Business Activity and Results

January-June

2017

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Change in scope of consolidation and comparability of information: On 7 February 2017, the CaixaBank Group effectively took control of the BPI Group (BPI). Since February, the Group has been reporting its total participation in **BPI (84.5%)** using the full consolidation method. Prior to this date, the financial information on BPI contained in this document was presented using the equity method in proportion to the Group's percentage of ownership at the time in question.

Note: The financial information contained in this document is unaudited and, accordingly, is subject to change. The consolidated income statement and the consolidated balance sheet at the end of the first half of 2017 and 2016 and for the year 2016, and the corresponding breakdowns of those statements provided in this report, are presented under management criteria, but have still been prepared in accordance with International Financial Reporting Standards (IFRS-EU) as adopted by the European Union under the terms of Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002, as subsequently modified. In preparing these statements, Circular 4/2004 of the Bank of Spain of 22 December, as subsequently modified, has also been taken into due account in that it adapts IFRS-EU to Spanish credit institutions.
This report has been prepared from the accounting records of CaixaBank, S.A. and the other Group companies, and includes certain adjustments and reclassifications required to apply the policies and criteria used by the Group companies on a consistent basis with those of CaixaBank. For this reason, and in relation to BPI specifically, the information set out in this report is not entirely consistent with the Group's published financial statements (see *Reconciliation with the financial information released by BPI following the presentation format of the CaixaBank Group* under *Appendices - Glossary below).* Likewise, the financial information regarding investees has been prepared primarily on the basis of estimates made by the Company.
Figures are presented in millions of euros unless the use of another monetary unit is stated explicitly, and may be expressed as either million euros or € million.

In accordance with the Guidelines on Alternative Performance Measures (APMs) published by the European Securities and Markets Authority on 30 June 2015 (ESMA/2015/1057), the appendices hereto provide definitions of certain alternative financial measures and, where appropriate, the reconciliation with the items contained on the financial statements for the period in question.

Commercial positioning

15.8 million customers
- **13.8** CaixaBank
- **2.0** BPI

CaixaBank in Spain

29.5% market penetration among individual customers

25.7% market penetration as main bank among individual customers

378,684 in total assets (€ million)

348,903 in customer funds (€ million)

228,435 in loans and advances to customers (€ million)

Balance sheet indicators

LIQUIDITY

65,594 total liquid assets (€ million)

208% liquidity coverage ratio

CAPITAL MANAGEMENT

11.5% fully-loaded CET1

15.5% fully-loaded total capital[1]

RISK MANAGEMENT

6.5% NPL ratio

50% NPL coverage ratio

58% coverage ratio (foreclosed available-for-sale RE assets)

Profitability and cost-to-income

839 profit attributable to the Group (€ million) (+31.6% vs 1H16)

- **+927** banking and insurance business
- **+92** equity investments
- **+77** BPI
- **-257** non-core RE activity

52.2% cost-to-income ratio, stripping out extraordinary expenses

6.5% ROTE

10.3% Recurring ROTE for banking and insurance business

(1) Includes the redemption of the approximately €1,300 million issue of subordinated debt announced in July as well as the new pro-forma Tier2 of €1,000 million subscribed in July with a positive impact of 66 basis points.

Key figures[1]

€ million	January - June 2017	2016	Year-on-year	2Q17	Quarter-on-quarter
INCOME STATEMENT HEADINGS					
Net interest income	2,349	2,041	15.1%	1,196	3.7%
Net fee and commission income	1,252	1,010	23.9%	664	13.1%
Gross income	4,280	4,049	5.7%	2,387	26.1%
Recurring administrative expenses, depreciation and amortisation	(2,216)	(2,002)	10.7%	(1,125)	3.2%
Pre-impairment income stripping out extraordinary expenses	2,064	2,047	0.8%	1,262	57.3%
Pre-impairment income	1,958	2,047	(4.4%)	1,166	47.1%
Profit/(loss) before tax	1,005	888	13.2%	554	23.1%
Profit/(loss) attributable to the Group	839	638	31.6%	436	8.2%

€ million	June 2017	March 2017	December 2016	Quarter-on-quarter	Year-to-date
BALANCE SHEET					
Total assets	378,684	370,267	347,927	2.3%	8.8%
Equity	24,375	24,779	23,556	(1.6%)	3.5%
Customer funds	348,903	338,053	303,895	3.2%	14.8%
Loans and advances to customers, gross	228,435	227,934	204,857	0.2%	11.5%
EFFICIENCY AND PROFITABILITY (last 12 months)					
Cost-to-income ratio	55.1%	54.0%	52.6%	1.1	2.5
Cost-to-income ratio stripping out extraordinary expenses	52.2%	52.4%	51.0%	(0.2)	1.2
ROE	5.4%	5.1%	4.5%	0.3	0.9
ROTE	6.5%	6.2%	5.6%	0.3	0.9
ROA	0.3%	0.3%	0.3%	0.0	0.0
RORWA	0.8%	0.9%	0.8%	(0.1)	0.0
RISK MANAGEMENT					
Non-performing loans (NPL)	15,492	16,135	14,754	(643)	738
Non-performing loan ratio	6.5%	6.7%	6.9%	(0.2)	(0.4)
Cost of risk (last 12 months)[2]	0.44%	0.46%	0.46%	(0.02)	(0.02)
Provisions for non-performing loans	7,732	7,985	6,880	(253)	852
NPL coverage ratio	50%	49%	47%	1	3
Net foreclosed available for sale real estate assets[3]	6,258	6,285	6,256	(27)	2
Foreclosed available for sale real estate assets coverage ratio	58%	59%	60%	(1)	(2)
LIQUIDITY					
Total Liquid Assets	65,594	55,256	50,408	10,338	15,186
Loan to deposits	107.9%	112.7%	110.9%	(4.8)	(3.0)
Liquidity Coverage Ratio	208%	158%	160%	50	48
CAPITAL ADEQUACY					
Fully-loaded Common Equity Tier 1 (CET1)	11.5%	11.5%	12.4%	0.0	(0.9)
Fully-loaded Tier 1	12.2%	11.5%	12.4%	0.7	(0.2)
Fully-loaded Total Capital[4]	15.5%	15.1%	15.4%	0.4	0.1
Fully-loaded Risk-Weighted Assets (RWAs)	151,223	152,874	134,385	(1,651)	16,838
Fully-loaded leverage ratio	5.5%	5.4%	5.4%	0.1	0.1
Common Equity Tier 1 (CET1)	12.5%	11.9%	13.2%	0.6	(0.7)
SHARE INFORMATION					
Share price (€/share)	4.180	4.029	3.140	0.151	1.040
Market capitalization	24,988	24,085	18,768	903	6,220
Book value per share (€/share)	4.01	4.08	3.94	(0.07)	0.07
Tangible book value per share (€/share)	3.30	3.37	3.26	(0.07)	0.04
Number of outstanding shares excluding treasury stock (millions)	5,978	5,978	5,977	0	1
Net income attributable per share (€/share) (12 months)	0.21	0.20	0.18	0.01	0.03
Average number of shares excluding treasury stock (millions) (12 months)	5,810	5,752	5,842	58	(32)
PER (Price/Profit)	19.49	19.68	17.52	(0.19)	1.97
Tangible PBV (Market value/ book value of tangible assets)	1.27	1.20	0.96	0.07	0.31
OTHER DATA (units)					
Customers (millions)	15.8	15.8	13.8	0.0	2.0
CaixaBank Group Employees	37,336	37,638	32,403	(302)	4,933
Branches[5]	5,468	5,525	5,027	(57)	441
of which: CaixaBank retail branches	4,749	4,799	4,851	(50)	(102)

(1) *See indicator definitions in Appendices - Glossary.*

(2) *The ratio excludes the release of €676 million in provisions carried out in the fourth quarter of 2016 and considers BPI since its inclusion within the consolidated scope in February 2017.*

(3) *Exposure in Spain.*

(4) *Includes the redemption of the approximately €1,300 million issue of subordinated debt announced in July as well as the new pro-forma Tier2 of €1,000 million subscribed in July with a positive impact of 66 basis points.*

(5) *Does not include branches outside Spain or representative offices.*

Key Group information
for the first half of 2017

Our Group

CaixaBank

Commercial strength

- CaixaBank relies on a universal banking model based on quality, customer proximity and expertise.
- With 13.8 million customers, it is the main bank for one out of every four retail customers in Spain. It has a market penetration[1] among individual customers of 29.5% and for 25.7% CaixaBank is their main bank.
- The Bank's commercial prowess has enabled it to gain high market shares[2] across all the main retail products and services.

Loans	Deposits	Payroll deposits	Investment funds	Saving insurances	Pension plans	Card turnover	Consumer lending
15.8%	14.2%	26.4%	17.8%	25.7%	23.4%	23.3%	17.0%

Specialised products and services

- Wide range of products and services tailored to the different needs of customers, plus **extensive expertise in each business segment**.
- Named ***Best Bank in Spain 2017*** by Global Finance and by Euromoney for the third and fourth year in a row, respectively.
- ***'Family'*** was launched in 2017, a corporate campaign based on personal and commercial proximity that encompasses all retail products of individual banking.
- Named ***Best private bank in Spain*** by Euromoney as part of its 2017 Private Banking Survey.

Innovation

- CaixaBank views **innovation as a strategic challenge:**
  - Leading entity in Spain and internationally when it comes to **online banking**[3] and **mobile banking**, with 5.5 and 3.9 million customers, respectively.
  - ImaginBank **launches the first chatbot** in the Spanish financial sector, allowing the bank to chat with customers and help them choose the best offers and promotions.
  - Named ***European Retail Bank of the Year*** by Retail Banker International in recognition of the launch of imaginBank, the Bank's mobility initiatives relating to advisory services and the progress made in artificial intelligence.
  - Recognition from **Euromoney for technological innovation** and back-office systems.
  - Named ***Model Bank* 2017** by Celent for **world's best digital transformation strategy.**

Corporate responsibility

- Named ***best bank in corporate responsibility*** in 2017 by Merco and **most responsible bank in Europe** by Euromoney, a testament to its commitment to ensuring social and economic prosperity for both people and regions.
- **Presence on the following sustainability indices:** Dow Jones Sustainability Index (DJSI), FTSE4Good, Ethibel Sustainability Index (ESI) Excellence Europe, MSCI Global Sustainability Indexes and Advanced Sustainable Performance Indexes (ASPI).

(1) Latest information available. Source: FRS Inmark.

(2) Latest information available. Data prepared in-house. Source: Bank of Spain, Social Security, INVERCO, ICEA, Servired, 4B and Euro6000. Loan share for the domestic private sector and share of deposits (demand + term).

(3) Customers who have carried out at least one transaction via the CaixaBank website in the last two months (latest information available).

BPI

- BPI is **Portugal's fifth largest bank when it comes to assets** and boasts solid market shares[1]: 9.2% in lending activity and 10.7% in customer funds. It is also, for the second consecutive year, the **market leader in customer satisfaction**.

- CaixaBank's stake in BPI currently stands at 84.5% following completion, on 7 February 2017, of the acceptance period for the mandatory takeover bid filed by the Portuguese stock market regulatory (*Comissão do Mercado de Valores Mobiliários*) on 16 January 2017. The offered price for the bid was €1.134 per share and with demand totalling 39.01% of BPI's share capital, the total payout was therefore €644.5 million.

- In accordance with applicable accounting law, 7 February 2017 was set as the effective assumption of control date and the total stake in BPI (84.5%) has been reported under the full consolidation method since 1 February, having been previously reported under the equity method.

- The Group's consolidated income statement for the first half of the year shows the following one-off impacts:
  - On 5 January 2017, BPI completed the sale of 2% of its stake in BFA to the company Unitel, SA, whose stake in BFA therefore climbed to 51.9% while BPI's interest dropped to 48.1%. The parties also entered into a new shareholder agreement in respect of BFA.

    The arrangement allowed for the deconsolidation of BFA from BPI's consolidated balance sheet, thus allowing BPI to resolve its risk exposure breach due to its controlling stake in BFA. The transaction generated a negative attributable impact of €97 million for CaixaBank, which was recognised under the equity method.

  - The net result of measuring BPI's assets and liabilities at fair value as of the effective takeover date, as a result of the business combination, was €256 million.

  - A total of €106 million of restructuring costs was reported following the takeover.

Business activity

- **Growth of 14.8% in customer funds** in the first half of 2017 to reach €348,903 million (+3.4% stripping out BPI).

- **Loans and advances to customers, gross,** stood at €228,435 million, up 11.5% in 2017 (+0.1% stripping out BPI).

  The **performing portfolio is up 12.1% in the year to date** (+0.5% stripping out BPI).

(1) Latest information available. Date prepared in-house (including deposits, mutual funds, capitalisation insurance and PPR´s). Source: Banco de Portugal, APS, APFIPP and leadership in customer satisfaction according to ECSI Portugal 2016 and 2017 – Índice Nacional de Satisfação dos Clientes (National Customer (Satisfaction Index).

Results

Attributable profit amounted to €839 million, up 31.6% on the first half of 2016.

- The **full consolidation of the results of BPI** from February 2017 onward has impacted the main headings of the income statement when compared with the previous year.
- **Gross income totalled €4,280 million**. The year-on-year change here (+5.7%) was down to the integration of BPI and improved generation of core income[1] (+20.6%, +11.8% at CaixaBank), offsetting the drop in earnings on financial assets and liabilities.
  - **Net interest income** gained 15.1% to reach €2,349 million (+6.9% stripping out BPI).
  - Meanwhile, **fee and commission income** was up 23.9% to €1,252 million (+12.4% stripping out BPI).
  - **Income and expenses arising from insurance and reinsurance contracts** gained 66.7% to reach €233 million.
  - The drop in **income from equity investments (-2.8%)** was partly down to changes in earnings at investees, perimeter changes and BPI's sale of 2% of its stake in BFA in January 2017 (€-97 million attributable).
  - **Gains/(losses) on financial assets and liabilities and other** totalled €177 million (-70.1%).
- **Recurring administrative expenses, depreciation and amortisation** stood at €2,216 million, up 10.7% following the integration of BPI (+0.8% on a like-for-like basis). In 2017, a total of €106 million in BPI restructuring costs has been reported.
- **Pre-impairment income excluding extraordinary expenses** was €2,064 million (+0.8%).
- **Impairment losses on financial assets** amounted to €472 million (-1.5%).
- **Other charges to provisions** in the first half of 2017 included the recognition of €455 million associated with early retirements and impairment of other assets.
- **Gains/(losses) on disposals of assets and others** includes, among other items, the result of the business combination deriving from the acquisition of BPI (€256 million), as well as proceeds on the sale of foreclosed real estate assets.
- **Profit from the banking and insurance business amounted to €927 million**, excluding the non-core real estate business, equity investments and BPI.

Balance sheet strength

Risk management

- **NPLs were down €643 million** in the second quarter of 2017 (down €2,044 million at CaixaBank in the last 12 months), showing the improving quality of the loan portfolio.
- Meanwhile, the CaixaBank Group's **NPL ratio** was 6.5% (6.9% at 31 December 2016). The coverage ratio for the CaixaBank Group's non-performing loan portfolio is now 50% (47% at 31 December 2016).
- The **net portfolio of foreclosed real estate assets available for sale remained stable** at €6,258 million, with a coverage ratio of 58%[2].

  Lower additions to the portfolio of foreclosed assets and high sales volume[3] (€669 million, up 9.7% on the first half of 2016). **Gains from sales to net book value stood at 15% in the first half of the year** (+12pp in the last 12 months).
- **Net foreclosed assets held for rent** amounted to €3,086 million (stable in 2017), with an occupancy ratio of 90%.

(1) Includes net interest income, fee and commission income, income from the life-risk insurance business and the result of using the equity accounting method for SegurCaixa Adeslas.

(2) Initial loan write-downs and charges to provisions associated with foreclosed real estate assets divided by the debt cancelled following foreclosure.

49% coverage including only accounting provisions divided by book value, gross.

(3) At sale price.

Liquidity

- Robust retail lending structure, with a loan-to-deposit (LTD) ratio of 107.9% (down 3.0pp in 2017).
- Total liquid assets totalling €65,594 million.
- Liquidity coverage ratio of 208%, well clear of the minimum requirement of 80% from 2017 onward.

Capital adequacy

- The **fully-loaded Common Equity Tier 1 (CET1) ratio remains at 11.5%**. Impacted in the first half of 2017 of the acquisition of BPI (-108 bp).

- **Fully-loaded Tier 1 of 12.2%** following the placement in June of €1,000 million of AT1[1] (Additional Tier 1) instrument.

- **Pro-forma fully-loaded total capital of 15.5%,** affected by the positive impacts of the AT1 placement in June and the issue of €2,000 million of subordinated debt in February and July of 2017, as well as the redemption of the approximately €1,300 million issue of subordinated debt announced in July.

- The fully-loaded leverage ratio was 5.5%.

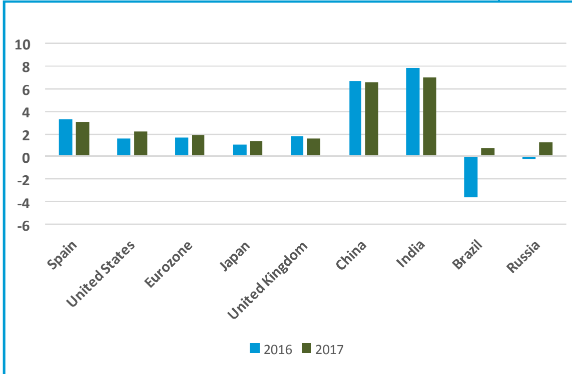
- According to the criteria in force in 2017 for phased-in implementation, regulatory capital and leverage were: **12.5% CET1 and Tier 1, 15.9% pro-forma total capital and 5.6% leverage ratio.**

(1) See details under the section titled 'Liquidity and financing structure'.

Macroeconomic Trends

Global economic climate and markets

Global economic growth continued to pick up throughout the second quarter of 2017. **GDP gained** 3.5% year-on-year in the first quarter of the year, compared to 3.1% in 2016, and judging by recent indicators this will increase further in the second quarter of the year. Growth is being underpinned by both developed and emerging nations. We saw year-on-year growth in the first quarter of 2.1% in the United States, 1.3% in Japan, 6.9% in China and 6.1% in India. This growth has found support first and foremost from a still accommodative monetary policy from developed nations, despite the process of monetary normalisation recently initiated by the Fed, which in June once again hiked the reference rate from 1.0% to 1.25%. Further support factors include the moderate recovery of the commodities markets and the fact that certain key emerging nations have now managed to shake off their recession.



GDP[1], main economies
Change, year-to-date (%)

(1) Forecasts for 2017 made by CaixaBank Research.

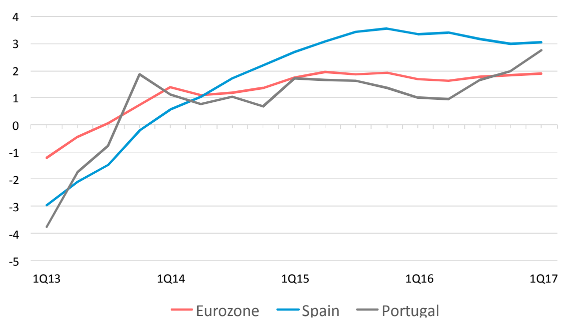
The **macroeconomic boom** has run parallel to a **prolonged climate of placidity in the financial markets**. While we saw certain corrections near the end of the second quarter, stock exchanges across both developed and emerging nations have performed well and financial asset volatility remains extremely low. This is the product of the pick-up in the global economy as just discussed, while also showing a certain reduction in the downward trend in the balance of risk in the short term. In the first half of the year, public debate was largely dominated by the uncertainty surrounding the election results in various European countries and the direction the new US administration will take. Further talking points included the various flashpoints of geopolitical risk across the globe. As it turned out, the election results in the Netherlands and France, and even the first steps taken by the US administration (which we might cautiously call pragmatic), were not as harsh as many had feared. While certain political risks (protectionism, populism, Brexit, etc.) will certainly persist in the medium term despite the relatively calm political landscape of late, what we can say is that short-term pressures have been lifted.

