A resilient business model in a negative rate environment

Gonzalo Gortazar, CEO
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**Prepared with data at closing of 30 June 2019, unless otherwise noted**
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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**

<table>
<thead>
<tr>
<th>Region</th>
<th>2018</th>
<th>Avg. 2019e-20e (forecast)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spain</td>
<td>1.8</td>
<td>2.4</td>
</tr>
<tr>
<td>Portugal</td>
<td>1.7</td>
<td>2.1</td>
</tr>
<tr>
<td>Euro Area</td>
<td>1.1</td>
<td>1.9</td>
</tr>
<tr>
<td>France</td>
<td>1.4</td>
<td>1.7</td>
</tr>
<tr>
<td>Germany</td>
<td>0.5</td>
<td>1.6</td>
</tr>
<tr>
<td>Italy</td>
<td>0.7</td>
<td>0.4</td>
</tr>
</tbody>
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**Unemployment rate**

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<tr>
<th></th>
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<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Spain</td>
<td>26.1%</td>
<td>24.4%</td>
<td>22.1%</td>
<td>19.6%</td>
<td>17.2%</td>
<td>15.3%</td>
<td>13.9%</td>
</tr>
<tr>
<td>Portugal</td>
<td>16.2%</td>
<td>13.9%</td>
<td>12.4%</td>
<td>11.1%</td>
<td>8.9%</td>
<td>7.0%</td>
<td>6.5%</td>
</tr>
</tbody>
</table>

**Total bank-credit growth**

Outstanding bank credit to other resident sectors (industry)(1), % yoy

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Spain</td>
<td>-9.4%</td>
<td>-7.1%</td>
<td>-4.3%</td>
<td>-2.9%</td>
<td>-1.9%</td>
<td>-2.6%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Portugal</td>
<td>-5.1%</td>
<td>-4.0%</td>
<td>-4.1%</td>
<td>-2.8%</td>
<td>-2.1%</td>
<td>-1.8%</td>
<td></td>
</tr>
</tbody>
</table>

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

1. Macro and industry backdrop

2. A resilient business model in a negative rate environment

3. Final remarks
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)\(^1\), %

<table>
<thead>
<tr>
<th>Year</th>
<th>Peer 1</th>
<th>Peer 2</th>
<th>1994-2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994</td>
<td>13.7%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1998</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2002</td>
<td></td>
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<td></td>
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<tr>
<td>2006</td>
<td></td>
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<td></td>
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<tr>
<td>2010</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>2014</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>26.3%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Strong and growing market shares across the board

Market share by key products (Spain)\(^2\)

<table>
<thead>
<tr>
<th>Product</th>
<th>Market share (%)</th>
<th>YoY (bps)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payroll deposits</td>
<td>27.8%</td>
<td>+38</td>
</tr>
<tr>
<td>Long-term savings(^3)</td>
<td>22.0%</td>
<td>+46</td>
</tr>
<tr>
<td>Life insurance</td>
<td>27.1%</td>
<td>+46</td>
</tr>
<tr>
<td>Business lending</td>
<td>15.1%</td>
<td>+35(^4)</td>
</tr>
<tr>
<td>POS terminal turnover</td>
<td>27.8%</td>
<td>+37</td>
</tr>
</tbody>
</table>

The highest digital penetration

Market penetration among digital clients (Spain)\(^5\), %

<table>
<thead>
<tr>
<th>Peer</th>
<th>Market Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peer 1</td>
<td>31.2%</td>
</tr>
<tr>
<td>Peer 2</td>
<td>24%</td>
</tr>
<tr>
<td>Peer 3</td>
<td>20%</td>
</tr>
<tr>
<td>Peer 4</td>
<td>14%</td>
</tr>
<tr>
<td>Peer 5</td>
<td>13%</td>
</tr>
</tbody>
</table>

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

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

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

Core revenues grow despite negative Euribor
Quarterly core revenues\(^{(1)}\) (CABK ex BPI, €Bn) vs. 12M Euribor (% eop)

Higher weight of core revenues over total revenues
Group core revenues\(^{(2)}\) 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\(^{(3)}\)

(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).

Scale and scope have compensated for a poor operating environment
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

...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)\(^{(1)}\), €Bn

<table>
<thead>
<tr>
<th></th>
<th>Dec-18</th>
<th>Jun-19</th>
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<tbody>
<tr>
<td>76.8</td>
<td>79.9</td>
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</table>

New lending TTM +24% yoy

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

Stock consumer lending (CABK ex BPI), €Bn

<table>
<thead>
<tr>
<th></th>
<th>Dec-18</th>
<th>Jun-19</th>
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</thead>
<tbody>
<tr>
<td>11.8</td>
<td>12.8</td>
<td></td>
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</table>

