

Business Activity and Results

January-December

2016



CaixaBank

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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 close of 2016 and 2015, and the corresponding breakdowns of these, 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.

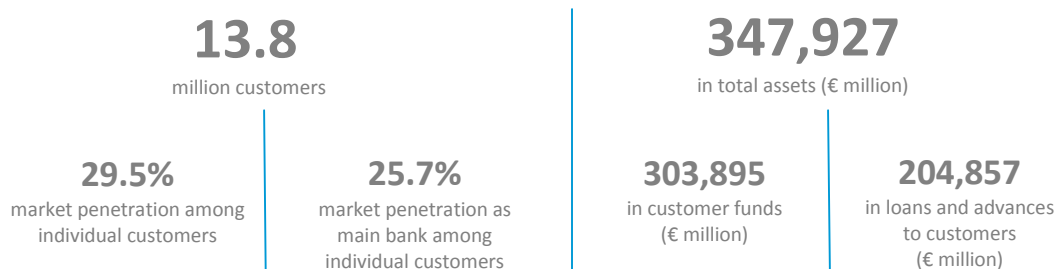
Figures are presented in millions of euros unless the use of another monetary unit is stated explicitly, and may be expressed as either million euros or € million.

Regulatory changes: The basis of presentation for the balance sheet and income statement has been established in accordance with Circular 5/2015 of the Spanish securities market regulator (CNMV). Figures relating to 2015 and the first quarter of 2016 have been restated due to the change in disclosures ushered in by CNMV Circular 5/2015.

In relation to the income statement for 2015 and for the first quarter of 2016, the entry into force of Bank of Spain Circular 5/2014 in the first half of 2016 has resulted in the reclassification of gains and losses on the purchase and sale of foreign currency, which are no longer presented under Gains/(losses) on financial assets and liabilities and others, but instead under Net fee and commission income. Also as a result of the changes introduced by the Circular, gains and losses on sales of strategic holdings are no longer presented under Gains (losses) on disposal of assets and other, but instead under Gains/(losses) on financial assets and liabilities and other.

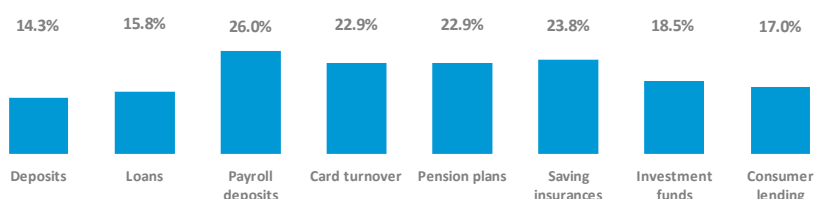
In accordance with the Guidelines on Alternative Performance Measures (APMs) published by the European Securities and Markets Authority on 30 June 2015 (ESMA/2015/1057), the appendices hereto include provide definitions of certain alternative financial measures and, where appropriate, the reconciliation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

Top retail bank in Spain

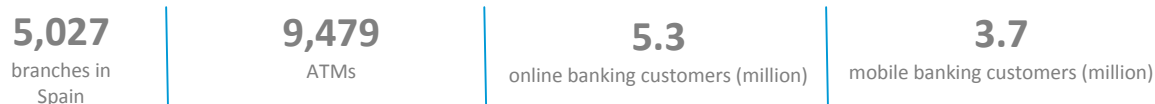


Commercial strength

with high market shares in the main retail products and services



Omnichannel platform



Solid balance sheet indicators

LIQUIDITY

50,408

High quality liquid assets (€ million)

160%

Liquidity coverage ratio

CAPITAL MANAGEMENT

12.4%

fully loaded CET1

13.2%

regulatory CET1

RISK MANAGEMENT

-2,346

(€ million) of NPLs in the last twelve months

47%

NPL coverage ratio

6.9 %

NPL ratio

60%

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

Profitability and cost-to-income

+1,979

banking and insurance business

1,047

profit attributable to the Group (€ million) (+28.6% vs 2015)

+193

investees

-1,125

non-core RE activity

51.0%

cost-to-income ratio, stripping out extraordinary expenses

5.6%

ROTE

10.8%

ROTE for banking and insurance business

Key figures⁽¹⁾

€ million	January - December		Annual	4Q16	Quarterly
	2016	2015	Change		Change
INCOME STATEMENT HEADINGS					
Net interest income	4,157	4,353	(4.5%)	1,077	3.5%
Fees and commissions	2,090	2,115	(1.2%)	544	1.6%
Gross income	7,827	7,824	0.0%	1,888	(0.1%)
Recurring expenses	(3,995)	(4,063)	(1.7%)	(998)	0.2%
Pre-impairment income stripping out extraordinary expenses	3,832	3,761	1.9%	890	(0.4%)
Pre-impairment income	3,711	3,218	15.3%	890	15.1%
Profit/(loss) before tax	1,538	638	141.0%	224	(47.3%)
Profit/(loss) attributable to the Group	1,047	814	28.6%	77	(76.9%)
BALANCE SHEET					
BALANCE SHEET					
€ million	December	September	December	Quarterly	Annual
	2016	2016	2015	Change	Change
Total assets	347,927	342,863	344,255	1.5%	1.1%
Equity	23,556	23,555	25,205	0.0%	(6.5%)
Customer funds	303,895	299,673	296,599	1.4%	2.5%
Loans and advances to customers, gross	204,857	205,100	206,437	(0.1%)	(0.8%)
EFFICIENCY AND PROFITABILITY (last 12 months)					
Cost-to-income ratio	52.6%	54.9%	58.9%	(2.3)	(6.3)
Cost-to-income ratio stripping out extraordinary expenses	51.0%	53.3%	51.9%	(2.3)	(0.9)
ROE	4.5%	3.7%	3.4%	0.8	1.1
ROTE	5.6%	4.6%	4.3%	1.0	1.3
ROA	0.3%	0.3%	0.2%	0.0	0.1
RORWA	0.8%	0.6%	0.6%	0.2	0.2
RISK MANAGEMENT					
Non-performing loans (NPL)	14,754	15,199	17,100	(445)	(2,346)
Non-performing loan ratio	6.9%	7.1%	7.9%	(0.2)	(1.0)
Non-performing loan ratio stripping out real estate developers	5.9%	6.0%	6.2%	(0.1)	(0.3)
Cost ok risk ⁽²⁾	0.46%	0.42%	0.73%	0.04	(0.27)
Provisions for non-performing loans	6,880	7,934	9,512	(1,054)	(2,632)
NPL coverage ratio	47%	52%	56%	(5)	(9)
Net foreclosed available for sale real estate assets	6,256	7,071	7,259	(815)	(1,003)
Foreclosed available for sale real estate assets coverage ratio	60%	55%	55%	5	5
LIQUIDITY					
High Quality Liquid assets	50,408	52,553	62,707	(2,145)	(12,299)
Loan to deposits	110.9%	109.3%	106.1%	1.6	4.8
Liquidity Coverage Ratio	160%	174%	172%	(14.0)	(12.0)
CAPITAL ADEQUACY					
Common Equity Tier 1 (CET1)	13.2%	13.4%	12.9%	(0.2)	0.3
Total Capital	16.1%	16.6%	15.9%	(0.5)	0.2
Risk-weighted assets (RWAs)	134,953	135,922	143,312	(969)	(8,359)
Leverage ratio	5.7%	6.0%	5.7%	(0.3)	0.0
Fully loaded Common Equity Tier 1 (CET1)	12.4%	12.6%	11.6%	(0.2)	0.8
SHARE INFORMATION					
Share price (€/share)	3.140	2.249	3.214	0.891	(0.074)
Market capitalization	18,768	13,283	18,702	5,485	66
Book value per share (€/share)	3.94	3.98	4.33	(0.04)	(0.39)
Tangible book value per share (€/share)	3.26	3.30	3.47	(0.04)	(0.21)
Number of outstanding shares excluding treasury stock (millions)	5,977	5,906	5,819	71	158
Net income attributable per share (€/share) (12 months)	0.18	0.14	0.14	0.04	0.04
Average number of shares excluding treasury stock (millions) (12 months)	5,842	5,771	5,820	71	22
PER (Price/ Profit)	17.52	16.46	22.97	1.06	(5.45)
Tangible PBV (Market value/ book value of tangible assets)	0.96	0.68	0.93	0.28	0.03
BANKING BUSINESS AND RESOURCES (Units)					
Customers (millions)	13.8	13.8	13.8	0.0	0.0
CaixaBank Group Employees	32,403	32,315	32,242	88	161
Branches in Spain	5,027	5,089	5,211	(62)	(184)
Of which: retail branches	4,851	4,914	5,034	(63)	(183)
ATMs	9,479	9,476	9,631	3	(152)

(1) See indicator definitions in Appendices - Glossary.

