



**Bank of America Merrill Lynch Banking & Insurance Conference**  
**Making finance work in a higher capital world**

**Gonzalo Gortázar, CFO**

London, 24<sup>th</sup> September, 2013

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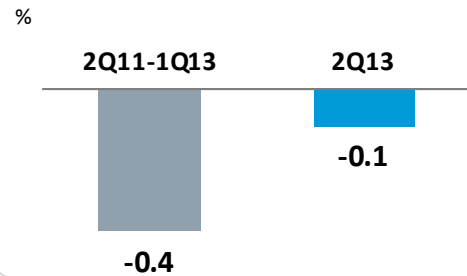
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In so far as it relates to results from investments, this financial information from the CaixaBank Group for 1H 2013 has been prepared mainly on the basis of estimates.

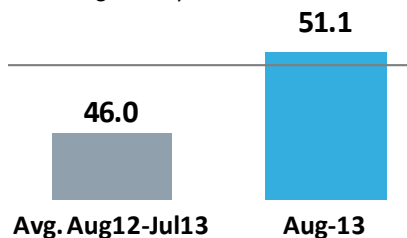
## The Spanish economy has entered an inflection zone

### GDP growth (q-o-q)



### PMI indices

Manufacturing activity

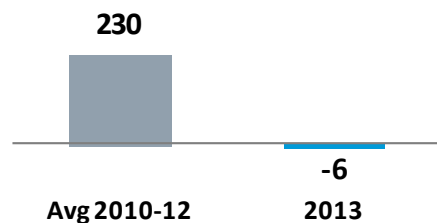


### Unit labor costs



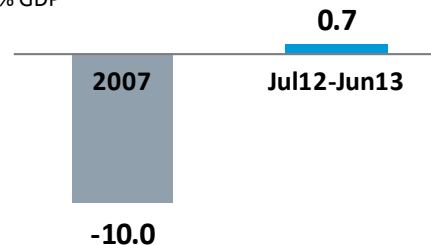
### Unemployment (cyclically adj.)

Δ registered unemployment Jan-Aug, in 1000s



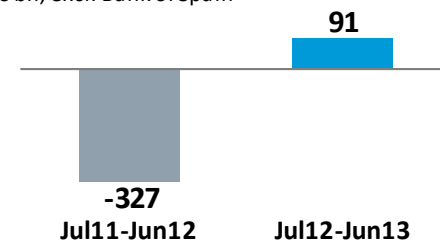
### Current account balance

% GDP



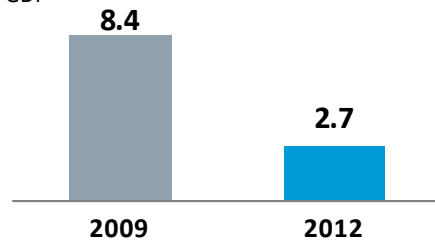
### Financial account inflows

€ bn, excl. Bank of Spain



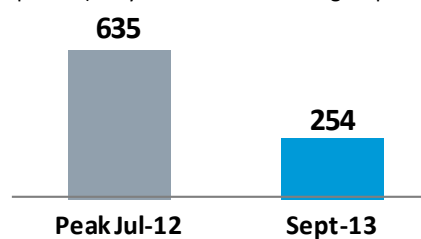
### Primary deficit (cyclically adj.)

% GDP



### Risk premium

Basis points (daily max in Jul-12 vs. avg. Sept. 1-15)



### Structural reforms

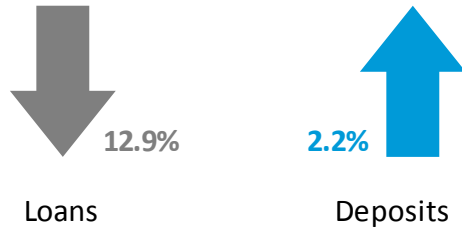
- Banking system
- Labor market
- Energy
- Pensions
- Public administration
- Tax system
- Business environment

**Two main challenges ahead: create employment + control budget deficit**

## And the banking sector is being restructured fast

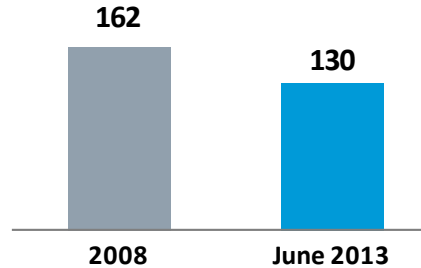
### Loans and deposits

June 2013, Δyoy



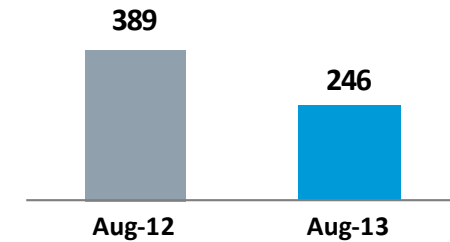
### LTD

%

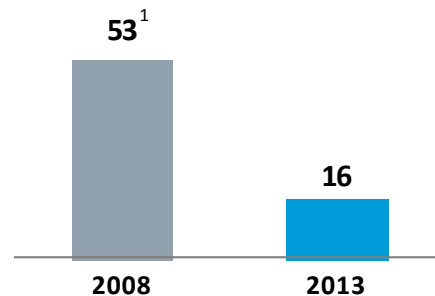


### Borrowing from ECB (net)

€ bn



### Number of banks



### Number of branches



### Number of employees



During this crisis CaixaBank has focused on levers that are within our control

### *Management priorities*

#### Strong market position

##### 1. Improvement of competitive position:

- Organically
- Through acquisitions

#### Reinforced B/S

##### 2. Delivering on capital optimization

##### 3. Liquidity levels maintained at record highs

##### 4. Accelerating the “clean-up” to reinforce asset quality

#### Resilient Pre-provision profit

##### 5. Margin management focused on reducing deposit costs

##### 6. Sustained performance in fees

##### 7. Efficiency improvement: synergies and restructuring actions

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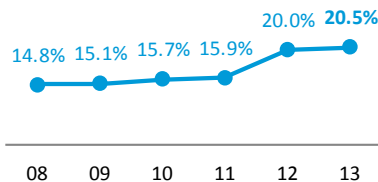
## Market shares have been increased throughout the crisis

