

**CaixaBank completes the integration of Banca Cívica and reinforces its position as Spain's leading financial institution, with 13 million customers**

**CaixaBank obtains attributable net profits of 173 million euros and makes provisioning charges and write downs for a total of 8,374 million euros**

**The “la Caixa” Group has successfully withstood the stress test by independent consultant Oliver Wyman, with a Core Tier 1 solvency ratio of 9.5% in 2014 in an adverse environment and a capital surplus of 5,720 million**

- **CaixaBank consolidates its position as Spanish market leader.** With assets of 343,755 million euros (+27.1% for 2012) and a market penetration of 26.1%, business volumes rose by 23.2% to 526,528 million euros. Customer funds totalled 295,774 million (+22.6%) and the customer loan portfolio stood at 230,754 million (+24%).
- **Swift and effective integration process.** The commercial and technical process to integrate Banca Cívica continues at a rapid pace, allowing for the early realisation of synergies (80 million obtained by September as opposed to the expected 54 million for the whole of 2012), a figure that is expected to rise to 540 million per year euros by 2014.
- **Robust generation of income.** Net operating income totalled 2,586 million euros, 17.1% up. The gross margin rose by 7.9% to 5,140 million euros, while costs remained at similar levels to the previous year.
- **Total write-downs and provisioning charges amounted to 8,734 million,** including 4,524 million in allowance coverage and 3,850 million in valuation adjustments against equity relating to Banca Cívica's portfolio of loans and handed over property. As a result of this significant effort, CaixaBank has covered 78% of the amounts required under Royal Legislative Decree 2/2012 (2,436 million at CaixaBank and 934 at Banca Cívica) and RLD 18/2012 (2,102 million at CaixaBank and 1,287 at Banca Cívica).
- **Excellent liquidity and solvency.** The institution continued to strengthen its liquidity (+6,266 million over the quarter), a key element in its strategy, reaching a figure of 48,755 million. CaixaBank's solvency stands at 10.8% of Core Capital (Basle II), after the impact due to the Banca Cívica operation is taken into account.
- **Rigorous risk management and quality assets.** The non-performing loans ratio stands at 8.42%, below the average rate of 10.51% for the sector as a whole in August, and allowance coverage was maintained, as for the previous quarter, at the high level of 60%. Without the impact of Banca Cívica, the non-performing loans ratio would have remained at 6.14%.

**Barcelona, 26 October 2012.** CaixaBank obtained attributable net profits of 173 million euros during the first nine months of 2012, down 79.5% on the same period for the previous year, as a consequence of the large write-downs made by the institution. In total, CaixaBank has recorded provisioning charges and write-downs of 8,374 euros.

During the third quarter of 2012, CaixaBank completed the merger by takeover of Banca Cívica, marking an important stage in the early achievement of the objectives set out in the Group's 2011-2014 Strategic Plan.

CaixaBank, with Isidro Fainé as Chairman and Juan María Nin as Deputy Chairman and CEO, has further consolidated its leading position in the retail banking sector, thanks to its high levels of banking business, its advanced and adequate management of risk and its continued efforts to encourage innovation.

In a complex economic and financial environment marked by a deterioration in market confidence towards Spain and its financial system, CaixaBank has demonstrated its capacity to generate income, with net operating income totalling 2,586 million euros, up 17.1% on the same period for the previous year.

This sustained capacity to generate income meant that CaixaBank was able to set aside significant levels of allowance coverage totalling 4,524 million euros during the first nine months of 2012. This amount, together with the 3,850 million euros obtained from the valuation adjustments against equity in relation to Banca Cívica's portfolio of loans and handed over property, brought the total write-downs made by CaixaBank to 8,374 million euros.

Part of this write-down amount served to cover the requirements imposed under RLD 2/2012 and RLD 18/2012. In total, CaixaBank has already covered 78% of the allowance coverage required under RLD 2/2012 (2,436 million euros at CaixaBank and 934 million at Banca Cívica) and RLD 18/2012 (600 million of the estimated 2,012 million euros to be set aside by CaixaBank before June 2013, and a further 1,287 million at Banca Cívica).

To cover the requirements for Banca Cívica write-downs were made against equity, with valuation adjustments totalling 3,218 million in the loans portfolio and 632 million for real estate, a total of 3,850 million euros.

