



CORPORATE PRESENTATION

19th March 2018

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OVERVIEW OF IBERCAJA BANCO

INTRODUCTION · SHAREHOLDER STRUCTURE · BANKING BUSINESS · REVENUE
DIVERSIFICATION · GEOGRAPHICAL POSITIONING · CUSTOMER SERVICE LEVELS

INTRODUCTION TO IBERCAJA BANCO

9th largest bank in Spain in terms of assets, with market share of 2.8%¹ in customer loans and 2.9%¹ in customer deposits as of Dec-2017.

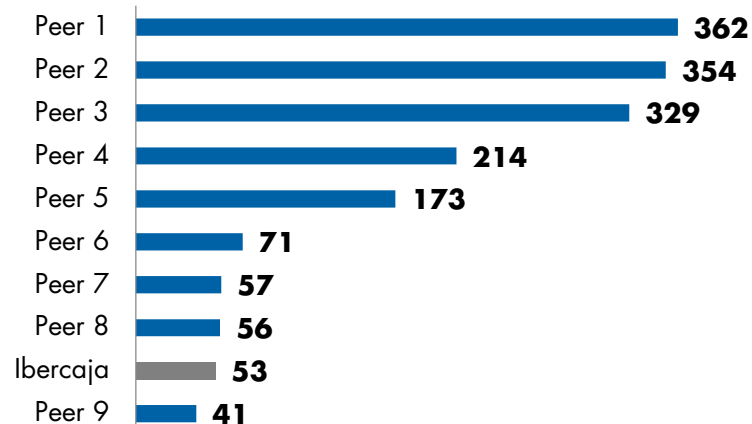
6th largest domestic financial entity in asset gathering with €26bn in assets under management¹ and a total market share of 4.6%² as of Dec-2017.

One of the four former savings banks (out of 45) that has not directly received any state aid.

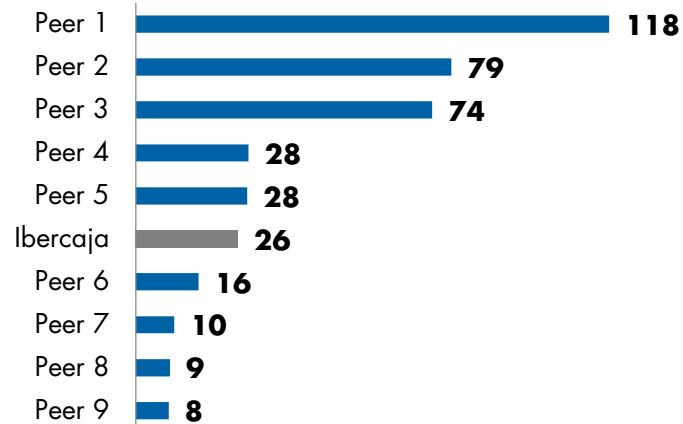
Ibercaja acquired Cajatres in July 2013. The bank has fully repaid €407mm of CoCos issued by Cajatres and subscribed by the Frob in March 2013, after Cajatres' restructuring plan was approved.

CET1 Phased-In of 11.7% (Dec-2017), vs. SREP decision of 8.125% which reflects Ibercaja's low risk profile.

Ranking by Assets – 2017 €bn



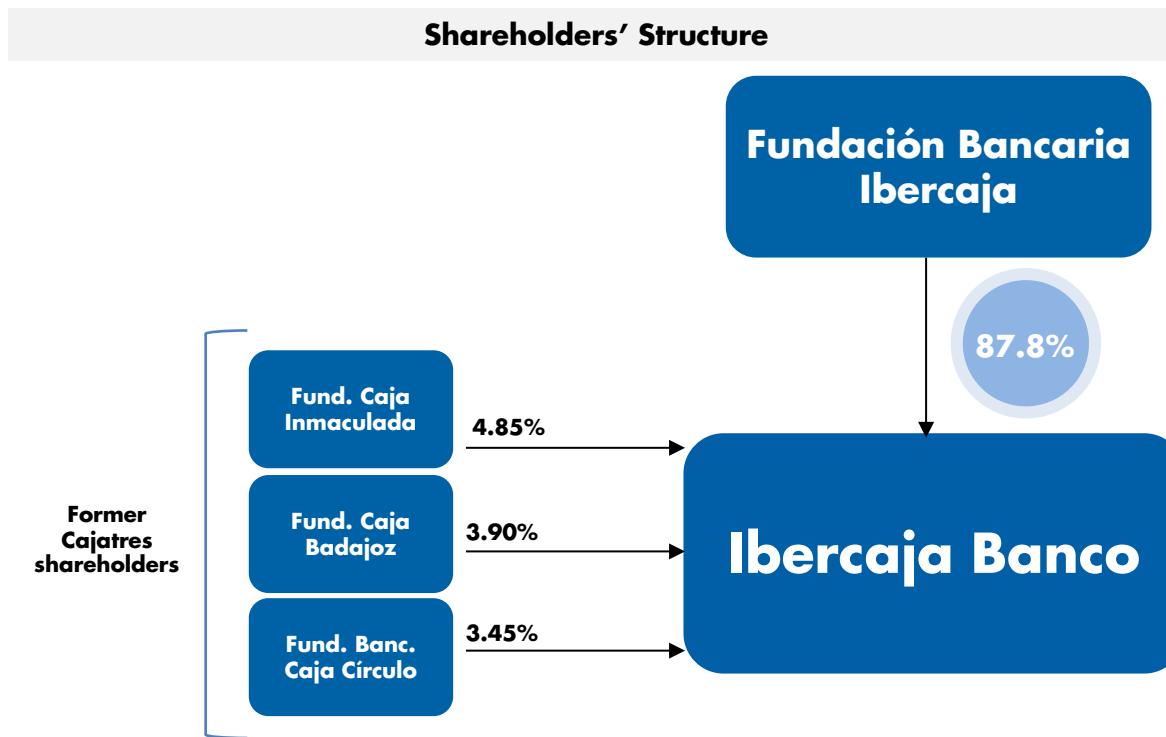
Ranking by AuM – 2017 €bn²



SHAREHOLDER STRUCTURE

The **main shareholder** of the bank, Ibercaja, became a **banking foundation** in June 2014: Fundación Bancaria Ibercaja.

By law, the Fundación Bancaria Ibercaja's stake in the bank will have to be at least below 50% by 2020YE. The Foundation has decided to IPO the bank to achieve this target.



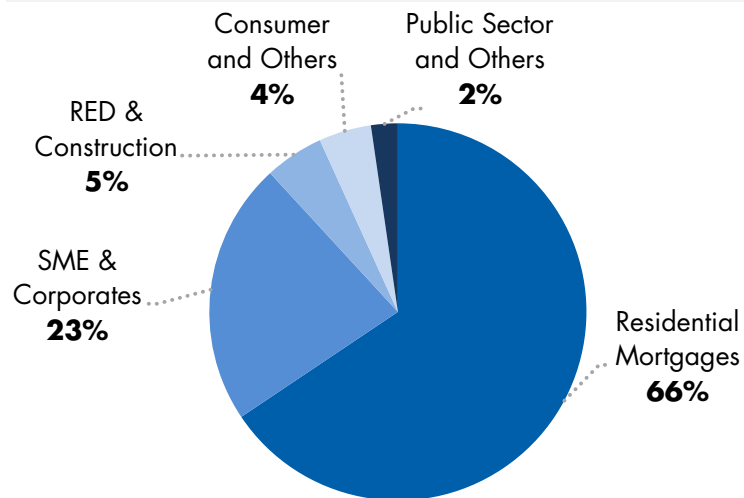
BANKING BUSINESS

Ibercaja is a 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:** 88% of customer funds are in current accounts and asset gathering products.

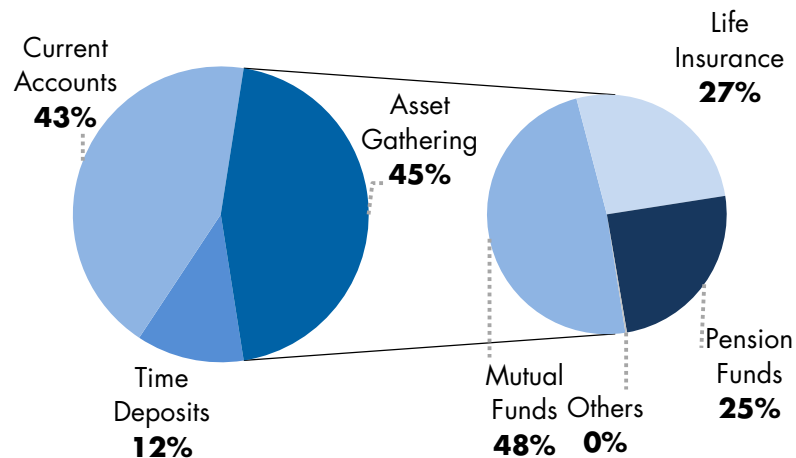
Growing focus in SME's, which already represent 23% of total lending.

Lending Split by Segment – 2017



Gross loans ex Repo:
€32.4bn

Retail Customer Funds – 2017



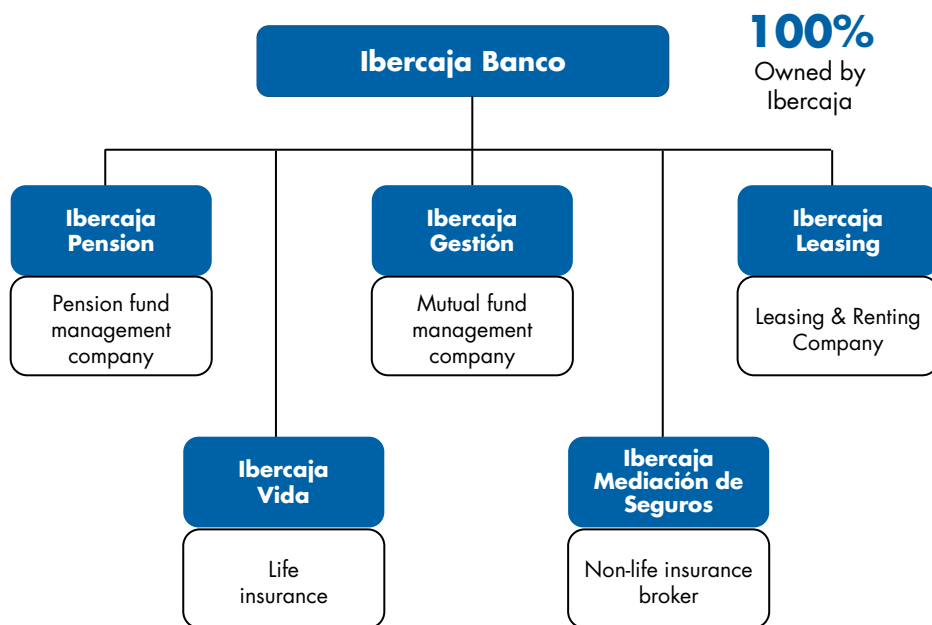
Retail Customer Funds:
€57.0bn

REVENUE DIVERSIFICATION

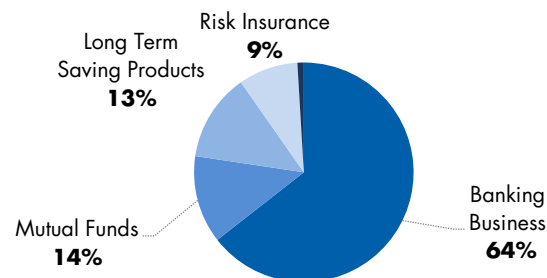
Ibercaja has a diversified revenue base with more than 36% of total revenues coming from activities other than banking business.

- **Ibercaja Financial Group** was established in **1988** and consists of a group of companies specialized in asset gathering, bancassurance, renting and leasing, **100% owned** by Ibercaja Banco. It manages **€26bn** in assets and it is **highly valuable** in current environment of low interest rates. Its **CAGR** over the last 15 years has been **11%**.

