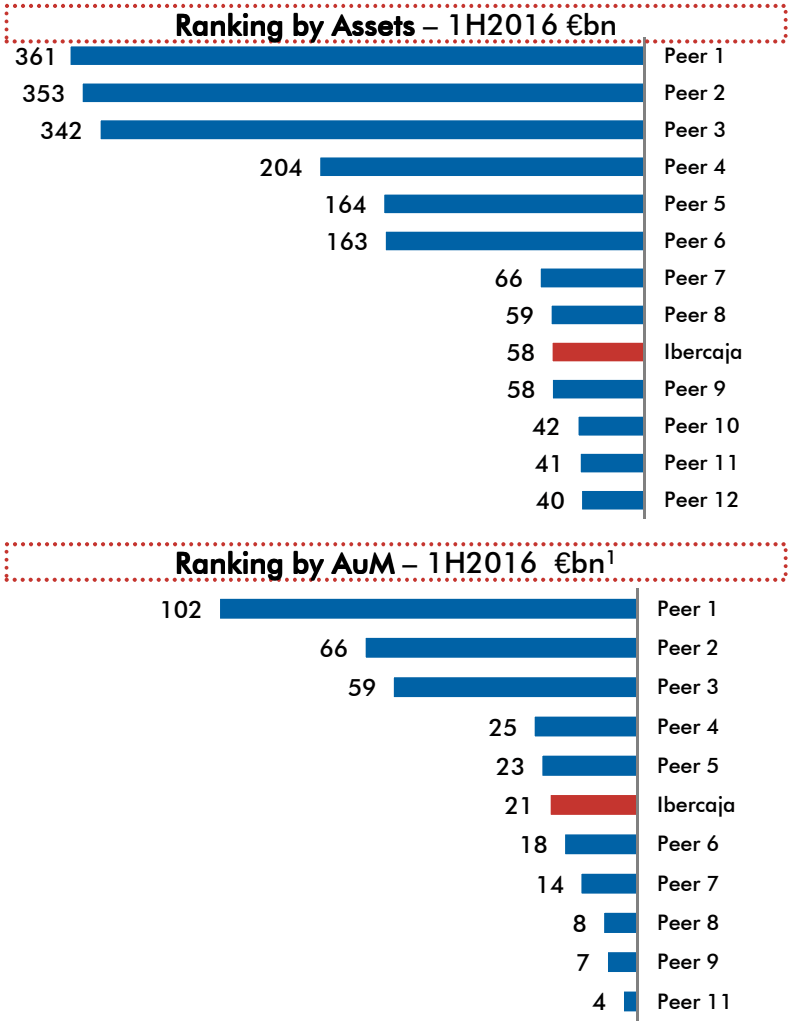
**Concluding Remarks**




iberCaja

# Overview of Ibercaja Banco

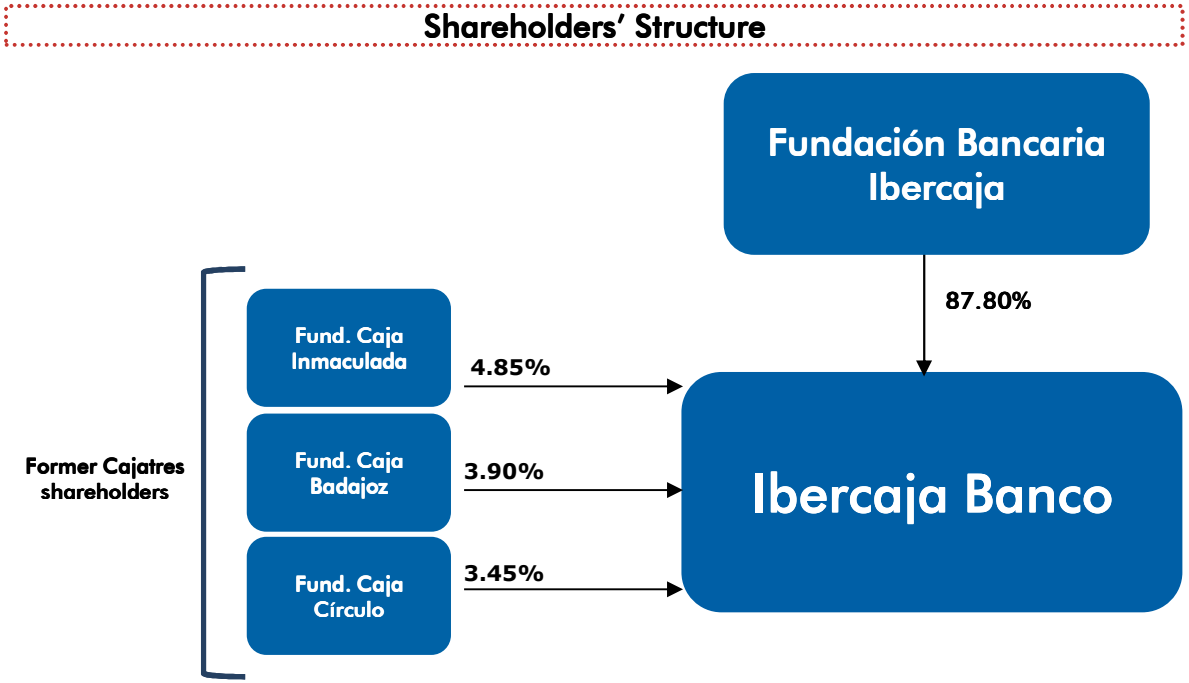
- 9th largest bank in Spain in terms of assets, with market shares of 2.7% in customer loans and 3.1% in customer deposits as of June 2016.
- Acquired Banco Grupo Cajatres in July 2013.
- 6th largest domestic financial entity in asset gathering with €21bn in assets under management and a total market share of 4.4% as of June 2016.
- One of the four former savings banks (out of 45) that has not directly received any state aid.
- CET1 Phased-In of 12.1% (June-16), vs. SREP decision of 9.25%, one of the lowest in Spain, as a result of Ibercaja's low risk profile.
- 1,259 branches and 5,591 banking employees.




[1] Source: Inverco & ICEA; includes AuM managed by each bank, excludes third-party products
Peer group includes Santander Spain, BBVA Spain, Caixabank, Popular, Bankia, Sabadell ex TSB, Bankinter, Unicaja, Kutxabank, Liberbank, BMN, Cajamar

# Simple Shareholder Structure

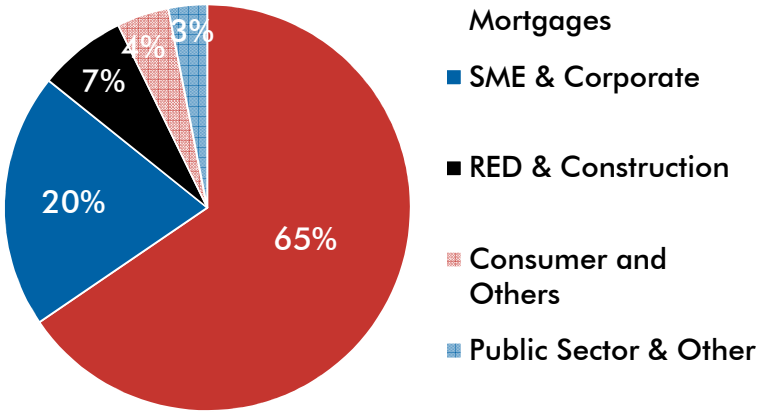
- The main shareholder of the bank, Ibercaja, became a banking foundation in June 2014.
- **By law, the Fundación Bancaria Ibercaja's stake in the Bank will have to be at least below 50% by February 2020.**
- Our target is to be a listed company no later than December 2018.



# Retailed Focused Banking Business

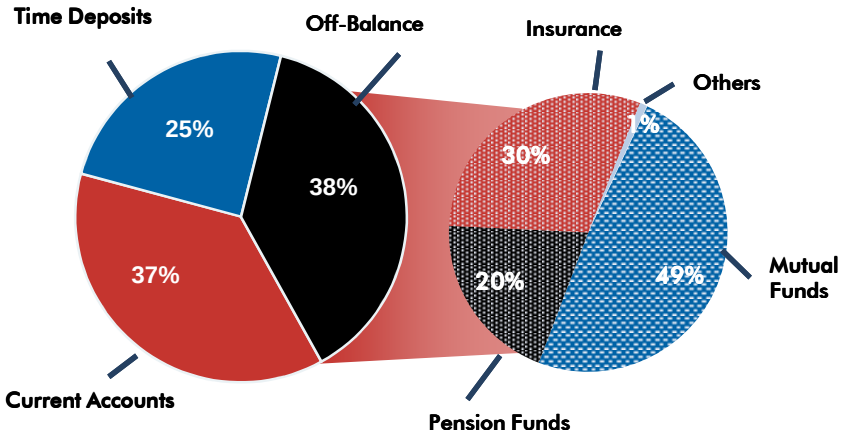
- **Ibercaja is a pure retail bank.**
- **Specialist in first home retail mortgages and asset gathering.**
  - One of the highest quality mortgage portfolio in the sector
  - Profitable and stable retail funds mix: 75% of customer funds are in current accounts and off-balance products
- **Growing focus in SME, which already represents 20% of total lending.**

**Lending Split by Segment** –1H 2016




Gross loans ex Repo: €33.7bn

**Customer Funds** – 1H2016 [1]




Retail Customer Funds : €50.2bn

[1] Commercial network distribution



iberCaja

# Attractive Geographical Positioning in the Spanish Market

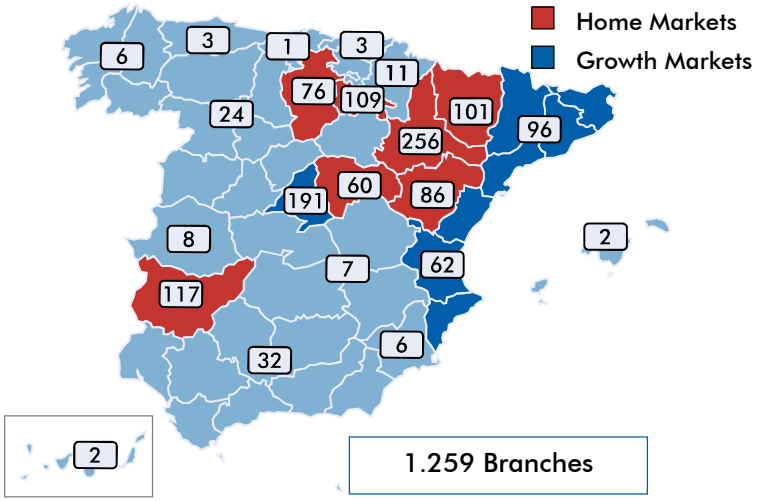
**Home Markets**

- Clear leadership in **Aragón (c. 40% market share)**, La Rioja, Guadalajara, Burgos and Badajoz (≈15% market shares).
- **Represent 60% of Ibercaja's business volume**.

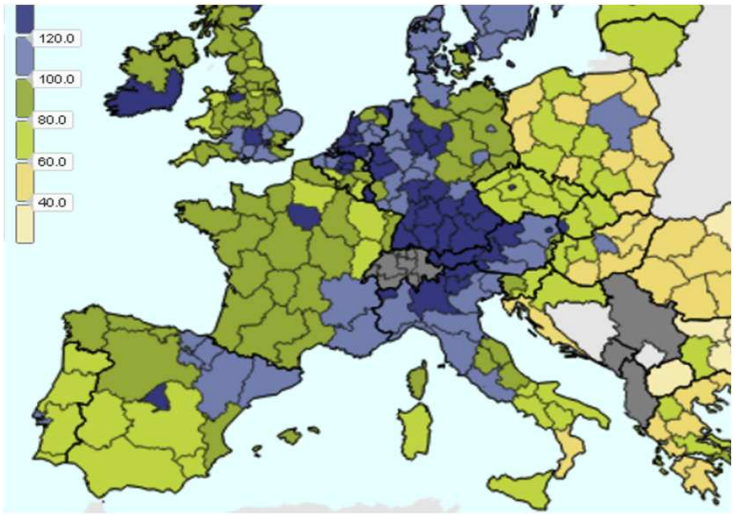
**Growth Markets**

- Throughout the 80's and 90's, the bank built a significant presence in Madrid and the Mediterranean Basin, key regions of the Spanish economy.
- Well established footprint with 349 branches that **represent 30% of Ibercaja's business volume.**

**Branch Network – 1H2016**




**GDP per Capita** – 2014 Average EU28=100[1]




[1] Source: Eurostat

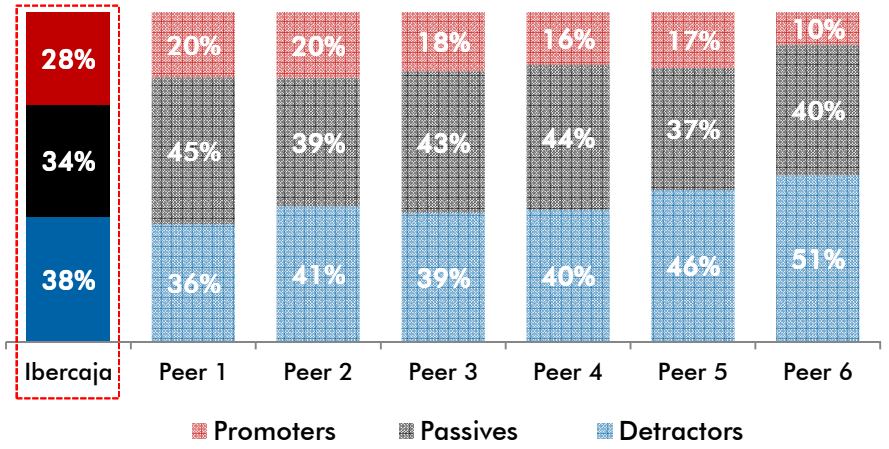


iberCaja

# Best-in-Class Customer Service Levels

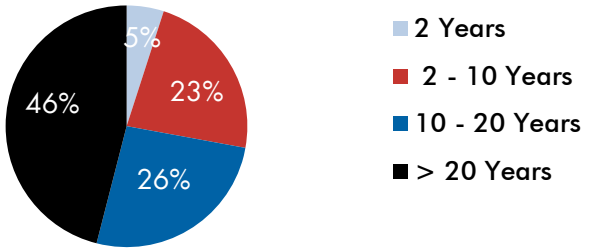
- Ibercaja has achieved its position in these markets thanks to a commercial model that has been **certified by third parties and that provides best-in-class customer service levels.**

**Net Promoter Score** – 2015[1]

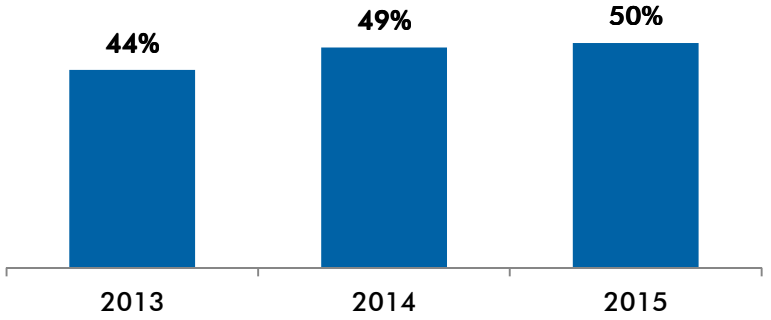



- This customer-focused strategy has resulted in an average customer relationship of 20 years, and a high product penetration levels (Avg. No of products/services per client stands at 6.3).

