



## **A resilient model for a low-rate environment**

**Gonzalo Gortázar, CEO**

Morgan Stanley – European Financials Conference

London, 17 March 2016

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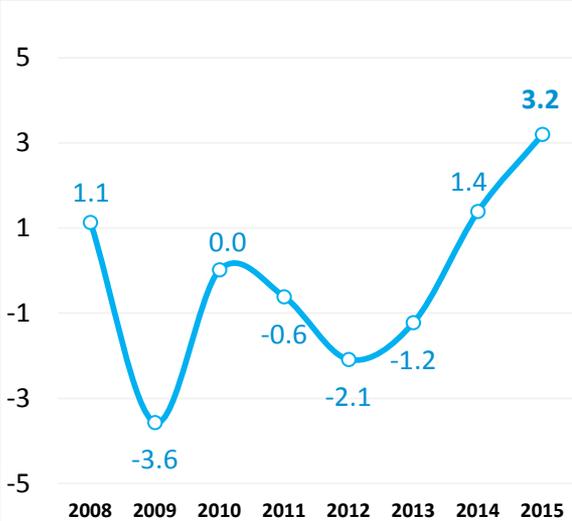
## Agenda

- **Macro and industry environment**
- CaixaBank – better built for low rates
- Final remarks

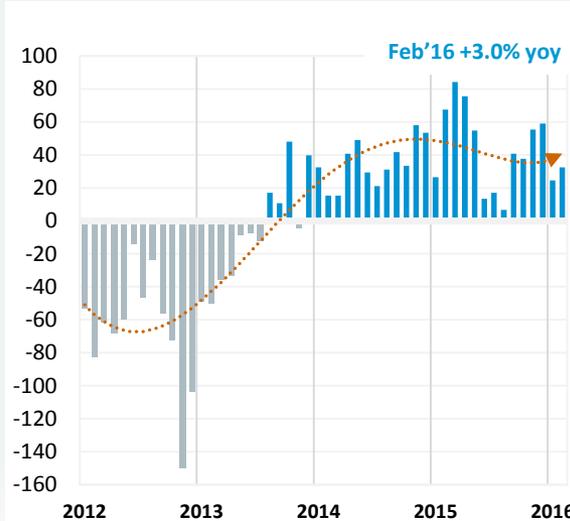
## Macro dynamics generate favourable tailwinds

### Solid recovery of the Spanish economy ...

Real GDP growth, % change yoy



Net employment creation (s.a.), in thousands



Housing market clock, % change yoy



### ... to support positive 2016 business trends

**+** NEW LENDING:

Net loan growth (especially in consumer lending/SME)

**+** CREDIT RISK:

Asset quality and CoR improvements

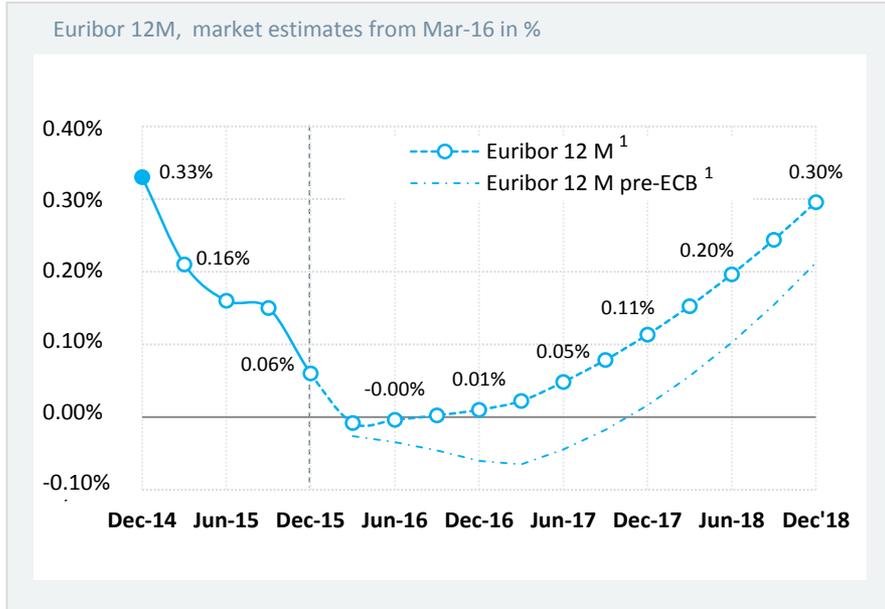
**+** REAL ESTATE ACTIVITY:

Reduced drag from losses in real estate exposure

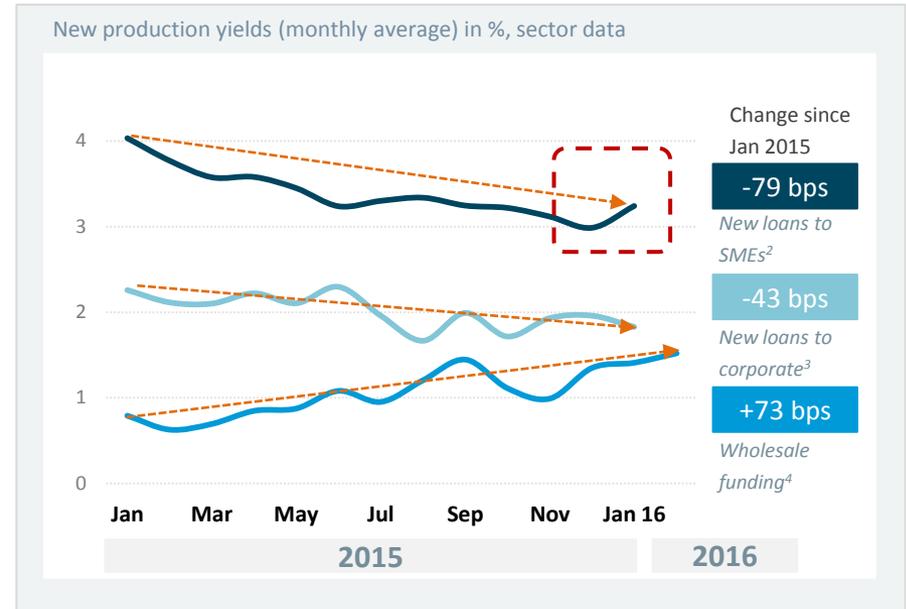


## But the challenge of low rates remains

### Low interest rate outlook slightly better post ECB



### Intense competition in asset spreads beginning to ease



### Top line pressure is the key challenge for 2016

- EURIBOR RESETS
- ASSET SPREAD COMPRESSION
- SUBDUED VOLUMES



Profitability strains for a “pure” retail bank

(1) Market estimates as of 11 March 2016; pre-ECB as of February 29th 2016  
 (2) Front book yields credit to non-financial corporations for an amount <€1M  
 (3) Front book yields credit to non-financial corporations for an amount >€1M  
 (4) CDS Spanish corporations in the index iTraxx Main Europe

## Agenda

- Macro and industry environment
- **CaixaBank – better built for low rates**
  - A one-stop shop distribution model
  - Strict margin management
  - Ability to further adjust cost base
  - Leading digitalisation in banking
  - Credit-risk turnaround
- Final remarks