Economic scenario - Europe, Spain and Portugal

Euro area GDP rose by 1.9% year-on-year in the first quarter, showing a healthy overall performance across all countries, particularly Spain (3.0%) and Portugal (2.8%), but also central European countries such as Germany (1.7%). Indicators suggest that this strong pace of activity was maintained in the second quarter. The economic growth is benefiting companies -which are currently enjoying easier access to funding- and consumers alike, who, in addition to having access to financing under more favourable terms, are seeing steady improvements in the labour market. Meanwhile, inflation stood at 1.3% year-on-year in June, gradually moving away from the annual high due to more muted year-on-year growth in oil prices. As we move forward from here, **economic growth will continue to pick up** to close out the year at 1.9% (2 decimal points above the figure reported in 2016) on the back of robust domestic demand, the gradual recovery of the labour market and still accommodative borrowing conditions. In this context, as the gradual rising trend in core inflation consolidates, CaixaBank Research expects the ECB to start preparing the ground for a gradual return to more normal monetary conditions in the second half of the year. We certainly hope the favourable short-term outlook does not give rise to complacency and that the reforms needed to ensure long-lasting and balanced growth are implemented. One of the main tasks ahead is to further entrench European unity, a process that could gain momentum following the German elections in September. Brexit negotiations are likely to be a complex affair, but CaixaBank Research expects an agreement to be hammered out with the United Kingdom that will ensure a smooth and orderly transition. The outcome of the UK elections in June has increased the likelihood of a “soft” Brexit, which will enable the United Kingdom to retain reasonable access to the European single market.

Turning to **Spain**, the **3.0% gain in GDP** in the first quarter confirms that the nation’s economy is firmly on track. Internal demand remained the main driver of growth in the second quarter, supported by private consumption and investment. These high growth figures have been accompanied by the stabilisation of the real estate cycle, which saw both the number of transactions and prices rise, albeit with notable differences among regions. A key factor in this recovery is lending growth, as shown by the sharp year-on-year rise in home loans (up 16.8% between January and May). This healthier borrowing environment also extends to consumer loans, and to a lesser extent, to loans to SMEs. However, large companies are still relying on corporate bonds and other debt instrument in order to meet their financing needs, albeit to a lesser extent than in 2016. Last but not least, the **labour market** continues to impress, as evidenced by the growth in the full-time equivalent employment rate, which stood at 2.5% year-on-year in the first quarter.

The strong momentum of the Spanish economy in the first half of the year has led CaixaBank Research to **raise its growth projections**: 3.1% in 2017, once again outpacing the euro area average. Around 500,000 new jobs are expected to be created. Yet unemployment will still remain high, at 16.8% in the fourth quarter of 2017, a long way above the rates reported by other euro area countries, showing that unemployment remains a serious challenge for the Spanish economy. Job creation should therefore remain a priority for the ongoing recovery in Spain.



GDP[1]: Eurozone, Spain and Portugal
Change, year-on-year (%)

Meanwhile, **Portugal** reported the same positive trend in the first half of 2017, having posted strong year-on-year growth of 2.8% in the first quarter, as just mentioned. This performance is due largely to internal demand, driven by private consumption and investment. External demand also gave a strong boost to exports, while imports reflected sound internal consumption. Activity indicators suggest that growth in the second quarter will follow a similar pattern to that seen in the first quarter. Public finance figures were also strong (2016 ended with a public deficit of 2.0% of GDP), prompting the closure of the excessive deficit procedure in June. Lastly, with regard to the economic outlook in Portugal, the country’s strong performance in the first half of 2017 promises a year of high growth (2.8%, vs 1.4% in 2016), supported by a more balanced relationship between internal and external demand.

(1) Source: CaixaBank Research, based on Eurostat, INE (Spain) and INE (Portugal).

Results

Income statement

Following the integration of BPI, the Group's income statement has been broken down into the following two perimeters in order to make it more readily comparable with other periods:

- **CaixaBank (CABK):** shows the results of CaixaBank, which operates largely in Spain. It includes the results of BPI under the equity method in January (prior to the effective takeover completion date in February) as well as the results of the resulting business combination since it was originated in a corporate transaction.
- **BPI:** includes the results that BPI contributes to the Group, which have been reported using the full consolidation method from February onward, thus affecting also the comparability between the first and second quarters of 2017.

Year-on-year performance

	Group			CABK		BPI
€ million	**1H17**	**1H16**	**Chg. in %**	**1H17**	**Chg. in %**	**1H17**
Net interest income	**2,349**	**2,041**	**15.1**	**2,182**	**6.9**	**167**
Dividend income	121	108	11.8	115	5.9	6
Share of profit/(loss) of entities accounted for using the equity method	268	292	(8.2)	165	(43.4)	103
Net fee and commission income	1,252	1,010	23.9	1,135	12.4	117
Gains/(losses) on financial assets and liabilities and others	177	593	(70.1)	164	(72.2)	13
Income and expense arising from insurance or reinsurance contracts	233	140	66.7	233	66.7	
Other operating income and expense	(120)	(135)	(11.5)	(104)	(23.1)	(16)
Gross income	**4,280**	**4,049**	**5.7**	**3,890**	**(3.9)**	**390**
Recurring administrative expenses, depreciation and amortisation	(2,216)	(2,002)	10.7	(2,017)	0.8	(199)
Extraordinary expenses	(106)					(106)
Pre-impairment income	**1,958**	**2,047**	**(4.4)**	**1,873**	**(8.5)**	**85**
Pre-impairment income stripping out extraordinary expenses	**2,064**	**2,047**	**0.8**	**1,873**	**(8.5)**	**191**
Allowance for insolvency risk	(472)	(478)	(1.5)	(483)	0.7	11
Other charges to provisions	(763)	(434)	76.1	(761)	75.9	(2)
Gains/(losses) on disposal of assets and others	282	(247)		282		
Profit/(loss) before tax	**1,005**	**888**	**13.2**	**911**	**2.6**	**94**
Income tax expense	(149)	(243)	(38.5)	(146)	(39.9)	(3)
Profit/(loss) after tax	**856**	**645**	**32.7**	**765**	**18.6**	**91**
Profit/(loss) attributable to minority interest and others	17	7	128.2	3	(64.2)	14
Profit/(loss) attributable to the Group	**839**	**638**	**31.6**	**762**	**19.5**	**77**

- **Net interest income** amounted to €2,349 million (+15.1% year on year) in response to the integration of the business of BPI, which contributed 8.2% of growth. At CaixaBank, net interest income gained 6.9%, largely on the back of:
  - Forceful management of retail financing, especially maturity deposits, the cost of which has fallen from 0.63% in the first half of 2016 to 0.11% in the same period of 2017 (-52bp), plus the lower cost of institutional financing due to lower volumes and rates.
  - Negative income performance due to falling returns on the loan portfolio and the fixed income portfolio prompted by the drop in market interest rates.
- **Income from equity investments** totalled €389 million (-2.8%), reflecting, among other factors, the change in earnings at investees, BPI's move to sell 2% of its stake in BFA (€-97 million attributed) and perimeter changes.

- **Fee and commission income** amounted to €1,252 million. The change here (+23.9%) was down to BPI's contribution (+11.5%) as well as the increased income deriving from CaixaBank's commercial activity (+12.4%).
- **Gains/(losses) on financial assets and liabilities and other** fell to €177 million (-70.1%). In 2016, this figure included €165 million resulting from the Visa Europe Ltd. deal, as well as the materialisation of increased capital gains on available-for-sale fixed-income securities.
- **Sustained growth in income arising from insurance contracts** (up 66.7% to €233 million) in response to intensive commercial activity and the termination at the end of October 2016 of a reinsurance contract on the individual life-risk portfolio of VidaCaixa.
- **Other operating income and expense** shows, among other items, the recognition in both years of property tax and the contribution paid to the Single Resolution Fund. In 2017, income of €115 million was recognised in connection with the agreement signed with Cecabank (see Significant events in the first half of 2017).
- **Gross income** was **€4,280 million, up 5.7%** on the same period of 2016. The change here is down to the integration of BPI, plus high core income generating capacity[1] at CaixaBank (+11.8%), offsetting lower earnings on financial assets and liabilities.
- **Recurring administrative expenses, depreciation and amortisation** was impacted by the perimeter change and stood at €2,216 million (+10.7%, or +0.8% stripping out BPI). In 2017, a total of €106 million in BPI restructuring costs has been reported.
- **Pre-impairment income excluding extraordinary expenses** (€2,064 million) was up 0.8% on 2016 (-4.4% if we factor in extraordinary expenses).
- The **cost-to-income ratio stripping out extraordinary expenses has improved by 2 percentage points** in the last 12 months to reach **52.2%**.
- **Impairment losses on financial assets** amounted to €472 million (-1.5%). The cost of risk stood at 0.44% (-2bp in 2017)[2].
- **Other charges to provisions** (€763 million) in the first half of 2017 included €455 million in connection with the early retirements and €154 million in write-downs on exposure to the SAREB.
- **Gains/(losses) on disposals of assets and others** includes in 2017, among other items, the result of the business combination resulting from the acquisition of BPI for €256 million, as well as proceeds on sales of foreclosed real estate assets.
- With respect to **income tax expense**, double taxation avoidance principles are applied to income contributed by investees, with the impact of the business combination with BPI, reported in 2017.
- **Profit attributable to the Group** in the first half of 2017 amounted to **€839 million**, **up 31.6%** year on year (€638 million).

(1) Includes net interest income, fee and commission income, income from the life-risk insurance business and the result of using the equity accounting method for SegurCaixa Adeslas.

(2) Excludes the release of provisions in the fourth quarter of 2016.

Quarterly performance

	Group			CABK		BPI
€ million	2Q17	1Q17	Chg. in %	2Q17	Chg. in %	2Q17
Net interest income	**1,196**	**1,153**	**3.7**	**1,098**	**1.3**	**98**
Dividend income	113	8		107		6
Share of profit/(loss) of entities accounted for using the equity method	183	85	115.5	119	157.0	64
Net fee and commission income	664	588	13.1	590	8.3	74
Gains/(losses) on financial assets and liabilities and others	134	43		126		8
Income and expense arising from insurance or reinsurance contracts	123	110	10.8	123	10.8	
Other operating income and expense	(26)	(94)	(73.2)	(9)	(90.1)	(17)
Gross income	**2,387**	**1,893**	**26.1**	**2,154**	**24.0**	**233**
Recurring administrative expenses, depreciation and amortisation	(1,125)	(1,091)	3.2	(1,004)	(0.9)	(121)
Extraordinary expenses	(96)	(10)				(96)
Pre-impairment income	**1,166**	**792**	**47.1**	**1,150**	**59.0**	**16**
Pre-impairment income stripping out extraordinary expenses	**1,262**	**802**	**57.3**	**1,150**	**59.0**	**112**
Allowance for insolvency risk	(223)	(249)	(10.9)	(228)	(10.6)	5
Other charges to provisions	(393)	(370)	6.3	(392)	6.2	(1)
Gains/(losses) on disposal of assets and others	4	278	(98.3)	4	(98.4)	
Profit/(loss) before tax	**554**	**451**	**23.1**	**534**	**41.8**	**20**
Income tax expense	(113)	(36)		(124)		11
Profit/(loss) after tax	**441**	**415**	**6.6**	**410**	**15.5**	**31**
Profit/(loss) attributable to minority interest and others	5	12	(52.0)	1		4
Profit/(loss) attributable to the Group	**436**	**403**	**8.2**	**409**	**16.0**	**27**

CABK on a like-for-like basis € million	2Q16	3Q16	4Q16	1Q17	2Q17
Net interest income	**1,021**	**1,039**	**1,077**	**1,084**	**1,098**
Dividend income	103	5	86	8	107
Share of profit/(loss) of entities accounted for using the equity method	160	145	192	46	119
Net fee and commission income	522	536	544	545	590
Gains/(losses) on financial assets and liabilities and others	325	125	130	38	126
Income and expense arising from insurance or reinsurance contracts	76	74	97	110	123
Other operating income and expense	(80)	(34)	(238)	(95)	(9)
Gross income	**2,127**	**1,890**	**1,888**	**1,736**	**2,154**
Recurring administrative expenses, depreciation and amortisation	(999)	(995)	(998)	(1,013)	(1,004)
Extraordinary expenses		(121)			
Pre-impairment income	**1,128**	**774**	**890**	**723**	**1,150**
Pre-impairment income stripping out extraordinary expenses	**1,128**	**895**	**890**	**723**	**1,150**
Allowance for insolvency risk	(253)	(218)	382	(255)	(228)
Other charges to provisions	(249)	(47)	(274)	(369)	(392)
Gains/(losses) on disposal of assets and others	(114)	(83)	(774)	278	4
Profit/(loss) before tax	**512**	**426**	**224**	**377**	**534**
Income tax expense	(142)	(90)	(149)	(22)	(124)
Profit/(loss) after tax	**370**	**336**	**75**	**355**	**410**
Profit/(loss) attributable to minority interest and others	5	4	(2)	2	1
Profit/(loss) attributable to the Group	**365**	**332**	**77**	**353**	**409**

- The full accounting consolidation of BPI from February 2017 onward means that the results for the second quarter of 2017 under this perimeter cannot realistically be compared with those for the previous quarter, which are short one month of results of BPI.
- **Gross income gained 26.1% to reach €2,387 million** (+24.0% under the CaixaBank perimeter).
- **Net interest income was up 3.7%** to €1,196 million, largely the result of an extra month of income due to the incorporation of BPI in February. The change in net interest income at CaixaBank (+1.3%) was down to the lower cost of retail deposits, institutional financing and a bigger contribution from insurance contracts, all of which outpaced the drop in income from the fixed-income portfolio.

- **Income from equity investments totalled €296 million**. The quarterly change was up, due to the recognition of the full dividend of €0.4/share (€104 million), approved by the Telefónica general meeting of shareholders in the second quarter of 2017 and the negative attributable proceeds on the sale by BPI of 2% of its stake in BFA in the first quarter of 2017.
- **Fee and commission income** climbed to €664 million, up 13.1% in the quarter, showcasing CaixaBank's commercial strength and aided also by strong investment banking transactions (+8.3%) and the increased contribution made by BPI.
- Meanwhile, **Gains/(losses) on financial assets and liabilities and others** rose to €134 million.
- **Growth in income arising from insurance contracts** (+10.8%) on the back of intensive commercial activity.
- **Other operating income and expense** in the second quarter included the contribution paid to the Single Resolution Fund (SRF) and also the income arising from the agreement reached with Cecabank (€115 million). Spanish property tax was reported in the first quarter of 2017.
- **Recurring administrative expenses, depreciation and amortisation** stood at €1,125 million (+3.2%). The like-for-like perimeter was down 0.9% in response to cost management and the impact in the previous quarter of the recognition of property tax on buildings intended for own use. In 2017, a total of €106 million in BPI restructuring costs has been reported (of which €96 million were booked in the second quarter).
- **Pre-impairment income stripping out extraordinary expenses totalled €1,262 million, up 57.3%** on the first quarter (+47.1% if we factor in extraordinary expenses).
- **Impairment losses on financial assets (€223 million) were down 10.9% on the first quarter.**
- **Other charges to provisions** in the second quarter of 2017 included €303 million to cover early retirements. The previous quarter included €152 million in charges to cover early retirements and €154 million in write-downs on exposure to the SAREB.
- **Gains/(losses) on disposals of assets and others** in the first quarter reflected mainly the result of the business combination resulting from the acquisition of BPI for €256 million.

Returns on average total assets[1]

Data in %	1Q17 CABK	1Q17 BPI	1Q17 Group	2Q17 CABK	2Q17 BPI	2Q17 Group
Interest income	1.96	1.43	1.93	1.92	1.35	1.87
Interest expense	(0.66)	(0.04)	(0.63)	(0.62)	(0.15)	(0.57)
Net interest income	**1.30**	**1.39**	**1.30**	**1.30**	**1.20**	**1.30**
Dividend income	0.01	0.00	0.01	0.13	0.07	0.12
Share of profit/(loss) of entities accounted for using the equity method	0.05	0.78	0.11	0.14	0.78	0.20
Net fee and commission income	0.65	0.86	0.66	0.70	0.90	0.72
Gains/(losses) on financial assets and liabilities and others	0.05	0.10	0.05	0.15	0.10	0.15
Income and expense arising from insurance or reinsurance contracts	0.13	0.00	0.12	0.15	0.00	0.13
Other operating income and expense	(0.11)	0.02	(0.11)	(0.01)	(0.20)	(0.02)
Gross income	**2.08**	**3.15**	**2.14**	**2.56**	**2.85**	**2.60**
Recurring administrative expenses, depreciation and amortisation	(1.22)	(1.56)	(1.23)	(1.19)	(1.48)	(1.23)
Extraordinary expenses	0.00	(0.20)	(0.02)	0.00	(1.17)	(0.10)
Pre-impairment income	**0.86**	**1.39**	**0.89**	**1.37**	**0.20**	**1.27**
Pre-impairment income stripping out extraordinary expenses	**0.86**	**1.59**	**0.91**	**1.37**	**1.37**	**1.37**
Allowance for insolvency risk	(0.31)	0.12	(0.28)	(0.27)	0.06	(0.24)
Other charges to provisions	(0.44)	(0.02)	(0.42)	(0.47)	(0.02)	(0.43)
Gains/(losses) on disposal of assets and others	0.34	0.00	0.32	0.00	0.00	0.00
Profit/(loss) before tax	**0.45**	**1.49**	**0.51**	**0.63**	**0.24**	**0.60**
Income tax expense	(0.03)	(0.29)	(0.04)	(0.14)	0.14	(0.12)
Profit/(loss) after tax	**0.42**	**1.20**	**0.47**	**0.49**	**0.38**	**0.48**
Profit/(loss) attributable to minority interest and others	0.00	0.20	0.02	0.00	0.05	0.01
Profit/(loss) attributable to the Group	**0.42**	**1.00**	**0.45**	**0.49**	**0.33**	**0.47**
€ million						
Average total net assets	339,061	20,203	359,264	337,447	32,843	368,639

CABK on a like-for-like basis

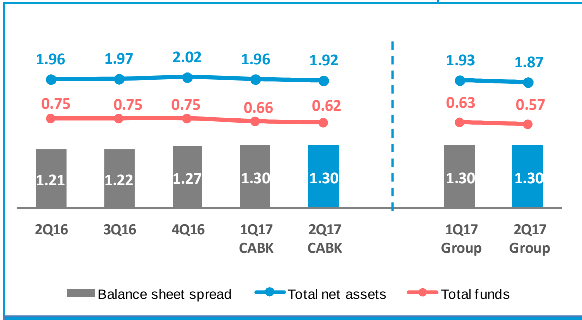
Data in %	2Q16	3Q16	4Q16	1Q17	2Q17
Interest income	1.96	1.97	2.02	1.96	1.92
Interest expense	(0.75)	(0.75)	(0.75)	(0.66)	(0.62)
Net interest income	**1.21**	**1.22**	**1.27**	**1.30**	**1.30**
Dividend income	0.12	0.01	0.10	0.01	0.13
Share of profit/(loss) of entities accounted for using the equity method	0.19	0.17	0.23	0.05	0.14
Net fee and commission income	0.62	0.63	0.64	0.65	0.70
Gains/(losses) on financial assets and liabilities and others	0.37	0.13	0.15	0.05	0.15
Income and expense arising from insurance or reinsurance contracts	0.09	0.09	0.11	0.13	0.15
Other operating income and expense	(0.09)	(0.04)	(0.28)	(0.11)	(0.01)
Gross income	**2.51**	**2.21**	**2.22**	**2.08**	**2.56**
Recurring administrative expenses, depreciation and amortisation	(1.18)	(1.16)	(1.17)	(1.22)	(1.19)
Extraordinary expenses	0.00	(0.14)	0.00	0.00	0.00
Pre-impairment income	**1.33**	**0.91**	**1.05**	**0.86**	**1.37**
Pre-impairment income stripping out extraordinary expenses	**1.33**	**1.05**	**1.05**	**0.86**	**1.37**
Allowance for insolvency risk	(0.30)	(0.26)	0.45	(0.31)	(0.27)
Other charges to provisions	(0.29)	(0.19)	(0.32)	(0.44)	(0.47)
Gains/(losses) on disposal of assets and others	(0.13)	(0.10)	(0.91)	0.34	0.00
Profit/(loss) before tax	**0.61**	**0.50**	**0.26**	**0.45**	**0.63**
Income tax expense	(0.17)	(0.11)	(0.18)	(0.03)	(0.14)
Profit/(loss) after tax	**0.44**	**0.39**	**0.09**	**0.42**	**0.49**
Profit/(loss) attributable to minority interest and others	0.01	0.00	(0.00)	0.00	0.00
Profit/(loss) attributable to the Group	**0.43**	**0.39**	**0.09**	**0.42**	**0.49**
€ million					
Average total net assets	338,300	341,425	338,674	339,061	337,447

(1) Annualised quarterly income/cost to total average assets.

