



**Reaping the benefits of a differentiated strategy**

**Gonzalo Gortázar, CEO**

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

“The Financial Crisis – 10 years on”

London, 28 September 2017

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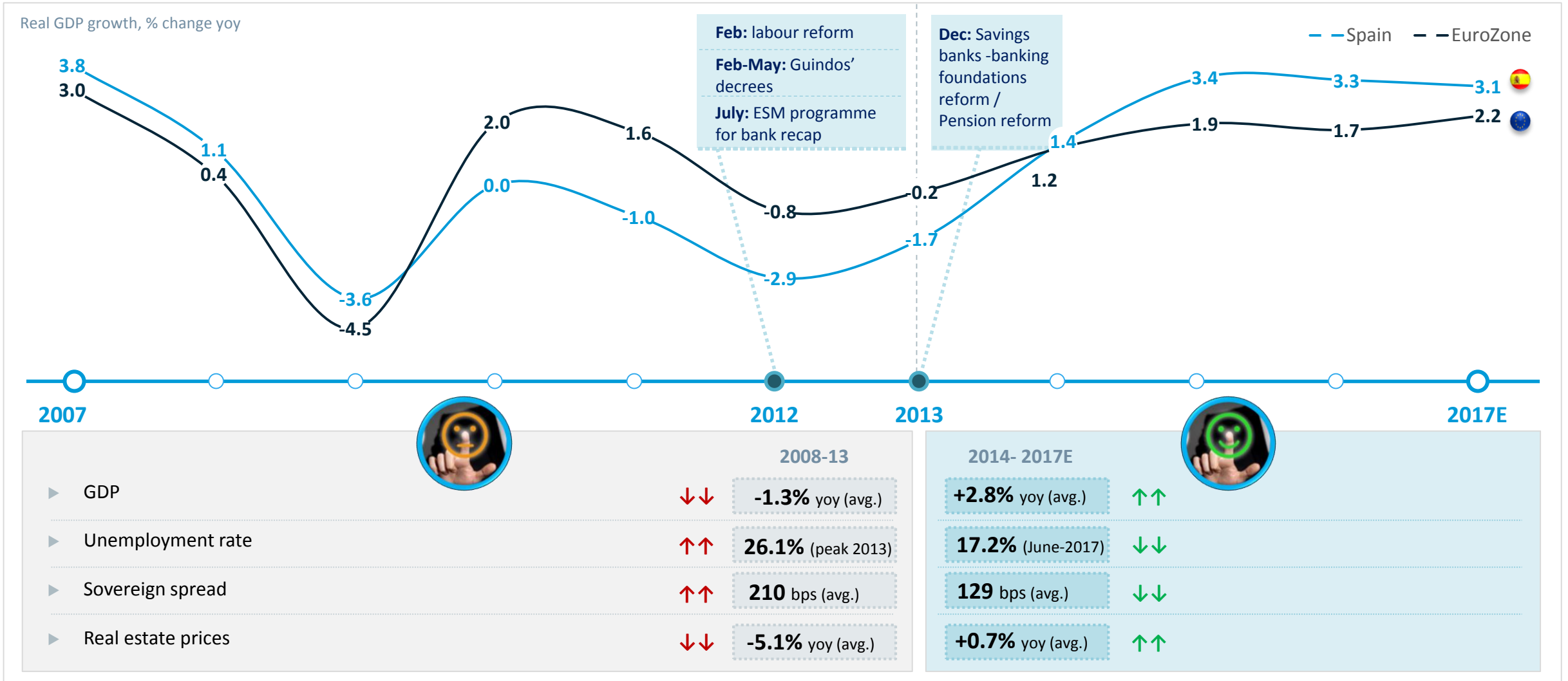
## Contents

1. **Macro and industry backdrop**
2. Managing the crisis and ensuing recovery
3. Geared for growth and higher returns
4. Final remarks

2007-2017: The Spanish economy has experienced two distinct phases...

From a double-dip recession...

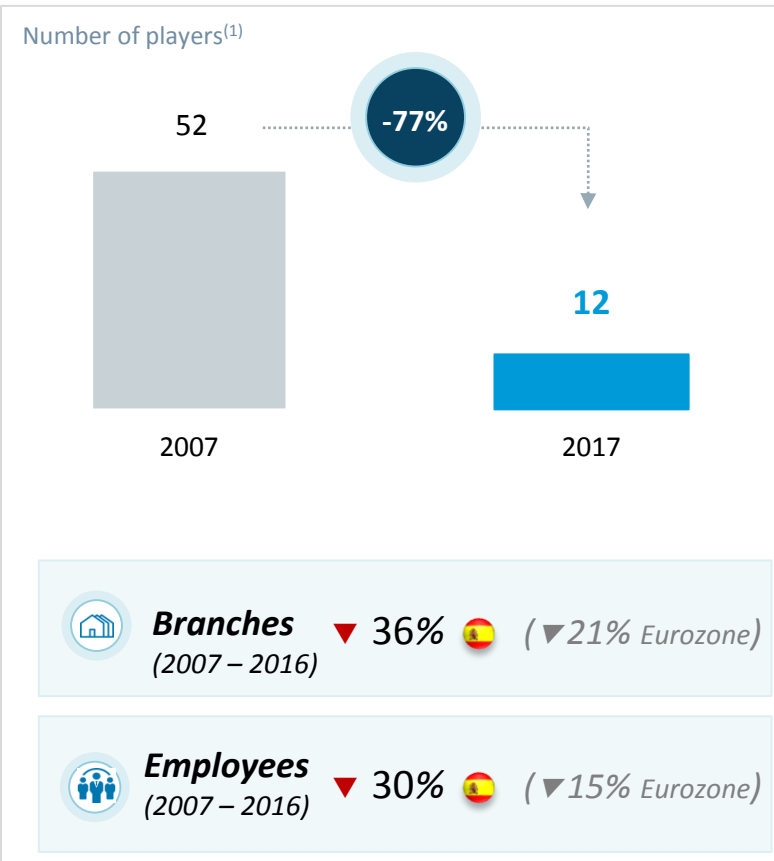
... to a recovery underpinned by banking and structural reforms



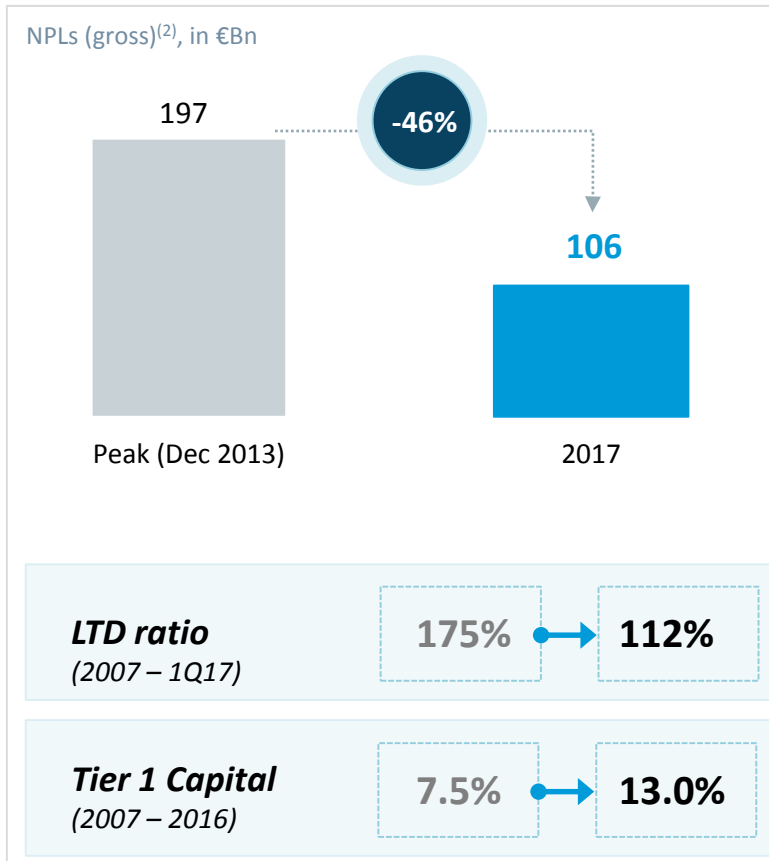
Sources: CaixaBank Research, Eurostat, Spanish Government. 2017 Forecasts from CaixaBank Research

## ...and has emerged with a dramatically different banking sector

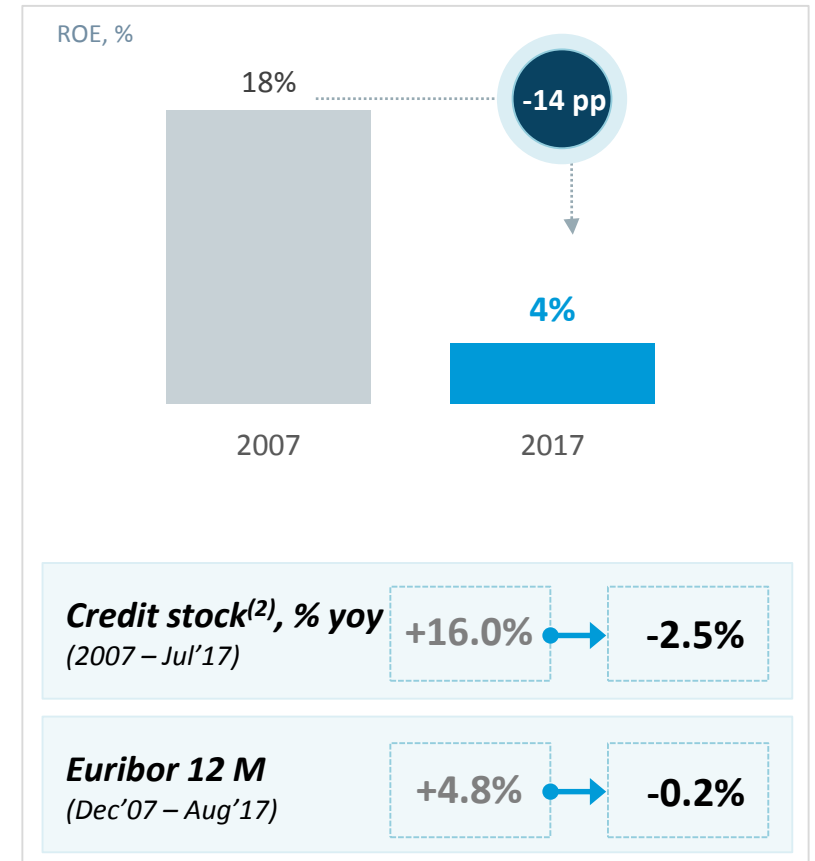
### Significant consolidation



### ...with stronger balance sheets



### ... but lingering profitability pressures



Macro improvement gradually contributing to sector recovery

(1) Considering all banks with more than €10Bn assets in 2007 and savings banks that were involved in the concentration process.

