



**Dealing with uncertainties for a brighter future**

**Gonzalo Gortázar, CEO**

**Bank of America Merrill Lynch – Banking and Insurance Conference**

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In so far as it relates to results from investments, this financial information from CaixaBank Group for 1H 2016 has been prepared mainly on the basis of estimates.

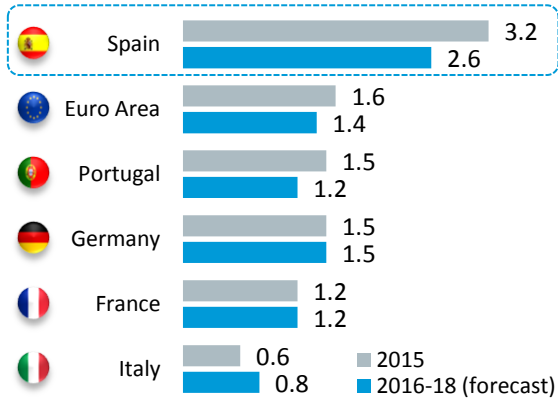
## Agenda

- **Macro and industry environment**
- Dealing with uncertainties for a brighter future
- Final remarks

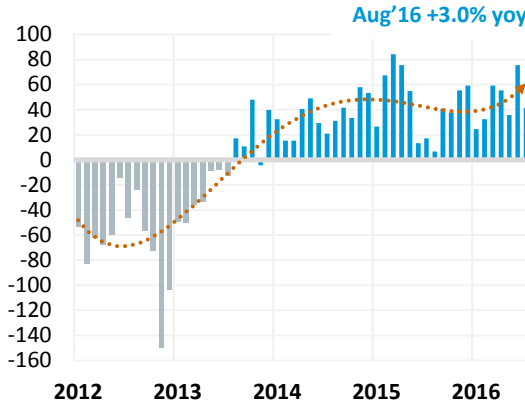
# Spain continues to operate in a better than expected macroeconomic environment

## Macro dynamics continue to generate favourable tailwinds

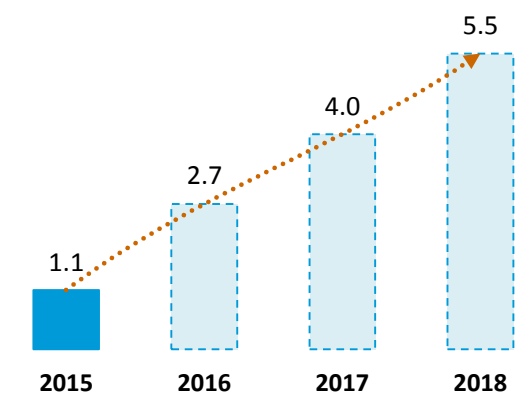
Real GDP growth, % change yoy



Net employment creation (seasonally adj.), in thousands



Housing prices, % change yoy



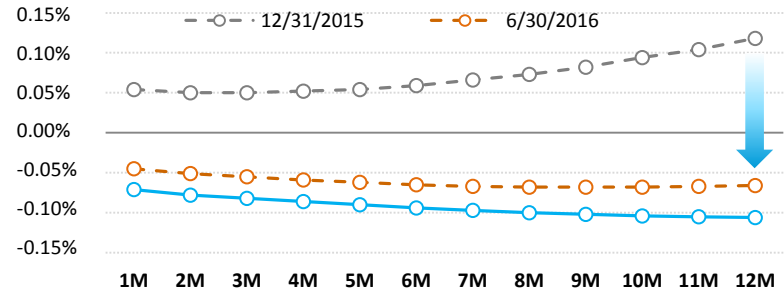
## Yet sector challenges remain intense

▶ REGULATION CONTINUES UNABATED

▶ LOWER RATES FOR LONGER

▶ DIGITAL DISRUPTION

12 Months Euribor forward rates, %



## CABK is well positioned to prosper in this environment

### Environmental Factors

### Implications

### Better positioned if...



**MACRO RECOVERY**

- ▶ Better volumes & credit metrics

- ▶ **Leading player**
- ▶ **Scale**



**REGULATORY PRESSURE**

- ▶ Demands on governance, capital and liquidity

- ▶ **Simple structure**
- ▶ **Low-risk profile**



**LOW RATES**

- ▶ Profitability strains for a “pure retail” bank

- ▶ **Bancassurance one-stop shop**
- ▶ **Ownership of value chain**



**DIGITAL DISRUPTION**

- ▶ Increased investment in IT and flexible network

- ▶ **Innovation track record**
- ▶ **Omni-channel platform**



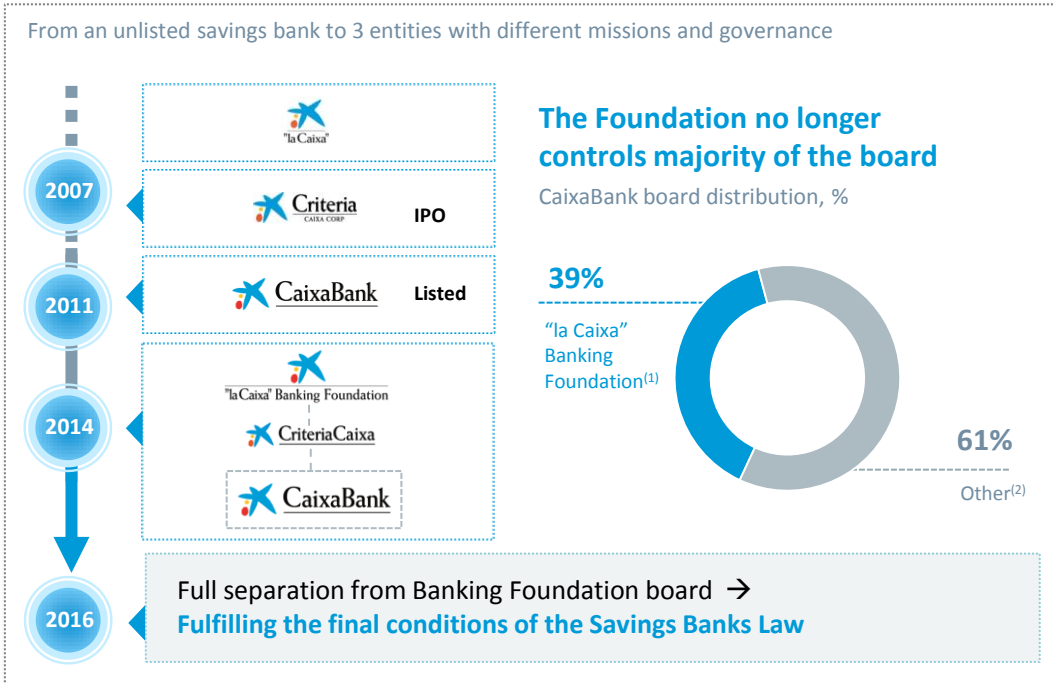
**Scale, scope and digital acumen are critical advantages**