Gross income

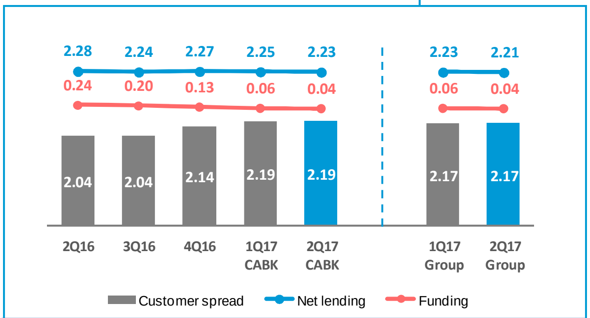
Net interest income

- **Net interest income in the first half of the year totalled €2,349 million** (+15.1% on the first half of 2016) as a result of the full accounting consolidation of BPI from February onward, which accounted for 8.2% of the growth. Net interest income at CaixaBank, against a backdrop of rock-bottom interest rates, was up 6.9% largely on account of:
  - **Forceful management of retail financing**, which has prompted a sharp reduction of 52 basis points in the cost of maturity deposits in the last 12 months (from 0.63% in the first half of 2016 to 0.11% in the first half of 2017).
  - **Cost savings on institutional financing** due to lower volumes and rates.
  - The **change in income came in response to falling returns on the loan portfolio and the fixed income portfolio**, in turn due to the drop in market interest rates.



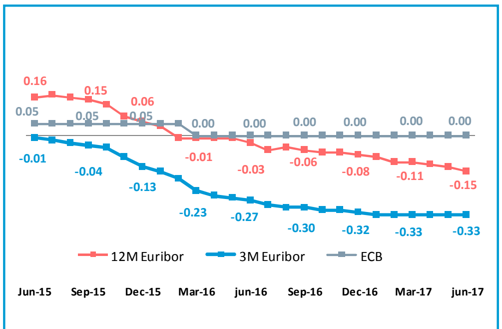
Balance sheet spread of average total assets
(%)

- **Net interest income was up 3.7% in the second quarter, with BPI accounting for 2.4% of this growth**. Please note that this quarter includes an additional month of BPI earnings when compared with the previous quarter. At **CaixaBank** standalone, net interest income **gained 1.3%**. The change here was a result of:
  - **Ongoing reduction in the cost of retail deposits**, with highlights here including the drop of 7 basis points in maturity deposits and of 1 basis point in demand deposits.
  - **Finance income on lending activity remained relatively stable.** The average interest rate dropped by 2 basis points in response to the falling interest rate curve.
  - The **customer spread** remained at 2.19% in the second quarter of the year (its highest level in recent years) as the falling costs of customer deposits managed to cancel out the slight decline in returns on the loan portfolio (-2bp).
  - Meanwhile, the **balance sheet spread** stabilised at **1.30%**. The drop in finance costs from 0.66% to 0.62% was the same as the drop in finance income, which fell from 1.96% to 1.92%.



Customer spread
(%)

At Group level, the **customer spread** remained at **2.17%**, with the reduction in lending activity matching the falling cost of customer deposits (-2bp). The **balance sheet spread** remained stable at **1.30%**.



Interest rates
(%)

Quarterly cost and income

€ million		2Q17 CABK Average balance	2Q17 CABK Income or expense	2Q17 CABK Rate %	2Q17 BPI Average balance	2Q17 BPI Income or expense	2Q17 BPI Rate %	2Q17 Group Average balance	2Q17 Group Income or expense	2Q17 Group Rate %
Financial Institutions		9,913	39	1.58	1,512	2	0.53	11,394	41	1.44
Loans	(a)	191,460	1,066	2.23	19,788	96	1.95	211,249	1,163	2.21
Fixed income securities portfolio		22,933	87	1.52	4,919	9	0.73	27,550	93	1.35
Other assets with returns		50,018	417	3.34				50,018	417	3.34
Other assets		63,123	4		6,624	4		68,428	7	
Total average assets	**(b)**	**337,447**	**1,613**	**1.92**	**32,843**	**111**	**1.35**	**368,639**	**1,721**	**1.87**
Financial Institutions		39,014	(41)	0.42	3,776	(2)	0.21	42,823	(43)	0.40
Retail customer funds	(c)	168,937	(15)	0.04	20,035	(5)	0.10	188,969	(20)	0.04
Demand deposits		139,076	(10)	0.03	10,960			150,036	(10)	0.03
Maturity deposits		29,861	(5)	0.07	9,075	(5)	0.22	38,933	(10)	0.10
Time deposits		28,817	(5)	0.07	9,022	(5)	0.22	37,837	(10)	0.11
Retail repurchase agreements and marketable debt securities		1,044			53			1,096		
Wholesale marketable debt securities & other		25,794	(70)	1.09	753	(3)	1.60	26,544	(74)	1.12
Subordinated liabilities		5,297	(39)	2.95	360	(4)	4.46	5,357	(39)	2.92
Other funds with cost		55,045	(346)	2.52	4,093	6	(0.59)	59,400	(341)	2.30
Other funds		43,360	(4)		3,826	(5)		45,546	(8)	
Total average funds	**(d)**	**337,447**	**(515)**	**0.62**	**32,843**	**(13)**	**0.15**	**368,639**	**(525)**	**0.57**
Net interest income			**1,098**			**98**			**1,196**	
Customer spread (%)	**(a-c)**		**2.19**			**1.85**			**2.17**	
Balance sheet spread (%)	**(b-d)**		**1.30**			**1.20**			**1.30**	

€ million		1Q17 CABK Average balance	1Q17 CABK Income or expense	1Q17 CABK Rate %	1Q17 BPI Average balance	1Q17 BPI Income or expense	1Q17 BPI Rate %	1Q17 Group Average balance	1Q17 Group Income or expense	1Q17 Group Rate %
Financial Institutions		10,934	43	1.60	780	2	1.04	11,714	45	1.54
Loans	(a)	192,555	1,066	2.25	12,989	63	1.97	205,544	1,129	2.23
Fixed income securities portfolio		24,262	91	1.52	2,711	6	0.90	26,973	97	1.45
Other assets with returns		48,669	436	3.64				48,669	436	3.64
Other assets		62,641	4		3,723			66,364	4	
Total average assets	**(b)**	**339,061**	**1,640**	**1.96**	**20,203**	**71**	**1.43**	**359,264**	**1,711**	**1.93**
Financial Institutions		43,335	(40)	0.38	2,566	(1)	0.16	45,901	(41)	0.36
Retail customer funds	(c)	167,033	(25)	0.06	12,943	(3)	0.09	179,976	(28)	0.06
Demand deposits		132,224	(12)	0.04	6,805			139,029	(12)	0.04
Maturity deposits		34,809	(13)	0.14	6,138	(3)	0.20	40,947	(16)	0.15
Time deposits		34,128	(12)	0.15	6,103	(3)	0.20	40,231	(15)	0.15
Retail repurchase agreements and marketable debt securities		681	(1)	0.01	35			716	(1)	0.01
Wholesale marketable debt securities & other		27,544	(79)	1.17	575	(1)	0.71	28,119	(80)	1.16
Subordinated liabilities		4,600	(34)	3.04	10			4,610	(34)	3.03
Other funds with cost		53,040	(373)	2.85	2,776	7	(1.02)	55,816	(366)	2.66
Other funds		43,509	(5)		1,333	(4)		44,842	(9)	
Total average funds	**(d)**	**339,061**	**(556)**	**0.66**	**20,203**	**(2)**	**0.04**	**359,264**	**(558)**	**0.63**
Net interest income			**1,084**			**69**			**1,153**	
Customer spread (%)	**(a-c)**		**2.19**			**1.88**			**2.17**	
Balance sheet spread (%)	**(b-d)**		**1.30**			**1.39**			**1.30**	

To help readers interpret the tables showing the performance of cost and income in the first and second quarters of 2017, the following aspects should be taken into account:

- According to applicable accounting standards, income resulting from the application of negative interest rates should be reported in the appropriate income classification. Financial intermediaries on the assets side includes the negative interest on the balances of financial intermediaries held on the liabilities side, the most significant being TLTRO II income. Conversely, the heading financial intermediaries on the liabilities side shows the negative interest on the balances of financial intermediaries on the assets side. Only the net amount between income and expense for both headings has economic significance.

- Other assets with returns and Other funds with cost relate largely to the Group's life insurance activity. Meanwhile the results from the insurance business of BPI are registered, net, under the heading "Other funds with cost".
- As BPI was fully integrated on 1 February 2017, the second quarter shows three months of average earnings and balances while the first quarter has only two months.
- In the first quarter of 2017, income of €2 million from Unit Links under the BPI perimeter was recognised as Net interest income in accordance with the Portuguese bank's own criteria for presenting public information. In the second quarter of 2017, this same amount, and also the income generated in the period, were reported as additional fee and commission income on sales of insurance products using CaixaBank's own criteria for presenting public information.
- Information relating to the BPI perimeter reflects the full integration of its assets and liabilities, including the adjustments made to the business combination. When drawing up separate information for the CaixaBank and BPI perimeters, no adjustments have been made for the intra-group transactions between both perimeters (mainly the subordinated debt of BPI subscribed by CaixaBank), while this adjustment was made in relation to the information drawn up for the Group.

		2Q16			3Q16			4Q16		
€ million		**Average balance**	**Income or expense**	**Rate %**	**Average balance**	**Income or expense**	**Rate %**	**Average balance**	**Income or expense**	**Rate %**
Financial Institutions		12,688	7	0.22	10,790	35	1.29	9,851	38	1.52
Loans	(a)	192,332	1,092	2.28	192,632	1,084	2.24	192,579	1,097	2.27
Fixed income securities portfolio		23,071	122	2.13	22,986	104	1.80	23,618	96	1.62
Other assets with returns		46,779	425	3.65	49,643	458	3.67	48,777	480	3.92
Other assets		63,430	3		65,374	6		63,849	7	
Total average assets	**(b)**	**338,300**	**1,649**	**1.96**	**341,425**	**1,687**	**1.97**	**338,674**	**1,718**	**2.02**
Financial Institutions		32,854	(46)	0.56	38,367	(41)	0.42	40,036	(37)	0.37
Retail customer funds	(c)	177,263	(106)	0.24	173,048	(86)	0.20	169,558	(57)	0.13
Demand deposits		119,379	(25)	0.09	120,321	(22)	0.07	125,313	(18)	0.06
Maturity deposits		57,884	(81)	0.56	52,728	(64)	0.48	44,245	(39)	0.35
Time deposits		57,459	(81)	0.56	52,315	(64)	0.49	43,112	(39)	0.36
Retail repurchase agreements and marketable debt securities		425			412		0.02	1,133		0.01
Wholesale marketable debt securities & other		29,288	(93)	1.28	28,663	(88)	1.22	27,926	(87)	1.24
Subordinated liabilities		4,366	(34)	3.11	4,263	(32)	3.01	4,119	(32)	3.07
Other funds with cost		49,134	(347)	2.84	52,720	(394)	2.98	52,367	(421)	3.20
Other funds		45,395	(2)		44,364	(7)		44,668	(7)	
Total average funds	**(d)**	**338,300**	**(628)**	**0.75**	**341,425**	**(648)**	**0.75**	**338,674**	**(641)**	**0.75**
Net interest income			**1,021**			**1,039**			**1,077**	
Customer spread (%)	**(a-c)**		**2.04**			**2.04**			**2.14**	
Balance sheet spread (%)	**(b-d)**		**1.21**			**1.22**			**1.27**	

Fees and commissions

- **Fee and commission income totalled €1,252 million** (+23.9%) following the integration of BPI (+11.5%).
- **Fee and commission income at CaixaBank** climbed to €1,135 million, up 12.4% on the same period of the previous year, with highlights here including:
  - **Banking services, securities and other fees** amounted to €716 million (+10.8%). This includes income on securities transactions and fees on other transactions, as well as fees relating to risk activities, deposit management, payment methods and investment banking.

    In 2017, more fee income was reported from investing banking transactions and the period also saw an increase in transactions and income associated with payment methods.
  - **Investment fund fees** were €214 million (+9.1%) due to the increase in assets under management. The first half of 2016 was impacted by market volatility.
  - **Growth in pension plan management fees** to reach €95 million (+6.5%) following the increase in assets under management through the wide range of products on offer.
  - **Fees on insurance sales** climbed to €110 million (+39.9%).

- **The quarterly change (+13.1%)** can be explained by a further month of fee and commission income from BPI and also by CaixaBank's commercial strength, which has pushed up fee and commission income by 8.3% due to a higher number of transactions, income from investment banking transactions, payment methods and income deriving from insurance sales.

Year-on-year	**Group**			**CABK**		**BPI**
€ million	**1H17**	**1H16**	**Chg. in %**	**1H17**	**Chg. in %**	**1H17**
Banking services, securities and other fees	789	646	22.1	716	10.8	73
Mutual funds, managed accounts and SICAVs	231	196	17.8	214	9.1	17
Pension plans	98	89	10.1	95	6.5	3
Sale of insurance products	134	79	70.3	110	39.9	24
Net fee and commission income	**1,252**	**1,010**	**23.9**	**1,135**	**12.4**	**117**

Quarterly change	**Group**			**CABK**		**BPI**
€ million	**2Q17**	**1Q17**	**Chg. in %**	**2Q17**	**Chg. in %**	**2Q17**
Banking services, securities and other fees	416	373	12.2	372	8.8	44
Mutual funds, managed accounts and SICAVs	121	110	10.6	110	5.3	11
Pension plans	51	47	7.0	49	4.7	2
Sale of insurance products	76	58	28.6	59	14.7	17
Net fee and commission income	**664**	**588**	**13.1**	**590**	**8.3**	**74**

CABK on a like-for-like basis **€ million**	**2Q16**	**3Q16**	**4Q16**	**1Q17**	**2Q17**
Banking services, securities and other fees	336	341	333	344	372
Mutual funds, managed accounts and SICAVs	99	99	108	104	110
Pension plans	47	49	49	46	49
Sale of insurance products	40	47	54	51	59
Net fee and commission income	**522**	**536**	**544**	**545**	**590**

In the first quarter of 2017, income of €2 million from Unit Links under the BPI perimeter was recognised as Net interest income in accordance with the Portuguese bank's own criteria for presenting public information. In the second quarter of 2017, this same amount, and also the income generated in the period, were reported as additional fee and commission income on sales of insurance products using CaixaBank's own criteria for presenting public information.

Income from equity investments

- **Income from equity investments totalled €389 million (-2.8%)**. This heading shows earnings at entities accounted for using the equity method and dividend income.
- Dividend income in the second quarter includes the recognition of the full dividend amounting to €104 million (€0.4/share), approved by the Telefónica general meeting of shareholders. In previous periods the dividends were accrued in the second and fourth quarter according to the dates of their approval.
- Highlights for the period included the following events:
  - The change at CaixaBank (-30.1%) was partly down to the lower contribution from investees due to the perimeter changes resulting from the swap of Bank of East Asia and GF Inbursa under the agreement reached with CriteriaCaixa in May 2016 and the full accounting consolidation of BPI from 1 February 2017.

    It also includes the attributable result deriving from BPI's sale of 2% of its stake in BFA (€-97 million) in January 2017, which was largely the result of the need to recognise valuation adjustments due to conversion differences on the income statement, when these had previously been reported in BPI's equity.
  - At BPI, result is generated, among others, by the stakes held in BFA and BCI.

Year-on-year	**Group**			**CABK**		**BPI**
€ million	**1H17**	**1H16**	**Chg. in %**	**1H17**	**Chg. in %**	**1H17**
Dividend income	121	108	11.8	115	5.9	6
Share of profit/(loss) of entities accounted for using the equity method	268	292	(8.2)	165	(43.4)	103
Income from equity investments	**389**	**400**	**(2.8)**	**280**	**(30.1)**	**109**

Quarterly change	**Group**			**CABK**		**BPI**
€ million	**2Q17**	**1Q17**	**Chg. in %**	**2Q17**	**Chg. in %**	**2Q17**
Dividend income	113	8		107		6
Share of profit/(loss) of entities accounted for using the equity method	183	85	115.5	119	157.0	64
Income from equity investments	**296**	**93**		**226**		**70**

CABK on a like-for-like basis **€ million**	**2Q16**	**3Q16**	**4Q16**	**1Q17**	**2Q17**
Dividend income	103	5	86	8	107
Share of profit/(loss) of entities accounted for using the equity method	160	145	192	46	119
Income from equity investments	**263**	**150**	**278**	**54**	**226**

Gains/(losses) on financial assets and liabilities and others

- **Gains/(losses) on financial assets and liabilities and other** stood at €177 million (-70.1% on the same period of 2016). In 2016, this figure included mainly the materialisation of unrealised gains on fixed-income assets classified as available-for-sale financial assets and the recognition of a gross capital gain of €165 million following completion of the acquisition of Visa Europe Ltd. by Visa Inc.

Year-on-year	Group			CABK		BPI
€ million	1H17	1H16	Chg. in %	1H17	Chg. in %	1H17
Gains/(losses) on financial assets and liabilities and others	177	593	(70.1)	164	(72.2)	13

Quarterly change	Group			CABK		BPI
€ million	2Q17	1Q17	Chg. in %	2Q17	Chg. in %	2Q17
Gains/(losses) on financial assets and liabilities and others	134	43		126		8

CABK on a like-for-like basis € million	2Q16	3Q16	4Q16	1Q17	2Q17
Gains/(losses) on financial assets and liabilities and others	325	125	130	38	126

Income and expenses arising from insurance and reinsurance contracts

- **Sustained growth** in income arising from life insurance activity to reach €233 million (+66.7%), largely on the back of intensive sales activity and also due to the termination, at the end of October 2016, of a reinsurance contract on the personal risk-life portfolio of VidaCaixa (additional income in 2017 of €61 million).