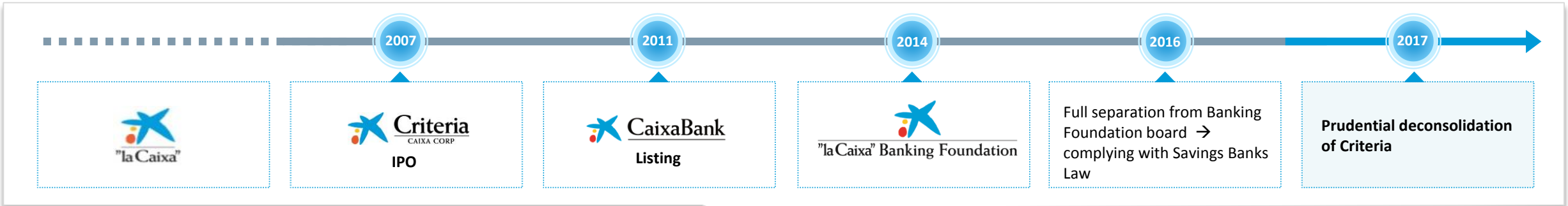
(2) Bank credit to the private sector

## Contents

1. Macro and industry backdrop
2. **Managing the crisis and ensuing recovery**
  - A. Simplified corporate structure
  - B. Improved competitive standing
  - C. Strengthened balance-sheet
3. Geared for growth and higher returns
4. Final remarks

**A Restructuring of the “la Caixa” Group has been completed**

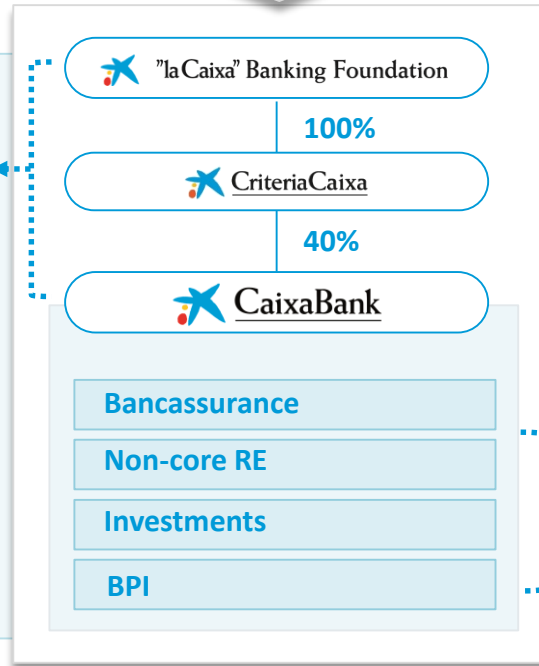
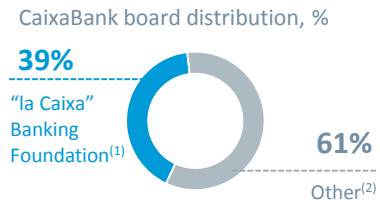
From an unlisted savings-bank to 3 institutions with separate missions and governance



**Deconsolidation process completed**

- ▶ **CRI stake reduced:** 40% (81.5% Jun-2011)
- ▶ **Reduced lending to CRI:** €0.3Bn (-92% vs Jun-2011)
- ▶ **The Foundation no longer controls the board**
  - Lead independent director
  - Non-exec Chairman
  - Clear separation of roles

→ *Best-in-class corporate governance*



**Increased focus on core business**

- ▶ **RE NPAs<sup>(3)</sup> reduced:** -42% from 2013 peak
- ▶ **Capital consumption of non-core stakes reduced to <7%**
- ▶ **BPI transformed into a core business**

(1) Includes 6 proprietary directors representing "la Caixa" Banking Foundation and 1 board member proposed by the banking foundations formerly comprising Banca Cívica  
 (2) Includes 9 independent directors, 1 proprietary director proposed by Mutua Madrileña and the CEO  
 (3) OREO portfolio and RE developer non-performing loans, both net of provisions



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



**Model provides unique advantages in current operating environment**

(1) Active clients in Spain in the last 2 months

(2) Average 12 month as of June 2017

Sources: Bank of Spain, ICEA, Inverco, Comscore, Servired

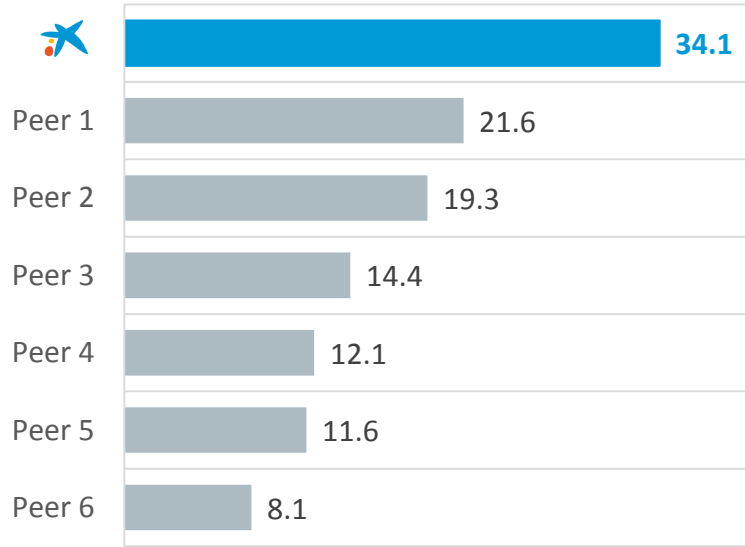


**B**

**We are at the forefront of digitalisation**

**The highest digital penetration**

Market penetration for digital clients<sup>(1)</sup>, in %



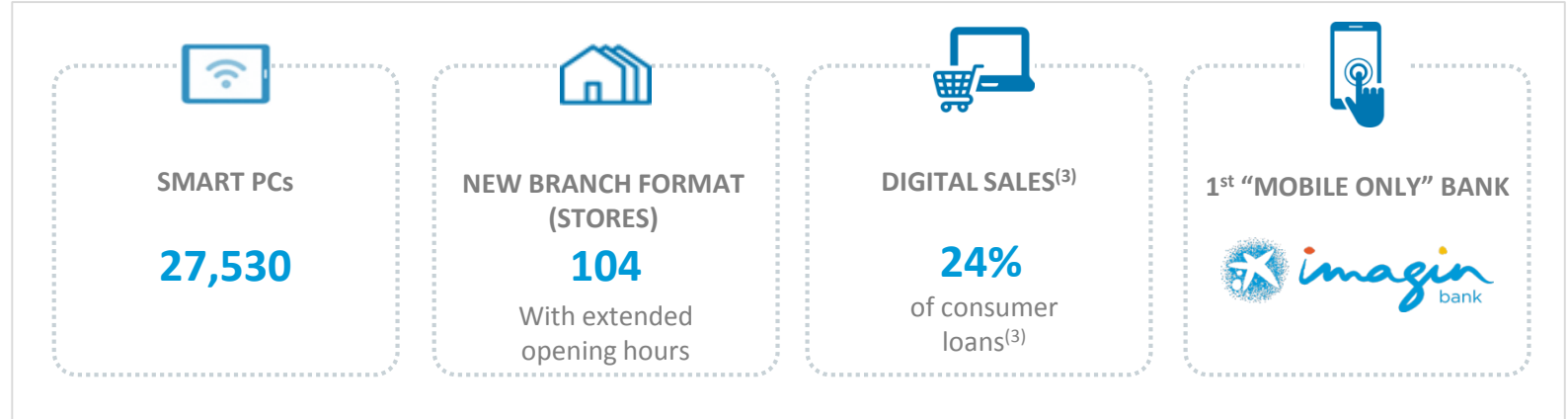
**Enhanced customer experience**

- Online advisory
- Innovative products
- Bespoke offering

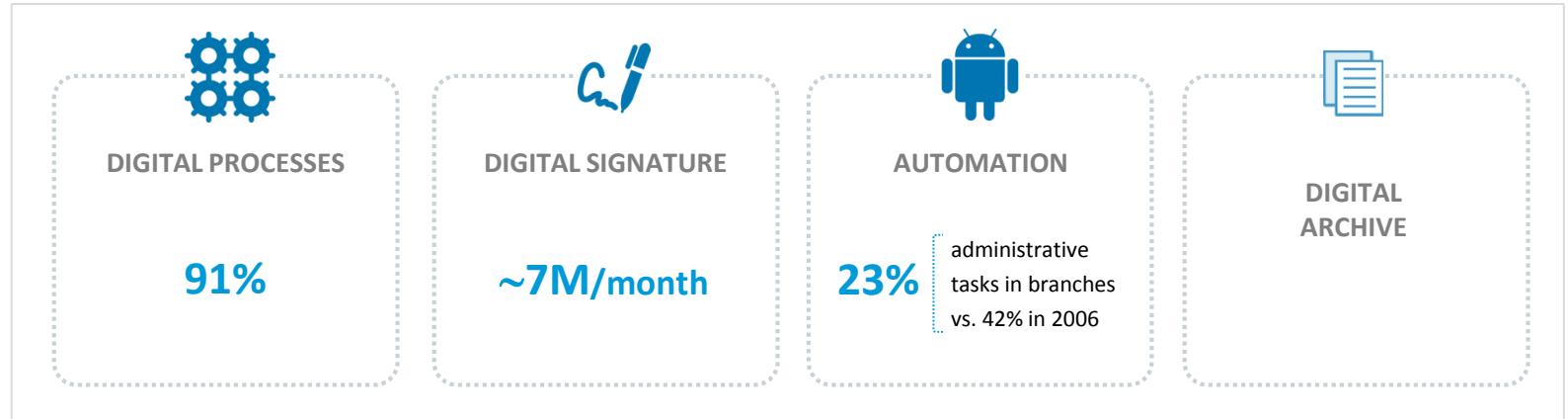
**5.5 M** digital clients<sup>(2)</sup>  
+8% yoy