**The “la Caixa” Group does not require additional capital according to consultant Oliver Wyman**

A transparency exercise has been carried out with the aim of re-establishing robustness and strengthening market confidence in the Spanish banking system. This involved making an independent evaluation of the capital requirements of Spanish banking institutions in an adverse macroeconomic environment.

The exercise was carried out by independent consultant Oliver Wyman under supervision from both Spanish and European authorities, with involvement from independent experts including some of the large auditing and real estate valuation firms.

The results, which were published on 28 September 2012, found that the “la Caixa” Group did not require additional capital. The Group's Core Tier 1 ratio as of December 2014 would stand at 9.5% in an adverse scenario, and it would maintain a capital surplus of 5,720 million euros over the minimum requirement. In a base scenario, the Core Tier 1 ratio stands at 14.4%, with a capital surplus over the minimum required of 9,421 million euros. These figures once again confirm the excellent levels of solvency shown by the “la Caixa” Group and the CaixaBank Group.

## **CaixaBank strengthens its leading position in the Spanish market following completion of the integration of Banca Cívica and speeds up its plan to achieve synergies**

CaixaBank has become the leading institution in the Spanish market following completion during the third quarter of the merger by takeover of Banca Cívica, with assets of 343,755 million euros (+27.1%) and a market penetration share of 26.1%. Business volumes rose to 526,528 million euros (+23.2%), of which 295,774 million euros correspond to customer funds (+22.6%) and 230,754 million euros to gross customer loans (+24%).

The Group's great commercial strength, with 33,273 employees and more than 13 million customers, 6,631 branches (the largest network in the Spanish financial system), 9,945 ATMs and a leading position in on-line banking through *Línea Abierta* (with 8 million customers), mobile phone banking (2.8 million customers, the highest number of financial service users in Spain) and electronic banking (12.6 million cards in circulation), means that CaixaBank is showing balanced and high-quality growth in its banking and commercial business, with a market penetration figure of 26.1% in the personal banking segment.

CaixaBank is making strenuous efforts to ensure the rapid and effective commercial, technological and organisational integration of Banca Cívica, and these have led to the early achievement of synergies (80 million euros already obtained by September, as opposed to the 54 million expected for the whole year), which are expected to amount to 540 million euros per year from 2014.

Technological integration has seen rapid advances, with integration of the Caja Navarra platform just two and a half months after the merger was formalised. The technological integration of Cajasol is expected before the end of this year with the remaining entities scheduled for integration during the first four months of 2013.

### **The following are some of the more important highlights from the first nine months of 2012:**

- **CaixaBank income** grew by 7.9% to a **gross margin** figure of 5,140 million euros, despite the complex financial environment. This favourable development reflects the institution's robust retail business, the incorporation of Banca Cívica as well as its generation of net interest income, the growth in fees, income from financial operations and income from investments.
- **Net interest income** totalled 2,845 million euros, an increase of 22.7% on the first nine months of 2011. The evolution in net interest income is explained by the way that margins are managed in new operations, as well as by business volumes and the favourable evolution shown by the interest rate curve during the first half of 2012.
- **Net fees** rose by 11.5% to 1,268 million euros over this period, due to the increase in banking business, specialisation by segment.
- The **strength of CaixaBank's investment portfolio**, combined with its diversification in the international banking and services areas, resulted in continuing high levels of income from variable income investments, which totalled 720 million euros. Income from financial operations totalled 315 million euros, basically due to the active management of the Group's fixed-income portfolio, income from exchange rate differences.

- **Operating costs remained constant** as compared with the same period for the previous year. Continued efforts to reduce and rationalise costs has assisted the absorption of the Banca Cívica effect, and this effect will be further reduced by the capture of synergies resulting from the rapid advances made in the integration process.

### **CaixaBank liquidity totals 48,755 million euros**

The management of liquidity continued to be a key element in CaixaBank's strategy. The Group's liquidity figure stands at 48,755 million euros, practically all of it immediately accessible, amounting to 14.2% of total assets. This figure increased by 6,266 million euros during the third quarter of 2012. The increase was due, in the main, to the integration of Banca Cívica and active management, which is aimed at increasing and optimising the liquid assets on the balance sheet that serve as a guarantee for the ECB policy. CaixaBank has thus increased its liquidity reserves to be used to tackle any unforeseen event that may arise in the future.