(2) The ratio for December of 2016 excludes the release of provisions carried out in the fourth quarter of 2016.

Key Group information

in 2016

Our Bank

Leadership

- CaixaBank **has cemented its leadership** by successfully increasing its market penetration¹: 29.5% of retail customers receive one or more services from our bank (+1.2pp) and we are the main bank for 25.7% (+1.7pp).
- **Commercial strength with high market shares² across all the main retail products and services.**
 - CaixaBank has market shares of 15.8% and 14.3% for lending and customer deposits, respectively.
 - **Sustained growth in the payroll deposits market share**, a key indicator of customer loyalty, to reach 26.0% (+107bp).
 - CaixaBank's share of the **investment fund** market stands at 18.5% (+54bp), where it **leads the way in both number of fund investors and assets under management**.
 - **Leadership when it comes to savings insurance and pension plans, with both market shares up:** +116 basis points to 23.8% and +139 basis points to 22.9%, respectively.

Expertise and quality

- Named **Best Bank in Spain 2016** by Global Finance for the second year in a row and by The Banker.
- Named **Best private bank in Spain** by Euromoney as part of its 2016 Private Banking Survey.
- **CaixaBank successfully renews its European EFQM 500 Excellence Model.**
- CaixaBank Asset Management handed the Fundclass award for best Spanish fund manager in its category.

Omnichannel approach and innovation

- Leading national and international entity in **online banking market penetration¹, (32.4%)**, with 5.3 million customers³.
- Mobile banking with 3.7 million customers and year-on-year growth of 16%.
- Most extensive network in Spain with 5,027 branches (4,851 retail branches) and a total of 9,479 ATMs.
- Spain's foremost card issuer with 15.2 million cards in circulation (22.9% market share² in card turnover).
- Named **World's most innovative bank** by EFMA and **Best private bank in digital communication** by the Banker.
- Recognised by The Banker as the world's best financial institution when it comes to innovation strategy and world's best technology project following the launch of **imaginBank in 2016**.
- Awarded first prize by Forrester Research at its **2016 European Mobile Banking Functionality Benchmark** and also handed the award for **Best Mobile Banking** at the Retail Banker International Awards.

CaixaBank is the main bank for one out of every four retail customers in Spain.

Value propositions tailored to each business segment

CaixaBank views innovation as a strategic challenge and it is a hallmark of its culture

(1) Market penetration last twelve months. Source: FRS Inmark. Online banking penetration according to comScore MMX.

(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).

Sustainable and socially responsible banking model

- CaixaBank has **consolidated its position as one of the world's most responsible banks**:
 - **The Bank continues to climb up the Dow Jones Sustainability Index** (up 5 bp on 2015 to a score of 88 out of 100) and has obtained a perfect score in key areas such as financial stability, information security and climate change strategy.
 - Named **Best Responsible Bank by Euromoney** for its commitment to the socio-economic development of both people and the regions where it is present.
- **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).
- **As part of its responsible bank strategy**, CaixaBank is firmly committed to financial inclusion, granting microcredits and promoting its Social Housing Programme.

Business activity

- **Growth of 2.5% in customer funds** in the year to reach €303,895 million (+1.4% in the quarter).
- **Loans and advances to customers, gross**, stood at €204,857 million (-0.8% in 2016), remaining stable in the fourth quarter (-0.1%). **Performing loan portfolio up 0.4% in 2016**.

Results

- **Attributable profit amounted to €1,047 million**, up 28.6% year on year.
- **Gross income stood at €7,827 million**, equal to 2015 in a climate of rock-bottom interest rates, market volatility and with high levels of income generation on insurance contracts and from investees.
- **Recurring administrative expenses, depreciation and amortisation was down 1.7%** on the back of efforts to streamline and pare back costs.
- **Extraordinary costs** of €121 million reported in connection with the labour agreement. A total of €543 million associated with the integration of Barclays Bank, SAU and the labour agreement was recognised in 2015.
- **Growth of 15.3% in pre-impairment income to reach €3,711 million** (+1.9% stripping out extraordinary expenses).
- Estimated coverage for insolvency risk after developing internal models, consistent with Circular 4/2016, reduces required provisioning for the loan portfolio by €676 million.

Thanks to improving asset quality indicators and the above-mentioned release of allowances for insolvency risk, along with coverage of other risks, **impairment losses on financial assets and other provisions were down 57.5%**. The cost of risk stood at 0.46% (-27bp in 2016)¹.
- **Gains/(losses) on disposal of assets and other** mainly comprises proceeds on asset sales and write-downs relating to the real estate portfolio. The year-on-year change was largely down to the €656 million in provisioning covering the foreclosed real estate portfolio available for sale following the application of internal models, consistent with Circular 4/2016, as well as a number of one-off impacts associated with the acquisition of Barclays Bank, SAU in 2015.
- **Income tax expense** included, in the fourth quarter of 2016, a total of €-149 million following the changes ushered in by the tax reform enacted by Royal Decree-Law 3/2016.

Total assets amounting to €347,927 million (+1.1%)

Profit attributable to the Group up 28.6%

Cost-to-income ratio, excluding extraordinary expenses, improves to 51.0% (-89bp)

(1) Excludes the release of provisions in the fourth quarter of 2015.

- **Profit from the banking and insurance business amounted to €1,979 million (+23.4%)**, excluding the non-core real estate and equity investment businesses.

Balance sheet strength

Risk management

- **Sustained reduction in non-performing loans** (down €2,346 million in 2016) and **improvements in the non-performing loan (NPL) ratio** to 6.9% (5.9% if we exclude the real estate developer segment), both showing the improving quality of the loan portfolio.

The coverage ratio of the NPL ratio stood at 47%.

- **The net portfolio of foreclosed real estate assets available for sale fell to €6,256 million** (down €1,003 million in 2016 in response to the improvements in provisions). The portfolio coverage ratio stood at 60%.¹

Fewer additions to the portfolio of foreclosed real estate assets and high levels of sales and rentals of real estate assets (€1,809 million). Positive proceeds on sales since the fourth quarter of 2015 (5% on the sale price in 2016).

Net foreclosed assets held for rent amounted to €3,078 million, with an occupancy ratio of 91%.

Liquidity

- Robust retail lending structure, with a loan-to-deposits ratio of 110.9%.
- High quality liquid assets totalled €50,408 million.
- Liquidity Coverage Ratio of 160%, double the minimum requirement of 80% from 2017 onward.

Capital management

- **The fully-loaded Common Equity Tier 1 (CET1) ratio was 12.4%**, up 98 basis points following the private placement of treasury shares made among qualified investors² with the aim of strengthening capital adequacy within the context of the takeover bid to acquire Banco BPI discussed further below.
- According to the criteria in force in 2016 for the phased-in implementation, regulatory capital and leverage were: **13.2% CET1 and 16.1% total capital, with a leverage ratio of 5.7%**.