**Average Relationship with Clients[2]** - 2015




**«Well Linked Clients»** [2/3]




[1] Source: FRS INMARK for retail customers; Peers include Santander, Popular, BBVA, Caixabank, Sabadell & Bankia
[2] Individuals
[3] A well linked client has, at least, payroll direct deposit, one saving or financing product, and one active credit card

# Ibercaja's Key Highlights

1. Ibercaja Financial Group: A Source of Diversified and Recurrent Revenues

2. Cajatres acquisition: Further Potential for Synergies Generation

3. Superior Asset Quality

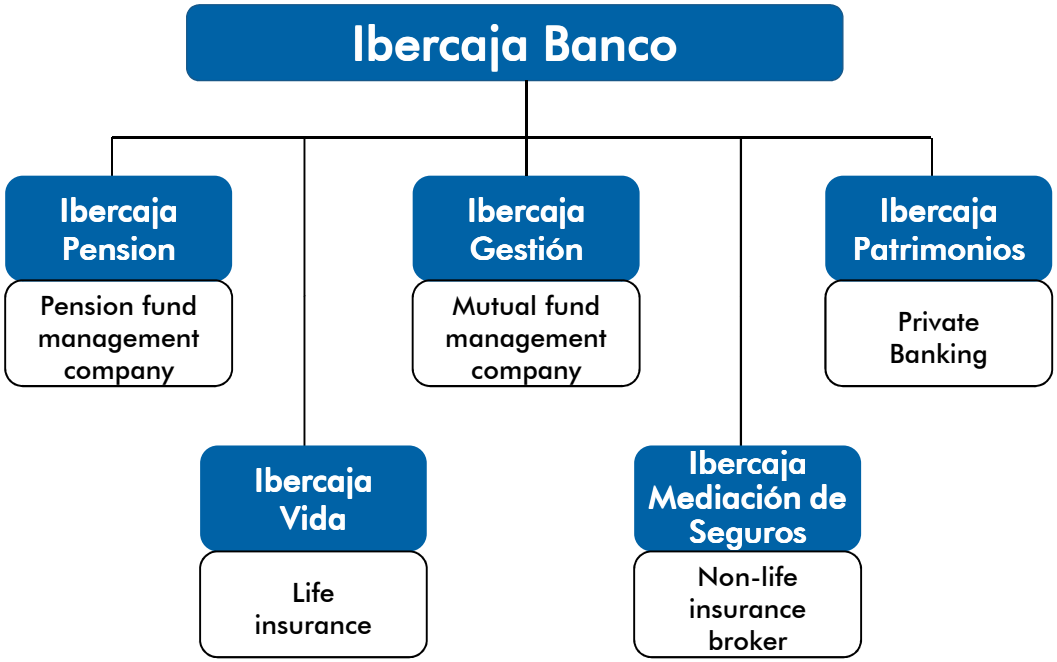
4. Sound Liquidity Position and Strong Capital Evolution

5. Strategic Plan 2015-2017: Further Strengthening of Ibercaja Positioning

# Ibercaja Financial Group: A source of Diversified and Recurrent revenues

- Ibercaja Financial Group consists of a group of companies specialized in mutual funds, pension plans, bancassurance, private banking, renting and leasing.

- ☑ Established in 1988
- ☑ 100% Ownership
- ☑ Managing over €22bn[1] of assets
- ☑ AuM CAGR >11% since 2002
- ☑ Gross Margin reached €326mm in 2015
- ☑ Market share well in excess of the banking business
- ☑ Highly valuable in current environment of low interest rates and high volatility




[1] Mutual Funds, Pension Funds and Insurance Products managed or intermediated by Ibercaja

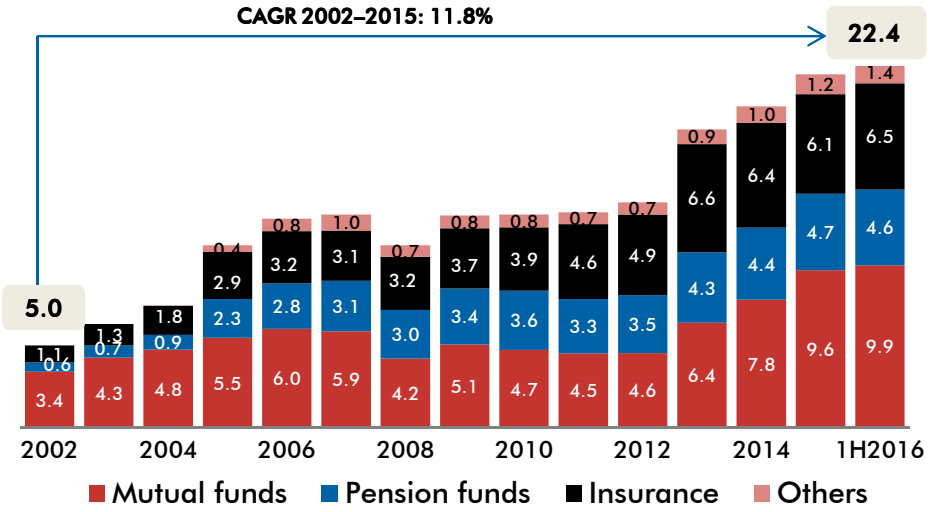


iberCaja

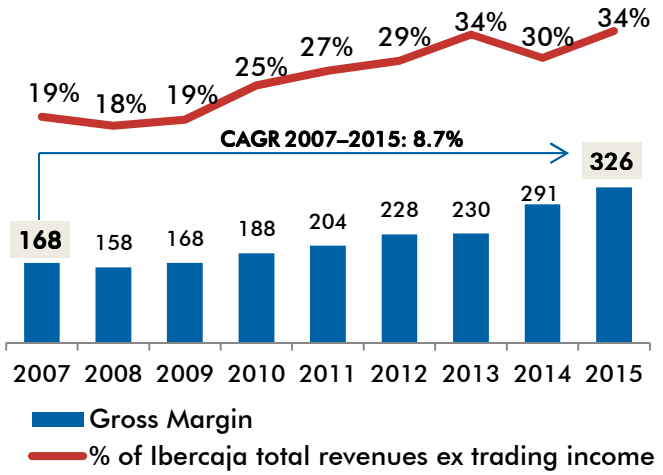
# Ibercaja Financial Group: A source of Diversified and Recurrent revenues

- Ibercaja has achieved its positioning in asset gathering thanks to:
  - Being **one of the first banks in Spain** to offer these products
  - Ibercaja Financial Group products are **completely integrated** in the commercial offer of Ibercaja Banco
  - Ibercaja Financial Group offers a **comprehensive support** (information desk, training, roadshows) to the branch network
  - Ibercaja Financial Group has received more than **35 awards** in the last 15 years

**Ibercaja AuM Evolution** – €bn




**Ibercaja Financial Group Gross Margin[1/2]** - €mm

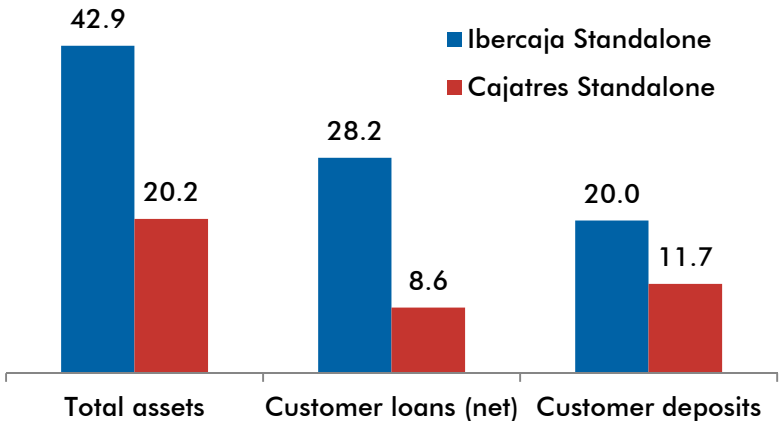



1 For the period 2007-2013, only considers Ibercaja Banco standalone
2 Includes accounting gross margins of the companies and distribution fees paid to Ibercaja Banco

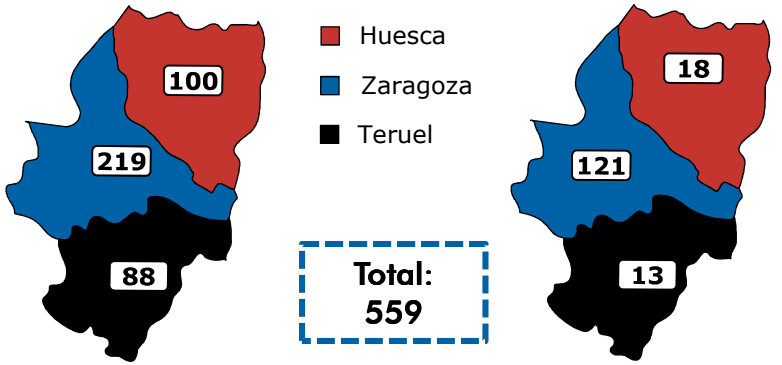
# Extracting Synergies from Cajatres Acquisition

- On July 2013, Ibercaja Banco acquired Cajatres. The legal, commercial and technological integration was fully completed on October 2014.
- **Strategic rationale of the acquisition of Cajatres:**
  - Cajatres was the **2nd player in Aragón** with a market share of c. 15%, allowing Ibercaja to reach an undisputable leadership, with a combined market share of 40%
  - **Strong cost and revenue synergies potential** due to a large geographic overlap in branches in Aragón and the implementation of Ibercaja's commercial best practices
  - Cajatres acquisition allowed Ibercaja to move from 15th to **today's 9th place in the Spanish financial system**

**Balance Sheet 2013 - €bn**



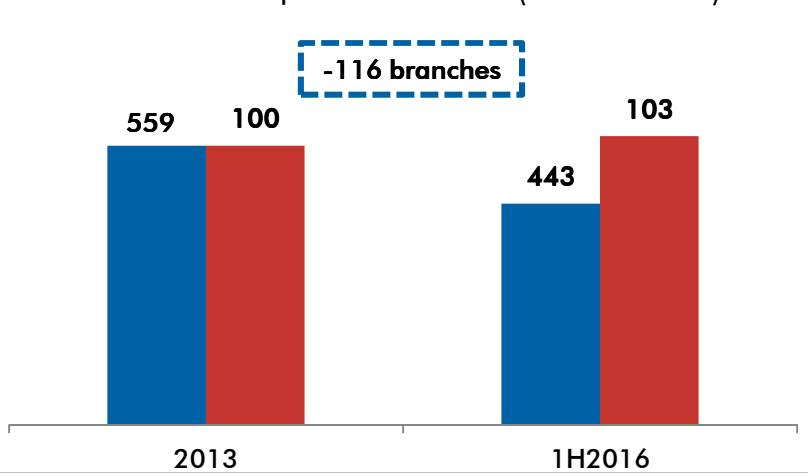

**Branch Network in Aragón - 2013**



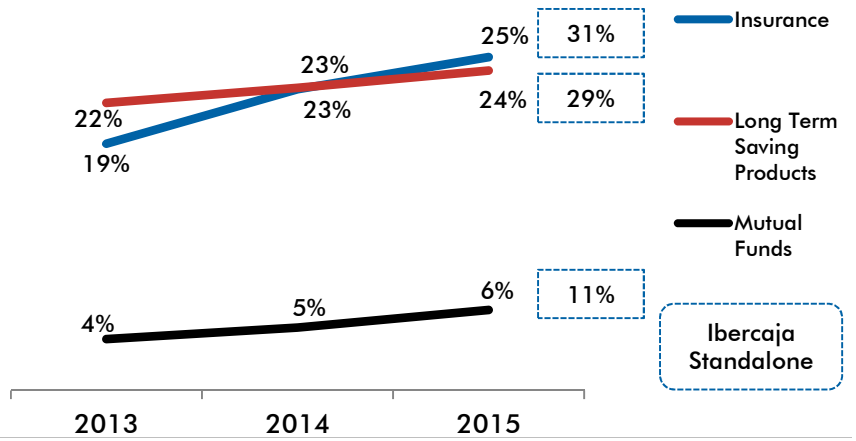
# Extracting Synergies from Cajatres Acquisition

- **Strong execution of Cajatres integration:**
  - Ibercaja has been able to increase its deposit market share in Aragón despite the strong **adjustment of the branch network** (-116 branches, -20.7% since 2013).
  - Implementation of Ibercaja's commercial model in Cajatres is having positive results with sound improvement in **key product penetration levels** and client linkage.
- Ibercaja reaffirms its target of **reducing its total cost base by €171mm**, announced after Cajatres acquisition
  - In 2016 Ibercaja will achieve 70% of total cost reduction[1]

**Evolution in Aragón**




**Product Penetration - Cajatres Standalone**

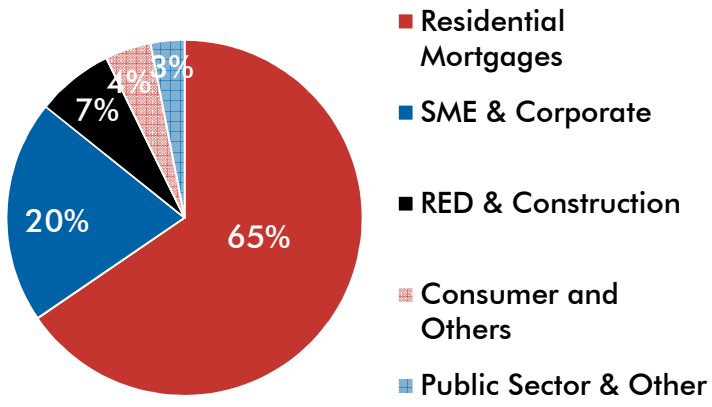



[1] Excluding Aktua costs. In February 2016, Ibercaja announced the sale of its real estate servicer subsidiary (Salduvia) to Aktua. Ibercaja also signed a long-term strategic alliance with Aktua to manage and sale these assets.