The highest customer base with strong market shares in key retail products

**13.8 million customers**

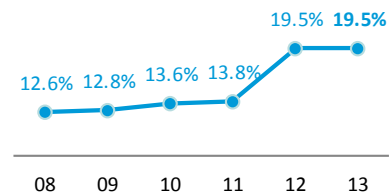
### Payrolls

**1<sup>st</sup>**



### Pension deposits

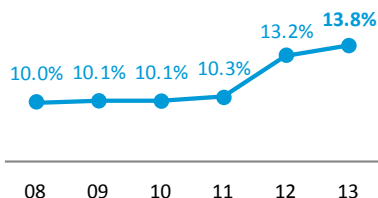
**1<sup>st</sup>**



## Customer funds market shares

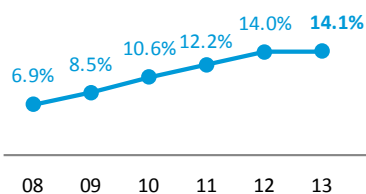
### Total deposits<sup>1</sup>

**1<sup>st</sup>**



### Mutual Funds

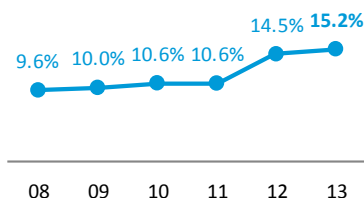
**3<sup>rd</sup>**



## Credit market shares

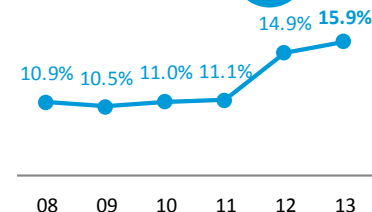
### Total loans<sup>1</sup>

**1<sup>st</sup>**



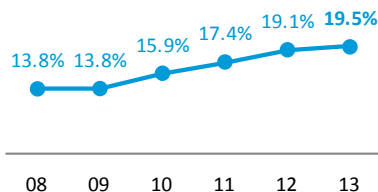
### Mortgages

**1<sup>st</sup>**



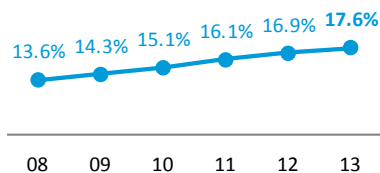
### Life/savings insurance

**1<sup>st</sup>**



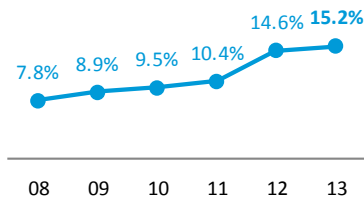
### Pension Plans

**1<sup>st</sup>**

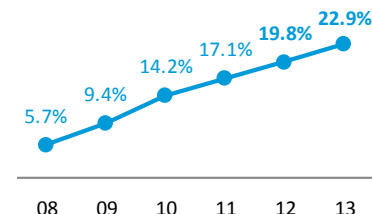


### Commercial loans

**2<sup>nd</sup>**



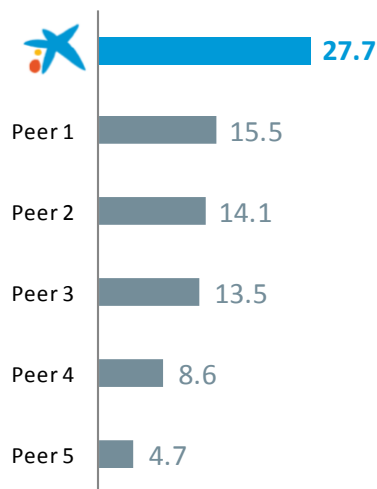
### Foreign trade - exports



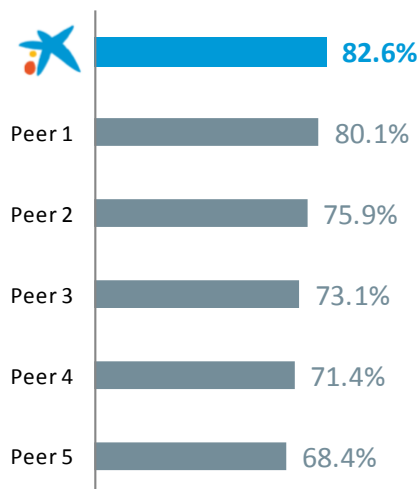
## Distribution network has generated a sustainable competitive advantage

### Leadership<sup>1</sup> in customer penetration and customer loyalty<sup>2</sup>

#### Customer penetration



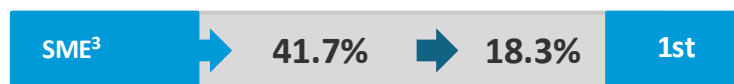
#### Customer loyalty



### Consolidating domestic leadership in SMEs

#### Customer penetration

#### Preferred bank



### Market-renowned innovation in servicing our customers' needs

#### Million customers



### Reputation and excellence in retail banking continue to be recognized by the market



*The 'Best Bank in Spain 2012 and 2013' and the 'Best Bank for Technology Innovation'*

- These awards recognize market leadership in Spain and technology innovation

(1) Peers include Santander, BBVA, Bankia, Sabadell and Popular

(2) Customer loyalty index is calculated as the percentage of customers of each bank that consider it their main financial entity