As regards amounts pending maturity in 2012, these total 2,099 million euros. Dependence on the wholesale markets is, therefore, very low, a fact that offers the Group a high level of stability.

### **A Core Capital figure of 10.8% following the integration of Banca Cívica**

In addition, CaixaBank has maintained a high level of solvency, with a Core Capital figure of 10.8% following the integration of Banca Cívica. The organic capital generation amounted to 108 basis points, and the integration of Banca Cívica meant a fall of 216 basis points in the Core Capital ratio, basically as a result of the incorporation of assets originating from Banca Cívica, which led to an increase in risk-weighted assets of 37,000 million euros.

Nevertheless, CaixaBank's attributable own funds amounted to 19,435 million euros, 1,263 million more than in the previous quarter and 2,000 million more than in December 2011 (+10.5%), despite the setting aside of all the allowance coverage required under Royal Decree 2/2012 and the partial coverage required under Royal Decree 18/2012.

### **The non-performing loans ratio (8.42%) remains below the sector average (10.51%)**

As of 30 September 2012, having included the non-performing loans from Banca Cívica and reclassified certain loans as non-performing in order to standardise the integrated portfolio using the conservative criteria applied by CaixaBank, the non-performing loan ratio rose to 8.42%. Without the impact of NPLs resulting from the integration process, this ratio would be 6.14%, and it still remains well below the average level for the sector (10.51% in August 2012).

The prudent policies applied to the award of loans and the advanced management of risk by the Group, combined with the valuation adjustments made to the Banca Cívica loan portfolio, have led to the maintenance of high levels of loan coverage, with an allowance coverage ratio of 60%, 138% if mortgage guarantees are taken into account.

Particular mention should be made of Moody's confirmation of CaixaBank's rating (Baa3) following its evaluation of the merger with Banca Cívica. The agency stressed that the merger will not have a significant impact on CaixaBank's risk profile, given the extensive write-downs in Banca Cívica's balance sheet, the robust financial profile of CaixaBank and the strength of its results.

## Measures to strengthen the financial sector and financing for real estate development

By 30 September 2012, CaixaBank had fully complied with the requirements of Royal Legislative Decree 2/2012 with regard to its portfolio of assets associated with the real estate sector as of 31 December 2012, recording coverage of 2,436 million euros during the first six months of 2012. As regards the coverage required under Royal Legislative Decree 18/2012, provisions totally 600 million euros have been set aside, from a total of 2,102 million euros to be covered by 30 June 2013.

The requirements imposed on Banca Cívica under RLD 2/2012 (934 million) and RLD 18/2012 (1,287 million) are covered in their entirety by the reasonable valuation adjustments of 3,218 million euros made to the loan portfolio at the time of integration.

During the third quarter of 2012, CaixaBank's exposure in the property development sector stood at 28,877 million euros. Due to the impact of Banca Cívica's portfolio, financing for the property development sector was up by 28.7% on the figure for December 2011. If the effects of Banca Cívica's inclusion were removed, exposure to risk in the real estate development sector would fall by 3,072 million euros over the same period (13.7%).

The high proportion of financing for finished developments, 53.8%, demonstrates the robustness of the guarantees in the property developer portfolio.

With the significant levels of allowance coverage made during the first half of 2012, coverage for problematic assets relating to the financing of the real estate development sector stood, on 30 September 2012, at 36.8%, 125% if mortgage guarantees are taken into account (25.5% on 31 December 2011, 114% with mortgage guarantees).

The portfolio of net assets handed over to CaixaBank was worth a net total of 4.350 million euros on 30 September 2012, with coverage of 44.2%. Of the total property handed over, 26% relates to land, with allowance coverage of 58.1%. Of the total portfolio, 1,963 million euros result from the real estate assets incorporated from Banca Cívica.

## Intense commercial activity and specialised management of customers by business sector

CaixaBank retains its goal of consolidating its leading position in the Spanish individual banking sector with the implementation of a specialised model for personal banking, private banking, SME banking, business banking and corporate banking that offers services to all of its 13.2 million customers.

Commercial business at CaixaBank branches has focused during the third quarter of the year on three main activities: insurance, pension plans and the attraction of customer funds.