**3.9 M** mobile clients<sup>(2)</sup>  
+30% yoy

**Leveraging IT for commercial effectiveness...**



**...while boosting efficiency and facilitating compliance**



**Not just "anytime, anyplace, anywhere" but also bespoke**

(1) 12 month average as of June 2017. Peer group includes: Bankia, Bankinter, Banco Sabadell, Banco Santander, BBVA, ING. Source: Comscore

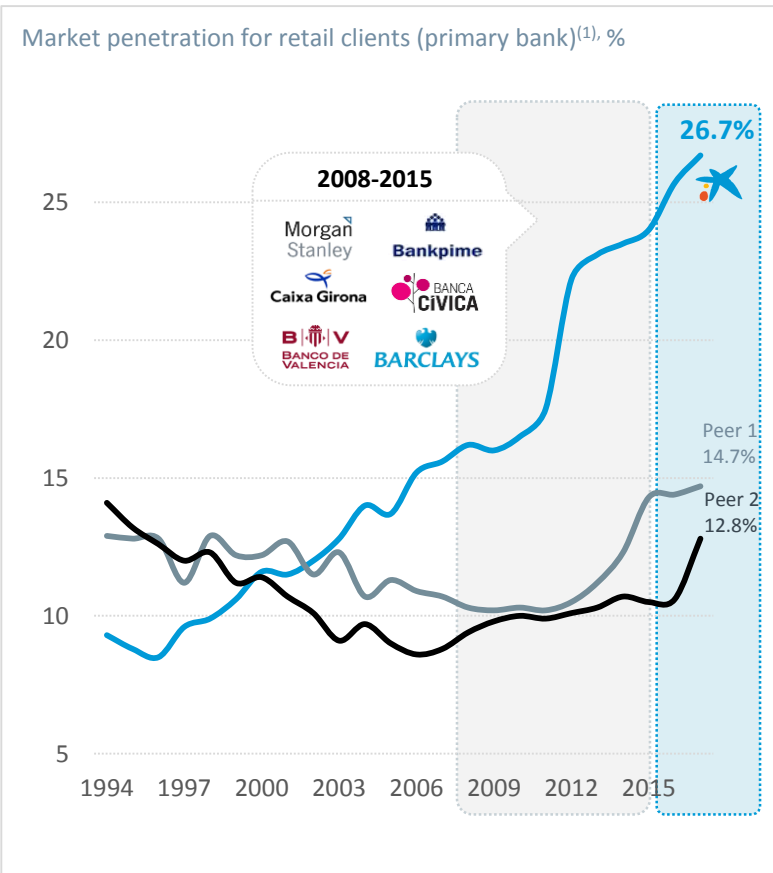
(2) Active clients in Spain in the last 2 months

(3) Sales executed via electronic channels (web, mobile and ATM)

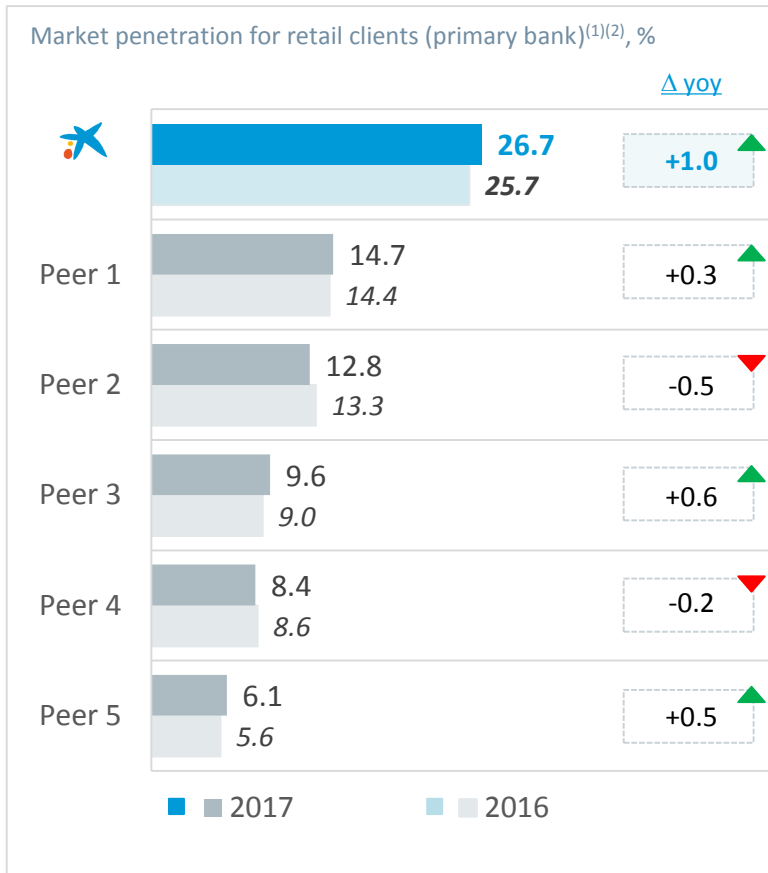
**B**

## We have become the undisputed “bank of choice” for Spanish retail customers

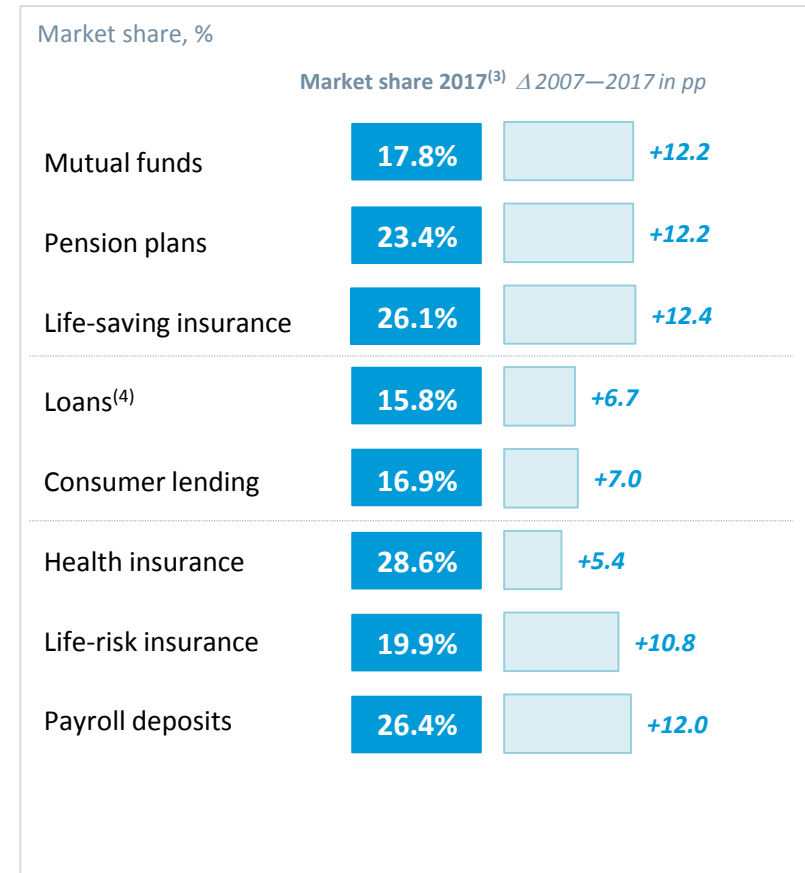
### Share in line with two closest peers combined



### Still growing organically more than peers



### With market share gains across products



**Strong franchise and appealing value proposition reflected in organic growth**

(1) Retail clients in Spain aged 18 or above.

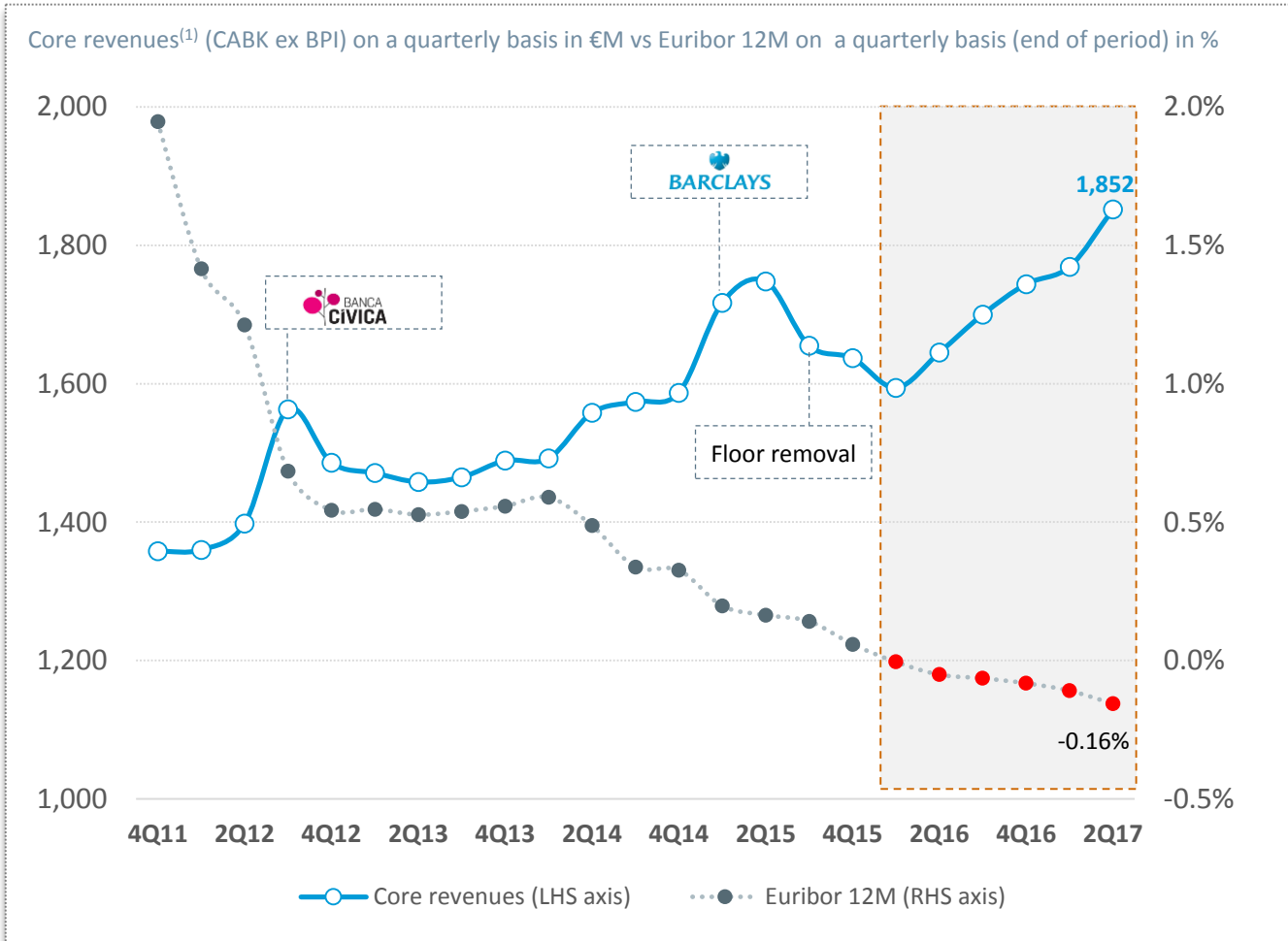
(2) Peer group includes: Bankia, Banco Santander Spain + Popular (Pro-forma in 2016), Banco Sabadell ex TSB, BBVA Spain, Cajas Rurales

