CaixaBank: exhibiting good business health in a difficult environment

Gonzalo Gortázar, CFO
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In so far as it relates to results from investments, this financial information from the CaixaBank Group for 1H12 has been prepared mainly on the basis of estimates.
Operating environment influenced by a changing regulatory framework

2012

February

May

June (9th)

June (10th)

June (21st)

July

August

September

NOV - DEC

RE developers

- RDL 2/2012 (Feb. 3rd): €54bn (€38bn provisions + €16bn capital)
- RDL 18/2012 (May 12th): €28bn

Existing provisions €112bn
RDL 2 & 18/2012 €66bn
TOTAL €178bn

IMF report

- Capital requirements for Spanish banks: €25 – 37bn

Stress-Test: top-down

- Additional capital needs:
  - €25.6bn (base)
  - €62.0bn (stress)

Roland Berger Strategy Consultants

Oliver Wyman

CaixaBank named one of 3 institutions that require no additional capital

Stress-Test: bottom-up

- Auditors review: total loan book + foreclosed assets

- Release of individual capital needs

- Deloitte
- KPMG
- Ernst & Young

Loan request up to €100bn

MoU

(Memorandum of Understanding)

RDL 24/12 (Aug. 31st)

Restructuring and resolution of financial institutions

Approval of restructuring plans/bad bank details
1. **WIDE REFORM agenda: a renewed economic program**
   - Multi-year plan to reduce fiscal deficit
   - Structural reforms to increase growth potential
   - It will take some time until reforms show their full effects

2. **EURO area institutional reforms**
   - Euro is irreversible: stepped-up ECB support to sov.debt
   - Banking Union: early implementation
   - Roadmap for further European integration

3. **Entering the final stage of the financial SECTOR RESTRUCTURING**
   - Independent assessment of loan portfolio
   - Individualized stress tests: clarification of capital needs
   - Banking Resolution Act
   - Transfer of problematic assets to Bad Bank

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**Restoring and strengthening the soundness of the Spanish economy**
Exhibiting good business health in a difficult environment

1. Franchise growth
   - Reinforcing market share in retail banking:
     - Successful commercial initiatives with retail funds: + €5.6bn YTD
     - Integration with BCIV improves competitive position

2. Balance sheet strength
   - Bolstering balance sheet strength as a key priority:
     - Liquidity
       - Current: €42.5bn
       - Target: €50.0bn
     - Solvency (Core Capital)
       - Current: 13.0%
       - Target: 11.0%
     - Asset quality (Coverage)
       - Current: 60%
       - Target: 69%

3. High income generation capacity
   - Operating metrics continue to demonstrate core business strength:
     - Growing pre-impairment income
       - +12.3% yoy

Data at June 30th 2012
1. Preliminary proforma figures as of 30th June 2012, pending final adjustments
1. Reinforcing leadership in retail banking

- Organic growth: significant increase in retail funds
- Inorganic growth: integration with BCIV reinforces leadership

2. Bolstering balance sheet strength

3. High income generation capacity
Commercial initiatives lead to organic increase in retail funds

Bolstering liquidity levels to reduce commercial funding gap

Business volume: loan book and customer funds (YTD evolution) (€bn)

As of June 30th 2012

1. Includes: retail deposits, retail commercial paper, investments funds, pension funds and life insurance products

Taking advantage of our competitive position to grow retail funds

Retail funding\(^1\) evolution (€bn)

- Financial strength key in capturing retail funds
- Pricing still impacted by difficult funding and competitive environment

<table>
<thead>
<tr>
<th>2Q11</th>
<th>3Q11</th>
<th>4Q11</th>
<th>1Q12</th>
<th>2Q12</th>
</tr>
</thead>
<tbody>
<tr>
<td>138.9</td>
<td>133.3</td>
<td>131.0</td>
<td>133.2</td>
<td>136.6</td>
</tr>
</tbody>
</table>

Retail funds\(^1\):
- +€5.6bn (+4.2% YTD)
- -0.6% YTD

Loan book:
- +€0.2bn (+0.1% YTD)
- -0.3% YTD

\(^1\) As of June 30th 2012
Organic market share has increased throughout the crisis