## Agenda

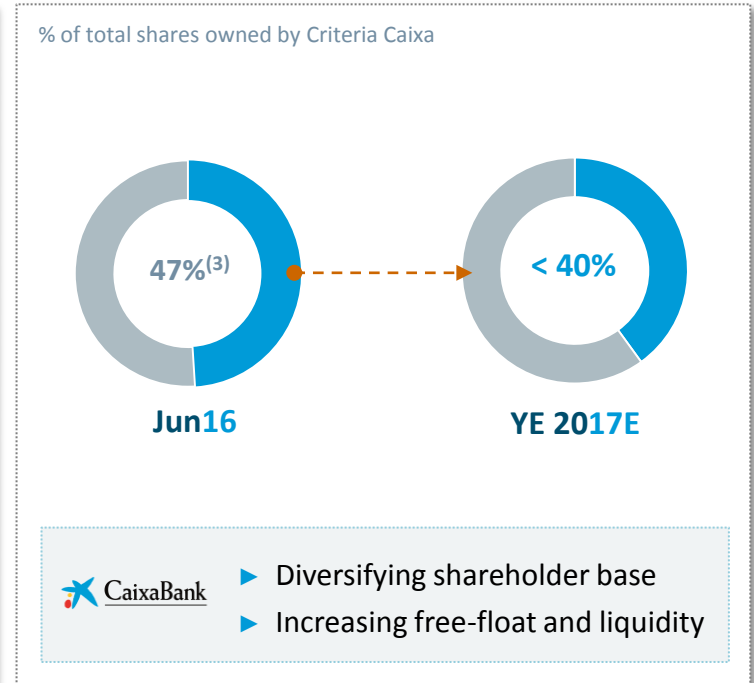
- Macro and industry environment
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  1. **Final changes to group restructuring**
  2. Executing a winning strategy
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# Simplifying the Group structure

## Major progress in the restructuring of the Group



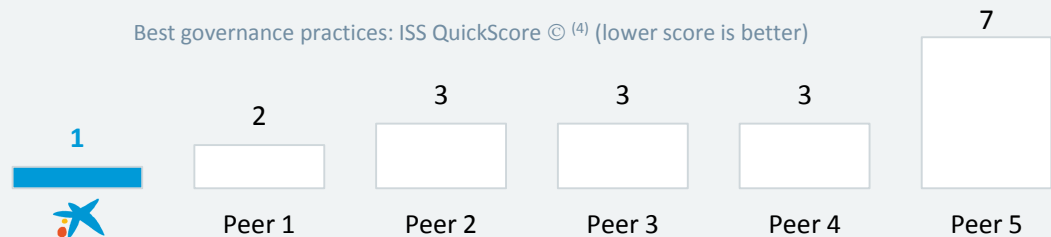
## Criteria deconsolidation expected by YE2017



## Corporate governance evolves to a best-in-class model

- ▶ Maximum ISS QuickScore ©
- ▶ Best-ranked amongst domestic peers
- ▶ Setting a benchmark in corporate governance is a priority in 2015-18 Strategic Plan

Best governance practices: ISS QuickScore © <sup>(4)</sup> (lower score is better)



(1) 7 proprietary directors representing "la Caixa" Banking Foundation

(2) Including 8 independent directors, 2 board members proposed by the savings banks (now foundations) formerly comprising Banca Cívica and the CEO

(3) The fully diluted stake considering the €750M Criteria exchangeable into CaixaBank shares maturing in Nov 2017 is 44%

(4) Scores indicate decile rank relative to index or region. Peers include: Bankinter, BBVA, Banco Popular, Banco Sabadell, Banco Santander

## Delivering on capital allocation targets ahead of schedule

### De-risking of balance sheet with sale of BEA/GFI

Capital allocated to non-controlled stakes, as % of total capital charge<sup>(1)</sup>

2011

June



24%

2014

December



~16%

2016





June



<7%

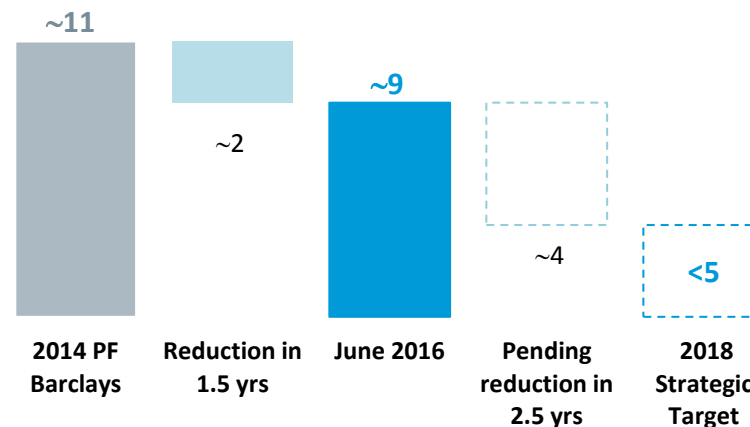
vs. target of ↓ to <10% by YE2016

#### Portfolio transactions 2014YE-June 2016

- ▶ **June 2015:** disposal of Selftrade/Boursorama stakes  20.5%
- ▶ **Mar 2016:** reduced REP stake  12.1% → 10.2%
- ▶ **May 2016:** disposal of GFI/BEA stakes  9.0%  17.3%

### Continued wind-down of RE NPAs

OREO plus RE developer NPLs (net of provisions), €Bn



#### Supporting factors

- ▶ Rising housing prices: +4% CAGR 2015-18
- ▶ Higher RE sales: +9% CAGR 2015-18
- ▶ Higher appetite from institutional investors
- ▶ Rapidly falling inflows

## Increasing capital allocated to the core bancassurance business

(1) Capital allocation defined as the capital consumption of the investment portfolio over total capital charge



## Taking control of BPI to deliver attractive returns

### Strategically coherent deal

In-depth knowledge of BPI and Portugal

Alignment of economic and political rights

Suspension of sanction proceedings granted by ECB

Generating an attractive ROIC <sup>(1)</sup>




#### Transaction details:

- MTO for 100% of BPI shares
- Price 1.134€/sh = 6 months VWAP
- Payable in cash
- 0.73x P/TBV<sup>(2)</sup>

In the process of obtaining required regulatory approvals

### Attractive franchise delivering sizeable synergies

1H16 data, in €Bn

	 BPI
▪ Total assets	38.9
▪ Net loans	24.0
▪ Client funds	34.1
▪ NPL ratio	4.7%
▪ NPL coverage ratio	85%
▪ CET1 <i>fully-loaded</i>	10.1%

