

## Hecho relevante

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24 de septiembre de 2019



## A resilient business model in a negative rate environment

Gonzalo Gortazar, CEO

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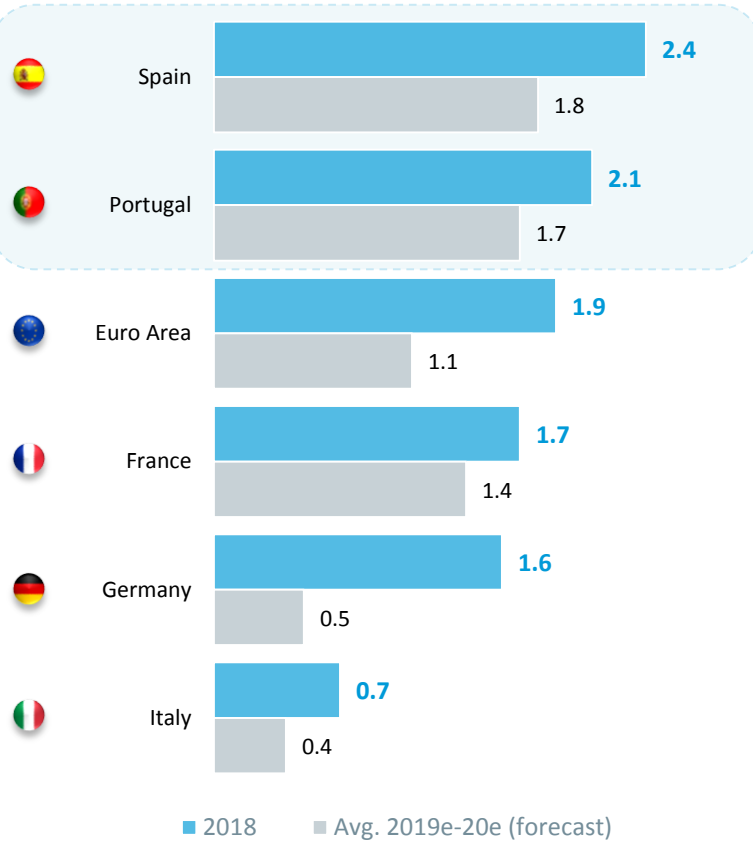
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1. **Macro and industry backdrop**
2. A resilient business model in a negative rate environment
3. Final remarks

## The Iberian economies show resilience to external headwinds and political uncertainty

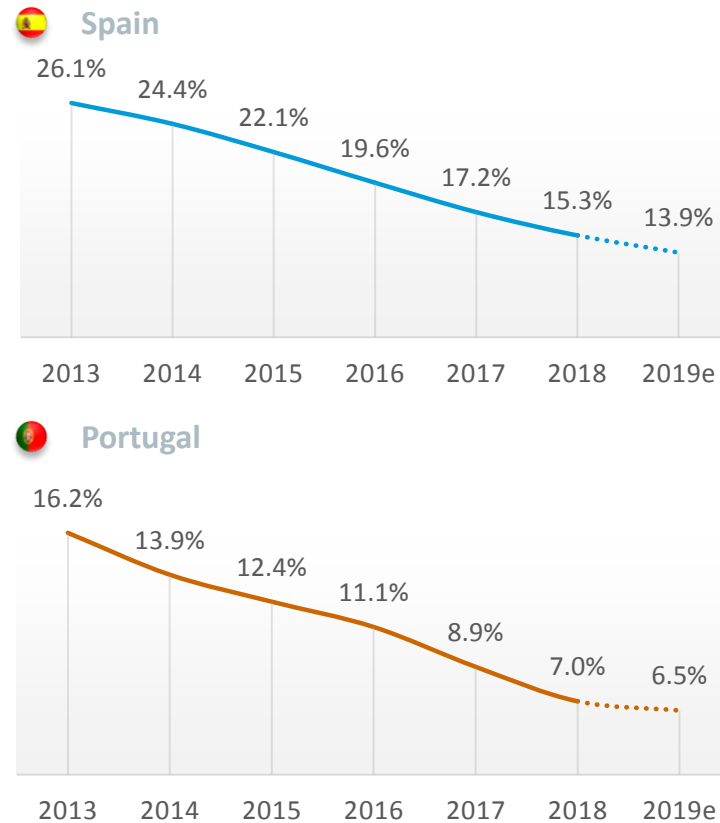
### GDP growth

% yoy



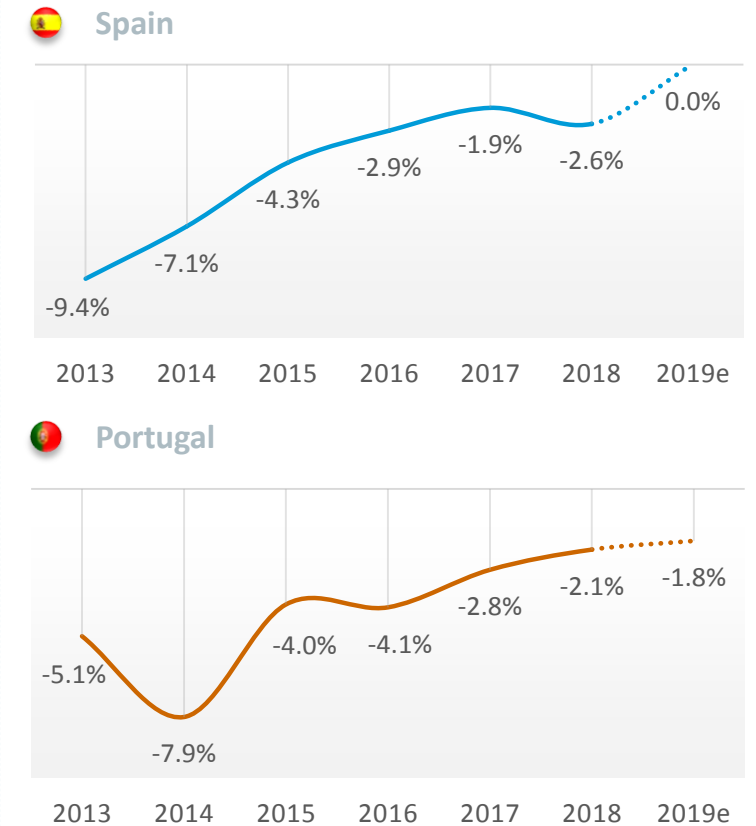
### Unemployment rate

In %



### Total bank-credit growth

Outstanding bank credit to other resident sectors (industry)<sup>(1)</sup>, % yoy



*Trends provide support for loan volumes and asset quality*

(1) Loans to "Other Resident Sectors" excluding to financial services companies.