Tender offer for Banco BPI

- On 18 April 2016, CaixaBank announced that its Board of Directors had decided to launch a non-hostile takeover bid to acquire Banco BPI (BPI). The offered price was set at €1.113 per share and was subject to: the Portuguese bank lifting its voting cap; CaixaBank eventually obtaining more than 50% of BPI's share capital; and securing the regulatory clearance. This price was equivalent to the weighted average of the quoted price of BPI shares over the six-month period leading up to the announcement of the tender offer.

The General Shareholders' Meeting of BPI agreed to lift the cap on voting rights at a meeting held on 21 September 2016. Following the decision to lift the cap and because at that time CaixaBank's equity interest exceeded 33.3% in the share capital of BPI, the Portuguese Comissão do Mercado de Valores Mobiliários (stock market commission) decided to end the exemption previously granted to CaixaBank in 2012 (temporarily releasing it from its obligation to launch a mandatory bid for the shares in BPI), thus requiring CaixaBank to effectively launch the takeover bid. This means that the planned takeover of BPI, which was initially envisaged as a voluntary move,

Ongoing
improvement in
asset quality
indicators

(1) Initial loan write-downs and charges to provisions subsequent to the real estate foreclosure divided by the debt cancelled during the foreclosure.

50% coverage including only charges to provisions made subsequent to the real estate foreclosure.

(2) See section on Significant Events

became compulsory and the share price was raised to €1.134, equivalent to the weighted average of the quoted price of BPI shares over the six-month period leading up to 21 September 2016.

In order to improve CaixaBank's regulatory capital ratio within the context of the takeover bid, and in view of the capital objective defined in the current strategic plan (fully-loaded Common Equity Tier 1 (CET1) capital of 11-12%), on 22 September 2016 the relevant terms and conditions were established for the sale of treasury shares worth €1,322 million and equivalent to 9.9% of CaixaBank's share capital through a private placement among qualified investors.

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. This deal had been previously approved at the extraordinary General Shareholders' Meeting of BPI on 13 December 2016. The arrangement will allow 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.

On 16 January 2016, the CNVM filed the prospectus for the above mentioned mandatory takeover bid. The acceptance period is due to end on 7 February 2017.

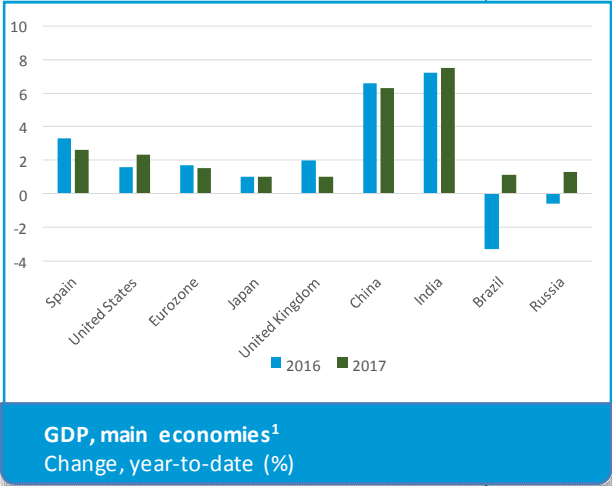
Macroeconomic trends

Global economic climate and markets

In 2016, the global economy posted 3.1% growth despite a complicated financial and political backdrop that saw a succession of uncertainty shocks and heavy volatility in the financial markets. In the first six months, the panorama was dominated by uncertainty surrounding the Chinese exchange rate policy and falling oil prices, while in the latter half of the year the real talking point and cause of concern was the Brexit vote and, in late 2016, Donald Trump's victory in the presidential elections that took place in the United States. From this point forward, CaixaBank Research expects global growth to climb to 3.4% in 2017 and to 3.6% in 2018, on the back of international trade, rallying commodities (which will help kick-start growth in many emerging nations, but will not overly burden importers as the recovery will be only moderate) and a global improvement in macroeconomic imbalances. Meanwhile, inflation will not move far from the all-time lows reported in 2015-2016, although it will see some gains in 2017 in response to rising commodity prices.

Despite this reasonably positive global macroeconomic trend, we have seen a mixed bag of results by country. Among emerging nations, China remains on course for lower levels of growth, although lingering doubts concerning the state of its banking sector, combined with persistent capital flight and a real estate bubble, allow no room for complacency. Brazil remains mired in a deep recession and also has serious political issues to overcome, while Russia finally started to shake off its recession in late 2016. Macroeconomic imbalances remain in a number of other emerging economies, including Turkey and South Africa, making them vulnerable to external shocks. Meanwhile, in the United States, the winning combination of practically full employment, wage increases and rallying inflation were surely a clear sign that the Federal Reserve was to press forward with its monetary normalisation process. Instead, the Fed hiked its reference rate on just one occasion at year-end, likely in response to the uncertainty shocks just discussed. Looking ahead to 2017, the panorama will be dominated by uncertainty surrounding the new administration's approach to policy, though it certainly appears Trump will adopt a pragmatic stance when acting on his agenda. CaixaBank Research envisages a fiscal stimulus with a moderate impact on growth and inflation, increasing the likelihood of further interest rate hikes by the Fed. Last but not least, Japan, continues to report sluggish economic growth, despite the country's best efforts to achieve nominal growth through monetary policy.

Gentle global growth at year end



Marked uncertainty over the direction the Trump administration will take when it comes to economic policy

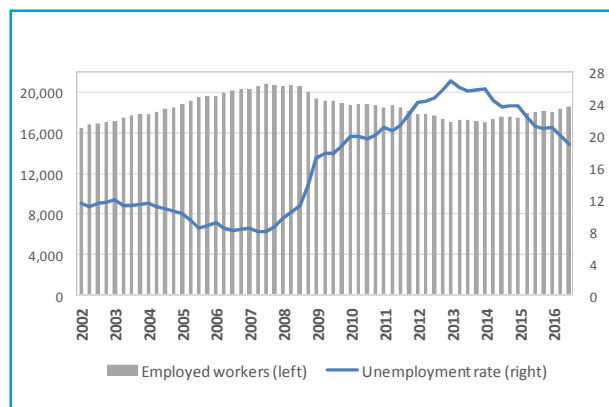
Economic scenario - Europe and Spain

In the euro area, economic activity continued to steadily improve over the course of 2016. While growth was hardly spectacular, it did manage to live up to potential growth despite having to cope with a major uncertainty shock, namely Brexit. On balance, figures show that the real economic impact of Brexit has, as least so far, been largely confined to the United Kingdom. The economic expansion we have seen has largely come on the back of temporary support factors, such as falling commodity prices (versus 2015) and the depreciation of the euro or the quantitative easing of the ECB. Important here are the measures adopted by the central bank in 2016, particularly the steps taken in March (lowering rates, expanding the monthly purchase programme to 80 billion euros through to March 2017, bringing corporate debt within the scope of the programme and holding new bank liquidity auctions) and also in December, when it was announced that the purchase programme would be extended through to December 2017 and the purchase volume lowered to 60 billion euros from April 2017 onward.

Despite the Brexit aftershock, economic activity across the eurozone saw steady improvements in 2016

(1) For India, tax year. Source: CaixaBank Research.

Against this complicated backdrop, with major sources of global uncertainty but also with positive global and European growth, Spain fared particularly well. Economic growth in the country looks to have gained 3.2%, a high figure and one that can be added to a similarly positive showing in 2015 (growth of 3.2%). In this expansionary stage, Spain's healthy domestic demand is largely down to the improvements seen in private consumption. Improvements in the labour market (500,000 jobs created in 2016, a similar figure to 2015) and better funding conditions continue to push up the available income of Spanish households, in turn paving the way for consumption to continue growing at a healthy pace and for the household deleveraging process to continue. Meanwhile, capital expenditure has slowed down somewhat, although it still remains high, and investment in construction is steadily picking up.