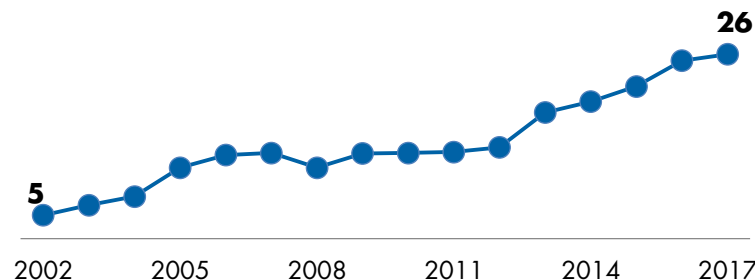
Ibercaja Financial Group



Recurring Revenues Contribution¹ - 2017



Ibercaja Financial Group AuM - €bn



GEOGRAPHICAL POSITIONING

Home Markets

Clear leadership in **Aragón (c. 40%¹ market share)**, La Rioja, Guadalajara, Burgos and Badajoz (≈15%¹ market shares). These regions **represent 60% of Ibercaja's business volume**.

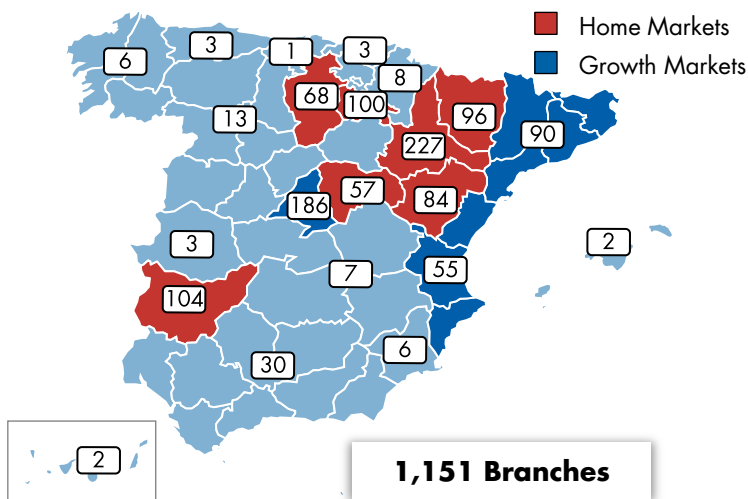
It is a source of stable funding: LTD of 61% with excess deposits of €8.2bn.

Growth Markets

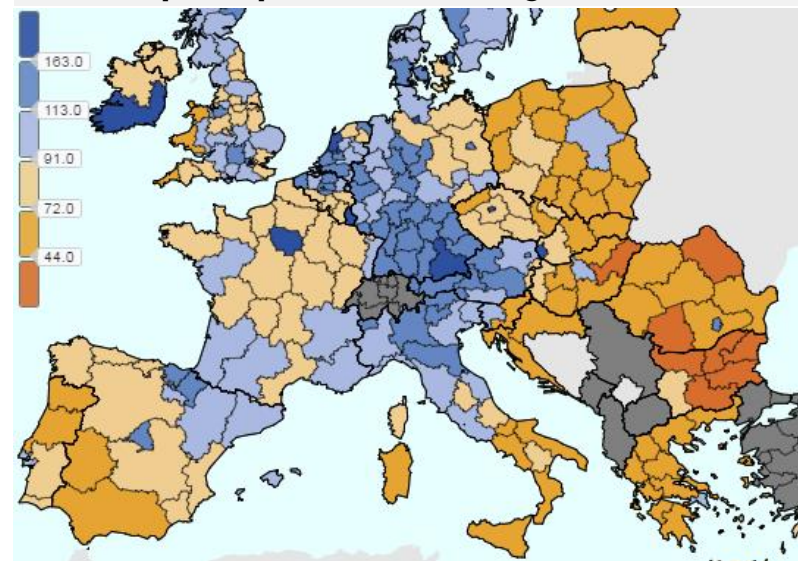
Throughout the 80's and 90's, the bank built a significant presence in **Madrid and the Mediterranean Basin**, key regions of the Spanish economy.

Well established footprint with 536,000 customers, €26.1bn of business volume² and 331 branches. These regions represent 31% of Ibercaja's business volume.

Branch Network – 2017



GDP per Capita – 2016 Average EU28=100³

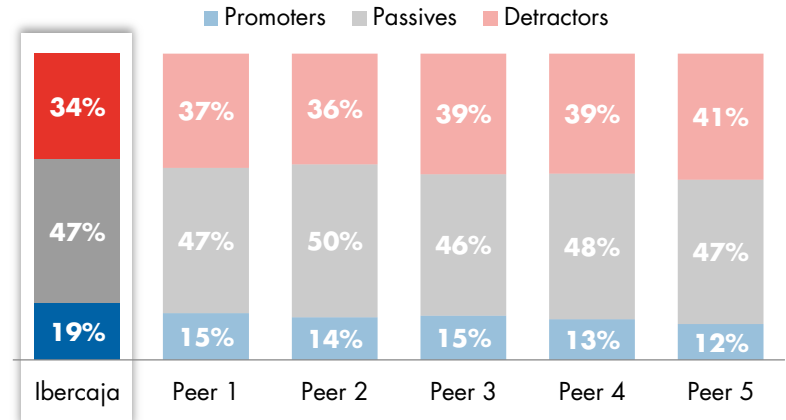


LEADERSHIP IN CUSTOMER SERVICE LEVELS

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.

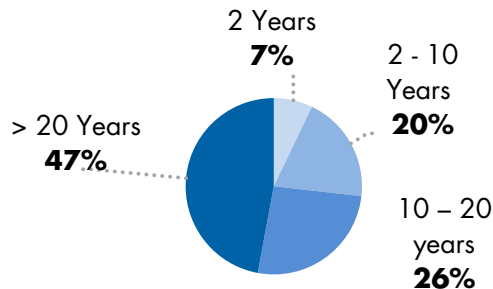


Net Promoter Score – 2017¹

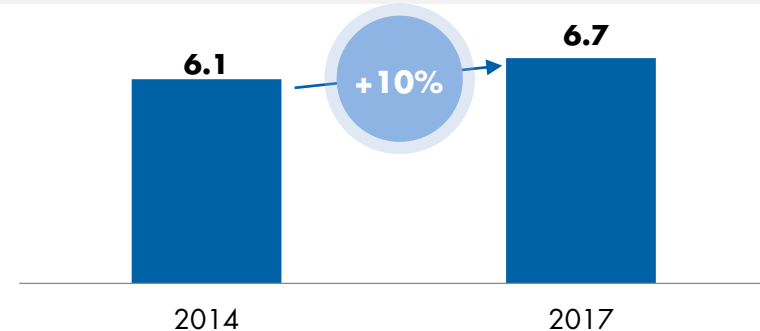


This customer-focused strategy has resulted in an **average customer relationship of 20 years**, and high cross selling levels with **Avg. No of products/services per customer** standing at **6.7**.

Average Relationship with Clients² - 2017



Avg. No of Products/Services per Customer²

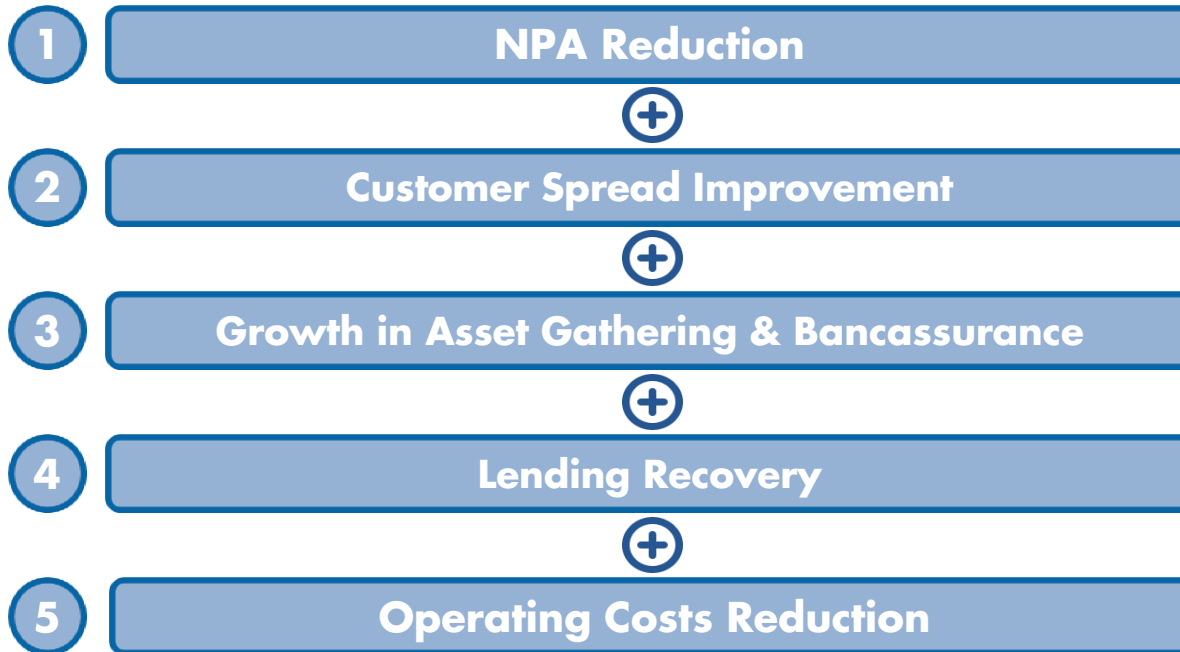


RECENT EVOLUTION: PLAN+ 2015-2017 RESULTS ANALYSIS

STRATEGIC LEVERS · FOUNDATIONS FOR 2018-2020

STRATEGIC LEVERS TO IMPROVE PROFITABILITY AND SOLVENCY

Over the last 3 years, Ibercaja Banco has been working on 5 strategic levers to improve its profitability and its solvency.



1

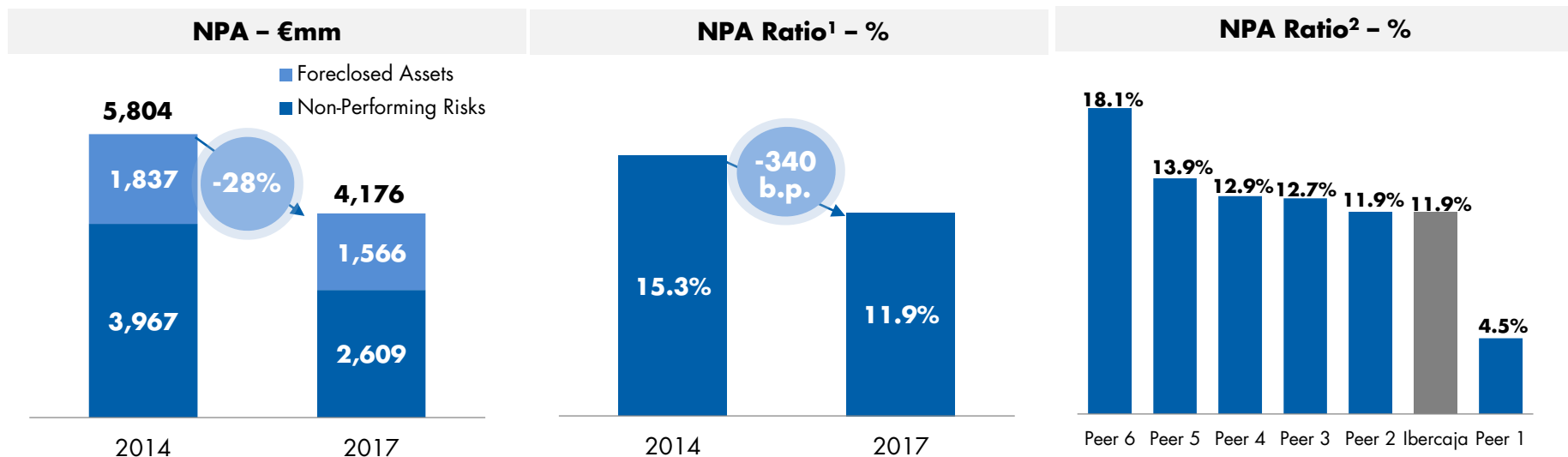
SIGNIFICANT ACCELERATION IN NPA REDUCTION

Since 2014 Ibercaja has reduced its non-performing assets by 28% or €1,629mm.