Domestic business

#5 by assets  
#3 by client funds  
2.6% ROE  
75% C/I ratio



Angolan business

#4 by assets  
42% ROE  
32.5% C/I ratio  
9.6% CET1 FL ratio<sup>(3)</sup>



### Substantial cost synergies to be achieved

€ M



Closing of tender process expected in 4Q

(1) Estimated ROIC of 13% by Year 3 with synergies at full run-rate and assuming a 70% resulting stake in BPI. ROIC estimates do not take into account the prospective sale of a 2% stake in BFA that BPI has proposed to Unitel, which was announced to the market on 20 September 2016

(2) Tangible book value as of June 30th 2016

(3) CET1 FL at 26.5% based on local rules for BFA

## Agenda

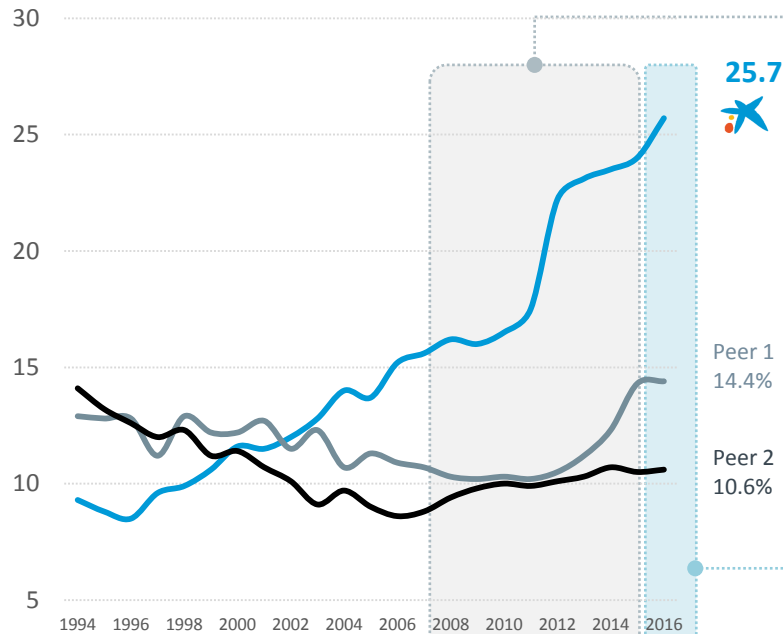
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# Proven track record of steady market share gains

Undisputed leadership in Spanish retail banking...

... and growing

Market penetration for retail clients (primary bank), %



**29.5%** Client penetration<sup>(1)</sup>

**13.8 M** Customers

### During the crisis:

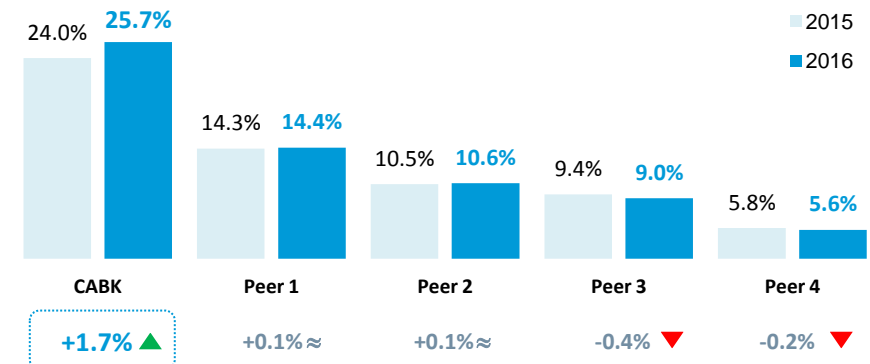
From #3 to #1 growing organically and inorganically



### During the recovery:

Organically reinforcing leadership reflecting franchise strength

Retail clients penetration (primary bank)<sup>(2)</sup>, %



## Successful business model and solid value proposition

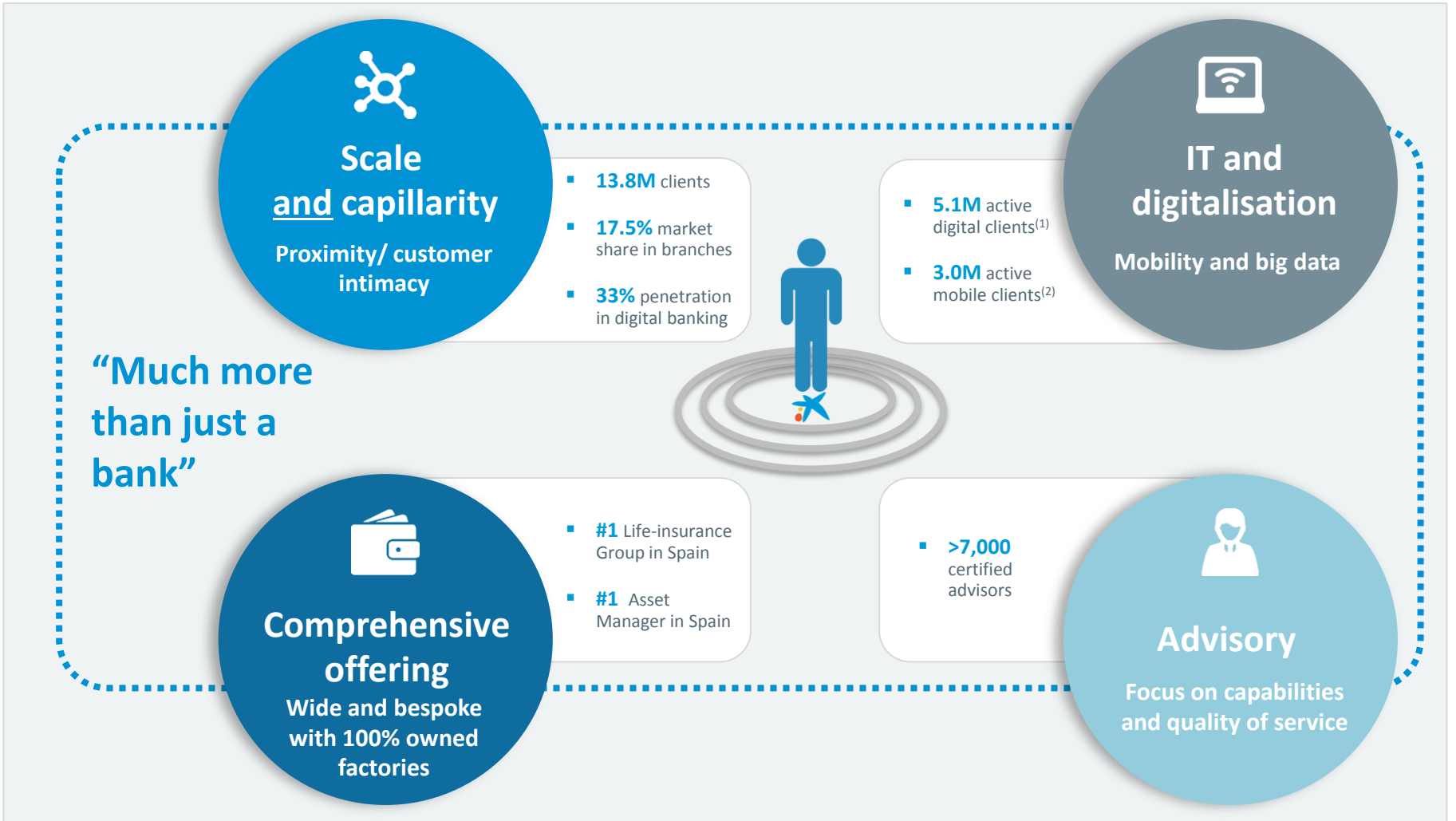
(1) Retail customers 18 year-old or older

