Reaping the benefits of a differentiated strategy

Bank of America Merrill Lynch – Banking and Insurance Conference
“The Financial Crisis – 10 years on”

Gonzalo Gortázar, CEO

London, 28 September 2017
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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

Real GDP growth, % change yoy

- 2007: -4.5%
- 2008: -3.6%
- 2009: -2.9%
- 2010: -0.8%
- 2011: 0.0%
- 2012: 0.4%
- 2013: 1.0%
- 2014: 1.6%
- 2015: 2.0%
- 2016: 1.6%
- 2017E: 2.8%

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

**Significant consolidation**

Number of players\(^{(1)}\)

- 2007: 52
- 2017: 12

**Branches**

- 2007 – 2016: 36% \((-21\% \text{ Eurozone})\)

**Employees**

- 2007 – 2016: 30% \((-15\% \text{ Eurozone})\)

**...with stronger balance sheets**

NPLs (gross)\(^{(2)}\), in €8n

- Peak (Dec 2013): 197
- 2017: 106

**LTD ratio**

- 2007 – 1Q17: 175% → 112%

**Tier 1 Capital**

- 2007 – 2016: 7.5% → 13.0%

**...but lingering profitability pressures**

**ROE, %**

- 2007: 18%
- 2017: 4%

**Credit stock\(^{(2)}\), % yoy**

- 2007 – Jul’17: +16.0% → -2.5%

**Euribor 12 M**

- Dec’07 – Aug’17: +4.8% → -0.2%

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**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

Sources: European Central Bank and Bank of Spain.
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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
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

CaixaBank board distribution, %

- 39% "la Caixa" Banking Foundation
- 61% Other

Increased focus on core business

- **RE NPAs** reduced: -42% from 2013 peak
- **Capital consumption of non-core stakes** reduced to <7%
- **BPI transformed into a core business**

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1. Includes 6 proprietary directors representing "la Caixa" Banking Foundation and 1 board member proposed by the banking foundations formerly comprising Banca Civica
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
A “one-stop shop” distribution model for lifetime finance and insurance needs

- **Scale and capillarity**
  - Proximity/ customer intimacy
  - 13.8M clients (Spain)
  - 4,749 retail branches (Spain)
  - 9,274 ATMs (Spain)

- **IT and digitalisation**
  - Mobility and big data
  - 5.5M digital clients
  - 3.9M mobile clients
  - 34% penetration in digital

“Much more than just a bank”

- **Comprehensive offering**
  - Wide and bespoke with 100% owned factories

- **Advisory**
  - Focus on capabilities and quality of service
  - >7,000 certified advisors
  - 1.5M affluent banking clients
  - 103,000 private banking clients

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

- 1.5M affluent banking clients
- 103,000 private banking clients
- 5.5M digital clients
- 3.9M mobile clients
- 34% penetration in digital

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

(1) Active clients in Spain in the last 2 months
(2) Average 12 month as of June 2017
We are at the forefront of digitalisation

The highest digital penetration

<table>
<thead>
<tr>
<th>Market penetration for digital clients(1), in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peer 1</td>
</tr>
<tr>
<td>Peer 2</td>
</tr>
<tr>
<td>Peer 3</td>
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<tr>
<td>Peer 4</td>
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<tr>
<td>Peer 5</td>
</tr>
<tr>
<td>Peer 6</td>
</tr>
</tbody>
</table>

Leveraging IT for commercial effectiveness...

- SMART PCs
- 27,530
- NEW BRANCH FORMAT (STORES)
- 104
- With extended opening hours
- DIGITAL SALES(3)
- 24%
- of consumer loans(2)
- 1st “MOBILE ONLY” BANK

...while boosting efficiency and facilitating compliance

- DIGITAL PROCESSES
- 91%
- DIGITAL SIGNATURE
- ~7M/month
- AUTOMATION
- 23%
- administrative tasks in branches vs. 42% in 2006
- DIGITAL ARCHIVE

Enhanced customer experience

- Online advisory
- Innovative products
- Bespoke offering

5.5 M digital clients(2)
+8% yoy

3.9 M mobile clients(2)
+30% yoy

Not just “anytime, anyplace, anywhere” but also bespoke

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

**Share in line with two closest peers combined**

![Graph showing market penetration for retail clients (primary bank) from 1994 to 2015, with 2008-2015 highlighted.]