- **Non-performing risks** have fallen **34.2%** or €1,358mm. Stock of **foreclosed assets** has dropped **14.7%** or €271mm.
- **NPL ratio** has decreased **310 b.p.** to 7.7%. **NPA ratio¹** has improved **340 b.p.** since 2014.

Over this period the main focus has been to reduce the real estate exposure:

- Ibercaja has carried two wholesale transactions, **Fleta and Goya**, which have allowed for a €1,100mm reduction in the stock of doubtful real estate loans.
- **Foreclosed assets sales** have totalised **€859mm** over the 3 years. Ibercaja has released provisions for an amount close to €50mm. Accumulated land sales stand at €224mm.

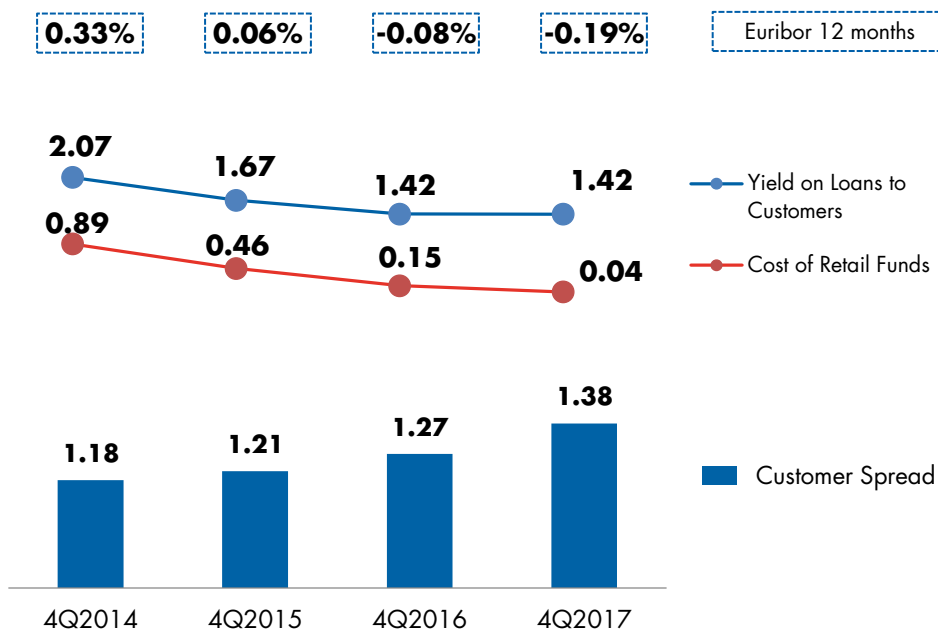


REDUCTION IN DEPOSITS COST DRIVES CUSTOMER SPREAD IMPROVEMENT

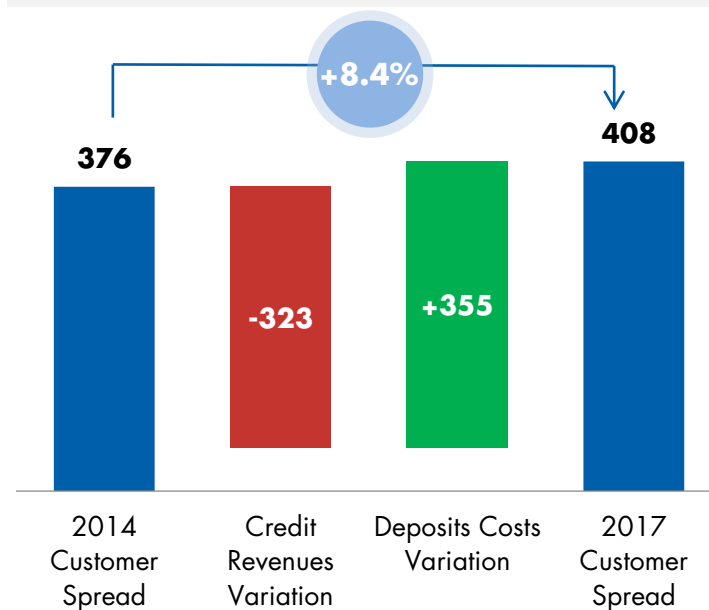
Despite current falling lending volumes and negative interest rates, Ibercaja's customer spread has grown since 2014 thanks to the reduction in the cost of retail deposits.

- Ibercaja's customer spread has grown **20 b.p.** since 2014 year end. This represents a **€32mm** improvement vs. 2014, an 8.4% growth.

Customer Spread - %



Customer Spread Evolution - €mm

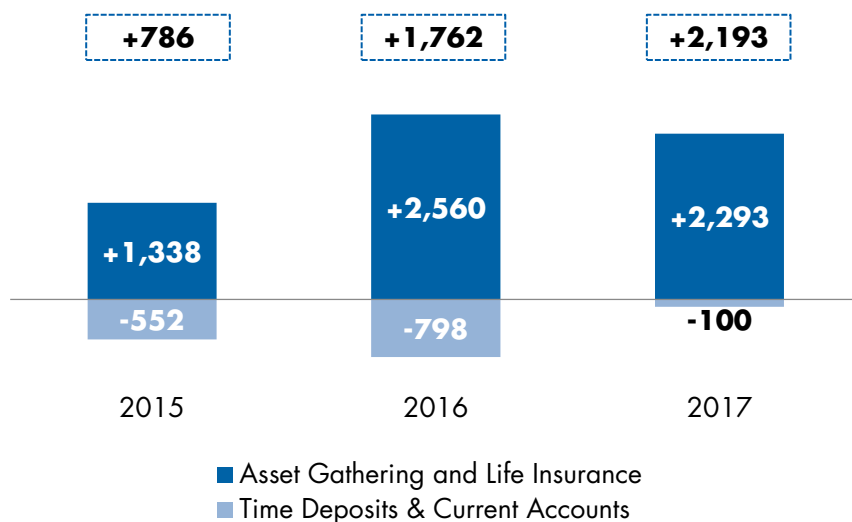


COMPETITIVE ADVANTAGE IN ASSET GATHERING

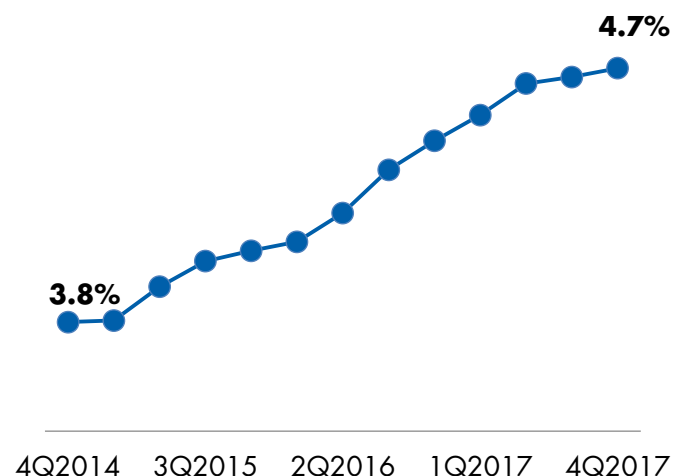
Total customers funds have grown 9% or c.€4,700mm since 2014.

- Ibercaja has further strengthened its historic positioning in **asset gathering and life insurance products**, which has grown **€6,191mm** (+30%) over the period. This business already represents 45% of total customers funds, the highest level among our domestic peers. **AuM and life insurance market share** stands at **4.6%¹**, +40 b.p. since 2014.
- Mutual funds** lead the growth in asset gathering business. Total AuM rise 68% vs. 2014 or **€5,023mm** and Ibercaja's market share improves 93 b.p.². Net new money totals **€4,750mm**. Ibercaja has achieved a **7.9%²** market share in net new money in Spain in the last 3 years.

Total Customers Funds Evolution – €mm



Mutual Funds Market Share - %²



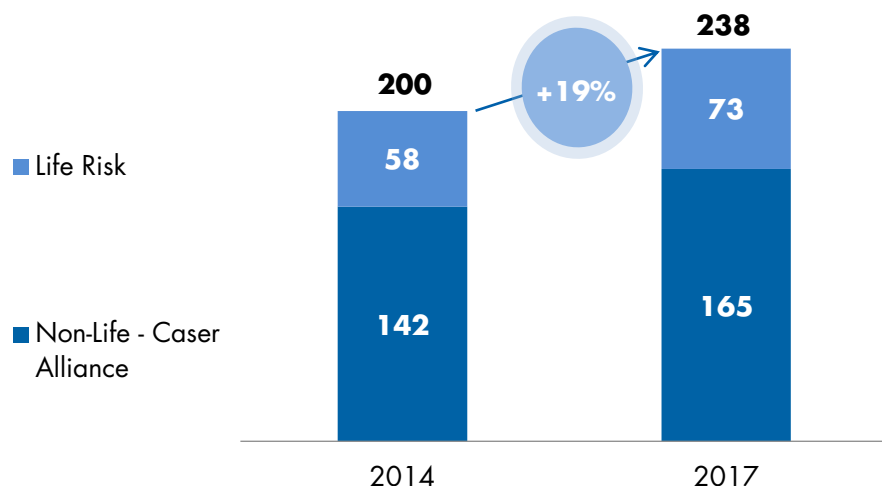
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STRONG COMMERCIAL MOMENTUM IN BANCASSURANCE

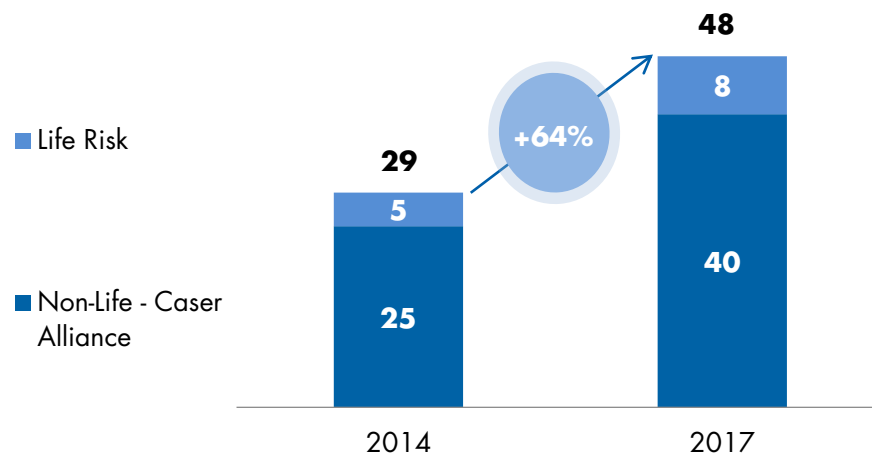
Strong momentum in life risk and non-life insurance products distribution which have reached record levels:

- Risk insurance premiums (life risk and non-life¹) have increased **18.9% since 2014** or €38mm.
- Premiums from new production have reached historic levels, with a **64% rise vs. 2014**.
- In 2017 Ibercaja has achieved an **€18.3mm earn-out from Caser** after reaching the targets set for the period 2013-2017.