<table>
<thead>
<tr>
<th>Total deposits</th>
<th>06</th>
<th>07</th>
<th>08</th>
<th>09</th>
<th>10</th>
<th>11</th>
<th>12</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st</td>
<td>9.8%</td>
<td>9.9%</td>
<td>10.0%</td>
<td>10.1%</td>
<td>10.1%</td>
<td>10.3%</td>
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</tr>
<tr>
<td>2nd</td>
<td>12.6%</td>
<td>12.9%</td>
<td>14.7%</td>
<td>15.5%</td>
<td>16.2%</td>
<td>16.3%</td>
<td></td>
</tr>
<tr>
<td>3rd</td>
<td>14.5%</td>
<td>14.1%</td>
<td>13.8%</td>
<td>13.8%</td>
<td>15.9%</td>
<td>17.5%</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total loans</th>
<th>06</th>
<th>07</th>
<th>08</th>
<th>09</th>
<th>10</th>
<th>11</th>
<th>12</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st</td>
<td>8.7%</td>
<td>8.7%</td>
<td>9.2%</td>
<td>9.6%</td>
<td>10.4%</td>
<td>10.4%</td>
<td></td>
</tr>
<tr>
<td>2nd</td>
<td>6.0%</td>
<td>6.5%</td>
<td>7.8%</td>
<td>8.9%</td>
<td>9.5%</td>
<td>10.4%</td>
<td></td>
</tr>
<tr>
<td>3rd</td>
<td>7.2%</td>
<td>7.3%</td>
<td>8.1%</td>
<td>11.6%</td>
<td>13.3%</td>
<td>15.4%</td>
<td></td>
</tr>
</tbody>
</table>

CaixaBank market shares as of March 31st 2012. Source: INVERCO, ICEA, Bank of Spain, SWIFT and Factoring Spanish association
Integration with BCIV further extends retail banking leadership

Leads to c.15% market share in key retail products

- Payroll deposits: CaixaBank 15.8%, Banca Cívica 3.4% (1st)
- Pension deposits: CaixaBank 13.8%, Banca Cívica 5.7% (1st)
- Pension Plans: CaixaBank 16.4%, Banca Cívica 0.7% (2nd)
- Total deposits: CaixaBank 10.3%, Banca Cívica 3.4% (1st)
- Investment funds: CaixaBank 12.0%, Banca Cívica 1.7% (3rd)
- Total loans: CaixaBank 10.6%, Banca Cívica 2.7% (1st)

Main banking relationship share is well above competitors

- Total deposits: CaixaBank 3.4%, Peer 1 5.0%, Peer 2 6.5%, Peer 3 7.7%, Peer 4 10.3%, Peer 5 12.7% (CABK + BCIV 17.0%, 1.7x)

21.8% of people choose CaixaBank as primary bank

1. Resident private sector
Information as of March 2012. Peer group includes: BBVA, BKIA, Popular + Pastor, Sabadell + CAM and Santander
Source FRS, Bank of Spain, AEB, INVERCO and Social Security
Integration by means of a merger with fixed exchange ratio:
5 CABK shares for 8 BCIV shares - 233 million new shares issued

- Accounting integration from July 1st
- Integration office and teams fully operational
- New commercial structure and branding strategy in place
- Cross-staff exchanges to train BCIV staff in CABK platform - now running in parallel at BCIV branches
Expected increase in profitability metrics after BCIV transaction

Competitive position improvements

- BCIV consolidates CaixaBank’s leading position in Spanish banking
- Gains in deposits market share > gains in loans market share
- 64% of branches in core regions

Material cost synergies will increase profitability in the coming years

- €540M of expected annual cost synergies by 2014
- 12.5% of total combined costs

Material income synergies to be expected

- High potential to improve profitability per client (to CABK levels)
- Cross-selling potential based on CABK leadership in key retail products

Competitive and efficiency improvements in the coming years at a short term cost of restructuring

1. Based on Dec’11 figures
1. Reinforcing leadership in retail banking  p.6

2. Bolstering balance sheet strength  p.12
   - Asset quality
   - Liquidity
   - Solvency

3. High income generation capacity  p.20
Manageable impact of BCIV transaction due to pre-existing fortress balance sheet

Robust capital base
- Core capital (BIS II): 13.0%
- Core Tier1 EBA: 11.8%

High liquidity position
- €42.5 bn of available net liquidity
- LTD 127%

Superior asset quality
- Low NPL ratio vs peers: (5.58%) and high coverage (60%)
- Lower relative exposure to real estate assets
- Higher coverage ratio of 69% despite increase in NPL ratio to 7.21%; still better than sector average

CaixaBank

Data at June 30th 2012
1. Preliminary proforma figures as of 30th June 2012, pending final adjustments
2. All the foreclosed assets prior to February 28th 2011 were not transferred in the reorganisation process

Bolstering balance sheet strength
Better asset quality metrics than sector while provisioning coverage exceeds expected loss

- **NPLs and NPL ratio – outperforming the sector**
  - NPL ratio: 4.30% 4.65% 4.90% 5.25% 5.58%
  - 9.42% sector