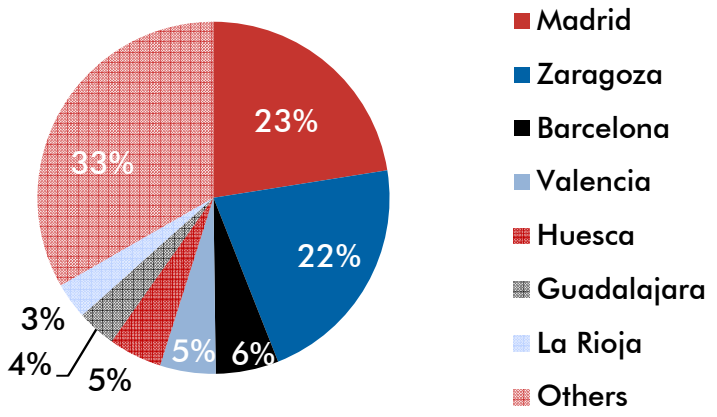
# Superior Asset Quality

- Ibercaja has consistently outperformed the sector in terms of asset quality thanks to:
  - **High exposure to residential mortgages**, 65% of total lending portfolio, of which just 7% are second home mortgages.
  - **Highly collateralized portfolio** (84%)
  - **High granularity**: 20 biggest borrowers represent less than 3.5% of lending to the private sector
  - **Sound geographical diversification**: 4 main provinces of Spain represent 56% of total lending

**Lending Split by Segment** –1H 2016




**Lending Split by Provinces** – 1H2016



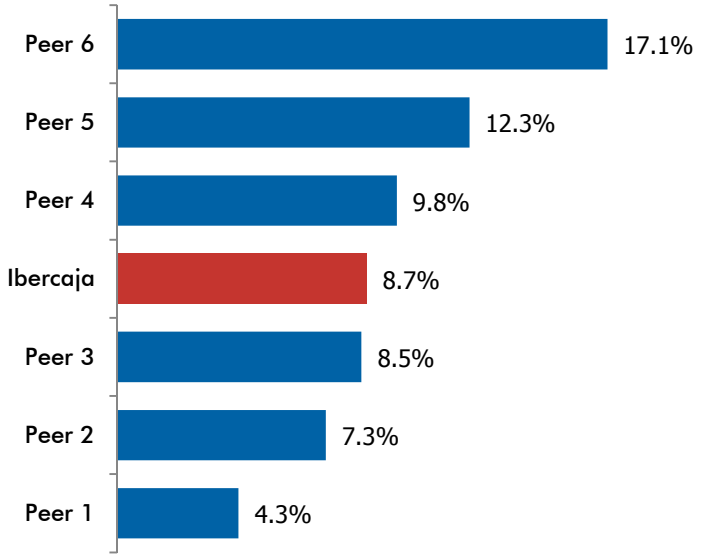



iberCaja

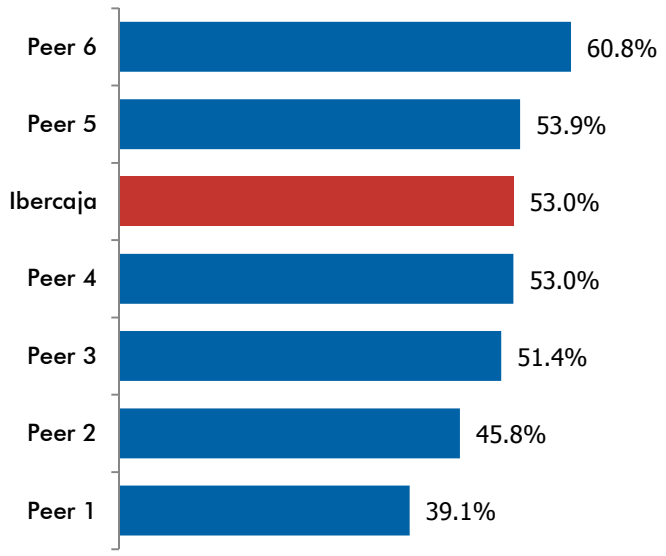
# Superior Asset Quality: NPL Ratio Below the Sector

- **NPL ratio of 8.7%,** (71 b.p. lower than the sector) while maintaining a strong coverage level.
- Sound evolution in NPL since launching our strategic plan:
  - 23% reduction in doubtful loans (-€898mm)
  - NPL ratio falls 205 b.p.
  - Gross NPL entries fall 50% in 2015 and 17.8% in 2016 (vs. 1H2015)

**NPL Ratio** – 1H2016




**Coverage Ratio** – 1H2016




Peer Group includes Caixabank, Popular, Sabadell ex TSB, Bankia, Bankinter and Liberbank
Note: Figures for Popular have not been adjusted for the recent €2.5bn rights issue to increase NPA coverage

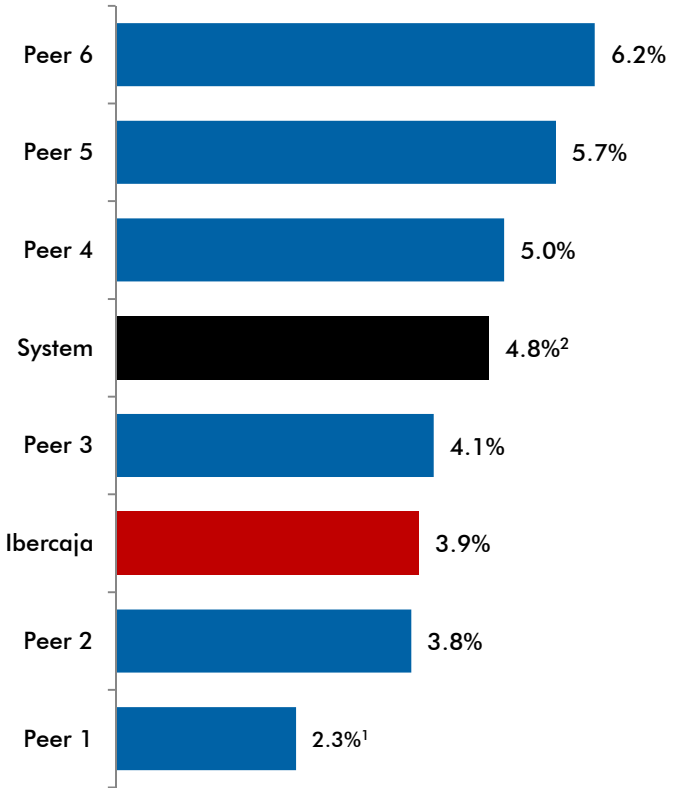


iberCaja

# Superior Asset Quality: Outstanding Residential Mortgage Portfolio

- **Residential mortgage NPL ratio of 3.9%, 19% below sector average of 4.8% (March-16)**

**Mortgages NPL Ratio – 1H2016**




- High quality portfolio:
  - Strong control of LTV: 94% of mortgages with a LTV<80% (average LTV: 55.2%)
  - High granularity: Average mortgage €72,000
  - Guarantors in a significant percentage of the mortgage portfolio (18,6%)
  - NPL ratio for new mortgages since October 2007: 1.64%
- Low exposure to riskier segments of the mortgage market
  - Mortgages to foreigners (<3.5%)
  - Mortgages originated by brokers (<4%)
  - Second home mortgages (<7%)

Overlap

Peer Group includes Caixabank, Popular, Sabadell ex TSB, Bankia, Bankinter and Liberbank
[1] As of Dec- 2015; [2] As of March-16



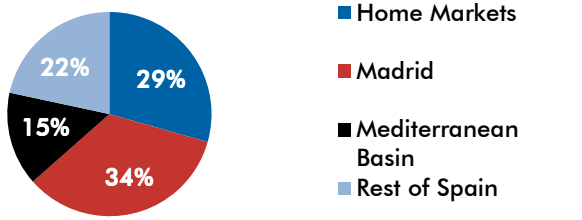
iberCaja

# Superior Asset Quality: Strong Reduction in Real Estate Loans

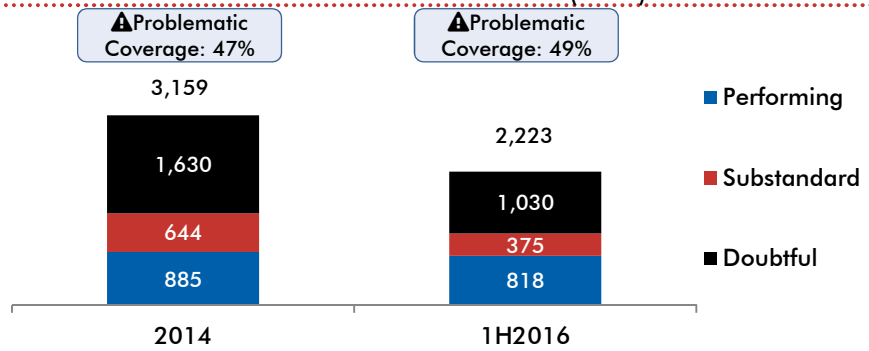
- Since launching our strategic plan, **Ibercaja has reduced its RED loans by €936mm or 30%.**
  - Problematic loans (doubtful & substandard loans) have fallen by €869mn or 38% since 2014,
  - In 2015, Ibercaja achieved the second biggest reduction in problematic real estate loans among main Spanish banks
- This reduction is explained by **Goya Transaction[2] (€698mm)** and third party assets sales.

| Gross RED & Construction loans (€mm) | 2014 | 1H2016 | Var. | % |
|---|---|---|---|---|
| **Personal guarantee** | **355** | **256** | **-100** | **-28%** |
| **With Mortgage** | **2,804** | **1,968** | **-836** | **-30%** |
| Under construction | 1,067 | 538 | -529 | -50% |
| Finished buildings | 508 | 532 | 23 | 5% |
| Developed land | 1,179 | 870 | -309 | -26% |
| Rest of Land | 49 | 28 | -21 | -43% |
| **Total** | **3,159** | **2,223** | **-936** | **-30%** |

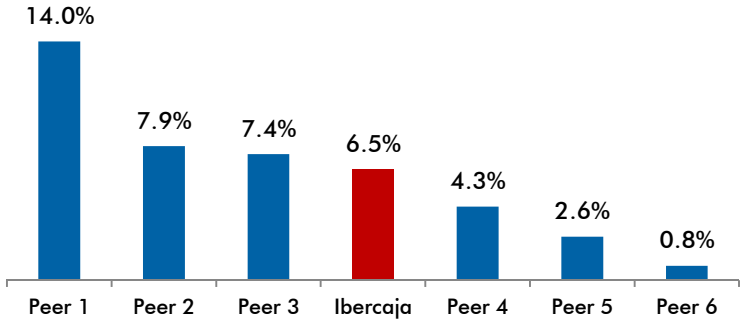
**RED Loans Breakdown** – GBV 1H16




**RED Loans Evolution** – GBV (€mm)




**Gross Real Estate Loans % Loans** – 1H2016[1]




1 Information from interim from interim financial statements
Peer Group includes Caixabank, Popular, Sabadell ex TSB, Bankia, Bankinter ex Portugal and Liberbank
2 In November 2015, Ibercaja Banco signed an agreement to sell a €698mm portfolio of real estate loans. The portfolio included 428 loans to real estate developers, mostly classified as doubtful.