## CaixaBank can pull several levers to tackle current challenges



**1**

*A one-stop shop distribution model*

**2**

*Strict margin management*

**3**

*Ability to further adjust cost base*

**4**

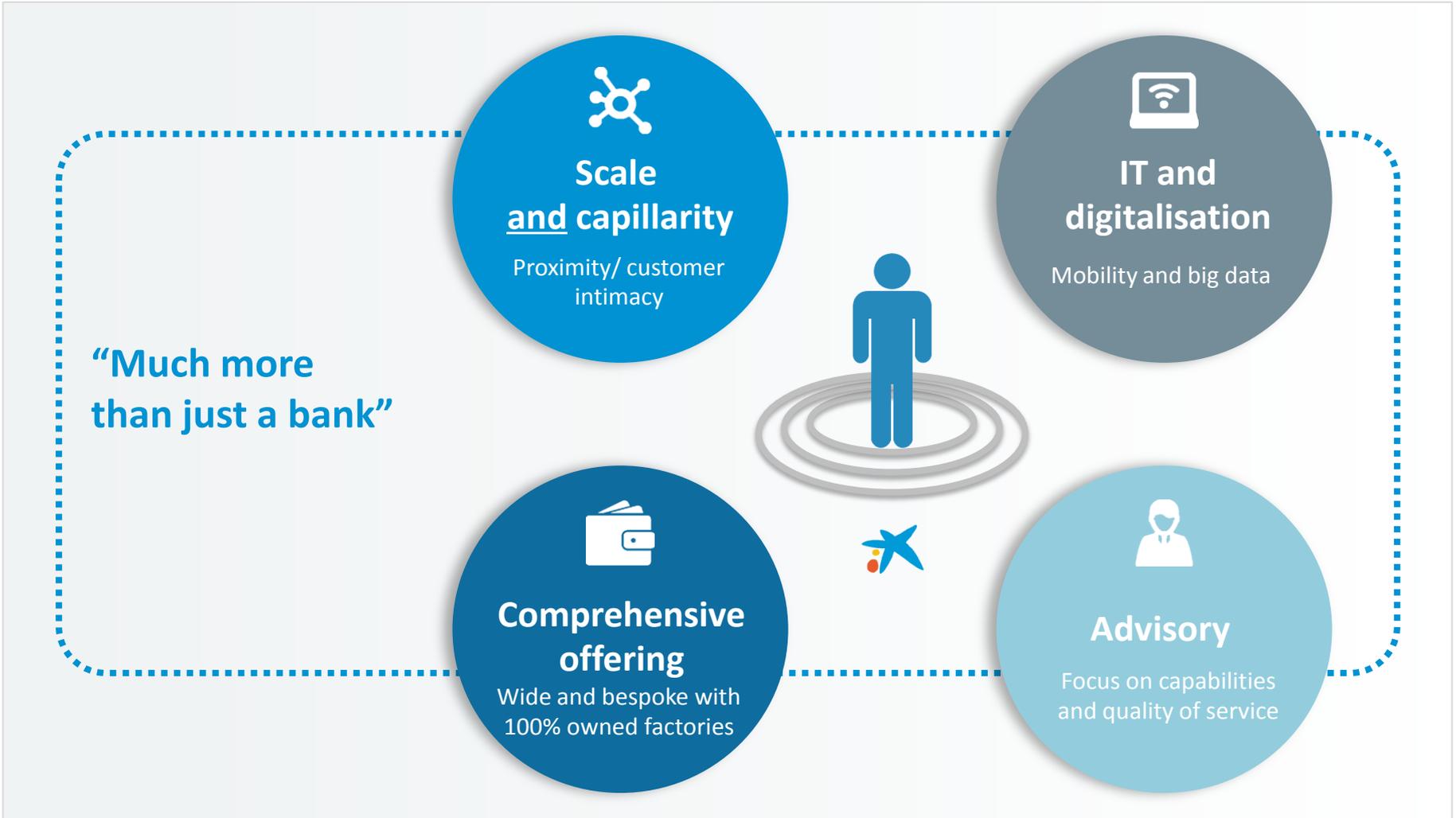
*Leading digitalisation in banking*

**5**

*Credit-risk turnaround*

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

Our “financial supermarket” model...

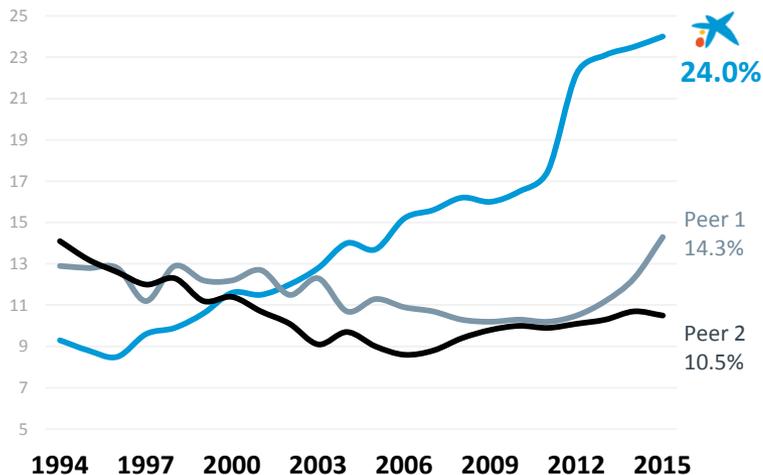


...provides unique advantages to face current headwinds

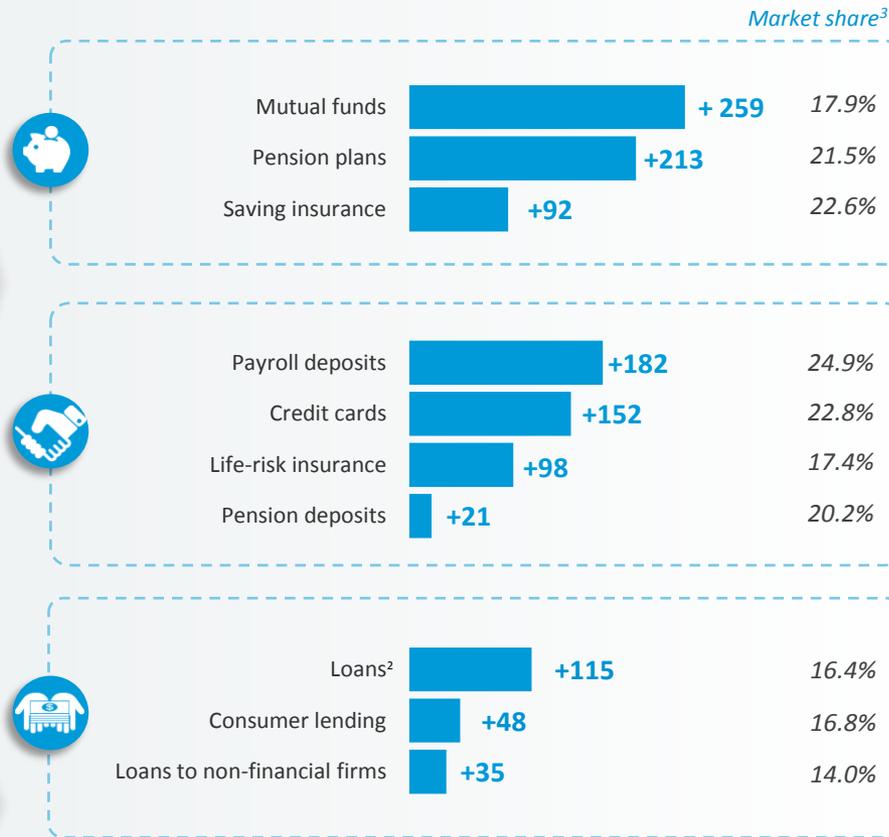
## With success reflected in profitable market share gains