Risk Insurance Premiums – €mm



Premiums from New Production – €mm



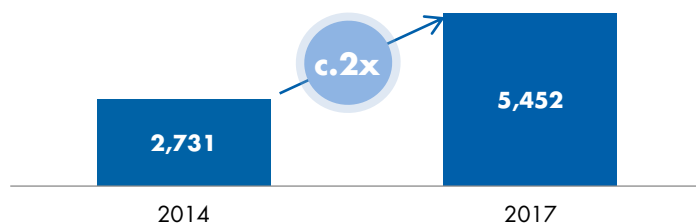
STABILISING VOLUME OF PERFORMING LOANS

Over the last three years, Ibercaja Banco has doubled the amount of loans granted as well as the working capital financed.

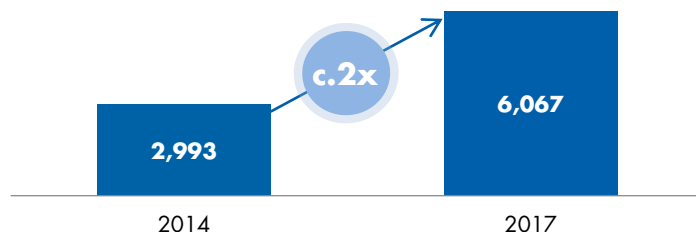
- Strong commercial focus in **SME lending** (55% of the new lending production) and in our **Growth Markets** (Madrid and Mediterranean basin account for 50% of the new lending production since 2014).

The deleveraging process in the stock of performing loans has markedly improved since 2014 from -6% to -1%. Ibercaja targets to reach a turning point in 2018.

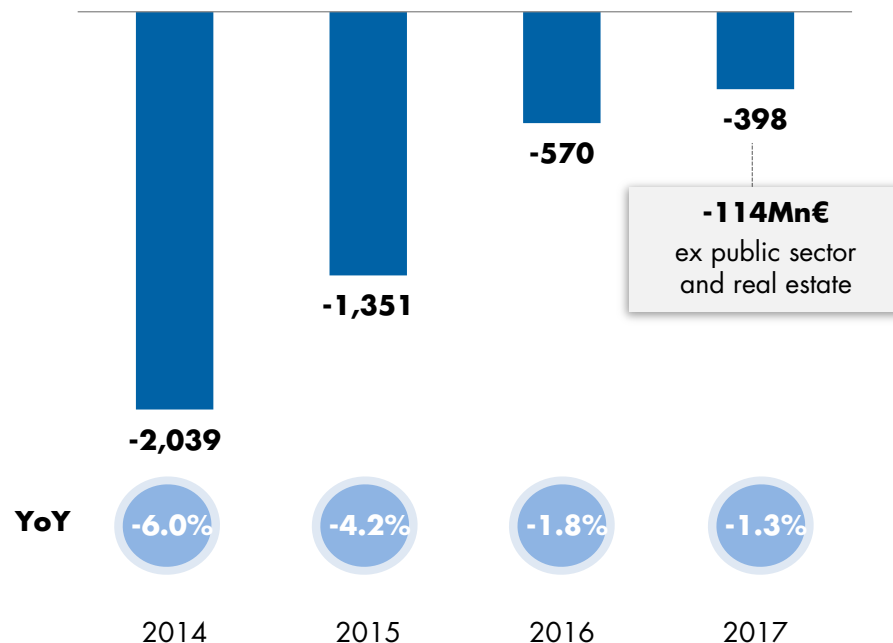
New Lending Production – €mm



Accumulated Working Capital Financing – €mm



Stock of Performing Loans Evolution – €mm



OUTSTANDING INCREASE IN SME LENDING

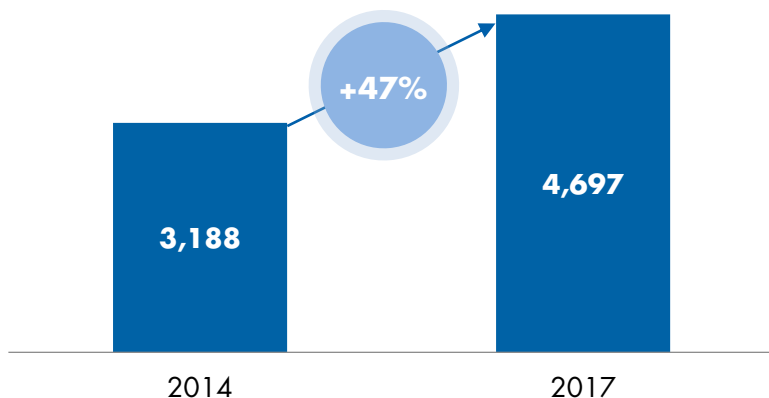
Ibercaja's SME Project, which is run by 506 full time specialised employees, represents more than 80% of the growth in loans to non-real estate companies.

This project has achieved a 47% growth in the stock of performing loans (€1,500mm).

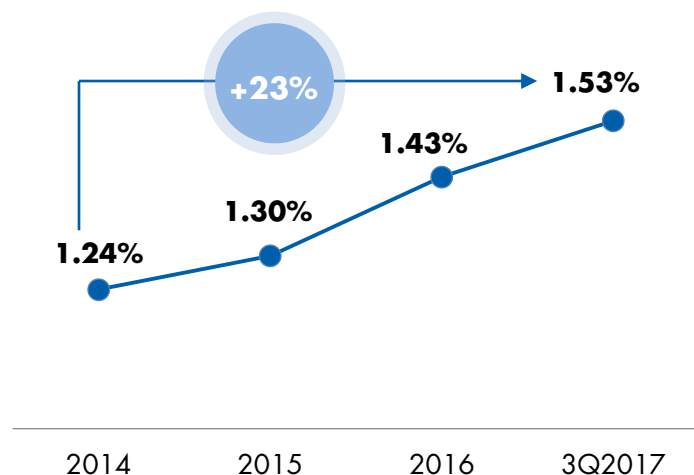
- Lending in **Madrid and Mediterranean Basin** has risen **93%** since 2014 or €1,000mm.
- Ibercaja Banco accomplishes a **29 b.p.¹ market share gain** in performing lending to non real estate companies (Dec-14 vs. Sept-17).

The weight of lending to non-real estate companies over total loans has increased from 19% in 2014 to 23% as of 2017.

SME Project Performing Loans – €mm



Non Real Estate Companies Lending Market Share¹



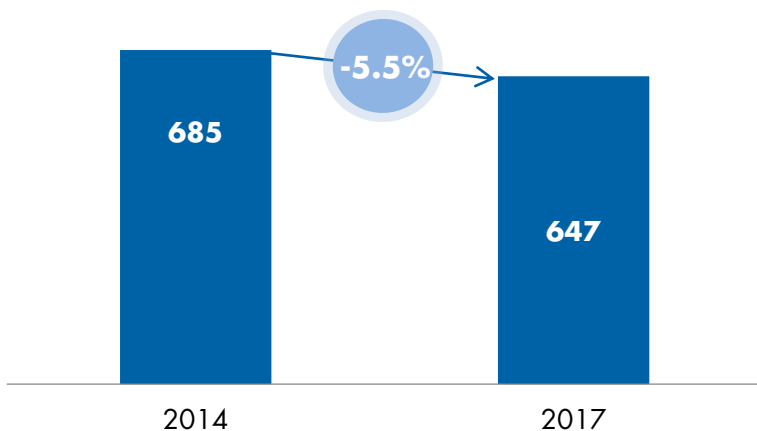
ROBUST ADJUSTMENT IN THE COST BASE

Recurring cost base has fallen 5.5% since 2014.

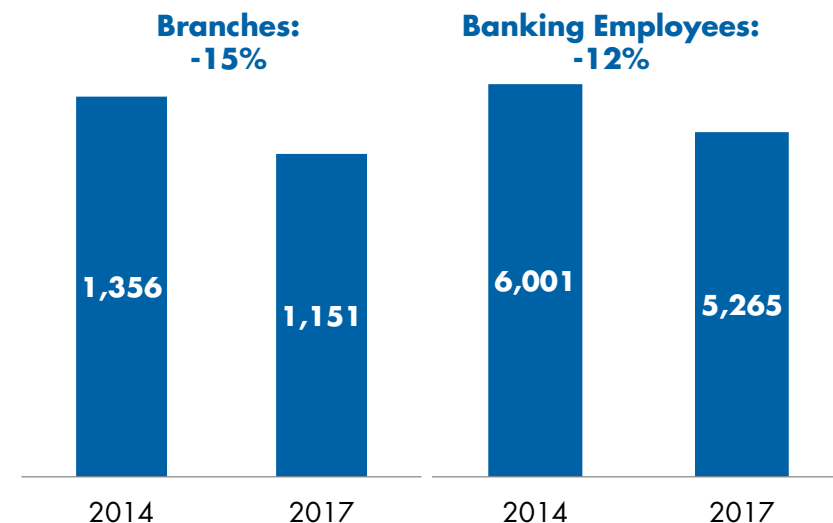
- Since 2014, the number of **branches** has been reduced by **15%** (-205) and the **workforce** by **12%** (-736 employees). 80% of the adjustment has taken place in our home markets.

The implementation of already announced adjustment measures will allow for further cost reduction in coming quarters.

Recurring Costs – €mm



Structure



IBERCAJA HAS BUILT THE FOUNDATIONS FOR IMPROVING ITS RECURRING PROFITABILITY

A

**Stabilisation and
better quality of
recurring revenues**

B

**Increase in
operating leverage**

C

**Provisioning effort
and NPA Reduction**

D

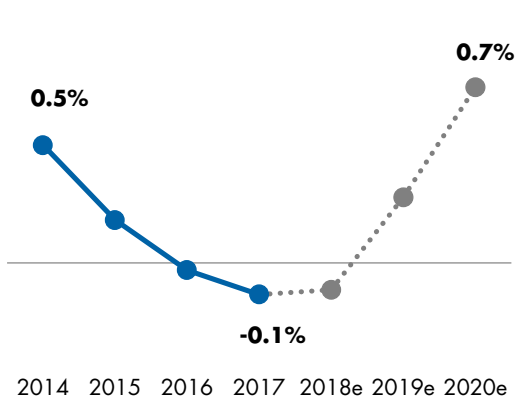
**Continuous
improvement in
solvency and high
RWA density**

MAIN NEGATIVE IMPACTS IN NET INTEREST INCOME IN THE LAST 3 YEARS ARE COMING TO AN END IN 2018

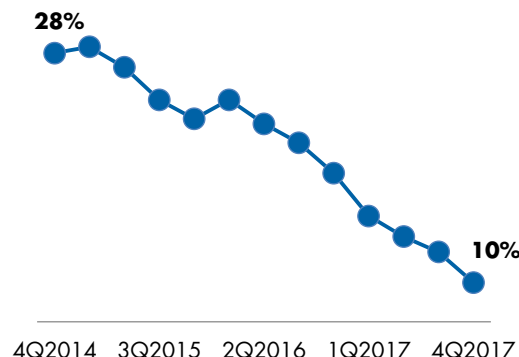
The fall in Ibercaja's net interest income over the last 3 years is explained by factors that are coming to an end in 2018:

- Average **Euribor 12 months** has fallen 60 b.p.¹ since 2014. Current forward curve shows an improvement, especially after 2019.
- **Fixed income portfolio contribution has been normalised:** The portfolio has been reduced by more than 60% or c.€9,600mm since 2014. Ibercaja's reliance on the fixed income portfolio revenues is one of the lowest of the sector.
- **Deleveraging process in the stock of preforming loans** has markedly improved from -6% in 2014 to -1% in 2017.