(3) Latest available data

(4) Loans to the private sector

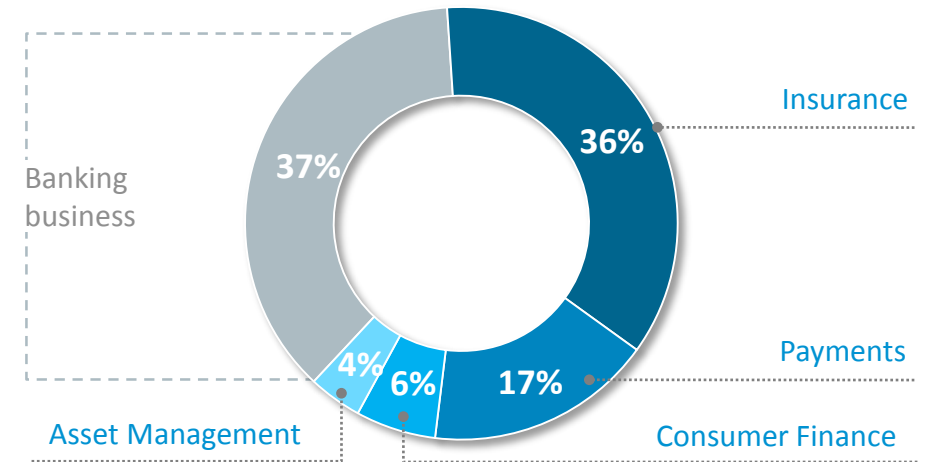
**B** Core revenues have shown sustainable growth despite negative rates

Core revenues at their highest since 2011



With a significant contribution of non-banking businesses

Net income from bancassurance segment breakdown, trailing 12M as of 30 June 2017



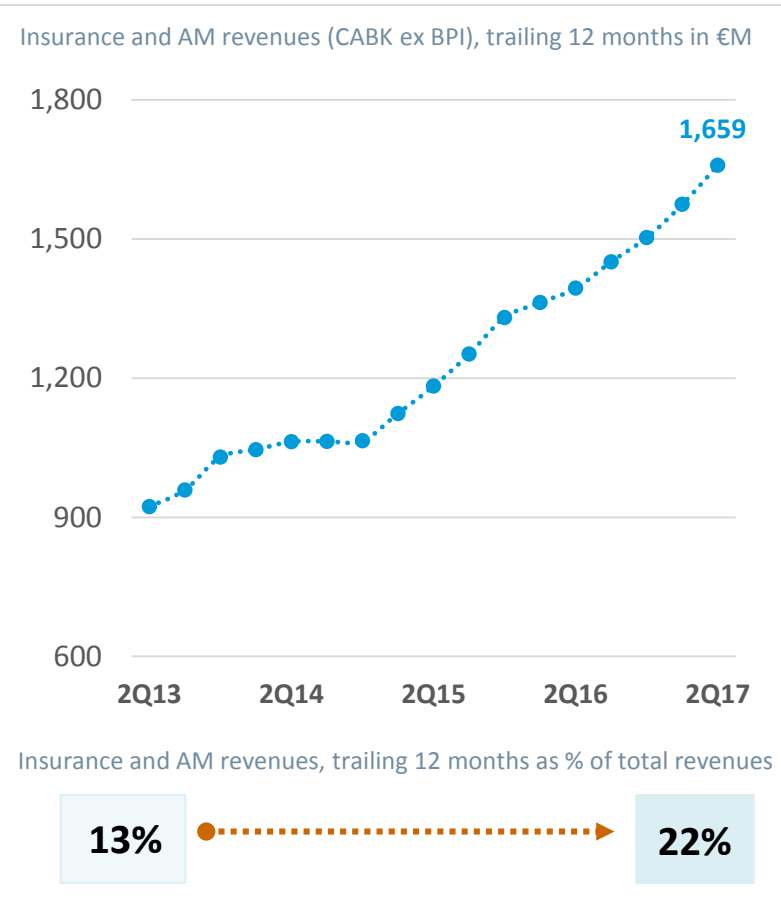
Operating a resilient model for a low rate environment

(1) Core revenues include: NII + Fees + other revenues from insurance (life-risk premia and equity accounted income from SegurCaixa Adeslas)

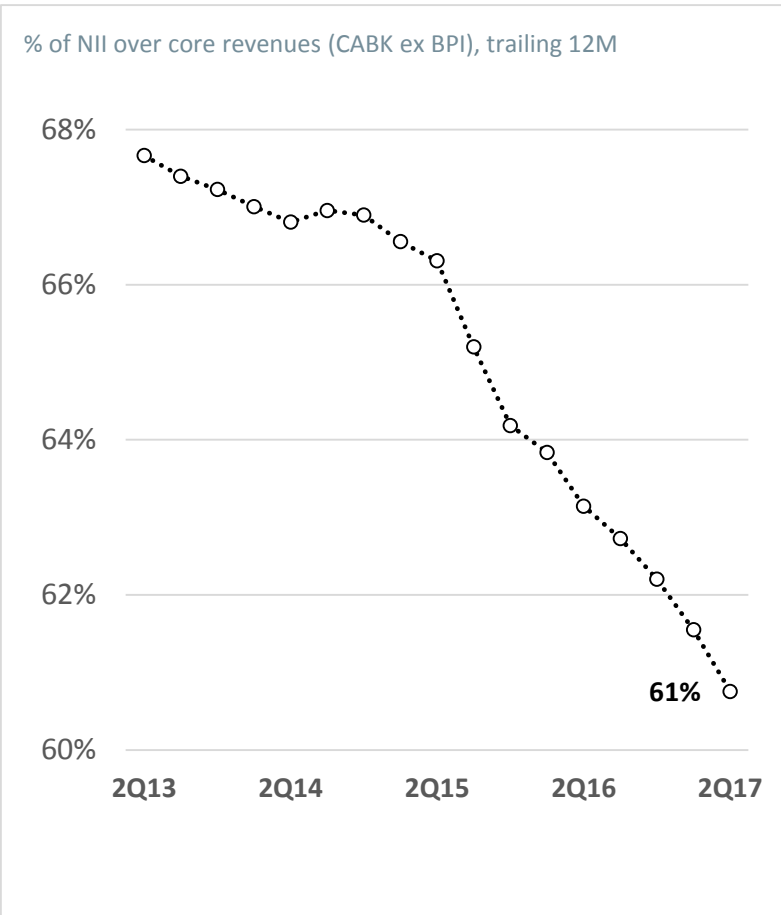
(2) Trailing 12 months RoTE exc. extraordinary items (-€85M redundancy program in 3Q16, +€433M in released provisions related to new BoS circular in 4Q16, +€256M net business combination result from BPI, and -€212M early retirement programmes of 2Q17; all after tax). Note that RoTE includes the accrued coupon of AT1 instruments (-€2M post-tax)

**B Insurance and asset management business have provided high-quality revenue diversification**

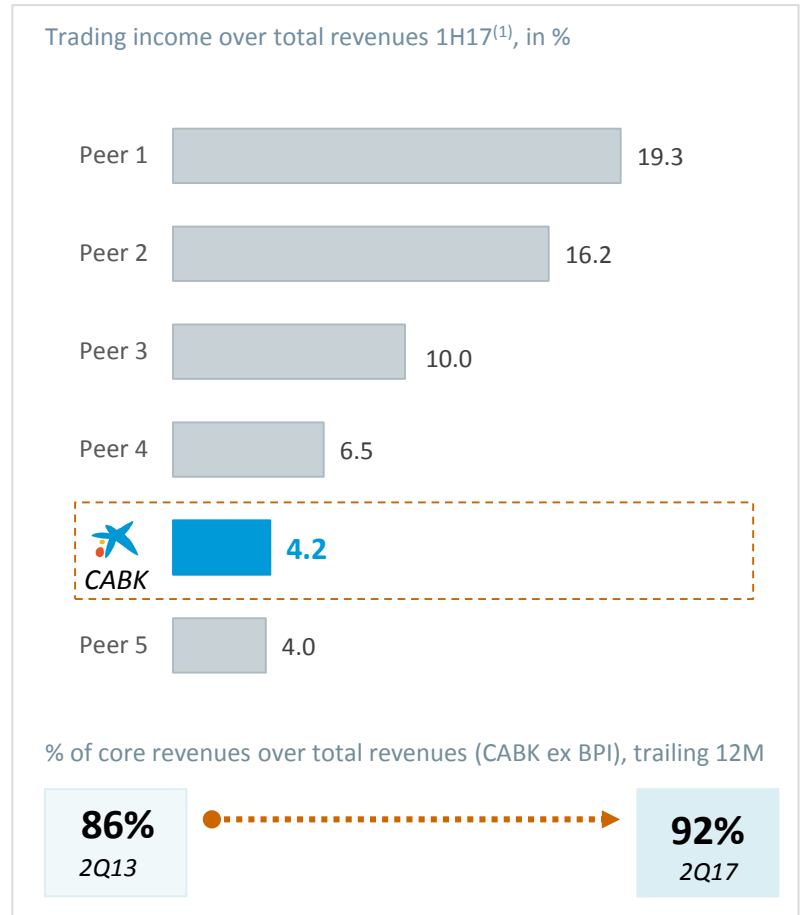
**Stable growth in insurance and AM revenues...**