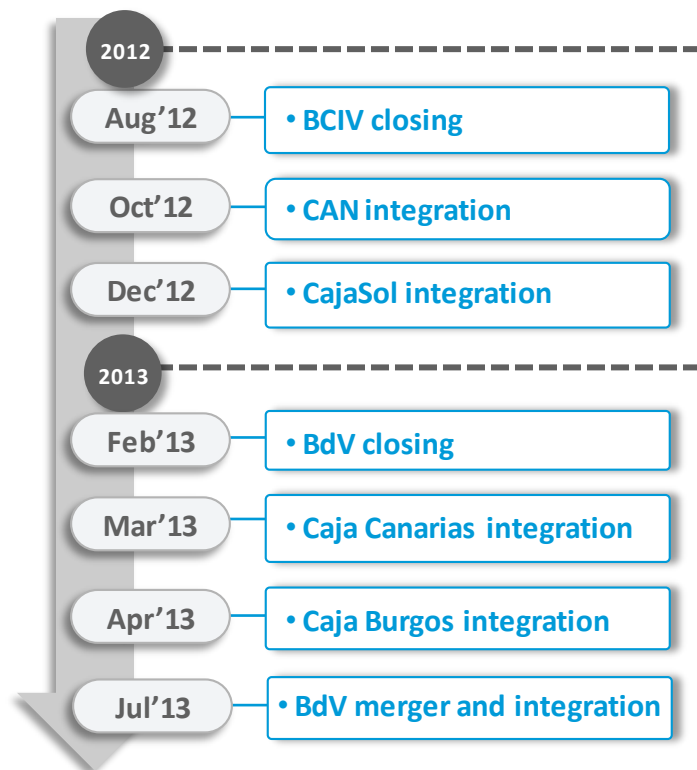
(3) SMEs: companies with turnover from 1 to 6 million Euro

Source: FRS Inmark



## Acquisitions strengthen regional footprint and market leadership

### 5 integrations completed in one year

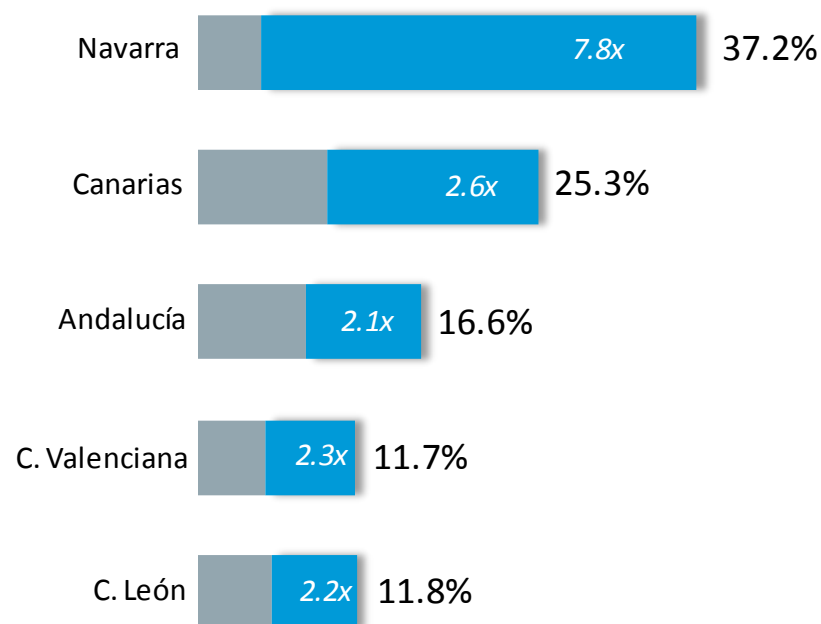


- BCIV fully integrated only 9 months after closing
- BdV merger and full IT integration completed 5 months after closing

### BCIV and BdV add significant presence in their core regions

Market share by business volume<sup>1</sup>

In %



● CABK stand-alone

(1) Market shares as of March 2013 include loans and deposits of CABK+BCIV+BdV. Source: Bank of Spain

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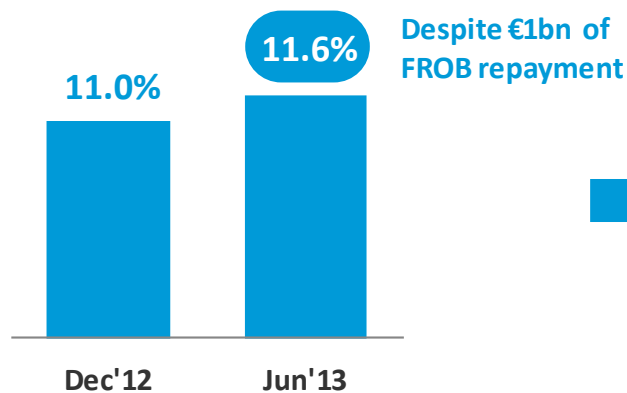
### 6. Sustained performance in fees

### 7. Efficiency improvement: synergies and restructuring actions

## Delivering on capital optimization

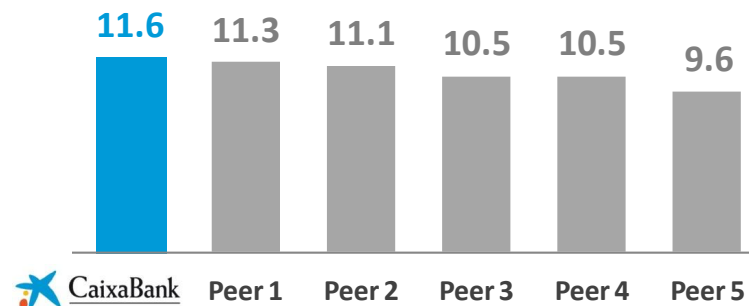
### Continued reinforcement of capital

BIS-2.5 Core Capital evolution



### The highest core capital ratio among peers<sup>1</sup>

In %



### Manageable impacts under BIS-3 FL regime:

#### DTAs:

- Temporary impact in nature
- More than offset by pre-tax profit generation in the phase-in period
- Potential regulatory solution

#### Minority stakes:

- Part of the deductions already in BIS-2.5 ratio
- 10-15% allowance mitigates the impact
- Capital optimization programme in place: sale of a 11% stake in Inbursa generated €1.8 bn of capital

#### RWAs:

- Strong deleveraging process
- Optimisation of IRB models

**Targets for FY13 reiterated: > 8% Core Capital BIS-3 Fully loaded**

(1) Peers include Santander, BBVA, Bankia, Popular and Sabadell. Figures as of June 30<sup>th</sup>