Sources: Eurostat, Bank of Spain and Bank of Portugal and CaixaBank Research (all forecasts 2019E-2020E). Forecasts as of 16 September 2019.

## A stronger Spanish banking sector despite persistent pressure on profitability



- ▶ Better new lending dynamics and structural demand for long-term savings support volumes
- ▶ Balance-sheet clean up mostly concluded
- ▶ Profitability improves closer to cost of capital
- ▶ Stronger solvency and liquidity metrics



- ▶ Negative rates, excess liquidity and competitive environment
- ▶ Changes in consumer behaviour and expectations empowered by technology
- ▶ Organic capital generation partially offset by implementation of existing regulation
- ▶ Banking Union still work-in-progress

*Revenue diversification and asset quality provide buffers while cost control remains a key priority*

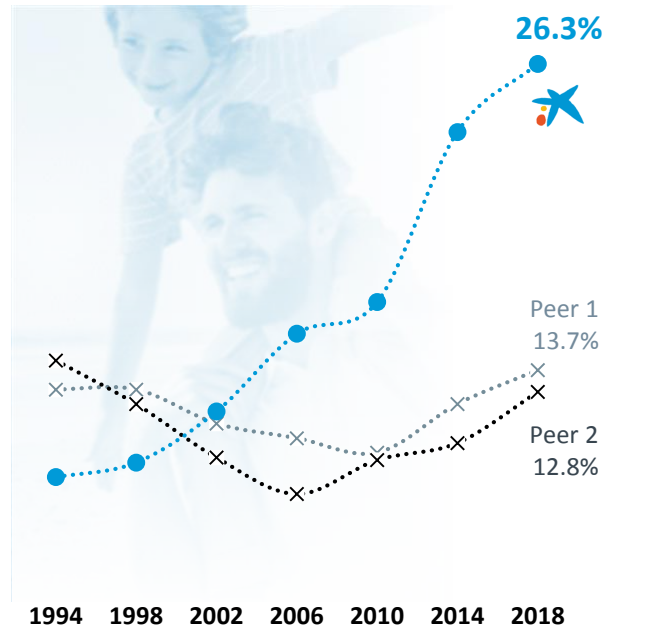
## Contents

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## We have built a successful model based on specialisation and customer intimacy...

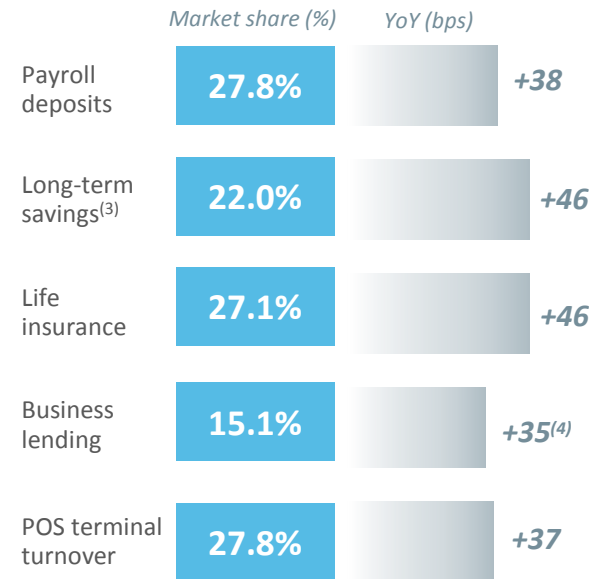
### Proven capabilities to grow above market

Penetration among retail clients (primary bank, Spain)<sup>(1)</sup>, %



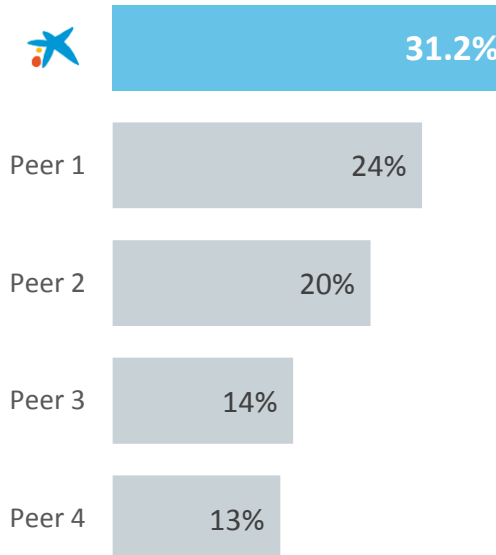
### Strong and growing market shares across the board

Market share by key products (Spain)<sup>(2)</sup>



### The highest digital penetration

Market penetration among digital clients (Spain)<sup>(5)</sup>, %



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

- Scale & capillarity
- IT & digitalisation
- Advisory & proximity
- Comprehensive offering



2019  
Best Bank in Spain



*Customer loyalty and satisfaction lead to sustained growth in market-shares*

(1) Retail clients in Spain aged 18 or above. Peer group includes: Banco Santander and BBVA. Source: FRS Inmark 2018.

(2) Latest available data. Source: Social Security, Bank of Spain, INVERCO, ICEA and Cards and Payments System.

(3) Mutual funds (including managed portfolios and SICAV), pension plans and life-savings insurance.

(4) YTD evolution.