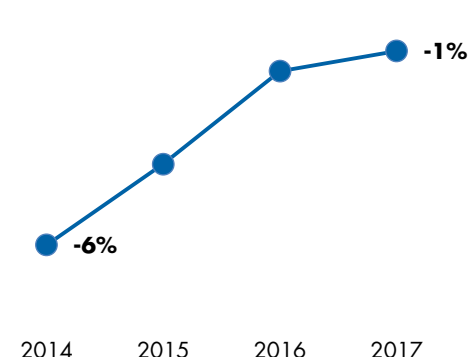
Average Euribor 12 months¹



Fixed income portfolio % Financial Income



Stock of Performing Loans Evolution

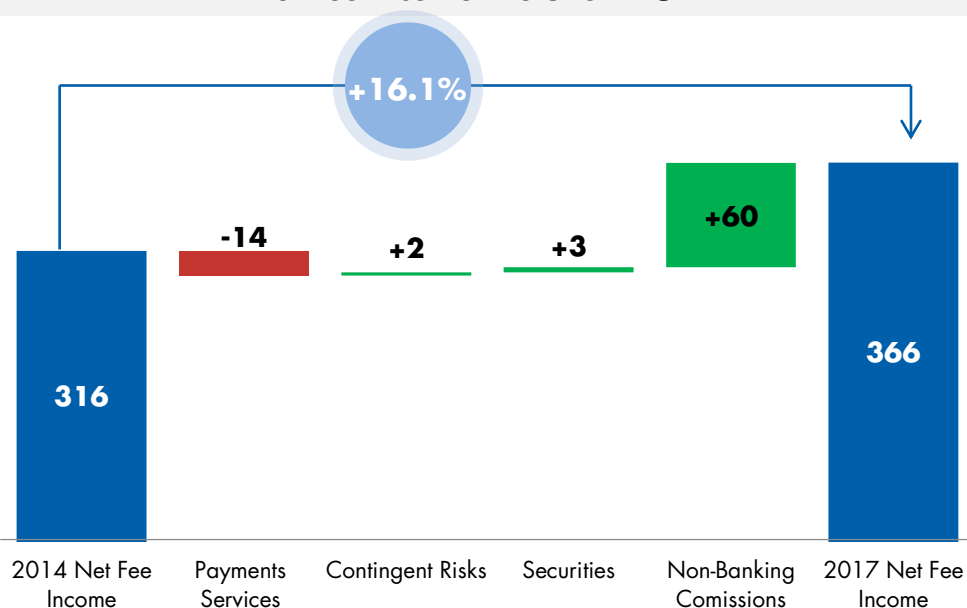


REMARKABLE INCREASE IN NET FEE INCOME

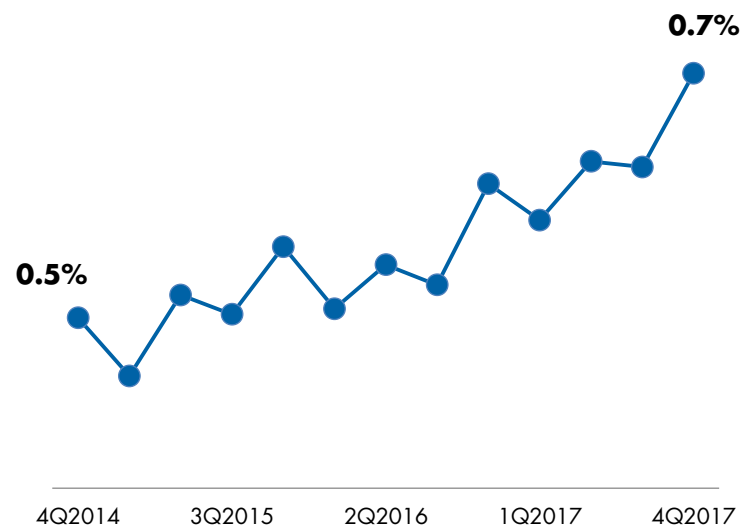
The sound evolution of non-banking commissions (mutual funds, pension funds & risk insurance) drives Ibercaja's net fee income growth, which has risen 16% since 2014 or €51mm.

- **Non-banking commissions** have risen **40%** over the period and account for 57% of total commissions.
- **Net fee income as % of average total assets (ATA)** has risen **20 b.p.** since 2014.

Net Fee Income Evolution – €mm



Net Fee Income % Average Total Assets



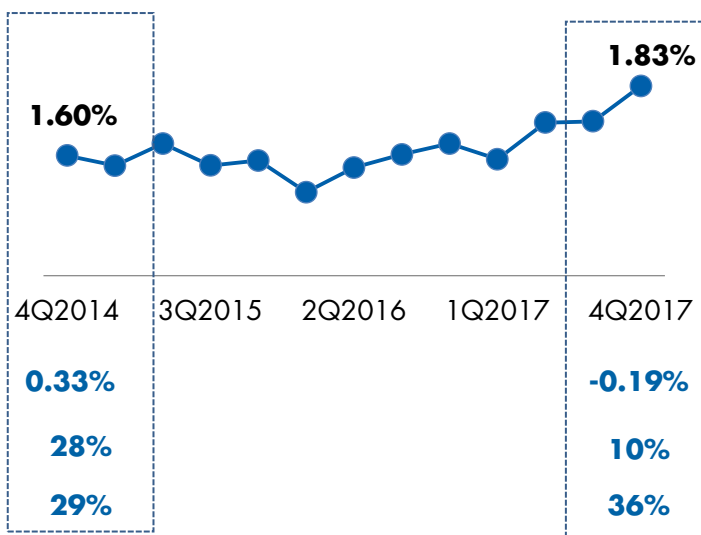
IBERCAJA HAS STABILISED AND SIGNIFICANTLY IMPROVED THE QUALITY OF ITS REVENUES

In 2017, Ibercaja has increased its recurring revenues (net interest income + net fee income) by 2% or €20mm:

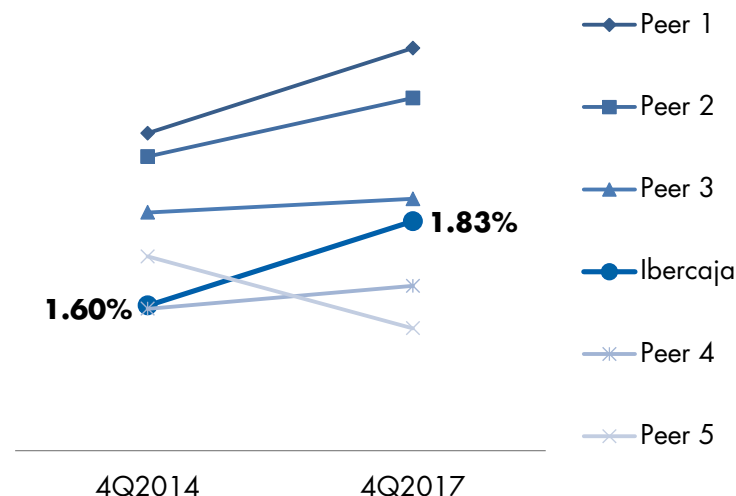
- **Recurring revenues as % of ATA** have improved **23 b.p.** and reach **1.83%** as of 4Q2017 despite falling Euribor levels and the reduction in Ibercaja's reliance on the **fixed income portfolio revenues** which today stand as one of the lowest of the sector.
- **Ibercaja Financial Group's** contribution to recurring revenues stands at **36%** vs. 29% in 2014.

In 2018 Ibercaja targets a moderate increase in its recurring revenues.

Recurring Revenues – % ATA



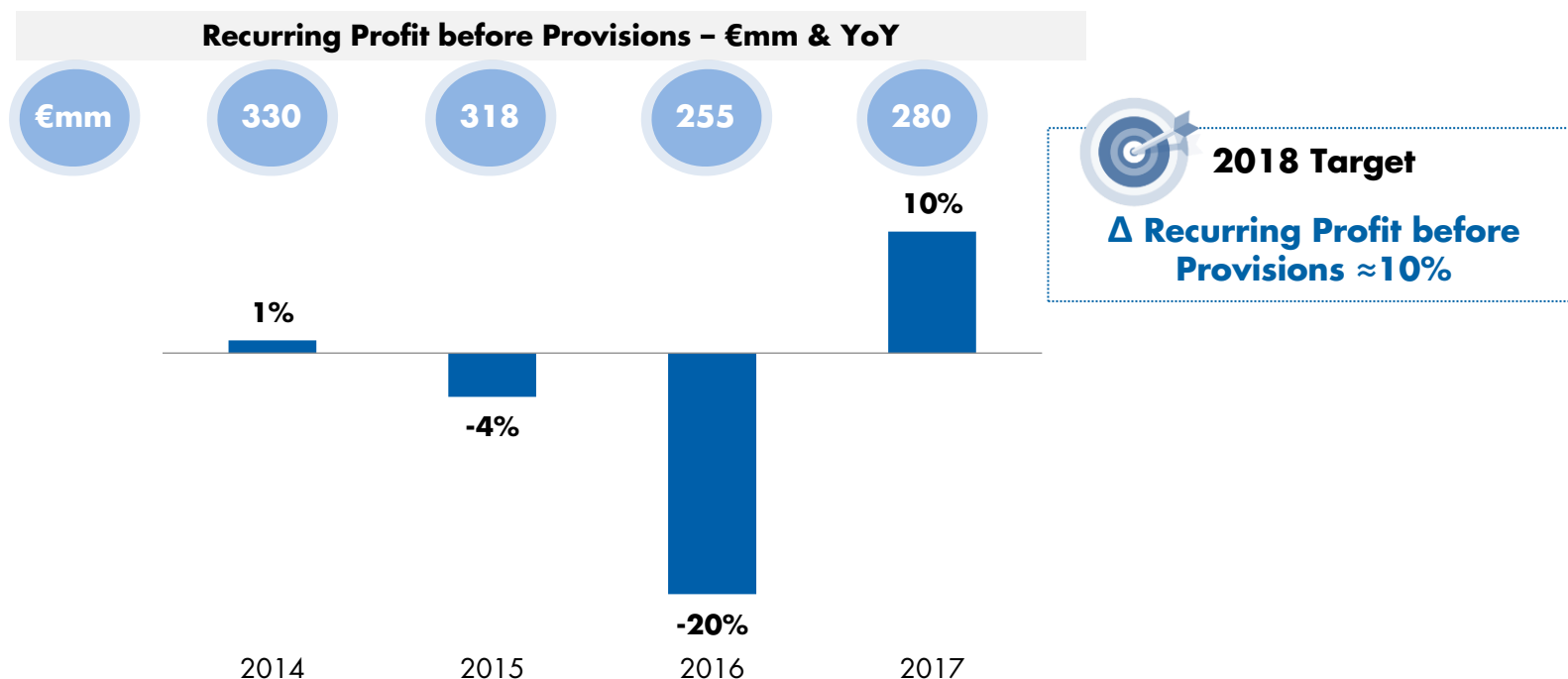
Recurring Revenues – % Average Total Assets



B OPERATING LEVERAGE HAS INCREASED

The diversification of revenues provided by Ibercaja Financial Group, together with cost reduction measures, have allowed Ibercaja to rise its recurring profit before provisions¹ by 10% in 2017.

These positive trends will continue in 2018 and will allow Ibercaja to further increase its operating leverage.



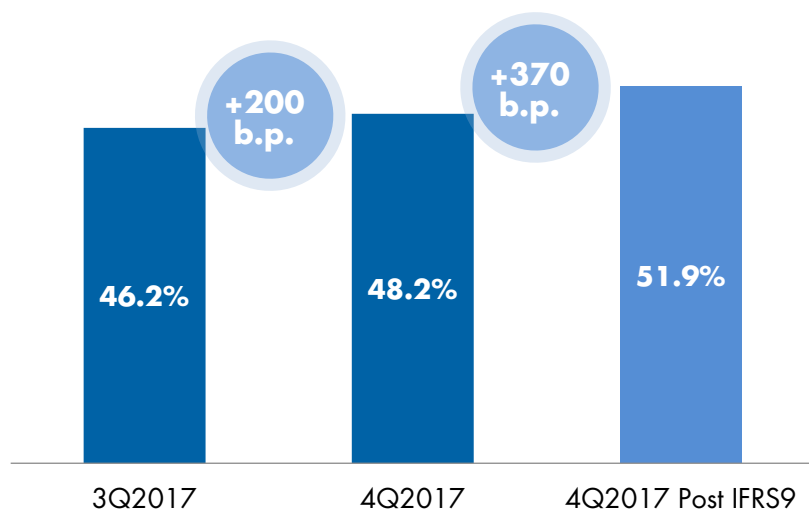
C PROVISIONING EFFORT AND NPA REDUCTION

After the strong provisioning effort over the last 3 years, together with the coverage ratios reached in 4Q2017, Ibercaja targets a cost of risk of 50 b.p. in 2018.

