Morgan Stanley – European Financials Conference

From AQR to Recovery: Key Debates in European Financials

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In so far as it relates to results from investments, this financial information from the CaixaBank Group for FY 2013 has been prepared mainly on the basis of estimates.

The foundation has been set for a gradual recovery to profitability

Economic and financial crisis	*Gradual improvement of macro conditions*	
2007 - 2013	2014 - 2016	Longer term
Growth with financial strength	Returning to profitability	Sustainable business differentiation

2013: "The Year of Execution"

- Completion of I.T. integrations of BCIV and BdV in record time (5 in 9 months)
- Implementation of rightsizing plans and early delivery of synergies
- Capital optimisation

CaixaBank

Macro and financial sector conditions are seeing a gradual improvement

Spanish economy is on a path to recovery

- GDP up 0.8% in the second half of 2013 (qoq, annualised rate)
- Net employment creation since September 2013, earlier than expected (+166,000 Sept-Feb)
- Generalised upward revisions to 2014 growth forecasts (GDP 14E: +1%)

Higher competitiveness → good export performance
(+4.9% in 2013, in real terms)

Improved external confidence → lower funding costs
(Spanish 10-yr bond yield, 3.3% vs 7.5% in July 2012)

Improved internal confidence → domestic demand recovers
(4Q13: +0.7% yoy in private consumption)

Implementation of MoU → advanced banking restructuring
(Sector LtD down to 125% in December-13)

Eurozone Banking Union → strengthened supervision (AQR)

2007 - 2013

Growth with financial strength

2014 - 2016

Returning to profitability

Longer term

Sustainable business differentiation

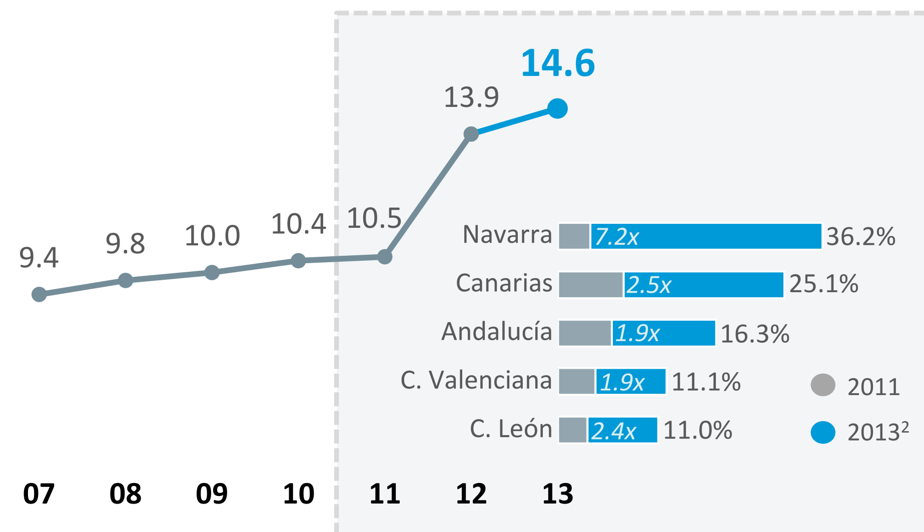
- **Enhancing the franchise value and delivering on cost synergies**
- **While bolstering the balance sheet**

Managing the franchise for organic and inorganic growth

Acquisitions reinforce footprint and consolidate retail leadership

Market share by business volume[1] - In %

9% in 2007 → **15%** in 2013



Proven integration capabilities: successful I.T. integrations in record time (5 in 9 months)

Distribution network continues to demonstrate commercial strength

	Compared to 2012 campaign
Payrolls and pensions[3] **736,105**	x1.8
Insurance (life-risk and others) **€445 M** premia	x1.2
Pension plans **€1,970 M** gross inflows	x1.2
Consumer finance **153,335** customers // **€920 M**	x1.4
"Gift and deposit" campaign **€474 M** deposits	x1.9

Marketing campaigns focused on capturing client income flows to enable cross-sell

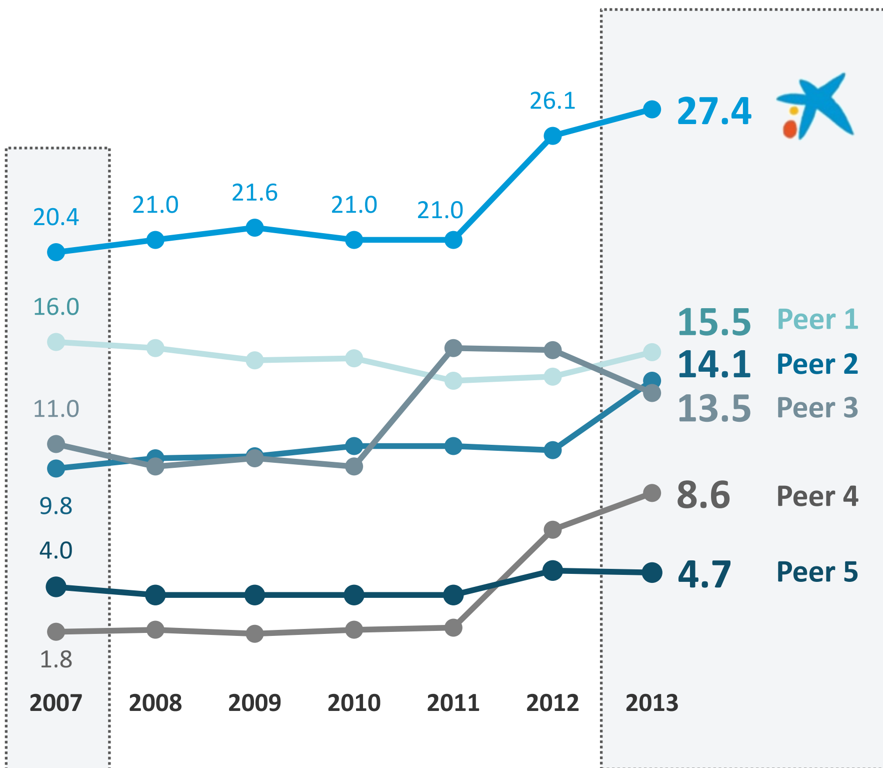
1. Loans + deposits
2. Latest available information