Year-on-year	Group			CABK	
€ million	1H17	1H16	Chg. in %	1H17	Chg. in %
Income and expense arising from insurance or reinsurance contracts	233	140	66.7	233	66.7

Quarterly change	Group			CABK	
€ million	2Q17	1Q17	Chg. in %	2Q17	Chg. in %
Income and expense arising from insurance or reinsurance contracts	123	110	10.8	123	10.8

CABK on a like-for-like basis € million	2Q16	3Q16	4Q16	1Q17	2Q17
Income and expense arising from insurance or reinsurance contracts	76	74	97	110	123

Other operating income and expense

- **Other operating income and expense** (€-120 million, -11.5%) includes, among other items, income and expenses at non-real estate subsidiaries, income from rentals and expenses incurred in managing foreclosed properties and contributions, levies and taxes, the timing of which generates a seasonal impact on the quarterly performance under this heading:
  - The second quarter of 2017 includes the contributions of €75 million and €15 million related to the Single Resolution Fund by CaixaBank and BPI[1], respectively.
  - Recognition in the first quarter of each year of an estimation of the Spanish property tax that will likely accrue (€55 million in 2017).
  - Contribution to the Spanish Deposit Guarantee Fund reported in the fourth quarter.
- The **year-on-year performance at CaixaBank** was also shaped by the following factors:
  - Income reported in the second quarter of 2017 under the agreement reached with Cecabank (€+115 million) (see section on *Significant events in the first half of 2017*).
  - The State-levied tax on deposits, formerly recognised under Other charges to provisions, has been moved under this heading since the first quarter of 2017 (€27 million in the first half of 2017).

Year-on-year	Group			CABK		BPI
€ million	1H17	1H16	Chg. in %	1H17	Chg. in %	1H17
SRF	(90)	(74)	21.5	(75)	0.8	(15)
Other	(30)	(61)	(51.8)	(29)	(52.2)	(1)
Other operating income and expense	**(120)**	**(135)**	**(11.5)**	**(104)**	**(23.1)**	**(16)**

Quarterly change	Group			CABK		BPI
€ million	2Q17	1Q17	Chg. in %	2Q17	Chg. in %	2Q17
SRF	(90)			(75)		(15)
Other	64	(94)		66		(2)
Other operating income and expense	**(26)**	**(94)**	**(73.2)**	**(9)**	**(90.1)**	**(17)**

CABK on a like-for-like basis € million	2Q16	3Q16	4Q16	1Q17	2Q17
SRF and DGF	(74)		(187)		(75)
Other	(6)	(34)	(51)	(95)	66
Other operating income and expense	**(80)**	**(34)**	**(238)**	**(95)**	**(9)**

(1) Includes €4 million relating to the contribution to the Portuguese Fundo de Resoluçao.

Pre-impairment income and expenses

- Recurring administrative expenses, depreciation and amortisation was up 10.7% to €2,216 million, largely due to the integration of BPI (+9.9%).
- **Administrative expenses, depreciation and amortisation** on a like-for-like basis gained 0.8% on 2016 (-0.9% in staff expenses) as the Bank seeks to improve efficiency as a key strategic priority.

  The **quarterly change** (-0.9%) was also down to the property tax on own buildings reported in the first quarter (€7 million).
- **The cost-to-income ratio stripping out non-recurring expenses** has shed 2 percentage points in the last 12 months and now stands at 52.2%.
- A total of €106 million in restructuring costs associated with BPI has been reported in 2017 (of which €96 million were reported in the second quarter).

(1) Last 12 months. The cost-to-income ratios for the second and third quarters of 2016 exclude the contribution paid to the National Resolution Fund for the fourth quarter of 2015 (€93 million) so as to ensure that there is no overlap with the contribution paid to the Single Resolution Fund in the second quarter of 2016 (€74 million). The Group ratio includes BPI since its incorporation into the consolidated accounts in February 2017.

Year-on-year	Group			CABK		BPI
€ million	1H17	1H16	Chg. in %	1H17	Chg. in %	1H17
Gross income	4,280	4,049	5.7	3,890	(3.9)	390
General and administrative expenses	(1,997)	(1,820)	9.7	(1,814)	(0.4)	(183)
Personnel expenses	(1,426)	(1,326)	7.5	(1,314)	(0.9)	(112)
General expenses	(571)	(494)	15.4	(500)	1.1	(71)
Depreciation and amortisation	(219)	(182)	21.2	(203)	12.1	(16)
Recurring administrative expenses, depreciation and amortisation	***(2,216)***	***(2,002)***	***10.7***	***(2,017)***	***0.8***	***(199)***
Pre-impairment income stripping out extraordinary expenses	2,064	2,047	0.8	1,873	(8.5)	191
Extraordinary expenses	(106)					(106)
Pre-impairment income	1,958	2,047	(4.4)	1,873	(8.5)	85

Quarterly change	Group			CABK		BPI
€ million	2Q17	1Q17	Chg. in %	2Q17	Chg. in %	2Q17
Gross income	2,387	1,893	26.1	2,154	24.0	233
General and administrative expenses	(1,016)	(981)	3.6	(903)	(0.8)	(113)
Personnel expenses	(724)	(702)	3.0	(655)	(0.5)	(69)
General expenses	(292)	(279)	4.7	(248)	(1.8)	(44)
Depreciation and amortisation	(109)	(110)	0.9	(101)	(1.6)	(8)
Recurring administrative expenses, depreciation and amortisation	***(1,125)***	***(1,091)***	***3.2***	***(1,004)***	***(0.9)***	***(121)***
Pre-impairment income stripping out extraordinary expenses	1,262	802	57.3	1,150	59.0	112
Extraordinary expenses	(96)	(10)				(96)
Pre-impairment income	1,166	792	47.1	1,150	59.0	16
Cost-to-income ratio stripping out extraordinary expenses (%) [1]	*52.2*	*52.4*		*52.3*		*51.0*
Cost-to-income ratio (%) [1]	*55.1*	*54.0*		*53.9*		*78.5*

CABK on a like-for-like basis € million	2Q16	3Q16	4Q16	1Q17	2Q17
Gross income	2,127	1,890	1,888	1,736	2,154
General and administrative expenses	(906)	(902)	(902)	(911)	(903)
Personnel expenses	(660)	(653)	(645)	(659)	(655)
General expenses	(246)	(249)	(257)	(252)	(248)
Depreciation and amortisation	(93)	(93)	(96)	(102)	(101)
Recurring administrative expenses, depreciation and amortisation	***(999)***	***(995)***	***(998)***	***(1,013)***	***(1,004)***
Pre-impairment income stripping out extraordinary expenses	1,128	895	890	723	1,150
Extraordinary expenses		(121)			
Pre-impairment income	1,128	774	890	723	1,150
Cost-to-income ratio stripping out extraordinary expenses (%) [1]	*54.2*	*53.3*	*51.0*	*52.4*	*52.3*
Cost-to-income ratio (%) [1]	*54.2*	*54.9*	*52.6*	*54.0*	*53.9*

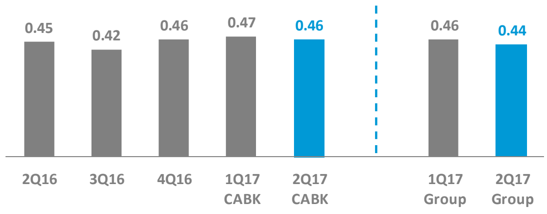
Impairment losses on financial assets and other charges to provisions

Impairment losses on financial assets

- **Allowances for insolvency risk stood at €472 million** (-1.5% year on year and **-10.9% on the first quarter of 2017**, which included a number of one-off charges).

  A total of €676 million in provisions on the loan portfolio was released in the fourth quarter of 2016 following development of internal models compliant with the terms of Circular 4/2016.

  Meanwhile, the **cost of risk** was 0.44%, excluding the aforementioned release of provisions in the fourth quarter (0.14% if we include this impact).



Cost of risk (last twelve months)[1]
(%)

(1) BPI considered since its incorporation within the consolidated figures as of February 2017.

Other charges to provisions

- **Other charges to provisions** (€763 million) mainly includes the coverage of future contingencies and impairment of other assets.

  The first half of 2017 included €455 million in connection with the early retirements (€152 million and €303 million in the first and second quarters of the year, respectively) and €154 million in write-downs on exposure to the SAREB.

  In 2016, it included €160 million associated with early retirements in the second quarter and a further provision of €110 million in relation to floor clauses in the fourth quarter.

Year-on-year	Group			CABK		BPI
€ million	1H17	1H16	Chg. in %	1H17	Chg. in %	1H17
Allowance for insolvency risk	(472)	(478)	(1.5)	(483)	0.7	11
Other charges to provisions	(763)	(434)	76.1	(761)	75.9	(2)
Impairment losses on financial assets and other charges to provisions	**(1,235)**	**(912)**	**35.4**	**(1,244)**	**36.5**	**9**

Quarterly change	Group			CABK		BPI
€ million	2Q17	1Q17	Chg. in %	2Q17	Chg. in %	2Q17
Allowance for insolvency risk	(223)	(249)	(10.9)	(228)	(10.6)	5
Other charges to provisions	(393)	(370)	6.3	(392)	6.2	(1)
Impairment losses on financial assets and other charges to provisions	**(616)**	**(619)**	**(0.7)**	**(620)**	**(0.7)**	**4**

CABK on a like-for-like basis € million	2Q16	3Q16	4Q16	1Q17	2Q17
Allowance for insolvency risk	(253)	(218)	382	(255)	(228)
Other charges to provisions	(249)	(47)	(274)	(369)	(392)
Impairment losses on financial assets and other charges to provisions	**(502)**	**(265)**	**108**	**(624)**	**(620)**

Gains/(losses) on disposal of assets and others and Income tax expense

- **Gains/(losses) on disposal of assets and others** primarily comprises the results of completed one-off transactions and proceeds on asset sales and write-downs mainly relating to the real estate portfolio. The change here was a result of:
  - Sustained increase in gains on sales of real estate assets. Proceeds from sales to net book value stood at 15% in the first half of the year (+12pp year on year).
  - Other results on real estate activity essentially shows allowances associated with valuations of real estate assets using the Group's own internal models (€-656 million reported in the fourth quarter of 2016).
  - Other gains/(losses) includes the result of the business combination with BPI in 2017 (€256 million) and the negative result of the early redemption of the bond issue exchangeable for Repsol shares in the first quarter of 2016.

Year-on-year	Group			CABK	
€ million	**1H17**	**1H16**	**Chg. in %**	**1H17**	**Chg. in %**
Results on sale of property	79	16		79	
Other real estate results	(38)	(183)	(79.3)	(38)	(79.3)
Others	241	(80)		241	
Gains/(losses) on disposal of assets and others	**282**	**(247)**		**282**	
Results on sales of property, net (on net carrying amount)	15%	3%			

Quarterly change	Group			CABK	
€ million	**2Q17**	**1Q17**	**Chg. in %**	**2Q17**	**Chg. in %**
Results on sale of property	44	35	28.2	44	28.2
Other real estate results	(28)	(10)		(28)	
Others	(12)	253		(12)	
Gains/(losses) on disposal of assets and others	**4**	**278**	**(98.3)**	**4**	**(98.4)**
Results on sales of property, net (on net carrying amount)	15%	15%		15%	

CABK on a like-for-like basis **€ million**	**2Q16**	**3Q16**	**4Q16**	**1Q17**	**2Q17**
Results on sale of property	7	6	50	35	44
Other real estate results	(121)	(89)	(834)	(10)	(28)
Others			10	253	(12)
Gains/(losses) on disposal of assets and others	**(114)**	**(83)**	**(774)**	**278**	**4**
Results on sales of property, net (on net carrying amount)	2%	2%	14%	15%	15%

- On the subject of **income tax expense**, double taxation avoidance principles are applied to income contributed by investees and earnings on corporate transactions. In 2017, the heading was affected appreciably by the results of the business combination with BPI.

Business activity

Balance sheet

Total assets amounted to €378,684 million at 30 June 2017 (+8.8% year to date and +2.3% in the quarter). The quarterly change is partly down to seasonal effects under the heading Customer deposits and also because of the increase in Cash, cash balances at Central Banks and other demand deposits.

	Group				
€ million	**Jun. 30, 2017**	**Mar. 31, 2017**	**Chg. in %**	**Dec. 31, 2016**	**Chg. in %**
Cash, cash balances at central banks and other demand deposits	14,768	6,055	143.9	13,260	11.4
Financial assets held for trading	11,976	13,311	(10.0)	11,668	2.6
Available-for-sale financial assets	69,208	68,398	1.2	65,077	6.3
Loans and receivables	229,788	229,109	0.3	207,641	10.7
Loans and advances to central banks and credit institutions	6,600	6,496	1.6	6,742	(2.1)
Loans and advances to customers	220,257	219,667	0.3	200,338	9.9
Debt securities	2,931	2,946	(0.5)	561	
Held-to-maturity investments	7,789	8,320	(6.4)	8,306	(6.2)
Investments in joint ventures and associates	6,211	6,359	(2.3)	6,421	(3.3)
Tangible assets	6,547	6,531	0.2	6,437	1.7
Intangible assets	3,843	3,837	0.2	3,687	4.2
Non-current assets held for sale	6,386	6,568	(2.8)	6,405	(0.3)
Other assets	22,168	21,779	1.8	19,025	16.5
Total assets	**378,684**	**370,267**	**2.3**	**347,927**	**8.8**
Liabilities	**354,309**	**345,488**	**2.6**	**324,371**	**9.2**
Financial liabilities held for trading	9,505	10,342	(8.1)	10,292	(7.6)
Financial liabilities measured at amortised cost	276,862	268,498	3.1	254,093	9.0
Deposits from central banks and credit institutions	40,214	40,323	(0.3)	36,345	10.6
Customer deposits	203,497	196,961	3.3	187,167	8.7
Debt securities issued	28,372	27,385	3.6	27,708	2.4
Other financial liabilities	4,779	3,829	24.8	2,873	66.3
Memorandum item: Subordinated liabilities	*5,192*	*5,189*	*0.1*	*4,119*	*26.1*
Liabilities under insurance or reinsurance contracts	49,286	48,676	1.3	45,804	7.6
Provisions	5,346	5,104	4.7	4,730	13.0
Other liabilities	13,310	12,868	3.4	9,452	40.8
Equity	**24,375**	**24,779**	**(1.6)**	**23,556**	**3.5**
Own funds	23,830	23,833	(0.0)	23,400	1.8
of which: Profit/(loss) attributable to the Group	*839*	*403*		*1,047*	
Minority interest	390	383	1.8	29	
Valuation adjustment and other	155	563	(72.5)	127	22.0
Total liabilities and equity	**378,684**	**370,267**	**2.3**	**347,927**	**8.8**

Loans and advances to customers

Loans and advances to customers, gross stood at **€228,435 million (+11.5% in 2017)** following the integration of BPI.

At **CaixaBank, the total portfolio has remained stable (+0.1%)** while the **performing portfolio has grown by 0.5%** in 2017. If we strip out the seasonal impact of the pension pre-payments made in June (€+1,543 million) and also the drop in lending to CriteriaCaixa due to the process of prudential deconsolidation, the performing portfolio grew by 0.2%.

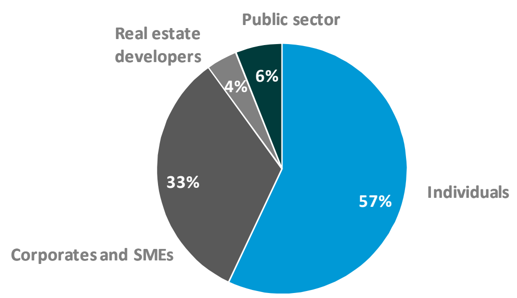
The improvement here was due to the existence of solvent business opportunities, commercial strategies focused on expertise and customer proximity and a healthier set of credit quality indicators.

Turning to the **quarterly change**, the CaixaBank perimeter saw growth of 0.2% (BPI remained stable). Highlights for the period in relation to the various segments of the loan portfolio at **CaixaBank** included:

- **Home loans** continued to be affected by the ongoing household deleveraging process, with new loans trailing loan repayments.

  The mortgage market share[1] was 17.6%.

- **Loans to individuals – other** was up on the back of consumer loans, which has offset the deleveraging seen in loans for other purposes. The second quarter of 2017 was affected by the aforementioned seasonal impact of the pre-payments made to pension holders.



Diversification of the lending portfolio, CaixaBank Group
(% of gross lending)

- Financing to the productive sector ex-real estate developers gained 0.4% (+2.1% in 2017).

  Market shares[1] for working capital financing products at 21.1% for factoring and reverse factoring and to 17.3% for commercial loans.

- **Financing to real estate developers** is steadily accounting for less of the loan portfolio, falling to 3.7% at 30 June 2017 (-22bp in 2017) following the Bank's ongoing drive to manage distressed assets.

- **Financing to CriteriaCaixa** has dropped considerably, with a significant impact in the first quarter of 2017 (€-951 million).

- Loans to the **public sector** were impacted by a number of one-off transactions.

(1) Latest information available. Data prepared in-house. Source: Bank of Spain (Infbal) and AEF (Spanish Factoring Association).

	Jun. 30, 2017			Quarter-on-quarter (%)			Year-to-date (%)	
€ million	**Group**	**CABK**	**BPI**	**Group**	**CABK**	**BPI**	**Group**	**CABK**
Loans to individuals	**131,293**	**118,891**	**12,402**	**1.0**	**1.1**	**0.1**	**11.0**	**0.5**
Home purchases	96,041	84,954	11,087	(0.8)	(0.9)	(0.1)	11.2	(1.7)
Other	35,252	33,937	1,315	6.1	6.2	2.0	10.5	6.4
Of which: Consumer lending in Spain	*9,174*	*9,174*		*6.0*	*6.0*		*13.1*	*13.1*
Loans to business	**83,424**	**74,018**	**9,406**	**(0.2)**	**(0.2)**	**(0.6)**	**12.6**	**(0.1)**
Corporates and SMEs	74,993	66,162	8,831	0.1	0.4	(2.3)	15.7	2.1
Real estate developers	8,171	7,596	575	(2.8)	(4.8)	34.0	1.8	(5.3)
Criteria Caixa	260	260		(4.8)	(4.8)		(78.8)	(78.8)
Public sector	**13,718**	**12,192**	**1,526**	**(4.1)**	**(5.0)**	**3.5**	**9.8**	**(2.4)**
Loans and advances to customers, gross[2]	**228,435**	**205,101**	**23,334**	**0.2**	**0.2**	**0.0**	**11.5**	**0.1**
Of which:								
Performing loans	*213,533*	*191,524*	*22,009*	*0.5*	*0.5*	*0.3*	*12.1*	*0.5*
Allowance for impairment losses	(7,420)	(6,354)	(1,066)	(2.6)	(2.5)	(3.1)	11.0	(4.9)
Loans and advances to customers, net	**221,015**	**198,747**	**22,268**	**0.3**	**0.3**	**0.2**	**11.5**	**0.3**
Contingent Liabilities	11,730	10,318	1,412	(1.3)	(1.1)	(2.4)	10.6	(2.7)

(2) See Reconciliation of activity indicators using management criteria in the Appendices - Glossary.

Customer funds

Customer funds totalled €348,903 million (+14.8% in 2017) following the integration of BPI (+11.4%).

At **CaixaBank customer funds have gained 3.4%** in 2017, with assets under management up 4.5% and on-balance sheet funds gaining 4.0%, though growth in demand deposits in the second quarter was affected by a number of seasonal impacts.

In relation to the **quarter-on-quarter change (+3.2%)**, BPI contributed growth of +1.5%. At **CaixaBank** the increase was +3.4%, with highlights here including:

- **On-balance sheet funds** amounted to €225,797 million (+4.1%).
  - **Demand deposits** were up 9.3% to €149,048 million. The double payrolls and maturities in the period are the main factors behind the change.
  - **Term deposits** totalled €28,396 million (-11.1%) following careful management of margins on transactions against a backdrop of rock-bottom interest rates at renewals of deposits on maturity.
  - Growth in **liabilities under insurance contracts**[1] (+1.5%).

    CaixaBank remains the leader with a 25.7% share[2] of the savings insurance market, thanks to the success of the commercial campaigns under the CaixaFu[Tu]ro programme.
- **Assets under management** totalled €85,590 million (+1.1%) in a quarter that included a mild negative impact on asset repricings in response to market conditions.
  - **Assets under management in investment funds, portfolios and SICAVs** up 1.0% to reach €59,461 million
  - **Pension plans performed well** totalling €26,129 million (up 1.3% in 2017).