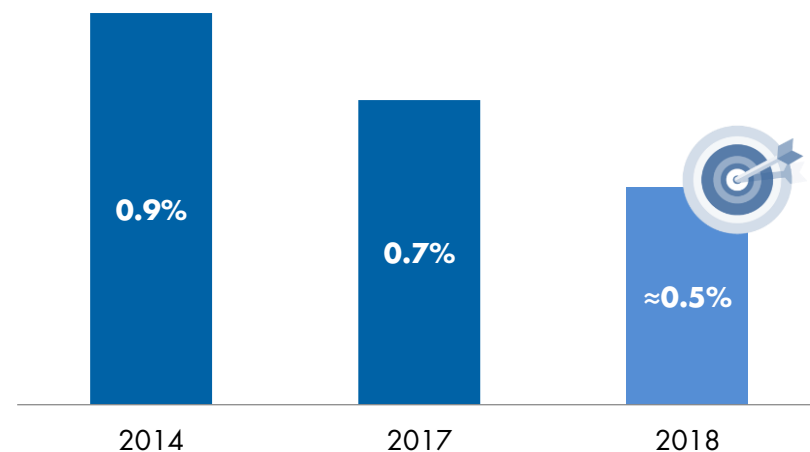
Post IFRS9 implementation (€153mm of new provisions), NPA coverage ratio stands at 52%.

- Doubtful exposure coverage ratio stands at **49% post IFRS9**. Residential mortgage doubtful loans account for **34%** of NPL vs. 24%¹ of the sector.
- **Foreclosed assets** coverage ratio is **57%**. **Foreclosed land coverage ratio** stands at **65%**.

NPA Coverage Ratio - %



Cost of Risk - %



CONTINUOUS IMPROVEMENT IN SOLVENCY AND HIGH RWA DENSITY

CET1 Fully Loaded ratio has increased 142 b.p. since 2014 reaching 11% thanks to profit generation (€365mm) and RWA reduction (-10%).

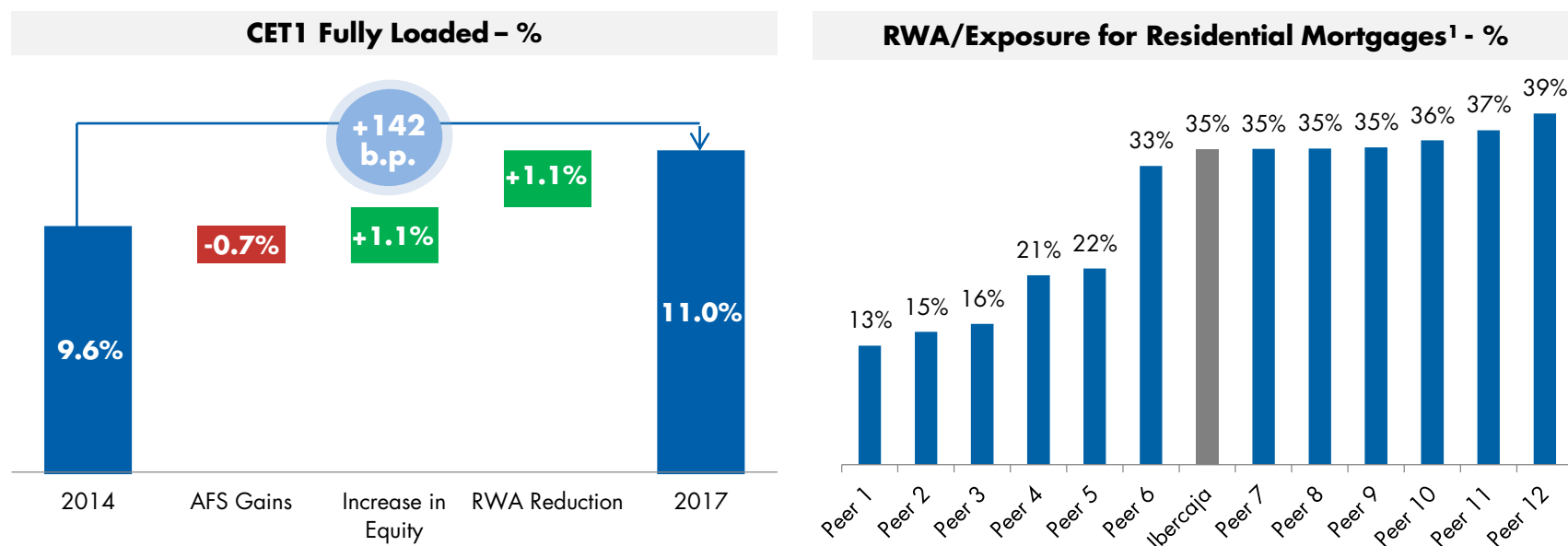
- **IFRS9** implementation will mean an impact of **-53 b.p.** on a fully loaded basis.

Total Capital Phased In reaches 13.9%, a 216 b.p. improvement vs. 2014.

- Ibercaja has redeemed €407mm of CoCos and has issued €500mm of Tier II debt.

RWA/TA ratio stands at 41.9% using standard methodology calculation for every portfolio.

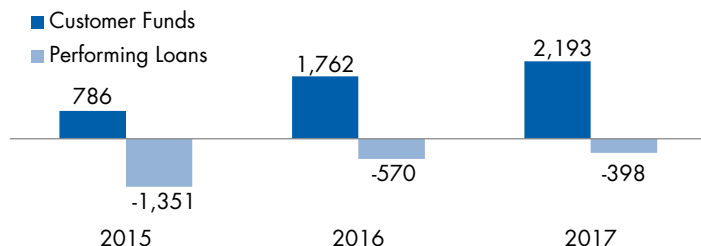
- High RWA density, considering Ibercaja business model and asset quality levels.



CONCLUSION: IBERCAJA IS TODAY A MORE SOLID BANK THAN IN 2014

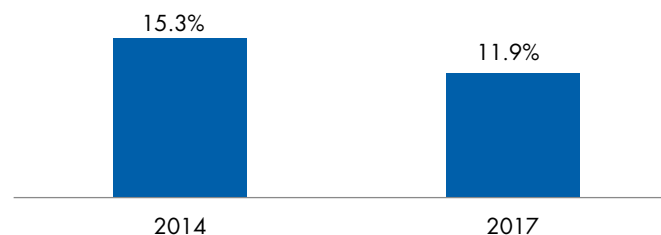
Commercial Activity: Ibercaja has reached historic levels of activity in asset gathering and bancassurance business. The stock of performing loans is about to stabilise thanks to the strong growth in SME lending.

Business Volume Evolution – €mm



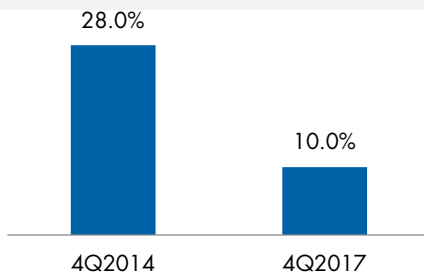
Asset Quality: The stock of NPA has decreased significantly (-28%) with a strong reduction in the real estate exposure.

NPA Ratio - %

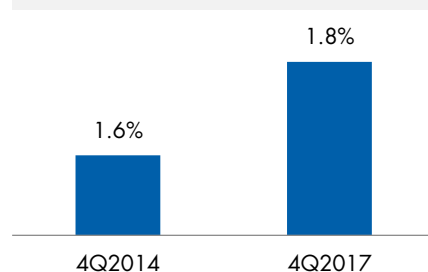


Profitability: The weight of the fixed income portfolio in revenues has been normalised. The diversification of revenues is allowing Ibercaja to improve its profitability.

Fixed Income % Interest Income

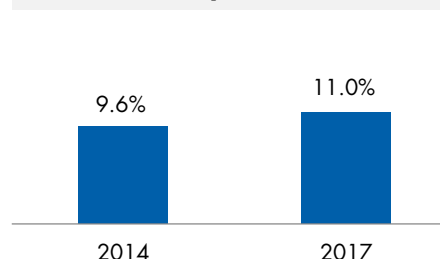


Net Interest Income + Net Fee Income % ATA

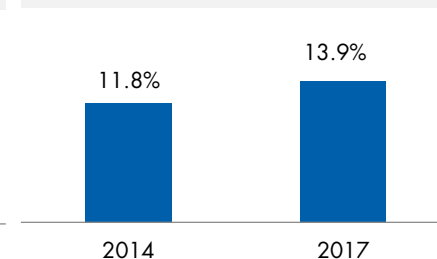


Solvency: CET1 Fully Loaded ratio has improved more than 140 b.p. Ibercaja has redeemed Cajatres Cocos and has issued €500mm of Tier II Debt.

CET1 Fully Loaded - %



Total Capital Phased In - %



2020 FINANCIAL TARGETS

3 MAIN STRATEGIC PROGRAMS TO TRANSFORM IBERCAJA

Ibercaja's ambition is to be the bank leader in customer satisfaction levels and commercial effectiveness.

To achieve its ambition, Ibercaja has launched 3 main strategic programs:



**Customer
Centric**

- Definition of a new commercial approach
- Reduction of unproductive times
- Customer knowledge and digital relationship
- Evolution of the branch model



**Value
Management**

- Pricing & capital Allocation
- IRB models
- NPA management & recovery



**Internal
Capabilities**

- Digital transformation
- Talent & leadership

MAIN 2020 FINANCIAL TARGETS



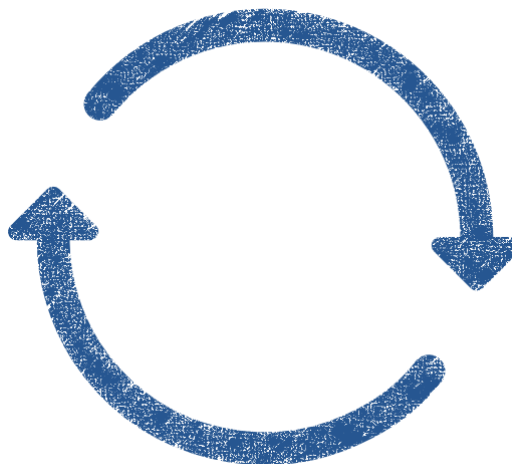
Profitability

ROTE
>9%



Solvency

CET1 Fully Loaded
>11.5%
Capital total
>15%



Organic Capital Generation

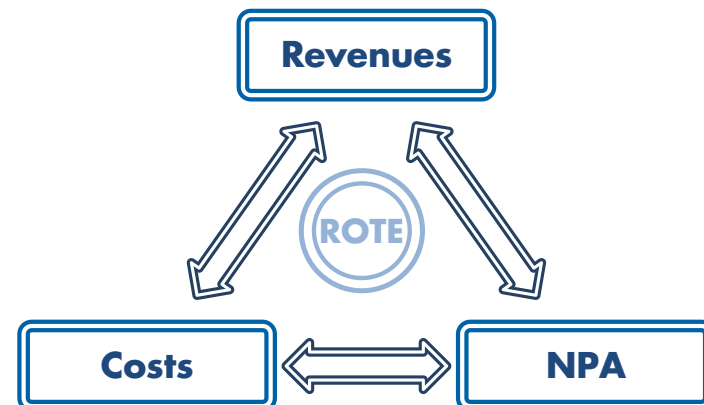
RORWA \approx 1.2%
(0.6% 2017)