Spain: employed workers and unemployment rate¹
Number in thousands and rate in %

Meanwhile, public spending once again set an expansive tone in 2016. Although this will boost economic growth in the short term, there are also significant implications for public debt, which is now on a par with GDP. In fact, the state of the public coffers has been reassessed by the European Commission upon spotting a considerable difference between the public deficit in 2015 and the target previously agreed upon. In July, Spain successfully avoided sanctions from the European Commission for missing its deficit targets. This leniency comes in response to the Spanish Government's announcement of adjustment measures aimed at reaching a set of new deficit targets (4.6% of GDP in 2016 and 3.1% in 2017). This effectively means that the deadline for ending its excessive deficit situation has been extended for a further two years.

In relation to the other macroeconomic imbalances, highlights included a clear improvement in foreign trade and a steady normalisation of inflation. Here, the current account balance looks to have ended 2016 at around 2% of GDP; a healthy figure and one that comfortably exceeds the 1.4% reported in 2015. The increase in the current account surplus was largely down to the falling energy bill and, to a lesser extent, the drop in the income deficit. Meanwhile, inflation managed to overcome its recent history of negative growth and began to improve towards the end of the year by shaking off the knock-on effect of falling oil prices in late 2015.

As for the outlook for 2017, the subject of how Brexit will be negotiated remains a source of considerable concern. CaixaBank Research envisions a scenario in which the United Kingdom and the EU reach an agreement that provides reasonable access to each other's domestic markets, but with certain restrictions when it comes to freedom of movement. In this context, the party that will come off worse will be the UK, where growth will fall from 2.0% in 2016 to 1.0% in 2017 due to the inevitable uncertainty among investors and the impact of the pound's depreciation on inflation and on the purchasing power of households and companies alike. Although Brexit will have a much more muted impact on the rest of the euro area, there are significant political risks that could materialise when it comes to the election calendar (Germany, France, The Netherlands and perhaps Italy). On balance, the euro area will see 1.5% growth in 2017, falling somewhat short of the 1.7% seen in 2016. All things said, we are talking about a mild slowdown, due to the conspicuous absence of a number of significant one-off factors in 2016 that helped fan growth, such as falling oil prices. Turning to inflation, we expect to see an improved showing in 2017 in response to growing domestic demand and the likely increase in oil prices. On balance, the forecast figures (1.4%) will still be some way from the 2% target set by the ECB, thus prompting Europe's central bank to announce in late 2016 the extension of its asset purchase programme throughout all of 2017, albeit with a slightly lower ceiling.

Turning to the Spanish economy, economic growth is expected to reach 2.6% in 2017. This healthy level will enable the nation's economy to exceed the GDP levels it reported in 2008 on the eve of the recession. The economy will also continue to enjoy tailwinds. In particular, the recovery of bank lending on the back of the ECB's expansionary monetary policy, coupled with the improvements seen in the real estate sector and the favourable impact of the structural reforms made to date, will continue to fuel growth. The country's commitment to honouring the new deficit targets will strengthen the belief held by the international community that the Spanish economy will be able to report sustained growth in the long term.

Fuelled by one-off impacts, the Spanish economy enjoyed considerable growth during the year

(1) CaixaBank Research, based on INE data (Labour Force Survey).

Results

Income statement

Year-on-year performance

€million	January - December		Change %
	2016	2015	
Interest income	6,753	8,372	(19.3)
Interest expense	(2,596)	(4,019)	(35.4)
Net interest income	4,157	4,353	(4.5)
Dividend income	199	203	(2.0)
Share of profit/(loss) of entities accounted for using the equity method	629	375	67.5
Net fee and commission income	2,090	2,115	(1.2)
Gains/(losses) on financial assets and liabilities and others	848	863	(1.7)
Income and expense arising from insurance or reinsurance contracts	311	214	44.8
Other operating income and expense	(407)	(299)	36.1
Gross income	7,827	7,824	0.0
Recurring administrative expenses, depreciation and amortisation	(3,995)	(4,063)	(1.7)
Extraordinary expenses	(121)	(543)	(77.7)
Pre-impairment income	3,711	3,218	15.3
Pre-impairment income stripping out extraordinary expenses	3,832	3,761	1.9
Impairment losses on financial assets and other provisions	(1,069)	(2,516)	(57.5)
Gains/(losses) on disposal of assets and others	(1,104)	(64)	
Profit/(loss) before tax	1,538	638	141.0
Income tax expense	(482)	181	
Profit/(loss) for the period	1,056	819	28.9
Profit/(loss) attributable to minority interest and others	9	5	101.6
Profit/(loss) attributable to the Group	1,047	814	28.6

- **Net interest income** amounted to €4,157 million (-4.5% year on year), mainly as a result of:
 - Lower financing costs on retail savings, especially maturity deposits, the cost of which has fallen from 1.01% in 2015 to 0.53% in 2016 (-48bp). Plus the lower cost of institutional financing due to lower volumes and rates.
 - The change in income was down to lower returns on the loan portfolio in response to the drop in market interest rates, the removal of floor clauses from mortgage loan contracts arranged with consumers in the second half of 2015, and muted activity in relation to the fixed-income ALCO portfolio.
- Income from equity investments stood at €828 million (+43.1%) thanks to the improved contribution from Repsol in comparison to 2015, where it reported extraordinary provisions as well as lower revenues from The Bank of East Asia and Grupo Financiero Inbursa following the swap agreement signed with CriteriaCaixa.
- **Fee and commission income** generated a notable €2,090 million, down 1.2% largely in response to market volatility, especially in the first quarter of 2016, as well as lower transaction volumes and the increased income from one-off transactions recognised in 2015.
- **Gains/(losses) on financial assets and liabilities and other** yielded gains of €848 million (-1.7%), including proceeds on the Visa Europe Ltd transaction, in 2016 (€165 million).

- **Sustained growth in income arising from insurance contracts** (€311 million, up 44.8%) mainly in response to the increase in commercial life risk insurance activity.
- **Other operating income and expense** shows, among other items, the contribution paid to the Single Resolution Fund¹ and to the Spanish Deposit Guarantee Fund. The change here was partly down to the fact that more one-off income was reported in 2015.
- Thanks to the strength of the commercial network against a backdrop of interest rates at all-time lows, **gross income** totalled €7,827 million, in line with 2015.
- **Recurring operating expenses, depreciation and amortisation** were down 1.7% after successfully unlocking synergies and implementing cost reduction measures.

A total of €121 million was reported in connection with the labour agreement signed in the third quarter of 2016 to streamline the workforce. In 2015, costs of €543 million were recognised in relation to the integration of Barclays Bank, SAU and the labour agreement.

- **Pre-impairment income was up 15.3% to €3,711 million** (+1.9% excluding extraordinary expenses). Improvement in the **cost-to-income ratio without extraordinary expenses**, which stood at 51.0% (down 89bp in the year).
- **Significant drop in impairment losses on financial assets and other provisions (-57.5%).**

Allowances for insolvency risk down by 80.3% thanks to ongoing improvements in asset quality, as well as the release of provisions in the fourth quarter (€676 million).

Other charges to provisions (-18.4%) includes coverage for future contingencies and impairment of financial assets. In 2016, this heading includes a provision of €110 million to provide further coverage in relation to floor clauses (in addition to the provision of €515 million already reported in 2015), as well as €160 million associated with the early retirement agreement reached in the second quarter.

- **Gains/(losses) on disposal of assets and others** includes, among other items, the proceeds from the sale of assets and other write-downs, mostly real estate. CaixaBank recognised provisions of €656 million in the fourth quarter of 2016 to cover real estate assets after applying internal models.

In 2015, it included the negative goodwill on consolidation of Barclays Bank, SAU (€602 million) and asset impairment due to obsolescence associated with the integration process (€64 million).

- With respect to **Income tax expense**, double taxation avoidance principles are applied to income contributed by investees, with a significant impact on the first quarter of 2015 following the recognition of the negative goodwill on consolidation of Barclays Bank, SAU.

The fourth quarter of 2016 includes an impact of €-149 million due to the changes made by the recent tax reforms, which impose restrictions on the deductibility of losses on transfers of shares and other equity interests.