    CaixaBank is the market leader in number of investment fund investors and in assets under management, with a share[2] of 17.8%, and also in pension plans, with a market share of 23.4%.

The change in **Other accounts** in the year is largely down to the maturity in the first quarter of 2017 of the subordinated debt of CriteriaCaixa placed among customers (€1,505 million).

(1) Excluding the impact of the change in value of the associated financial assets.

(2) Latest information available. Data prepared in-house. Source: INVERCO and ICEA.

	Jun. 30, 2017			Quarter-on-quarter (%)			Year-to-date (%)	
€ million	**Group**	**CABK**	**BPI**	**Group**	**CABK**	**BPI**	**Group**	**CABK**
Customer funds	200,838	180,784	20,054	4.8	5.3	0.2	14.3	2.9
Demand deposits	160,182	149,048	11,134	8.9	9.3	4.8	20.7	12.3
Term deposits[3]	37,307	28,396	8,911	(9.7)	(11.1)	(5.0)	(5.8)	(28.3)
Subordinated retail liabilities	3,349	3,340	9				0.3	
Insurance contract liabilities	48,153	44,065	4,088	1.5	1.5	1.9	19.4	9.3
Reverse repurchase agreements and other	963	948	15	(57.2)	(48.6)	(96.3)	(16.5)	(17.8)
On-balance sheet funds	**249,954**	**225,797**	**24,157**	**3.5**	**4.1**	**(1.1)**	**15.1**	**4.0**
Mutual funds, managed accounts and SICAVs	65,747	59,461	6,286	1.7	1.0	9.6	16.0	4.9
Pension plans	28,750	26,129	2,621	1.4	1.3	2.6	14.0	3.6
Assets under management	**94,497**	**85,590**	**8,907**	**1.6**	**1.1**	**7.4**	**15.4**	**4.5**
Other accounts	**4,452**	**2,958**	**1,494**	**21.6**	**25.9**	**13.9**	**(8.8)**	**(39.4)**
Total customer funds[4]	**348,903**	**314,345**	**34,558**	**3.2**	**3.4**	**1.5**	**14.8**	**3.4**

(3) Includes retail debt securities amounting to €543 million at 30 June 2017.
(4) See Reconciliation of activity indicators using management criteria in the Appendices - Glossary.

Risk management

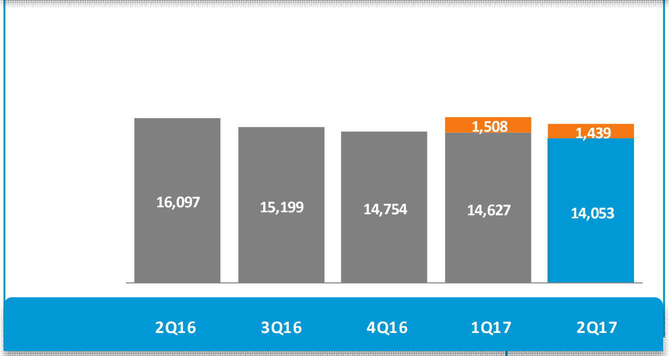
Credit risk quality

Non-performing loans

- **NPLs were down €643 million** in the second quarter of 2017.

  Meanwhile, the **Group's NPL ratio was 6.5%** (6.9% in December 2016).
- At CaixaBank, NPLs fell by €574 million in the second quarter of 2017 (€-2,044 million in the last 12 months), bringing the NPL ratio to 6.5%.
- At 31 March 2017, BPI brought with it NPLs totalling €1,508 million using Group reporting criteria (€1,439 million at 30 June 2017). Its NPL ratio is 5.8%.

Non-performing loans[1]
(€ million)



(1) Calculations include contingent liabilities and loans.

NPL ratio by segment

	1Q17			2Q17		
	Group	CABK	BPI	Group	CABK	BPI
Loans to individuals	**5.1%**	**5.1%**	**5.2%**	**5.1%**	**5.1%**	**5.0%**
Home purchases	4.2%	4.1%	5.0%	4.2%	4.1%	4.8%
Other	7.8%	7.8%	6.9%	7.5%	7.5%	6.5%
Loans to business	**10.2%**	**10.5%**	**7.9%**	**9.6%**	**9.9%**	**7.5%**
Corporates and SMEs	8.2%	8.4%	6.9%	8.1%	8.3%	6.3%
Real estate developers	28.4%	28.4%	29.1%	23.9%	23.8%	25.4%
Public sector	**1.7%**	**1.9%**	**0.1%**	**1.6%**	**1.8%**	**0.1%**
NPL Ratio (loans and contingent liabilities)	**6.7%**	**6.8%**	**6.1%**	**6.5%**	**6.5%**	**5.8%**

The NPL ratio for the Consumer segment in Spain at 30 June 2017, 31 March 2017 and 31 December 2016 was 3.5%, 3.3% and 3.0%, respectively.

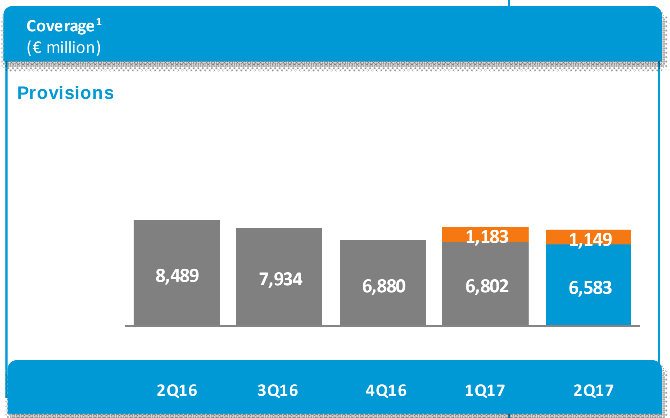
CABK on a like-for-like basis	2Q16	3Q16	4Q16	1Q17	2Q17
Loans to individuals	**4.6%**	**4.7%**	**5.0%**	**5.1%**	**5.1%**
Home purchases	3.7%	3.8%	4.0%	4.1%	4.1%
Other	6.9%	7.2%	7.7%	7.8%	7.5%
Loans to business	**13.7%**	**12.3%**	**11.1%**	**10.5%**	**9.9%**
Corporates and SMEs	10.4%	9.8%	9.0%	8.4%	8.3%
Real estate developers	39.5%	34.0%	30.4%	28.4%	23.8%
Public sector	**0.5%**	**1.3%**	**1.5%**	**1.9%**	**1.8%**
NPL Ratio (loans and contingent liabilities)	**7.3%**	**7.1%**	**6.9%**	**6.8%**	**6.5%**

Non-performing assets (loans and contingent liabilities), additions and derecognitions

€ million	2Q16	3Q16	4Q16	1Q17	2Q17
Opening balance	**16,425**	**16,097**	**15,199**	**14,754**	**16,135**
Exposures recognized as non-performing (NPL-inflows)	1,737	1,296	1,948	1,674	1,173
Derecognitions from non-performing exposures	(2,065)	(2,194)	(2,393)	(1,801)	(1,816)
of which written off	(446)	(264)	(262)	(158)	(124)
BPI's non-performing exposures at 31 March 2017				1,508	
Closing balance	**16,097**	**15,199**	**14,754**	**16,135**	**15,492**

Coverage

- Allowances for insolvency risk totalled €7,732 million. Meanwhile, **the NPL coverage ratio was 50%.**
- The change in allowances for insolvency risk was down to the acquisition of BPI, which contributed provisions of €1,183 million at 31 March 2017 (including €468 million in fair value adjustments relating to loans and contingent liabilities generated as part of the business combination), cancellation of debt incurred through the acquisition and foreclosure of real estate assets and derecognition of assets and write-offs.



(1) Calculations include contingent liabilities and loans.

Changes in allowances for insolvency risk

€ million	2Q16	3Q16	4Q16	1Q17	2Q17
Opening balance	**9,038**	**8,489**	**7,934**	**6,880**	**7,985**
Charges to provisions[2]	253	218	(382)	249	223
Amounts used	(691)	(669)	(554)	(252)	(414)
Transfers and other changes	(111)	(104)	(118)	(75)	(62)
BPI's insolvency allowances at 31 March 2017				1,183	
Closing balance	**8,489**	**7,934**	**6,880**	**7,985**	**7,732**

(2) Allowances for insolvency risks in the fourth quarter of 2016 included the release of €676 million in provisions.

Refinancing

	Jun. 30, 2017				Mar. 31, 2017			
	Group		CABK		Group		CABK	
€ million	Total	of which: NPL	Total	of which: NPL	Total	of which: NPL	Total	of which: NPL
Individuals	6,135	3,807	5,837	3,546	6,200	3,768	5,899	3,504
Business (stripping out real estate developers)	4,729	2,920	3,804	2,533	4,808	3,009	3,878	2,577
Real estate developers	1,491	1,127	1,347	1,005	1,678	1,329	1,564	1,220
Public sector	269	94	228	93	269	87	222	86
Total	**12,624**	**7,948**	**11,216**	**7,177**	**12,955**	**8,193**	**11,563**	**7,387**
Provisions	2,707	2,538	2,379	2,226	2,804	2,589	2,473	2,315

At 31 December 2016, refinanced transactions totalled €11,733 million. Of this amount, €7,314 million (62% of the portfolio) was classified as non-performing. Likewise, provisions associated with these transactions amounted to €2,569 million.

Foreclosed real estate assets in Spain

- The **portfolio of net foreclosed real estate assets available for sale in Spain stood at €6,258 million** (stable in 2017).

  The coverage ratio[1] was 58%. Meanwhile, the coverage ratio with accounting provisions[1] was 49%.

  Real estate assets in the process of foreclosure (€514 and €556 million, net, at 30 June 2017 and 31 December 2016, respectively) are not considered foreclosed assets available for sale since the Bank does not have possession of the asset.

- **Real estate assets held for rent** amounted to €3,086 million, net of provisions. The portfolio has an occupancy rate of 90%.

- **Total sales[2] in 2017 stood at €669 million** (up 9.7% on the same period of 2016), with positive proceeds reported since the fourth quarter of 2015. **Gains from sales to net book value stood at 15% in the first half of the year** (+12pp year on year).

(1) See definition in Appendices – Glossary.

(2) At sale price.

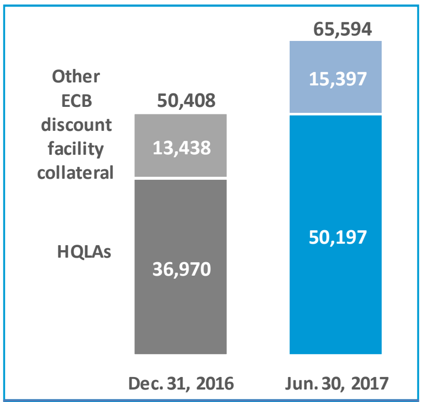
Foreclosed real estate assets available for sale and associated coverage

€ million	Jun. 30, 2017 Net carrying amount	Coverage	Coverage %	Accounting provisions	Coverage with accounting provisions %
Property acquired related to loans to construction companies and real estate developments	**3,903**	**(6,717)**	**63**	**(4,553)**	**54**
Completed buildings	1,960	(1,935)	50	(1,499)	43
Houses	1,474	(1,380)	48	(1,115)	43
Other	486	(555)	53	(384)	44
Buildings under construction	367	(565)	61	(486)	57
Houses	344	(522)	60	(454)	57
Other	23	(43)	65	(32)	58
Land	1,576	(4,217)	73	(2,568)	62
Developed land	813	(1,818)	69	(1,114)	58
Other	763	(2,399)	76	(1,454)	66
Acquired related to mortgage loans to homebuyers	**1,563**	**(1,356)**	**46**	**(968)**	**38**
Other	**792**	**(742)**	**48**	**(567)**	**42**
Total	**6,258**	**(8,815)**	**58**	**(6,088)**	**49**

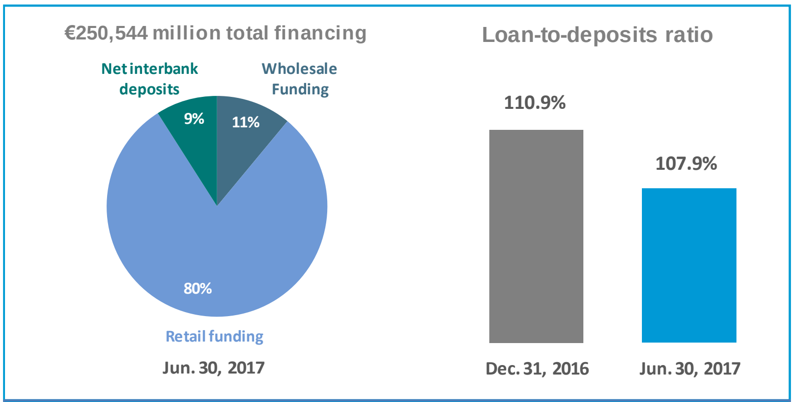
€ million	Dec. 31, 2016 Net carrying amount	Coverage	Coverage %	Accounting provisions	Coverage with accounting provisions %
Property acquired related to loans to construction companies and real estate developments	**4,058**	**(7,085)**	**64**	**(4,754)**	**54**
Completed buildings	2,059	(2,151)	51	(1,589)	44
Houses	1,513	(1,535)	50	(1,171)	44
Other	546	(616)	53	(418)	43
Buildings under construction	362	(574)	61	(478)	57
Houses	344	(538)	61	(453)	57
Other	18	(36)	67	(25)	58
Land	1,637	(4,360)	73	(2,687)	62
Developed land	850	(1,932)	69	(1,189)	58
Other	787	(2,428)	76	(1,498)	66
Acquired related to mortgage loans to homebuyers	**1,449**	**(1,392)**	**49**	**(962)**	**40**
Other	**749**	**(763)**	**51**	**(579)**	**44**
Total	**6,256**	**(9,240)**	**60**	**(6,295)**	**50**

- Meanwhile, **net foreclosed real estate assets at BPI amounted to €70 million at 30 June 2017** (€74 million at 31 March 2017).

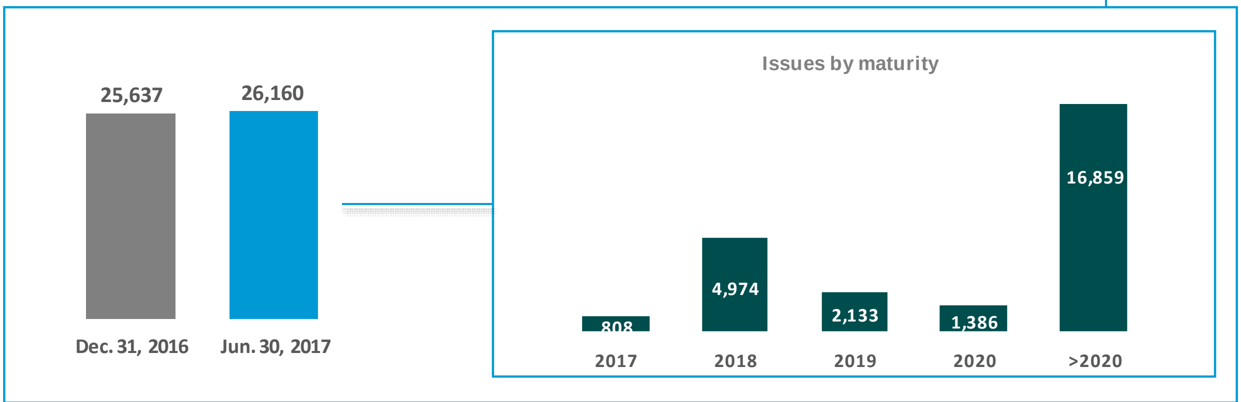
Liquidity
and financing structure



Total liquid assets
(€ million)



Financing structure



Wholesale funding
(€ million)

- **Total liquid assets totalled €65,594 million** at 30 June 2017. The change year to date in the loan-deposit gap was largely down to seasonal effects in the second quarter of 2017, the incorporation of BPI (€7,831 million) and the net increase in institutional financing.
- The **balance drawn** under the ECB facility amounted to **€28,820 million**, of which €637 million related to TLTRO I financing and €28,183 million to TLTRO II. In 2017, an additional €2,001 million was drawn in financing as a result of the acquisition of BPI.
- **Institutional financing**[1] totalled €26,160 million at 30 June 2017, with increased activity on the capital markets via the following issues:
  - Issuance of mortgage covered bonds worth €1,500 million at ten years, with demand exceeding €2,400 million. The coupon rate was set at 1.25% and the issue cost is 60 basis points over the mid-swap rate.
  - Subordinated debt placement worth €1,000 million at ten years including the option to redeem from year five onward. The bond issue pays a coupon of 3.5% per annum and demand has exceeded €2,000 million. From year five onward, the bonds pay an annual fixed coupon equal to the five-year swap rate plus a spread of 3.35%.
  - Issuance of senior bonds worth €1,000 million at seven years, paying a coupon of 1.15% and with demand exceeding €3,500 million.

(1) See Reconciliation of activity indicators using management criteria in the Appendices - Glossary.

- Inaugural €1,000 million placement of Additional Tier 1, including the option to redeem them early from year seven onward. The coupon is subject to certain conditions and is also discretionary. It has been set at 6.75% per year for the first seven years. From then on, it will be revised by applying a spread of 649.8 basis points to the applicable five-year swap rate. Payment will invariably be made quarterly in arrears. The issue was placed exclusively among qualified investors and attracted demand in excess of €3,500 million.
- The first six months also included maturities of €4,530 million.

- In July 2017, the CaixaBank Group issued subordinated debt worth €1,000 million at eleven years, including the option to redeem from year six onward. The bond issue pays a coupon of 2.75% per annum and demand has exceeded €2,800 million. From year six onward, the bonds pay an annual fixed coupon equal to the five-year mid-swap rate plus a spread of 2.35%.

  Additionally, private placement of subordinated debt (Tier 2) worth €150 million, with a maturity of 25 years, redeemable from year twenty onward and paying a coupon of 4%.

- Meanwhile, BPI issued subordinated debt worth €300 million in the first quarter of 2017, which was fully subscribed by CaixaBank (having no impact on a consolidated level).
- Available capacity to issue mortgage and regional public sector covered bonds currently stands at €8,020 million.
- The Group's **liquidity coverage ratio** (LCR) at 30 June 2017 was **208%**, well clear of the minimum requirement of 80% applicable from 1 January 2017 onward.

Performance of the loan-to-deposits ratio

	Jun. 30, 2017			Mar. 31, 2017			Dec. 31, 2016
€ million	**Group**	**CABK**	**BPI**	**Group**	**CABK**	**BPI**	**Group**
Loans and advances to customers, net	**216,643**	**195,064**	**21,579**	**216,070**	**194,531**	**21,539**	**194,811**
Loans and advances to customers, gross	228,435	205,101	23,334	227,934	204,606	23,328	204,857
Allowance for impairment losses	(7,420)	(6,354)	(1,066)	(7,617)	(6,517)	(1,100)	(6,684)
Brokered loans[1]	(4,372)	(3,683)	(689)	(4,247)	(3,558)	(689)	(3,362)
Customer funds	**200,838**	**180,784**	**20,054**	**191,721**	**171,701**	**20,020**	**175,655**
Demand deposits	160,182	149,048	11,134	147,041	136,412	10,629	132,691
Time deposits	37,307	28,396	8,911	41,331	31,949	9,382	39,624
Subordinated liabilities (retail)	3,349	3,340	9	3,349	3,340	9	3,340
Loan to Deposits	**107.9%**	**107.9%**	**107.6%**	**112.7%**	**113.3%**	**107.6%**	**110.9%**

(1) Loans financed with funds received from public institutions.