3. Includes self-employed earnings
Source: Bank of Spain

Client focus has led to significant market share gains across products

The highest customer penetration among peers

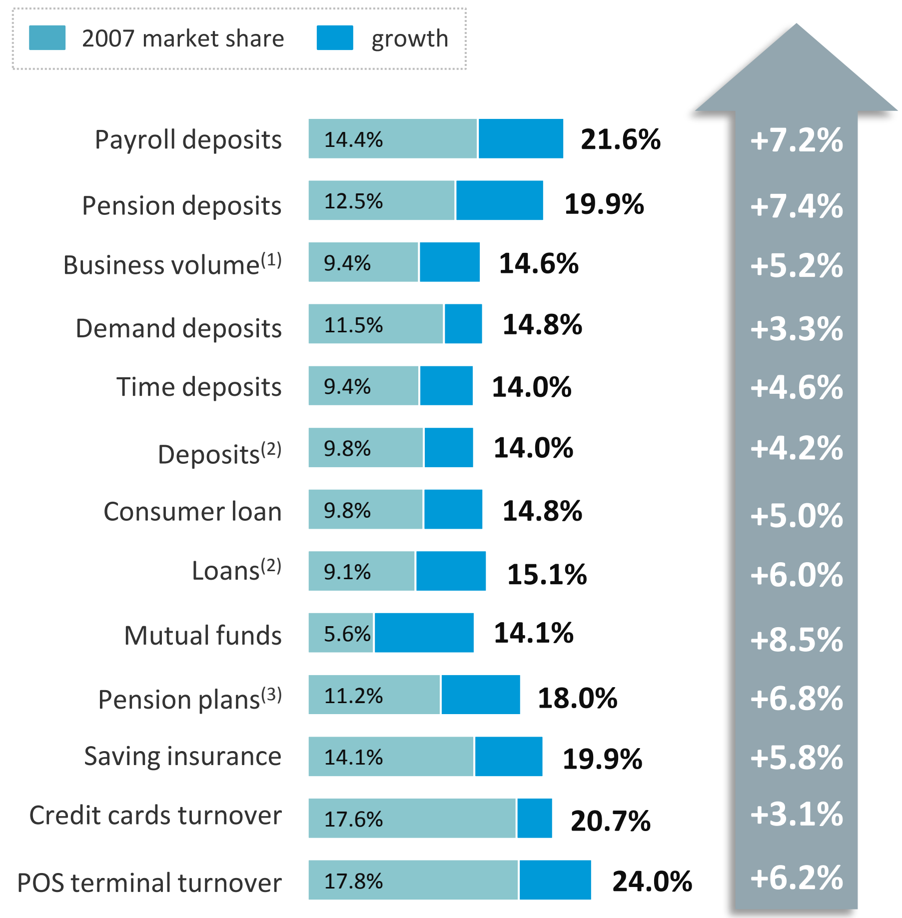
Customer penetration, %



Peers: Santander, BBVA, Bankia, Sabadell and Popular
Source: FRS Inmark

Leading market shares in key retail products

Market share, %



(1) Loans + deposits
(2) Other Resident Sectors according to Bank of Spain
(3) Includes pension plans (“PPIs”) and insured pension plans (“PPAs”)

2013: Latest available data
Source: Bank of Spain, INVERCO, ICEA and FRS Inmark

High growth potential across different business areas and products

A premier insurance business

2013 vs 2012

VidaCaixa — 1st[1]

- €48 bn AuM
- €6,650 M Premia and contributions

+9% *AuM*

SegurCaixa Adeslas — 1st[2]

- €2.5 bn Premia

+5% *Premia*

The leading payments business

2013 vs 2012

CaixaCard — 1st

- €22.5 bn turnover
- 12.6 M credit cards

+19% *turnover*

Comercia Global Payments — 1st

- €28.0 bn turnover
- 245,130 POS terminals

+17% *turnover*

Outperformance in asset management

2013 vs 2012

InverCaixa — 1st[3]

- €28 bn AuM
- 748,333 investors

+22.4% *AuM*

Strong growth in consumer finance

2013 vs 2012

FinConsum

- €1.2 bn assets
- €880 M new business in 2013

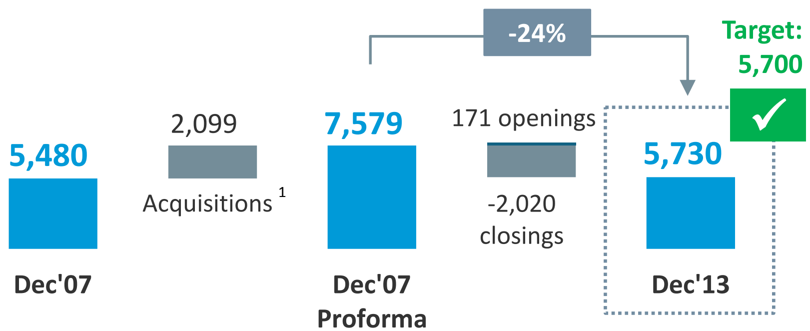
+40% *assets*

(1) Ranked by AuM
(2) Ranked by premia in the health insurance business
(3) Ranked by number of investors, #3 by AuM

Significant cost savings have also been achieved in the process

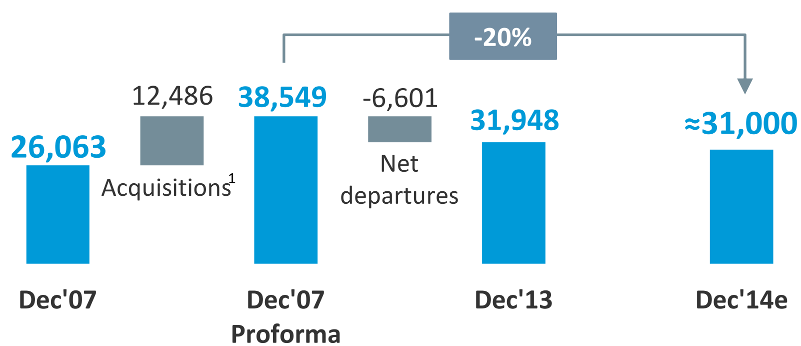
Completion of rightsizing targets: number of branches down 24% since 2007

- 968 branches closed in 2013, 190 in 4Q13
- ~60% of branches in BCIV and BdV regions closed