- **Profit attributable to the Group** for 2016 amounted to **€1,047 million, up 28.6%** year on year.

(1) In January 2016, the Spanish National Resolution Fund was merged with the other national funds of euro area member states to form an EU-wide Single Resolution Fund (SRF). Contributions from 2016 onward are to be made to this European fund.

Quarterly performance

€ million	4Q15	1Q16	2Q16	3Q16	4Q16
Interest income	1,965	1,699	1,649	1,687	1,718
Interest expense	(920)	(679)	(628)	(648)	(641)
Net interest income	1,045	1,020	1,021	1,039	1,077
Dividend income	91	5	103	5	86
Share of profit/(loss) of entities accounted for using the equity method	(127)	132	160	145	192
Net fee and commission income	515	488	522	536	544
Gains/(losses) on financial assets and liabilities and others	151	268	325	125	130
Income and expense arising from insurance or reinsurance contracts	61	64	76	74	97
Other operating income and expense	(268)	(55)	(80)	(34)	(238)
Gross income	1,468	1,922	2,127	1,890	1,888
Recurring administrative expenses, depreciation and amortisation	(997)	(1,003)	(999)	(995)	(998)
Extraordinary expenses				(121)	
Pre-impairment income	471	919	1,128	774	890
Pre-impairment income stripping out extraordinary expenses	471	919	1,128	895	890
Impairment losses on financial assets and other provisions	(754)	(410)	(502)	(265)	108
Gains/(losses) on disposal of assets and others	16	(133)	(114)	(83)	(774)
Profit/(loss) before tax	(267)	376	512	426	224
Income tax expense	87	(101)	(142)	(90)	(149)
Profit/(loss) for the period	(180)	275	370	336	75
Profit/(loss) attributable to minority interest and others	2	2	5	4	(2)
Profit/(loss) attributable to the Group	(182)	273	365	332	77

- **Net interest income up 3.5%** to €1,077 million, largely aided by sound management of retail costs and a reduction in the balance and cost of maturity deposits (-13bp), and up 3.0% on the same quarter of 2015.
- **Income from equity investments** mainly impacted by the effect of the Telefónica dividend in the second and fourth quarters of 2016, as well as the impact attributed to the extraordinary Repsol provisions made in the fourth quarter of 2015.
- Robust **fee and commission income** (€544 million in the fourth quarter of 2016, +1.6% quarter on quarter and +5.7% on the same quarter of 2015). The quarterly change reflects the increased income obtained from investment funds and non-life insurance products.
- **Gains/(losses) on financial assets and liabilities and others** of €130 million (+6.1%).
- **Growth in income arising from insurance contracts** (+31.4% quarter on quarter and +57.6% on the same quarter of 2015) to reach €97 million thanks to the Bank's ongoing commercial efforts and the conclusion of the reinsurance contract for the personal risk-life insurance portfolio of VidaCaixa signed in the fourth quarter of 2012 (€20 million).
- **Other operating income and expense** included, in the second quarter of 2016, the contribution paid to the European Resolution Fund (€74 million) and, in the fourth quarter, the contribution paid to the Spanish Deposit Guarantee Fund (€187 million). In the last quarter of 2015, the heading included the contribution to the National Resolution Fund as well as to the Deposit Guarantee Fund.
- **Recurring administrative expenses, depreciation and amortisation** stood at €998 million.
A total of €121 million in extraordinary expenses associated with the labour agreement was recognised in the third quarter of 2016.
- **Pre-impairment income** amounted to €890 million (up 15.1% quarter on quarter, but down 0.4% stripping put extraordinary expenses).
- **Impairment losses on financial assets and other provisions** in the fourth quarter include the impact of the reversal of insolvency provisions discussed previously as well as the additional provisioning carried out in connection with floor clauses, among other factors.

- **Gains/(losses) on disposal of assets and others** includes the recognition of real estate provisions. Proceeds on the sale of available-for-sale foreclosed real estate assets were up in the fourth quarter.
- **Income tax expense** for the last quarter of 2016 reflects the impact of the recently approved tax reform.
- **Attributable profit** for the fourth quarter of 2016 amounted to €77 million.

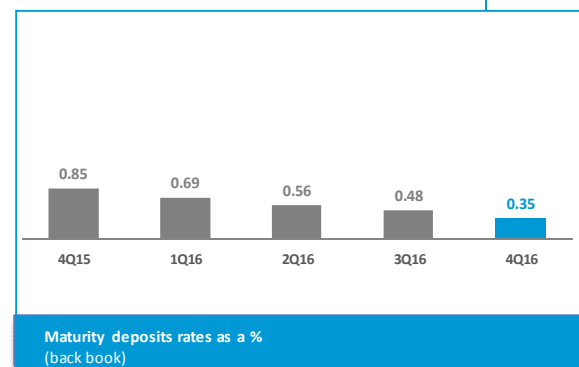
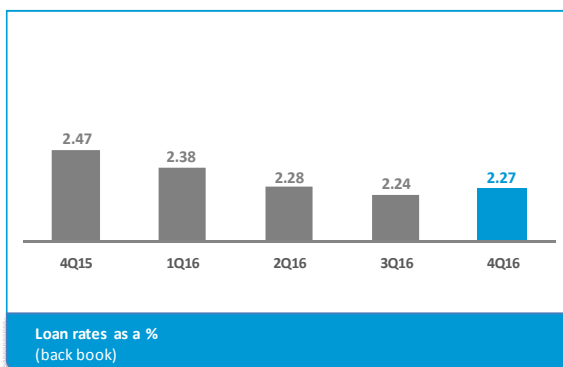
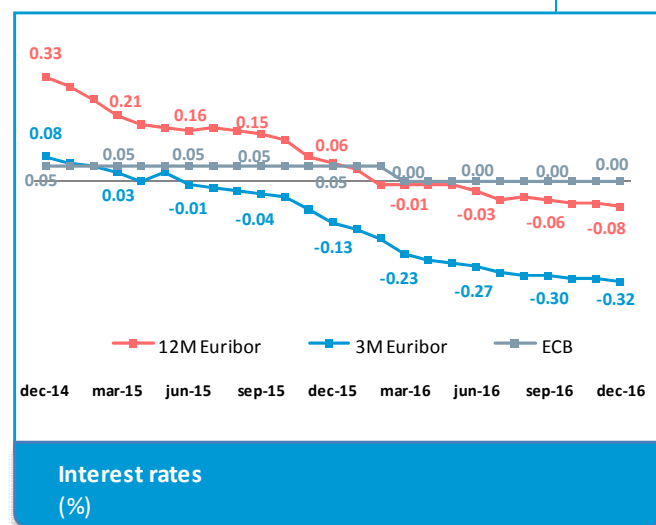
Returns on average total assets

% of annualized average total assets	4Q15	1Q16	2Q16	3Q16	4Q16
Interest income	2.28	2.01	1.96	1.97	2.02
Interest expense	(1.07)	(0.81)	(0.75)	(0.75)	(0.75)
Net interest income	1.21	1.20	1.21	1.22	1.27
Dividend income	0.11	0.01	0.12	0.01	0.10
Share of profit/(loss) of entities accounted for using the equity method	(0.15)	0.16	0.19	0.17	0.23
Net fee and commission income	0.60	0.57	0.62	0.63	0.64
Gains/(losses) on financial assets and liabilities and others	0.19	0.30	0.37	0.13	0.15
Income and expense arising from insurance or reinsurance contracts	0.07	0.08	0.09	0.09	0.11
Other operating income and expense	(0.31)	(0.06)	(0.09)	(0.04)	(0.28)
Gross income	1.72	2.26	2.51	2.21	2.22
Recurring administrative expenses, depreciation and amortisation	(1.17)	(1.18)	(1.18)	(1.16)	(1.17)
Extraordinary expenses	0.00	0.00	0.00	(0.14)	0.00
Pre-impairment income	0.55	1.08	1.33	0.91	1.05
Pre-impairment income stripping out extraordinary expenses	0.55	1.08	1.33	1.05	1.05
Impairment losses on financial assets and other provisions	(0.88)	(0.48)	(0.59)	(0.31)	0.13
Gains/(losses) on disposal of assets and others	0.02	(0.16)	(0.13)	(0.10)	(0.91)
Profit/(loss) before tax	(0.31)	0.44	0.61	0.50	0.26
Income tax expense	0.10	(0.12)	(0.17)	(0.11)	(0.18)
Profit/(loss) for the period	(0.21)	0.32	0.44	0.39	0.09
Profit/(loss) attributable to minority interest and others	0.00	0.00	0.01	0.00	(0.00)
Profit/(loss) attributable to the Group	(0.21)	0.32	0.43	0.39	0.09
<i>€ Million</i>					
<i>Average total net assets</i>	<i>341,701</i>	<i>339,616</i>	<i>338,300</i>	<i>341,425</i>	<i>338,674</i>