2x Net Income

Increase in RWA's <5%

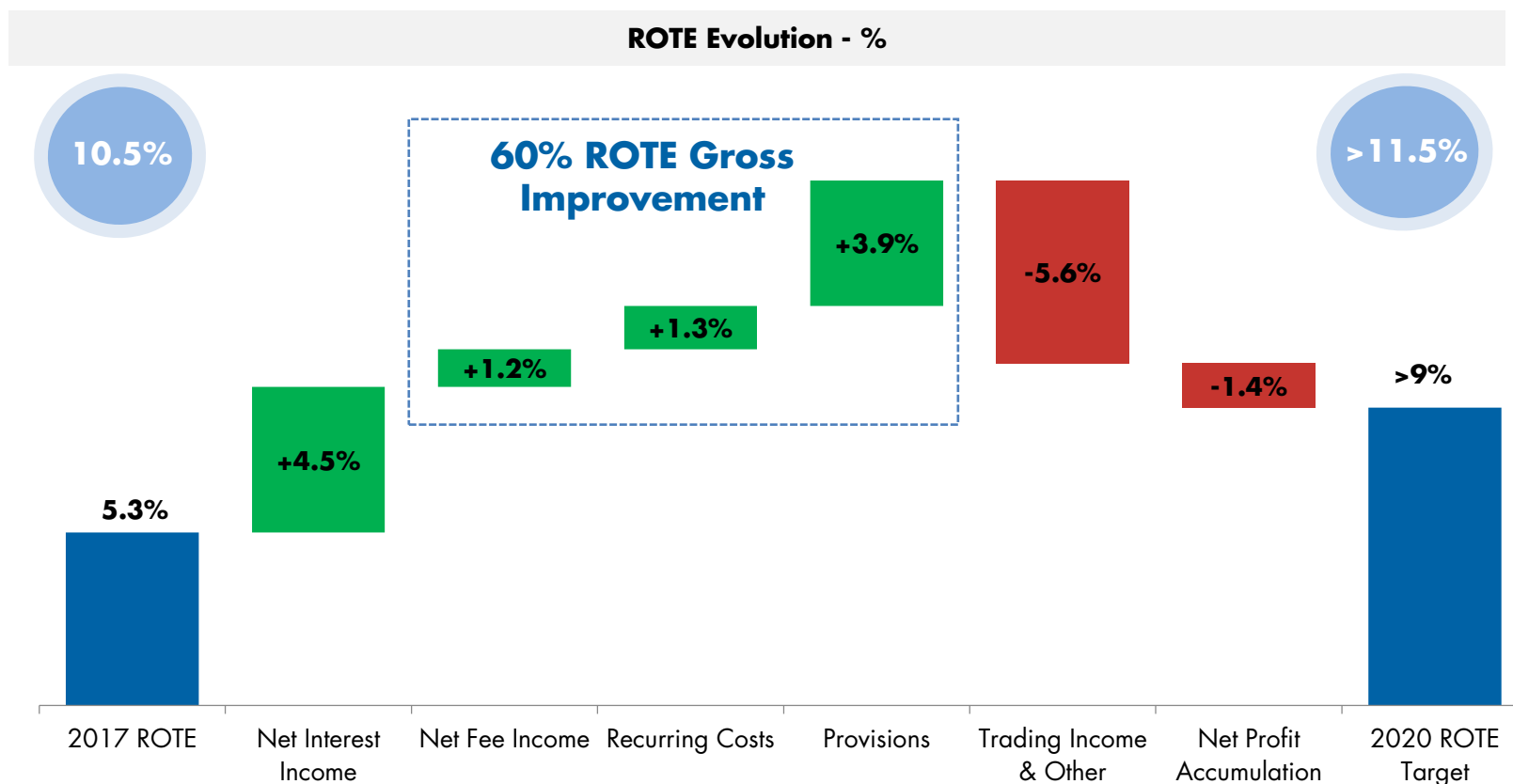
STRATEGIC SCOREBOARD: FINANCIAL TARGETS

	2017	2020 Targets
Solvency		
CET1 (fully loaded, post IFRS9)	10.5%	>11.5%
Total Capital (fully loaded, post IFRS9)	12.7%	>15.0%
Profitability		
ROTE	5.3%	>9.0%
- RORWA	0.6%	1.2%
Recurring Cost To Income	69.8%	<55.0%
- Recurring Revenues % AT	1.7%	2.1%
- Costs % AT	1.2%	1.1%
Asset Quality		
Cost of Risk	70 b.p.	35 b.p.
NPA Ratio	11.9%	6.5%
Texas Ratio	86%	<55%
- NPA Coverage Ratio (post IFRS9)	52%	54%



MAIN DRIVERS OF PROFITABILITY TARGET

60% of the targeted ROTE gross improvement goes together with the targeted reduction in provisions and recurring costs combined with net fee income growth. These are drivers under Ibercaja's control or not directly related to interest rates evolution.



MAIN PROFITABILITY TARGETS

Net Interest Income

Ibercaja aims to increase its stock of performing loans by €2,500mm over the next 3 years, a 2.8% CAGR.

- This target is based on the **stabilization of the residential mortgage** book and **further growth in non real estate companies** (in line with recent evolution).

The Euribor forward curve considered is the one forecasted by the market as of January 2018.

- The expected 12 month Euribor for 2020 is **0.67%** (average).

The targeted improvement in the net interest income is 100% explained by the evolution of the customer spread.

Net Fee Income

Ibercaja targets to increase its non-banking commissions by 5% yearly.

- Following the same strategy than in 2015-2017, Ibercaja targets to direct the increase in customer funds over the next 3 years (€4,700mm) to asset gathering products.

Ibercaja targets to increase its banking commissions by 2% yearly.

- This evolution is explained by the targeted increase in SME business volume.

Recurring Costs

Ibercaja targets to reduce its recurring cost base by 8% vs. 2017.

Recurring Profit before Provisions

Ibercaja targets to increase its recurring profit before provisions by c.€250mm (c.+90%)

Provisions

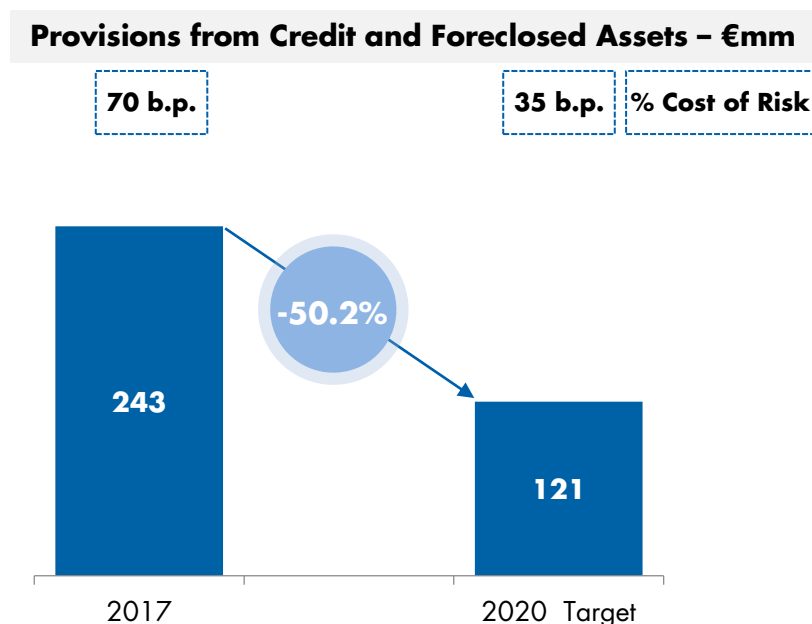
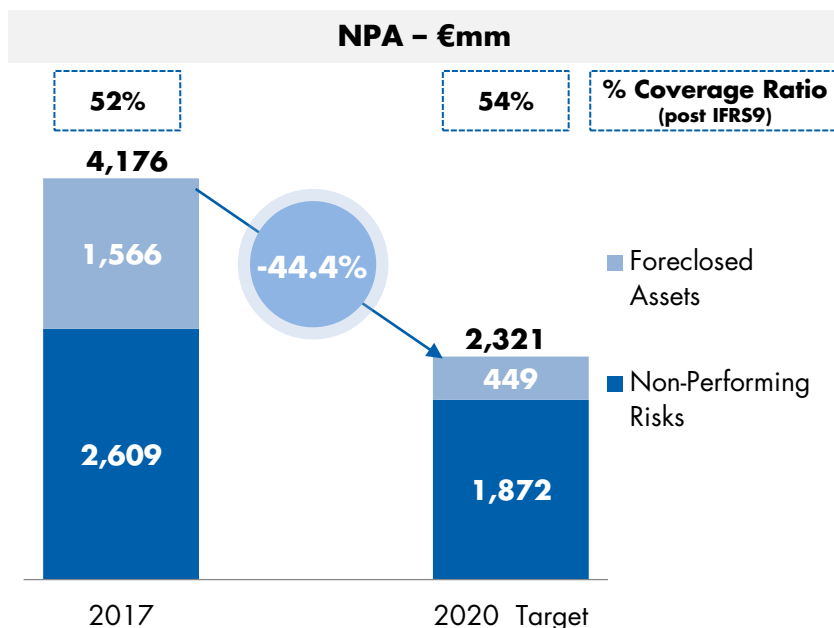
Normalization in the cost of risk as result of the decrease in NPA.

SPECIAL FOCUS ON NPA REDUCTION

Ibercaja Banco targets a **c.44% decrease in the stock of NPA (c.€1,850mm)** and a **NPA ratio of 6.5% in 2020**.

- Ibercaja targets reducing its **stock of non-performing risks** by **c.28%** and decreasing its **stock of gross foreclosed assets** by **c.70%**.
- The reduction in NPA will allow for a **reduction in RWA** that Ibercaja aims to use for expanding its stock of performing loans.

Ibercaja targets to reduce its provisions by c.50% or c.€120mm. The targeted cost of risk is 0.35 b.p.

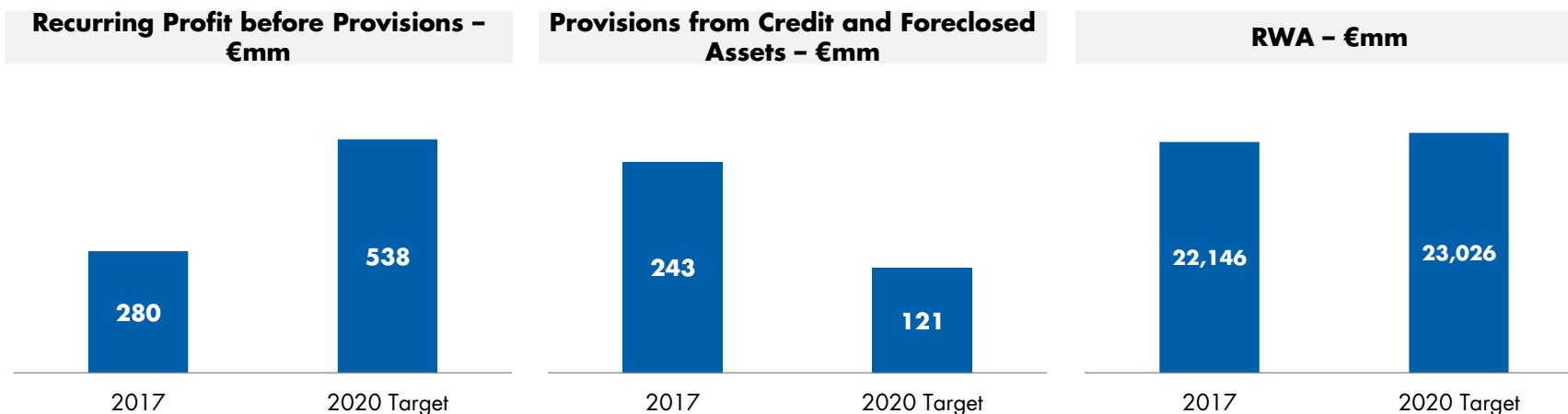


CONCLUSIONS: STRONG ORGANIC CAPITAL GENERATION

Organic capital generation is at the core of the 2020 financial targets:

- The targeted turning point in revenues together with continuous cost reduction will allow Ibercaja to further strengthen its operating leverage, with the **recurring profit before provisions** set to increase by **c.€250mm**.
- After the provisioning effort of the last 3 years, Ibercaja targets to reduce its **cost of risk** by **c.€120mm**.
- The targeted **reduction of NPA** will allow for a more profitable use of capital and an increase in **RWA below 5%**.