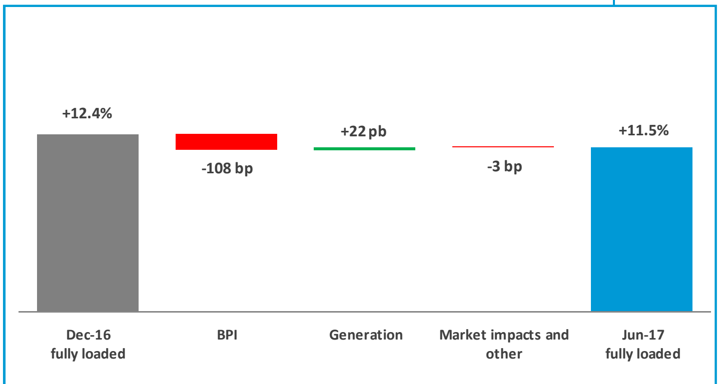
Collateralisation of mortgage covered bonds of CaixaBank, S.A.

€ million		**Jun. 30, 2017**
Mortgage covered bonds issued	a	44,646
Loans and credits (collateral for mortgage covered bonds)	b	98,773
Collateralization	**b/a**	**221%**
Overcollateralization	**b/a -1**	**121%**
Mortgage covered bond issuance capacity[2]		**6,896**

(2) CaixaBank S.A. is also able to issue €1,124 million in regional public-sector covered bonds.

Capital management

- The CaixaBank Group had a **fully-loaded Common Equity Tier 1 (CET1) ratio of 11.5%** at 30 June 2017, within the 11-12% band envisaged in the Strategic Plan. The impact on capital of the integration of Portuguese bank BPI (-108bp) had already been covered in advance in 2016 through the sale of treasury shares totalling €1,322 million. The ratio gained 22 basis points in the first half of the year due to retained earning generation, but shed 3 basis points in response to market conditions and other impacts. Fully-loaded risk weighted assets (RWA) amounted to €151,223 million at close of the second half of 2017.
- Tier 1 improved to 12.2% following the placement[1] of €1,000 million in Additional Tier 1 (AT1) instruments in June, which had an impact of 66 basis points.
- Fully-loaded total capital was 15.5%, including a placement of €1,000 million of AT1 and an issue of subordinated debt of €1,000 million in February. In addition, the ratio already reflects the redemption of the approximately €1,300 million issue of subordinated debt announced on July 2017, 27, and, pro-forma to include the new €1,000 million issue of subordinated debt of 14 July (+66 basis points), increasing the ratio from 14.9 to 15.5% pro-forma.
- The fully-loaded leverage ratio stood at 5.5%, in line with previous quarters.
- According to the criteria in force in 2017 for phased-in implementation, regulatory capital and leverage were: **12.5% CET1 and Tier1, 15.2% total capital[2] and 5.6% leverage ratio.**
- CaixaBank is also subject to minimum capital requirements on a non-consolidated basis. CaixaBank's individual regulatory CET1 ratio stood at 12.8%.
- As for the **capital adequacy of the consolidated CaixaBank perimeter without BPI, regulatory CET1 would be 12.5%** (11.6% fully-loaded), and **total capital pro-forma 16.2%** (15.9% fully loaded) **while BPI's own regulatory CET1 ratio, on a sub-consolidated basis, is 11.9%** (10.9% fully loaded*)* and **total capital 13.3%** (12.7% fully loaded).
- The European Central Bank (ECB) and the national supervisor require CaixaBank to maintain regulatory CET1, Tier 1 and total capital ratios of 7.375%, 8.875% and 10.875%, respectively, at 30 June 2017 (including the phased-in implementation of the capital conservation and systemic risk buffers), which climb to 8.75%, 10.25% and 12.25% in a fully-loaded perspective. The CaixaBank Group's current ratios show that the requirements imposed on the Group will not trigger any of the automatic restrictions envisaged in applicable capital adequacy regulations relating to payouts of dividends, variable remuneration and interest to holders of Additional Tier 1 capital instruments (there is a margin of 368 basis points before triggering the Group's regulatory MDA[3]).
- CaixaBank's dividend policy meets the requirements prescribed by the ECB in its recommendation of 13 December 2016, on the dividend distribution policies of credit institutions, meaning therefore that it does not limit or confine the Bank in any way.



Change in fully-loaded CET1

(1) See details under the section 'Liquidity and financing structure'.

(2) Factoring in the €1,000 million issue of subordinated debt placed in July, the pro-forma regulatory total capital ratio would reach 15.9%

(3) See definition in Appendices – Glossary.

Performance and key capital adequacy indicators

€ million	Jun. 30, 2016	Sep. 30, 2016	Dec. 31, 2016	Mar. 31, 2016	Jun. 30, 2017	Annual Chg.
	BIS III (Regulatory)					
CET1 Instruments	21,230	22,726	22,923	23,851	23,582	659
Shareholders' equity	21,938	23,360	23,400	23,833	23,830	430
Capital	5,910	5,910	5,981	5,981	5,981	
Profit attributable to the Group	638	970	1,047	403	839	(208)
Reserves and other	15,390	16,480	16,372	17,449	17,010	638
Other CET1 Instruments[1]	(708)	(634)	(477)	18	(248)	229
Deductions from CET	(4,560)	(4,536)	(5,134)	(5,623)	(4,695)	439
CET1	**16,670**	**18,190**	**17,789**	**18,228**	**18,887**	**1,098**
AT1 Instruments					999	999
AT1 Deductions					(878)	(878)
TIER 1	**16,670**	**18,190**	**17,789**	**18,228**	**19,008**	**1,219**
T2 Instruments[2]	4,382	4,398	4,088	5,506	4,097	9
T2 Deductions			(85)	(39)	(34)	51
TIER 2	4,382	4,398	4,003	5,467	4,063	60
TOTAL CAPITAL	**21,052**	**22,588**	**21,792**	**23,695**	**23,071**	**1,279**
Risk-weighted assets	135,787	135,922	134,864	153,060	151,504	16,640
CET1 Ratio	12.3%	13.4%	13.2%	11.9%	12.5%	(0.7%)
Tier 1 Ratio	12.3%	13.4%	13.2%	11.9%	12.5%	(0.7%)
Total Capital Ratio[2]	15.5%	16.6%	16.2%	15.5%	15.2%	(1.0%)
Buffer MDA[3]	4,025	5,532	5,243	4,644	5,562	319
Leverage Ratio	5.3%	6.0%	5.7%	5.6%	5.6%	(0.1%)
CET1 Ratio - CABK (non consolidated basis)	12.3%	13.4%	12.6%	12.4%	12.8%	0.2%
Buffer MDA[3] *- CABK (non consolidated basis)*	7,332	8,776	7,571	7,011	8,128	557

€ million	Jun. 30, 2016	Sep. 30, 2016	Dec. 31, 2016	Mar. 31, 2016	Jun. 30, 2017	Annual Chg.
	BIS III (Fully loaded)					
CET1 Instruments	21,578	23,007	22,891	23,898	23,637	746
Shareholders' equity	21,938	23,360	23,400	23,833	23,830	430
Capital	5,910	5,910	5,981	5,981	5,981	
Profit attributable to the Group	638	970	1,047	403	839	(208)
Reserves and other	15,390	16,480	16,372	17,449	17,010	638
Other CET1 Instruments[1]	(360)	(353)	(509)	65	(193)	316
Deductions from CET	(6,070)	(5,962)	(6,243)	(6,312)	(6,251)	(8)
CET1	**15,508**	**17,045**	**16,648**	**17,586**	**17,386**	**738**
AT1 Instruments					999	999
AT1 Deductions						
TIER 1	**15,508**	**17,045**	**16,648**	**17,586**	**18,385**	**1,737**
T2 Instruments[2]	4,382	4,398	4,088	5,506	4,097	9
T2 Deductions						
TIER 2	4,382	4,398	4,088	5,506	4,097	9
TOTAL CAPITAL	**19,890**	**21,443**	**20,736**	**23,092**	**22,482**	**1,746**
Risk-weighted assets	135,314	135,516	134,385	152,874	151,223	16,838
CET1 Ratio	11.5%	12.6%	12.4%	11.5%	11.5%	(0.9%)
Tier 1 Ratio	11.5%	12.6%	12.4%	11.5%	12.2%	(0.2%)
Total Capital Ratio[2]	14.7%	15.8%	15.4%	15.1%	14.9%	(0.5%)
Leverage Ratio	4.9%	5.6%	5.4%	5.4%	5.5%	0.1%

(1) Mainly includes dividend forecast, valuation adjustments and minority interests.

(2) Total capital ratios in June 2017 includes the redemption of the approximately €1,300 million issue of subordinated debt announced in July but not the placement of the €1,000 million of subordinated debt subscribed in the same month. Pro-forma ratios factoring in the aforementioned issue would reach 15.9% regulatory and 15.5% fully loaded.

(3) The relevant MDA buffer is either the non-consolidated or the consolidated, whichever is lower.

Segment reporting

This section shows financial information on the different businesses of the CaixaBank Group:

CaixaBank

Information is presented for the same business divisions that existed prior to the effective takeover of BPI, although from February 2017, the attributable results contributed by this investee will no longer be included under the Equity investments business, but will be reported instead as a new business (BPI).

- **Banking and insurance:** includes all revenues from banking, insurance and asset management, liquidity management, ALCO, income from financing the other businesses and the Group-wide corporate centre.

  Following completion of the takeover of BPI, the banking and insurance business includes the results of the business combination since it was originated in a corporate transaction.

- **Non-core real estate**: shows the results, net of financing costs, of real estate assets in Spain defined as non-core, which include:
  - Non-core lending to real estate developers.
  - Foreclosed real estate assets (available for sale and rental) mainly owned by the real estate subsidiary BuildingCenter.
  - Other real estate assets and interests.
- **Equity investments:** includes essentially income from dividends and/or profit accounted for using the equity method, net of financing costs, from the interests held in Erste Group Bank, Repsol and Telefónica. It also includes the significant impacts on income of other relevant stakes acquired by the Group as part of its diversification across sectors, as added as part of the Group's latest acquisitions in Spain.

  Includes the contribution to the CaixaBank Group through to May 2016 of the attributable results due to the stakes held in Bank of East Asia and GF Inbursa. In 2017, it includes BPI's results through to and including January. With the takeover now completed, as of February BPI's results will be reported as a new business under the full consolidation method.

Operating expenses for these three business segments include both direct and indirect costs, which are assigned according to internal distribution methods.

Capital is assigned to the non-core real estate and equity investment businesses to pursue the **corporate target of maintaining a fully-loaded regulatory Common Equity Tier 1 (CET1) ratio of between 11% and 12%**. The capital assigned to these businesses takes into account both the consumption of capital for risk-weighted assets at 11% and all applicable deductions. Capital is assigned to BPI on a sub-consolidated basis, meaning in view of the subsidiary's resources.

The difference between the Group's total own funds and the capital assigned to the other businesses is included in the banking and insurance business, which includes the Group's corporate centre.

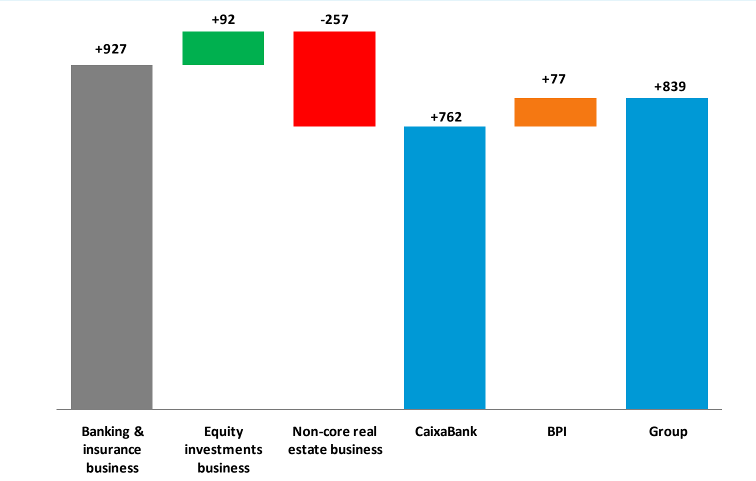
BPI

Shows the results brought to the consolidated statements by BPI from February 2017 onward under the full consolidation of assets and liabilities method (considering the adjustments made in the business combination) and the own funds of this business are essentially those of BPI on a sub-consolidated basis. The income statement includes the reversal of the adjustments deriving from the measurement at fair value of the assets and liabilities under the business combination.

Results for the first half of 2017 arranged by business are as follows:

€ million	Banking & insurance business	Non-core real estate business	Equity investments	CaixaBank	BPI	Group
Net interest income	**2,300**	**(34)**	**(84)**	**2,182**	**167**	**2,349**
Dividends and share of profit/(loss) of entities accounted for using the equity method	94	16	170	280	109	389
Net fee and commission income	1,134	1		1,135	117	1,252
Gains/(losses) on financial assets and liabilities and others	182		(18)	164	13	177
Income and expense arising from insurance or reinsurance contracts	233			233		233
Other operating income and expense	72	(176)		(104)	(16)	(120)
Gross income	**4,015**	**(193)**	**68**	**3,890**	**390**	**4,280**
Recurring administrative expenses, depreciation and amortisation	(1,963)	(52)	(2)	(2,017)	(199)	(2,216)
Extraordinary expenses					(106)	(106)
Pre-impairment income	**2,052**	**(245)**	**66**	**1,873**	**85**	**1,958**
Pre-impairment income stripping out extraordinary expenses	**2,052**	**(245)**	**66**	**1,873**	**191**	**2,064**
Allowance for insolvency risk	(482)	(1)		(483)	11	(472)
Other charges to provisions	(592)	(169)		(761)	(2)	(763)
Gains/(losses) on disposal of assets and others	241	41		282		282
Profit/(loss) before tax	**1,219**	**(374)**	**66**	**911**	**94**	**1,005**
Income tax expense	(289)	117	26	(146)	(3)	(149)
Profit/(loss) after tax	**930**	**(257)**	**92**	**765**	**91**	**856**
Profit/(loss) attributable to minority interest and others	3			3	14	17
Profit/(loss) attributable to the Group	**927**	**(257)**	**92**	**762**	**77**	**839**
Fully-loaded Common Equity Tier 1 (CET1)				11.6%	10.9%	11.5%
Fully-loaded Total Capital				15.1%	12.7%	14.9%
Common Equity Tier 1 (CET1)				12.5%	11.9%	12.5%

NOTE: The total capital ratio at June 2017 includes the redemption of the approximately €1,300 million issue of subordinated debt announced in July but not the €1,000 million in subordinated debt placed in the same month. Regulatory and fully-loaded pro-forma group ratios, factoring in the aforementioned placement, would reach 15.9% and 15.5% respectively.



Contribution to the result in the first half of 2017 (€ million)

CaixaBank

Banking and insurance business

Profit at 30 June 2017 totalled €927 million (-1.8%).

- **Gross income amounted to €4,015 million (+1.0%)**. Here, the improved generation of core income effectively offset the drop in earnings on financial assets and liabilities.
  - **Net interest income up 6.4% to reach €2,300 million**.
  - **Fee and commission income** stood at €1,134 million (+12.3%) on the back of improving commercial activity.
  - **Gains/(losses) on financial assets and liabilities and other** (-69.2%) following the materialisation, in 2016, of increased capital gains on available-for-sale fixed-income securities and earnings of €165 million from the Visa Europe Ltd deal.
  - **Other operating income and expense** for the first half of 2017 included, among other, the income arising from the agreement reached with Cecabank (€115 million).
- **Recurring administrative expenses, depreciation and amortisation** amounted to €1,963 million in the first half of 2017, up 1.0% on the first half of 2016.
- **The cost-to-income ratio without extraordinary expenses** was 50.7%, versus the 52.4% reported in the first half of 2016.
- **Impairment losses on financial assets** totalled €-482 million in the first half of 2017, up 22.9% year on year.
- **Other charges to provisions** includes €455 million to cover early retirements in 2017. A total of €160 million for this same concept was reported in 2016.
- **Gains/(losses) on disposals of assets and others** includes, among other items, the result of the business combination resulting from the acquisition of BPI (€256 million) since it derived from a corporate transaction.

ROTE[1] for the business, stripping out one-off impacts, was 10.3%.

(1) Last 12 months, excluding the following one-off aspects, net of taxes: extraordinary costs in the third quarter of 2016 (€-85 million), the release of provisions in the fourth quarter of 2016 (€+433 million), the early retirements in the second quarter of 2017 (€-212 million) and the results of the business combination resulting from the acquisition of BPI (€+256 million). Additionally including the coupon of the AT1 instrument assigned to this business segment.

€ million	1H17	1H16	Change in %	2Q16	3Q16	4Q16	1Q17	2Q17
Net interest income	**2,300**	**2,162**	**6.4**	**1,080**	**1,095**	**1,130**	**1,142**	**1,158**
Dividends and share of profit/(loss) of entities accounted for using the equity method	94	63	50.5	36	63	33	44	50
Net fee and commission income	1,134	1,010	12.3	522	535	544	544	590
Gains/(losses) on financial assets and liabilities and others	182	593	(69.2)	326	121	132	38	144
Income and expense arising from insurance or reinsurance contracts	233	140	66.7	76	74	97	110	123
Other operating income and expense	72	9		(25)	8	(173)	16	56
Gross income	**4,015**	**3,977**	**1.0**	**2,015**	**1,896**	**1,763**	**1,894**	**2,121**
Recurring administrative expenses, depreciation and	(1,963)	(1,944)	1.0	(969)	(964)	(967)	(984)	(979)
Extraordinary expenses					(121)			
Pre-impairment income	**2,052**	**2,033**	**0.9**	**1,046**	**811**	**796**	**910**	**1,142**
Pre-impairment income stripping out extraordinary	**2,052**	**2,033**	**0.9**	**1,046**	**932**	**796**	**910**	**1,142**
Allowance for insolvency risk	(482)	(391)	22.9	(214)	(169)	316	(272)	(210)
Other charges to provisions	(592)	(248)		(201)	(37)	(240)	(219)	(373)
Gains/(losses) on disposal of assets and others	241	11		11		10	253	(12)
Profit/(loss) before tax	**1,219**	**1,405**	**(13.2)**	**642**	**605**	**882**	**672**	**547**
Income tax expense	(289)	(455)	(36.5)	(238)	(170)	(279)	(113)	(176)
Profit/(loss) after tax	**930**	**950**	**(2.2)**	**404**	**435**	**603**	**559**	**371**
Profit/(loss) attributable to minority interest and others	3	7	(64.2)	5	4	(2)	2	1
Profit/(loss) attributable to the Group	**927**	**943**	**(1.8)**	**399**	**431**	**605**	**557**	**370**
ROTE	10.3%	10.1%	0.2	10.1%	11.0%	10.8%	9.0%	10.3%
Cost-to-income ratio stripping out extraordinary expenses	50.7%	52.4%	(1.7)	52.4%	51.3%	50.7%	51.3%	50.7%

Highlights for the quarter include:

- **Fee and commission income** grew to €590 million, driven by commercial strength and aided also by a number of investment bank transactions.
- Meanwhile, **Gains/(losses) on financial assets and liabilities and others** climbed to €144 million.
- **Other operating income and expense** in the second quarter of 2017 included the contribution paid to the Single Resolution Fund (SRF) and the aforementioned agreement reached with Cecabank (€+115 million).
- **Impairment losses on financial assets** were down following a first quarter of 2017 that featured various one-off charges. On the other hand, key to explaining the quarterly change is the fact that the fourth quarter of 2016 included the impact on this business of the Group's development of internal models used to calculate coverage for insolvency risk (€+618 million).
- **Other charges to provisions** in the second quarter of 2017 included €303 million to cover early retirements (€152 million in the previous quarter).