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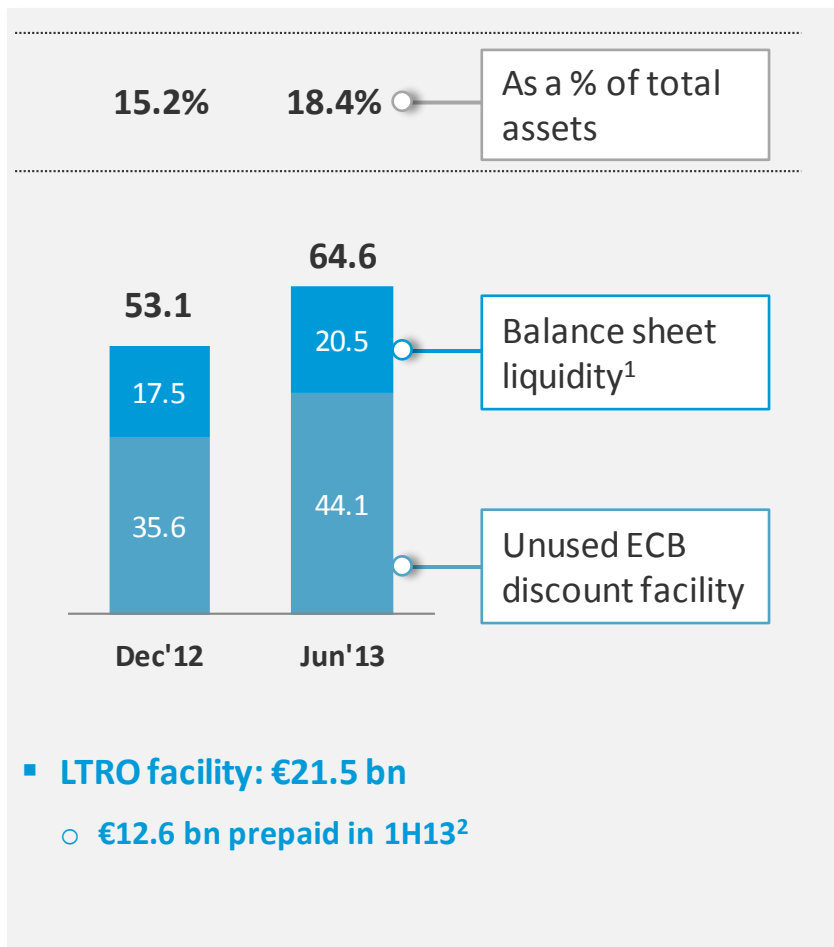
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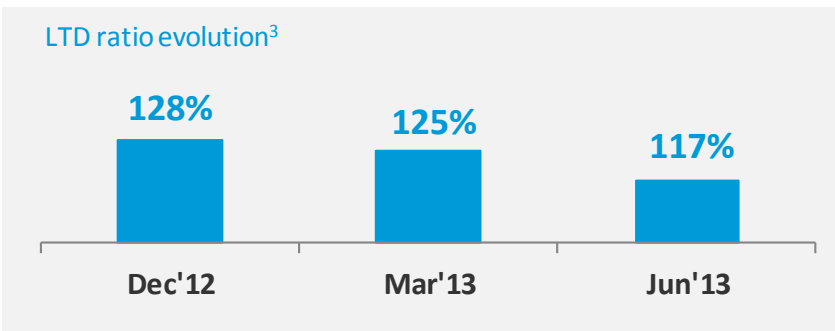
## Liquidity levels at record highs

### Total available liquidity

In Billion Euros



### Reduction of LTD ratio



- Strong deleveraging continues to reinforce balance sheet liquidity
- Wholesale maturities and LTRO repayment can be comfortably managed
- Proven access to market at attractive prices: €3bn issued in 2013

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

(2) €6.8 bn from CABK + €5.8 bn from BdV

(3) Defined as: gross loans (€220,967M) net of loan provisions (€16,566 M) (total loan provisions excluding those corresponding to contingent guarantees) and excluding pass-through funding from multilateral agencies (€7,656 M) / retail funds (deposits, retail issuances) (€167,902 M)

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## Front-loading refinanced loans provisioning requirements

30 June 2013		
% of refinanced loans <sup>(1,3)</sup>		
		€ bn
Peer 1	17.6%	33.4
Peer 2	16.1%	22.1
Peer 3	13.2%	14.4
Peer 4	13.0%	15.8
<b>CABK</b>	<b>11.8%</b>	<b>26.0</b>
Peer 6	11.6%	24.2



### Refinanced loans breakdown as of June 2013<sup>2</sup>

€Bn	Performing	Substandard	NPL	Total
Total	10.0	4.6	11.4	26.0
<i>Of which:</i>				
Total Non-RE	8.4	2.8	6.4	17.6
Existing provisions	-	0.9	4.1	5.0

- Application of new criteria implies reclassification of €3.3bn to NPLs
- Front-loading leads to €540 M of additional specific provisions<sup>4</sup> booked in 1H13

(1) Based on gross customer loans

(2) Including BdV

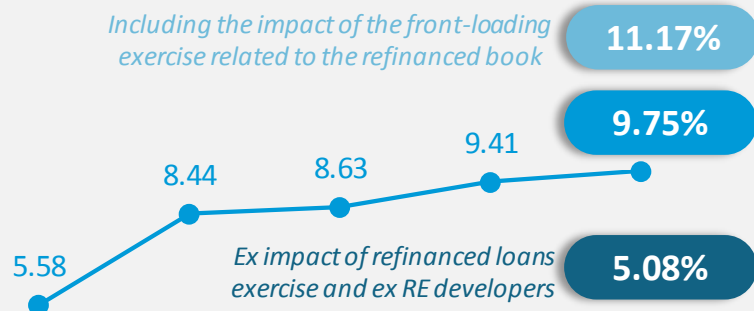
(3) Peers include Bankia, BBVA (Spain), Sabadell, Santander (Spain) and Popular. Source: Consolidated financial statements 1H13