(2) Peers include Banco Sabadell, Banco Santander, Bankia, BBVA

Source: FRS Inmark 2016

**A one-stop shop distribution model for lifetime finance and insurance needs**

Our “financial supermarket” model...



(1) Active clients through digital channels (internet or mobile) in the last 2 months

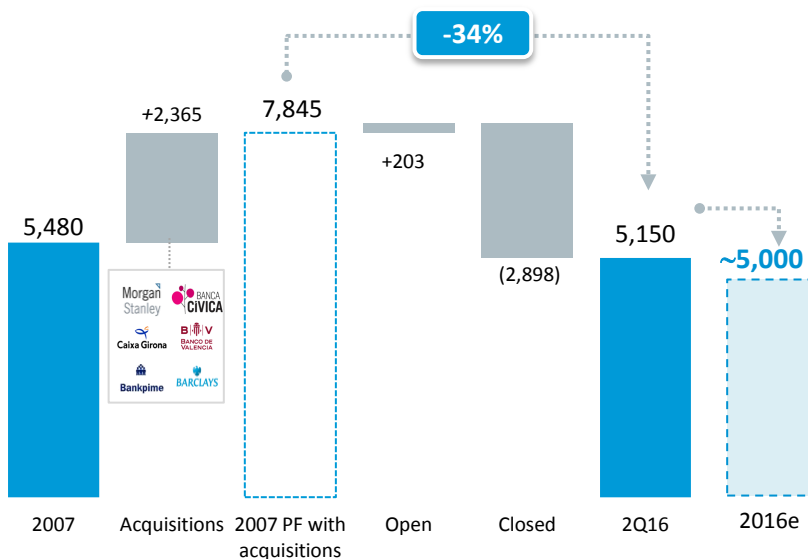
(2) Active clients through mobile in the last 2 months

Sources: Bank of Spain, FRS Inmark, ICEA, Inverco

**...provides unique advantages to face current headwinds**

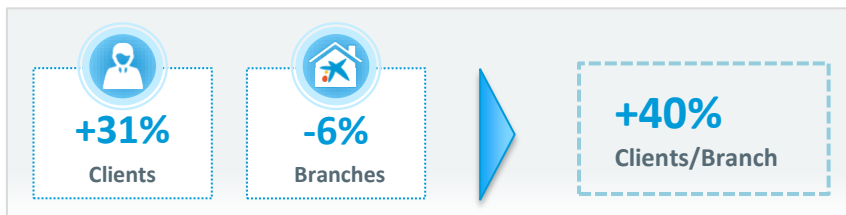
# Adapting the distribution model to a changing environment

## Continued rightsizing...

 Evolution of branch network<sup>(1)</sup> size


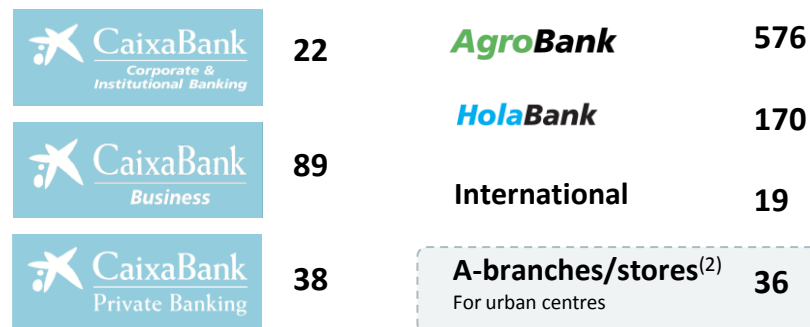
## Increasing number of clients per branch

Growth 2007-June 2016, %

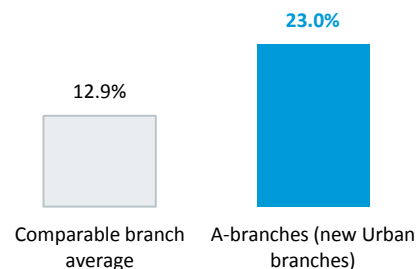


## ... with resegmentation of the network

Network specialisation: number of specialised branches, June 2016



## Consolidating branches into a more efficient model

 Gross revenue/employee, % yoy<sup>(3)</sup>


## A network in constant evolution

(1) Including international branches and representative offices

(2) As of August 2016

(3) Jan-May 2016 vs. Jan-May 2015

## Mobilising the sales-force to improve commercial effectiveness

### Bringing the branch to the client



“  
*Leading adopter  
of sales-force  
mobility solutions*  
”

**1. Enhances value proposition**  
(proximity, transparency)

**2. Enhances security**

**3. Facilitates compliance**

**4. Improved efficiency and resource allocation**

**5. Commercial effectiveness**



**21,170 Smart PCs**



**~9.7M Digital signatures<sup>(1)</sup>**



**84% Digital processes**



### From cost centres into mobile offices and advisory hubs

(1) 0.1M in 2014, 2.4M in 2015 and 7.2M in 2016

# At the forefront of banking digitalisation

## Mobile banking initiative to prepare for potential future



1st "mobile only" bank,  
simple, fast and low cost

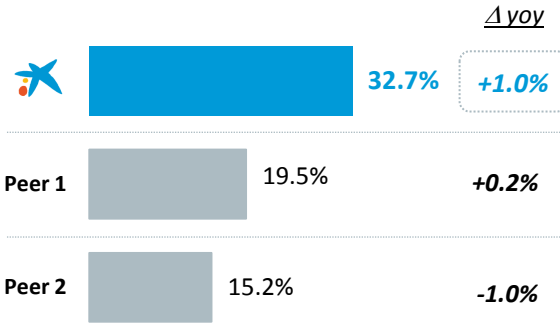


Best technological project of  
the year 2016: Global winner



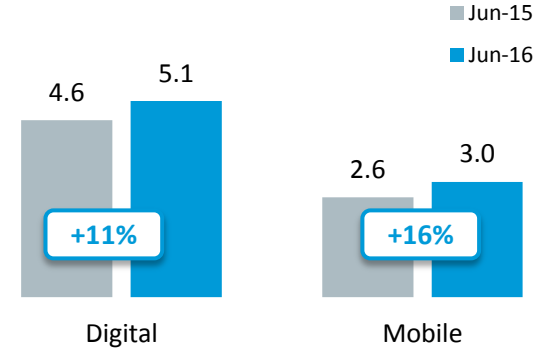
### The highest digital penetration...