### Primary bank for 1/4 of retail customers in Spain

Market penetration for retail clients (primary bank), in %



Market share growth Dec'15 vs Dec'14 for key products, in bps



### Outpacing the sector in loans and client funds

% growth 2015 yoy

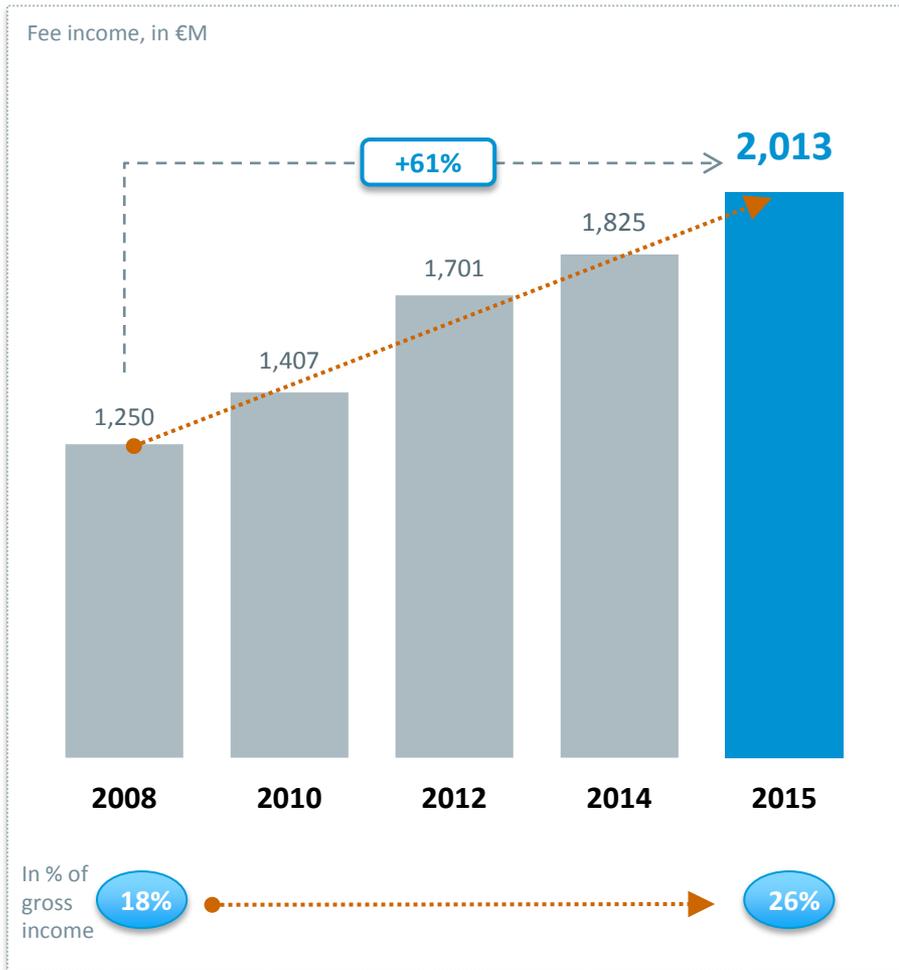


**13.8 M** Clients

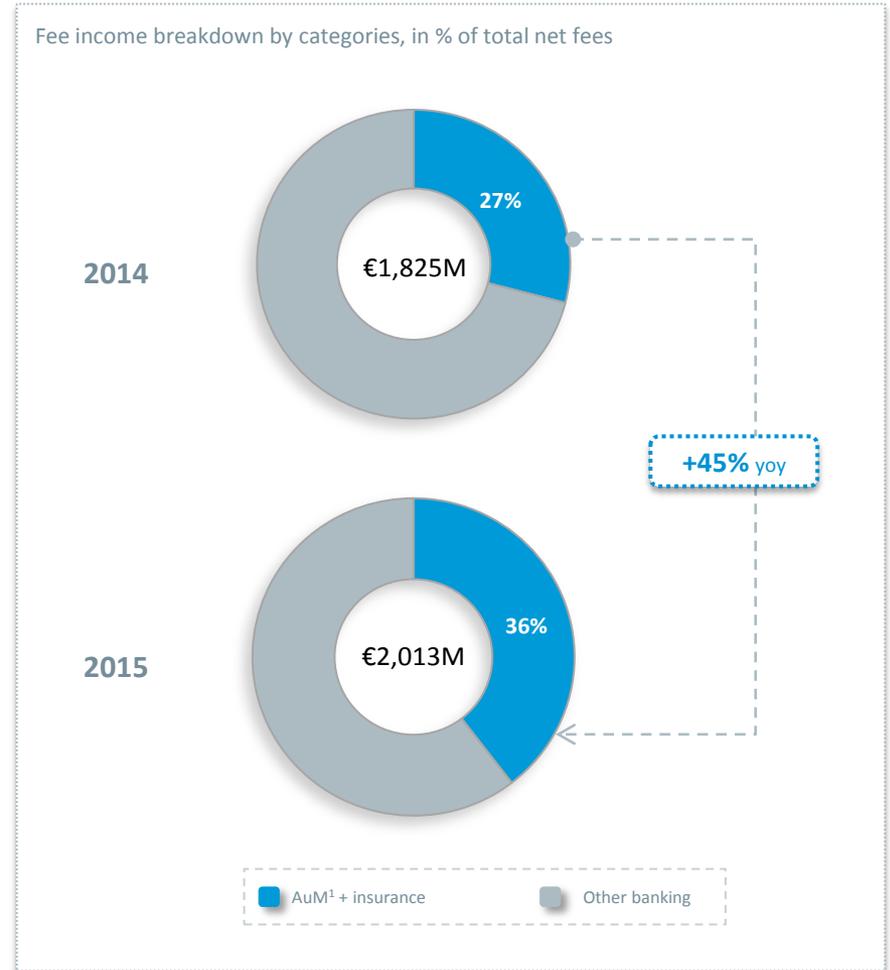
(1) Loans to other resident sector and public sector  
 (2) Loans to other resident sector  
 (3) In %. December 2015

## Contributing to a steady build-up of fee income in recent years

### Steady fee income growth



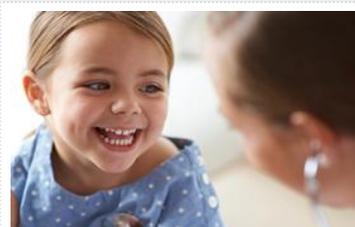
### Increasing weight of AuM<sup>1</sup> and insurance fees in total fees



(1) Mutual funds and pension plans

Market-leading product factories provide a wide product offering

*Ownership of businesses preserved throughout the crisis*



 **VidaCaixa**  
+  
 **SegurCaixa Adeslas**

 **CaixaBank**  
ASSET MANAGEMENT



 **CaixaCard**

Through a single  
fully-integrated  
distribution  
platform

 **Comercia Global Payments**



 **CaixaBank**  
CONSUMER FINANCE

 **MicroBank**



Economies of scope

Cost competitiveness

Revenue diversification



 VidaCaixa



 SegurCaixa Adeslas

# VidaCaixa Group: the largest and fastest-growing Spanish insurance company



Life insurance and pension plans



€58 Bn  
assets

4.2 M  
customers

100% owned

- |                              |   |
|------------------------------|---|
| <b>LIFE-SAVING INSURANCE</b> | <ul style="list-style-type: none"> <li>#1 in Spain</li> <li>22.6% market share</li> </ul> |
| <b>LIFE-RISK INSURANCE</b>   | <ul style="list-style-type: none"> <li>#1 in Spain</li> <li>17.4% market share</li> </ul> |
| <b>PENSION PLANS</b>         | <ul style="list-style-type: none"> <li>#1 in Spain</li> <li>21.5% market share</li> </ul> |



Non-life insurance



€3 Bn  
Premia

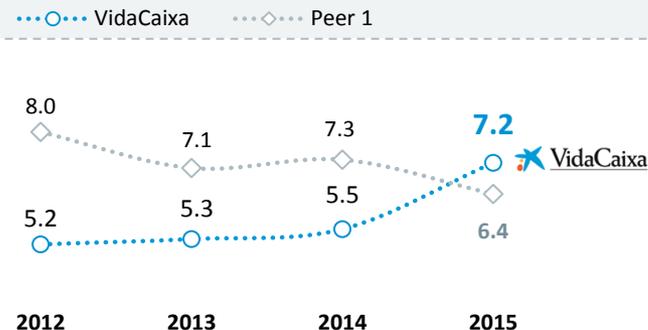
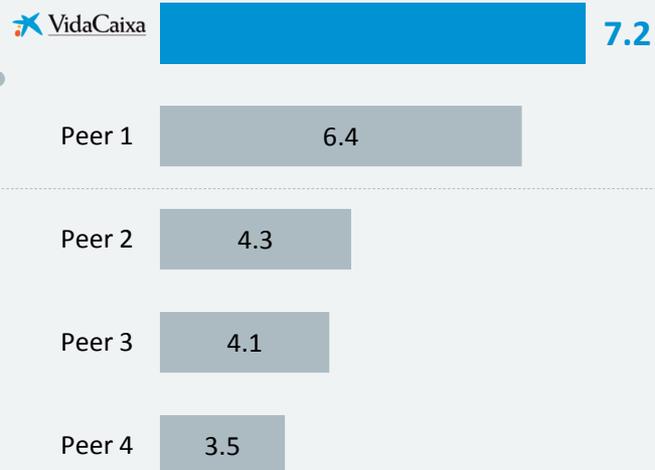
5.6 M  
customers

49.9% owned

- |                           |  |
|---------------------------|--|
| <b>NON LIFE INSURANCE</b> | <ul style="list-style-type: none"> <li>#1 in health insurance</li> <li>28.1% market share</li> </ul> |
|                           | <ul style="list-style-type: none"> <li>#2 Household insurance</li> <li>8.4% market share</li> </ul>  |
|                           | <ul style="list-style-type: none"> <li>#5 Multirisk insurance</li> <li>6.4% market share</li> </ul>  |