Gross income

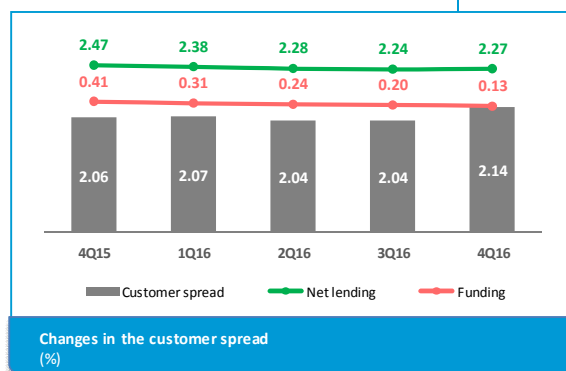
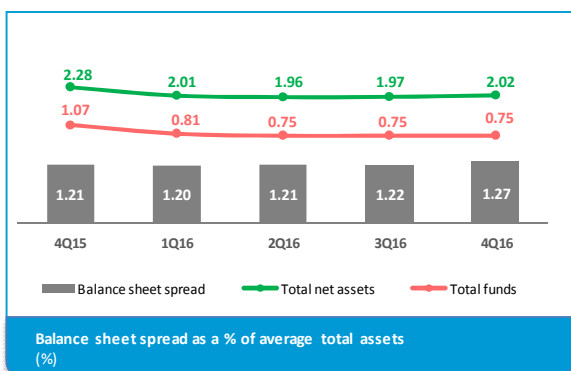
Net interest income

- **Net interest income of €4,157 million** (-4.5% year on year) against a backdrop of negative interest rates. The change here is a result of:
 - Forceful management of retail activity, prompting a **sharp drop in the cost of maturity deposits** and a lower volume and cost of wholesale financing and financing from central banks.
 - **Reduction in finance income** on lending activity in response to falling interest rates, the removal of floor clauses from mortgage loan contracts arranged with consumers in 2015, and the drop in revenue from fixed-income securities due to their lower weighting in the portfolio and a lower interest rate on the portfolio.
- **Net interest income up 3.5% quarter on quarter** due to the falling cost of retail deposits, particularly maturity deposits.
- **Returns on the loan portfolio up to 2.27%.** Against a backdrop of falling interest rates, returns on the loan portfolio gained 3 basis points in the quarter on the back of commercial flows and other one-off impacts, offsetting the negative impact of loan repricings (-2bp in the case of mortgage loans).
- The rate on new loans excluding the public sector (3.13%) was slightly down (-7bp) on the previous quarter due to the increase in weighting of loans to businesses in the fourth quarter at lower interest rates.
- **Sustained reduction in customer deposit costs thanks to the commercial drive in this direction.** The cost of maturity deposits shed 13 basis points to reach 0.35%. This reduction is down to the rate on new loans of 0.03% (-3bp quarter on quarter), 32 basis points less than the rate for the loan portfolio. The cost of demand deposits was down 1 basis point to 0.06%.



- The **customer spread** was 2.14% in the fourth quarter, showing an improvement (10 bp) on the previous quarter in response to the falling cost of deposits (-7bp) and increased returns on loans (+3bp).

The **balance sheet spread** climbed to 1.27% in the fourth quarter. The ratio of financing income to total average assets was 2.02% while the ratio of financing costs to total average assets ratio was 0.75%.



Quarterly cost and income

€ million	1Q16			2Q16			3Q16			4Q16		
	Average balance	Income or expense	Rate %	Average balance	Income or expense	Rate %	Average balance	Income or expense	Rate %	Average balance	Income or expense	Rate %
Financial Institutions ⁽¹⁾	13,573	5	0.13	12,688	7	0.22	10,790	35	1.29	9,851	38	1.52
Loans (a)	191,931	1,137	2.38	192,332	1,092	2.28	192,632	1,084	2.24	192,579	1,097	2.27
Fixed income securities portfolio	23,837	161	2.71	23,071	122	2.13	22,986	104	1.80	23,618	96	1.62
Other assets with returns ⁽²⁾	44,707	394	3.55	46,779	425	3.65	49,643	458	3.67	48,777	480	3.92
Other assets	65,568	2		63,430	3		65,374	6		63,849	7	
Total average assets (b)	339,616	1,699	2.01	338,300	1,649	1.96	341,425	1,687	1.97	338,674	1,718	2.02
Financial Institutions ⁽¹⁾	36,083	(61)	0.68	32,854	(46)	0.56	38,367	(41)	0.42	40,036	(37)	0.37
Retail customer funds (c)	172,366	(133)	0.31	177,263	(106)	0.24	173,048	(86)	0.20	169,558	(57)	0.13
Demand deposits	112,287	(30)	0.11	119,379	(25)	0.09	120,321	(22)	0.07	125,313	(18)	0.06
Maturity deposits	60,079	(103)	0.69	57,884	(81)	0.56	52,728	(64)	0.48	44,245	(39)	0.35
Time deposits	59,592	(103)	0.70	57,459	(81)	0.56	52,315	(64)	0.49	43,112	(39)	0.36
Retail repurchase agreements and marketable debt securities	487		0.02	425			412		0.02	1,133		0.01
Wholesale marketable debt securities & other	32,694	(123)	1.51	29,288	(93)	1.28	28,663	(88)	1.22	27,926	(87)	1.24
Subordinated liabilities	4,407	(34)	3.13	4,366	(34)	3.11	4,263	(32)	3.01	4,119	(32)	3.07
Other funds with cost ⁽²⁾	47,132	(327)	2.79	49,134	(347)	2.84	52,720	(394)	2.98	52,367	(421)	3.20
Other funds	46,934	(1)		45,395	(2)		44,364	(7)		44,668	(7)	
Total average funds (d)	339,616	(679)	0.81	338,300	(628)	0.75	341,425	(648)	0.75	338,674	(641)	0.75
Net interest income		1,020			1,021			1,039			1,077	
Customer spread (%) (a-c)		2.07			2.04			2.04			2.14	
Balance sheet spread (%) (b-d)		1.20			1.21			1.22			1.27	