**... reduces dependency on NII...**



**...with historically low contribution from trading**

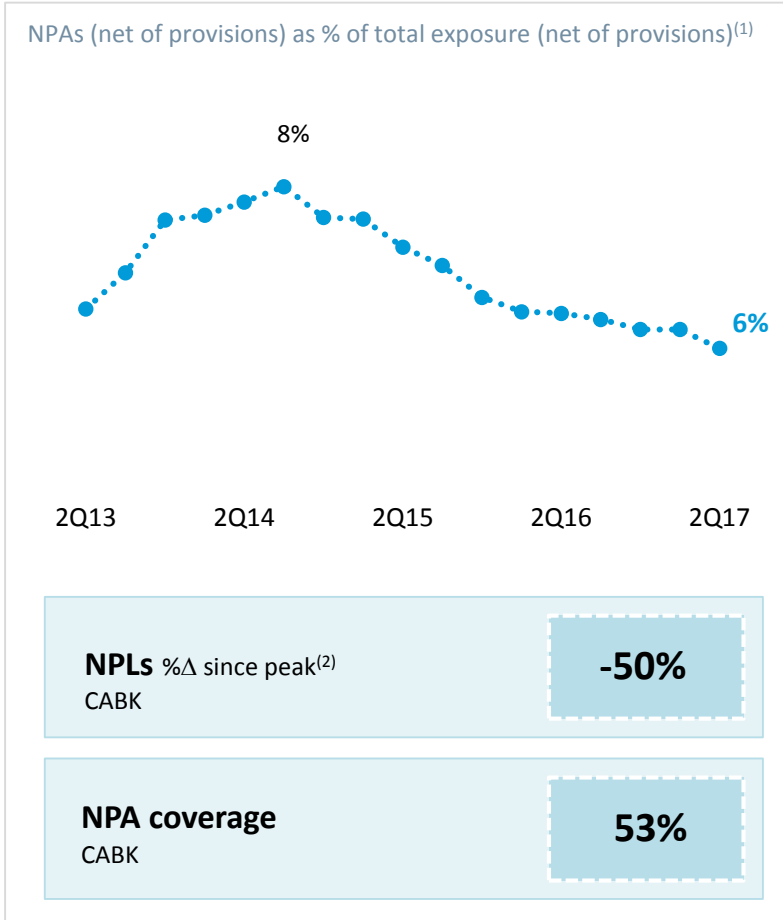


**Insurance and asset management offset NII pressure and decline of non-core revenues**

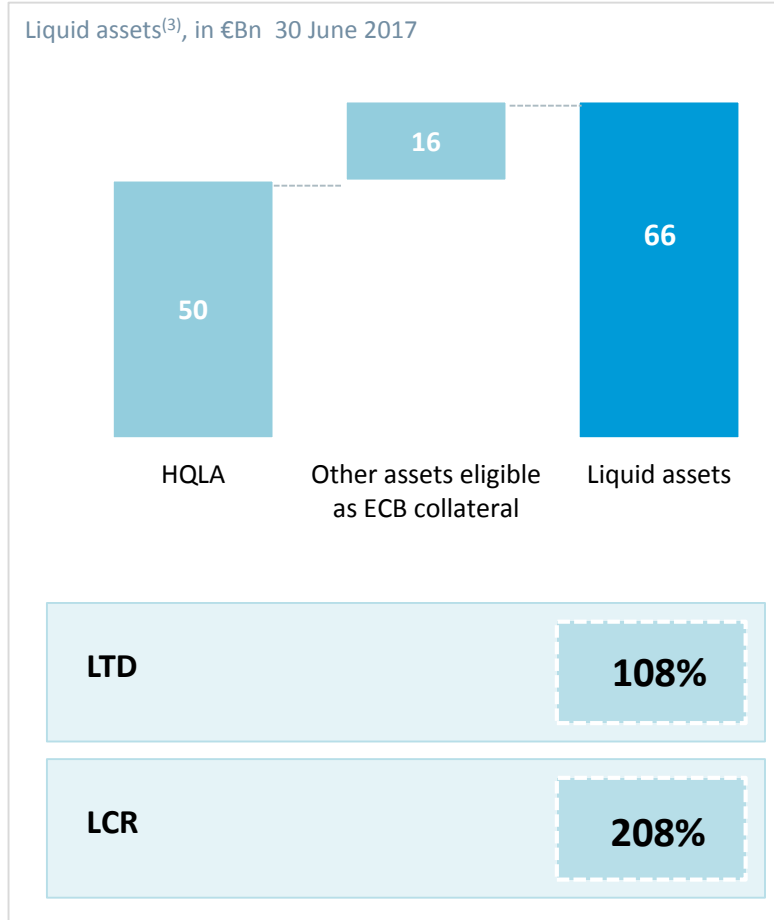
(1) Peer group includes: Bankia, Bankinter ex Portugal, Banco Santander Spain + RE, Banco Sabadell ex TSB, BBVA Spain + RE

**C A stronger balance sheet while anticipating regulatory requirements...**

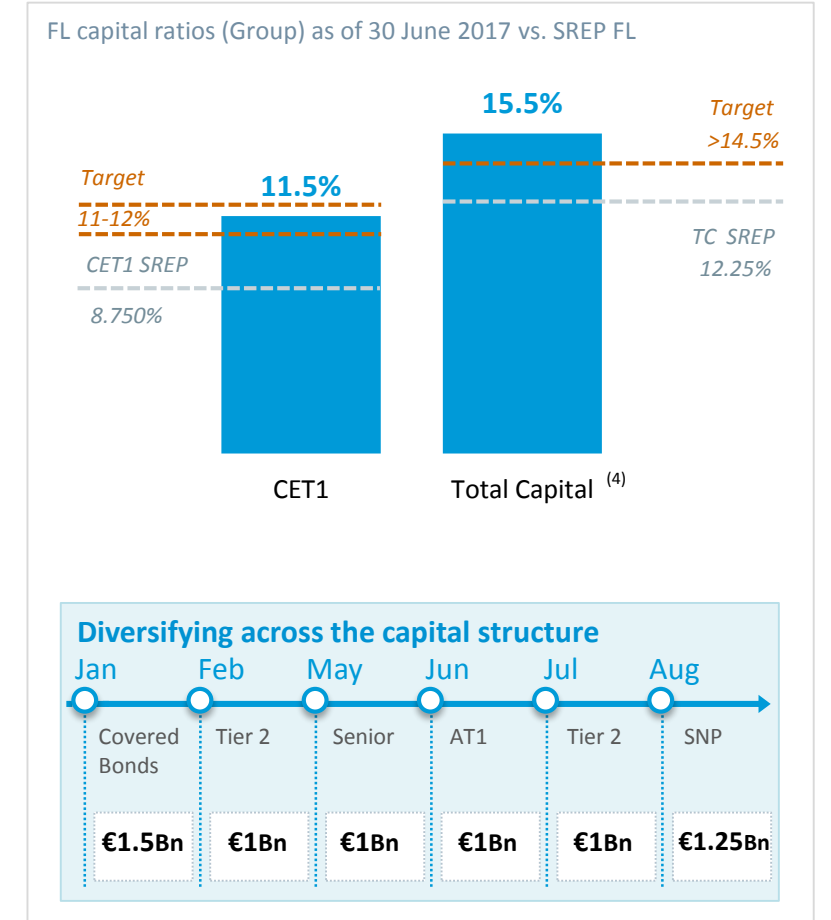
**NPAs significantly reduced since peak**



**Strong liquidity remains a hallmark**



**Prudent capital management with comfortable buffers**



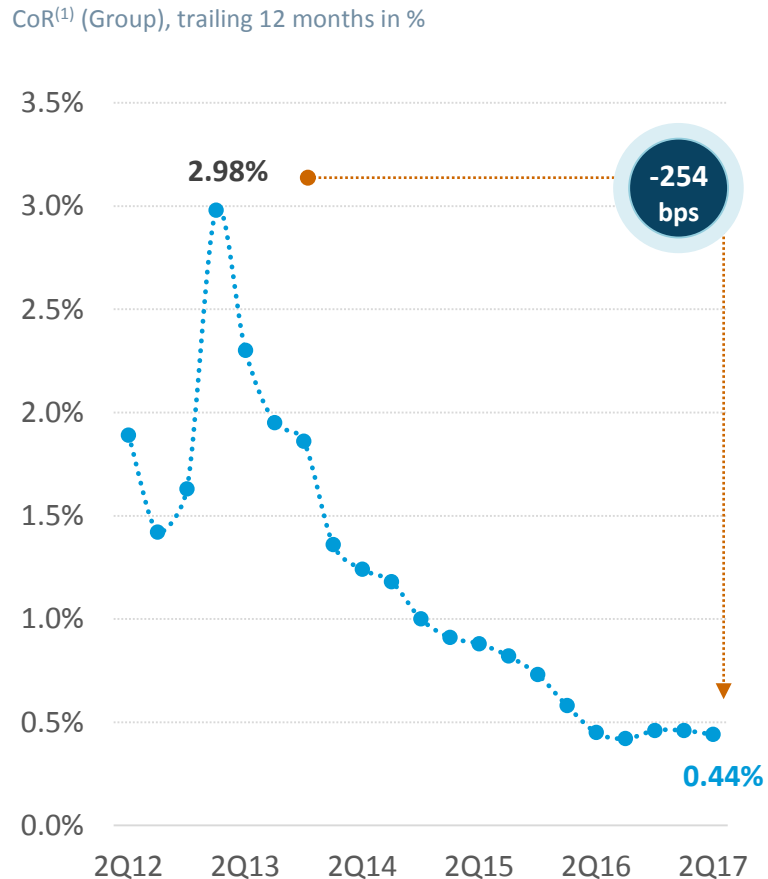
**The only domestic bank to have kept an investment grade rating through the decade**

(1) Net NPAs include NPLs (inc. contingent liabilities) and OREO, both net of provisions. Total net exposure include total loans (inc. contingent liabilities) plus OREO, all net of provisions.  
 (2) Peak in 2Q13 pro-forma Barclays  
 (3) Including BPI. HQLA stands for high quality liquid assets  
 (4) Total Capital ratio includes both the redemption of €1.3 Bn Tier 2 notes announced on 27<sup>th</sup> July 2017 and the positive impact (+66 bps) of €1.0 Bn Tier 2 notes issued in July 2017 on a proforma basis