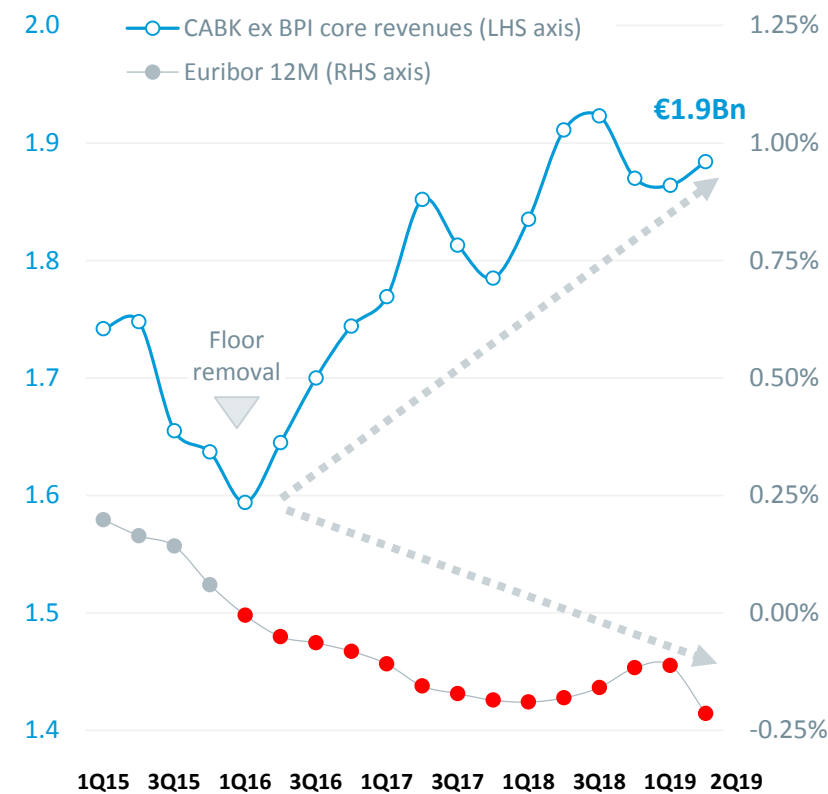
(5) 12 month average, latest available data as of June 2019. CaixaBank ex BPI; peer group includes: Bankia, BBVA, Banco Sabadell, Banco Santander. Source: Comscore.



## ...able to grow revenues and profitability despite negative rates

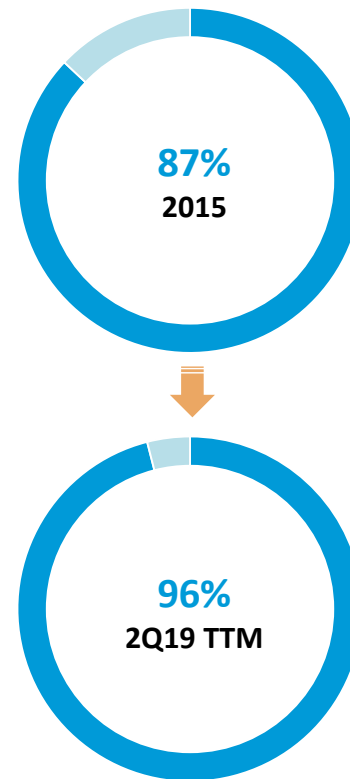
### Core revenues grow despite negative Euribor

Quarterly core revenues<sup>(1)</sup> (CABK ex BPI, €Bn) vs. 12M Euribor (% eop)



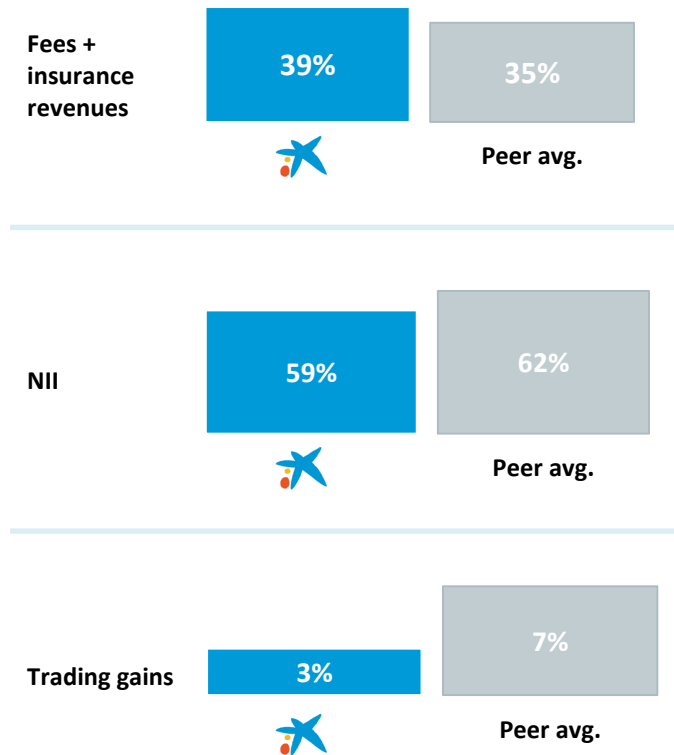
### Higher weight of core revenues over total revenues

Group core revenues<sup>(2)</sup> as % of gross income



### Lower dependence on NII and trading than peers

% of gross income Jun-19 trailing 12M, CABK ex BPI vs. peer average<sup>(3)</sup>



## Scale and scope have compensated for a poor operating environment

(1) CABK ex BPI core revenues include: NII + Fees + other revenues from insurance (life-risk premia and equity accounted income from SegurCaixa Adeslas).  
 (2) Group core revenues include: NII + Fees + other revenues from insurance (life-risk premia and equity accounted income from SegurCaixa Adeslas and other BPI bancassurance stakes).  
 (3) Based on information reported by companies. Peer average includes: Bankia, BBVA (Spain), Sabadell ex TSB and Santander (Spain).

Most revenue drivers identified in our 19-21 Strategic Plan will continue to deliver in the new rate environment...



**Business lending:** competitive pressures on spreads offset by **better-than-expected volumes** and **pricing discipline**



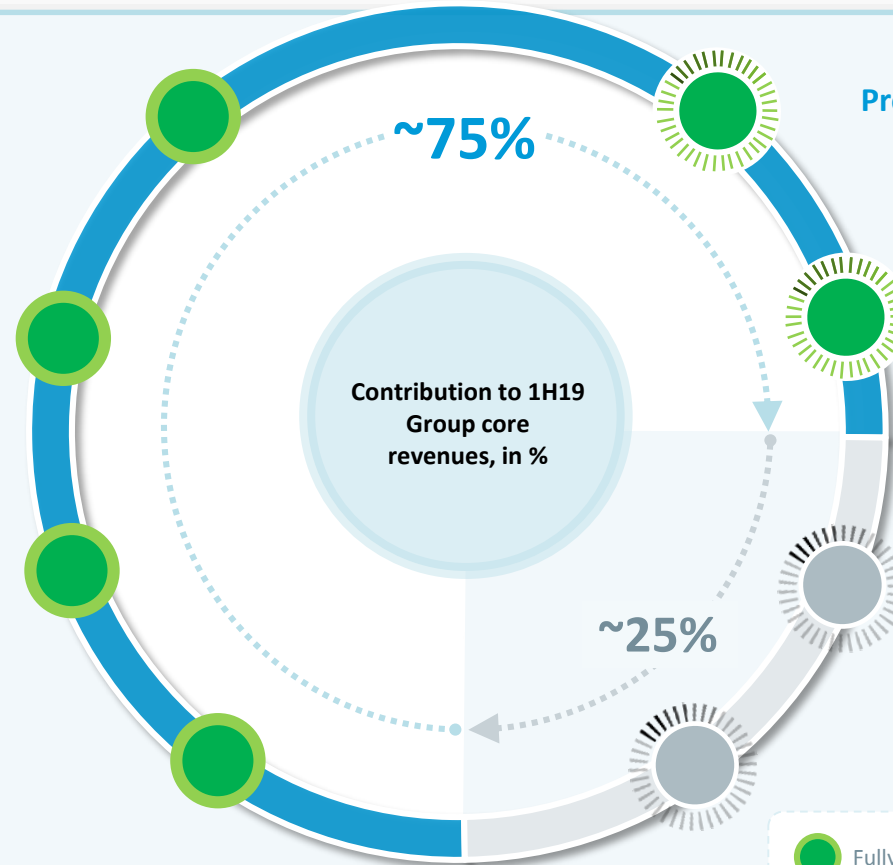
**Consumer lending:** resilient yields, **segment growth** and **differentiated value proposition**