€ million	Jun. 30, 2017	Mar. 31, 2017	Dec. 31, 2016	Quarterly change %	Annual change %
Balance sheet					
Assets	**327,271**	**317,750**	**327,606**	**3.0**	**(0.1)**
of which: loans and advances to customers, net	197,256	196,275	196,267	0.5	0.5
Liabilities	**308,159**	**298,361**	**307,118**	**3.3**	**0.3**
of which: On-balance sheet funds	225,677	216,863	217,014	4.1	4.0
Assigned capital	**18,966**	**18,831**	**20,332**	**0.7**	**(6.7)**
Activity					
Loans and advances to customers, gross	**202,902**	**201,923**	**201,970**	**0.5**	**0.5**
Customers funds	**314,218**	**303,901**	**303,781**	**3.4**	**3.4**
On-balance sheet funds	225,677	216,863	217,014	4.1	4.0
Assets under management	85,583	84,688	81,885	1.1	4.5
Other accounts	2,958	2,350	4,882	25.9	(39.4)
Other indicators					
Non-performing loan ratio (%)	5.7%	5.8%	5.8%	(0.1)	(0.1)
Non-performing loan coverage ratio (%)	48%	48%	48%		
Customers, employees and banking resources (units)[1]					
Customers (millons)	13.8	13.8	13.8		
Employees	31,930	32,175	32,403	(245)	(473)
Branches[2]	4,940	4,990	5,027	(50)	(87)
of which retail	4,749	4,799	4,851	(50)	(102)
ATMs	9,274	9,461	9,479	(187)	(205)

(1) These figures include the whole CaixaBank perimeter (banking and insurance business plus non-core real estate business).
(2) Does not include foreign branches or representative offices.

Non-core real estate business

- **Losses generated by the non-core real estate business were down in the first half of 2017 to €257 million** (€355 million in the first half of 2016):
  - **Impairment losses on financial assets** were down notably due to the lower volume of net loans following the write-downs already carried out as well as the impact of recoveries.
  - **Other charges to provisions** included, in the first half of 2017, €154 million in write-downs on exposure to the SAREB.
  - **Gains/(losses) on disposals of assets and others (€+41 million)** includes, among other factors, the **increase in positive proceeds on sales of real estate assets**, which totalled €79 million (€16 million in 2016), as well as other results on real estate activity, which were essentially charges to provisions deriving from valuations of assets based on the Group's own internal models for the sum of €-38 million (€-183 million in 2016).

Highlights for the quarter include:

- **Other operating income and expense** included in the first quarter of 2017 an estimation of annual property tax expense accrued (€-55 million in 2017).
- **Impairment losses on financial assets** in the first quarter of 2017 included the impact of recoveries.
- **Other charges to provisions** showed, in the first quarter of 2017, the aforementioned €154 million in write-downs on exposure to the SAREB.

€ million	1H17	1H16	Change in %	2Q16	3Q16	4Q16	1Q17	2Q17
Net interest income	**(34)**	**(28)**	**20.5**	**(18)**	**(21)**	**(17)**	**(15)**	**(19)**
Dividends and share of profit/(loss) of entities accounted for using the equity method	16	9	74.6	6	2	7	11	5
Net fee and commission income	1				1		1	
Gains/(losses) on financial assets and liabilities and others								
Income and expense arising from insurance or reinsurance contracts								
Other operating income and expense	(176)	(144)	22.2	(55)	(42)	(65)	(111)	(65)
Gross income	**(193)**	**(163)**	**18.4**	**(67)**	**(60)**	**(75)**	**(114)**	**(79)**
Recurring administrative expenses, depreciation and	(52)	(56)	(7.1)	(29)	(30)	(30)	(28)	(24)
Pre-impairment income	**(245)**	**(219)**	**11.9**	**(96)**	**(90)**	**(105)**	**(142)**	**(103)**
Pre-impairment income stripping out extraordinary	**(245)**	**(219)**	**11.9**	**(96)**	**(90)**	**(105)**	**(142)**	**(103)**
Allowance for insolvency risk	(1)	(87)	(99.2)	(39)	(49)	66	17	(18)
Other charges to provisions	(169)	(22)		(48)	(10)	(34)	(150)	(19)
Gains/(losses) on disposal of assets and others	41	(167)		(114)	(83)	(784)	25	16
Profit/(loss) before tax	**(374)**	**(495)**	**(24.6)**	**(297)**	**(232)**	**(857)**	**(250)**	**(124)**
Income tax expense	117	140	(16.4)	86	70	249	78	39
Profit/(loss) after tax	**(257)**	**(355)**	**(27.8)**	**(211)**	**(162)**	**(608)**	**(172)**	**(85)**
Profit/(loss) attributable to minority interest and others								
Profit/(loss) attributable to the Group	**(257)**	**(355)**	**(27.8)**	**(211)**	**(162)**	**(608)**	**(172)**	**(85)**

€ million	Jun. 30, 2017	Mar. 31, 2017	Dec. 31, 2016	Quarterly change %	Annual change %
Balance sheet					
Assets	**12,323**	**12,654**	**12,949**	**(2.6)**	**(4.8)**
Loans and advances to customers, net	1,491	1,814	1,906	(17.8)	(21.8)
Other assets	10,832	10,840	11,043	(0.1)	(1.9)
Foreclosed available for sale real estate assets	6,258	6,285	6,256	(0.4)	0.0
Real estate assets held for rent	3,086	3,088	3,078	(0.1)	0.3
Other assets	1,488	1,467	1,709	1.4	(12.9)
Liabilities	**10,817**	**11,084**	**11,351**	**(2.4)**	**(4.7)**
On-balance sheet funds	120	110	109	9.1	10.1
Other liabilities	395	337	276	17.2	43.1
Intra-group financing	10,302	10,637	10,966	(3.1)	(6.1)
Assigned capital	**1,506**	**1,570**	**1,598**	**(4.1)**	**(5.8)**
Activity					
Loans and advances to customers, gross	**2,199**	**2,683**	**2,887**	**(18.0)**	**(23.8)**
Customers funds	**127**	**115**	**114**	**10.4**	**11.4**
On-balance sheet funds	120	110	109	9.1	10.1
Assets under management	7	5	5	40.0	40.0
Other indicators					
Non-performing loan ratio (%)	76.0%	79.8%	80.0%	(3.8)	(4.0)
Non-performing loan coverage ratio (%)	40%	39%	41%	1	

- The non-core real estate balance sheet has fallen by 4.8% in the year:
  - **Loans and advances to customers, net** is down 21.8% in the year due to the ongoing active management of distressed assets.
  - The **net portfolio of foreclosed real estate assets available for sale remained stable** at €6,258 million.
  - **Net foreclosed assets held for rent** amounted to €3,086 million, with an occupancy ratio of 90%.

Equity investment business

- **The business generated profits of €92 million in the first half of 2017 (+82.4%).**
- **Net interest income** shows the cost of financing the business and stood at €-84 million. The year-on-year change is largely down to a number of perimeter changes.
- **Earnings at entities accounted for using the equity method** were impacted by the perimeter departures and also because of the attributable loss of €97 million on the sale of 2% of BFA.
- The **year-on-year change can also be explained by a number of one-off aspects from the first half of 2016 in connection with:**
  - Extraordinary write-downs made to a number of unlisted stakes under Other charges to provisions.
  - Negative result stemming from the early repayment of Repsol bonds exchangeable for shares (essentially the impact of delivering the shares and of cancelling the embedded derivative on the instrument, which was recognised in equity due to its consideration as cash flow hedge).
- The quarterly change in income is explained by recognition of the Telefónica dividend in the second quarter and the loss attributed to the sale of the 2% BPI stake in BFA. On the other hand, the **fourth quarter of 2016 included the impact of the tax reforms** ushered in by Royal Decree-Law 3/2016, which impose restrictions on the deductibility of losses on transfers of shares and other equity interests.

€ million	1H17	1H16	Change in %	2Q16	3Q16	4Q16	1Q17	2Q17
Net interest income	**(84)**	**(93)**	**(9.3)**	**(41)**	**(35)**	**(36)**	**(43)**	**(41)**
Dividends and share of profit/(loss) of entities accounted for using the equity method	170	328	(48.3)	221	85	238	(1)	171
Net fee and commission income								
Gains/(losses) on financial assets and liabilities and others	(18)			(1)	4	(2)		(18)
Income and expense arising from insurance or reinsurance contracts								
Other operating income and expense								
Gross income	**68**	**235**	**(71.1)**	**179**	**54**	**200**	**(44)**	**112**
Recurring administrative expenses, depreciation and amortisation	(2)	(2)	5.2	(1)	(1)	(1)	(1)	(1)
Extraordinary expenses								
Pre-impairment income	**66**	**233**	**(71.4)**	**178**	**53**	**199**	**(45)**	**111**
Pre-impairment income stripping out extraordinary expenses	**66**	**233**	**(71.4)**	**178**	**53**	**199**	**(45)**	**111**
Allowance for insolvency risk								
Other charges to provisions		(164)						
Gains/(losses) on disposal of assets and others		(91)		(11)				
Profit/(loss) before tax	**66**	**(22)**		**167**	**53**	**199**	**(45)**	**111**
Income tax expense	26	72	(64.2)	10	10	(119)	13	13
Profit/(loss) after tax	**92**	**50**	**82.4**	**177**	**63**	**80**	**(32)**	**124**
Profit/(loss) attributable to minority interest and others								
Profit/(loss) attributable to the Group	**92**	**50**	**82.4**	**177**	**63**	**80**	**(32)**	**124**
ROTE	27.2%	2.0%		2.0%	1.3%	15.7%	26.6%	27.2%

ROTE for the last 12 months excludes the impact of the tax reform ushered in by Royal Decree-Law 3/2016.

€ million	Jun. 30, 2017	Mar. 31, 2017	Dec. 31, 2016	Quarterly change %	Annual change %
Balance sheet					
Assets					
Investments (available for sale and associated)	6,425	6,980	7,372	(8.0)	(12.8)
Liabilities					
Intra-group financing and other liabilities	5,230	5,695	5,902	(8.2)	(11.4)
Assigned capital	**1,195**	**1,285**	**1,470**	**(7.0)**	**(18.7)**

BPI

€ million	1H17	1Q17 (feb- mar)	2Q17
Net interest income	**167**	**69**	**98**
Dividends and share of profit/(loss) of entities accounted for using the equity method	109	39	70
Net fee and commission income	117	43	74
Gains/(losses) on financial assets and liabilities and others	13	5	8
Income and expense arising from insurance or reinsurance contracts			
Other operating income and expense	(16)	1	(17)
Gross income	**390**	**157**	**233**
Recurring administrative expenses, depreciation and amortisation	(199)	(78)	(121)
Extraordinary expenses	(106)	(10)	(96)
Pre-impairment income	**85**	**69**	**16**
Pre-impairment income stripping out extraordinary expenses	**191**	**79**	**112**
Allowance for insolvency risk	11	6	5
Other charges to provisions	(2)	(1)	(1)
Gains/(losses) on disposal of assets and others			
Profit/(loss) before tax	**94**	**74**	**20**
Income tax expense	(3)	(14)	11
Profit/(loss) after tax	**91**	**60**	**31**
Profit/(loss) attributable to minority interest and others	14	10	4
Profit/(loss) attributable to the Group	**77**	**50**	**27**

- **The contribution of BPI's business to the results in the first half of 2017 (since the full integration in February) amounted to €77 million**.

The figures reported by Banco BPI corresponding to the first half of 2017 differ from its contribution in the financial statements and from the business segment within the CaixaBank Group. This is because of the impact of the fair value adjustments of its assets and liabilities within the business combination and the attribution of results to minority interests.

In addition, BPI's results for the first half of the year were recognised to the CaixaBank Group under the equity investments business using the equity method in January 2017 and then using the full consolidation method through to June. Therefore, the quarterly performance of earnings at BPI cannot accurately be compared since the bank has been accounted for using the fully consolidation method since February. The information reported in the coming quarters will therefore be more consistent and comparable by providing a more accurate picture of the operating results reported by BPI.

The result reported by BPI includes the **one-off impact arising from its sale in January of 2% of its stake in BFA**. This impact is presented for the attributable amount at the CaixaBank Group in the equity investments business, as previously discussed.

In relation to earnings at BPI, highlights for the quarter included:

- **Profit/(loss) of entities accounted for using the equity method** includes €58 million corresponding to the contribution of BFA (€ 34 million in the first quarter). Net attributable profit of BFA amounted to €44 million in the quarter (€26 million in the previous quarter).
- **Other operating income and expense** included, in the second quarter of 2017, the contribution paid to the European Single Resolution Fund (SRF) and to the Portuguese Resolution Fund.
- **Extraordinary expenses** includes a total of €-96 million in restructuring costs in the second quarter (€-10 million in the first quarter of 2017).

See Reconciliation of financial information presented by BPI with the presentation format used by the CaixaBank Group in the Appendices - Glossary.

€ million	Jun. 30, 2017	Mar. 31, 2017	Quarterly change %
Activity			
Loans and advances to customers, gross	**23,334**	**23,328**	**0.0**
Customers funds	**34,558**	**34,037**	**1.5**
On-balance sheet funds	24,157	24,432	(1.1)
Assets under management	8,907	8,293	7.4
Other accounts	1,494	1,312	13.9
Other indicators			
Non-performing loan ratio (%)	5.8%	6.1%	(0.3)
Non-performing loan coverage ratio (%)	80%	78%	2
Customers and banking resources (units)			
Customers (millons)	2.0	2.0	
Employees	5,406	5,463	(57)
Branches[1]	528	535	(7)

(1) Does not include foreign branches or representative offices.

Loans and advances to customers, gross totalled €23,334 million, remaining stable in the quarter while the performing loan book was up 0.3%.

Meanwhile, **customer funds amounted to €34,558 million**, up 1.5% quarter on quarter on the back of assets under management, which grew by 7.4%.

BPI's NPL ratio was reduced to 5.8% (6.1% in 1Q17) using the CaixaBank Group's NPL classification criteria.

BPI also reported a default ratio of 3.6% on the *crédito em risco* criterion applicable in accordance with Portuguese regulations. The main difference between Portuguese regulations and CaixaBank's NPL classification criteria lies in the different treatment for overdue customer positions, contingent liabilities, NPL classification on subjective criteria and the different treatment of refinanced loans.

The NPL coverage ratio was up 2 percentage points on the last quarter, to reach 80% (including provisions from CaixaBank stemming from the business combination process).

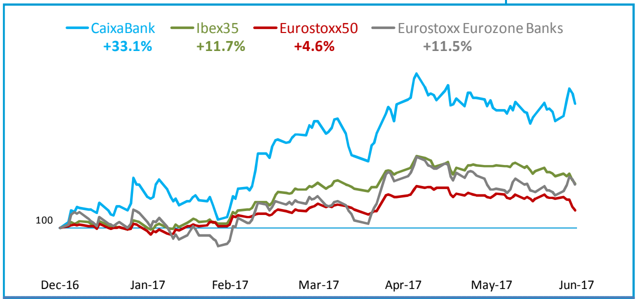
€ million	Jun. 30, 2017	Mar. 31, 2017	Quarterly change %
Cash, cash balances at central banks and other demand deposits	1,203	1,555	(22.6)
Financial assets held for trading	822	1,071	(23.2)
Available-for-sale financial assets	3,738	3,776	(1.0)
Loans and receivables	23,085	22,976	0.5
Loans and advances to central banks and credit institutions	817	748	9.2
Loans and advances to customers and debt securities	22,268	22,228	0.2
Other assets	3,817	3,505	8.9
Total assets	**32,665**	**32,883**	**(0.7)**
Liabilities	**30,103**	**30,348**	**(0.8)**
Financial liabilities held for trading	186	477	(61.0)
Financial liabilities measured at amortised cost	25,240	25,350	(0.4)
Deposits from central banks and credit institutions	3,769	3,856	(2.3)
Customer deposits	20,170	20,076	0.5
Debt securities issued	1,105	1,135	(2.6)
Other financial liabilities	196	283	(30.7)
Insurance contract liabilities[2]	4,088	4,010	1.9
Other liabilities	589	511	15.3
Equity	**2,562**	**2,535**	**1.1**
Asigned capital	2,163	2,147	0.7
Minority interest, valuation adjustment and other	399	388	2.8
Total liabilities and equity	**32,665**	**32,883**	**(0.7)**

(2) Includes €2,111 million in Unit Links reported on the consolidated public balance sheet under Other liabilities.

The CaixaBank share

Share price performance

- After dipping wildly in the first few months of the year, all the main European stock markets went on to report moderate declines during the second quarter of 2017. The Euro Stoxx 50 slid by 1.7% while the IBEX 35 lost 0.2%, both indices affected once again by the political agenda in Europe. April got off to a volatile start with jitters over the elections in France. The ensuing victory for the pro-European camp gave the markets a welcome boost, which was repeated in May following the release of healthy economic indicators and business earnings. This bullish pattern was then interrupted in early June, with the markets slowly retreating largely in response to technical factors (such as the seasonal effect), though also because of renewed political uncertainty in Italy and the United Kingdom, and lingering doubts over the restructuring of Italian banks.



CaixaBank shares versus the main Spanish and European indices in the first half of 2017

- Meanwhile, the European banking index refused to follow suit, successfully closing out another quarter in positive territory, with the Euro Stoxx Banks gaining 2.9% despite slowing somewhat on the pace seen in the first few months of the year. The bank index proved particularly sensitive to recent events in the realm of monetary policy: on the negative side, the Fed's move to hike interest rates despite inflation figures continuing to remain surprisingly low and the ECB's decision to keep its monetary policy unchanged despite the seemingly healthy macroeconomic outlook; and on the positive side, the more optimistic tone taken by the ECB at its annual summit in Sintra in late June, rekindling hopes that the monetary normalisation process is not far off.

- The **CaixaBank share price was once again one of the outperformers** from the European sector, ending trading on 30 June 2017 at **€4.180 per share and showing a quarterly gain of 3.7%**. This comes in stark contrast with the performance of the Spanish banking sector[1], which retreated 1.1% in the quarter and saw three significant corporate transactions in June: the resolution of Banco Popular –marking the first real test of the European Resolution Mechanism– and its subsequent acquisition by Banco Santander, the merger by absorption between Bankia and BMN and the stock market floatation of Unicaja.

- Turning to trading volume[2] in euros for the CaixaBank share in the second quarter of 2017, trading was up 9.0% on the first quarter and 61.2% increase on the second quarter of 2016, during which the share price hit an all-time low following the outcome of the Brexit referendum. Meanwhile, and in terms of the actual number of shares traded, the volume was slightly down on the first quarter (-6.6%) and also on the same period of 2016 (-8.2%).

Shareholder returns

- On 13 April 2017, CaixaBank paid the extra dividend charged to 2016 earnings of €0.06 per share in cash. Total shareholder remuneration for 2016 was therefore €0.13 per share, consisting of two cash payments of €0.03 and €0.06 per share (paid in September and April), plus a scrip dividend of €0.04/share paid in December. The total amount paid in cash is equivalent to 54% of net consolidated profit, in line with the target envisaged in the 2015-2018 Strategic Plan.

- On 23 February 2017, CaixaBank's Board of Directors approved the new dividend policy, under which remuneration for 2017 will consist of two cash dividends (payable every six months, with payment likely to be made in November 2017 and April 2018) for a sum equal to or exceeding 50% of net consolidated profit.

(1) IBEX 35 Banks Index - Bloomberg.
(2) Excluding one-off transactions.

Shareholder returns charged to 2016 profit

Concept	€/share	Payment date[1]
Cash dividend, final dividend 2016	0.06	Apr. 13, 2017
Optional Scrip Dividend[2]	0.04	Dec. 8, 2016
Cash dividend, interim 2016	0.03	Sep. 30, 2016

(1) Settlement date for rights sold to CaixaBank related to the scrip dividend programme.
(2) Listing date for bonus subscription rights: 22 November 2016.