Penetration amongst digital customers<sup>(1)</sup>, %



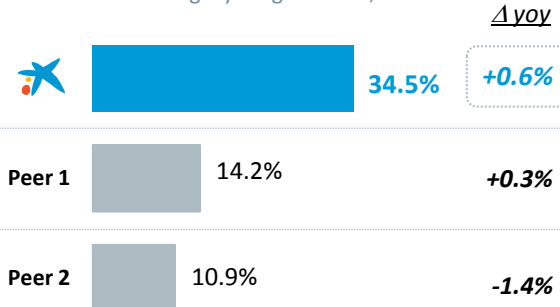
### ... with increasing # of digital and mobile clients

Digital clients by channel<sup>(3)</sup>, Million



### Also the highest penetration amongst young clients

Penetration amongst young clients<sup>(2)</sup>, %



5.1 M digital clients<sup>(3)</sup>

3.0 M mobile clients<sup>(3)</sup>

3.1 M 18-35 yr clients



#1 in European Mobile Banking

## Ample external recognition

- (1) Penetration amongst users of internet or mobile banking. Peers are BBVA and Santander. Source: FRS Inmark 2016
- (2) Penetration amongst individual clients between 18-30 years old. Peers are BBVA and Santander. Source: FRS Inmark 2016
- (3) Active clients through digital channels (internet or mobile) in the last 2 months

# Using big data to increase efficiency and effectiveness

Using Big Data to create customer insights...

... a key driver of consumer lending growth

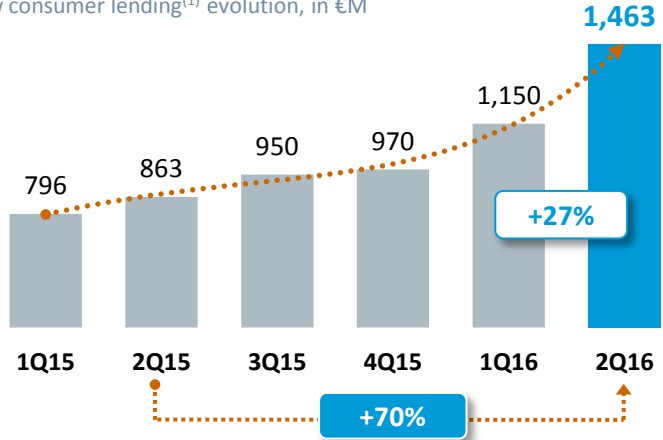


**13.8 M**  
clients



- Risk scoring  
*E.g. pre-approved consumer loans, car insurance*
- Commercial targeting
- Improving compliance
- Smart banking and efficiency projects

New consumer lending<sup>(1)</sup> evolution, in €M

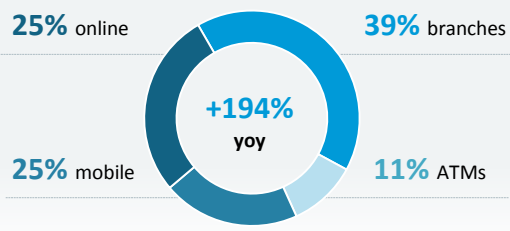


Quarter	New consumer lending (€M)
1Q15	796
2Q15	863
3Q15	950
4Q15	970
1Q16	1,150
2Q16	1,463

- ~9% FB yield<sup>(1)</sup>
- +21% yoy Loan Portfolio<sup>(1)</sup>



... through strong growth in pre-approved loans

Pre-approved instant consumer loan (Click & Go loans<sup>(2)</sup>) sales by channel, % of total sold 1H16



Channel	% of total sold 1H16
online	25%
branches	39%
mobile	25%
ATMs	11%

+194% yoy

## Technology enables seamless combination of purchasing and financing decisions

(1) CaixaBank and MicroBank personal loans plus new lending by CaixaBank Consumer Finance  
 (2) Click & Go loans represent 19% of total personal loans sold through CaixaBank network



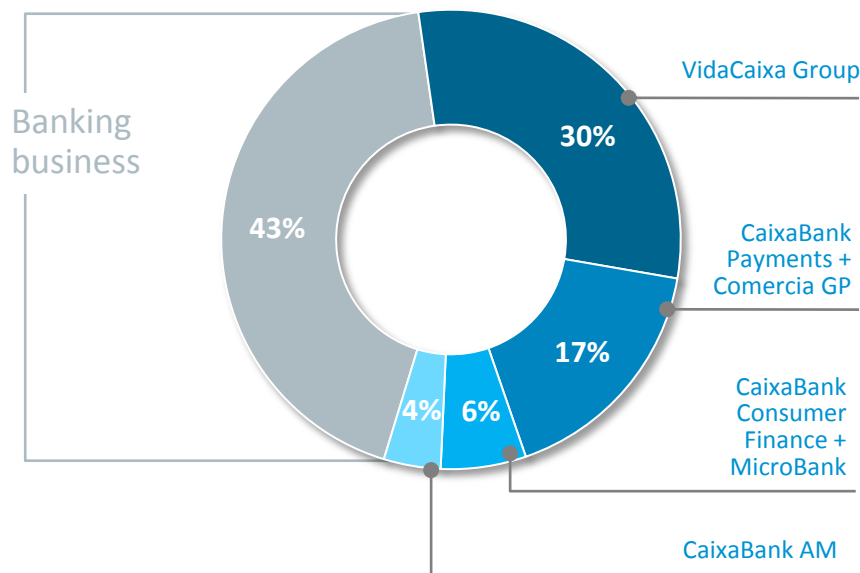
## Non-banking businesses are key contributors to results

### Large and profitable businesses...

		Market share <sup>(1)</sup>
		<b>23.9%</b> Life-savings insurance
		<b>27.6%</b> Health insurance
		<b>18.1%</b> Mutual Funds
		<b>17.2%</b> Consumer lending
		<b>22.9%</b> Credit cards turnover
		<b>26.7%</b> PoS terminal turnover

### ...with a significant contribution to net income

Net income from bancassurance segment reporting<sup>(2)</sup> breakdown, as % of total 1H16 (trailing 12 months)