(4) Figure for specific provisions excludes the impact for BdV refinanced book, to be offset against existing FV adjustments (no expected P&L impact)

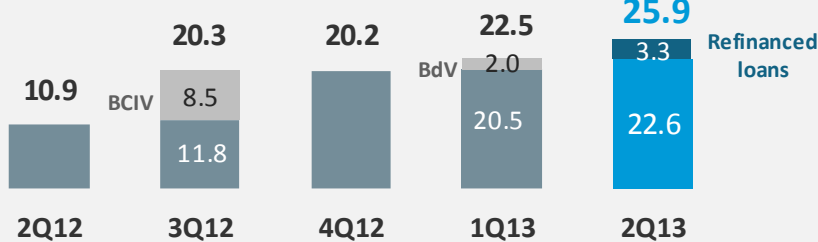
## NPL coverage ratio remains at 66% after anticipating provisions related to refinanced loans

### NPLs and NPL ratio impacted by reclassifications related to refinanced loans requirements

NPL ratio



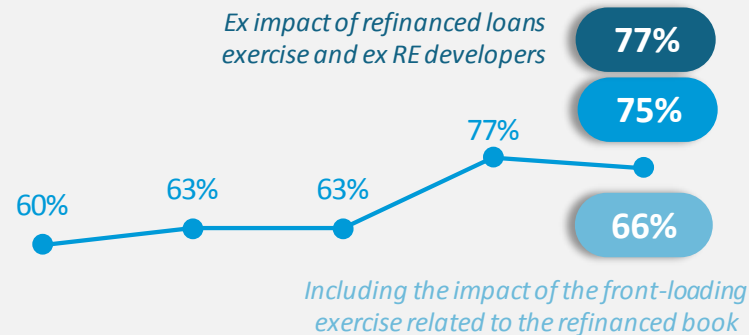
NPLs (in Billion Euros)



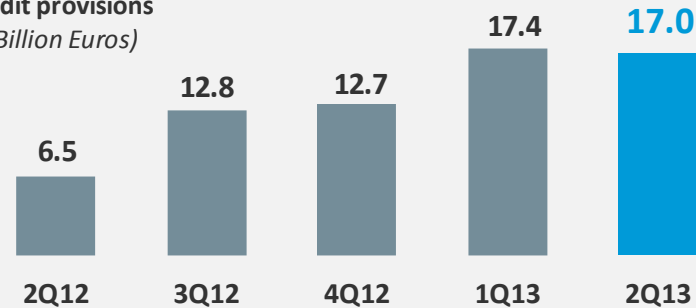
~80% of NPLs have collateral

### NPL coverage ratio remains high at 66% despite front-loading the required provisions on refinanced loans

NPL coverage ratio



Credit provisions (in Billion Euros)

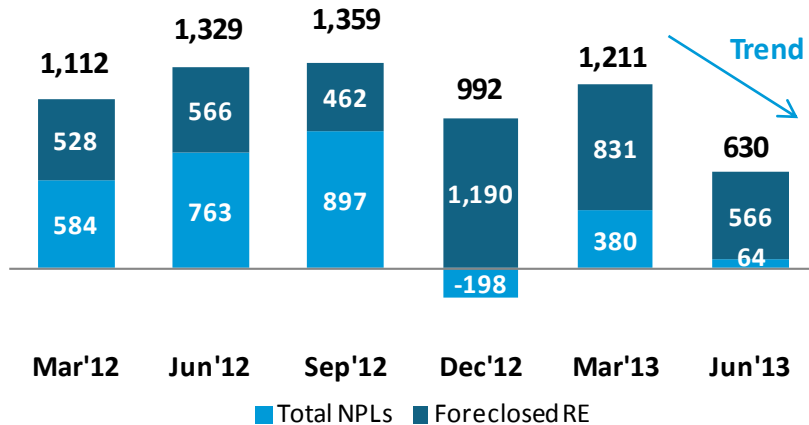




## Reduced inflows of new problem assets

### NPLs & Foreclosed assets<sup>1</sup> – Organic QoQ variation

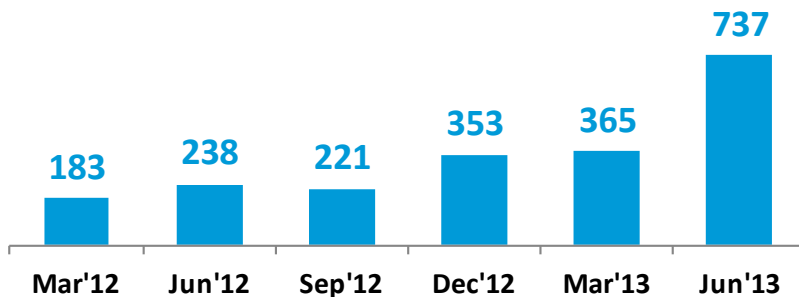
€M



- Progressive reduction of new NPL formation
- High foreclosure levels gradually offset by higher commercial activity
- NPL ratio will continue to increase due to the denominator effect (deleveraging)