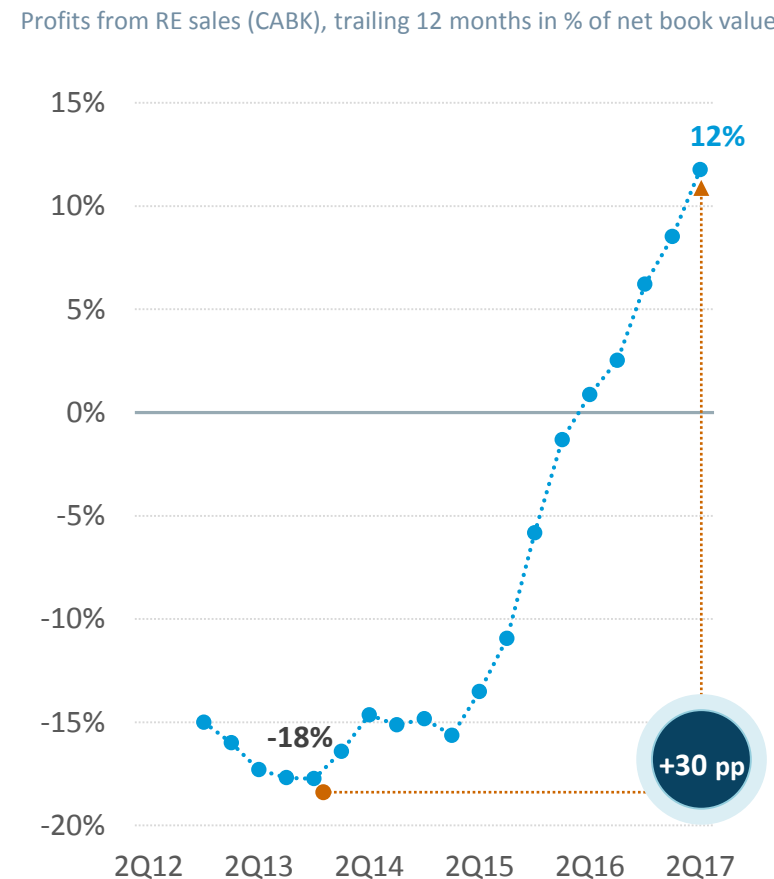
C

...has ultimately benefitted the P&L

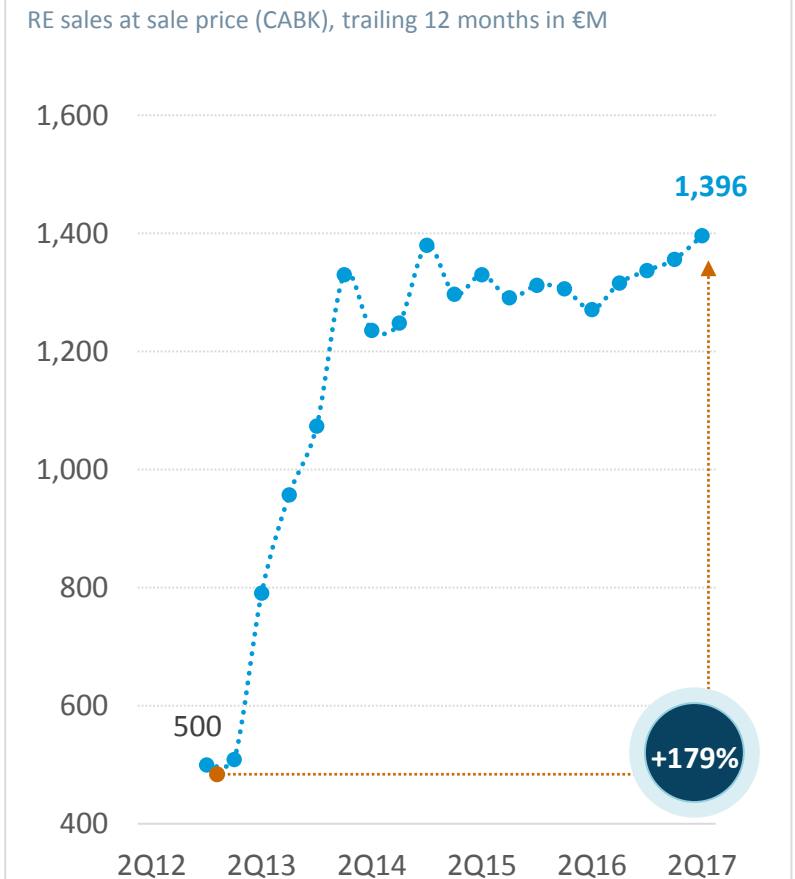
Cost-of-risk plummets from peak



OREO capital losses turn to gains



... with RE sales kept at high levels



2017 Guidance: CoR <40 bps and OREO capital gains to offset any impairments

(1) Loan-loss provisions over total gross customer loans plus contingent liabilities (average balances), on a trailing 12M. The 1Q16-4Q16 series was restated to calculate the ratio over average balances instead of end-of-period balances. Excluding in 4Q16 €656M in provisions related to the application of BoS Circular 4/2016

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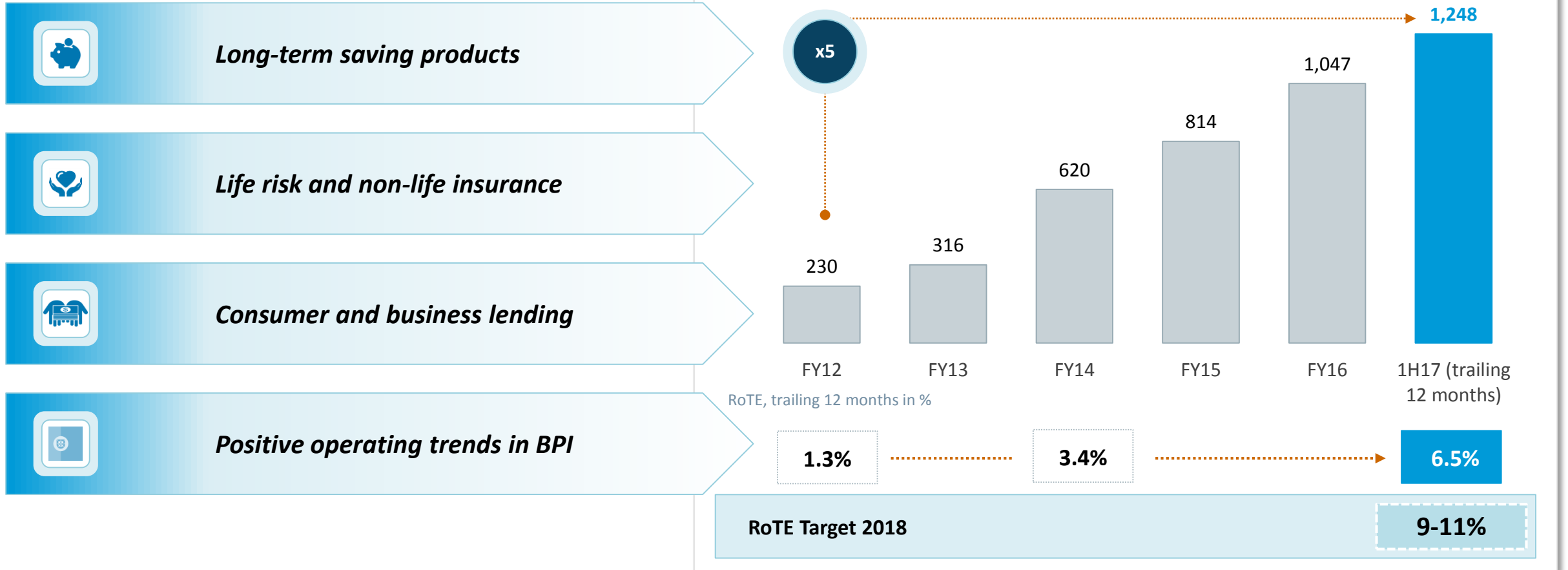
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Returns set to improve on core revenue growth and credit-risk improvements

The key drivers of future improvements...

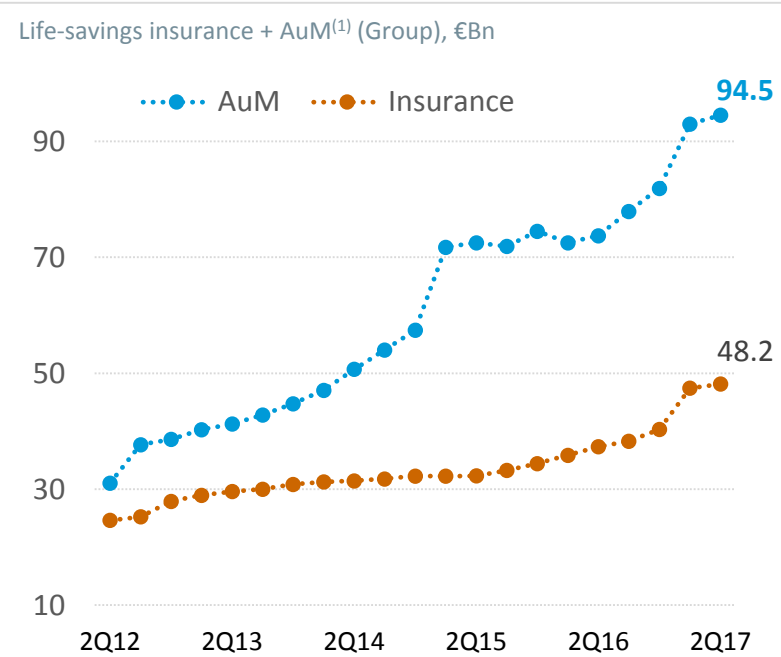
...will further contribute to already improving returns