**Payments:** volume growth underpinned by **market leadership** and **technology capabilities**



**BPI:** **Positive operating trends** and widening **scope/digital offering**



**Protection:** late product rollout to be gradually offset by **realisation of untapped potential**



**Long-term savings:** cyclical 1H19 market impacts to be outdone by **structural shift to alternative savings**



**Mortgages:** **negative rates**; continued **deleveraging** partly offset by **new lending**



**Other:** **negative rates** on excess liquidity; **lower ALCO**; resilient recurrent banking fees



- Fully-firing
- Recovering after slow 1H19
- Impacted by adverse backdrop

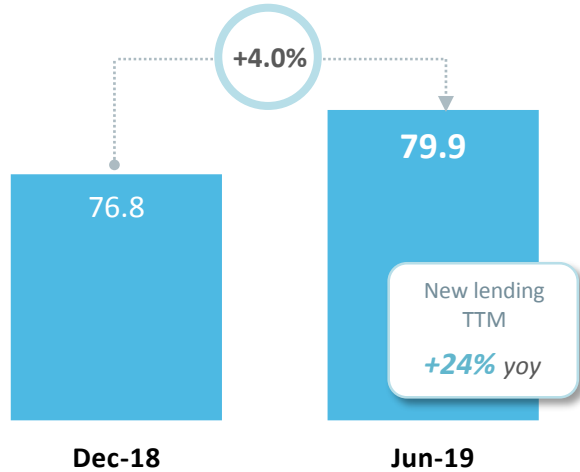
*...and are expected to return year-on-year core revenue growth*

## Opportunities in business and consumer lending reinforced by high growth rate in e-payments



### Business lending: strong volume growth and pricing discipline

Stock business lending (CABK ex BPI)<sup>(1)</sup>, €Bn



#### Segmentation, specialisation and supporting clients abroad

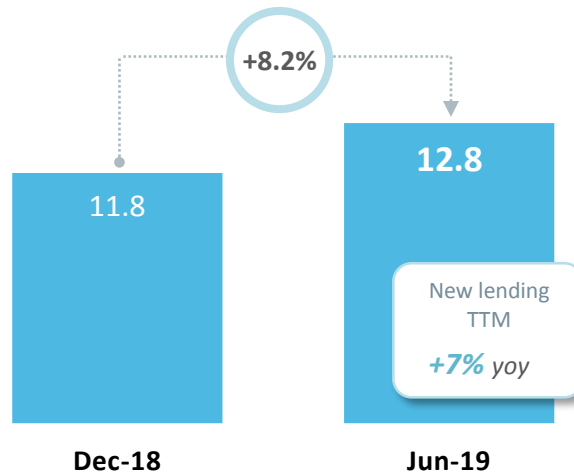
**5** International branches<sup>(2)</sup>

- Frankfurt
- London
- Morocco
- Paris
- Warsaw



### Consumer lending: capturing a greater share of the value chain

Stock consumer lending (CABK ex BPI), €Bn



#### Going beyond banking in consumer lending Units sold Jan-Aug 19

**>231k**

TV, cell phones...

**>12k**

Cars sold at the branch

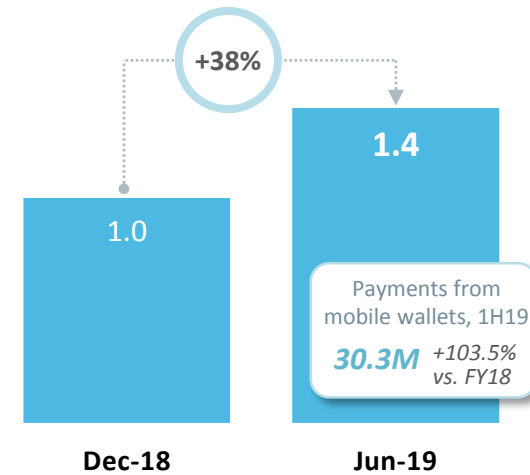
**>47k**

Security alarms



### Payments: leveraging technology to seize market opportunities

Credit cards stored in mobiles (Spain), in M



PoS terminal turnover Jun-19 TTM

**€53.5 Bn**

**+10% yoy**

#### High market penetration in a fast-growth market

Market shares in Spain

**32%**

e-commerce <sup>(3)</sup>

**28%**

PoS terminal turnover <sup>(4)</sup>

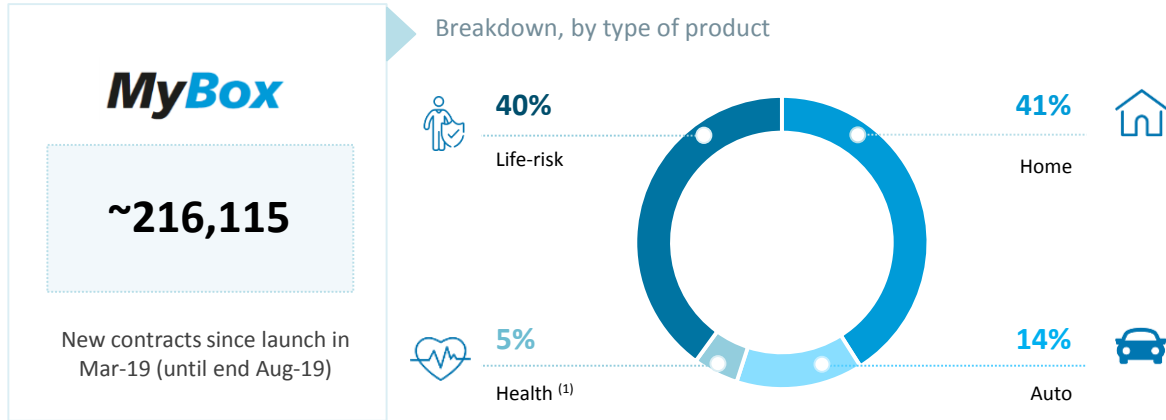
## Group NII and electronic banking fees up 2% and 5% <sup>(5)</sup> in 1H19 (yoy)

(1) Including loans granted to resident and non-resident customers (including loans granted from international branches). (2) Additionally: 18 representative offices and 2 Spanish desks. (3) August 2019. Source: Redsys. (4) June 2019. Source: Cards and Payments System. (5) Electronic fee growth like for like: 2018 excludes contribution from BPI merchant acquiring business sold to Comercia Global Payments in 2Q18.