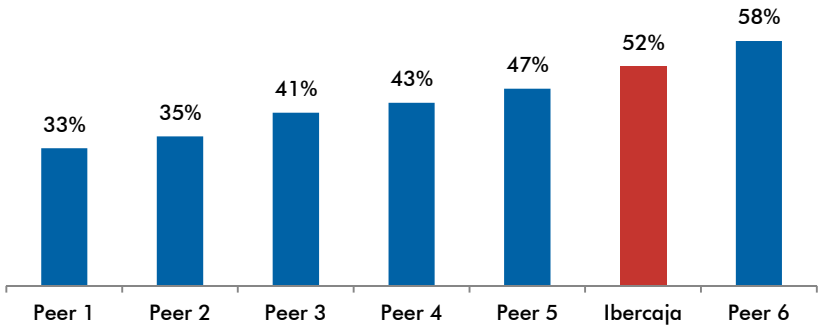
iberCaja

# Superior Asset Quality: Declining Stock of Foreclosed Assets

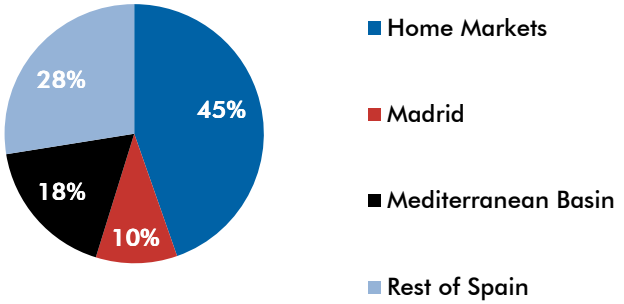
- **Peak in the stock of foreclosed assets was reached in 2Q2015; 3.5% reduction since then.**
  - The pickup of asset sales and the reduction in gross entries allows for a stabilization of the stock of foreclosed asset
- **Coverage ratio stands at 52% as of 1H2016**, among the highest in the sector

| €mm (1H2016) | Gross | Specific coverage | Coverage Ratio |
|---|---|---|---|
| **RED & Construction foreclosed assets** | **1,307** | **717** | **55%** |
| Finished properties | 335 | 147 | 44% |
| Under construction | 67 | 34 | 50% |
| Land | 904 | 536 | 59% |
| **Retail mortgages foreclosed assets** | **421** | **182** | **43%** |
| **Others** | **90** | **46** | **51%** |
| **Total** | **1,818** | **945** | **52%** |

**Foreclosed Assets Coverage** – 1H2016 [1]




**Foreclosed Assets Breakdown** – GBV 1H16




Information from interim from interim financial statements
Peer Group includes Caixabank, Popular, Sabadell ex TSB, Bankia, Bankinter ex Portugal and Liberbank
Note: Figures for Popular have not been adjusted for the recent €2.5bn rights issue to increase NPA coverage

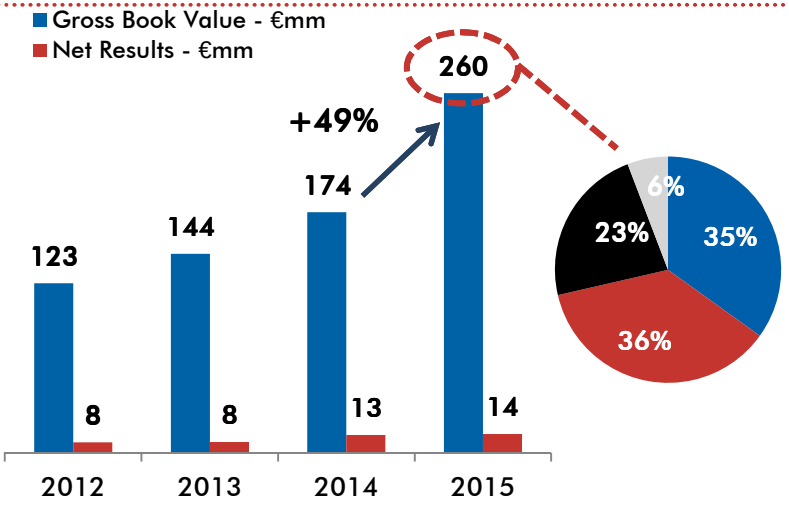


iberCaja

# Superior Asset Quality: Remarkable Acceleration in Asset Sales

- **Foreclosed asset sales grew by 49% YoY in 2015** thanks to the strong coverage levels reached and the market recovery.
- **Further acceleration in 2016, with a 16% increase (vs. 1H015).**
  - In the last 18 months, Ibercaja Banco has been able to sell over €81mm in land with no impact in P&L

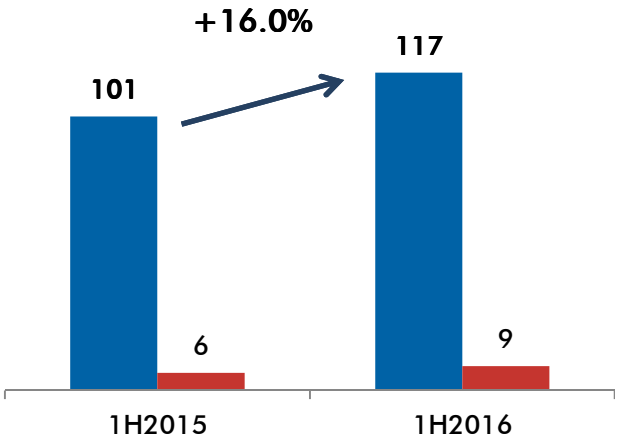
**Foreclosed Assets Sales[1]**










1 Geographical data refers to 2015, GBV

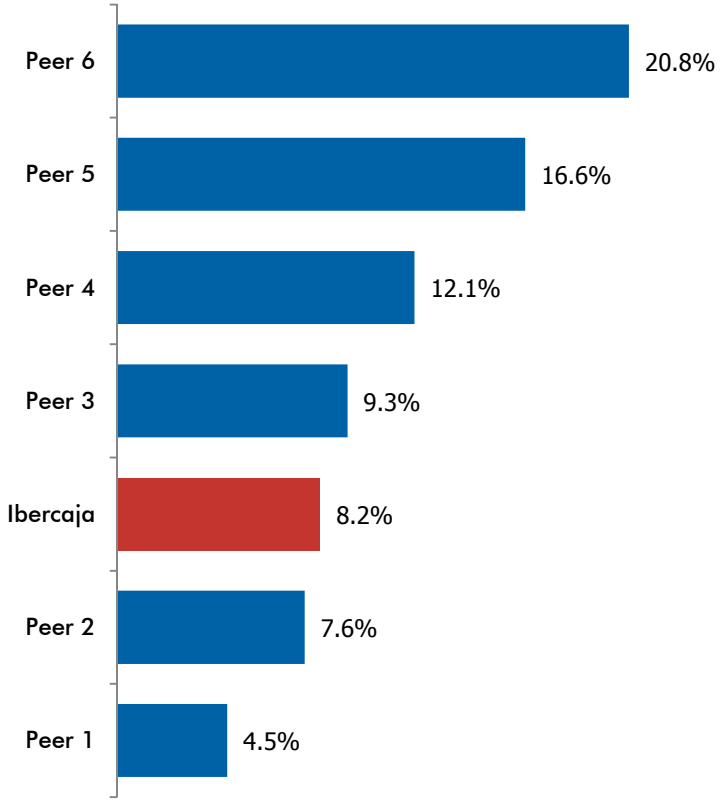


iberCaja

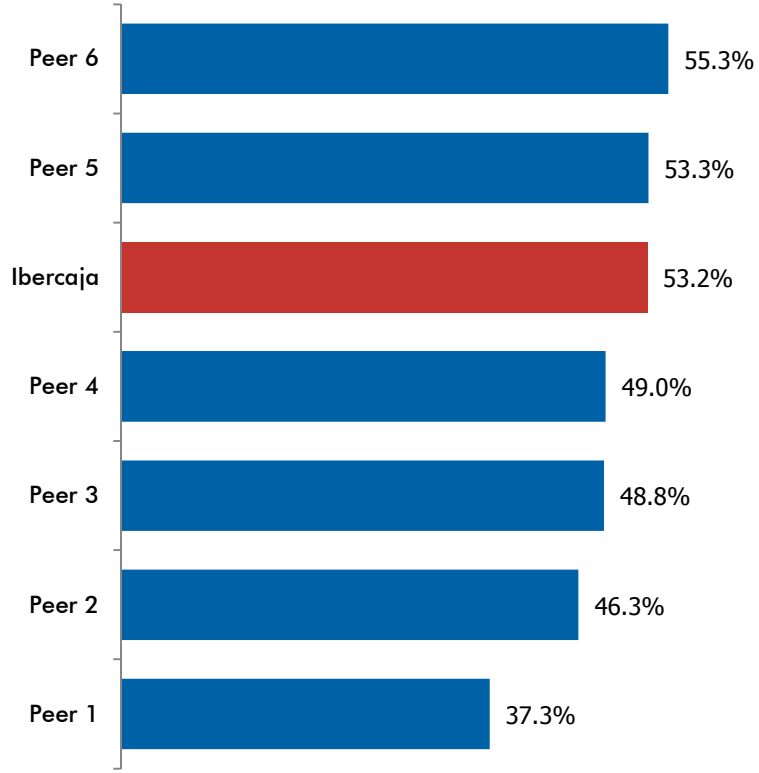
# Superior Asset Quality: Lower NPA and Higher Coverage

## Ibercaja's NPA ratio and the coverage levels rank among the best in the sector.

**Gross NPA Ratio[1] – 1H 2016**




**NPA Coverage Ratio[2] – 1H 2016**




Note: Peer Group includes Caixabank, Popular, Sabadell ex TSB, Bankia, Bankinter and Liberbank (including assets covered by APS)
Figures for Popular have not been adjusted for the recent €2.5bn rights issue to increase NPA coverage
[1] Defined as gross NPLs plus gross foreclosed assets divided by total assets
[2] Defined as total provisions divided by gross NPLs plus gross foreclosed assets

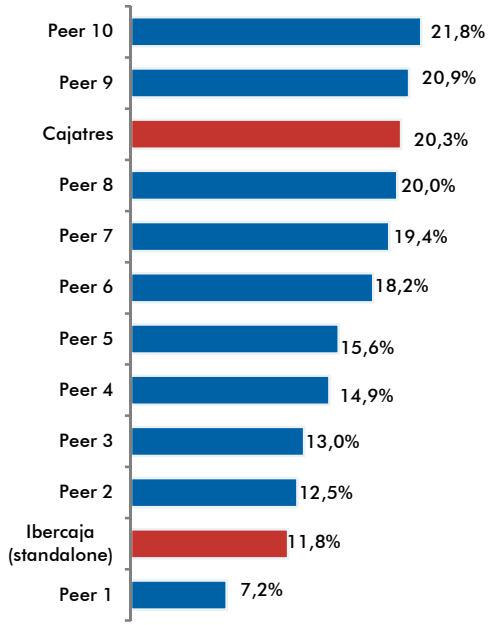


iberCaja

# Superior Asset Quality Certified by Third Parties

**Expected loss under OW adverse scenario**

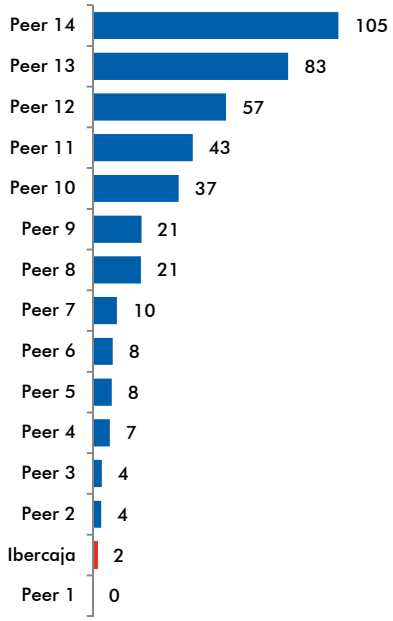
2012




Ibercaja had the 2nd lowest expected loss ratio in the Oliver Wyman stress test adverse scenario

**AQR Impact** - CET1 b.p.

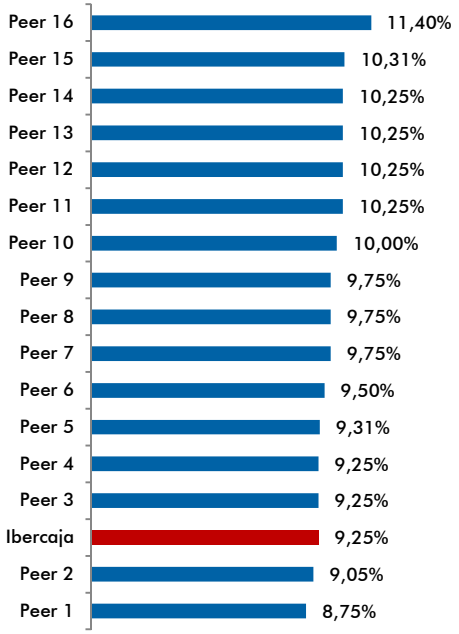
2014




European AQR highlighted the quality of Ibercaja Banco loan portfolio, its high standards of provisioning and its strict policy for categorising and identifying risks within its portfolio.

**SREP Decision**

2015




SREP requirement of 9.25% is one of the lowest in the Spanish banking system

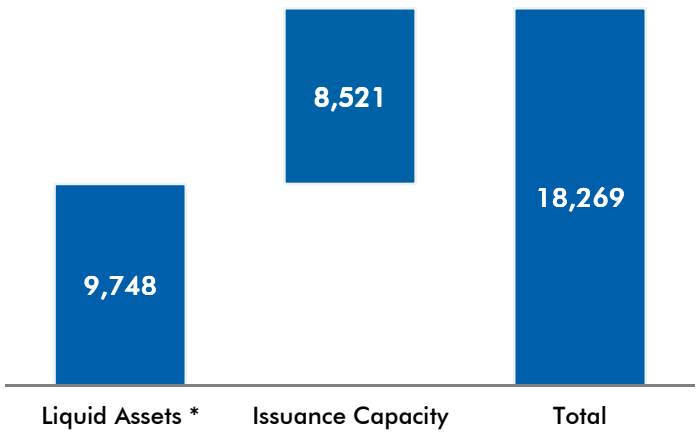


iberCaja

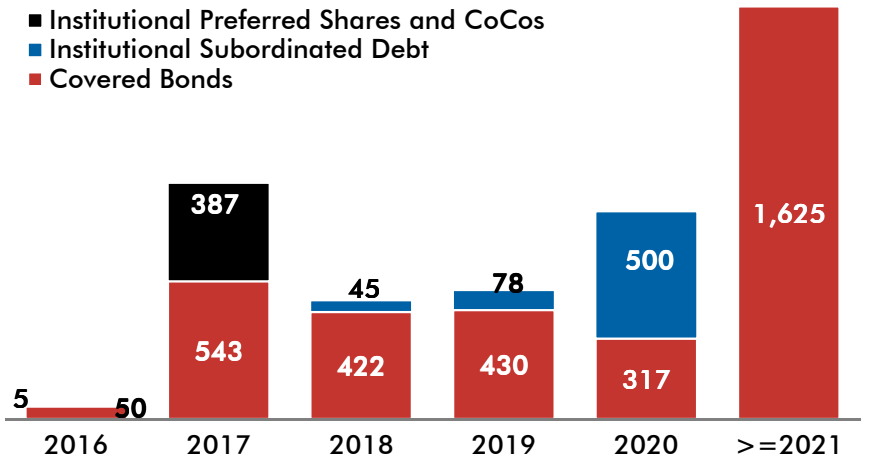
# Sound Liquidity Position

- Available liquid assets stand at €9.7bn (17% of total assets).
- LCR and NSFR ratios stand at 210% and 122%, respectively.
- Loan to deposits ratio stands at 96.4%[1]
- ECB funding: €3.4bn (5.8% of total assets), 100% TLTRO II.
- Adequate and prudent maturity profile (well below 2% of total assets every year).