- ✓ **More than 635,000 new insurance policies**, an increase of 20.5% on 2011.
- ✓ **More than 800 million euros** in individual pension plans (+30.6%), due to the successful marketing of the Assured Welfare Plan, a leading product in the marketplace.
- ✓ **Over 274,000 more customers arranging to have their salaries paid directly into their accounts this year.**
- ✓ **Increase of 281 basis points in the share of *factoring* and *confirming* operations**, rising to 17.8% (excluding Banca Cívica)

As a consequence of these intense levels of commercial activity and the incorporation of the Banca Cívica business, the “la Caixa” Group has considerably enhanced its leading position in the Spanish market, with a market share of 19.9% in managed salaries, 20.13% in pension funds, 14.51% in mortgages, 14.58% in consumer loans, 13.70% in deposits, 13.70% in investment funds and 16.33% in pension plans.

Finally, as regards the activities of MicroBank, CaixaBank’s social banking service and the only one in Spain specialising in micro-financing, the institution has financed 159,197 projects worth a total of 986.4 million euros since its creation in 2007. After five years of operation, MicroBank has consolidated its social banking model with an offer of value that is adapted to suit the needs of its main customer groups.

Despite the current economic climate, MicroBank remains the largest supporter of self-employment through the use of micro-loans. According to the study entitled *Informe sobre el Impacto Social de los Microcréditos* (Report on the Social Impact of Microloans) carried out by the Esade business school, it is estimated that MicroBank has contributed to the creation or consolidation of more than 50,000 jobs since it opened for business. By the end of September 2012, MicroBank had awarded 30,699 loans totalling 176.5 million euros, thus increasing its portfolio of microloans by 9.1% from the end of 2011.

### **The “la Caixa” Social Projects: responding to society’s needs**

Through the implementation of its social, educational, cultural and environmental programmes, the institution continued to offer a **response to the needs of ordinary people**, with the aim of promoting social advancement and individual welfare, particularly among the most disadvantaged groups.

**Social initiatives accounted for 67% of the 500 million euro** budget allocated to the “la Caixa” Social Projects for the fifth year running. Combatting poverty in Spain, the creation of jobs among disadvantaged groups, access to housing, help with active and healthy ageing for the elderly, support for the sick and research continue to number among the main priorities of the programme.

The **Incorpora Programme** helped **7,669 people find jobs** during the first nine months of the year. **CaixaProinfancia**, the programme that offers assistance to children in circumstances of poverty and social exclusion, has awarded grants worth 32 million euros to more than **48,300 children** throughout Spain.

Other notable beneficiaries of Social Project programmes so far this year include the **381,000 elderly people** who have taken part in projects aimed at helping them to play a full and integral role in society and the **9,600 terminally ill patients** who have received comprehensive attention under the programme.

In addition to these direct action programmes, the Social Projects programme also supported **900 projects run by NGOs** and associations throughout Spain, providing assistance over the course of the last nine months through its Call for Assistance for Social Initiatives.

Other notable events include the introduction of the **“Young Entrepreneurs” programme**, promoted jointly with the Junior Achievement Foundation with a view to incentivising entrepreneurship in schools, and the presentation of the social study entitled *“La transición de los jóvenes a la vida adulta”* (The Transition from Youth to Adulthood) in the academic commentaries series.

In the areas of **Science and Education**, the Social Projects programme has renewed its collaborative agreement with the Advanced Council for Scientific Research (CSIC) to assist in the promotion of Science, and during July it supported the Scientific Summer Schools attended by 1,800 secondary school students at 16 Spanish universities.

In the area of **Research**, on 25 July “la Caixa” CEO Juan María Nin awarded grants to study International Doctorates at 4 Spanish centres of scientific excellence. Also in July, the Social Project programme gave a presentation of the work being carried out by the Centre for Cardiovascular Genetics, directed by Dr Ramón Brugada in Girona, along with the results of the first two years’ work at the “la Caixa” Molecular Therapy Cancer Unit at Vall d’Hebron Hospital in Barcelona. Under the direction of Dr Josep Baselga, this unit has provided personal attention for 500 patients and participated in more than 10,000 clinical sessions.