€ million	1Q15			2Q15			3Q15			4Q15		
	Average balance	Income or expense	Rate %	Average balance	Income or expense	Rate %	Average balance	Income or expense	Rate %	Average balance	Income or expense	Rate %
Financial Institutions ⁽¹⁾	6,345	4	0.24	7,086	3	0.16	7,497	3	0.17	10,026	7	0.28
Loans (a)	195,502	1,350	2.80	195,076	1,313	2.70	193,502	1,205	2.47	193,074	1,203	2.47
Fixed income securities portfolio	34,917	291	3.37	27,869	236	3.39	26,871	205	3.03	26,890	194	2.86
Other assets with returns ⁽²⁾	46,084	713	6.28	43,987	659	6.01	42,411	420	3.93	45,855	558	4.83
Other assets	67,999	2		69,334	2		65,310	1		65,856	3	
Total average assets (b)	350,847	2,360	2.73	343,352	2,213	2.59	335,591	1,834	2.17	341,701	1,965	2.28
Financial Institutions ⁽¹⁾	33,834	(57)	0.68	33,474	(57)	0.68	33,435	(53)	0.63	36,939	(61)	0.65
Retail customer funds (c)	172,420	(272)	0.64	170,177	(219)	0.52	169,963	(186)	0.44	172,527	(178)	0.41
Demand deposits	97,123	(47)	0.20	100,187	(41)	0.17	105,664	(39)	0.15	110,695	(45)	0.16
Maturity deposits	75,297	(225)	1.21	69,990	(178)	1.02	64,299	(147)	0.91	61,832	(133)	0.85
Time deposits	72,251	(218)	1.22	67,963	(178)	1.05	63,562	(147)	0.91	61,378	(133)	0.86
Retail repurchase agreements and marketable debt securities	3,046	(7)	0.95	2,027		0.02	737		0.34	454		0.14
Wholesale marketable debt securities & other	39,835	(203)	2.07	37,009	(169)	1.83	36,593	(160)	1.74	33,885	(148)	1.73
Subordinated liabilities	4,469	(34)	3.13	4,468	(35)	3.16	4,459	(36)	3.18	4,428	(35)	3.13
Other funds with cost ⁽²⁾	50,962	(653)	5.20	47,646	(599)	5.04	44,266	(359)	3.22	47,421	(496)	4.15
Other funds	49,327	(3)		50,578	(2)		46,875	(2)		46,501	(2)	
Total average funds (d)	350,847	(1,222)	1.41	343,352	(1,081)	1.26	335,591	(796)	0.94	341,701	(920)	1.07
Net interest income		1,138			1,132			1,038			1,045	
Customer spread (%) (a-c)		2.16			2.18			2.03			2.06	
Balance sheet spread (%) (b-d)		1.32			1.33			1.23			1.21	

(1) 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, while the other way round the relevant heading is financial intermediaries on the liabilities side. Only the net amount between income and expense for both headings has economic significance.

(2) Other assets with returns and Other funds with cost relate largely to the Group's life insurance activity. The change in 2015 was down to market conditions resulting in a transfer from guaranteed savings to other financial products of the Group. As a result of these surrenders, the income and cost of these two headings have both increased, although the net contribution of the insurance business remains stable.

Fees and commissions

- **Fee and commission income stood at €2,090 million in 2016** (-1.2%) within a context of heavy market volatility in early 2016, which impacted the year-on-year performance.

Banking services, securities and other fees amounted to €1,320 million (-5.0%). These include income from securities transactions and fees on other transactions, as well as fees relating to risk activities, deposit management, payment methods and investment banking.

The change was down to the lower risk transaction and fee volume in the year and the fact that more income on one-off investment banking transactions was reported in 2015.

Investment fund fees were €403 million (-4.8%) in response to heavy market volatility, among other factors.

Growth in **pension plan management fees to reach €187 million** (+12.7%) due to the increase in assets under management through the wide range of products on offer.

Fees on the sale of non-life insurance totalled to €180 million, up 32.6% year on year thanks to the success of the commercial campaigns carried out to date.

- The **quarterly improvement (+1.6%)** was largely down to the growth in fees on investment funds and non-life insurance products. Banking fees in the third quarter showed higher revenue from investment banking transactions.

€ million	January - December		Change	
	2016	2015	absolute	%
Banking services, securities and other fees	1,320	1,390	(70)	(5.0)
Mutual funds, managed accounts and SICAVs	403	423	(20)	(4.8)
Pension plans	187	166	21	12.7
Sale of non-life insurance products	180	136	44	32.6
Net fee and commission income	2,090	2,115	(25)	(1.2)

€ million	4Q15	1Q16	2Q16	3Q16	4Q16
Banking services, securities and other fees	322	310	336	341	333
Mutual funds, managed accounts and SICAVs	106	97	99	99	108
Pension plans	51	42	47	49	49
Sale of non-life insurance products	36	39	40	47	54
Net fee and commission income	515	488	522	536	544

Income from equity investments

- **Income from equity investments totalled €828 million (+43.1%).** The year-on-year change can be explained by the increased revenue contributed by Repsol due to extraordinary provisioning in the fourth quarter of 2015 and the diminished contribution from The Bank of East Asia and Inbursa following the swap agreement with CriteriaCaixa.
- The quarterly change was down to the recognition of the Telefónica dividend and was also impacted by business performance and prevailing market conditions at consolidated investees accounted for using the equity method.

€ million	January - December		Change	
	2016	2015	absolute	%
Dividend income	199	203	(4)	(2.0)
Share of profit/(loss) of entities accounted for using the equity method	629	375	254	67.5
Income from equity investments	828	578	250	43.1

€ million	4Q15	1Q16	2Q16	3Q16	4Q16
	Dividend income	91	5	103	5
Share of profit/(loss) of entities accounted for using the equity method	(127)	132	160	145	192
Income from equity investments	(36)	137	263	150	278

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

- **Gains/(losses) on financial assets and liabilities and others** amounted to €848 million (-1.7%). The heading mainly reflects, in both years, the realisation of capital gains on fixed income assets classified as available-for-sale financial assets.

A gross capital gain of approximately €165 million was reported in the second quarter of 2016 following the successful acquisition of Visa Europe Ltd. by Visa Inc.

Income and expenses under insurance and reinsurance contracts

- **Sustained growth in income** arising from life insurance activity to reach €311 million (+44.8%) on the back of intensive sales activity. The fourth quarter of 2016 includes the €20 million in income associated with the termination of the reinsurance contract on the portfolio of personal risk-life insurance portfolio of VidaCaixa.

Other operating income and expenses

- **Other operating income and expense** includes, among other items, income and expenses from non-real estate subsidiaries. It also encompasses income from rentals and expenses incurred in managing foreclosed properties, including the Spanish property tax (IBI) reported in the first quarter of the year.
- The **quarterly performance** in 2016 reflects the relevant recognition of the contributions paid to the Single Resolution Fund in the second quarter and to the Spanish Deposit Guarantee Fund in the fourth quarter. In 2015, payments of €93 million to the National Resolution Fund and of €185 million to the Spanish Deposit Guarantee Fund were reported in the fourth quarter.

€ million	January - December		Change	
	2016	2015	absolute	%
Contribution to DGF, NRF and SRF ¹	(261)	(278)	17	(6.0)
Other	(146)	(21)	(125)	
Other operating income and expense	(407)	(299)	(108)	36.1

€ million	4Q15	1Q16	2Q16	3Q16	4Q16
Contribution to DGF, NRF and SRF ¹	(278)		(74)		(187)
Other	10	(55)	(6)	(34)	(51)
Other operating income and expense	(268)	(55)	(80)	(34)	(238)

(1) In January 2016, the Spanish resolution fund was merged with the other national funds of euro area member states to form an EU-wide Single Resolution Fund (SRF). Contributions for the second quarter of 2016 are to be made to this European fund. The contribution was paid to the Spanish Deposit Guarantee Fund in the fourth quarter of 2016.

Pre-impairment income and expenses

- **Reduction in recurring administrative expenses, depreciation and amortisation** (-1.7% year on year) on the back of the ongoing drive to streamline and contain costs, unlock synergies following the integration of Barclays Bank, SAU and make savings as a result of the early retirements and labour agreements aimed at streamlining the workforce.
- A total of €121 million and €543 million in extraordinary expenses were reported in 2016 and 2015¹, respectively.
- **Pre-impairment income totalled €3,711 million** (+15.3% year on year and +1.9% excluding extraordinary expenses).

The **cost-to-income ratio without extraordinary expenses** fell by 89 basis points in 2016 to reach 51.0%.

Efficiency improvements a strategic target

(1) In 2015, a total of €259 million was recognised as a result of the integration of Barclays Bank, SAU, plus a further €284 million from the labour agreement.

