

## CaixaBank posts profit of €403 million (+47.9%) while growing lending and customer funds by 11% following the integration of BPI

- **The CaixaBank Group now leads the Iberian financial market** after incorporating a further 2 million customers, €23,328 million, gross, in loans and advances to customers and €34,037 million in customer funds.
- **Net interest income up 13.1% to reach €1,153 million.** Meanwhile, fee and commission income totals €588 million (+20.3%) and recurring expenses on a like-for-like basis remain stable (+1%) thanks to the ongoing efforts to pare back costs.
- **Commercial activity at CaixaBank remains extremely healthy,** with sharp growth in the insurance and asset management business. CaixaBank is the market leader when it comes to all the main retail products and services, as well as in payroll deposits (share of 25.9%).
- **CaixaBank's business model relies heavily on technology and digitalisation:** 90% of processes now digitalised, 97% of signatures now digital and 26,511 smart PC's up and running.

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- **The NPL ratio is now 6.7%** following the incorporation of BPI, while the coverage ratio improves to 49% (47% at year-end 2016).
  - **Impairment losses on financial assets and other charges to provisions stand at €619 million (+51.1%),** following the recognition in the quarter of €152 million associated with early retirements, among other non-recurring impacts and €154 million in write-downs on exposure to the SAREB.
  - The CaixaBank Group has a **fully-loaded Common Equity Tier 1 (CET1) of 11.5%**, comfortably within the target band of 11-12% envisaged in the Strategic Plan. The impact on capital of the acquisition of BPI had already been covered in 2016 through the sale of treasury shares.
  - **Profitability up 65 basis points quarter on quarter to 6.2%** (3.7% in the first quarter of 2016), with 9.0% ROTE from the banking and insurance business and earnings of €557 million, excluding the non-core real estate, equity investments and BPI businesses.
  - **Since the 1 February 2017, CaixaBank has been reporting its 84.5% stake in BPI** under the full consolidation method. The Portuguese bank contributed €50 million to CaixaBank's earnings in the last two months. The income statement also includes a positive net impact of €159 million. Considering that the future restructuring costs are estimated at approximately €155 million attributable to the Group, it is therefore estimated that the transaction will have a neutral overall impact.

**Barcelona, 28 April 2017.-** CaixaBank, a leading financial institution headed and run by Jordi Gual (chairman) and Gonzalo Gortázar (CEO), reported net attributable profit of €403 million in the first quarter of 2017, up 47.9% year on year.

During the quarter, the CaixaBank Group effectively has become the leading bank in the Iberian financial sector, with a business volume of €565,987 million and 15.8 million customers. Following the integration of BPI, the Bank has gained a further 2 million customers, €34,037 million in customer funds and €23,328 million in loans and advances to customers, gross.

The change in the first quarter was largely due to the full consolidation of the results of BPI from February 2017 onwards, which naturally impacted the main headings of CaixaBank's income statement.

The Bank reported strong commercial activity in the quarter, enabling it to boost its income generating capacity (gross income of €1,893 million). This performance was fuelled by the integration of BPI, which has driven up net interest income by 13.1%, fee and commission income by 20.3%, customer lending by 11.3% and customer funds by 11.2%.

CaixaBank Group, in Million Euros	1Q17	YoY	YoY without BPI <sup>2</sup>
<b>Net interest income</b>	<b>1,153</b>	<b>13.1%</b>	+6.3%
Net fees and commissions	588	20.3%	+11.6%
Income and exp. from insurance	110	72.8%	+72.8%
Income from investment and associates	93	(32.5%)	
Trading income	43	(83.7%)	
Other operating income and exp.	(94)	72.7%	
<b>Gross income</b>	<b>1,893</b>	<b>(1.5%)</b>	
Recurring expenses	(1,091)	8.8%	+1.0%
Extraordinary operating expenses	(10)	--	
<b>Pre-Impairment income</b>	<b>792</b>	<b>(13.8%)</b>	
Impairment losses and others	(619)	51.1%	
Gains/losses on assets disposals and others	278 <sup>1</sup>	-	
<b>Pre-tax income</b>	<b>451</b>	<b>19.7%</b>	
Taxes, minority interest and others	(48)	-	
<b>Profit attributable to the Group</b>	<b>403</b>	<b>47.9%</b>	