**Liquidity Position - €mm**




**Maturity Profile – €mm**




[1] Net Loans ex. securitised loans / Customer deposits ex. repos + Securities distributed through the branch network.
* Liquid assets include unencumbered public debt + available & eligible fixed income assets (after ECB haircut applied)



iberCaja

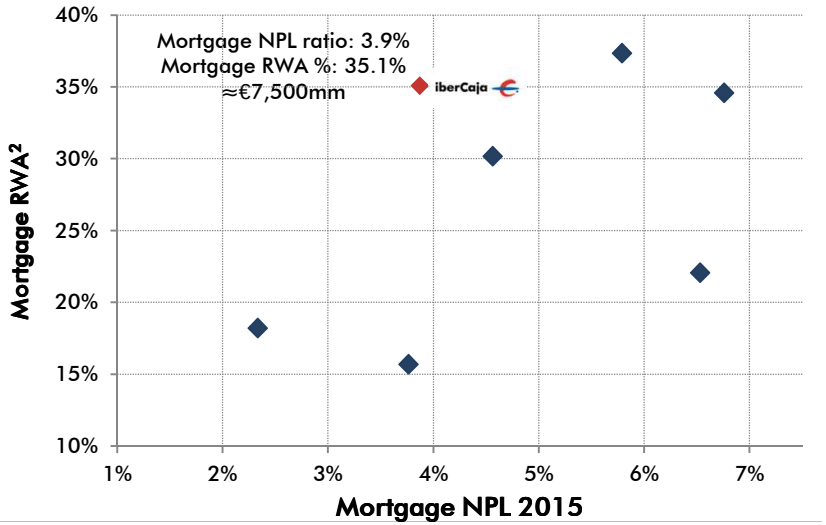
# Strong Progress in Capital Generation

- **CET1 Fully Loaded [1] stands at 10.3%** (June 2016)
  - Sound organic capital generation since launching our strategic plan: +89 b.p. over the last 6 quarters
- **CET1 Phased in 12.1%** (June 2016) vs. SREP decision of 9.25%
- RWAs/Total Assets stands at 40%, calculated using the standard methodology
- Leverage Ratio: 5.4% (Phased In)

**CET1 Fully Loaded [1]– %**




**Mortgage RWA % / NPL[2]**



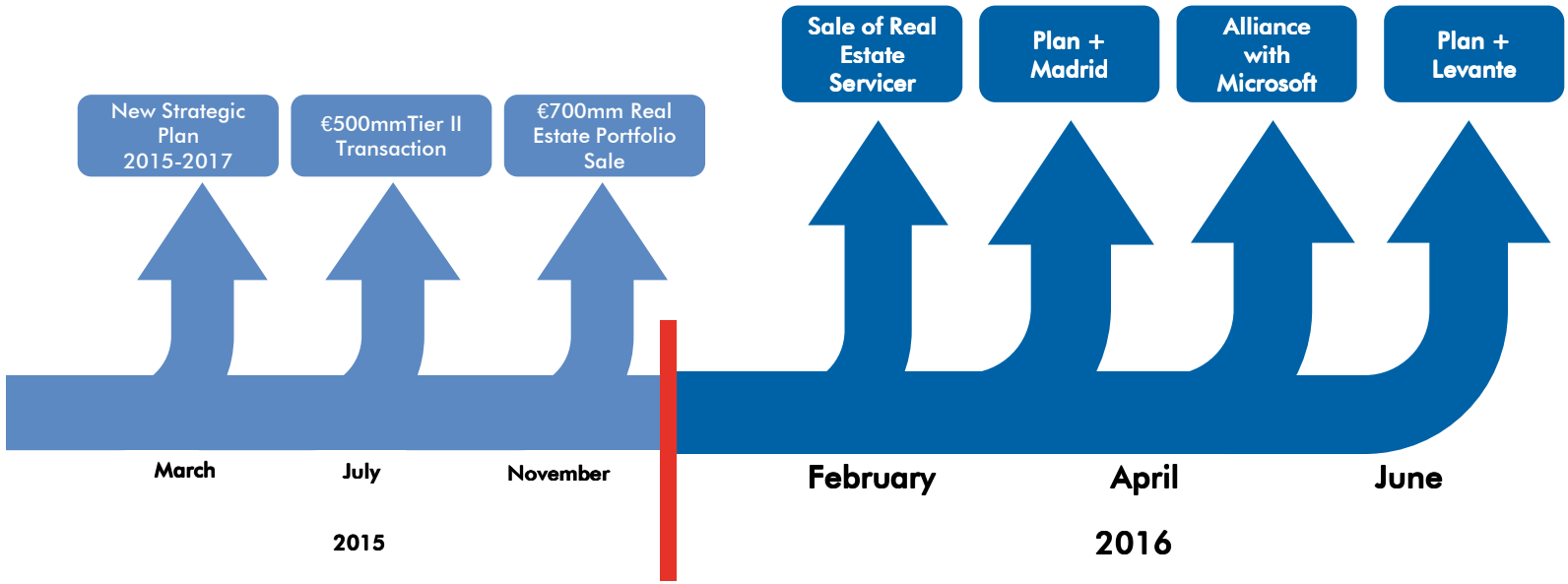

[1] Excluding CoCos, including AFS sovereign gains
[2] According to the 2015 EU-wide transparency exercise. Peer group includes Liberbank, Bankia, Caixabank, Popular, Sabadell & Bankinter



iberCaja

# Update on our Strategic Plan

## Key Milestones




- Since launching its Strategic Plan 18 months ago, Ibercaja Banco has reinforced its solvency and asset quality, and has boosted its commercial position.



iberCaja

# Update on our Strategic Plan

## Asset Quality

- ✓ 23% reduction in doubtful loans since Dec-14
- ✓ Second biggest reduction in problematic real estate loans among main Spanish banks in 2015
- ✓ Remarkable acceleration in foreclosed asset sales (+49% in 2015, +16% in 1H2016)
- ✓ Strategic alliance with Aktua to further accelerate asset sales

## Solvency

- ✓ Sound organic capital generation: +89 b.p. over the last 6 quarters
- ✓ SREP decision: 9.25% vs. 12.1% CET1 Phased-In
- ✓ Placement of Tier II debt totalling €500mm. Tier II bucket already fulfilled

## Positioning

- ✓ Ibercaja Gestión becomes the 8th largest mutual fund manager in Spain with a 4.2% market share (+40 b.p. since 2014)
- ✓ Ibercaja Pension: *"Expansión-Allfunds"* award to the best pension fund manager in Spain
- ✓ Ibercaja launches «Plan + Madrid» & «Plan + Levante» to strengthen its positioning in its Growth Markets
- ✓ Strategic agreement with Microsoft to develop the bank's digital transformation process

## Profitability

- ✓ Continuous progress in total cost reduction (funding, operating, risk)
- ✓ New lending production accelerates according to plan (+51% in 2015, +31% in 1H2016)
- ✓ Outstanding evolution in non-banking commissions, outpacing expected evolution (+12.7% in 2015, +8.2% in 1H2016)



iberCaja

# Index

- Overview of Ibercaja Banco
- **Covered Bonds Programme**
- Concluding Remarks

# Well Proven Mortgage Model

- **Ibercaja maintained high standards of credit underwriting throughout the cycle…**
  - Ibercaja stopped funding new projects for real estate developers in 2006, 2 years ahead of the peak in the housing market
  - In October 2007, Ibercaja further tightened its underwriting standards in residential mortgages
- **…and avoided the riskier segments of market…**
  - Both in residential mortgages (brokers, foreigners and second home) and in real estate developers (marginal exposure to non-developed land)
- **…leading to a limited expected loss.**
  - One of the four former savings banks (out of 45) that has not directly received any state aid

# Well Proven Mortgage Model

## 5 key principles for granting a residential mortgage in Ibercaja

**1** **All mortgages are originated at Ibercaja´s branches**

**2** **Requirements for Approval**
Registered legal status of the property
Appraisal Report from TINSA or Sociedad de Tasacion
Positive Scoring

**3** **Scoring model approval is based on:**
Transaction profile (such as 1st home, 2nd home, LTV ratio…), customer economic profile (nationality, employment type…) and linkage with Ibercaja (No of products…)

**4** **General Risk Policy:**
LTV <80% for first home mortgages
LTV<70% for second home mortgages.
Debt to income ratio limit is set at 30%-35% (according to income levels).
Ibercaja stresses interest rates (up to 4%/5%) when accounting for the DTI ratio.

**5** **Three authorisation levels:**
Branch: if credit score is positive and loan amount < €200,000
Specialised risk centre: if loan amount > €200,000 and those loans declined at the branch level
Risk Committee: loan amount > €500,000

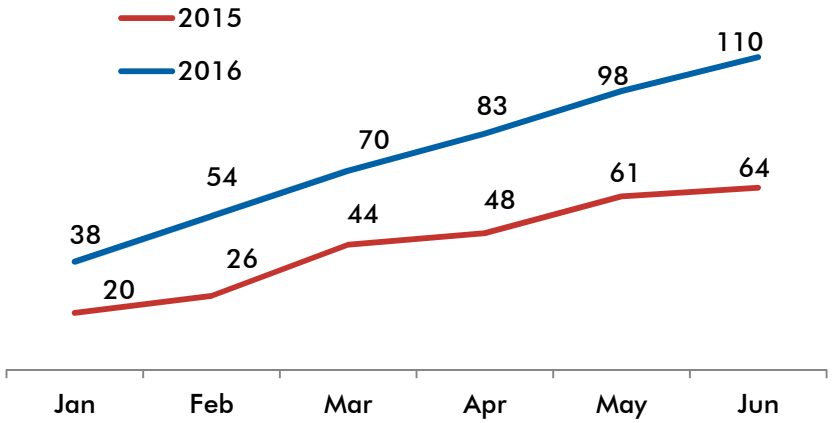


iberCaja

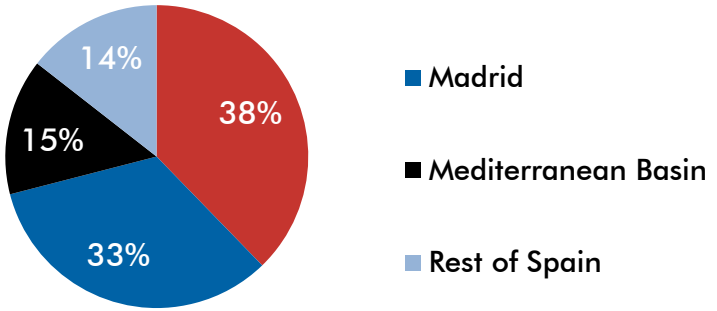
# New Residential Mortgage Production

- **Strong push in residential mortgage granting in 1H2016: €453mm, +74%** vs. 1H2015
- Maintaining **strong underwriting criteria**
  - 89% of new operations with an LTV ratio below 80%
  - 17% of new mortgages have guarantors
  - 48% of new mortgages comes from our Growth Markets: Madrid and Mediterranean basin
- **>30% of new operations are fixed interest rates mortgages**

**Monthly Residential Mortgage Granting** - €mm




**Geographical Split Mortgage Granting** – 1H2016



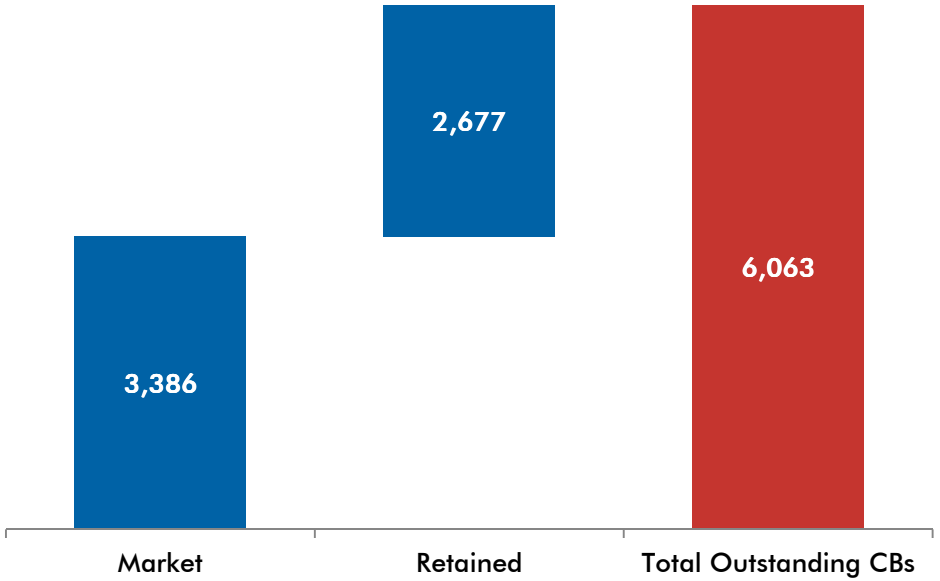



iberCaja

# Covered Bonds Programme

- As of June 2016, the **outstanding Cédulas Hipotecarias stand at €6.0bn.**
- Covered Bond Label compliant since June 2015 (Harmonised Transparency Template).
- Rated by S&P's and Moody's.
- High-quality liquid assets 2A (LCR).