New lending TTM +7% yoy

**Payments: leveraging technology to seize market opportunities**

Credit cards stored in mobiles (Spain), in M

<table>
<thead>
<tr>
<th></th>
<th>Dec-18</th>
<th>Jun-19</th>
</tr>
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<tbody>
<tr>
<td>1.0</td>
<td>1.4</td>
<td></td>
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</table>

Payments from mobile wallets, 1H19 30.3M +103.5% vs. FY18

**Segmentation, specialisation and supporting clients abroad**

5 International branches\(^{(2)}\)

- Frankfurt
- London
- Morocco
- Paris
- Warsaw

**Going beyond banking in consumer lending**

Units sold Jan-Aug 19

- >231k TV, cell phones...
- >12k Cars sold at the branch
- >47k Security alarms

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

Market shares in Spain

- 32% e-commerce \(^{(3)}\)
- 28% PoS terminal turnover \(^{(4)}\)

**Group NII and electronic banking fees up 2% and 5% \(^{(5)}\) 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

- New contracts since launch in Mar-19 (until end Aug-19) ~216,115

**Seizing opportunities within our client base**

- % of CABK ex-BPI individual clients that own a protection insurance product and Δytd in bps, June 2019
  - Life-risk 15% +82 bps
  - Home 10% +33 bps
  - Health 7% +27 bps
  - Auto 3% +12 bps

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

**Long-term savings**: Reinforced leadership after adverse market impacts in 1H19

- Gross financial assets in % of GDP (1Q19)
  - Spain 184%
  - Eurozone 211%
  - US 421%

- Insurance and pensions, % of household financial assets (1Q19)
  - Spain 16%
  - Eurozone 34%
  - US 32%

**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

- **Consumer lending** +7.5%
- **Credit to businesses** +1.5%
- **Customer funds** +2.7%
- **Savings insurance funds** +5.7%

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

Market share gains supported by improved customer experience and quality offering

- **BPI - Market shares (Portugal)**
  - **Mortgages**: 11.2% (2017) to 11.4% (2019)
  - **Credit to businesses**: 8.4% (2017) to 10.0% (2019)

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

- **NII, % yoy**: +1.5%
- **Fees (like-for-like)**: +8.5%
- **LLPs (€M)**: €39M
- **Net income, % yoy**: +28.9%

**BPI segment – 1H19 results**

- **BPI segment**: €98M
- **Contribution to CaixaBank Group net income 1H19**

(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

1. Accelerating transformation of distribution network

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

3. Maintaining prudent risk management

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

Euribor 12M

Implicit as of Jul-18

Implicit as of Aug-19

Implicit as of Sep-19

Residential Mortgages
€90Bn 30 June 2019

ECB Cash balances
€14Bn 30 June 2019

New ECB measures (tiering) provide some relief

Historical data
Market-implicit

Jan 15 Jan 16 Jan 17 Jan 18 Jan 19 Jan 20 Jan 21 Jan 22

-1.0 -0.7 -0.4 -0.1 0.2 0.5 0.8 1.1
We have rolled out our new distribution strategy at an accelerated pace

**Store**
- Transforming branches into advisory hubs ahead of schedule
  - # of Store branches
  - Core revenue new business 1H19/employee +9% vs. comparable(1)

**AgroBank**
- Consolidating our efficient and specialised rural network
  - # employees/rural branch(3) (Spain)
  - % of rural branches(3) (Spain) with ≤ 3 employees ~80%

**Retail branches**
- Restructuring frontloads right-sizing of the retail branch network
  - # retail branches in Spain
  - Core revenue per employee (CABK ex BPI), 2014 PF = 100
  - Best Bank for Transformation Western Europe 2019

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(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 pp

~ +5%

~ +3%

Previous guidance

New guidance

General expenses & depreciation: already efficient but still seeking improvement

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

<table>
<thead>
<tr>
<th>Peer</th>
<th>Percentage</th>
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</thead>
<tbody>
<tr>
<td>Peer 1</td>
<td>24.3</td>
</tr>
<tr>
<td>Peer 2</td>
<td>23.8</td>
</tr>
<tr>
<td>Peer 3</td>
<td>23.7</td>
</tr>
<tr>
<td>Peer 4</td>
<td>22.0</td>
</tr>
</tbody>
</table>

CABK ex BPI 19.8

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

Non-operational deposits in % of wholesale deposits

€59Bn

Wholesale deposits

~67% non-operational

~27% of total deposit base

Ongoing general review of discretionary expenses (marketing, events,...) and structural items (IT & Ops)

Renegotiation of large supplier contracts

Protecting “change-the-bank” initiatives

~ 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)

(1) Guidance revised in 2Q19 webcast. (2) Recurrent expenses. Peers include: Bankia, Bankinter, BBVA Spain, Sabadell (ex TSB).
Steady balance sheet de-risking
NPL ratio, in %

CoR down to very low levels
CoR[^3], in %

Low risk profile: the lowest SREP requirement among peers
2019 CET1 SREP[^5], in % RWAs

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