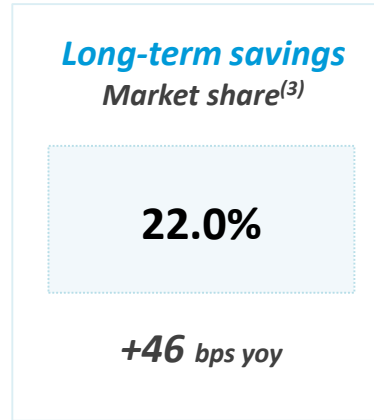
## Structural growth in protection and long-term savings set to resume after slow start in 1H19



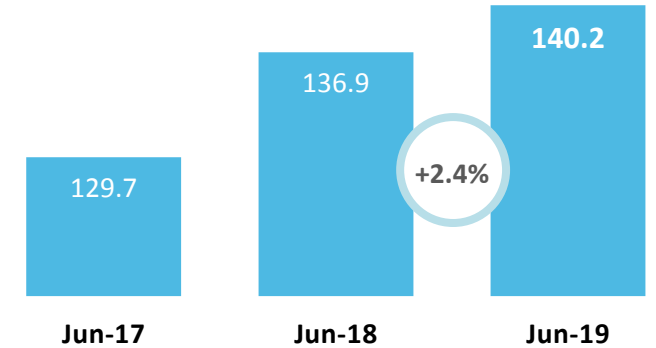
### Protection insurance: Reinvigorating our offering to create long-term relational value



### Long-term savings<sup>(2)</sup>: Reinforced leadership after adverse market impacts in 1H19

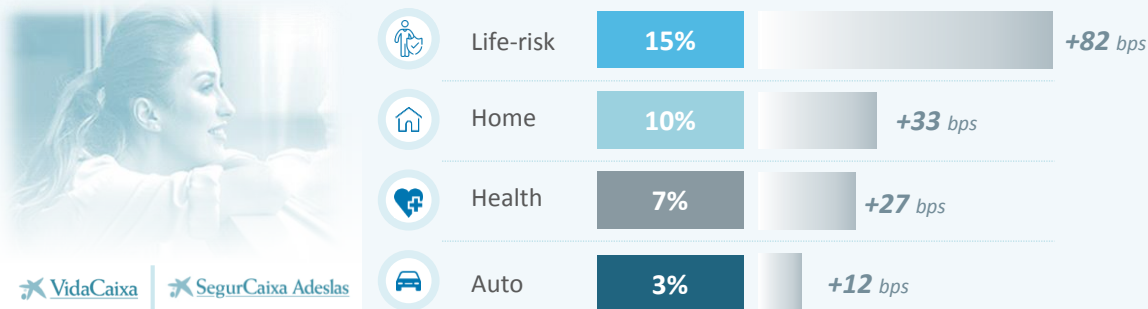


AuM + life-savings insurance (CABK ex-BPI), €Bn



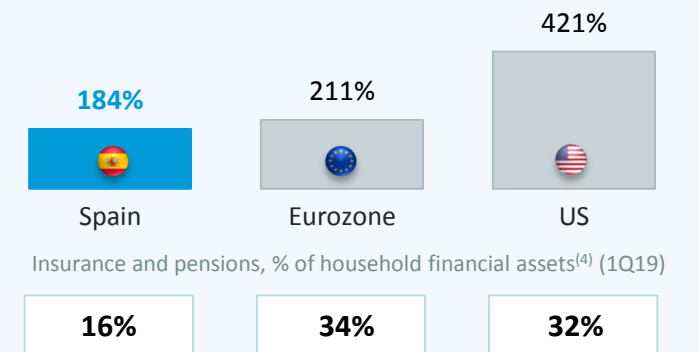
### Seizing opportunities within our client base

% of CABK ex BPI individual clients that own a protection insurance product and Δytd in bps, June 2019



### Unique advisory model key to capture untapped sector potential

Gross financial assets in % of GDP<sup>(4)</sup> (1Q19)



AM and insurance revenues up 3.3% qoq in 2Q19 show positive dynamics

(1) Launched in June. (2) Including mutual funds (with managed portfolios and SICAV), pension plans and life-savings insurance. (3) CABK ex BPI, June 2019. Source: INVERCO, ICEA, latest available data. (4) Sources: Eurostat and Federal Reserve.

## Consolidating our project in Portugal

### Positive operating trends in both lending and customer funds

BPI - Activity (stock, BPI reporting criteria), % ytd

	Consumer lending <sup>(1)</sup>	<b>+7.5%</b>
	Credit to businesses	<b>+1.5%</b>
	Customer funds	<b>+2.7%</b>
	Savings insurance funds	<b>+5.7%</b>



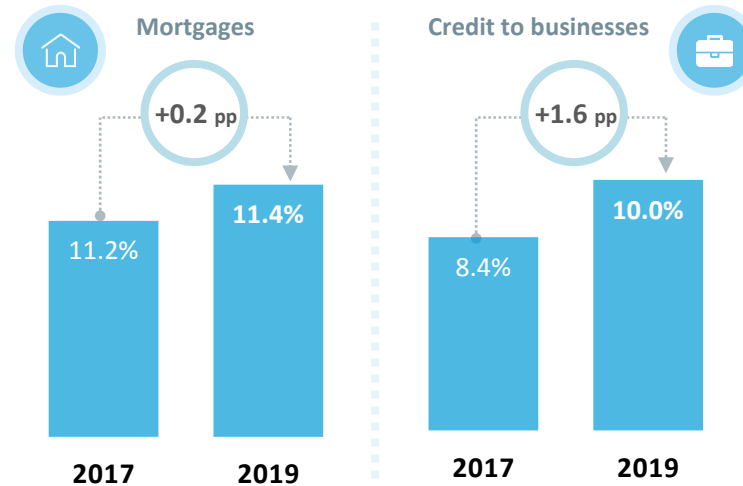
Most Trusted Bank Brand in Portugal 2019