Key performance indicators for the CaixaBank share

	Jun. 30, 2017
Market capitalization (€ M)	24,988
Number of outstanding shares[3]	5,977,588
Share price (€/share)	
Share price at the beginning of the period (December 30, 2016)	3.140
Share price at closing of the period (June 30, 2017)	4.180
Maximum price[4]	4.429
Minimum price[4]	3.190
Trading volume in 2017 (number of shares, excluding non-recurring transactions, in thousands)	
Maximum daily trading volume	53,108
Minimum daily trading volume	5,164
Average daily trading volume	18,110
Stock market ratios	
Profit attributable to the Group (€ million) (12 months)	1,246
Average number of shares (12 months)[3]	5,809,550
Net income attributable per Share (EPS) (€/share)	**0.21**
Net equity excluding minority interest (€ million)	23,985
Number of shares at June 30, 2017[3]	5,977,588
Book value per share (€/share)	**4.01**
Net equity excluding minority interest (tangible) (€ million)	19,715
Number of shares at June 30, 2017[3]	5,977,588
Tangible book value per share (€/share)	**3.30**
PER (Price / Profit)	**19.49**
TangibleP/BV (Market value/ tangible book value)	**1.27**
Dividend Yield[5]	**3.11**

(3) Number of shares, in thousands, excluding treasury shares.
(4) Share price at close of trading.
(5) Calculated by dividing the yield for the last 12 months (€0.13/share) by the closing price at the end of the period (€4.180/share).

Significant events
in the first half of 2017

This section provides further information on the significant events to have occurred in the first half of 2017.

Agreement with Cecabank

On 28 June 2017, CaixaBank announced that CaixaBank Asset Management SGIIC, SAU and VidaCaixa, SAU de Seguros y Reaseguros had reached an agreement with Cecabank, SA through CaixaBank. Under the arrangement, Cecabank will continue to act, until 31 March 2027, as exclusive depository of 80% of the assets held in investment funds, securities investment companies (SICAVs) and individual system pension funds managed by CaixaBank AM and VidaCaixa, respectively. Cecabank will act as the exclusive custodian of the remaining 20% until 31 March 2022, except for a small percentage, for which the exclusive nature of the agreement will be phased out between 31 March 2025 and 31 March 2027. This new arrangement is effectively a continuation of the original agreement reached in 2012, when Cecabank began serving as depository for the two CaixaBank subsidiaries.

CaixaBank received €115 million under the terms of the agreement, which it recognised as income in the second half of 2017. Over the coming ten years CaixaBank could receive variable payments for a total additional amount of up to €85 million, depending on the performance of Cecabank's depository business.

Appointment of Lead Independent Director

CaixaBank has announced that its Board of Directors, at a meeting held on 22 June 2017, decided to appoint Francesc Xavier Vives Torrents as Lead Director (independent director), in light of a report issued by the Appointments Committee supporting his appointment. This appointment took effect on 18 July 2017 following the approval by the European Central Bank of the by-laws agreed at the General Shareholders' Meeting of 6 April 2017.

Appendices

Investment portfolio

Following are the main investees, associates and assets available for sale at 30 June 2017:

CaixaBank	
Telefónica	5.15%
Repsol[1]	9.84%
Erste Group Bank	9.92%
SegurCaixa Adeslas	49.92%
Comercia Global Payments	49.00%
ServiHabitat Servicios Inmobiliarios	49.00%
Sareb	12.24%

BPI	
BFA[2]	48.10%
Banco Comercial e de Investimentos (BCI)[2]	30.00%

[1] 9.64% ownership at 17 July 2017 following the distribution of the last scrip dividend which was taken up in cash.

[2] The ownership attributed to CaixaBank at 30 June 2017 was 40.65% of BFA and 25.35% of BCI.

Information on financing for home purchases and loans to real estate developers by CaixaBank

Financing for home purchases

Financing for home purchases

€ million	Jun. 30, 2016	Sep. 30, 2016	Dec. 31, 2016	Mar. 31, 2016	Jun. 30, 2017
Without mortgage collateral	762	752	748	752	766
of which: non-performing	10	9	9	9	9
With mortgage collateral	87,459	86,731	85,657	84,936	84,188
of which: non-performing	3,291	3,329	3,470	3,493	3,491
Total	**88,221**	**87,483**	**86,405**	**85,688**	**84,954**

Loan-to-value breakdown[3]

	Jun. 30, 2017					
€ million	LTV ≤ 40%	40% < LTV ≤ 60%	60% < LTV ≤ 80%	80 < LTV ≤ 100%	LTV > 100%	TOTAL
Gross amount	20,752	31,411	23,636	5,362	3,027	84,188
of which: non-performing	232	547	1,005	672	1,035	3,491

(3) Loan to value calculated on the basis of latest appraisals according to the criteria set out in Circular 4/2016.

Loans to real estate developers

Change in loans to real estate developers[1]

€ million	Jun. 30, 2017	Weight %	Mar. 31, 2017	Weight %	Dec. 31, 2016	Weight %	Annual change
Without mortgage collateral	**1,252**	**16.5**	**1,299**	**16.3**	**1,173**	**14.7**	**79**
With mortgage collateral	**6,325**	**83.5**	**6,670**	**83.7**	**6,829**	**85.3**	**(504)**
Completed buildings	4,614	60.9	4,979	62.5	5,188	64.8	(574)
Homes	2,989	39.4	3,294	41.3	3,391	42.4	(402)
Other	1,625	21.5	1,685	21.1	1,791	22.4	(166)
Buildings under construction	882	11.6	741	9.3	668	8.3	214
Homes	802	10.6	671	8.4	598	7.5	204
Other	80	1.0	70	0.9	70	0.9	10
Land	829	10.9	950	11.9	979	12.2	(150)
Developed land	491	6.5	667	8.4	697	8.7	(206)
Other	338	4.4	283	3.6	282	3.5	56
Total	**7,577**	**100.0**	**7,969**	**100.0**	**8,002**	**100.0**	**(425)**

(1) According to Bank of Spain Circular 5/2011, financial institutions are required to disclose transparency information on loans for home purchases and loans to real estate developers in relation to their business activity in Spain.

Loans to real estate developers within the CaixaBank scope at 30 June 2017, 31 March 2017 and 31 December 2016 (€7,596, €7,980 and €8,024 million, respectively) includes €19, €11 and €22 million respectively in lending to real estate developers outside Spain, not considered in the information attached in accordance with Bank of Spain Circular 5/2011.

NPLs and coverage for real estate development risk[2]

€ million	Jun. 30, 2017 Non-performing	Jun. 30, 2017 Coverage %[3]	Mar. 31, 2017 Non-performing	Mar. 31, 2017 Coverage %[3]	Dec. 31, 2016 Non-performing	Dec. 31, 2016 Coverage %[3]
Without mortgage collateral	**153**	**79**	**148**	**80**	**181**	**80**
With mortgage collateral	**1,655**	**41**	**2,115**	**40**	**2,254**	**41**
Completed buildings	1,213	33	1,599	32	1,719	34
Homes	634	32	886	31	917	32
Other	579	35	713	35	802	37
Buildings under construction	53	54	72	56	78	53
Homes	41	63	60	62	66	58
Other	12	22	12	25	12	25
Land	389	64	444	63	457	64
Developed land	217	71	283	65	304	66
Other	172	55	161	60	153	61
Total	**1,808**	**44**	**2,263**	**42**	**2,435**	**44**

(2) The surplus value of mortgage collateral to the non-performing real estate developer portfolio at 30 June 2017, 31 March 2017 and 31 December 2016 amounts to €749, €773 and €989 million, respectively.

(3) See definition in Appendices – Glossary.

Ratings

Agency	Long-Term	Short-Term	Outlook	Last review date	Rating of covered bonds program
S&P Global	BBB	A-2	Positive	9 February 2017	A+
Fitch	BBB	F2	Positive	7 April 2017	
Moody's	Baa2	P-2	Stable	10 May 2017	Aa2
DBRS	A (low)	R-1 (low)	Stable	14 July 2017	AA (High)

In addition to the financial information prepared in accordance with International Financial Reporting Standards (IFRSs), this document includes certain Alternative Performance Measures (APMs) as defined in the guidelines on Alternative Performance Measures issued by the European Securities and Markets Authority on 30 June 2015 (ESMA/2015/1057) (the "ESMA Guidelines"). CaixaBank uses certain APMs, which have not been audited, for a better understanding of the company's financial performance. These measures are considered additional disclosures and in no case replace the financial information prepared under IFRSs. Moreover, the way the Group defines and calculates these measures may differ to the way similar measures are calculated by other companies. Accordingly, they may not be comparable.

ESMA guidelines define an APM as a financial measure of historical or future performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework.

In accordance with these guidelines, following is a list of the APMs used, along with a reconciliation between certain management indicators and the indicators presented in the consolidated financial statements prepared under IFRS.

Alternative Performance Measures

Customer spread (%): difference between the average yield rate on loans and the average cost rate of retail deposits for the period (quarter).

> **Average yield rate on loans (%):** annualized quarterly income from loans and advances to customers divided by the net average balance of loans and advances to customers for the period (quarter).
>
> **Average cost rate of retail deposits (%):** annualized quarterly cost of on-balance sheet retail customer funds divided by the average balance of on-balance sheet retail customer funds for the period (quarter), excluding subordinated liabilities.

Balance sheet spread (%): difference between the average return rate on assets and the average cost of fund rate for the period (quarter).

> **Average return rate on assets (%):** annualized quarterly interest income divided by average total assets for the period (quarter).
>
> **Average cost of fund rate (%):** annualized quarterly interest expenses divided by average total liabilities for the period (quarter).

Cost-to-income ratio (%)[1]: administrative expenses, depreciation and amortisation divided by gross income (last 12 months).

Efficiency ratio stripping out extraordinary expenses (%)[1]: administrative expenses, depreciation and amortisation stripping out extraordinary expenses divided by gross income (last 12 months).

ROE (%)[1] (Return on equity): profit attributable[2] to the Group divided by average equity (last 12 months).

ROTE (%)[1] (Return on tangible equity): profit attributable[2] to the Group divided by average equity less, where applicable, intangible assets using management criteria (last 12 months).

> The value of **intangible assets under management criteria** is the value of Intangible assets in the public balance sheet, plus the intangible assets and goodwill associated with investees, net of impairment allowances, recognised in Investments in joint ventures and associates in the public balance sheet.

ROA (%)[1] (Return on assets): net profit[2] divided by average total assets (last 12 months).

(1) Cost-to-income and profit ratios for the second and third quarters of 2016 exclude the contribution paid to the National Resolution Fund for the fourth quarter of 2015 (€93 million) so as to avoid overlap with the contribution paid to the Single Resolution Fund for the second quarter of 2016 (€74 million).

(2) Figures adjusted to reflect the amount of the Additional Tier1 coupon, after tax, registered in equity.

RORWA (%)[1] (Return on risk weighted assets): net profit[2] divided by regulatory risk-weighted assets (last 12 months).

Cost of risk (%): total allowances for insolvency risk (last twelve months) divided by average of gross loans plus contingent liabilities, using management criteria.

Non-performing loan ratio (%) quotient between:

- Non-performing loans and advances to customers and contingent liabilities, using management criteria.
- Total gross loans to customers and contingent liabilities, using management criteria.

Coverage ratio (%) quotient between**:**

- Impairment allowances on loans to customers and contingent liabilities, using management criteria.
- Non-performing loans and advances to customers and contingent liabilities, using management criteria.

Real estate developer coverage ratio (%): total impairment allowances for the real estate developer segment divided by non-performing loans for that segment.

Real estate available for sale coverage ratio (%) quotient between**:**

- Total coverage: sum of loan write-downs at the foreclosure plus accounting provisions of foreclosed assets.
- Debt cancelled at the foreclosure: sum of net book value and total coverage.

Real estate available for sale coverage ratio with accounting provisions (%): quotient between:

- Accounting provision: charges to provisions of foreclosed assets.
- Book value of the foreclosed asset: sum of net carrying amount and the accounting provision.

Total liquid assets: HQLAs (High Quality Liquid Assets within the meaning of Commission Delegated Regulation of 10 October 2014) plus the available balance under the facility with the Central Bank (non-HQLA).

Loan to deposits (%) quotient between:

- Net loans and advances to customers using management criteria excluding brokered loans (funded by public institutions).
- Customer funds on the balance sheet.

EPS (Earnings per share): profit attributable to the Group[2] for the last 12 months divided by the average number of shares outstanding.

The **average number of shares outstanding** is calculated as average shares issued less the average number of treasury shares.

Market capitalisation: share price multiplied by the number of issued shares minus the number of treasury shares held, at the end of the period.

BVPS (Book value per share): equity less minority interests divided by the number of fully diluted shares outstanding at a specific date.

Fully diluted outstanding shares equals shares issued (less treasury shares) plus the shares resulting from a theoretical redemption/conversion of the issued exchangeable debt instruments, at a specific date.

(1) The profit ratio for the second and third quarters of 2016 exclude the contribution paid to the National Resolution Fund for the fourth quarter of 2015 (€93 million) so as to avoid overlap with the contribution paid to the Single Resolution Fund for the second quarter of 2016 (€74 million).

(2)Figures adjusted to reflect the amount of the Additional Tier1 coupon, after tax, registered in equity.

TBVPS (Tangible book value per share) quotient between:

- Equity less minority interests and intangible assets.
- The number of fully-diluted shares outstanding at a specific date.

PER (Price-to-earnings ratio): share price divided by earnings per share (EPS).

P/BV: share price divided by book value.

P/TBV: share price divided by tangible book value.

Dividend yield: dividends paid (in shares or cash) in the last 12 months divided by the period-end share price.

MDA (Maximum Distributable Amount) Buffer: the capital threshold below which limitations exist on dividend payments, variable remuneration and interest payments to holders of Additional Tier 1 capital instruments. It is defined as Pillar 1 + Pillar 2 capital requirements + capital buffers + possible AT1 and T2 deficits.

Adapting the layout of the public income statement to management format

Net fee and commission income. Includes the following line items:

- Fee and commission income.
- Fee and commission expense.

Gains/(losses) on financial assets and liabilities and others. Includes the following line items:

- Gains/(losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net.
- Gains/(losses) on financial assets and liabilities held for trading, net.
- Gains/(losses) from hedge accounting, net.
- Exchange differences, gains/(losses), net.

Operating expenses. Includes the following line items:

- Administrative expenses.
- Depreciation and amortisation.

Pre-impairment income.

- (+) Gross income.
- (-) Operating expenses.

Impairment losses on financial and other provisions. Includes the following line items:

- Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss.
- Provisions/(reversal) of provisions.

Of which: Allowances for insolvency risk.

- Impairment/(reversal) of impairment losses on financial assets not measured at fair value through profit or loss corresponding to Loans and receivables to customers, using management criteria.
- Provisions/(reversal) of provisions corresponding to Provisions for contingent liabilities, using management criteria.

Of which: Other charges to provisions.

- Impairment/(reversal) of impairment losses on financial assets not measured at fair value through profit or loss, excluding balances corresponding to Loans and receivables to customers, using management criteria.
- Provisions/(reversal) of provisions, excluding provisions corresponding to contingent liabilities using management criteria.

Gains/(losses) on derecognition of assets and others. Includes the following line items:

- Impairment/(reversal) of impairment on investments in joint ventures or associates.
- Impairment/(reversal) of impairment on non-financial assets.
- Gains/(losses) on derecognition of non-financial assets and investments, net.
- Negative goodwill recognised in profit or loss.
- Profit/(loss) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations.

Profit/(loss) attributable to minority interests and others. Includes the following line items:

- Profit/(loss) after tax from discontinued operations.
- Profit/(loss) for the period attributable to minority interests (non-controlling interests).

Reconciliation of activity indicators using management criteria

Loans and advances to customers, gross

June 2017 € million	Group
Loans and advances to customers (Public Balance Sheet)	**220,257**
NPL provisions	7,420
Other, non-retail, financial assets (asset under the asset protection scheme and others)	(758)
Reverse repurchase agreements (public and private sector)	(835)
Loans instrumentalised by debt securities of BPI [1]	2,351
Loans and advances to customers, gross	**228,435**

(1) Reported as Debt securities and Other assets on the public balance sheet.

Liabilities arising from insurance contracts

June 2017 € million	Group
Liabilities araising from insurance contracts (Public Balance Sheet)	**49,286**
Capital gains/(losses) on insurance assets available for sale	(8,339)
Unit-links [2]	7,206
Liabilities araising from insurance contracts, under management criteria	**48,153**

(2) Recognised under Financial liabilities designated at fair value through profit or loss in the public balance sheet.

Customer funds

June 2017 € million	Group
Financial liabilities at amortised cost - Customers (Public Balance Sheet)	**203,497**
Non-retail financial liabilities (registered under Financial liabilities at amortised cost - Customers)	**(5,589)**
Multi-issuer covered bonds and subordinated deposits	(4,632)
Counterparties and other	(957)
Retail financial liabilities (registered under Debt securities)	**3,893**
Retail issues and other	3,893
Liabilities under insurance contracts, using management criteria	**48,153**
Total on-balance sheet customer funds	**249,954**
Assets under management	**94,497**
Other accounts	**4,452**
Total customer funds	**348,903**

Institutional issues for banking liquidity purposes

June 2017 € million	Group
Debt securities issued (Public Balance Sheet)	**28,372**
Institutional financing not considered for the purpose of managing bank liquidity	**(6,135)**
Securitized bonds	(2,627)
Value adjustments	(357)
Retail	(3,349)
Issues acquired by companies within the group	198
Customer deposits for the purpose of managing bank liquidity [3]	**3,903**
Deposits from credit institutions (Public Balance Sheet) - Mortgage covered bonds (BEI)	**20**
Institutional financing for the purpose of managing bank liquidity	**26,160**

(3) A total of €3,870 million in multi-issuer covered bonds (net of withheld issues) and €33 million in subordinated deposits.

Reconciliation of financial information presented by BPI with the presentation format used by the CaixaBank Group:

a) Income statement

June 2017 € million	Published by BPI	Consolidation adjustments[1]	BPI's contribution (Feb-Jun)
Net interest income	**200**	**(33)**	**167**
Dividend income	6		6
Share of profit/(loss) of entities accounted for using the equity method	121	(18)	103
Net fee and commission income	138	(21)	117
Gains/(losses) on financial assets and liabilities and others	15	(2)	13
Other operating income and expense	(191)	175	(16)
Gross income	**289**	**101**	**390**
Recurring administrative expenses, depreciation and amortisation	(232)	33	(199)
Extraordinary expenses	(106)		(106)
Pre-impairment income	**(49)**	**134**	**85**
Pre-impairment income stripping out extraordinary expenses	**57**	**134**	**191**
Allowance for insolvency risk	(8)	19	11
Other charges to provisions	3	(5)	(2)
Gains/(losses) on disposal of assets and others			
Profit/(loss) before tax	**(54)**	**148**	**94**
Income tax expense	(48)	45	(3)
Share of profit/(loss) of entities accounted for using the equity method			
Profit/(loss) after tax	**(102)**	**193**	**91**
Profit/(loss) attributable to minority interest and others		14	14
Profit/(loss) attributable to the Group	**(102)**	**179**	**77**

(1) The key aspects of the consolidation adjustments made during the half year are essentially as follows:

- Retrocession of the contribution of the January results of BPI under the different headings on the income statement.
- Net change of the fair value adjustments generated from the business combination.
- Attribution of profits to minority interests.

b) Customer funds

June 2017 € million	
Total customers funds: reported by BPI	**34,523**
Adjustments at fair value generated by the business combination	35
Total customers funds: BPI's contribution to the Group	**34,558**

c) Loans and advances to customers

June 2017 € million	
Loans and advances to customers, net: reported by BPI	**22,820**
Available fund of adjustments at fair value generated by the business combination	(392)
Others	(160)
Loans and advances to costumers, net: BPI's contribution to the Group	**22,268**

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