**Outstanding Cédulas Hipotecarias** - 1H2016 €mm




COVERED BOND LABEL

STANDARD & POOR'S RATINGS SERVICES
McGRAW HILL FINANCIAL
A+

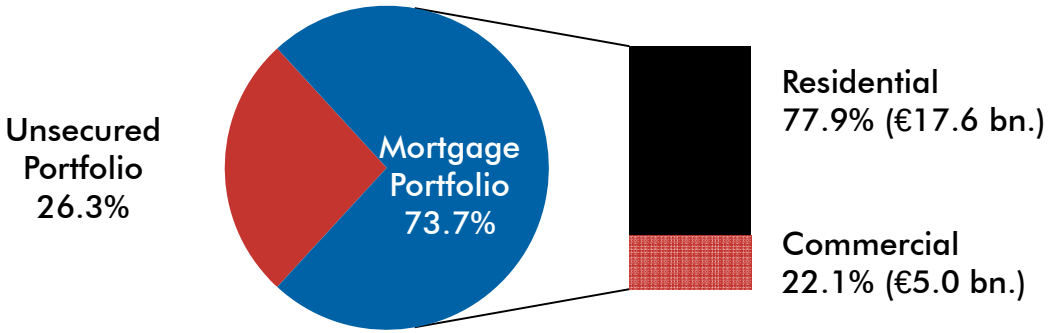
MOODY'S
A2



iberCaja

# Covered Bonds Programme: Mortgage Portfolio

- Total mortgage portfolio* stands at €22.5bn.




- Granular portfolio with high seasoning and low NPL.

| TOTAL MORTGAGE PORTFOLIO | | | |
|---|---|---|---|
| Total Amount | €22,542mm | Seasoning | 7.14 years |
| o.w. Eligible Portfolio** | €17,857mm | WA Time to Maturity | 19.48 years |
| Number of Loans | 277,346 | WA Life | 10.2 years |
| Average Loan | €81,279 | WALTV (%) | 52.27% |
| Borrowers | 447,747 | NPL (%) | 7.55% |

*Cover pool for Cédulas Hipotecarias (securitised loans not included).

**Composed by first-lien mortgage loans; up to 80% LTV for residential purposes and 60% for commercial purposes; valuation of the securing properties carried out by authorised appraisal companies; maximum 20% corresponding to construction loans; unpaid amounts on the loans do not qualify.



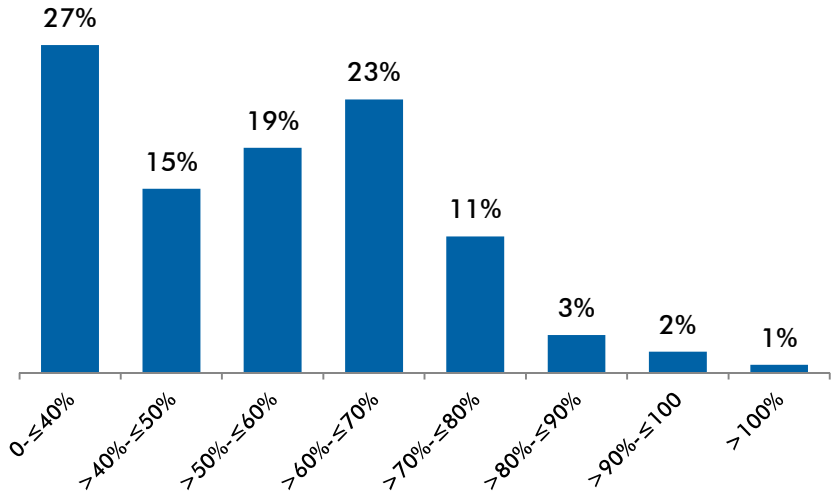
iberCaja

# Covered Bonds Programme: Mortgage Portfolio

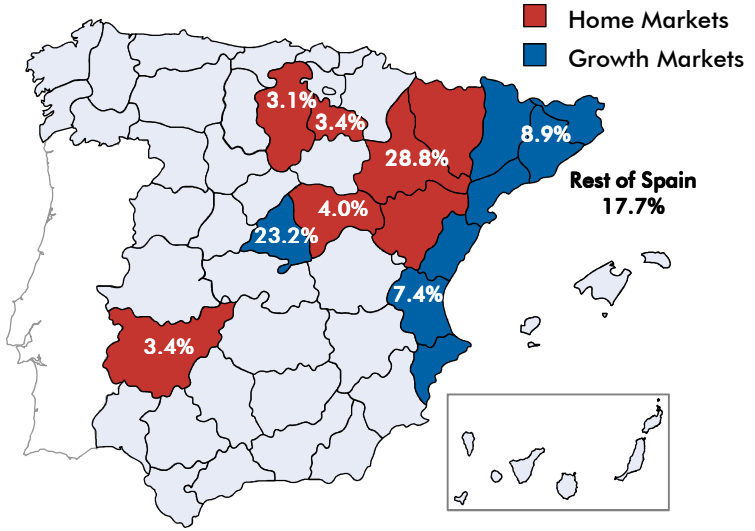
## Sound LTV ratios and geographical diversification.

- 94.5% of mortgages have an LTV ≤80%
- Home Markets represent 43% of the portfolio
- Madrid and Mediterranean Basin, our Growth Markets, represent 40% of the portfolio

**LTV Distribution**




**Geographic Distribution**





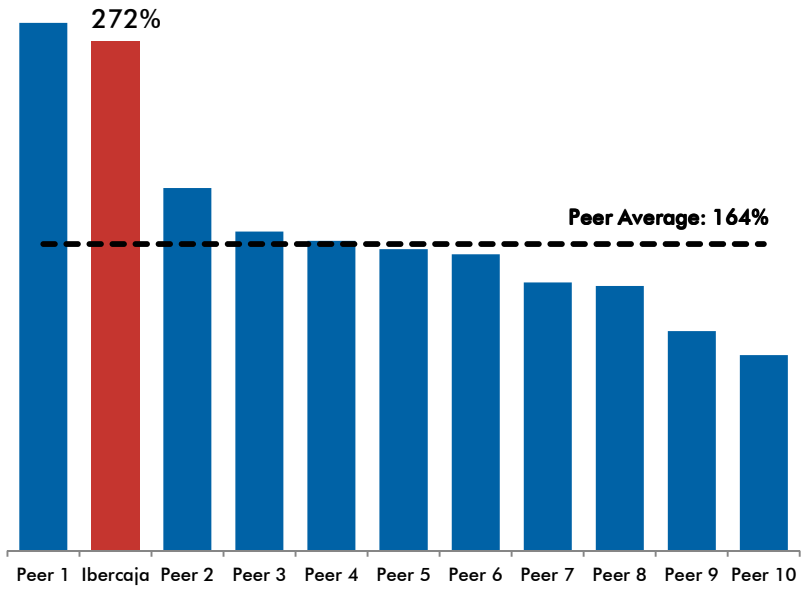

iberCaja

# Covered Bonds Programme: OC Ratios

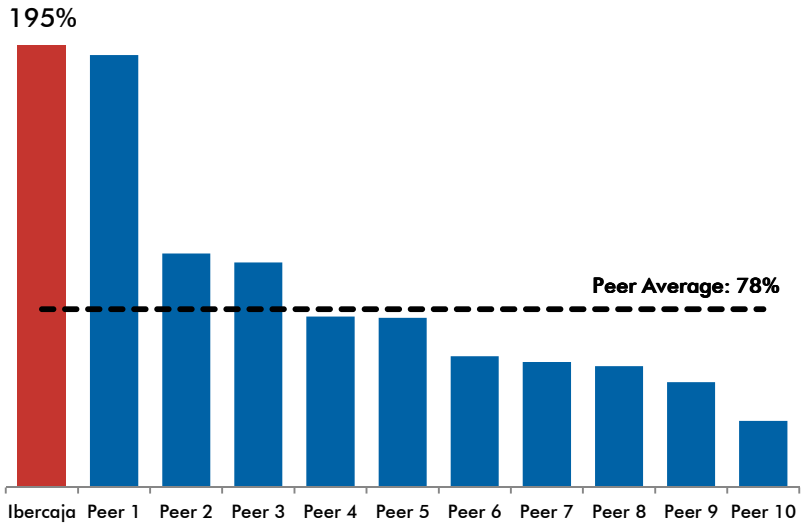
- **Strong overcollateralisation ratios[1], well above sector average.**

| Total OC | Eligible OC |
|---|---|
| 271.8% | 194.5% |

**Total Overcollateralisation - %**




**Eligible Overcollateralisation - %**




Source: ECBC
Peer includes Santander, BBVA, Bankia, Caixabank, Popular, Bankinter, Sabadell, Unicaja, Kutxabank, and BMN
[1] OC ratios: (Total or Eligible Loans / Existing Covered Bonds) - 1



iberCaja

# Covered Bonds Programme: Stress Test

- **Even in a extremely stressed scenario (25% loss for the total portfolio), Ibercaja's total overcollateralisation ratio stands above current sector average.**

| IBERCAJA BANCO (June 2016) | (€mm) | Stressed Scenario | | |
|---|---|---|---|---|
| | | NPL (Defaulted) | Recovery Value | Resulting Mortgage Portfolio (mm) |
| Residential Mortgage Portfolio | 17,552 | 20% | 40% | 15,446 |
| Commercial Mortgage Portfolio | 4,990 | 80% | 10% | 1,397 |
| **TOTAL COVER PORTFOLIO** | **22,542** | | | **16,843** |
| **OVERCOLLATERALISATION** | **271.8%** | | | **177.8%** |

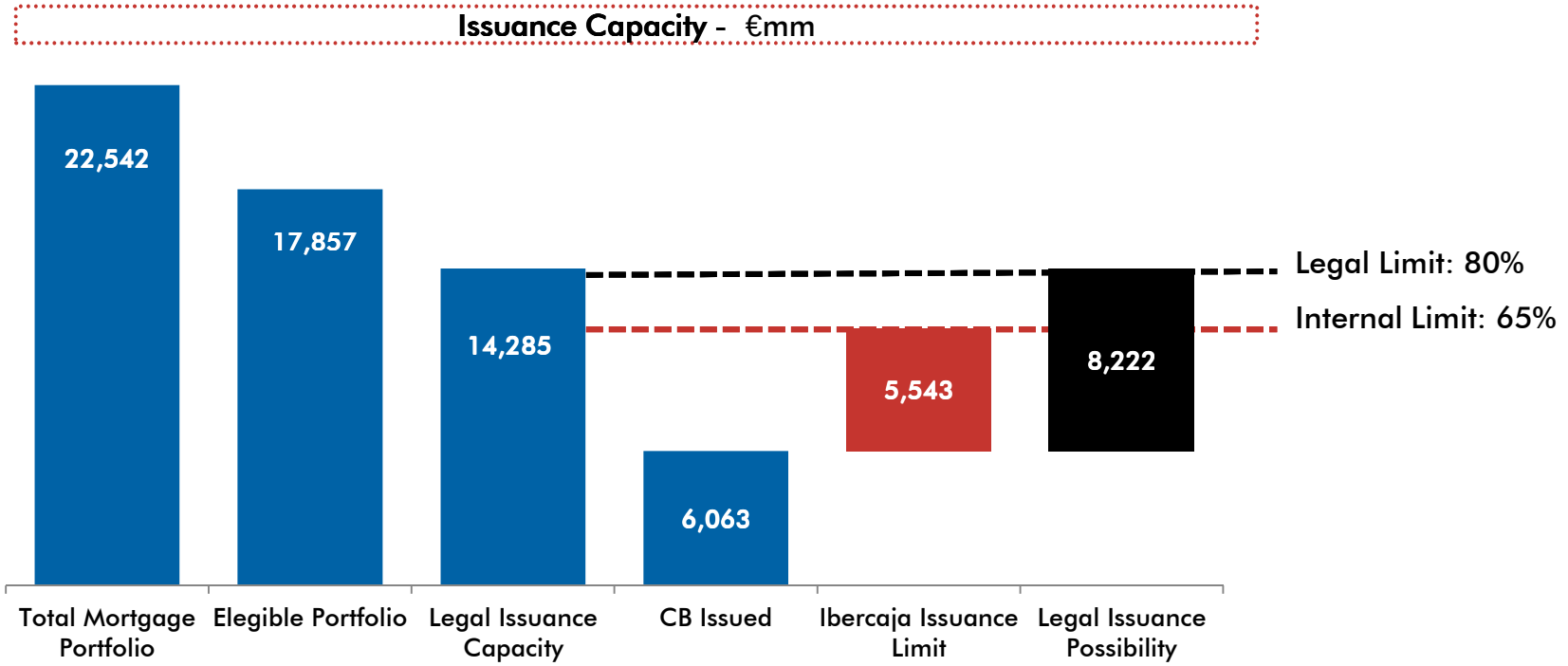
* This scenario implies Expected Losses of 12% of total residential mortgage portfolio, and 72% of total Commercial Mortgage Portfolio.



iberCaja

# Covered Bonds Programme: Issuance Capacity

- By law, outstanding covered bonds is limited to 80% of Eligible Portfolio. **Ibercaja Banco Group ratio is 34.5% with an internal limit of 65%.**
  - Leeway to increase OC ratios given over 44% of maturities are 100% retained covered bonds

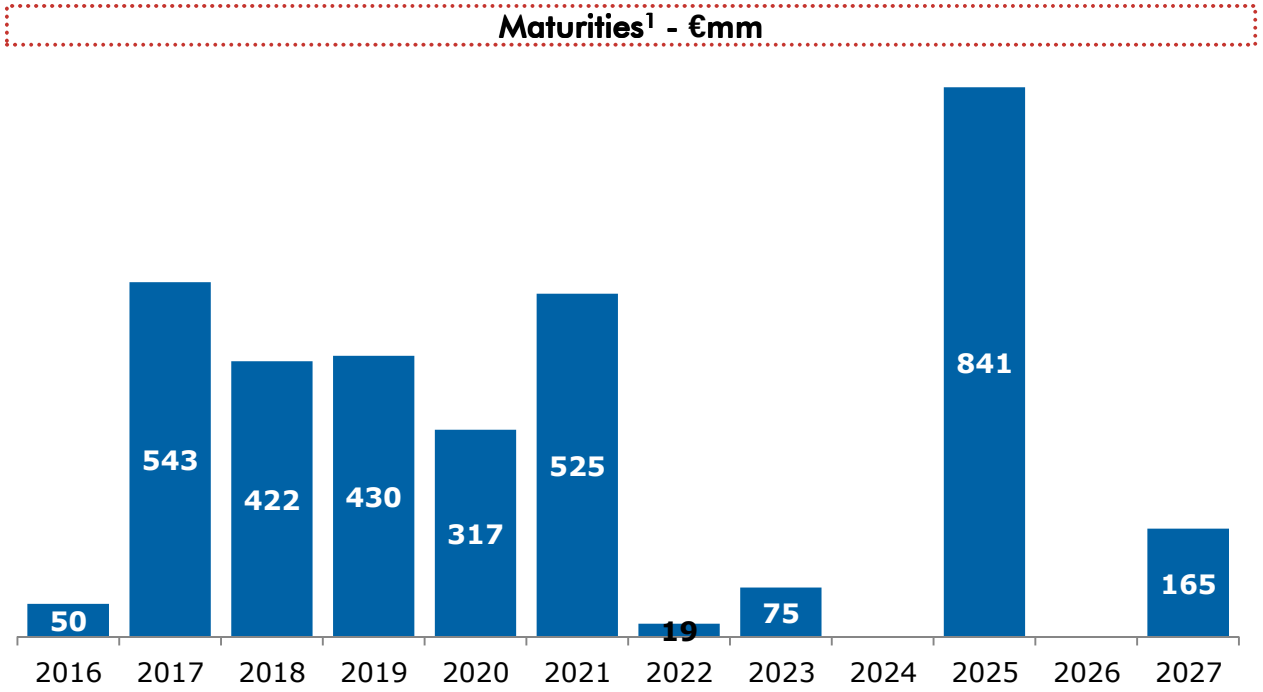





iberCaja

# Covered Bonds Programme: Maturities

- Well diversified maturity profile, with **annual maturities of not retained covered bonds below 1.5% of total assets per year.**




[1]Not retained covered bonds



iberCaja

# Index

- Overview of Ibercaja Banco
- Covered Bonds Programme
- **Concluding Remarks**

# Concluding remarks

## A well-managed bank that has overcome the financial crisis without receiving any public aid nor disposing strategic assets.