- **Maintaining a high NPL coverage**
  - NPL coverage ratio: 67% 65% 60% 61% 60%
  - Credit provisions (€M): 5,689 5,955 5,745 6,237 6,540

- **Progressive build-up of provisions exceeds expected losses**
  - Difference between IRB provisions and total expected losses:
    - Q2 2011: -520
    - Q3 2011: -387
    - Q4 2011: -545
    - Q1 2012: 112
    - Q2 2012: 317

**BCIV deteriorates NPL ratio but improves coverage levels**
- BCIV loan book cleaned-up prior to integration
  - NPL Ratio: 7.2%
  - Credit provisions: €12.3bn
  - Coverage ratio: 69%

**Provisions continue to exceed expected losses**

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Data at June 30th 2012

1. Preliminary proforma figures as of 30th June 2012, pending final adjustments
Clean-up of real estate developer exposure accelerates

### 73% of RD 2/12 & 18/12 requirements already booked

<table>
<thead>
<tr>
<th>Peer</th>
<th>RD 2/2012 (gross)</th>
<th>RD 18/2012 (gross)</th>
<th>Pending booking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peer 1</td>
<td>82%</td>
<td>1.6</td>
<td>2.5</td>
</tr>
<tr>
<td>Peer 2</td>
<td></td>
<td>2.4(^1)</td>
<td>2.1(^2)</td>
</tr>
<tr>
<td>Peer 3</td>
<td>67%</td>
<td>4.1</td>
<td>2.7</td>
</tr>
<tr>
<td>Peer 4</td>
<td>45%</td>
<td>4.0</td>
<td>3.3</td>
</tr>
<tr>
<td>Peer 5</td>
<td>42%</td>
<td>1.2</td>
<td>0.8</td>
</tr>
<tr>
<td></td>
<td>31%</td>
<td>2.9</td>
<td>1.8</td>
</tr>
</tbody>
</table>

1. Fully booked in 1Q12
2. €0.3bn registered in 2Q12. €1.8bn to be booked by June ‘13
3. BCIV’s required provisions have been fully absorbed by the fair value adjustment accounted for the transaction

As of June 30\(^{th}\). Peers include: Santander, BBVA, Banesto, Popular and Sabadell. Requirements for Banc Sabadell include RD for CAM.
RE developer exposure: a prudent mix with improved coverage of problematic assets

Real Estate Exposure

- Prudent RE exposure¹,² and low exposure to land:
  - Land: 23%
  - Under construction: 12%
  - Finished buildings: 56%

- Exposure to RE loans being rapidly reduced: -31% since Dec’08

% Land/ (RE developer loans + foreclosed assets)²

<table>
<thead>
<tr>
<th></th>
<th>Peer 1</th>
<th>CABK+BCIV</th>
<th>Peer 2</th>
<th>Peer 3</th>
<th>Peer 4</th>
<th>Peer 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>17.9%</td>
<td>22.9%</td>
<td>23.4%</td>
<td>29.5%</td>
<td>33.2%</td>
<td>33.6%</td>
<td>36.3%</td>
</tr>
</tbody>
</table>

Problematic²,³ assets as a % of RE portfolio

<table>
<thead>
<tr>
<th></th>
<th>Peer 1</th>
<th>CABK+BCIV</th>
<th>Peer 2</th>
<th>Peer 3</th>
<th>Peer 4</th>
<th>Peer 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>51%</td>
<td>55%</td>
<td>58%</td>
<td>66%</td>
<td>67%</td>
<td>71%</td>
<td>73%</td>
</tr>
</tbody>
</table>

Coverage of real estate problematic assets (%)²

<table>
<thead>
<tr>
<th></th>
<th>Peer 1</th>
<th>Peer 2</th>
<th>Peer 3</th>
<th>CABK+BCIV</th>
<th>Peer 4</th>
<th>Peer 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>37%</td>
<td>38%</td>
<td>38%</td>
<td>39%</td>
<td>43%</td>
<td>46%</td>
<td>46%</td>
</tr>
</tbody>
</table>

1. Exposure to RE includes loans to developers and foreclosed assets.
2. Proforma preliminary figures including BCIV. CaixaBank figures as of June 30th, BCIV figures as of March 31st
3. Problematic assets include doubtful developer loans + substandard developer loans + foreclosed RE assets
Sales activity has intensified as Building Center takes a more prominent role

“la Caixa” Group (includes Building Center)
Sales and rentals of finished housing by vintage year of acquisition/foreclosure