**10.1%**

**Bancassurance  
RoTE<sup>(2)</sup>**

**~5.5 pp**

**Contribution from non-banking businesses to bancassurance RoTE<sup>(2)</sup>**

## A resilient model for a low rate environment

(1) CaixaBank's market shares by product. In Spain, latest available data

(2) Trailing 12 months excluding extraordinary expenses and SRF contribution in December 2015

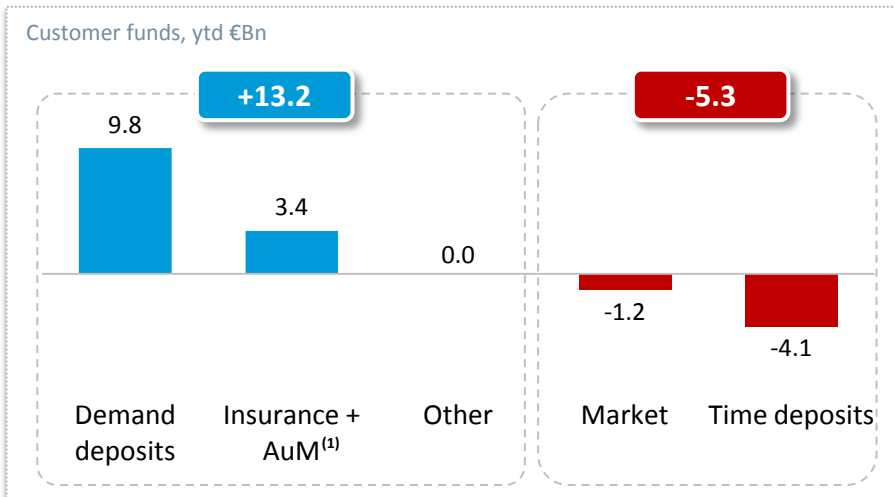
Sources: ICEA, INVERCO, Bank of Spain and ServiRed

## Agenda

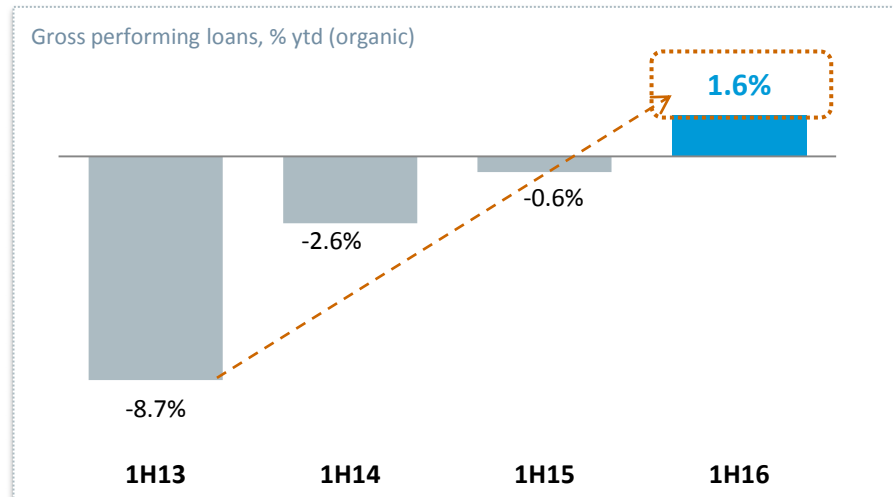
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# Turning the corner in 2H16

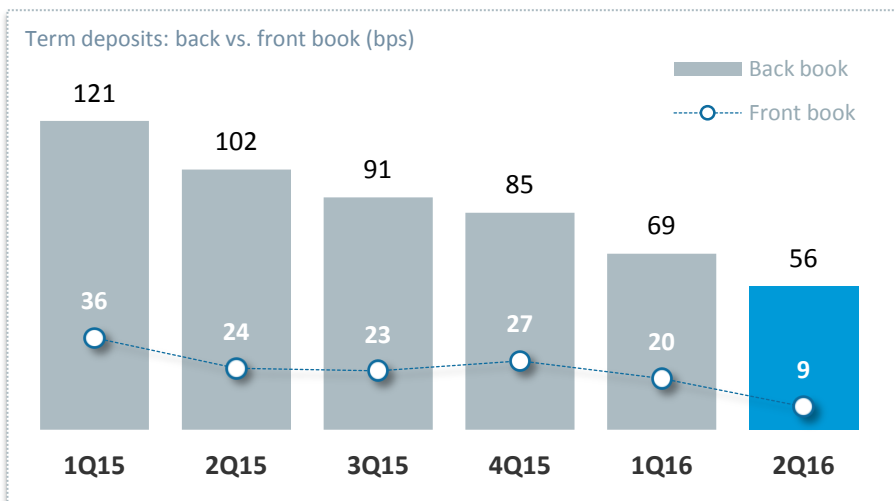
## Sharp increase in customer funds



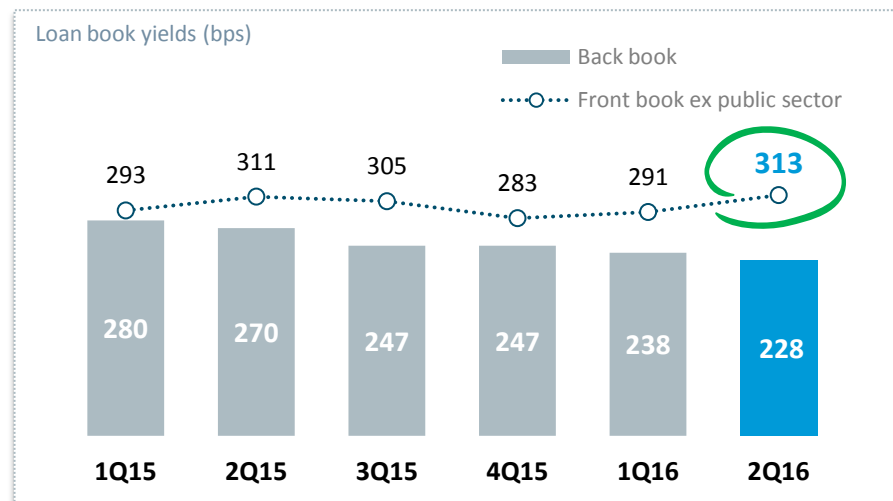
## Loan book transitions to growth



## Funding costs keep falling



## Defending margins in new lending

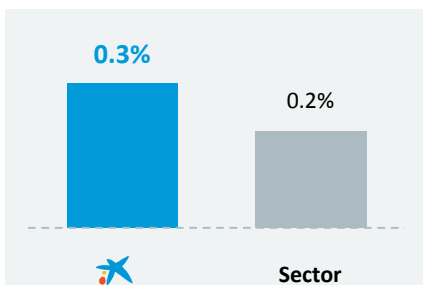


(1) Mutual funds and pension plans

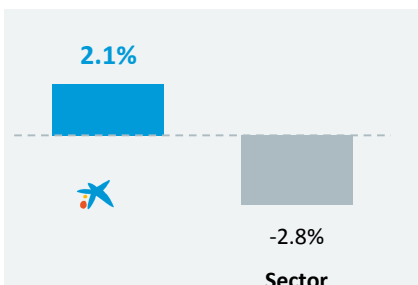
## With profitable market share gains across the board