<sup>1</sup> Includes BPI net business combination result

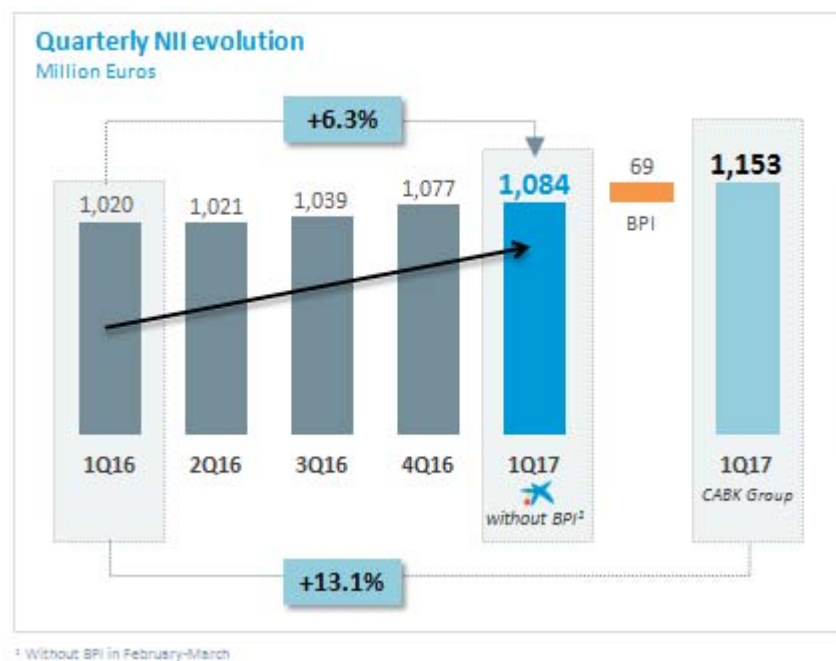
<sup>2</sup> Without BPI in February-March

Profitability at the CaixaBank Group was up 65 basis points quarter on quarter to 6.2% (3.7% in the first quarter of 2016), while ROTC from the banking and insurance business was 9.0% and profit totalled €557 million.

Commercial activity remains extremely healthy at CaixaBank, which is the market leader across all the main retail products and services, including payroll deposits (share of 25.9%). It also leads the way when it comes to online banking and mobile banking in Spain, with 5.4 million and 3.7 million customers, respectively. CaixaBank's business model relies heavily on technology and digitalisation: 90% of processes now digitalised, 97% of signatures now digital and 26,511 smart PC's up and running.

## Net interest income climbs to €1,153 million (+13.1%)

Against a backdrop of rock-bottom interest rates, net interest income totalled €1,153 million (+13.1% year on year) following the integration of business from BPI, which contributed growth of 6.8%. At CaixaBank, net interest income gained 6.3% largely in response to sound management of retail activity, with a sharp reduction in the cost of maturity deposits (-55bp) and a drop in income due to diminishing returns on the loan portfolio and the fixed income portfolio, in turn due to the drop in market interest rates.



Fee and commission income totalled €588 million. The change here (+20.3%) was due to the income deriving from CaixaBank's own commercial activity (+11.6%) as well as BPI's contribution to CaixaBank's results (+8.7%).

The change in recurring administrative expenses, depreciation and amortisation (up 9.8% to €1,101 million) was largely due to the integration of BPI (1.0% on a like-for-like basis) and also the ongoing drive to streamline and contain costs. Also affecting performance in the period were the early retirements and the labour agreements aimed at streamlining the workforce.

Pre-impairment income amounted to €792 million (-13.8%), mainly due to lower levels of income generation on financial assets –in 2016 it included the materialisation of unrealised capital gains on fixed-income assets– and also on the investee portfolio, where the change was partly due to the sale of 2% of BPI's stake in BFA (€97 million) and other perimeter changes.

## Customer funds and lending up 11%

Total customer funds stood at €338,053 million, up 11.2% in 2017 following the integration of BPI. Customer deposits at CaixaBank remained stable in the quarter, which saw 2.8% growth in demand deposits and a 19.4% drop in term deposits.

Loans and advances to customers, gross, totalled €227,934 million, up 11.3% in the quarter following the integration of BPI. Stripping out this impact, both the total portfolio and the performing portfolio at CaixaBank remained stable.

Meanwhile, figures for the different segments at CaixaBank revealed: (i) positive growth in new loans for home purchases (+11.5%), consumer loans (+32%) and loans to businesses (+46.9%), which helped to offset the deleveraging process affecting Loans to individuals – other, and (ii) the reduced weighting of financing to real estate developers within the total loan portfolio (3.9% at 31 March 2017) in response to sound management of distressed assets.



<sup>1</sup> Total loans minus doubtful loans.

Turning to commercial activity, highlights during the period included the sharp growth seen in the insurance and asset management businesses. CaixaBank's assets under management totalled €84,693 million (+3.4% in 2017) following the success of the campaigns rolled out, the extensive range of products on offer and the ongoing market recovery. As in previous years, assets under management through investment funds, portfolios and SIVACs gained a sizeable €58,896 million (+3.9% in 2017), while pension plans also performed well (+2.3% in 2017) to reach €25,797 million.

CaixaBank is the market leader when it comes to investment fund participants and assets under management, with a share of 18.2%, and also pension plans, with a share of 23.2%.