% sales and rentals

- 0% to 100%
- Months: 0 to 48
- 2008 to 1H 2012

Vintages of finished housing are fully cleared in an average of four years

Sales activity is intensifying in 2012
“la Caixa” Group commercial activity (in million Euros)

Progressive increase in the weight of Building Center sales
Sales distribution

Asset quality

(1) Sales and rental assets
Increased focus on liquidity against a turbulent funding backdrop

Prudent reinforcement of liquidity levels

In billion Euros

<table>
<thead>
<tr>
<th></th>
<th>Dec'11</th>
<th>Jun'12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance sheet liquidity(^1)</td>
<td>20.9</td>
<td>18.7</td>
</tr>
<tr>
<td>Unused ECB discount facility</td>
<td>11.1</td>
<td>23.8</td>
</tr>
</tbody>
</table>

**Proforma with BCIV\(^2\):**

\(\text{€50.0bn}\)

- Decline in commercial funding GAP (€5.3 bn during 1H12) leads to a significant decrease in LTD ratio

- Generation of additional collateral for the ECB credit facility given market deterioration

- BCIV integration reinforces liquidity levels

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Data as of June 30th

1. Includes cash, interbank deposits, accounts at central banks and unencumbered sovereign debt.
2. Preliminary proforma figures as of 30th June 2012, pending final adjustments
Positive capital trends – no capital needs are forecast

The highest core Capital among peers\(^2\)

In %

- Core Capital: **11\%**
- EBA Core Tier 1: **10\%**

Proforma with BCIV\(^1\):

13.0%

10.8% 10.1% 9.8% 9.4% 8.4%

Peer 1 Peer 2 Peer 3 Peer 4 Peer 5

TCE / TA\(^3,4\) remains strong post BCIV integration

In %

<table>
<thead>
<tr>
<th>Peer</th>
<th>Spanish Banks</th>
<th>Other Eurozone Banks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peer 1</td>
<td>7.2</td>
<td>6.8</td>
</tr>
<tr>
<td>Peer 2</td>
<td>6.8</td>
<td>6.5</td>
</tr>
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<td>Peer 3</td>
<td>6.5</td>
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<td>Peer 9</td>
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<tr>
<td>Peer 10</td>
<td>4.9</td>
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<tr>
<td>Peer 11</td>
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<td>Peer 13</td>
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<td>4.1</td>
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<td>Peer 14</td>
<td>3.7</td>
<td>3.7</td>
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<tr>
<td>Peer 15</td>
<td>3.3</td>
<td>3.3</td>
</tr>
<tr>
<td>Peer 16</td>
<td>2.0</td>
<td>2.0</td>
</tr>
<tr>
<td>Peer 17</td>
<td>1.9</td>
<td>1.9</td>
</tr>
</tbody>
</table>

Bottom-up stress tests expected to confirm that CABK is among the most resilient institutions with no additional capital requirements under an adverse scenario.

Data as of June 30\(^{th}\)

(1) Preliminary proforma figures as of 30th June 2012, pending final adjustments
(2) Peers include Banesto, BBVA, POP, SAB and SAN
(4) Proforma preliminary figures as of June 30\(^{th}\). Proforma common equity includes €880 M corresponding to the mandatory convertible bond issued by BCIV in July 3\(^{rd}\) 2012.
1. Reinforcing leadership in retail banking  
   - p.6

2. Bolstering balance sheet strength  
   - p.12

3. High income generation capacity  
   - p.20
Proven capacity to generate pre-impairment income

1. Resilient NII
   - 1H’12: +15.7% yoy

2. Sustained fee income growth
   - 1H’12: +8.7% yoy

3. Continued efforts in cost cutting
   - 1H’12: -5.6% yoy
   - Cost-to-income ratio: +48.2%

- Resilient operating metrics and cost cutting policies contribute to pre-impairment income growth and allow for a high provisioning schedule.

- Additional cost cutting and material synergies from BCIV integration will play a significant role in improving profitability.

- Some leverage from potential non-recurrent income generation.
Challenging economic and financial environment

Exhibiting good business health despite the tough environment

Changing regulatory framework

Key take-aways

1. Franchise growth
   - Sustained organic growth
   - BCIV integration reinforces retail leadership

2. Balance sheet strength
   - Robust metrics maintained with BCIV

3. Strong income generation capacity
   - Proven capacity to generate pre-impairment income
   - Synergies from BCIV integration will help to improve profitability

No additional capital requirements under an adverse scenario are foreseen
Thank you
Institutional Investors & Analysts Contact

We are at your entire disposal for any questions or suggestions you may wish to make. To contact us, please call or write to us at the following email address and telephone number:

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