These levers will drive the increase in RORWA to approximately 1.2%.

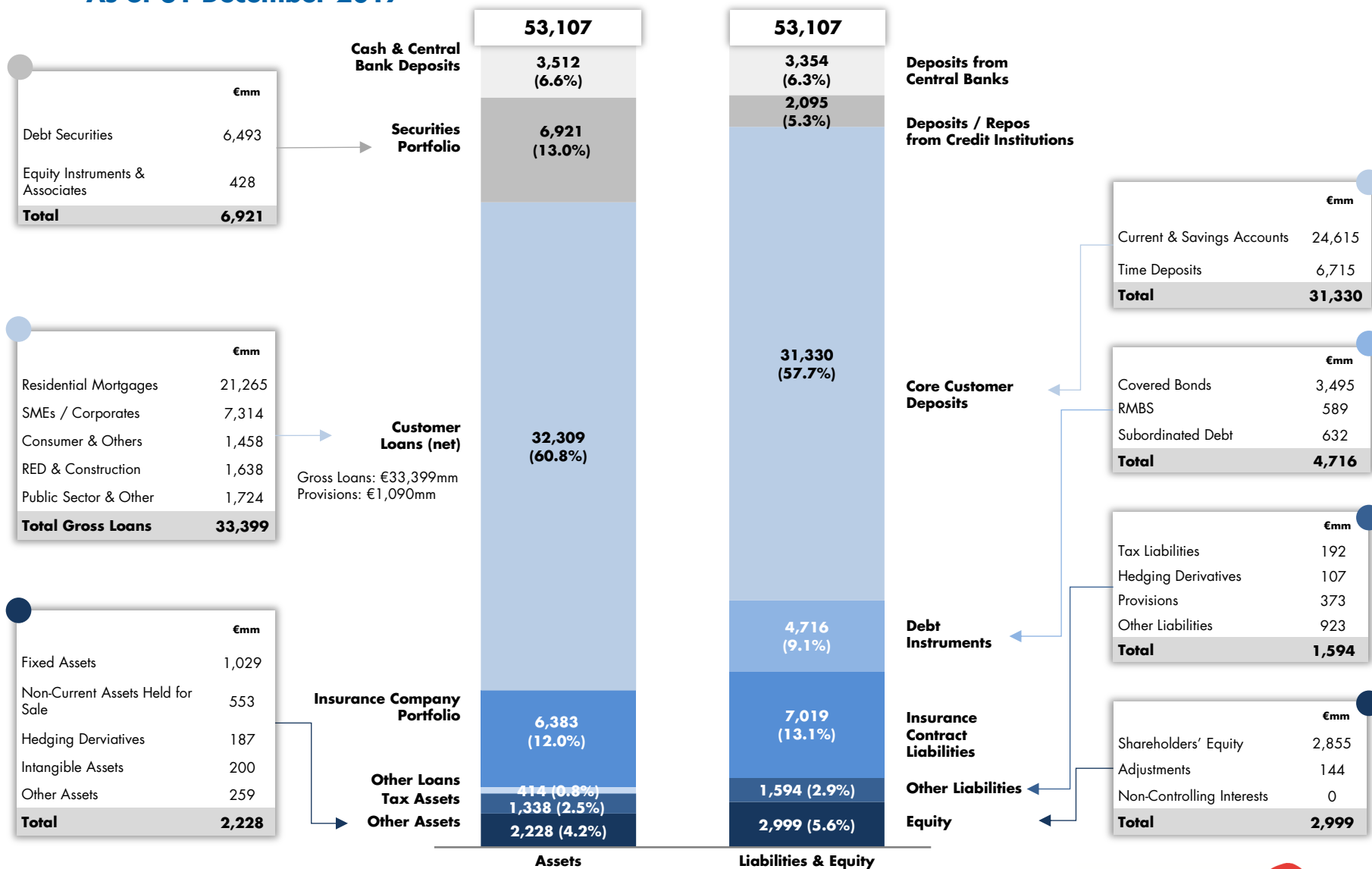


ANNEX 1

CONSOLIDATED BALANCE SHEET · P&L ACCOUNT

CONSOLIDATED BALANCE SHEET

As of 31 December 2017



P&L ACCOUNT

€mm	2016	2017	YoY
Net Interest Income	567.2	561.2	-1.1%
Net Fee Income	340.1	366.4	7.7%
Trading Income	169.5	152.5	-10.0%
Other Operating Inc. / Exp. (Net)	53.0	84.2	+58.8%
of which: net gain from sale of the real estate servicer	69.3		
of which: Deposit agreement and compliance of CASER Strategic Plan		98.5	
Gross Operating Income	1,129.8	1,164.2	3.0%
Operating Costs	-652.2	-719.0	10.2%
of which: 2017 redundancy plan		-71.9	
Pre-Provision Profit	477.6	445.2	-6.8%
Total Provisions	-413.1	-264.0	-36.1%
Other Gains and Losses	6.3	1.5	-76.4%
Profit before Taxes	70.8	182.7	158.2%
Taxes & Minorities	72.1	-44.4	n/a
Net Profit Attributable to Shareholders	142.9	138.4	-3.2%

ANNEX 2

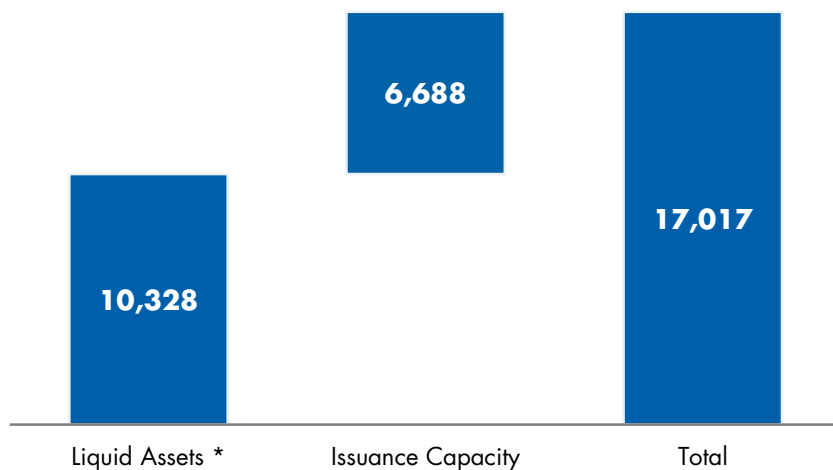
LIQUIDITY & FUNDING POSITION

LIQUIDITY & FUNDING (1/2)

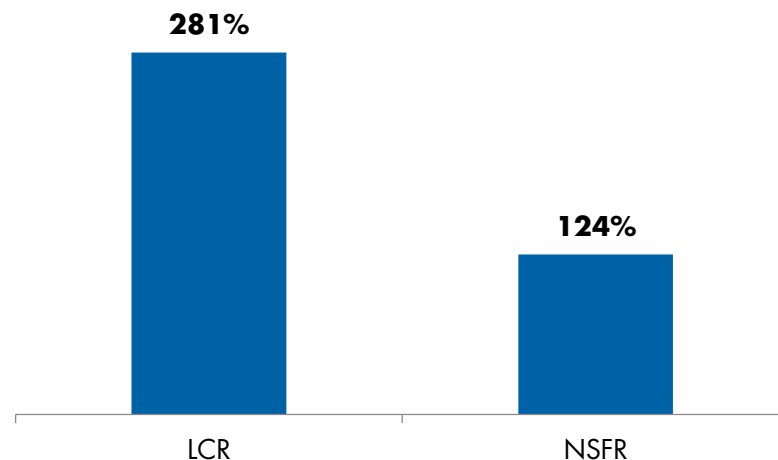
Sound liquidity position:

- **Available liquid assets** exceed **€10,328mm** (19% of total assets), while the covered bond issuance capacity stands at €6,688mm. As a result, Ibercaja Banco has an **available liquidity position that surpasses €17,000mm, or 32% of total assets.**
- Regulatory liquidity and funding ratios (LCR and NSFR) stand comfortably above minimum requirements.

Liquidity Position – €mm



Liquidity and Funding Ratios – 2017

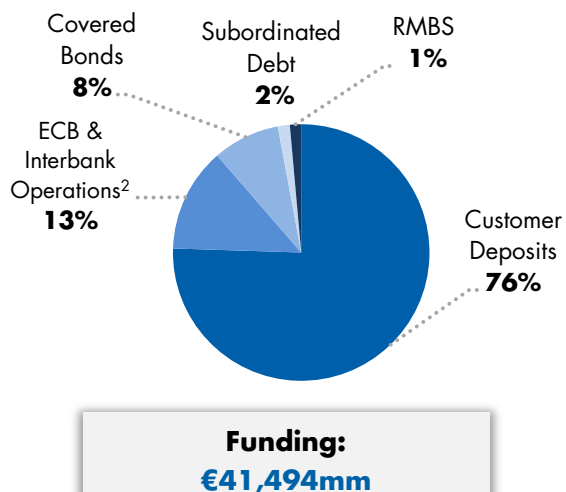


LIQUIDITY & FUNDING (2/2)

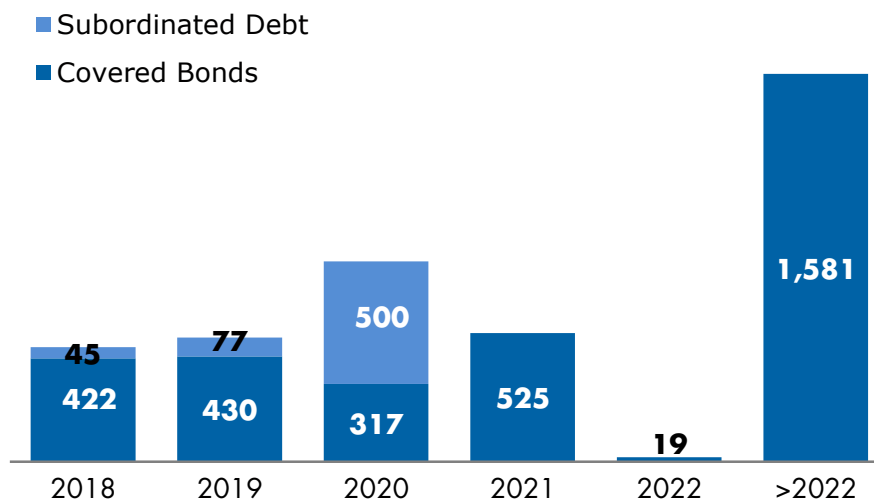
No changes in the funding structure of the bank:

- **Loan to deposits ratio** stands at **96.3%**¹.
- **Customer deposits** represent **76% of total funding** vs 69% in 2016.
- ECB: €3,372mm (6% of total assets), 100% TLTRO II.
- **No significant concentration** in institutional funding in **maturities** (<2.0% of assets every year).

Funding Structure -2017



Maturity Profile - €mm



¹ Net Loans ex. securitised loans / Customer deposits ex. repos + Securities distributed through the branch network.

² Includes long term financing from institutional banks such as ICO and EIB.



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For more information, VISIT OUR WEBSITE:

<http://www.ibercaja.com/en/>