### Building Center commercial activity (sales + rentals)

€M

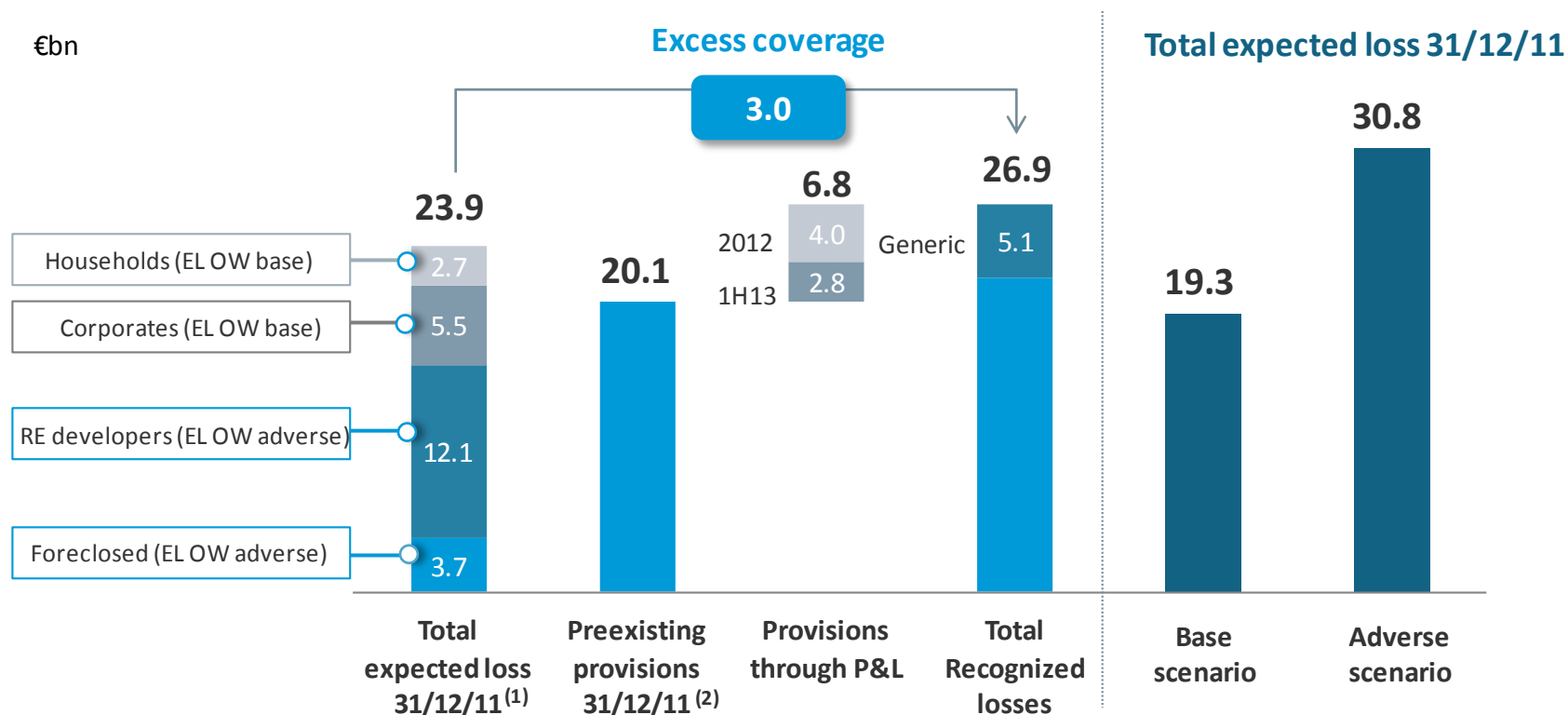


Expect this trend to continue:

- Stabilization of the economy
- Increased activity in Real Estate market

(1) Evolution of total gross NPLs (excluding provisions) and total gross foreclosed assets, excluding the impact of BCIV and BdV acquisitions and the impact of the reclassification of €3.3bn of refinanced loans to NPLs

## Provisioning levels exceed estimated cumulative losses under a reasonable scenario



### High provisioning efforts to continue in upcoming quarters

- Economy stabilizing but still with significant headwinds
- Generic provisions cannot be reallocated



**Total recognized losses  
between base and adverse  
OW scenarios**

(1) CABK + BCIV + BdV (ex – Real Estate)

(2) CABK + BCIV provisions as of 31/12/11, including proforma of BCIV PPA and additional FV adjustments but excluding €1.9bn of provisions in Servihabitac. For BdV, €3.8 bn of provisions as of 31/12/12, including proforma fair value adjustments but excluding estimate of EL of remaining exposure to developers. Does not include movements of funds during 2012 for BdV and 1H12 for BCIV, which would further increase coverage

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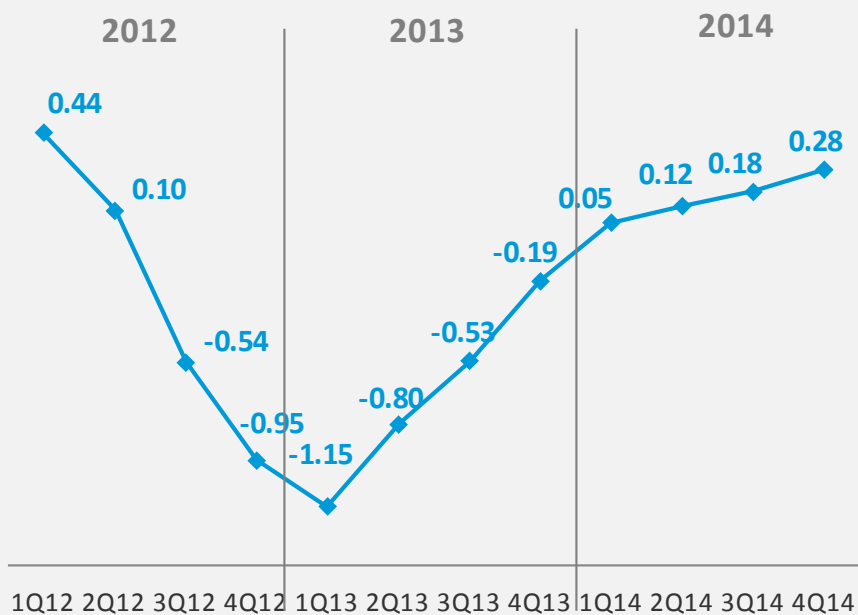
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## Low rates and fast deleveraging lead to sharp focus on management of spreads

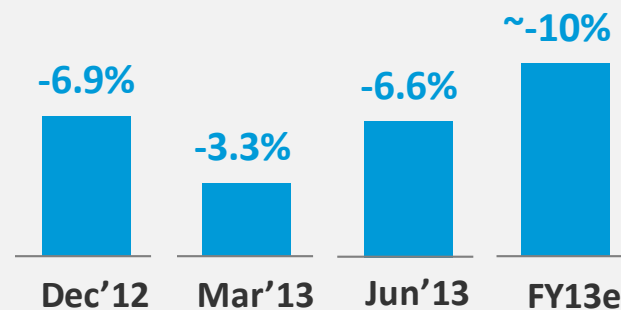
**Negative 12 M Euribor reached its trough in 1Q13 but is still the major NII headwind**