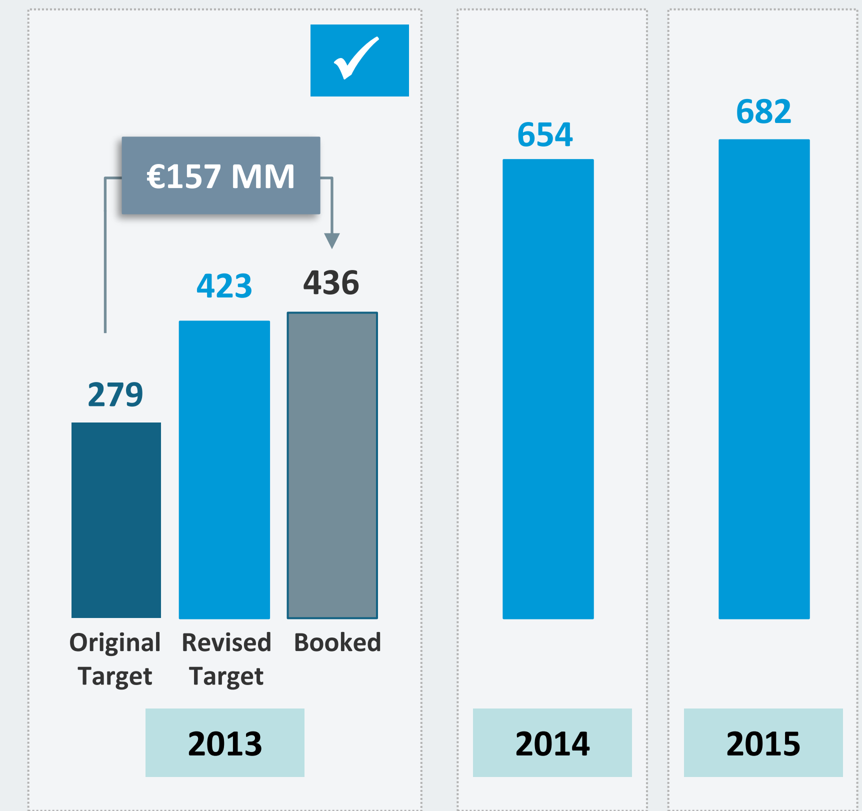
Employee departures in line with calendar

- Employee base reduced by 20%
- Agreement is final and fully executed by YE2014



Strict implementation of restructuring plans has guaranteed the delivery of announced savings:

Cost saving targets – € M



(1) Includes headcount and branches of Morgan Stanley Private Banking, Caixa Girona, Bankpyme, Banca Cívica and Banco de Valencia at the time of the corresponding acquisition

2007 - 2013

Growth with financial strength

2014 - 2016

Returning to profitability

Longer term

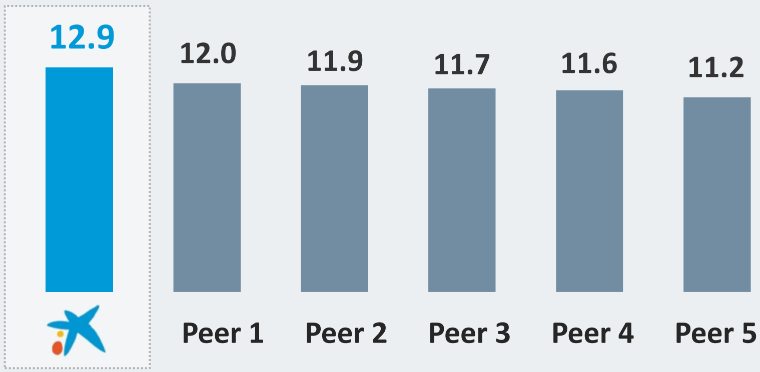
Sustainable business differentiation

- Enhancing franchise value and delivering on synergies
- **While bolstering the balance sheet**

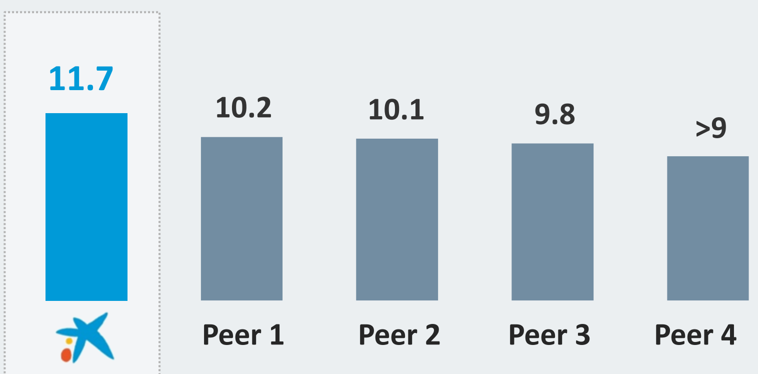
Adapting to the new solvency regime has been a key priority in recent years

Industry-leading capital position is a source of competitive advantage…

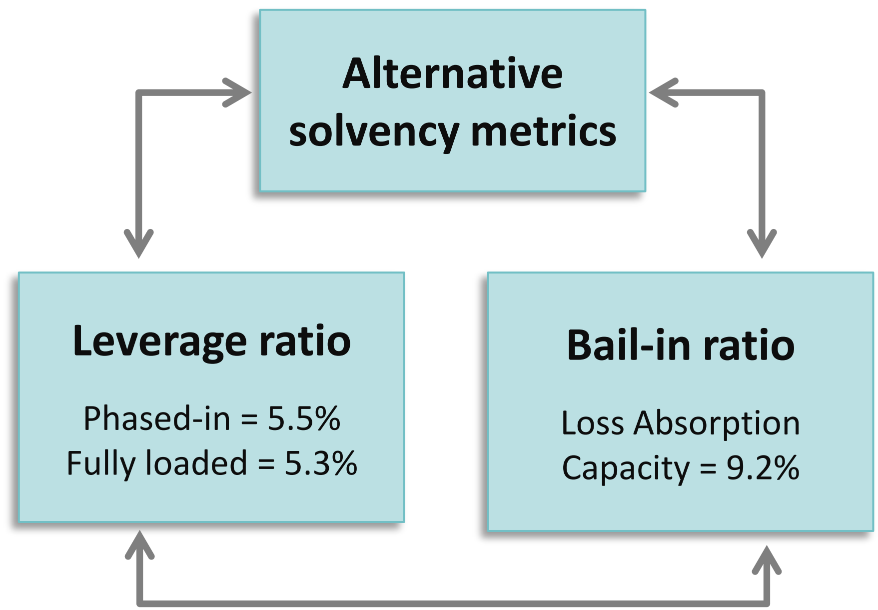
Core Capital B-2.5 Ratio[1]