As part of its efforts to **bring culture closer** to all, the “la Caixa” Social Projects programme recently renewed its collaborative agreement with the Louvre Museum. This agreement, signed by Isidro Fainé, “la Caixa” Chairman, and Henri Loyrette, Director of the Paris museum, covers the co-production and presentation of five new joint exhibitions. The opening of *“Rusiñol-Monet-Gauguin-Sunyer. El paisaje en la Colección Thyssen”* and *“Cellers. Cooperativismo y Modernismo”* have been among the notable cultural events mounted by the Social Projects programme.

## CaixaBank Group - Key indicators

€ million	January - September		Change
	2012	2011	
Income statement headings			
Net interest income	2,845	2,320	22.7%
Gross income	5,140	4,764	7.9%
Pre-impairment income	2,586	2,208	17.1%
Net Income	173	845	(79.5%)
	September-12	December-11	Change
Balance sheet headings			
Total assets	343,755	270,425	27.1%
Book value	22,545	20,751	8.6%
Total banking business volume	526,528	427,252	23.2%
Customer loans and advances, gross	230,754	186,049	24.0%
Total customer funds	295,774	241,203	22.6%
Efficiency and Profitability (last 12 months)			
Cost-to-income ratio (total operating expenses / gross income)	48.5%	51.3%	(2.8)
ROE (attributable profit / average equity)	1.8%	5.2%	(3.4)
ROA (profit / average total assets)	0.1%	0.4%	(0.3)
RORWA (profit / risk-weighted assets)	0.3%	0.9%	(0.6)
ROTE (attributable profit / average tangible equity)	2.1%	6.2%	(4.1)
Risk management			
Non-performing loan (NPL) ratio	8.42%	4.90%	3.52
Allowances for non-performing loans	12,206	5,745	6,461
NPL coverage ratio	60%	60%	0
NPL coverage ratio including collateral	138%	137%	1
Foreclosed real-estate assets coverage ratio	44%	36%	8
of which: land coverage	58%	62%	(4)
Liquidity	48,755	20,948	27,807
Loan to deposits (*)	128%	133%	(5)
Solvency - BIS II			
Core Capital	10.8%	12.5%	(1.7)
Tier 1	10.8%	12.8%	(2.0)
Tier Total	11.6%	12.8%	(1.2)
Core Tier 1 EBA	9.9%	10.9%	(1.0)
Eligible capital	19,435	17,581	1,854
Risk Weighted Assets (RWA)	167,265	137,355	29,910
Surplus capital	6,054	6,592	(538)
Share information			
Share price (€/share)	2.926	3.795	(0.869)
Market capitalization	11,236	14,573	(3,337)
Book value per share (€/share)	4.43	5.11	(0.68)
Number of shares outstanding - fully diluted (thousands)	5,085,415	4,064,203	1,021,212
Average number of shares outstanding - fully diluted (thousands)	4,419,708	3,964,337	455,371
Net income attributable per share (EPS) (€ per share) (12 months)	0.09	0.27	(0.18)
PER (12 months)	32.51	14.06	18.45
Banking business and resources (units)			
Customers (millions)	13.2	10.4	2.8
Employees CaixaBank Group	33,273	26,993	6,280
Branches	6,631	5,196	1,435
ATMs	9,945	8,011	1,934
Cards issued (millions)	12.6	10.5	2.1

(\*) Customer loans and advances, net / Retail customers funds



## Consolidated Profit & Loss Account CaixaBank Group

€ million	January - September		Change %
	2012	2011	
Financial Income	6,689	5,690	17.6
Financial expenses	(3,844)	(3,370)	14.1
<b>Net interest income</b>	<b>2,845</b>	<b>2,320</b>	<b>22.7</b>
Dividends	720	675	6.7
Net fees	1,268	1,137	11.5
Other operating revenue and expenses	307	632	(51.5)
<b>Gross income</b>	<b>5,140</b>	<b>4,764</b>	<b>7.9</b>
Total operating expenses	(2,554)	(2,556)	(0.1)
<b>Pre-impairment income</b>	<b>2,586</b>	<b>2,208</b>	<b>17.1</b>
Losses for the impairment of financial assets and others	(2,689)	(1,956)	37.4
Profits/losses on disposal of assets and others	34	634	(97.6)
<b>Pre-tax income</b>	<b>(69)</b>	<b>886</b>	<b>(107.8)</b>
Income tax	242	(41)	
<b>Profit attributable to the Group</b>	<b>173</b>	<b>845</b>	<b>(79.5)</b>