1. Strong home markets leadership and a consolidated platform for growth in the most dynamic regions of Spain
2. Solid commercial model with best in class service levels
3. Unique position in asset gathering in the Spanish financial system
4. Further opportunities for extracting synergies from Cajatres acquisition
5. Better than average asset quality levels, with sound liquidity and solvency metrics
6. Clear strategy to achieve a return on tangible equity above cost of capital
7. Attractive Covered Bond program with remarkable OC levels

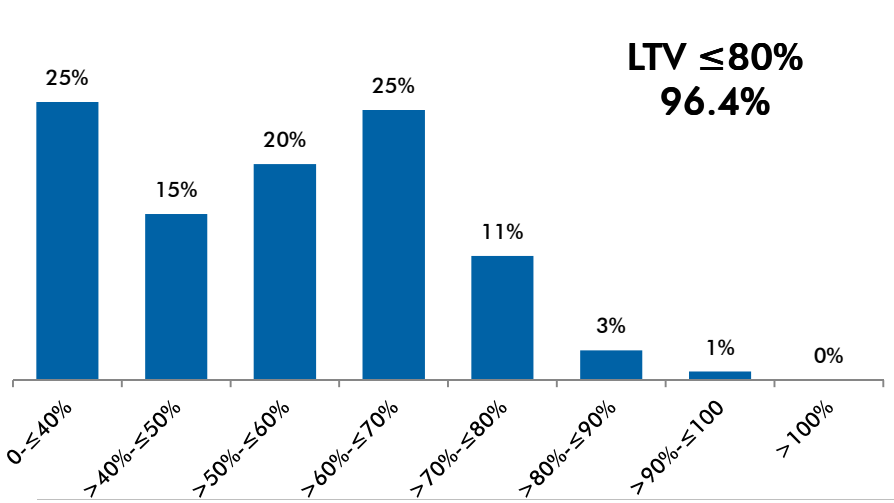
# Annex 1- Additional Information on the Mortgage Portfolio
# Ibercaja's Mortgage Arrears Management
# Covered Bond Current Legislation

# Covered Bonds Programme: Residential Mortgage Portfolio

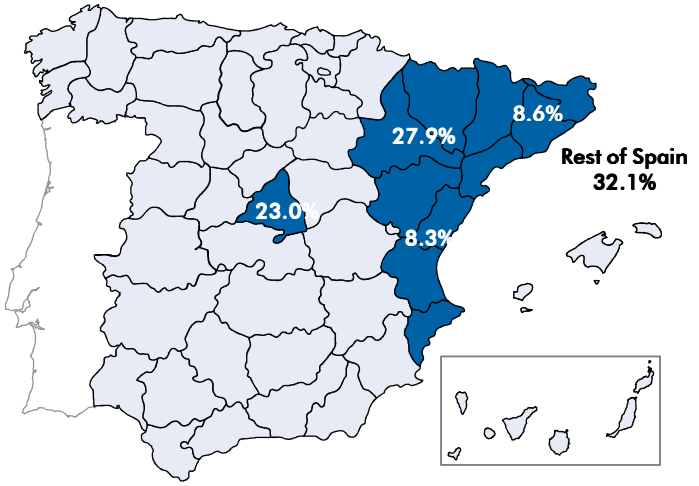
## RESIDENTIAL MORTGAGE PORTFOLIO

| | | | |
|---|---|---|---|
| Total Amount | €17,552mm | Seasoning | 7.46 years |
| o.w. Eligible Portfolio | €15,200mm | WA Time to Maturity | 21.47 years |
| Number of Loans | 243,986 | WALTV (%) | 52.14% |
| Average Loan | €71,940 | NPL (%) | 4.50% |
| Borrowers | 397,862 | | |

### LTV Distribution




### Geographic Distribution






iberCaja

# Covered Bonds Programme: Commercial Mortgage Portfolio

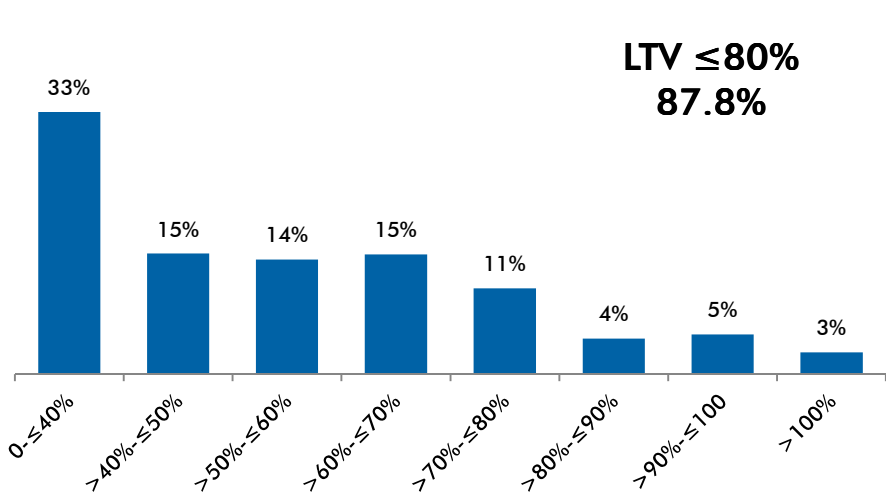
## COMMERCIAL MORTGAGE PORTFOLIO

| | |
|---|---|
| Total Amount | €4,990mm |
| o.w. Eligible Portfolio | €2,657mm |
| Number of Loans | 33,360 |
| Average Loan | €149,586 |
| Borrowers | 49,885 |

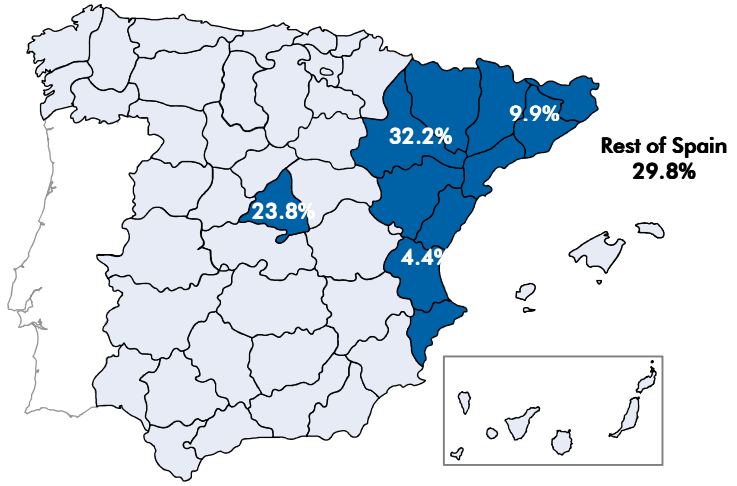
| | |
|---|---|
| Seasoning | 6.03 years |
| WA Time to Maturity | 12.47 years |
| WALTV (%) | 52.73% |
| NPL (%) | 19.89% |

⚠ Low concentration of top 10 borrowers: 10.89%

### LTV Distribution




### Geographic Distribution






iberCaja

# Mortgage Arrears Management

- **Internal alert system:** Ibercaja supervises creditors risk evolution with a fully automated internal system that controls metrics such as payroll evolution, risk position in other entities, credit card disposals... This system sends alerts to the branch allowing for a proactive risk management

- **Arrears Management:** If a customer fails to pay,

  - The operation enters a standardized and automated recovery process (4 different process based on the total amount due, the collateral and the customer type)

  - Customer and guarantor receives a letter on day 15, 35 and 75 after having failed to pay

  - After 94/150 days (depending on the collateral), an internal committee decides whether to proceed with legal actions or not

  - If the committee agrees to proceed with legal actions the operation is transferred to the legal department

# Covered Bond Current Legislation

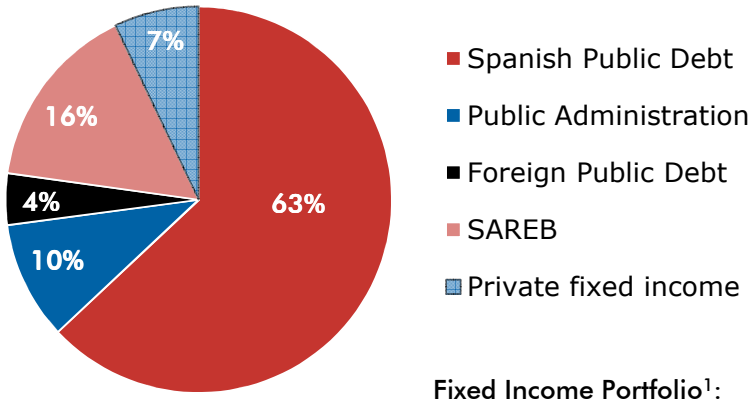
- Main Legal Framework: Ley 2/1981 de 25 de Marzo de 1981,, de Regulación del Mercado Hipotecario, (modified by Ley 41/2007) Royal Decree 685/1982 and Royal Decree 716/2009 of 24 April 2009.
- Covered bond holders have priority security claim over the bank's whole pool of mortgages, not only to eligible (apt loans) portfolio.
- Assets remain on-balance sheet of the issuer (no segregation as in ABS) but issuers of CH are required to maintain an accounting registry of the cover pool at any time.
- In case of insolvency, no acceleration of assets sale as long as cover asset pools are solvent.
- If cover pools are insufficient, covered bondholder have a claim against the bankruptcy estate, ranking pari passu with senior unsecured debt.
- Apt Loans (eligible portfolio):
  - Only first-lien mortgage loans
  - Commercial mortgage max. LTV 60%
  - Residential mortgage max. LTV 80%
  - Underlying property must be appraised and insured for its total value
  - Maximum 20% of loans consist of building under construction.
- Maximal amount of issued Cédulas may not exceed 80% of the issuer's legally apt mortgage loans (at least 25% over- collateralisation)
- No need for revaluation of assets
- Violated OC has to be restored immediately through cash collateral and within 4 months through fresh assets, buybacks or amortization of Cédulas

# Annex 2- Fixed Income Portfolio, Balance Sheet and P&L account

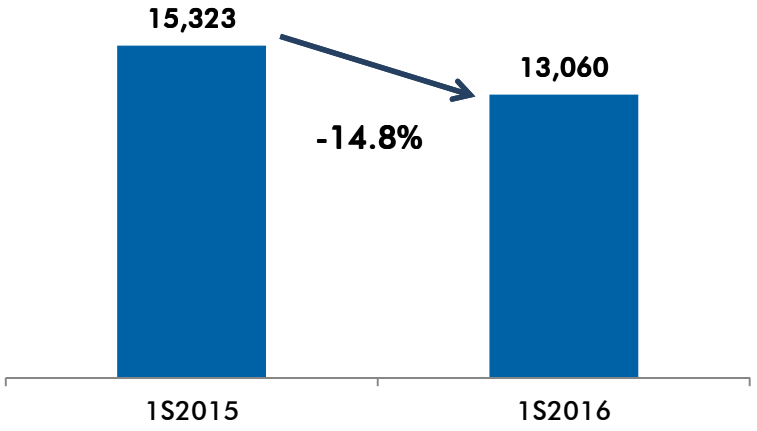
# Fixed Income Portfolio

- **Fixed income portfolio: Low risk with focus on Spanish sovereign debt and short duration.**
  - Average duration of 3.8 years
  - Unrealised capital gains of €163mm (of which €125mm are AFS)
  - Average yield stands at 1.4%
- **Ibercaja has reduced its fixed income portfolio by >€2,250mm vs. 1H2015.**