### Outpacing the sector in loans and client funds

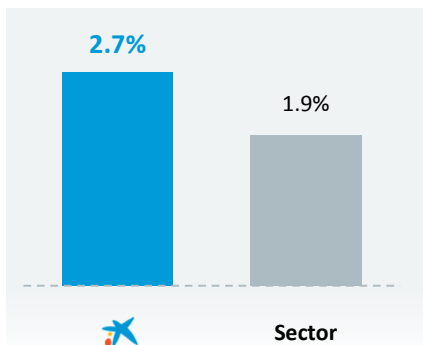
Credit to individuals, %YTD



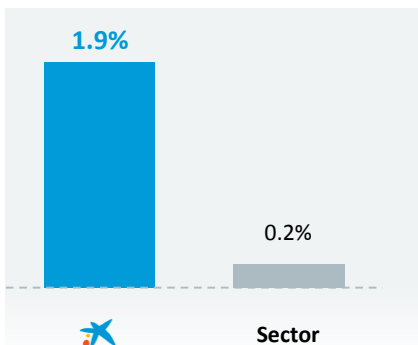
Loans to businesses<sup>(1)</sup>, %YTD



Total funds<sup>(2)</sup>, %YTD

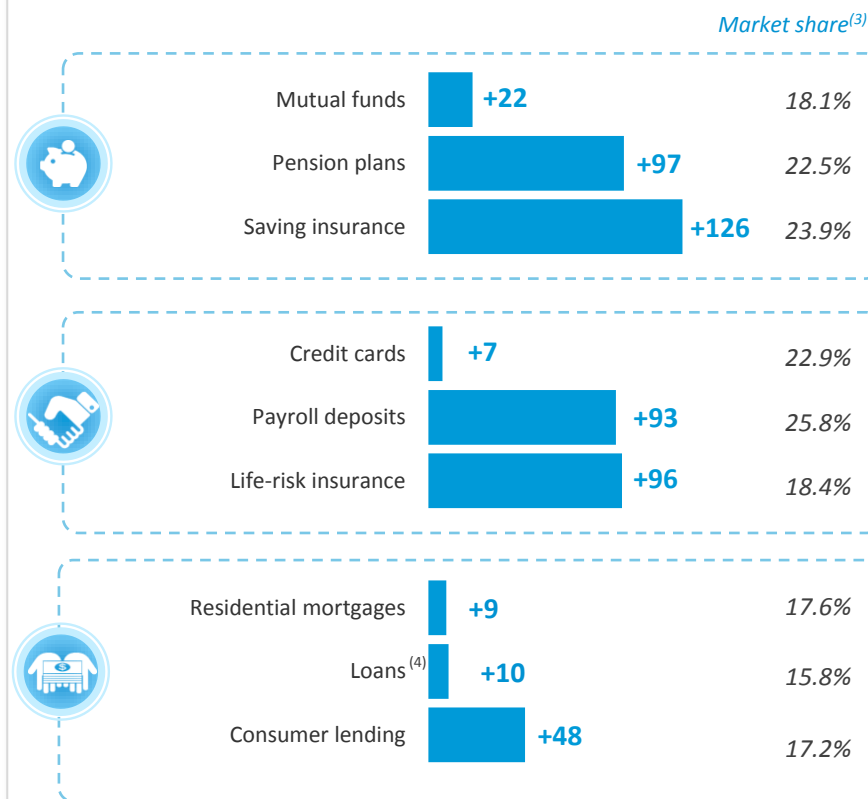


Savings insurance + AuM, % YTD



### Delivering steady market share gains

Market share growth ytd, in bps



## Market leadership in payroll deposits key to cross-selling

(1) Sector data include only loans to non-financial corporations

(2) Include deposits comparable to commercial management purposes, savings insurance and AuM