Variation of rates in the repricing process of the mortgage book



**Loan book contraction adds significant liquidity but reduces interest-earning assets**

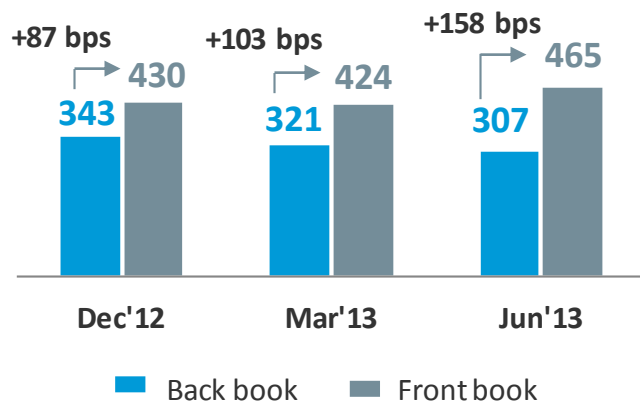
Organic deleveraging trends for CABK



## Spread management of time deposits is critical to offset low rate impacts

**Higher front book loan rates are not sufficient to offset rapid fall in Euribor- indexed back book**

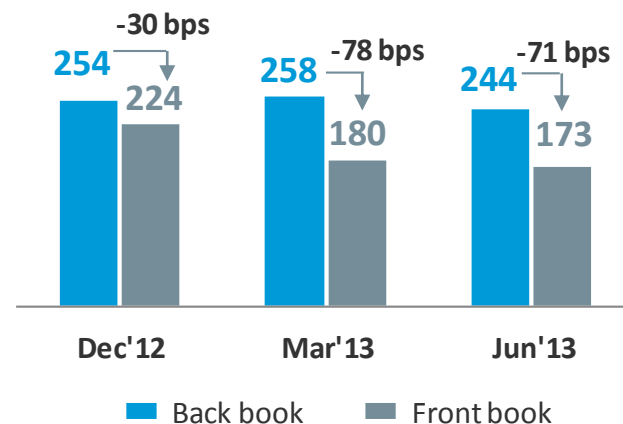
Loan book yields - Back vs. front book (bps)



**New asset production will have a limited impact so management of time deposit spreads becomes critical**

**Significant reduction in time deposit costs is necessary to offset falling asset yields**

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



**Favorable trends on deposit costs though maturity profiles delay impact**

**~60% of maturities to take place after 2013**

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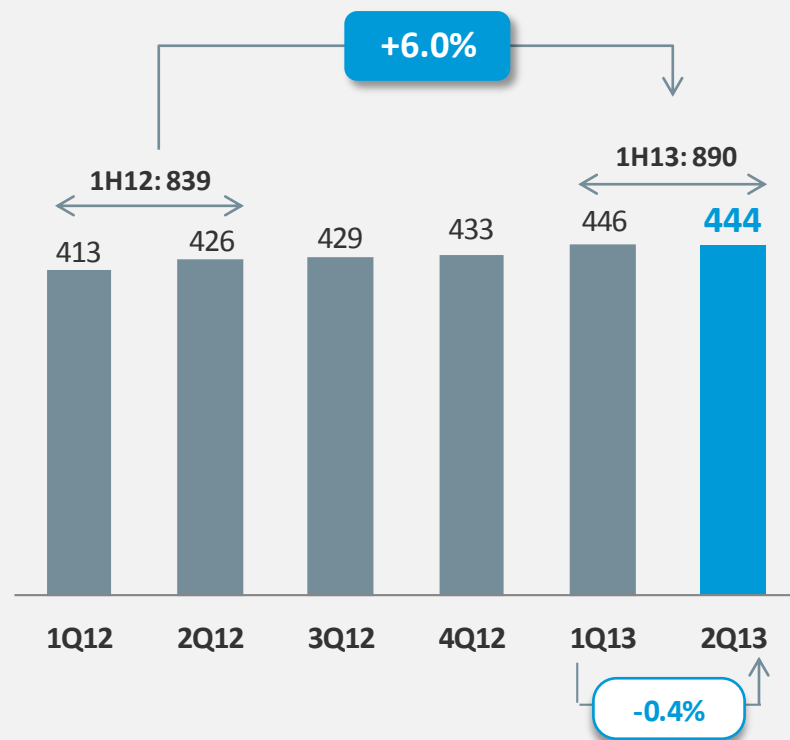
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## Sustained performance in fees - particularly in off-balance sheet products

### Net fees

In Million Euros



### Net fees breakdown

In Million Euros

	1H13	yoy (%)
Banking fees	685	2.4
Mutual funds	82	16.5
Insurance and pension plans	123	22.7
<b>Net fees</b>	<b>890</b>	<b>6.0</b>

- **Strong performance of mutual funds and pension & insurance fees:**
  - Better market conditions
  - Migration from deposits to off-balance sheet products
  - Increased market share
- **Banking fees lower growth affected by loss of one-off items**

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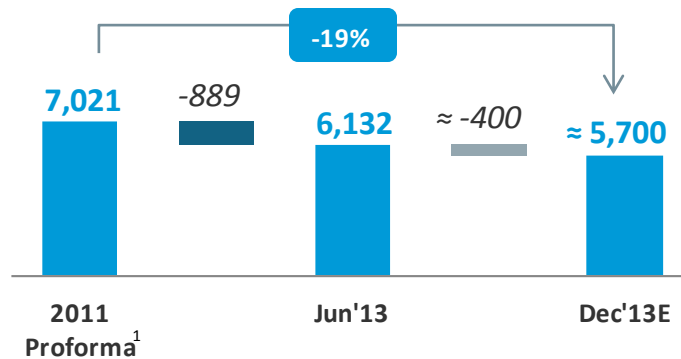
## Continued rightsizing efforts are critical to improve efficiency