**Fixed Income Portfolio– 1H2016**




Fixed Income Portfolio[1]: €13,060mm

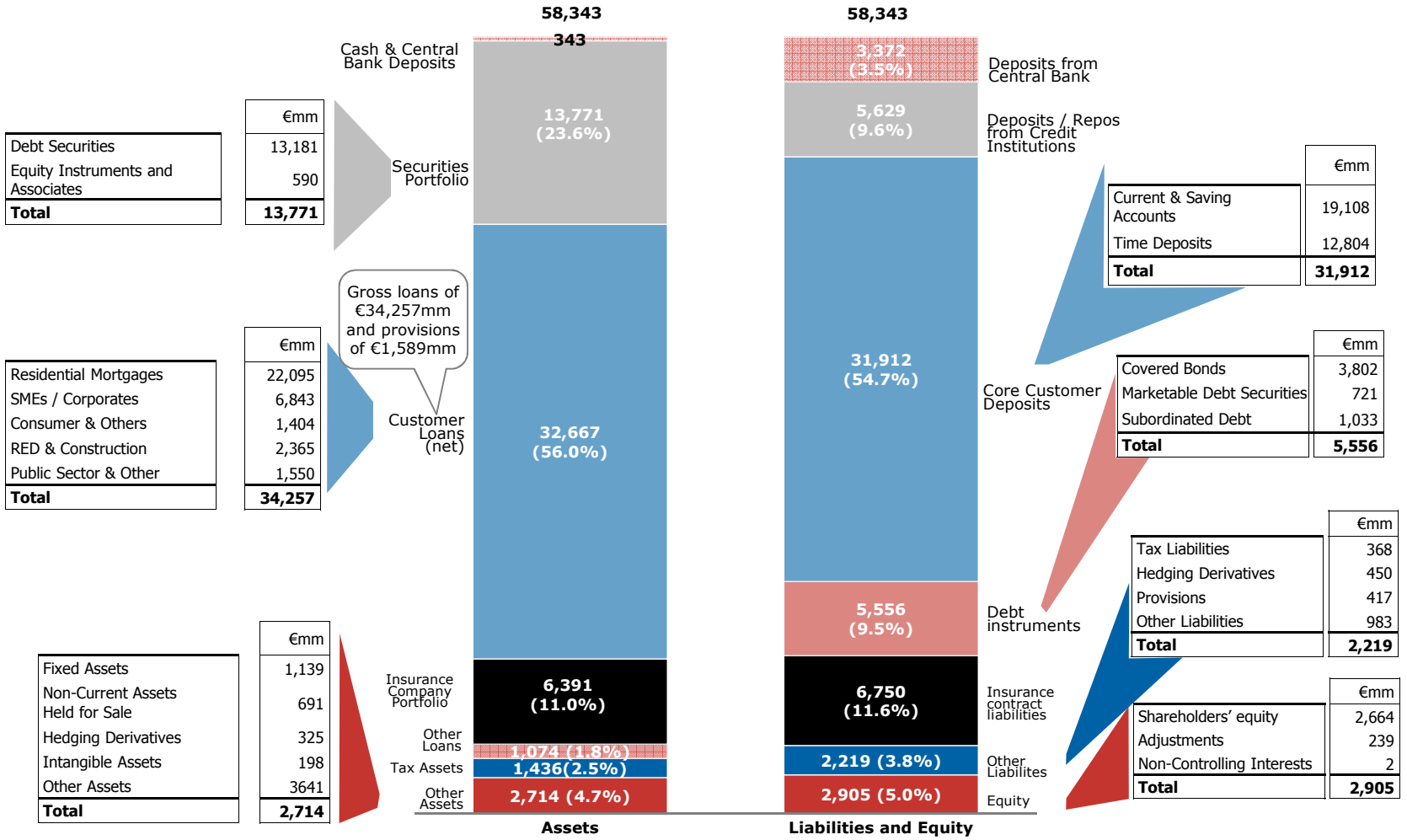



[1] Excluding capital gains from held-to-maturity portfolio



iberCaja

# Consolidated Balance Sheet (1H2016)




| | €mm |
|---|---|
| Debt Securities | 13,181 |
| Equity Instruments and Associates | 590 |
| **Total** | **13,771** |

| | €mm |
|---|---|
| Residential Mortgages | 22,095 |
| SMEs / Corporates | 6,843 |
| Consumer & Others | 1,404 |
| RED & Construction | 2,365 |
| Public Sector & Other | 1,550 |
| **Total** | **34,257** |

| | €mm |
|---|---|
| Fixed Assets | 1,139 |
| Non-Current Assets Held for Sale | 691 |
| Hedging Derivatives | 325 |
| Intangible Assets | 198 |
| Other Assets | 3641 |
| **Total** | **2,714** |

| | €mm |
|---|---|
| Current & Saving Accounts | 19,108 |
| Time Deposits | 12,804 |
| **Total** | **31,912** |

| | €mm |
|---|---|
| Covered Bonds | 3,802 |
| Marketable Debt Securities | 721 |
| Subordinated Debt | 1,033 |
| **Total** | **5,556** |

| | €mm |
|---|---|
| Tax Liabilities | 368 |
| Hedging Derivatives | 450 |
| Provisions | 417 |
| Other Liabilities | 983 |
| **Total** | **2,219** |

| | €mm |
|---|---|
| Shareholders' equity | 2,664 |
| Adjustments | 239 |
| Non-Controlling Interests | 2 |
| **Total** | **2,905** |

# P&L Account

| Mm€ | 1H2015 | 1H2016 | YoY |
|---|---|---|---|
| **Net Interest Income** | **334.8** | **277.7** | **-17.1%** |
| Net Fee Income | 163.9 | 165.4 | 0.9% |
| Trading Income | 94.1 | 135.1 | 43.5% |
| Other Operating Inc. / Exp. (Net) | 20.6 | 65.7 | 218.9% |
| **Gross Operating Income** | **613.4** | **643.9** | **5.0%** |
| Operating Costs | -310.9 | -312.9 | 0.6% |
| **Pre-Provision Profit** | **302.5** | **331.0** | **9.4%** |
| Total Provisions | -208.6 | -230.4 | 10.5% |
| Other Gains and Losses | 4.7 | 2.2 | -53.5% |
| **Profit Before Taxes** | **98.6** | **102.8** | **4.2%** |
| Taxes & Minorities | -28.9 | -30.5 | 5.4% |
| **Net Profit Attributable to Shareholders** | **69.7** | **72.3** | **3.7%** |

Note: Other operating results include a net gain of €69.3mm related to the Aktua agreement



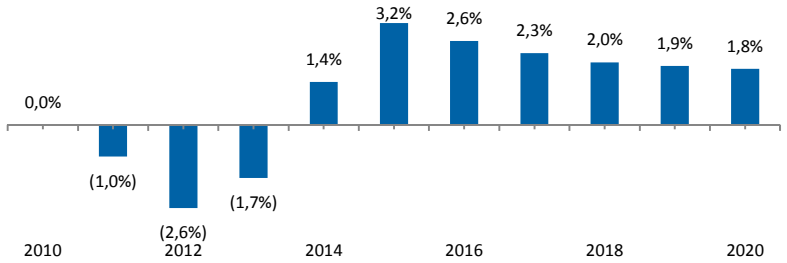
iberCaja

# Annex 3: Macroeconomic Trends

# The Spanish Economy Presents an Attractive Potential

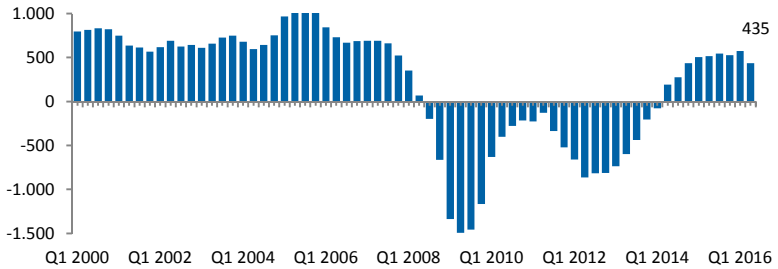
**1** The Spanish economy is expected to grow at around 2% over the next 5 years…

**GDP forecasts (IMF)**



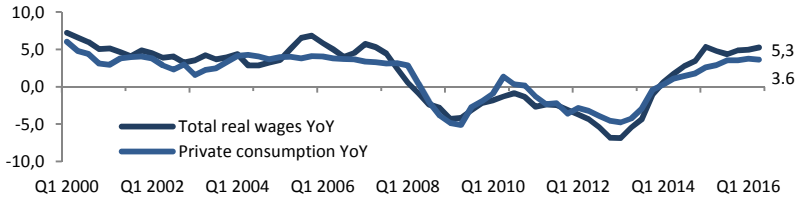

**2** …along with a strong improvement in employment creation…

**Employment Creation (thousands, YoY.)**



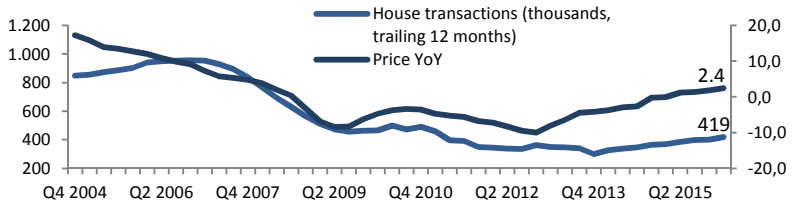

**3** …which has lead to increase in real wages and private consumption…

**Real Wages & Private Consumption**



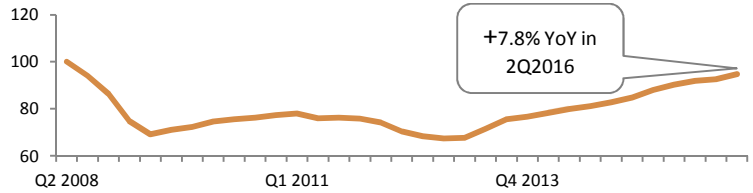

**4** …while the housing market has started to recover again…

**Housing market evolution**



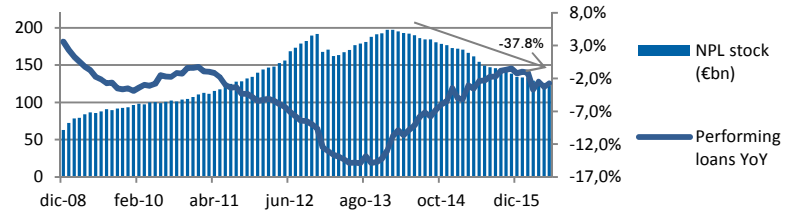

**5** … and more investment..

**Machinery and equipment investment (index base 100)**




**6** …along with an improvement in asset quality and the stabilization in the lending stock

**Lending**




Source: IMF, Bank of Spain, Datastream

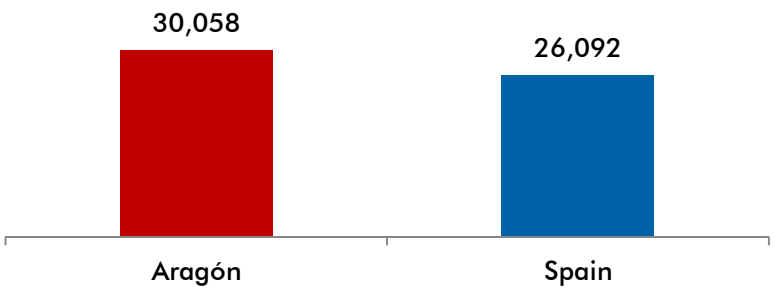


iberCaja

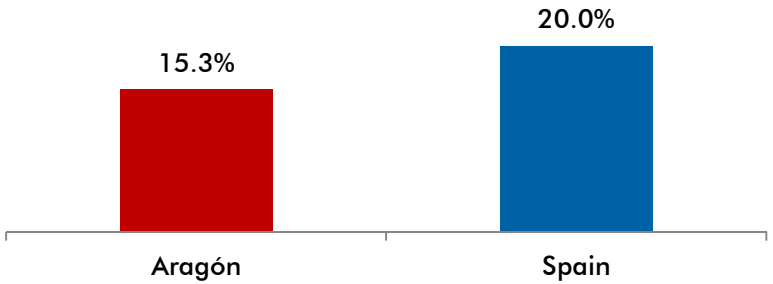
# Aragón: Ibercaja's Main Market

- **Aragón stands out in the Spanish economy: wealthier, with more international exposure and with less imbalances.**
  - Aragón exposure to external sector is specially relevant thanks to Zaragoza's strategic location, central to Southwestern Europe's most prosperous cities. This was a decisive factor for companies such as General Motors or Inditex to establish in the region.

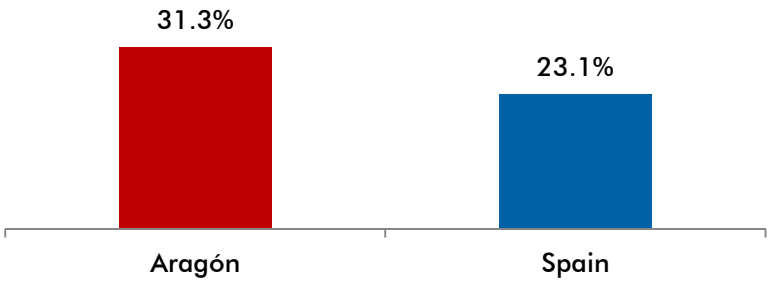
**Household Income** – 2015 €



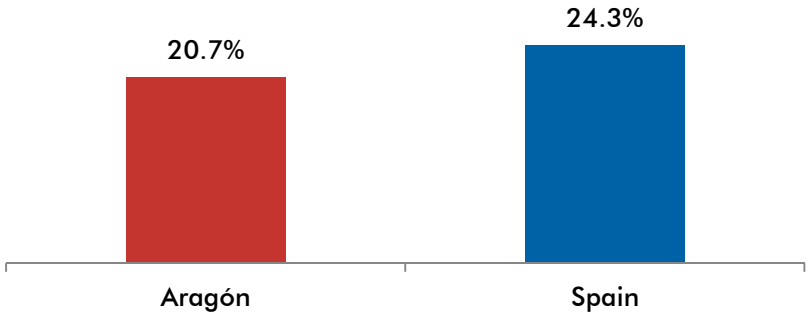

**Unemployment Rate** – 2Q2016




**Exports % GDP** - 2015




**Regional Debt / GDP** - 1Q2016






**For more information, please visit our Corporate Website:**
**http://www.ibercaja.com/en/**

**Contact us:**
**investors@ibercaja.es**

iberCaja