**Still growing organically more than peers**

![Table showing market penetration for retail clients (primary bank) for peers 1 to 5, with 2017 and 2016 data, and percentage changes.]

**With market share gains across products**

<table>
<thead>
<tr>
<th>Product</th>
<th>Market share 2017(3)</th>
<th>Δ 2007—2017 in pp</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mutual funds</td>
<td>17.8%</td>
<td>+12.2</td>
</tr>
<tr>
<td>Pension plans</td>
<td>23.4%</td>
<td>+12.2</td>
</tr>
<tr>
<td>Life-saving insurance</td>
<td>26.1%</td>
<td>+12.4</td>
</tr>
<tr>
<td>Loans(4)</td>
<td>15.8%</td>
<td>+6.7</td>
</tr>
<tr>
<td>Consumer lending</td>
<td>16.9%</td>
<td>+7.0</td>
</tr>
<tr>
<td>Health insurance</td>
<td>28.6%</td>
<td>+5.4</td>
</tr>
<tr>
<td>Life-risk insurance</td>
<td>19.9%</td>
<td>+10.8</td>
</tr>
<tr>
<td>Payroll deposits</td>
<td>26.4%</td>
<td>+12.0</td>
</tr>
</tbody>
</table>

(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

**Strong franchise and appealing value proposition reflected in organic growth**
Core revenues have shown sustainable growth despite negative rates

Core revenues at their highest since 2011

Core revenues (1) (CABK ex BPI) on a quarterly basis in €M vs Euribor 12M on a quarterly basis (end of period) in %

Operating a resilient model for a low rate environment

With a significant contribution of non-banking businesses

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

10.3%

Bancassurance RoTE (2)

~ 6.2 pp

o/w contribution from non-banking businesses

(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)
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
A stronger balance sheet while anticipating regulatory requirements...

NPAs significantly reduced since peak

- NPA coverage: 53% (CABK)
- NPLs %Δ since peak: -50% (CABK)

Strong liquidity remains a hallmark

- Liquid assets: €8Bn (30 June 2017)
- HQLA: 50
- Other assets eligible as ECB collateral: 16
- Liquid assets: 66

Prudent capital management with comfortable buffers

- CET1: 11.5%
- Total Capital: 15.5%
- Target: >14.5%

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

The only domestic bank to have kept an investment grade rating through the decade...
...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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Returns set to improve on core revenue growth and credit-risk improvements

The key drivers of future improvements...

- **Long-term saving products**
- **Life risk and non-life insurance**
- **Consumer and business lending**
- **Positive operating trends in BPI**

...will further contribute to already improving returns

<table>
<thead>
<tr>
<th>FY12</th>
<th>FY13</th>
<th>FY14</th>
<th>FY15</th>
<th>FY16</th>
<th>1H17 (trailing 12 months)</th>
</tr>
</thead>
<tbody>
<tr>
<td>230</td>
<td>316</td>
<td>620</td>
<td>814</td>
<td>1,047</td>
<td>1,248</td>
</tr>
</tbody>
</table>

RoTE, trailing 12 months in %

- FY12: 1.3%
- FY13: 3.4%
- 2018 Target: 9-11%

Advancing towards targets for return on capital
There is significant unrealised growth potential in alternative saving products.

Strong growth in AuM and insurance

Ample scope to emulate more mature markets...

... especially in insurance and pensions

Life-savings insurance + AuM\(^{(1)}\) (Group), €Bn

- AuM
- Insurance

Financial assets over GDP (1Q17), in %

% of total financial assets (households, 1Q17)

Leveraging competitive advantages to seize alternative savings opportunity

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(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.

Sources: INVERCO, ICEA, Eurostat and Federal Reserve.
Life-risk and non-life insurance also set for growth

**Rapid growth in life risk insurance**

<table>
<thead>
<tr>
<th>Year</th>
<th>Production, €M</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>375</td>
</tr>
<tr>
<td>2011</td>
<td>390</td>
</tr>
<tr>
<td>2012</td>
<td>433</td>
</tr>
<tr>
<td>2013</td>
<td>497</td>
</tr>
<tr>
<td>2014</td>
<td>569</td>
</tr>
<tr>
<td>2015</td>
<td>656</td>
</tr>
<tr>
<td>2016</td>
<td>731</td>
</tr>
<tr>
<td>1H17</td>
<td>767</td>
</tr>
</tbody>
</table>

*Trailing 12 Months*

- **#1 Market share**
  - Life-risk premia: 19.9%

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

- Total non-life premia, growth 2007(1) - June 2017 (trailing 12M) in %

- **#1 Market share**
  - Health insurance: 28.6%

**With significant potential to grow among clients**

- % of CABK clients that have the product, as of June 2017:
  - Life-risk: 12%
  - Home: 9%
  - Health: 7%
  - Auto: 3%

*(1) Pro-forma with Adeslas*

Source: ICEA
Continued market share gains...