Life-risk From Jan-2020

### Market share gains supported by improved customer experience and quality offering

BPI - Market shares (Portugal)<sup>(2)</sup>, in %



BPIFamily

BPICommerce



Active digital clients <sup>(3)</sup>

**43%**  
+3pp yoy



### Core revenue growth and low CoR drive increased contribution of BPI segment to Group

BPI segment – 1H19 results

NII, % yoy	<b>+1.5%</b>
Fees (like-for-like) <sup>(4)</sup> , % yoy	<b>+8.5%</b>
LLPs (€M)	<b>€39M</b> Write backs
Net income, % yoy	<b>+28.9%</b>

BPI segment

**€98M**

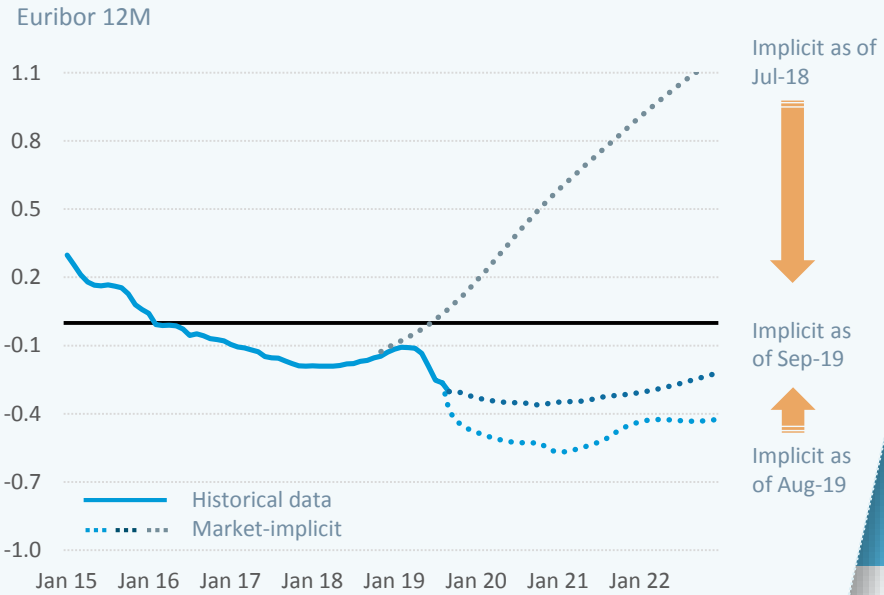
Contribution to CaixaBank Group net income 1H19

*Consolidating product factories and sharing best practices to improve revenues and efficiency*

(1) Consumer lending and other credit to individuals. (2) Latest available data. Source: Bank of Portugal. (3) Active clients, main holder of the account (individuals and companies). (4) Reported Fees yoy impacted by changes in scope and reclassifications: -€27M yoy including -€23M from the sale of businesses and -€4M from a reclass related to application of Group accounting standards.

## Taking swift action to relieve impact from protracted negative rates

### Low rates for longer mostly impact mortgage repricing and high cash balances



1 Accelerating transformation of distribution network



2 • Frontloading cost-savings from restructuring  
• Other cost initiatives underway



3 Maintaining prudent risk management



Residential Mortgages  
**€90Bn** 30 June 2019

ECB Cash balances  
**€14Bn** 30 June 2019

New ECB measures (tiering) provide some relief

# We have rolled out our new distribution strategy at an accelerated pace

1



## Store



## AgroBank

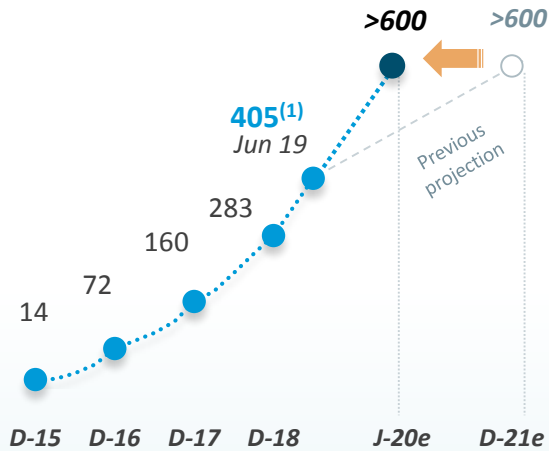


## Retail branches

## Increased network productivity

### Transforming branches into advisory hubs ahead of schedule

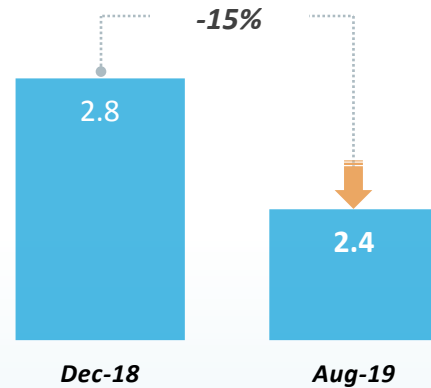
# of Store branches



Core revenue new business 1H19/employee **+9%** vs. comparable<sup>(2)</sup>

### Consolidating our efficient and specialised rural network

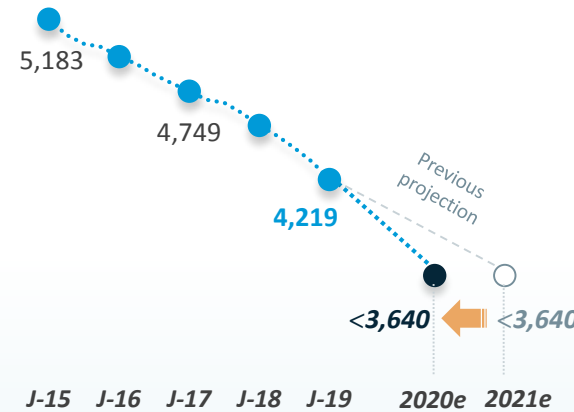
# employees/rural branch<sup>(3)</sup> (Spain)