## Now the largest insurance group in Spain

Total premia<sup>1</sup>, €Bn Dec'15



(1) Peer group includes Allianz, Mapfre, Mutua Madrileña and Zurich

# Life insurance and pension plans: growing clients, production and total assets



Life insurance and pension plans



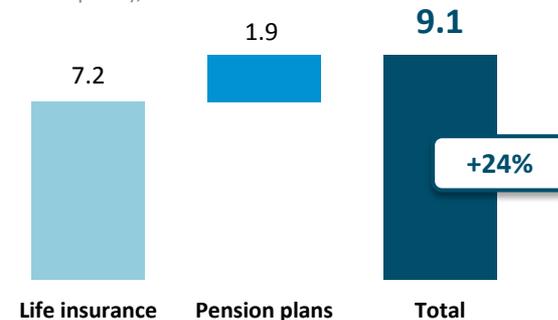
## Increased client base in 2015

**3.3 M** Individual clients  
+9% yoy

**0.9 M** Clients under corporate plans<sup>1</sup>  
+3% yoy

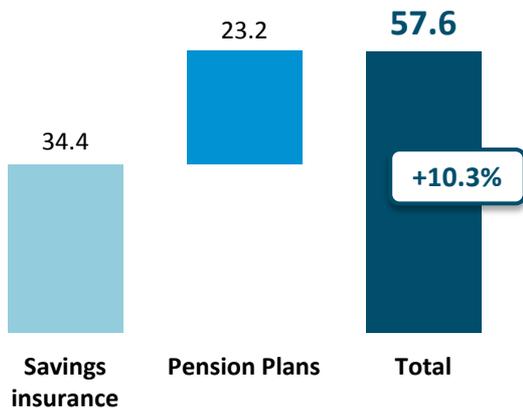
## Strong new production growth

Total premia plus contributions (life insurance and pension plans), €Bn in 2015

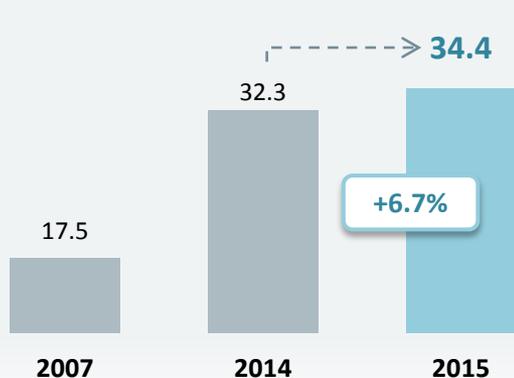


## Growing assets

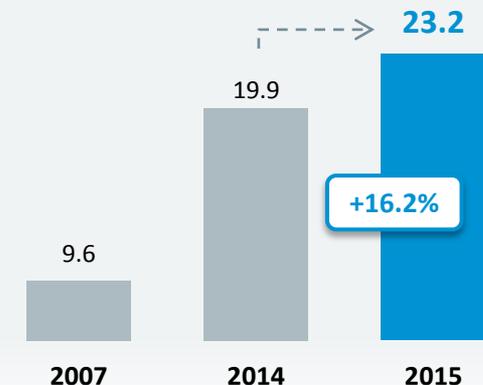
Total Assets, €Bn in 2015



Savings insurance, €Bn



Pension plans AuM, €Bn

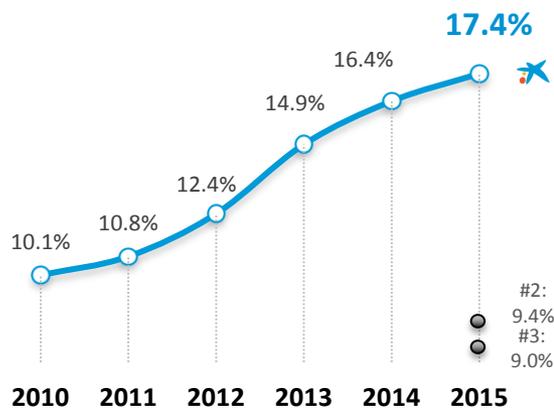


(1) Number of clients net of duplicities (participants in both individual and corporate plans are only counted within individual clients).

# Outperforming peers and steadily gaining market share

## Life-risk insurance

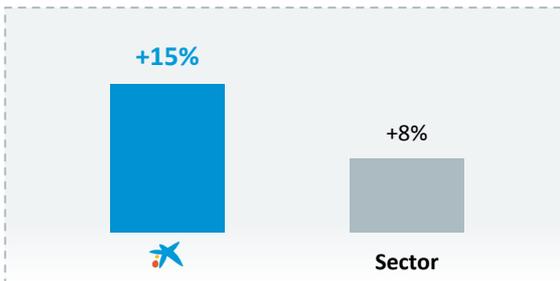
Market share (%)



**+98 bps**  
Dec'15 vs. Dec'14

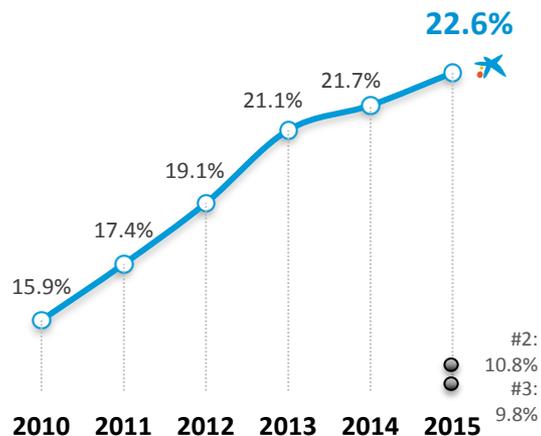
**+725 bps**  
since 2010

Premia, % Dec'15 vs Dec'14



## Saving insurance

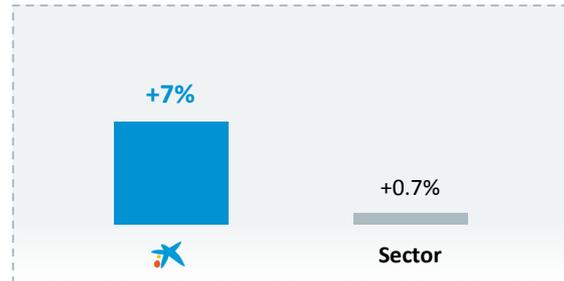
Market share (%)



**+92 bps**  
Dec'15 vs. Dec'14

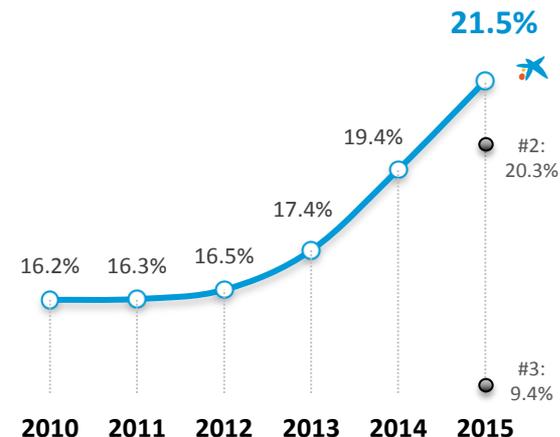
**+673 bps**  
since 2010

Savings insurance, % Dec'15 vs Dec'14



## Pension plans

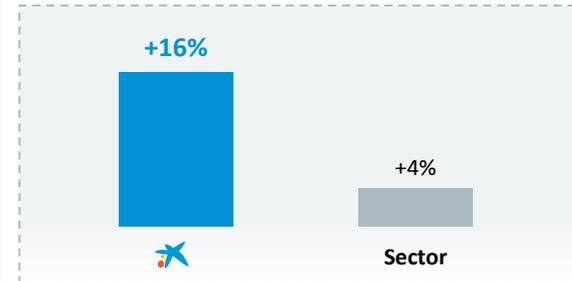
Market share by AuM (%)



**+213 bps**  
Dec'15 vs. Dec'14

**+526 bps**  
since 2010

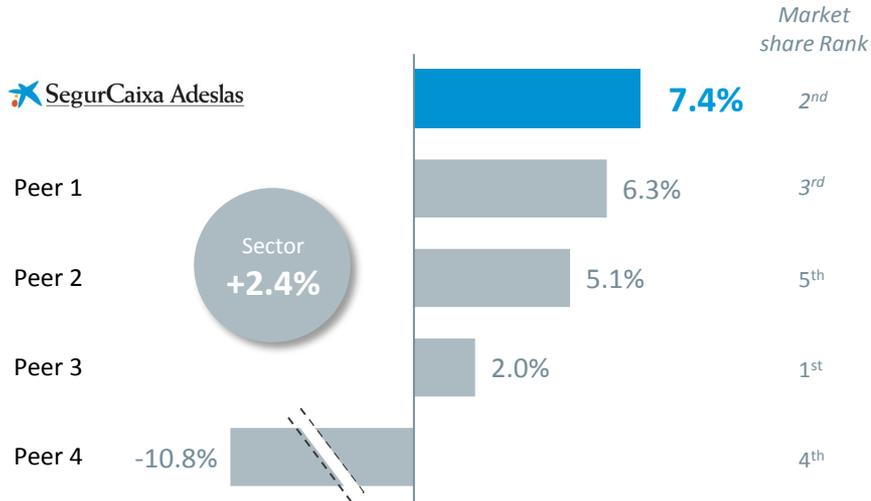
AuM, % Dec'15 vs Dec'14



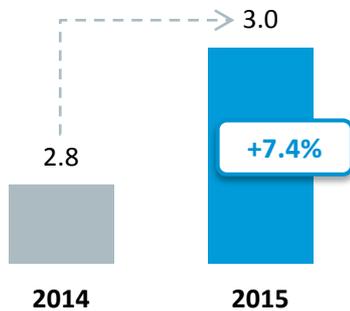
## SegurCaixa Adeslas: the fastest-growing non-life insurance group

### Gaining traction faster than peers

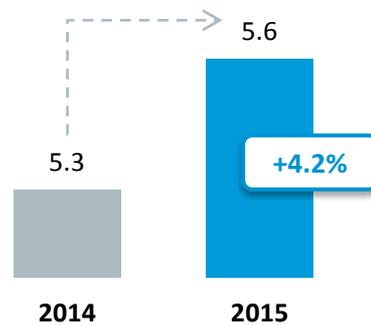
Top 5 non-life insurance groups in Spain, growth in premia 2015 vs. 2014 (%)