B3 CET1 "fully-loaded" Ratio[2]



…. and is supported from every regulatory angle



Estimated according to final arrangements of Basel Committee (Jan'14)

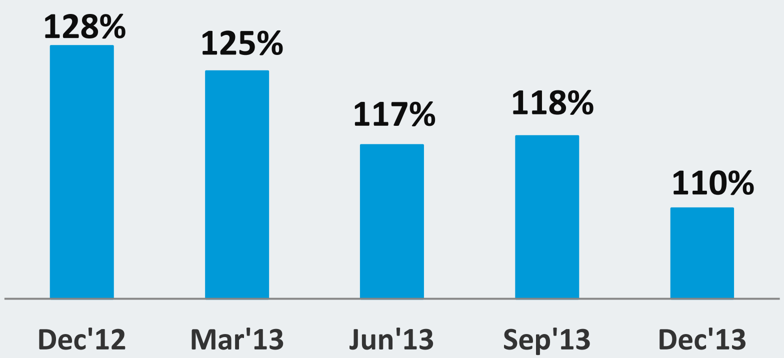
Preliminary estimate (consolidated basis)

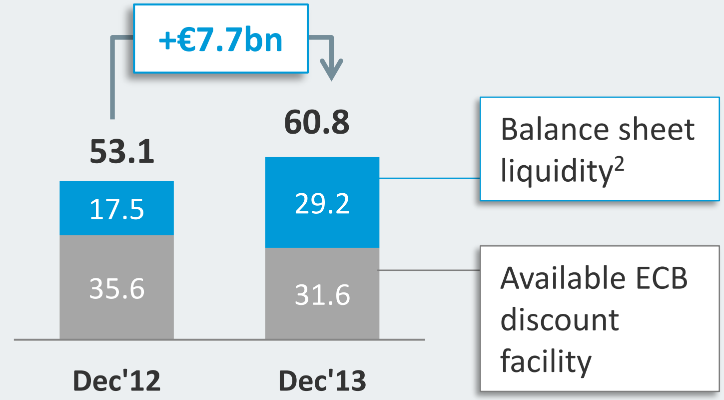
(1) Peers include Bankia, BBVA, Sabadell, Santander and Popular
(2) Peers include BBVA, Sabadell, Santander and Popular. Bankia does not provide *fully loaded* ratio

While strengthening both funding and liquidity profiles

Closing funding gap reduces LTD ratio and boosts liquidity

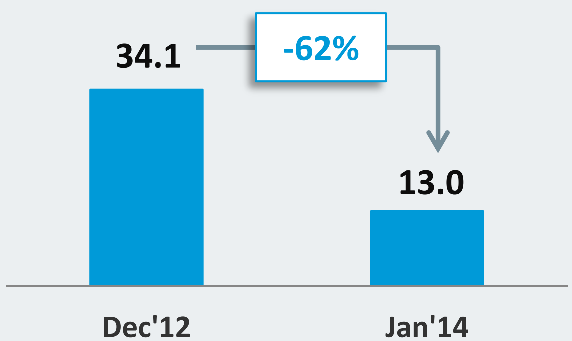
LTD ratio evolution[1]





Fall in ECB funding due to ample liquidity and wholesale market access

ECB funding (€Bn)



€6.3 bn issued during 2013 and 2014:

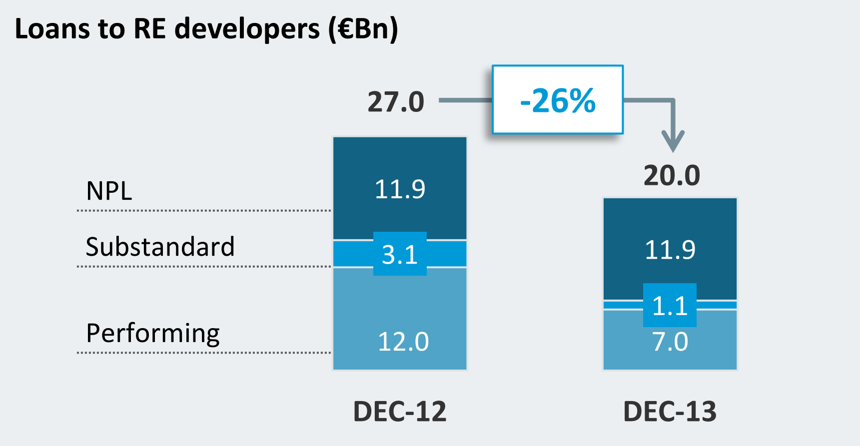
Covered Bonds	€2 bn
Senior Unsecured	€3 bn
Subordinated debt	€750 M
Mandatorily Exchangeable Bond into REP shares	€594 M

(1) Defined as: gross loans (€207,231 M) net of loan provisions (€14,976 M) (total loan provisions excluding those corresponding to contingent guarantees) and excluding pass-through funding from multilateral agencies (€7,218 M) / retail funds (deposits, retail issuances) (€168,374 M)

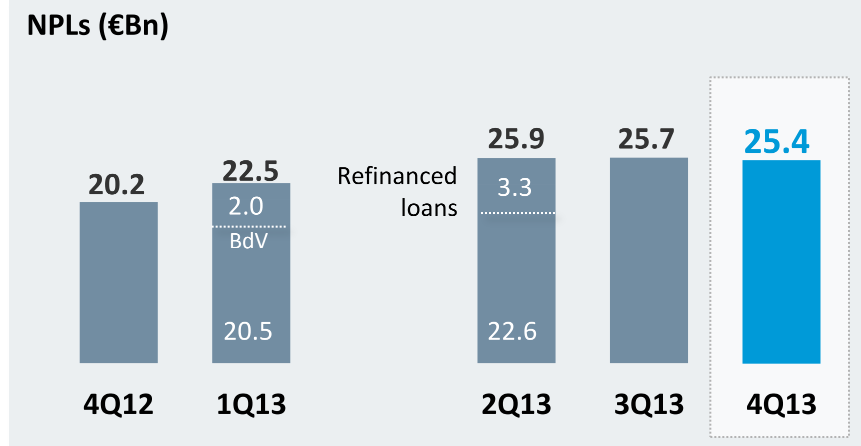
(2) Includes cash, interbank deposits, accounts at central banks and unencumbered sovereign debt