Advancing towards targets for return on capital

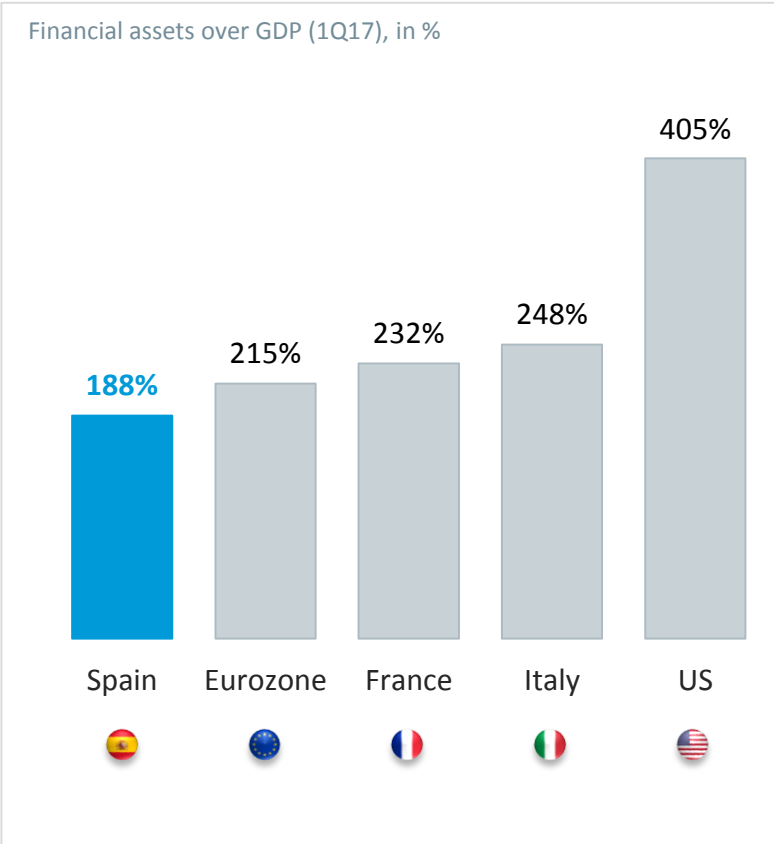
## There is significant unrealised growth potential in alternative saving products

### Strong growth in AuM and insurance

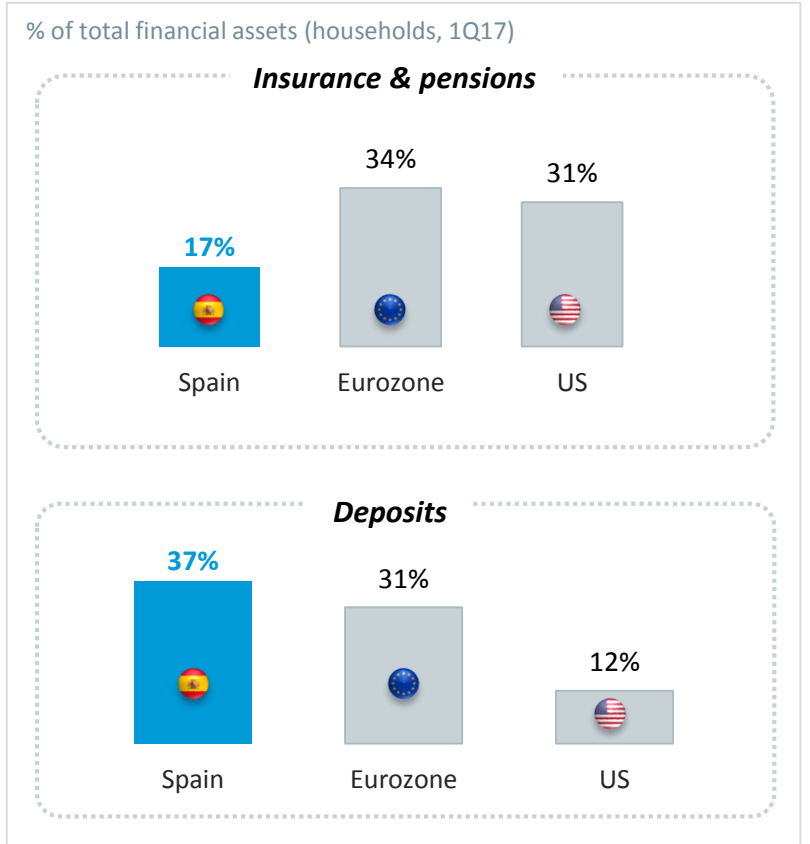


**#1** Market share<sup>(2)</sup>  
AuM + life-saving insurance **21.7%**

### Ample scope to emulate more mature markets...



### ... especially in insurance and pensions



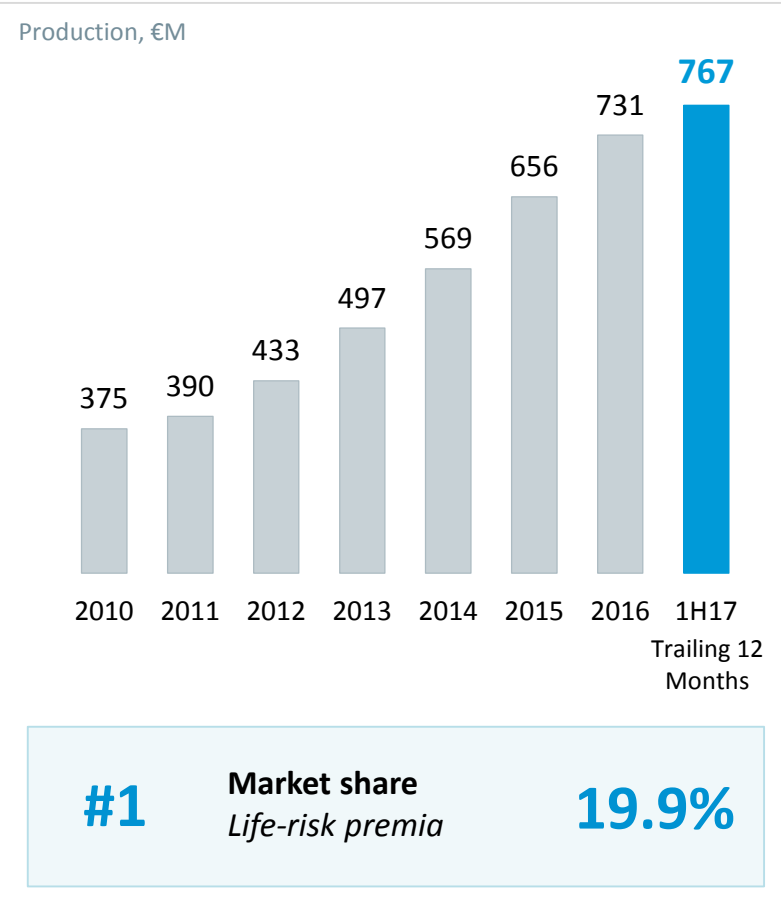
## Leveraging competitive advantages to seize alternative savings opportunity

(1) Mutual funds (including SICAVs and managed portfolios) and pension plans.

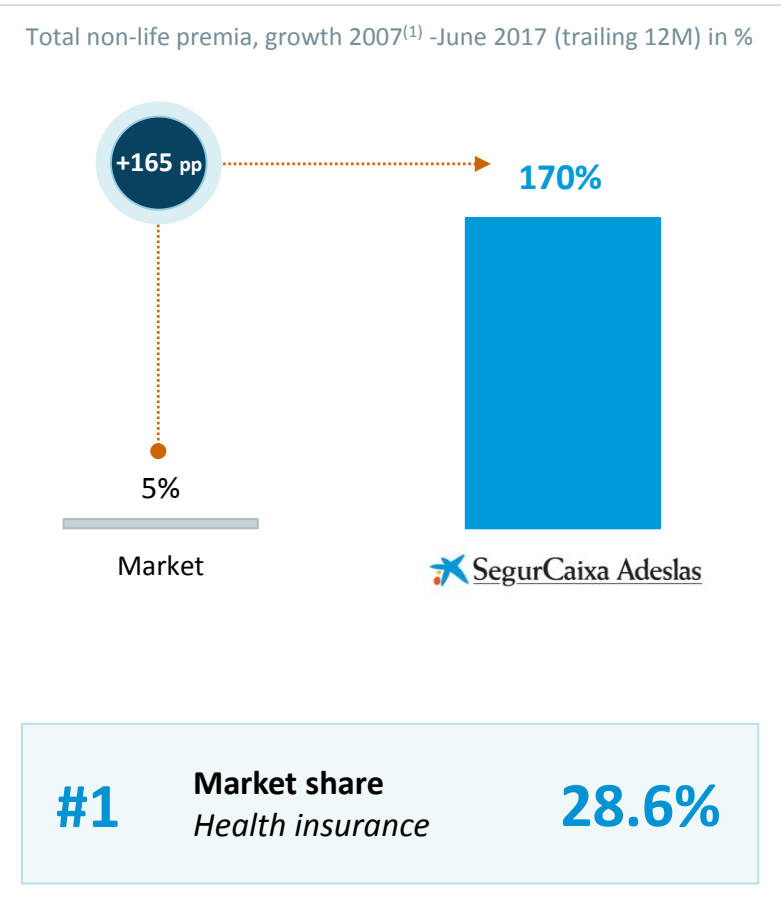
(2) Market share by assets under management, Spain. Source: INVERCO and ICEA with AuM comprised of mutual funds and pension plans