% of rural branches<sup>(3)</sup> (Spain) with ≤ 3 employees **~80%**

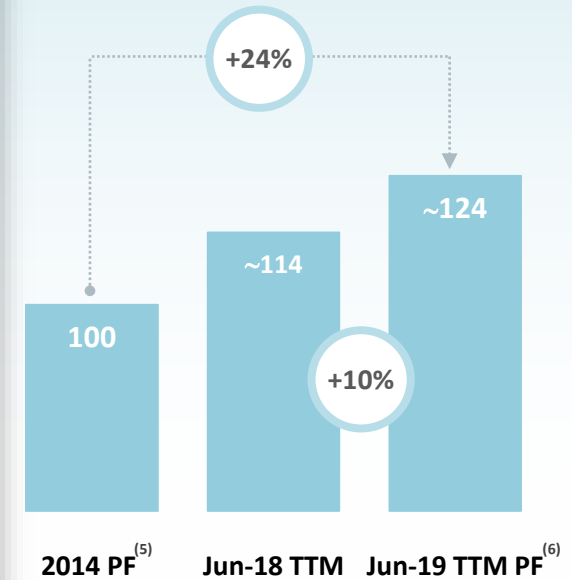
### Restructuring frontloads right-sizing of the retail branch network

# retail branches in Spain



Δ # Retail branches 2008 PF acquisitions<sup>(4)</sup> – June 2019 **-45%**

Core revenue per employee (CABK ex BPI), 2014 PF = 100



**Best Bank for Transformation Western Europe 2019**

Adapting the network to customer expectations

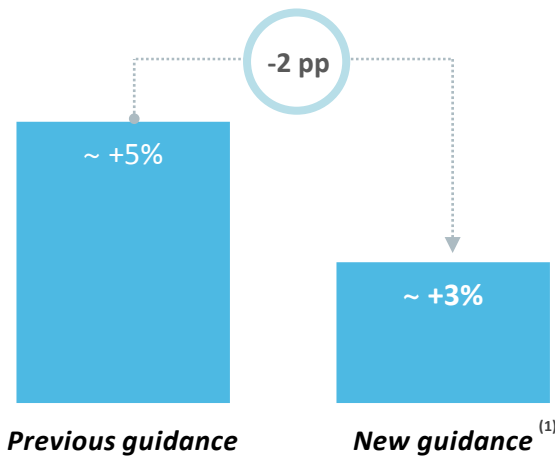
(1) Including 49 store branches work-in-process. (2) Comparable group: branches with >6 employees in urban areas covered by the Store network. (3) Branches in towns with <10,000 inhabitants and with < 6 employees. (4) BCIV, Barclays Spain, Banco de Valencia, Caixa Girona. (5) PF Barclays Spain. (6) PF employee departures in August 2019.

## Bringing cost synergies forward to 2019 while addressing other expenses



### Personnel expenses: 2019 restructuring frontloads cost-savings

FY2019 Recurrent cost guidance, % yoy

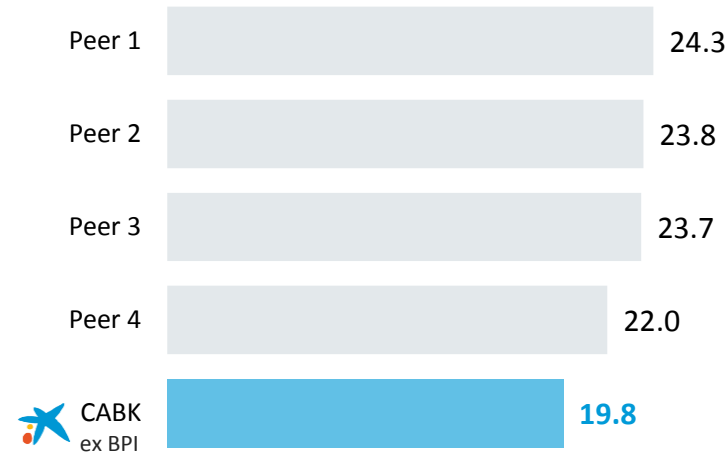


- ▶ ~ 2,000 voluntary departures in early Aug-2019 → ~€200M annual gross cost savings from 2020e
- ▶ Negotiation of new collective bargaining agreement with unions underway (Spain)



### General expenses & depreciation: already efficient but still seeking improvement

General expenses and depreciation<sup>(2)</sup>/gross income, 1H19 in %

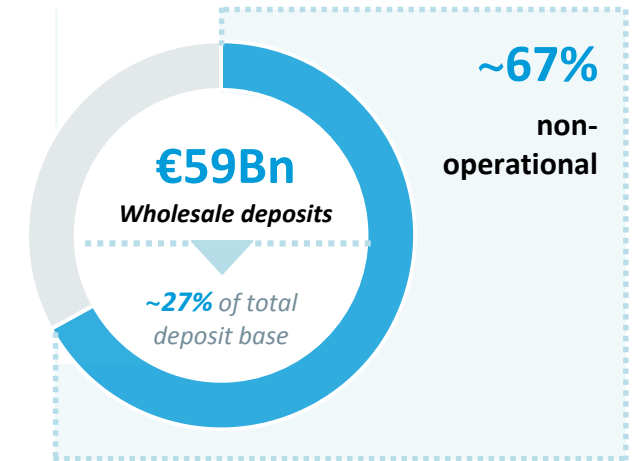


- ▶ Ongoing general review of discretionary expenses (marketing, events,...) and structural items (IT & Ops)
- ▶ Renegotiation of large supplier contracts
- ▶ Protecting “change-the-bank” initiatives



### Cost of deposits: gradual re-pricing of non-operational wholesale deposits

Non-operational deposits in % of wholesale deposits



- ▶ Already implemented for financial institutions and a few large corporates
- ▶ New ECB measures to provide additional stimulus to reduce cost from excess cash balances

**19E recurrent cost guidance reduced to +c.3% yoy (vs. +c.5% yoy) → seeking initiatives to maintain operating leverage**