Trends in asset quality are supported by improving macro conditions

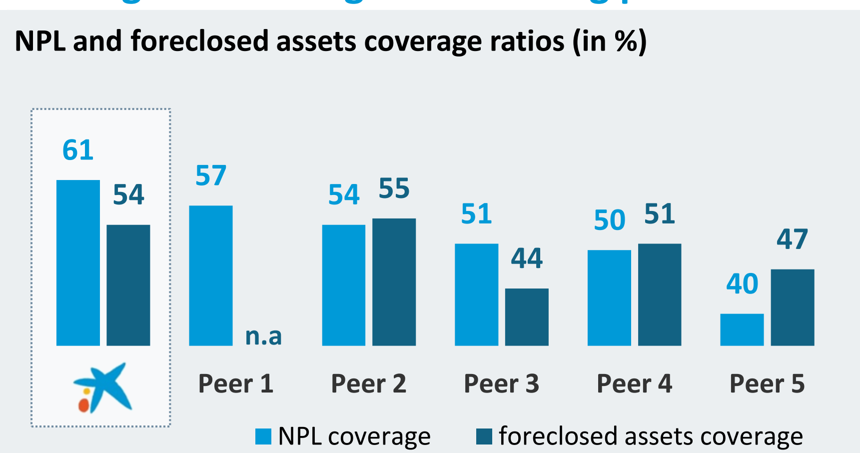
Significant clean-up of RE developer loan exposure has taken place



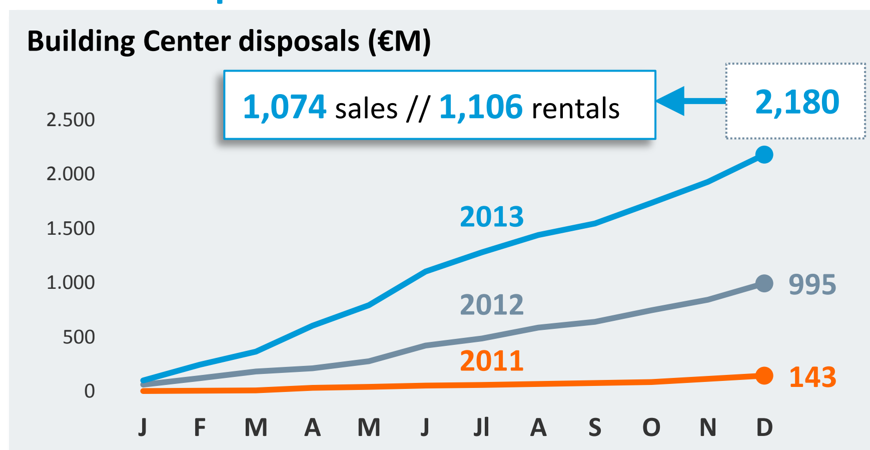
NPLs down €0.5 bn in last two quarters



The highest coverage ratio among peers[1]



Pace of disposals accelerates



(1) Peers included: Bankia, BBVA (Spain), Popular, Sabadell and Santander (Spain)

2007 - 2013

Growth with financial strength

2014 - 2016

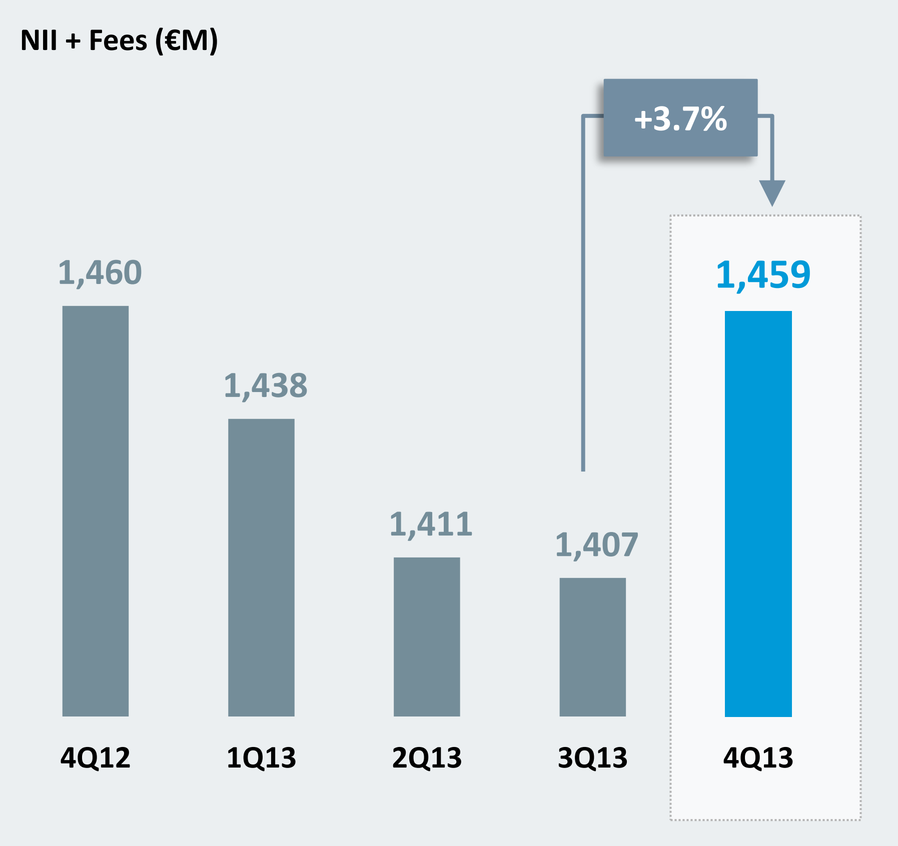
Returning to profitability

Longer term

Sustainable business differentiation

Latest results show a solid top line with improved perspectives

Core business sees a reversal in trends



Net interest income supported by:

- Falling deposit costs: 4Q13 front book down 95bps yoy to 129 bps
- Declining impact of negative index resets on mortgages: trough reached in 1Q13