## Life-risk and non-life insurance also set for growth

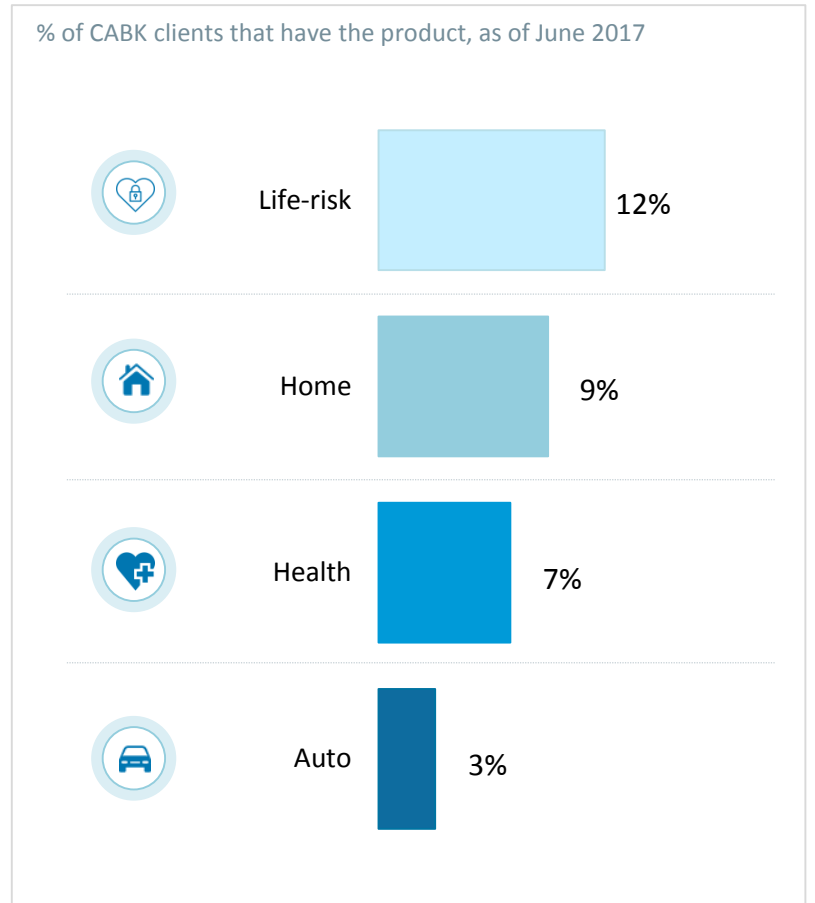
### Rapid growth in life risk insurance



### Taking share from competitors in non-life insurance



### With significant potential to grow among clients

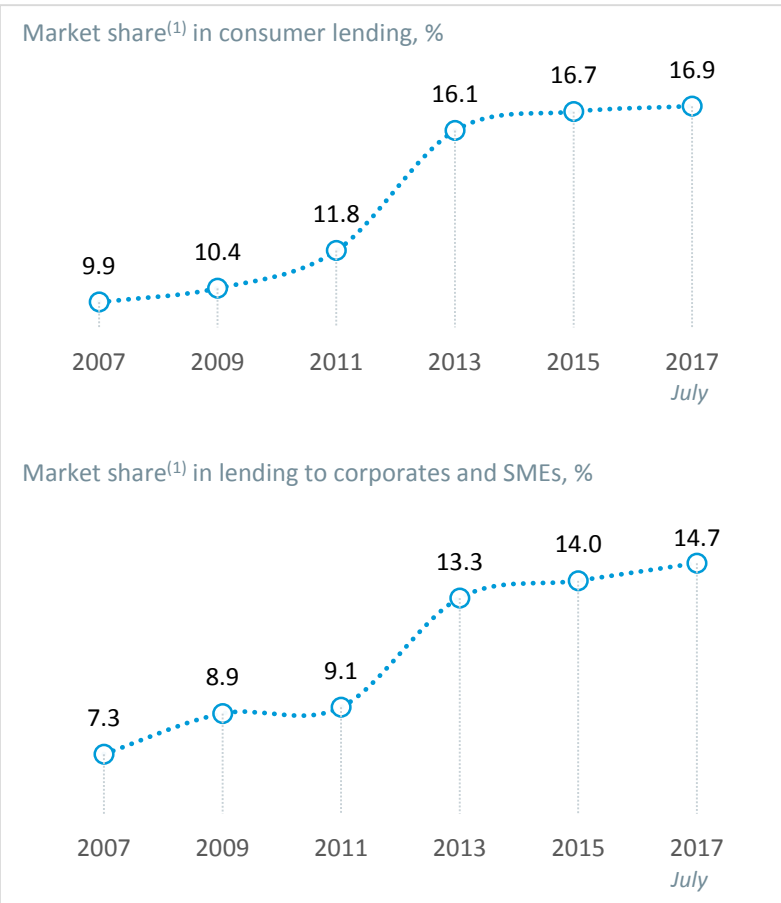


Distribution model value proposition also applies to non-savings insurance

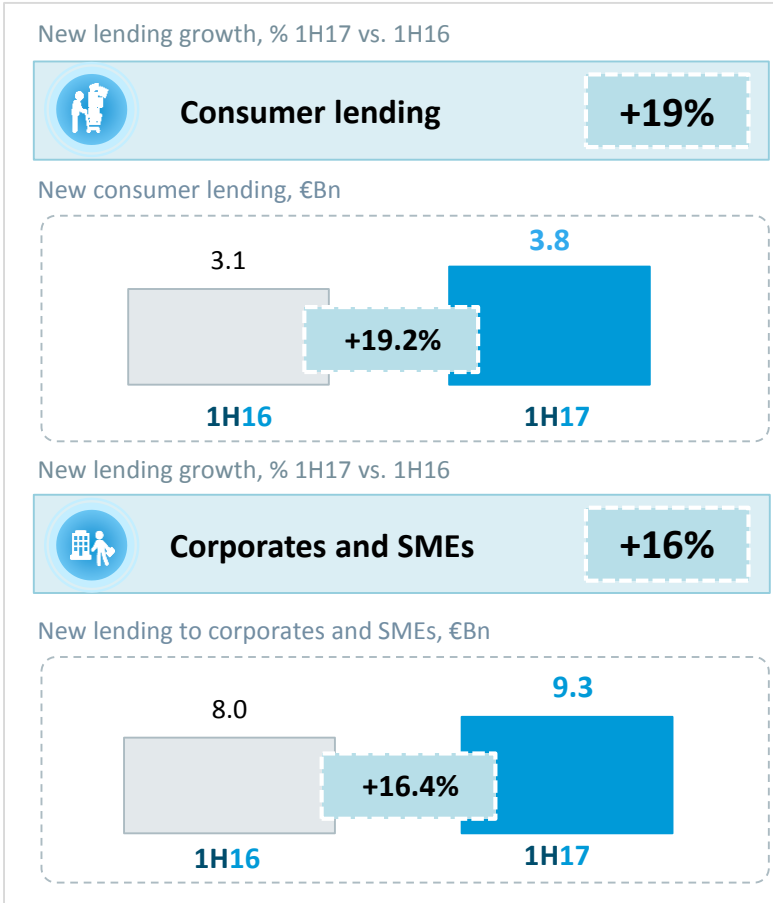
(1) Pro-forma with Adeslas

## Consumer and business lending opportunity uniquely suited to franchise strength

### Continued market share gains...



### ... while loan production keeps growing...



### ... with new initiatives to further seize market potential

**MediaMarkt**  
Agreement 2017  
81 shops in Spain

*Growing alliances in the distribution sector*

- Launch of CIB in 4Q15
- 1,363 dedicated managers; 107 specialised branches

**... that contribute to margins**

Front Book yields in 1H17, Δ yoy vs. 1H16 in bps


Category	Change in bps
Consumer lending	+24 bps
Corporates and SMEs	+4 bps

**Achieving a market share consistent with our market standing**

(1) Market share by stock of credit. Source: Bank of Spain

# BPI opportunity to replicate bancassurance model in a supportive environment

## Positive operating trends at BPI in 1H17



**€22.0 Bn** <sup>(1)</sup>  
Performing loans (+0.4% ytd <sup>(2)</sup>)  
Credit to businesses (+3.6% ytd <sup>(2)(3)</sup>)

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**€34.6 Bn** <sup>(1)</sup>  
Client funds (+4.7% ytd <sup>(2)</sup>)  
Mutual funds (+19.9% ytd <sup>(2)</sup>)

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**€338 M** <sup>(2)</sup>  
NII + Fees 1H17 (+1.0% yoy)

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**€232 M** <sup>(2)</sup>  
Recurrent costs 1H17 (-8.5% yoy)

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**2M** clients

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**Contribution to Group earnings**  
Feb-Jun 2017 **€77 M**

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**Total synergy ambition 2019+<sup>(4)</sup>**  
Pre-tax **€120 M**

## Already outperforming peers

	Total client funds <sup>(5)</sup> , 1H17 % yoy	Total loans <sup>(5)</sup> , 1H17 % yoy
<b>BPI</b>	<b>8%</b>	<b>0%</b>
Peer 1	3%	-5%
Peer 2	2%	-3%
Peer 3	2%	-7%
Peer 4	-2%	-7%

**Mutual funds**  
Market share **New #1**


**Credit to businesses**  
Market share **+20 bps ytd**

**...also in asset quality**

	NPL ratio <sup>(5)</sup> , 1H17 % (Bank of Portugal criteria)
<b>BPI</b>	<b>4%</b>
Peer 2	5%
Peer 3	10%
Peer 1	10%
Peer 4	26%

## With the macroeconomic recovery gathering pace

Portugal GDP growth, % yoy



Year	Portugal GDP growth, % yoy
2013	-1.74%
2014	0.76%
2015	1.65%
2016	0.95%
2017	2.87%

Unemployment rate, %

Year	Unemployment rate, %
2013	16.7%
2016	12.3%
2017	9.1%

**↑ Rating by S&P**  
September 2017

**BBB- (stable)**  
(from BB+)

## Well positioned to seize growth opportunity in Portugal

(1) CaixaBank Group consolidation criteria  
 (2) As reported by BPI  
 (3) In Portugal  
 (4) Pre-tax, o/w 84.5% would be attributed to CaixaBank Group  
 (5) Peer group includes: Caixa Geral, Millenium BCP, NovoBanco, Santander Totta

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## Final remarks

<b>1</b> The Iberian economies are now a strong tailwind	GDP, 2Q17 % yoy <b>+3.1%</b> <i>Spain</i>	GDP, 2Q17 % yoy <b>+2.9%</b> <i>Portugal</i>
<b>2</b> The financial sector is a more rational competitive environment	# Players in Spain <sup>(1)</sup> <b>52</b> to <b>12</b> Δ 2007-16	Sector employees in Spain Δ 2007-16 <b>-30%</b>
<b>3</b> We have successfully managed the crisis...	NPLs from peak <sup>(2)</sup> <b>-50%</b> <i>CABK</i>	CET1 FL Ratio <b>11.5%</b>
<b>4</b> ... and we are reaping the benefits in the recovery	Market share retail clients <b>26.7%</b> <i>Spain</i>	Core revenues, 2Q17 yoy <b>12.6%</b> <i>CABK</i>
<b>5</b> Moving with confidence toward our strategic objectives ...despite a negative rate environment	RoTE <sup>(3)</sup> <b>6.5%</b> <i>June-2017</i>	2018 Target <b>9-11%</b>

(1) Considering all banks with more than €10Bn assets in 2007 and savings banks that were involved in the concentration process

(2) Peak in 2Q13 pro-forma Barclays

(3) Trailing 12 months





## Investor Relations

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