SegurCaixa Adeslas Total premia, €Bn

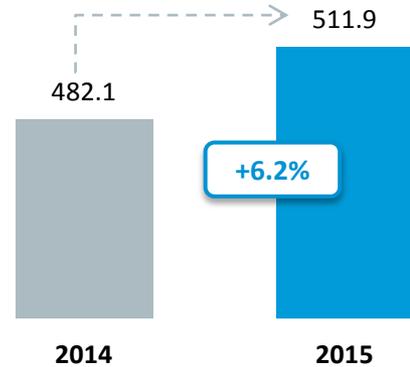


SegurCaixa Adeslas Total clients, €M

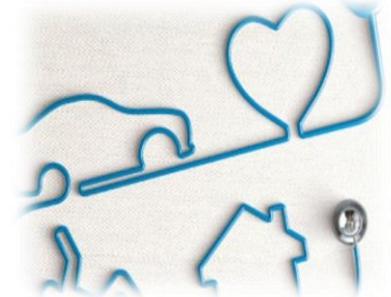


### Growing new production

SegurCaixa Adeslas new production, €M

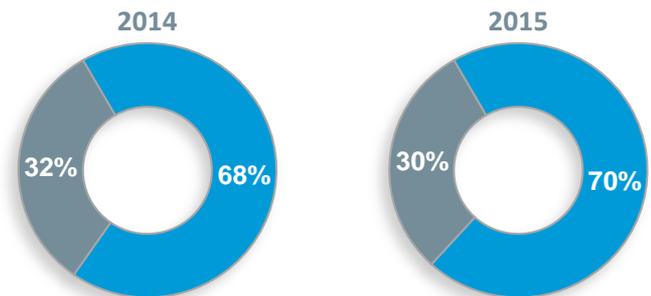


**SegurCaixa Adeslas**  
Non-life insurance



### Benefitting from CaixaBank's distribution network

SegurCaixa Adeslas new production by channel, in % of total

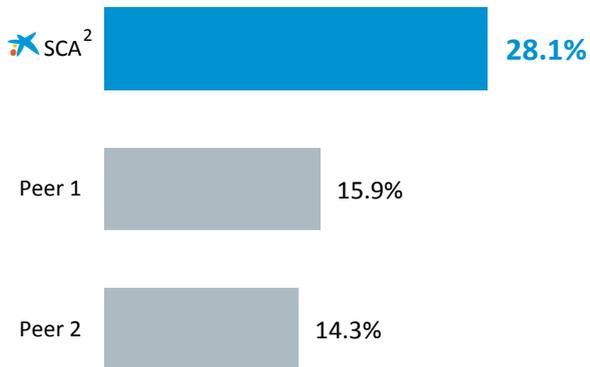


■ Bancassurer channel (+17% 2015 vs 2014)  
■ Insurer channel (+14% 2015 vs 2014)

# Market leader in health insurance and outpacing the sector in other segments

## #1 in health insurance

Health insurance market share<sup>1</sup>, % Dec' 2015



**28.1%** Health insurance

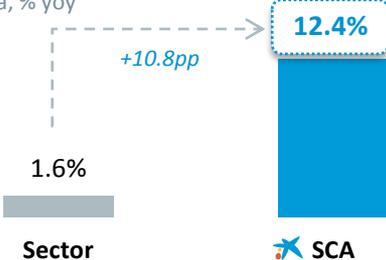


## Growing at more than 10% in key segments

SegurCaixa Adeslas

### Multi-risk insurance

Premia, % yoy



**6.4%** Market share

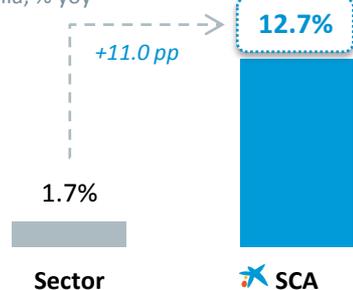


**8.4%** Market share in households



### Auto insurance

Premia, % yoy

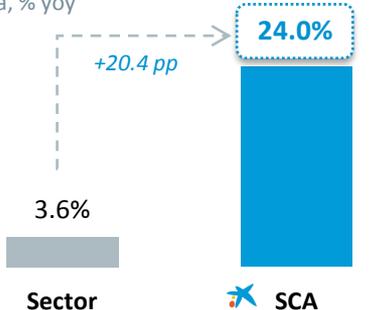


**1.9%** Market share



### Accident insurance

Premia, % yoy

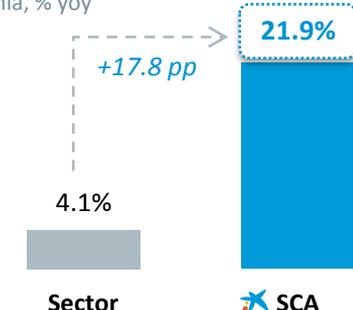


**11.3%** Market share<sup>3</sup>



### Funeral insurance

Premia, % yoy



**7.0%** Market share



(1) Peers includes Asisa and Sanitas

(2) SCA: SegurCaixa Adeslas

(3) Including both SegurCaixa Adeslas and VidaCaixa, market share in accident insurance of 13.0%



# CaixaBank AM is the leading asset manager by clients and AuM



**€51.3 Bn**  
AuM<sup>1</sup>

**1.2 M**  
investors<sup>2</sup>

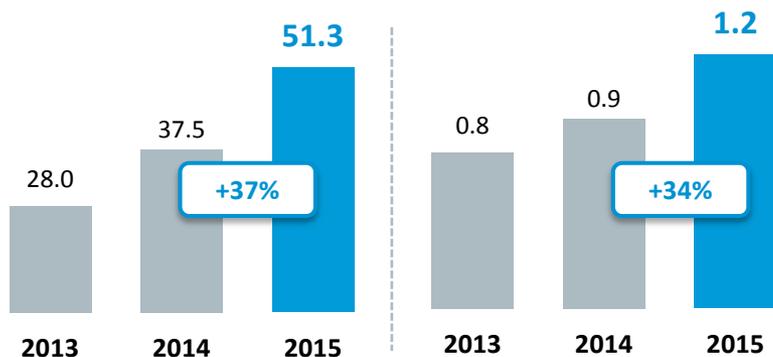
**100%** owned

- **#1** in Spain
- **17.9%** market share

## Outstanding growth

AuM<sup>1</sup>, €Bn

Investors<sup>2</sup>, in M



## Growing leadership

Mutual funds market share by AuM<sup>3</sup> (%)

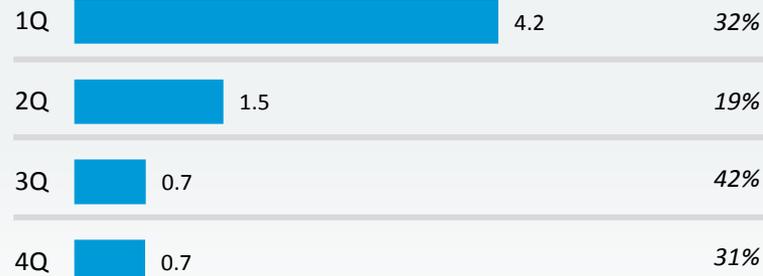


**+259 bps** Dec'15 vs. Dec'14 (+149 bps organic)

## Capturing 28% of sector net inflows

Net inflows FY2015 (€Bn)

% over sector total



**€7 Bn** Net inflows in 2015

(1) Mutual funds, client portfolios and SICAVS  
 (2) Clients from mutual funds managed by CaixaBank AM in Spain  
 (3) Peers: BBVA and Santander

# Best-in class investment performance and cost effective management

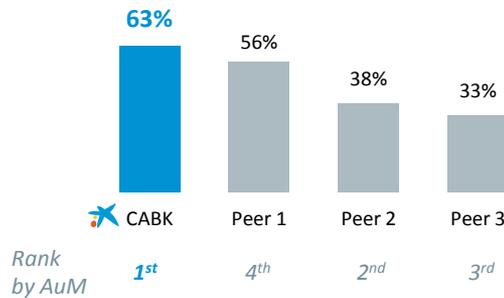
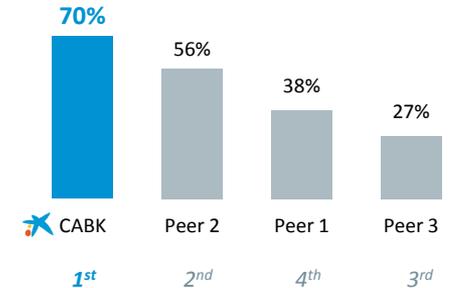
## Top notch investment performance


 Funds performance<sup>1</sup> (Dec15)

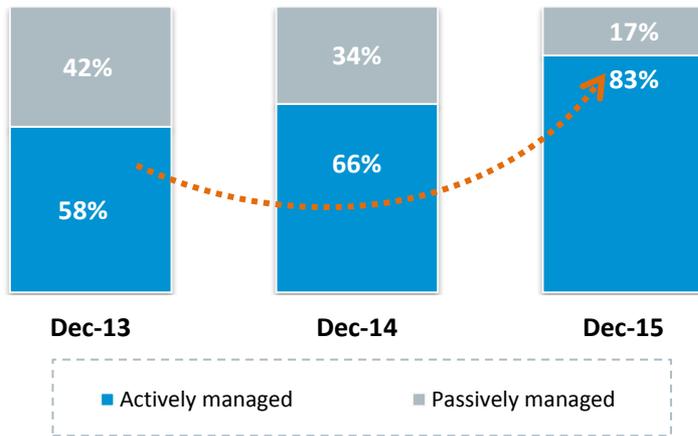
	1y	3y	5y
<b>1st Quartile</b>	31.9%	37.5%	33.3%
<b>2nd Quartile</b>	31.0%	32.9%	33.3%