Better perspectives for 2014:

- Deposit spreads still falling
- Positive index resets on mortgages for Q2
- Lower wholesale funding costs

More than offsetting volume headwinds

Fee income supported by:

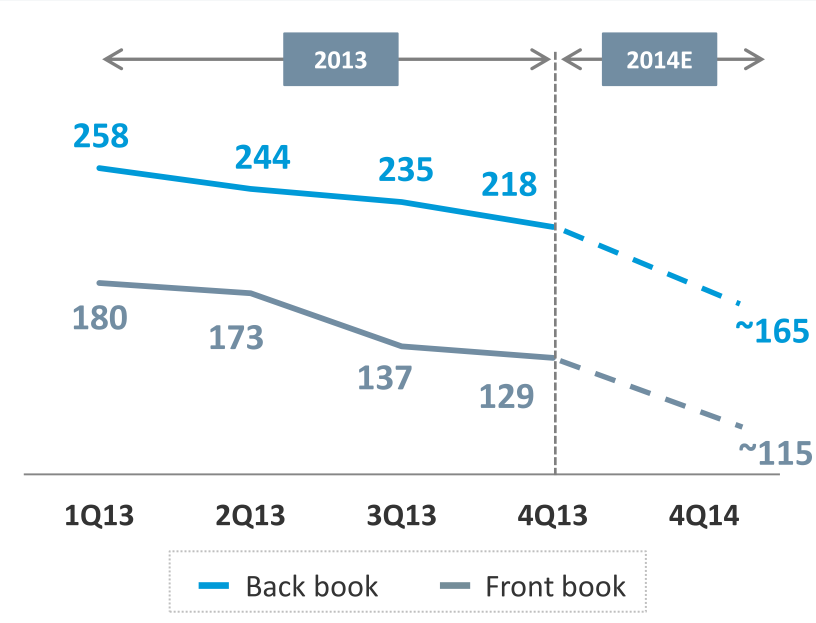
- Resilient banking fees despite lower loan volumes and less one-offs
- Strong performance in insurance and off-balance sheet products

2014 evolution to be driven by off-balance sheet products

NII supported by falling time deposit rates and less negative index resets

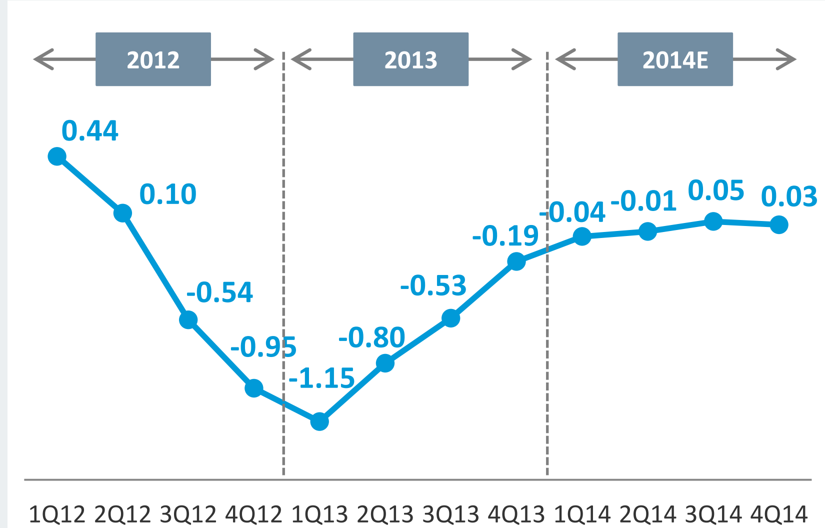
Strict pricing discipline to continue reducing costs of our €81.2 bn of time deposits

Time deposits and retail CP – Back vs. front book (bps)



Moving towards positive index resets on our mortgages

Rate changes in the repricing process of the mortgage book



Source: implicit market rates (31/01/14) of Euribor 12 month forward

2014 NII to be significantly impacted by improving time deposit costs

- 68% of time deposit base matures in 2014, at an average cost of 2.1%

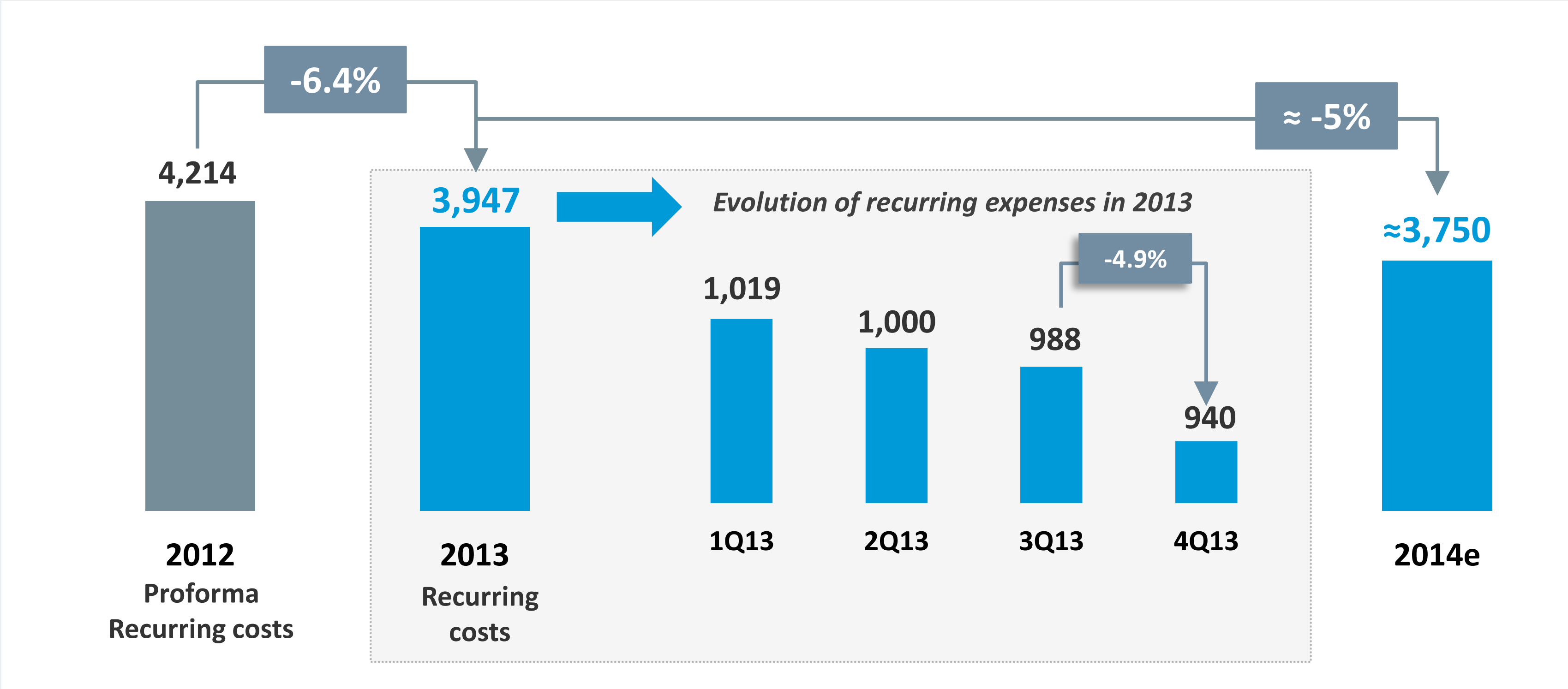
Positive resets expected from 2Q onwards:

- However, €176 M from carried-over resets to impact 2014

Cost discipline will continue to play a role as synergies kick in

Recurring costs reduced by 6.4% on a like-for-like basis

In €M



- €220 M of additional cost synergies to be incorporated in 2014 cost base for a total of €654 M
- Remaining synergies to offset organic increase in personnel costs for 2015

2014: a transition year to improved profitability

	2014 trends	*Mid/long term levers*
Net interest income	↑ **≈5%**	▶ Interest rate normalisation ▶ Higher value of zero-cost deposits *More than offset lower carry-trade + normalisation of credit spreads* ▶ Reduction in non-interest earning assets
Fees	↑ **≈2-3%**	▶ Higher activity ▶ Growth in off-balance sheet products
Recurring expenses	↓ **≈5%**	▶ Full achievement of targetted cost savings ▶ Ongoing cost control based on growing scale
Cost of Risk	↓ **High but improving**	▶ Normalisation (~60 bps)
Other levers	↑	▶ Generation of income synergies and cross-selling (13.6 M customers) ▶ Consolidation: opportunities to reinforce competitive position and achieve further cost savings ▶ Improved returns from equity portfolio

2007 - 2013

Growth with financial strength

2014 - 2016

Returning to profitability

Longer term

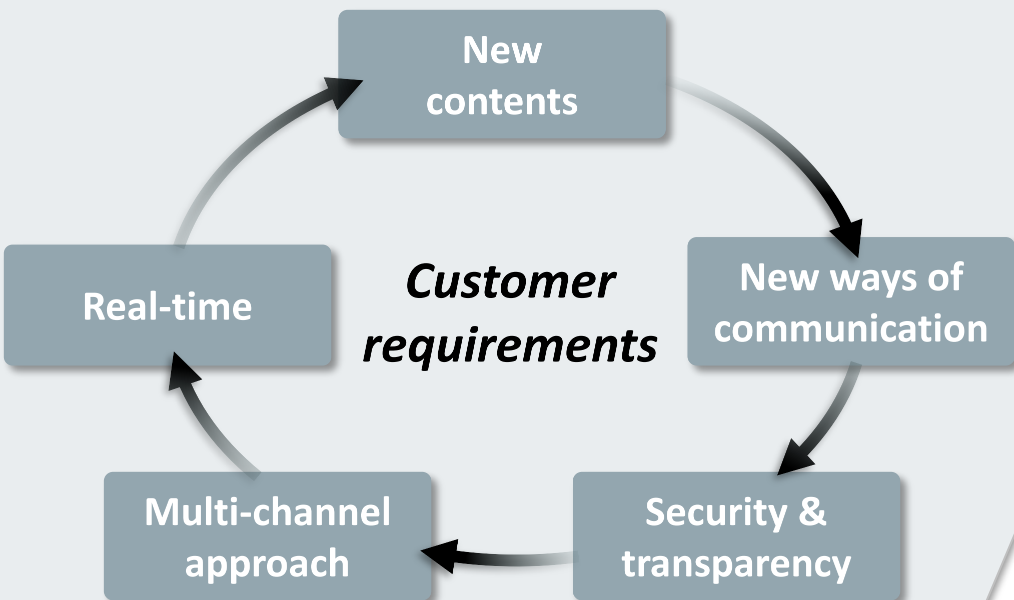
Sustainable business differentiation

Differentiation focus by improving client service with more efficient operations:

- Technology and innovation
- Talent management
- Quality and reputation

Investing in technology and innovation is an integral part of our culture of high quality service

Anticipating the needs of our customers in the "digital era"



Key areas of investment

Multi-channel strategy and process automation

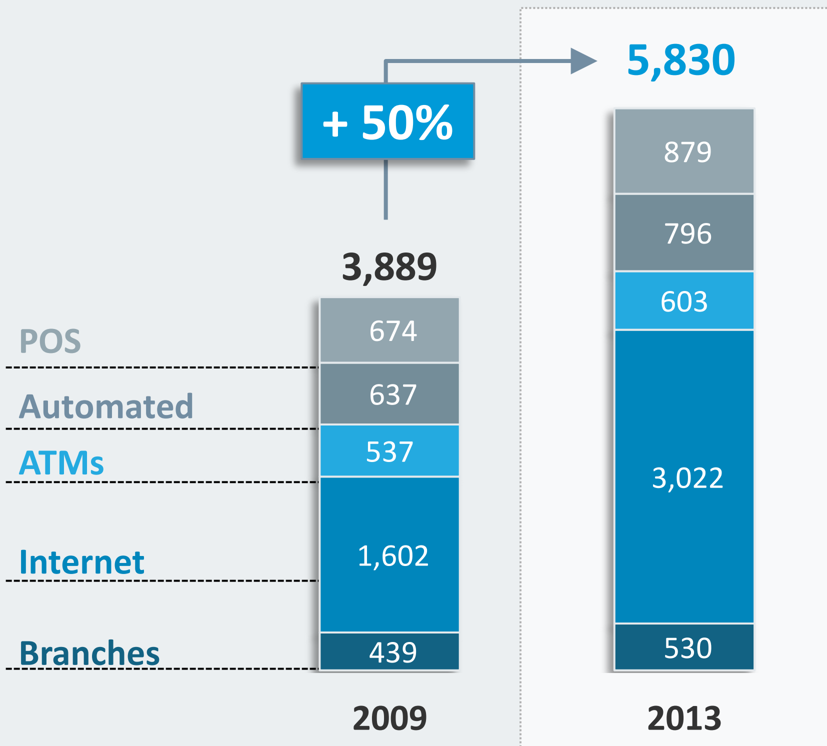
"Big Data" and advanced analytics

Innovation is a key lever to optimise costs and meet consumers' digital finance expectations