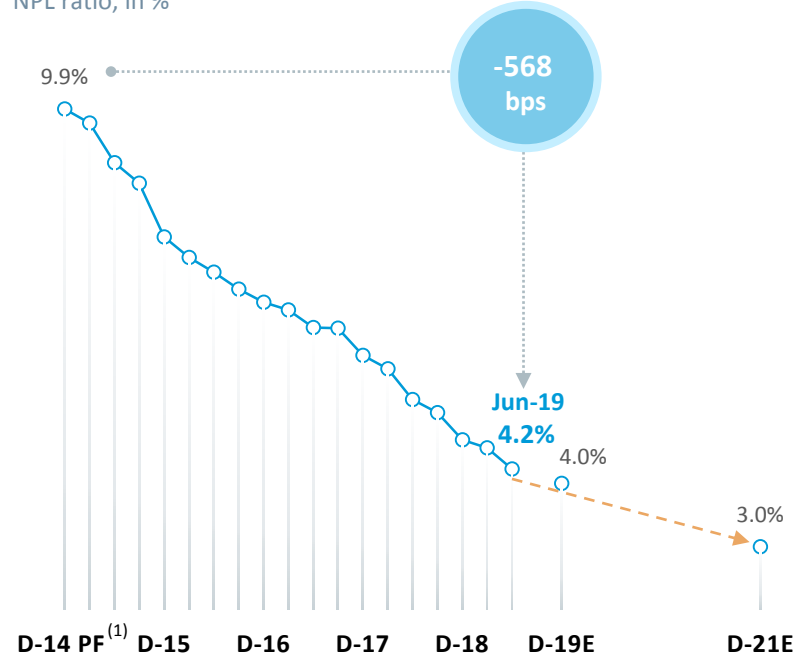
(1) Guidance revised in 2Q19 webcast. (2) Recurrent expenses. Peers include: Bankia, Bankinter, BBVA Spain, Sabadell (ex TSB).



## While reinforcing balance-sheet strength and maintaining CoR at low levels

### Steady balance sheet de-risking

NPL ratio, in %

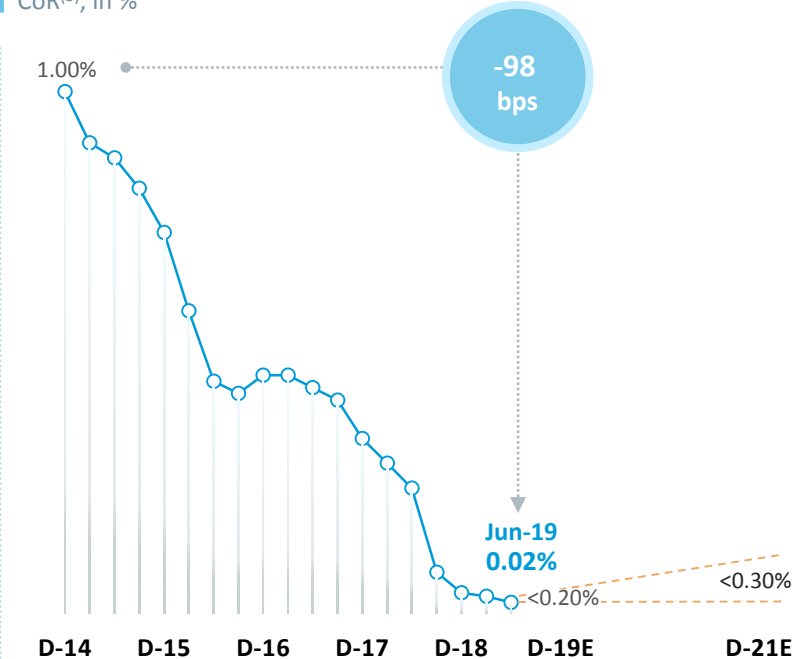


**NPL stock**  
% Δ Jun-19 vs. Dec-14 PF<sup>(2)</sup>

**-56%**

### CoR down to very low levels

CoR<sup>(3)</sup>, in %

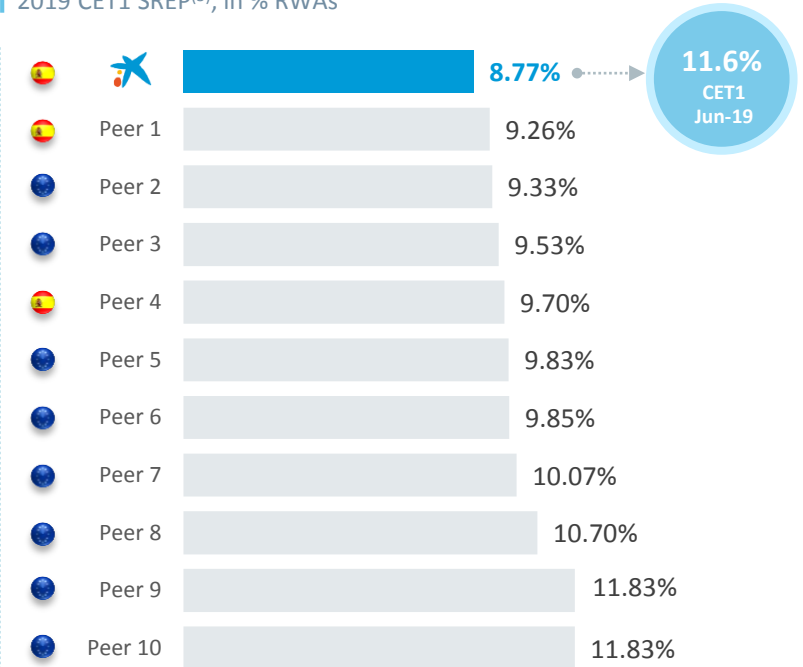


**CoR PF**  
Ex one-off in 3Q18<sup>(4)</sup>

**0.14%**  
-10 bps yoy

### Low risk profile: the lowest SREP requirement among peers

2019 CET1 SREP<sup>(5)</sup>, in % RWAs



**LCR (12M average, in %)**  
Also well above requirements

**195%**

*Through consistently prudent risk management reflected in our credit ratings*

(1) Pro-forma Barclays Spain. (2) Pro-forma Barclays Spain and BPI. (3) Trailing 12M. Excluding one-off in 4Q16. (4) PF excluding an extraordinary write back in 3Q18 (c.€275M) from updating the recoverable value of a large credit exposure. (5) Sources: based on information reported by companies. Peer group includes the top 10 in the Eurostoxx Banks by market capitalization as of 30 June 2019: ABN Amro, B. Santander, BBVA, BNP Paribas, Credit Agricole, ING Groep, Intesa Sanpaolo, KBC, Société Générale, Unicredit.

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## A successful business model that will continue to perform in the new rate environment

**1**

**Steady market-share gains provide evidence of commercial success with AM and insurance revenues recovering in Q2**

**2**

**Expect core revenue growth to continue despite NII headwinds**

**3**

**Speedy execution of distribution strategy, roll-forward of savings from redundancy programme and other cost initiatives to alleviate operating environment**

**4**

**Growing economy and sound balance-sheet metrics to maintain CoR at low levels**

*Aiming for a faster return to positive jaws*





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