### 1 Proven integration capabilities

- 5 integrations completed in one year

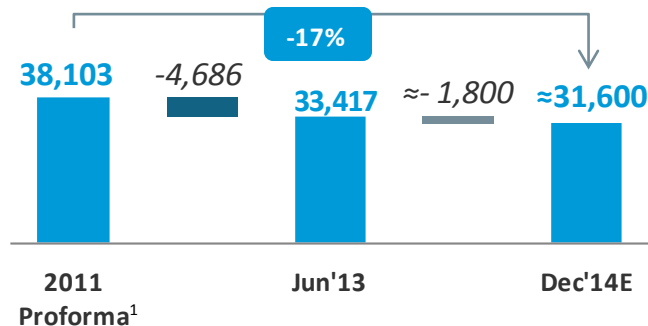
### 2 Rightsizing the branch network

- 400 branches expected to close in 2H



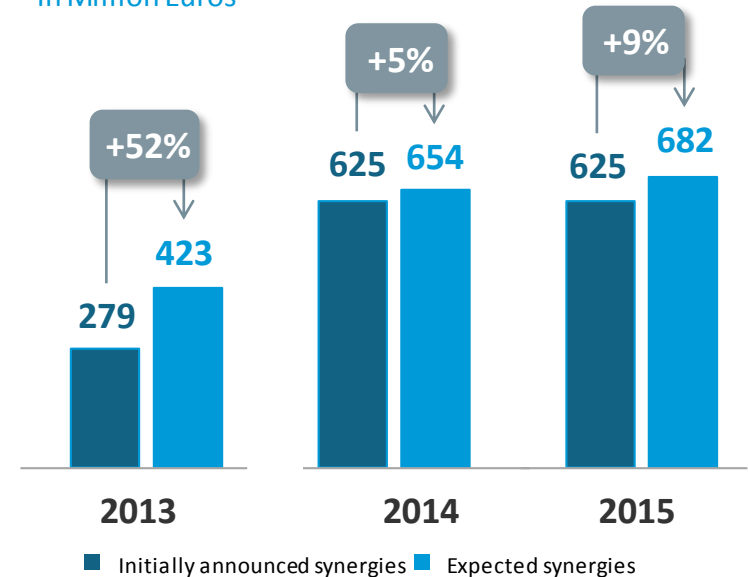
### 3 Employee reduction plan

- Headcount adjusted by 2,600 employees



### Restructuring efforts lead to quicker and higher expected synergies





In Million Euros



- Front-loading departures imply higher synergies than initially announced

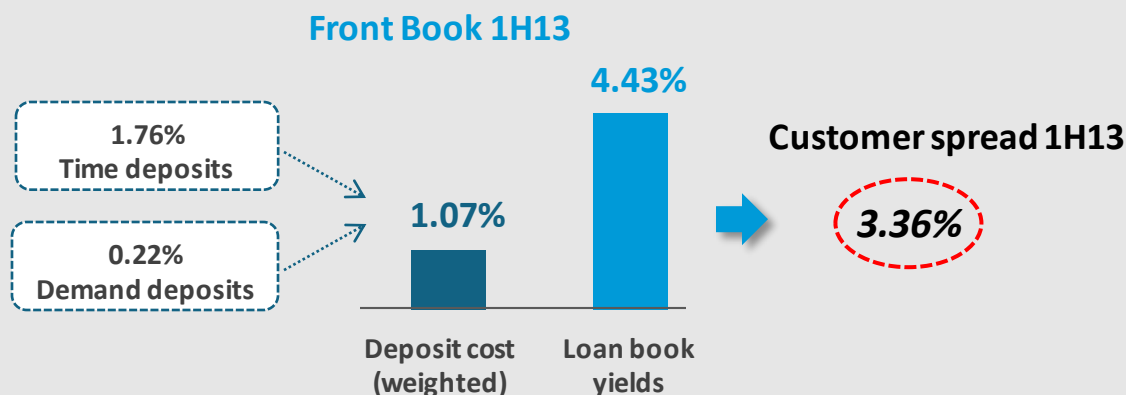
## A brighter scenario in the medium/long run

### Major drivers

Net Interest Income	 <ul style="list-style-type: none"> <li>Interest rates normalization – higher value of zero-cost deposits</li> <li>Reduction of time deposit spreads</li> <li>Lower wholesale funding costs</li> </ul> <p>More than offset the reduction of carry-trade benefits + normalization of credit spreads</p>
Recurring costs	 <ul style="list-style-type: none"> <li>Full achievement of cost savings</li> <li>Ongoing rationalization based on growing scale</li> </ul>
Cost of risk	 <ul style="list-style-type: none"> <li>Normalization of cost of risk</li> </ul>
Other levers	 <ul style="list-style-type: none"> <li>Potential to generate income synergies (13.8 M customers)</li> <li>Consolidation: opportunities to reinforce competitive position</li> <li>Investment portfolio rationalization &amp; capital release</li> <li>Non-recurring profits</li> </ul>

**As the leading retail bank in an attractive market,  
CaixaBank will generate sustainable returns in excess of cost of capital**

## New production already at mid-teens ROE



New production P&L	as %/ATA	Considerations:
Net interest margin	1.84 <sup>1</sup>	Commissions, dividends, equity method and other income based on 1H13 % over ATAs
Gross income	2.79	
Operating expenses	(1.05)	Considering the full achievement of synergies (€682 M)
Pre-impairment income	1.74	
Cost of risk	(0.38)	Equivalent to a 0.6% CoR in a normalized scenario
Pre-tax income	1.36	
Taxes	(0.33)	
Post-tax income	1.03	

Equity/ATA	6.6%
RoE	15.5%

(1) Includes weighting of front book by maturities, and stability for the rest of the balance sheet; no implicit increase of market rates is assumed

# 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:

[investors@caixabank.com](mailto:investors@caixabank.com)

+34 93 411 75 03