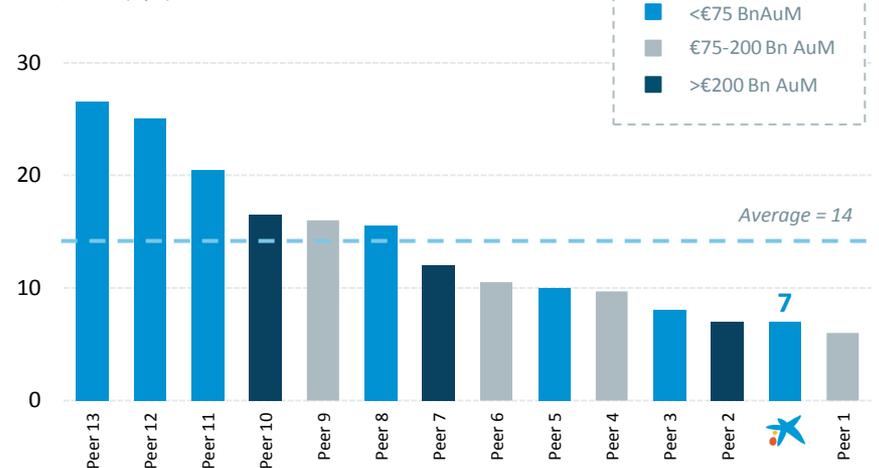
<b>63%</b>	<b>70%</b>	<b>67%</b>
------------	------------	------------

 Funds 1y performance 1st+2nd quartile<sup>1</sup> (Dec15)

 Funds 3y performance 1st+2nd quartile<sup>1</sup> (Dec15)


## With a gradual shift to more value-added funds

 AuM by category<sup>2</sup>, % of total


## Highly cost-efficient in absolute and relative terms

 Cost/AuM (bps)<sup>3</sup>


(1) Actively managed funds in Spain only. Peer group: Bankia, BBVA, Santander

(2) Funds in Spain. Actively managed funds category includes mainly stock, balanced and fixed income funds; the passively managed funds category includes mainly funds guaranteed or with a target return.

(3) Peers include entities in segment captive retail. Source: BCG Global Asset Management, 2015



 CaixaCard

  
Comercia Global Payments



 CaixaBank  
CONSUMER FINANCE

 MicroBank



## Growing and highly profitable financial subsidiaries across other businesses

### The most extensive card business which grows faster than the market



Credit card turnover market share, %



100% owned



**€29.3Bn** Turnover +16% yoy

**€15M** Cards +15% yoy



Comercia Global Payments

PoS turnover market share, %



49% owned



**€35.9 Bn** Turnover (+14% yoy)

**303,300** PoS terminals (+14% yoy)

### Transforming opportunities into growth through specialisation and commercial focus



100% owned



**+15%** Assets yoy

**1.6M** Clients

**3.6%** NPL ratio



100% owned



**+64%** New microcredit to households yoy

**2.1%** NPL ratio

**288%** Coverage ratio

These businesses are also a key contributor to results

Large and profitable businesses...



 VidaCaixa

 SegurCaixa Adeslas



 CaixaBank  
ASSET MANAGEMENT



 CaixaBank  
CONSUMER FINANCE



 CaixaCard



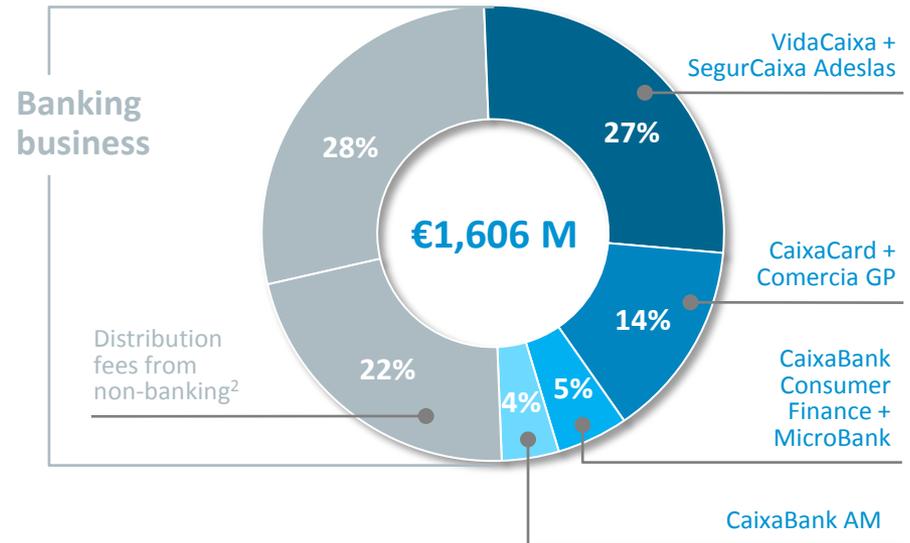
 Comercia Global Payments



 MicroBank

...with a significant contribution to 2015 net income

Net income from bancassurance (ex non-core real estate) segment reporting: breakdown by business in % of total (FY 2015)



~5pp Contribution to RoTE<sup>1</sup>



+ another ~3pp from distribution fees<sup>2</sup>

(1) RoTE of Bancassurance (ex non-core real estate) segment  
 (2) Distribution fees related to the activity in insurance and AM paid to CaixaBank and included in the banking business

## CaixaBank can pull several levers to tackle current challenges

1

*A one-stop shop distribution model*

2

***Strict margin management***

3

*Ability to further adjust cost base*

4

*Leading digitalisation in banking*

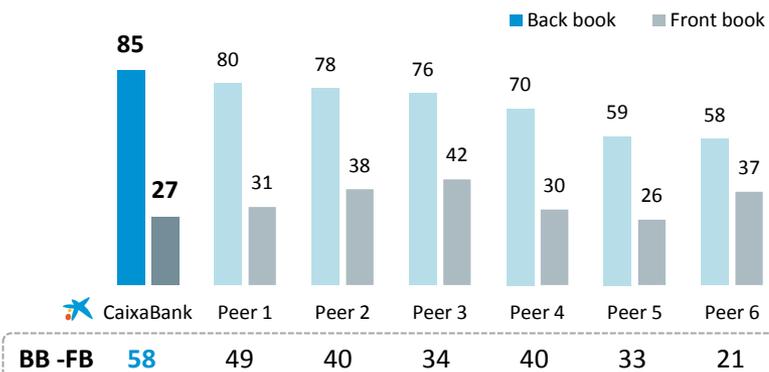
5

*Credit-risk turnaround*



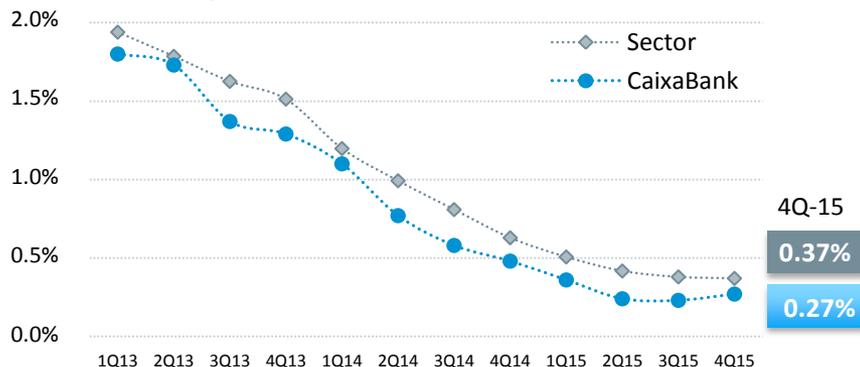
## Liability repricing still has room to continue

### Repricing of term-deposits has significant potential ...

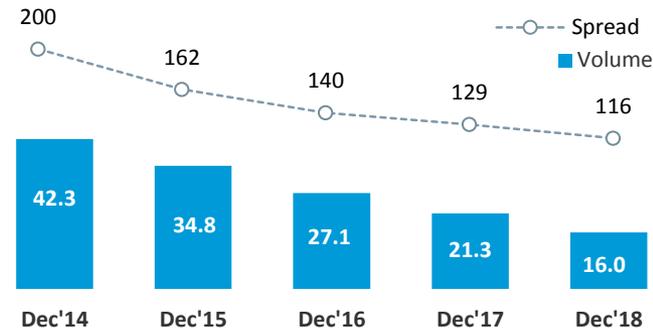
 Cost of time deposits 4Q15, FB vs BB in bps by entity<sup>1</sup>