## The Group has an NPL ratio of 6.7%

The CaixaBank Group's NPL ratio was 6.7% (6.9% at 31 December 2016) following the integration of BPI, while the NPL coverage ratio improved to 49% (47% at year-end 2016). Non-performing loans, excluding the incorporation of balances following the acquisition of BPI, were down €127 million in the quarter (down €1,798 million in the last twelve months), showing the improving quality of the loan portfolio.

Impairment losses on financial assets and other charges to provisions stood at €619 million (+51.1%), following the recognition in the quarter of €152 million associated with early retirements and €154 million in write-downs on exposure to the SAREB.



The portfolio of net foreclosed real estate assets available for sale amounted to €6,285 million, with a coverage ratio of 59%.

Following the trend seen in recent periods, the first quarter of 2017 saw fewer additions to the portfolio of foreclosed assets along with consistently high levels of asset sales, with €1,719 million in proceeds over the last twelve months (sales and rentals) and positive proceeds on sales since the fourth quarter of 2015. The margin of proceeds on sales to net book value was 15% in the first quarter of 2017.

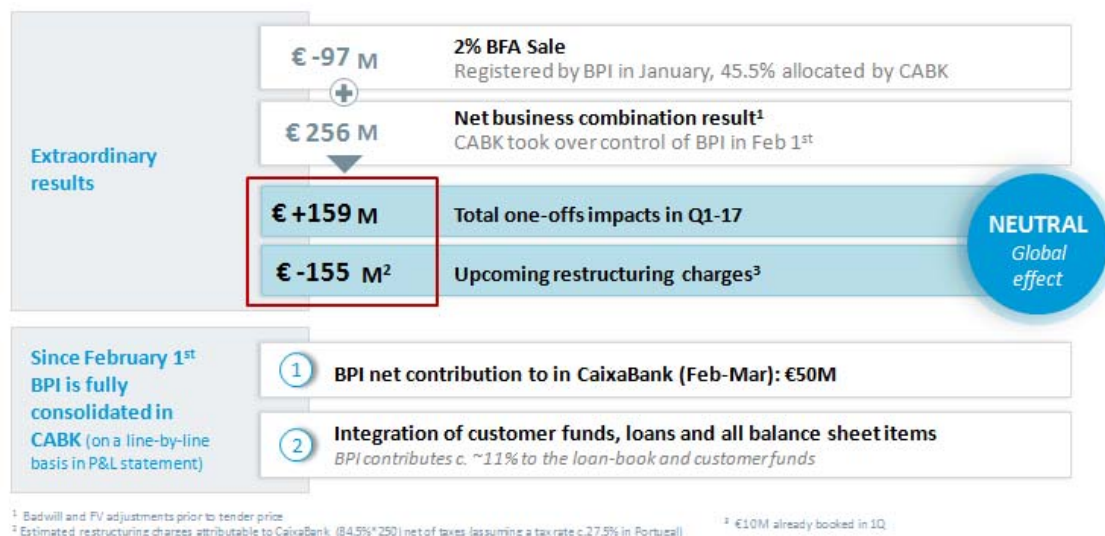
Real estate assets held for rent amounted to €3,088 million, net of provisions. The portfolio has an occupancy rate of 90%.

## Full consolidation of the 84.5% stake in BPI

In accordance with applicable accounting law, 7 February 2017 has been 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 (45.5%). In the last two months (February and March), BPI has contributed €50 million to CaixaBank's total earnings.

Meanwhile, 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. After reporting a net attributable loss of €97 million following BPI's sale of 2% of BFA, the Group's consolidated income statement includes a positive net impact in the quarter of €159 million.

This net result will allow the Group to meet future restructuring costs, which were estimated at €155 million net attributable to the Group (€250 million gross) in the announcement of the takeover bid. It is therefore estimated that the acquisition will have a neutral overall impact on the financial statements.



The impact on capital of the acquisition of Portuguese bank BPI (-108bp) had already been covered in advance in 2016 through the sale of treasury shares totalling €1,322 million. Following the acquisition, the CaixaBank Group had a fully-loaded Common Equity Tier 1 (CET1) ratio of 11.5% at 31 March 2017, within the 11-12% band envisaged in the 2015-2018 Strategic Plan.

Meanwhile, fully-loaded total capital was 15.1%, exceeding the 14.5% target established in the Strategic Plan. This ratio improved in the quarter (+67bp) following the placement of €1,000 million in subordinated bonds on the institutional market.



## Welfare Projects: Budget of €10 million

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In the first quarter of 2017, the "la Caixa" Banking Foundation reached various milestones in all three of its priority areas of action: **social work, research and the dissemination of culture and knowledge**. The Foundation's budget has been raised from the €500 million allowance of the past nine years to **€10 million** this year round, as a further show of its ongoing commitment to its foundational pursuits.