Multi-channel touch points and process automation are key to better serving client needs

Sustained increase in the number of transactions carried out via electronic channels

Number of transactions[1]

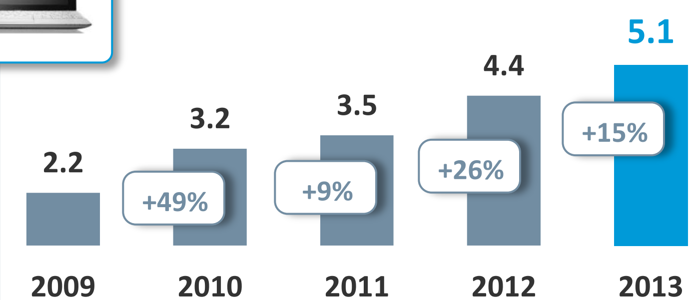


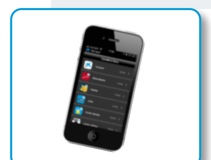
Enabling network to focus on value creation

Exponential growth of active mobile and internet customers[2]

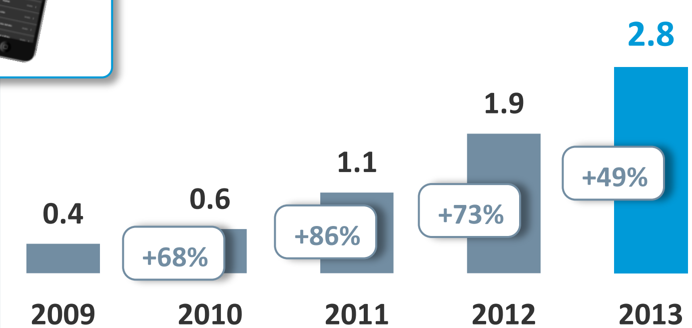
Millions of customers

Active online banking customers





Active mobile banking customers



(1) A transaction is defined as any action initiated by a client through a contract with CaixaBank.

(2) Active customers include those who have been connected at least once in the last 12 months

Innovation spans the institution to meet the evolving preferences of customers

Our goal: engaging with digital consumers and fostering cross-channel integration

Some examples:

New branch layout *(Flagship Store)*

"Oficina A": testing new approaches to customers

- **Mobility**
- **Digital signature**
- **Interactive waiting**

Wearable Banking: CABK apps for new devices

Google Glasses

- **Branch finder** (with augmented reality)
- **Currency convertor**

Smart Watch

- **Currency convertor**

Developing new payment technologies

Contactless and NFC technologies

- **NFC mobile payment system** (partnership with three main operators Movistar, Vodafone and Orange)

Value added services (growth opportunities)

- **Coupons and discounts with mobiles, geopositioning,…**
- **JV with Telefonica and Santander**

Understanding customer behaviour through "Big Data" and advanced analytics

- ✓ **Transforming data into value**
- ✓ **New Technological platform is being developed (with Oracle)**
- ✓ **Investing in Big Data technologies and analytical capabilities offers clear potential to improve key business areas:** *Dynamic pricing, early detection of NPLs, recovery actions, 360º customer view, enhancing data extraction (efficiency)*

- **Operational Systems** (data bases)
- **Internal communication tools**
- **External social networks**

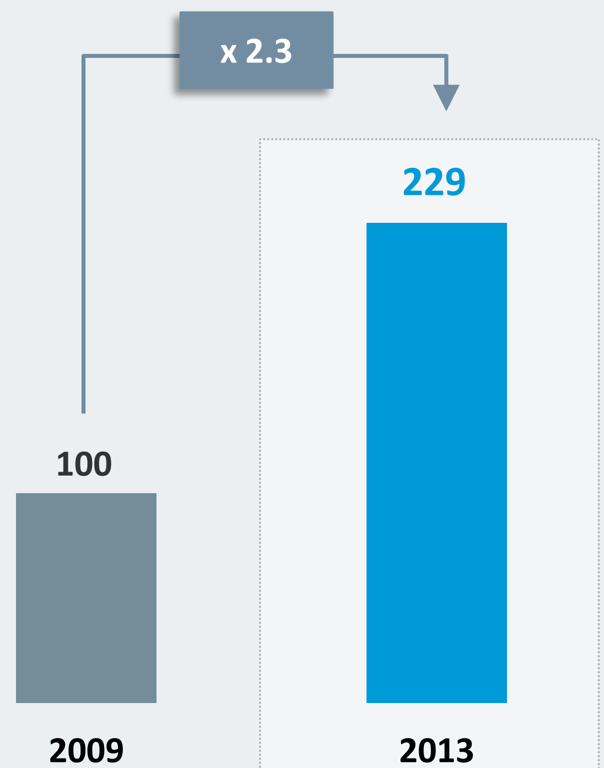
- **Structured information**
- **Unstructured information**

- SmartBanking
- Sentiment Analysis
- Client Behaviour patterns
- Online Marketing automation
- Client profile enrichment
- Artificial intelligence

Highly rated quality of service and brand are a strong competitive advantage

Metrics related to quality of service continue to widen compared to major peers

Index: CABK quality indicator vs market. 2009=100



Reputation and excellence in retail banking have been recognised by market awards

EUROMONEY 2013 Awards for excellence

Best Bank in Spain 2012 and 2013

EUROMONEY 2013 Awards for excellence

Best Retail Bank for Technology Innovation

The Banker

Bank of the Year 2013
SPAIN

BAI-FINACLE GLOBAL BANKING INNOVATION AWARDS℠ 2013

The world's most innovative bank in 2011 and 2013

FORRESTER®

Europe's best bank in mobile banking

Source: sector data based on information provided by *Stiga*

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