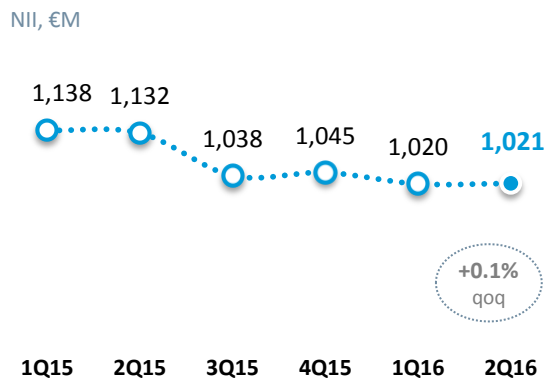
(3) Latest available data

(4) Loans to other resident sectors excluding repo-depo

Source: Bank of Spain (chapter 8), INVERCO, ICEA, ServiRed and Social Security

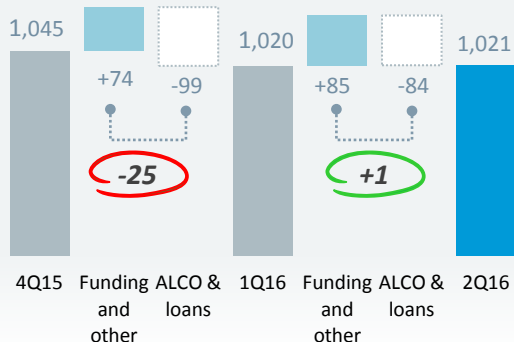
## Revenues rebound in 2Q

### NII stabilises and set to grow

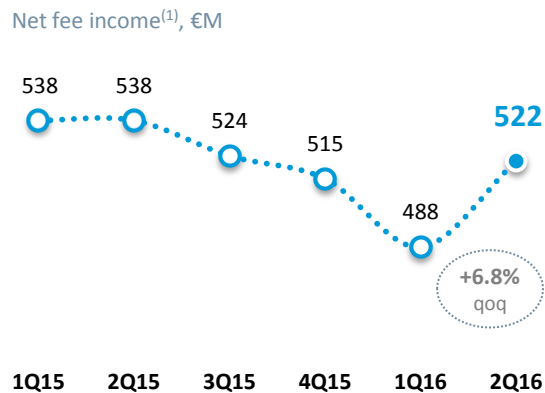


### Steady tailwinds, fading headwinds

NII bridge qoq, in €M

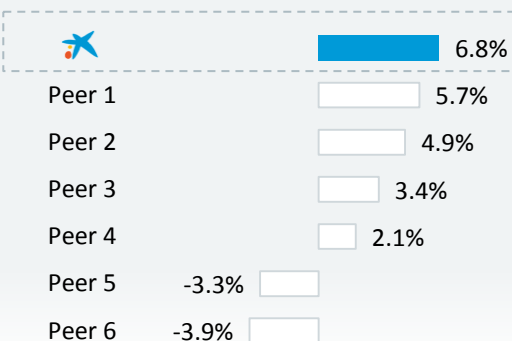


### Fees rebound

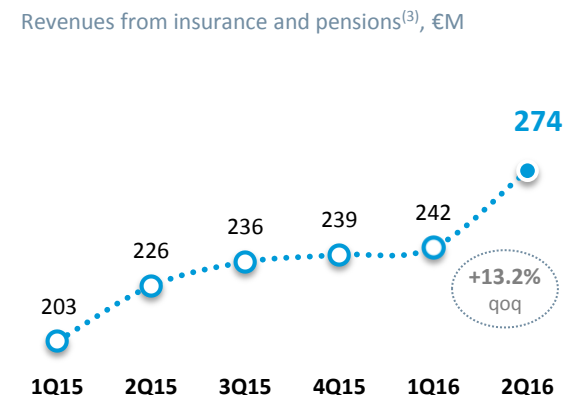


### Growing more than peers

Fee income<sup>(2)</sup>, % qoq

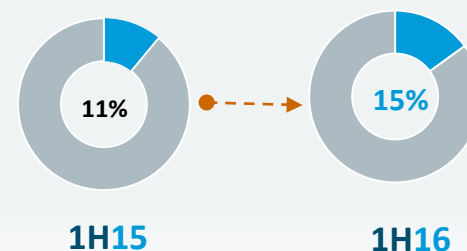


### Insurance and pensions grow strongly



### Contribution to revenues is increasing

% of CABK bancassurance revenues ex trading income



**Making customer funds profitable through higher share of wallet**

(1) In relation to the income statement for 2015 and for 1Q 2016, Bank of Spain Circular 5/2014 has resulted in the restatement of gains and losses on the purchase and sale of foreign currency, which are no longer presented under Trading income, but under Net fee and commission income

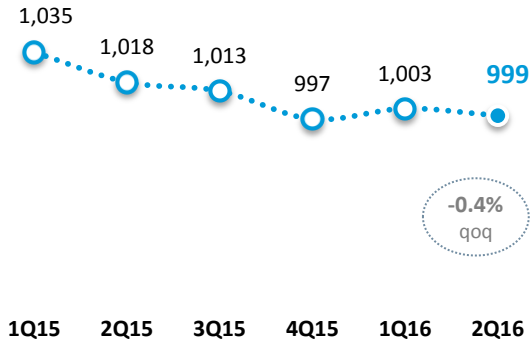
(2) Peers include Bankia, Bankinter (ex Portugal), BBVA Spain + Real Estate, Banco Popular, Banco Sabadell ex TSB, Banco Santander Spain ex Real Estate. Sources: based on company information

(3) Excluding trading income

# Operating costs and provisioning charges keep trending down

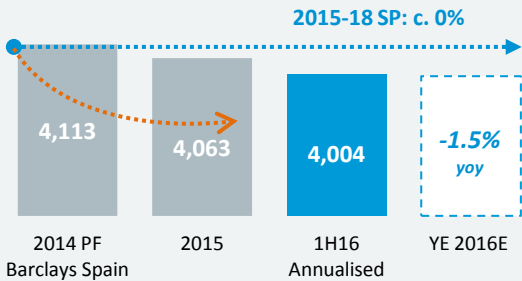
## Operating costs at ~€1Bn/qr target

Recurrent costs, €M



## Cost evolution better than planned

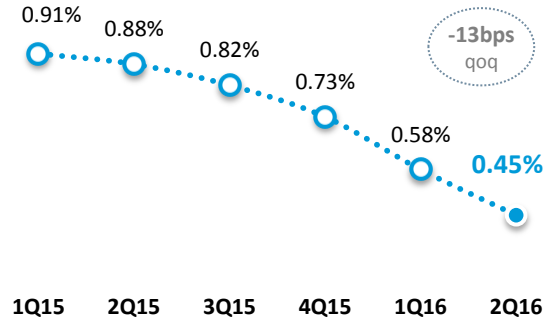
Recurrent cost base evolution, €M



**-18%** 2011 (PF acquisitions) vs 1H16 annualised

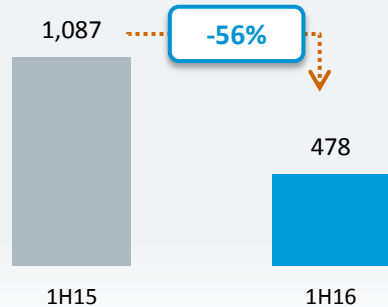
## CoR below YE guidance of 0.50%

CoR<sup>(1)</sup> (Trailing 12 months), in %



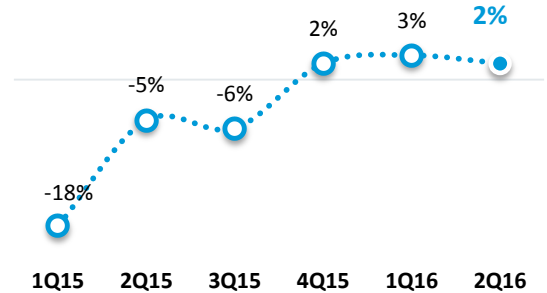
## LLPs down by 56% in 12 months

Loan-loss provisions, €M



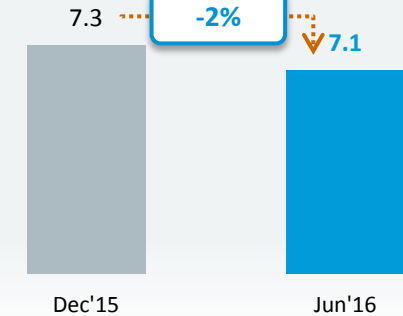
## Another quarter of profitable RE sales

Profits at RE sales, as % of sale price



## OREO confirmed declining trend

Net of provisions, €Bn



Well-entrenched improvement in credit metrics: NPLs **down 38%** from peak

(1) Total insolvency allowances recognised in the last twelve months divided by total loans and advances to customers, gross, plus contingent liabilities at the period-end

## Agenda

- Macro and industry environment
- CaixaBank – en route to a big and simpler bank
- **Final remarks**

## Final remarks

### Simplifying the Group structure

- Transformed corporate structure
- Separate governance bank/Foundation
- Best-in-class corporate governance
- Early delivery of capital allocation targets

### Executing a winning strategy

- A resilient model for low-rates
- A network in constant evolution
- Large and profitable non-banking businesses

### Leveraging IT prowess

- The highest digital penetration
- Bringing the branch to the client
- Extracting value from big data



### Turning the corner in 2H

**Earnings rebound as key operating metrics improve**



*En route to a brighter future*



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