Market share(1) in consumer lending, %

- 2007: 9.9
- 2009: 10.4
- 2011: 11.8
- 2013: 16.1
- 2015: 16.7
- 2017: 16.9

Market share(1) in lending to corporates and SMEs, %

- 2007: 7.3
- 2009: 8.9
- 2011: 9.1
- 2013: 13.3
- 2015: 14.0
- 2017: 14.7

... while loan production keeps growing...

New lending growth, % 1H17 vs. 1H16

- Consumer lending: +19%
- Corporates and SMEs: +16%

New consumer lending, €Bn

- 1H16: 3.1
- 1H17: 3.8
  - +19.2%

New lending to corporates and SMEs, €Bn

- 1H16: 8.0
- 1H17: 9.3
  - +16.4%

... with new initiatives to further seize market potential

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

Growing alliances in the distribution sector

- Agreement 2017
- 81 shops in Spain

... that contribute to margins

Front Book yields in 1H17, Δ yoy vs. 1H16 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** (1)
- Performing loans (+0.4% ytd (2))
- Credit to businesses (+3.6% ytd (2)(3))

**€34.6 Bn** (1)
- Client funds (+4.7% ytd (2))
- Mutual funds (+19.9% ytd (2))

**€338 M** (2)
- NII + Fees 1H17 (+1.0% yoy)

**€232 M** (2)
- Recurrent costs 1H17 (~8.5% yoy)

2M clients

Already outperforming peers

<table>
<thead>
<tr>
<th></th>
<th>Total client funds(5), 1H17 % yoy</th>
<th>Total loans(5), 1H17 % yoy</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>BPI</strong></td>
<td>8%</td>
<td>0%</td>
</tr>
<tr>
<td>Peer 1</td>
<td>3%</td>
<td>-5%</td>
</tr>
<tr>
<td>Peer 2</td>
<td>2%</td>
<td>-3%</td>
</tr>
<tr>
<td>Peer 3</td>
<td>2%</td>
<td>-7%</td>
</tr>
<tr>
<td>Peer 4</td>
<td>-2%</td>
<td>-7%</td>
</tr>
</tbody>
</table>

...also in asset quality

- NPL ratio(5), 1H17 % (Bank of Portugal criteria)
- Credit to businesses Market share (+20 bps ytd)

With the macroeconomic recovery gathering pace

<table>
<thead>
<tr>
<th>Portugal GDP growth, % yoy</th>
<th>Rating by S&amp;P</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>September 2017</td>
</tr>
<tr>
<td>2Q13</td>
<td>-1.74%</td>
</tr>
<tr>
<td>2Q14</td>
<td>0.76%</td>
</tr>
<tr>
<td>2Q15</td>
<td>1.65%</td>
</tr>
<tr>
<td>2Q16</td>
<td>0.95%</td>
</tr>
<tr>
<td>2Q17</td>
<td>2.87%</td>
</tr>
</tbody>
</table>

Unemployment rate, %

- 16.7%
- 12.3%
- 9.1%

Well positioned to seize growth opportunity in Portugal

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

Total synergy ambition 2019+(4)
- **€120 M**
  - Pre-tax

2019+ (4)

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

Source: INE Portugal
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Final remarks

1. The Iberian economies are now a strong tailwind.

2. The financial sector is a more rational competitive environment.

3. We have successfully managed the crisis...

4. ...and we are reaping the benefits in the recovery.

5. Moving with confidence toward our strategic objectives...despite a negative rate environment.

GDP, 2Q17 % yoy
Spain +3.1%
Portugal +2.9%

# Players in Spain
52 to 12
ο Spain Δ 2007-16

Sector employees in Spain Δ 2007-16 -30%

NPLs from peak
CABK -50%

CET1 FL Ratio
11.5%

Market share retail clients
Spain 26.7%

Core revenues, 2Q17 yoy
CABK 12.6%

RoTE
June-2017 6.5%

2018 Target 9-11%

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(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

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