This increase is envisaged in the **2016-2019 Strategic Plan** of the Banking Foundation, which directly manages and oversees Welfare Projects and pools together at CriteriaCaixa all the shareholdings of the "la Caixa" Group, including CaixaBank.

Under this plan, **ground-breaking social programmes intended to bring about change** from the backbone of the Foundation's work. Key initiatives here include **CaixaProinfancia**, which aims to tackle problem of child poverty. Between January and March of this year, the programme has already reached out to **approximately 37,000 vulnerable children**. The scope of the initiative has now been expanded to reach new cities, including Burgos and Valladolid.

### Over 5,000 job opportunities

**Job market inclusion** is another of the strategic pursuits of Welfare Projects, and here **Incorpora** is the flagship initiative. This project has effectively provided a total of **5,327 jobs** in the first quarter to people at risk or facing job market exclusion, thanks to the collaboration and support of **2,685 companies**.

Welfare Projects also has a specific initiative up and running to help prison inmates nearing the end of their sentence to re-join society and find a job: **Reincorpora**. The Spanish Minister of Home Affairs, **Juan Ignacio Zoido**, and the chairman of the "la Caixa" Banking Foundation, **Isidro Fainé**, have recently signed a deal to renew this programme over 2017, which will mean devising job market insertion plans for **1,500 inmates** at a cost of **€4.1 million**.

Within the framework of the **Volunteering** programme of "la Caixa", a further milestone was reached in the quarter: **Social Outreach Week**, which managed to mobilise **11,222 employees** from CaixaBank and the Banking Foundation. Through this pioneering solidarity initiative, our employees took part as volunteers in over 3,700 activities at 1,500 different entities and organisations from all across Spain.

**Providing easier access to housing is another strategic priority under the Strategic Plan**. Through different initiatives, **the "la Caixa" Group already has upwards of 33,000 flats available**. These homes, with monthly rents starting at €85, are available all over Spain for low-income people and households.

On the subject of healthcare, Welfare Projects have extended its aid programme for people with advanced illnesses to a total of **115 hospitals** and 129 home care support units. Between January and March, **over 5,700 patients** received psychological and social support.

Similarly, the "la Caixa" Banking Foundation and the Telefónica Foundation are continuing to work together on their joint **ProFuturo project**. During the first quarter, a delegation visited the refugee camps in Lebanon with the aim of setting up the project there.

The **eduCaixa** programme has now reached out to over **670,000 pupils from a total of 4,154 Spanish schools**. The initiative offers innovative, practical and easy-access educational resources, with programmes designed to hone entrepreneurial skills, boost careers in science and disseminate art and culture.

Turning to international projects and ventures, highlights for the quarter include the success of the fund-raising campaign for the **Child Vaccination Programme**, through CaixaBank's Private Banking arm. In the first quarter, 94 companies made a combined contribution of **€128,000**, three times the amount raised a year ago. Meanwhile, 580 Private Banking customers have contributed a total of **€170,000** between them, ten times the amount obtained in 2016.

### **Commitment to cutting-edge research and cultural outreach**

The Banking Foundation's ongoing commitment to research is **focused on health and other challenges facing the human race**, such as climate change and social change. It pursues these objectives through three lines of action: offering grants to promising young scientists; providing aid to research centres and projects; and transferring research results to society.

Key highlights in the quarter in the realm of research included the start-up of a ground-breaking study for the early detection of **Alzheimer's** in people with Down syndrome, in partnership with Hospital de la Santa Creu i Sant Pau; helping the Catalan Institute of Oncology devise **more effective treatments for lung tumours**; the presentation of a trial headed by IrsiCaixa for a **therapeutic vaccine against HIV**, which has enabled five people to control the virus without having to undergo treatment; championing a project on **brain health** alongside Instituto Guttman; and, last but not least, unveiling the new incarnation of **Instituto de Salud Global de Barcelona**.

Meanwhile, the *Talking Brains. Programmed to talk* exhibition was opened at **CosmoCaixa** and the **Social Observatory of "la Caixa"** has published a second dossier on *Youth unemployment and poverty, a structural problem?*

In the cultural sphere, the main milestone for the quarter was the unveiling of **CaixaForum Seville**, the work of architect **Guillermo Vázquez Consuegra**. Spanning 7,500 square metres, the building is now the third largest CaixaForum venue behind Barcelona and Madrid.

Notable exhibitions opened between January and March include ***The Pillars of Europe. The Middle Ages at the British Museum*** (CaixaForum Barcelona), ***Ramon Casas. A much-yearned modernity*** (CaixaForum Madrid), ***Ming. The Golden Empire*** (CaixaForum Zaragoza) and ***Gabriel Casas. Photography, information and modernity, 1929-1939*** (CaixaForum Palma).