### ...leading the downward adjustment in the front book

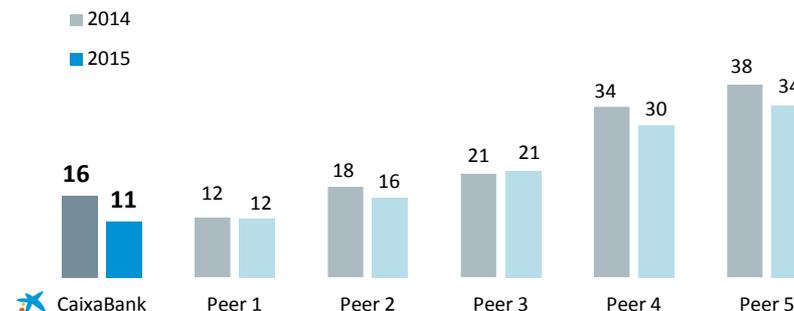
Cost of new time deposits, sector data, in %



### Wholesale funding improvement set to continue...

 CaixaBank's static<sup>2</sup> wholesale funding back book evolution<sup>3</sup> in € billion and spread over 6M Euribor in bps, as of December 31<sup>st</sup> 2015


### ... while ALCO book contribution trends down

 Income from fixed income securities portfolio over total interest income<sup>4</sup>, %


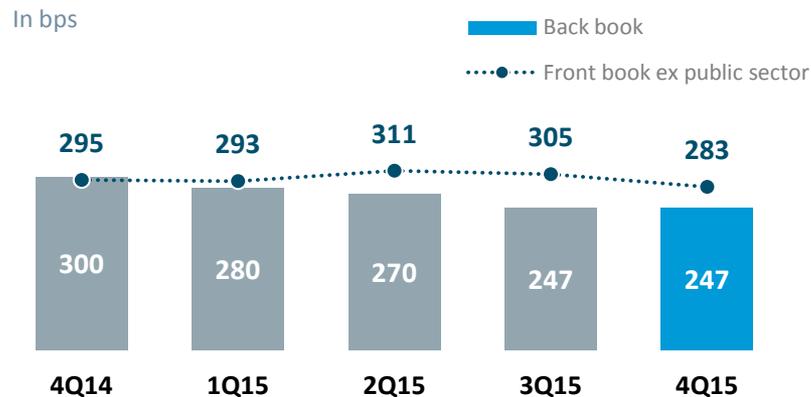
## High potential for liability repricing and lower dependence on ALCO book



- (1) Peers include Bankia, Bankinter, BBVA, Liberbank, Popular, Sabadell
- (2) Only including current issuances without considering potential future funding
- (3) Excludes self-retained bonds.
- (4) Peers include Bankia, Bankinter, Liberbank, Popular, Sabadell

## New lending skewed toward higher-yielding segments

### Back book loan yields stable in 4Q qoq

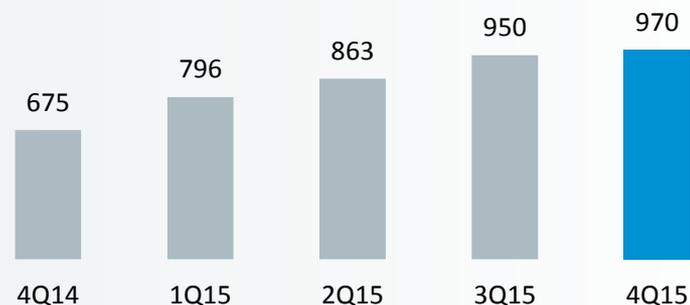


### Back-book yields stabilise

- Back-book still affected by Euribor re-pricing plus additional impact from floor removal
- Some pressure on spreads still expected in coming quarters
- However back book mortgage spreads locked-in due to high refinancing cost of mortgage contracts
- Front book accretive to the back-book due to higher yielding mix

### Steady growth in consumer lending...

New consumer lending evolution, in €M

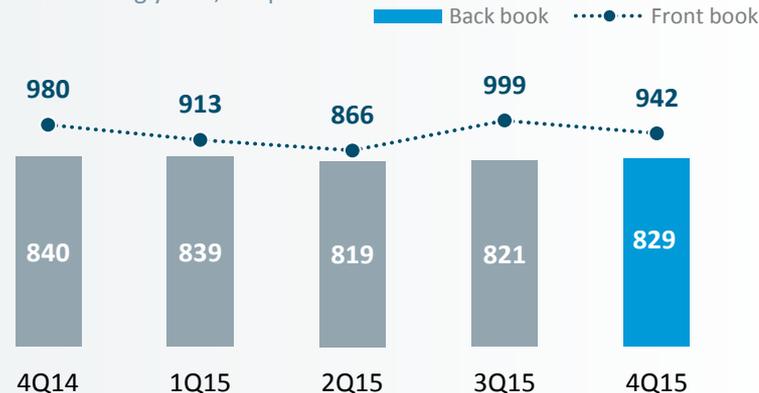


**18%** of total new lending  
(ex CIB and ex RE)

**+48%**  
FY2015

### ... with attractive yields

Consumer lending yields, in bps



## CaixaBank can pull several levers to tackle current challenges

1

*A one-stop shop distribution model*

2

*Strict margin management*

3

*Ability to further adjust cost base*

4

*Leading digitalisation in banking*

5

*Credit-risk turnaround*



## A proven capacity to deliver synergies and rein in costs

### Effective delivery of cost synergies in acquisitions

Synergies from acquisitions

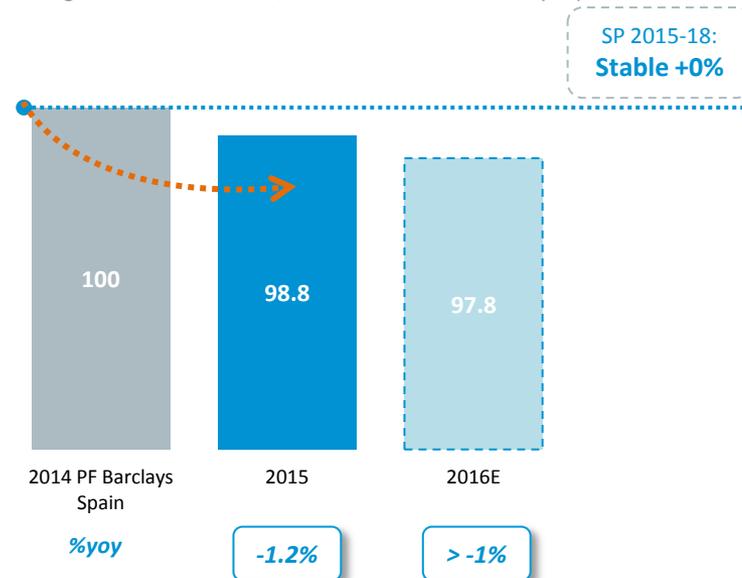
	Synergies as % of initial cost base		Synergies 2016e in €M	Timing Begin/Fully booked
	Initial target	Achieved		
CIVICA	59%	<b>63%</b>	580	2012/2015 FB
BANCO DE VALENCIA	52%	<b>62%</b>	101	2013/2015 FB
	45%	<b>56%</b>	189	2015/2016 FB

Annual cost savings from retirements and early departures<sup>1</sup> in 2016e, in €M



### Cost evolution better than planned

Operating costs base evolution, 2014 CaixaBank PF Barclays Spain = 100



- Recurring cost base expected to fall further in 2016: increased ambition to > 1% reduction
- Already delivered >50% of planned cost savings of 15-18 Plan: supports gradual efficiency improvement

Outperforming 2015-18 Strategic Plan annual cost savings target **~€450M**

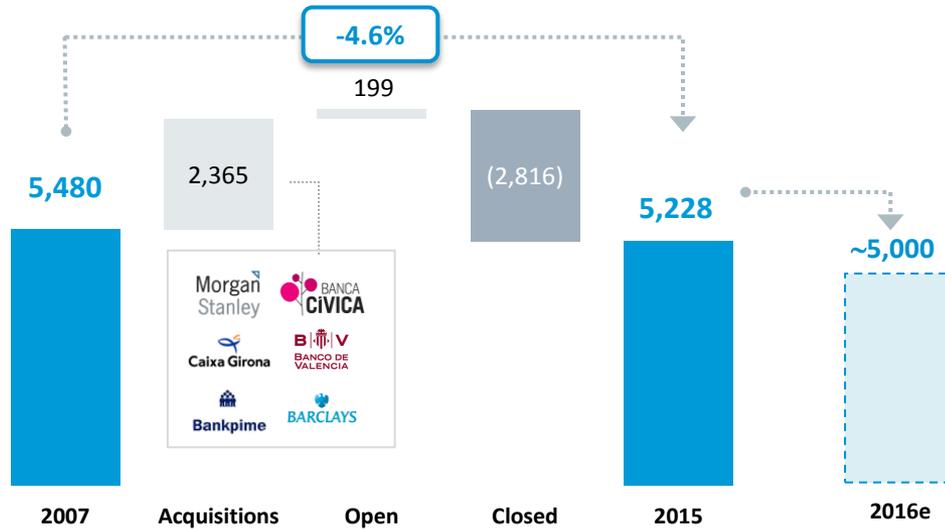
(1) Other than cost savings from acquisitions

**Continuously rightsizing and adapting our network with a focus on productivity**

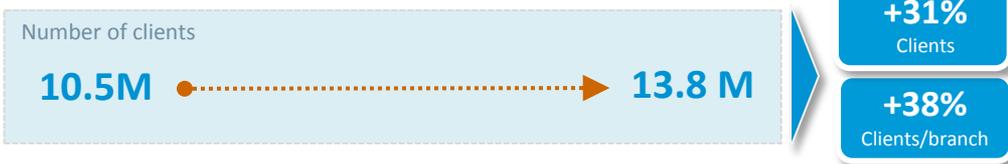
*A network in constant evolution*

**Continued rightsizing of the branch network**

Evolution of branch network size



**Increasing number of clients per branch**



**Transforming branches into advisory hubs**



Number of branches Dec'15

<b>14</b>	A-branches/stores
<b>576</b>	Agrobank
<b>159</b>	HolaBank
<b>36</b>	Private banking
<b>91</b>	Business banking
<b>17</b>	International

**+31%** customers with less branches and more advisory centres

## CaixaBank has several levers to tackle current challenges

1

*Strict margin management*

2

*A one-stop shop distribution model*

3

*Ability to further adjust cost base*

4

***Leading digitalisation in banking***

5

*Credit-risk turnaround*



## Leveraging technological prowess to reengineer the branch network

### Bringing the branch to the client



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

### Enabling employee advisory and commercial focus



“  
**Technology and omni-channel approach are key enablers**  
 ”



**13,100 smart PCs**

Target 2016E: 20,000



**~2.3 M digital signatures**

77% adoption rate



**~77% of processes**

Already digitalised

- Enhances value proposition
- Improves commercial productivity (more leads)
- Facilitates compliance processes

### Growing digital sales

% of sales contracted via digital channels, FY 2015



**20%**

Mutual funds

**18%**

Personal loans

**13%**

Pension plans

- Only 7% of transactions carried out in branches
- Network focused on advisory and commercial tasks
- Digital/physical channels are complementary

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

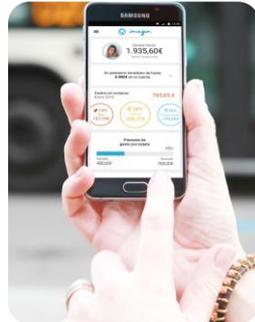
# Pushing the digital frontier to meet evolving customer preferences

## Launching innovative services

### Market opportunity

**4/5** Spaniards have a smart-phone

*Especially "millennials"*



**CaixaBank**

**2.9 M**

18-35 yr clients  
(≈30% penetration)

**#1** in mobile banking



## Enhanced customer experience

**“ Convenience Proximity Innovation ”**



### ONLINE ADVISORY



**New channels:** Videoconference, chat solutions  
**New services:** Videoconference with trade finance experts

### INNOVATIVE TOOLS



**CaixaBankPay**  
Mobile payments

**Mis Finanzas**  
Personal finances management,  
**1.9M** users

### PAYMENT SYSTEMS



**SAMSUNG pay** 1<sup>st</sup> Spanish bank to reach agreement



**435,000** users  
#1 in electronic toll payments

Best retail bank for IT Innovation 2013, 2014



Ample external recognition



Best Bank in Spain

## CaixaBank can pull several levers to tackle current challenges

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*Strict margin management*

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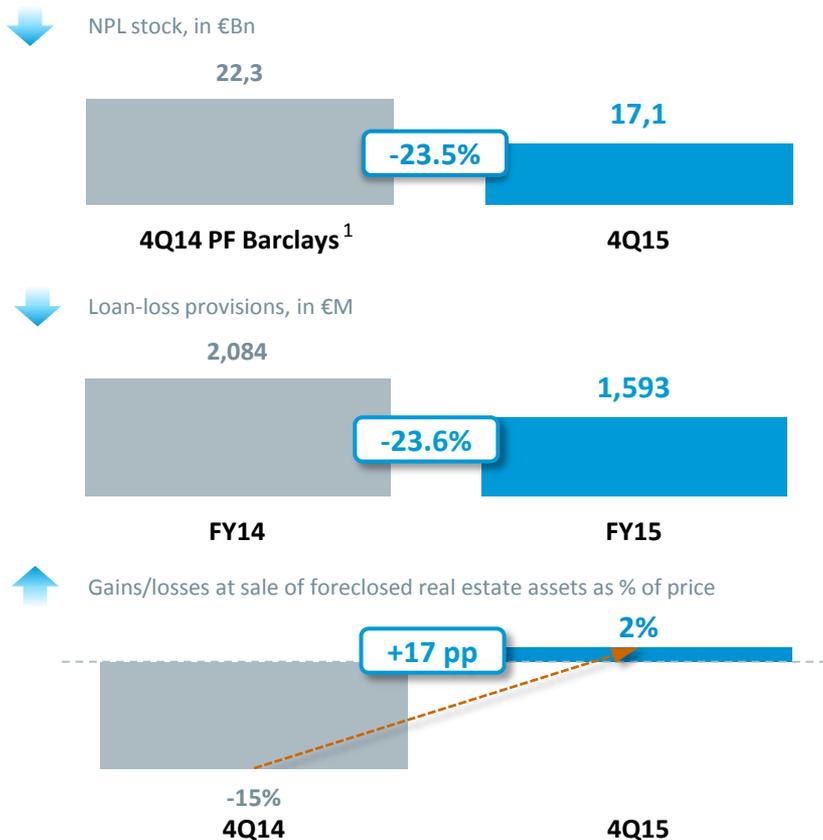
5

*Credit-risk turnaround*

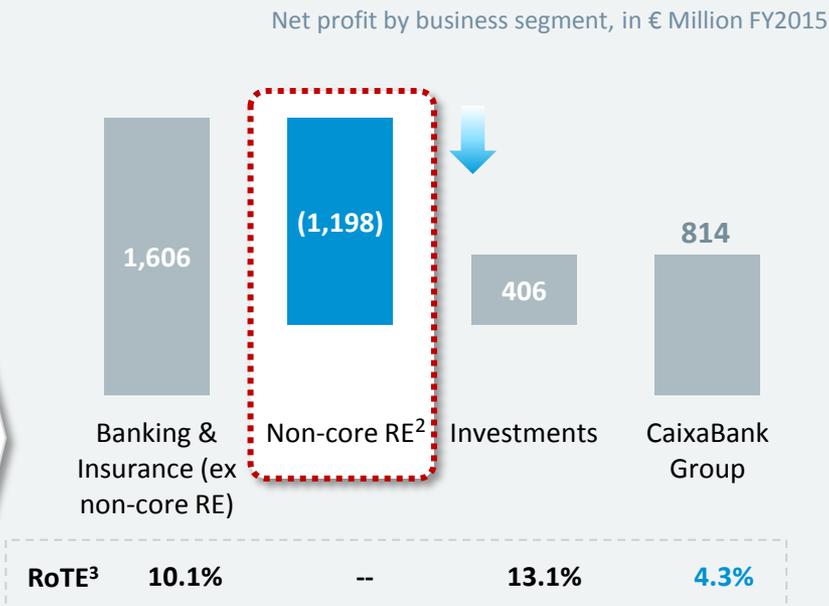


## A gradual return to normal credit conditions is a key driver of profitability gains

### Rapid improvement in risk metrics



### ... to reduce non-core RE segment drag on profitability



- Spanish macro conditions are credit supportive
- NPL stock down 34% since peak in 2013
- CoR guidance for 2018 frontloaded to 2016
- Real estate sales no longer generate a loss

**Ambition 2015-18: ↓60% net non-performing RE assets**

(1) As if Barclays Spain had been consolidated at 31 December 2014

(2) The non-core RE segment includes primarily non-core RE developer loans (mainly NPL and substandard) and foreclosed RE assets

(3) RoTE 2015 for Banking & Insurance Segment excluding one-off impacts related to the Barclays Spain acquisition, such as the badwill or restructuring costs, as well as the cost of the collective dismissal agreement booked in 2Q15

## Agenda

- Macro and industry environment
- CaixaBank – better built for low rates
- **Final remarks**

## Final remarks

### 1 *A one-stop shop distribution model*

- Steady market share gains
- Diversified revenue base
- Profitable factories

~8pp

Contribution to RoTE of bancassurance segment<sup>1</sup>

### 2 *Strict margin management*

- Larger potential for liability repricing
- Higher-yielding new lending

+48%

New consumer lending FY15 yoy

### 3 *Ability to further adjust cost base*

- Effective delivery of synergies
- Costs evolve better than planned
- Ability to further adjust the cost base

-€450M

To exceed annual cost saving target SP 2015-18

### 4 *Leading digitalisation in banking*

- Enabling network reengineering
- Fostering commercial effectiveness
- Enhancing customer experience

4.8M

Active clients in digital banking<sup>2</sup>

### 5 *Credit-risk turnaround*

- Step improvement in risk metrics
- CoR target for 2018 frontloaded to 2016
- Gradual reduction of non-core RE drag

-34%

NPL reduction from peak



*More than just a bank – better built for low rates*

(1) Banking and insurance segment excluding non-core real estate activity  
 (2) Active customers include those with at least one transaction in the last 2 months

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