Administration expenses, depreciation and amortisation

€ million	January - December		Change	
	2016	2015	absolute	%
Personnel expenses	(2,624)	(2,705)	81	(3.0)
General expenses	(1,000)	(996)	(4)	0.4
General and administrative expenses	(3,624)	(3,701)	77	(2.1)
Depreciation and amortisation	(371)	(362)	(9)	2.5
Recurring administrative expenses, depreciation and amortisation	(3,995)	(4,063)	68	(1.7)
Extraordinary expenses	(121)	(543)	422	(77.7)
Total expenses	(4,116)	(4,606)	490	(10.6)

€ million	4Q15	1Q16	2Q16	3Q16	4Q16
Personnel expenses	(665)	(666)	(660)	(653)	(645)
General expenses	(248)	(248)	(246)	(249)	(257)
Administrative expenses	(913)	(914)	(906)	(902)	(902)
Depreciation and amortisation	(84)	(89)	(93)	(93)	(96)
Recurring administrative expenses, depreciation and amortisation	(997)	(1,003)	(999)	(995)	(998)
Extraordinary expenses				(121)	
Total expenses	(997)	(1,003)	(999)	(1,116)	(998)

Pre-impairment income

€ million	January - December		Change	
	2016	2015	absolute	%
Gross income	7,827	7,824	3	0.0
Recurring administrative expenses, depreciation and amortisation	(3,995)	(4,063)	68	(1.7)
Extraordinary expenses	(121)	(543)	422	(77.7)
Pre-impairment income	3,711	3,218	493	15.3
Pre-impairment income excluding extraordinary expenses	3,832	3,761	71	1.9

€ million	4Q15	1Q16	2Q16	3Q16	4Q16
Gross income	1,468	1,922	2,127	1,890	1,888
Recurring administrative expenses, depreciation and amortisation	(997)	(1,003)	(999)	(995)	(998)
Extraordinary expenses				(121)	
Pre-impairment income	471	919	1,128	774	890
<i>Cost-to-income ratio stripping out extraordinary expenses (%) (last 12 months)²</i>	<i>51.9</i>	<i>51.7</i>	<i>54.2</i>	<i>53.3</i>	<i>51.0</i>
<i>Cost-to-income ratio (%) (last 12 months)²</i>	<i>58.9</i>	<i>55.6</i>	<i>54.2</i>	<i>54.9</i>	<i>52.6</i>

(2) Cost-to-income ratios for the second and third quarter 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).

Impairment losses on financial assets and other provisions

- **Impairment losses on financial assets and other provisions fell by 57.5%.**

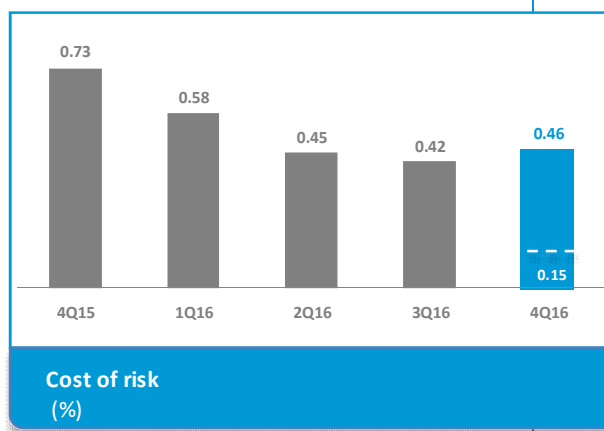
Impairment allowances down 80.3% as asset quality indicators gradually return to normal and in response to the development of internal models reducing, in the fourth quarter, provisioning needs by €676 million.

The **cost of risk** was 0.46%, excluding the release of provisions in the quarter (0.15% if we include this effect).

- **Other charges to provisions** mainly includes the coverage of future contingencies and impairment of other assets.

CaixaBank recognised an additional provision of €110 million in the fourth quarter of 2016 after re-estimating the current value of the payouts expected to derive from the floor clause case, in addition to the €515 million already reported in 2015.

The second quarter of 2016 included €160 million associated with the early retirement agreement.



€ million	January - December		Change	
	2016	2015	absolute	%
Allowance for insolvency risk	(314)	(1,593)	1,279	(80.3)
Other charges to provisions	(755)	(923)	168	(18.4)
Impairment losses on financial assets and others provisions	(1,069)	(2,516)	1,447	(57.5)

€ million	4Q15	1Q16	2Q16	3Q16	4Q16
Allowance for insolvency risk	(218)	(225)	(253)	(218)	382
Other charges to provisions	(536)	(185)	(249)	(47)	(274)
Impairment losses on financial assets and others provisions	(754)	(410)	(502)	(265)	108

Gains/(losses) on disposal of assets and others. 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.

In 2016, this heading includes the impact of the aforementioned application of internal models to the available for sale foreclosed real estate portfolio, as well as the proceeds on sales of real estate assets and the negative result from the early redemption of the bond issue exchangeable for Repsol shares¹, among others.

In 2015, it included the recognition of the negative goodwill arising from the integration of Barclays Bank, SAU (€602 million), losses on the sale of real estate assets and asset impairment due to obsolescence associated with the integration process (€64 million).

- With respect to **income tax expense**, double taxation avoidance principles are applied to income contributed by investees and to gains or losses on corporate transactions. The heading was significantly impacted in 2015 following the recognition of the negative goodwill on consolidation of Barclays Bank, SAU.

The fourth quarter also includes an impact of €-149 million due to the tax reforms ushered in by Royal Decree-Law 3/2016, which imposes restrictions on the deductibility of losses on transfers of shares and other equity interests. This has required the recognition of a higher income tax expense, largely on account of the cancellation of deferred tax assets associated with impairment of shares and other equity interests.

(1) See section on Significant Events.

Business activity

Balance sheet

Total assets amounted to €347,927 million (+1.1%) at 31 December 2016, annual change down to:

- **Changes in retail commercial activity**, impacting loans and advances to customers, customer deposits and liabilities under insurance contracts.
- **Investments in joint ventures and associates** were affected by the asset swap transaction signed with CriteriaCaixa.
- Further highlights relating to **balance sheet items associated with treasury and ALM activity**:
 - Sound management of cash balances and repurchase agreements, fixed income assets and net increase in ECB financing.
 - Drop in wholesale funding, mainly because the Bank opted not to renew certain funding upon maturity.

€ million	Dec. 31, 2015	Mar. 31, 2016	Jun. 30, 2016	Sep. 30, 2016	Dec. 31, 2016	Annual change	
						absolute	%
Cash, cash balances at central banks and other demand deposits	6,615	5,146	5,881	4,199	13,260	6,645	100.5
Financial assets held for trading	13,312	14,475	15,977	13,418	11,668	(1,644)	(12.3)
Available-for-sale financial assets	62,997	65,997	66,380	66,200	65,077	2,080	3.3
Loans and receivables	210,473	206,573	218,274	210,333	207,641	(2,832)	(1.3)
Loans and advances to central banks and credit institutions	6,649	6,369	10,052	7,265	6,742	93	1.4
Loans and advances to customers	202,896	199,265	207,618	202,502	200,338	(2,558)	(1.3)
Debt securities	928	939	604	566	561	(367)	(39.5)
Held-to-maturity investments	3,820	3,831	4,306	5,669	8,306	4,486	117.4
Investments in joint ventures and associates	9,674	9,148	6,299	6,371	6,421	(3,253)	(33.6)
Tangible assets	6,293	6,303	6,334	6,387	6,437	144	2.3
Intangible assets	3,672	3,660	3,661	3,651	3,687	15	0.4
Non-current assets held for sale	7,961	7,760	7,162	7,112	6,405	(1,556)	(19.5)
Other assets	19,438	18,470	18,835	19,523	19,025	(413)	(2.1)
Total assets	344,255	341,363	353,109	342,863	347,927	3,672	1.1
Liabilities	319,050	316,392	330,948	319,308	324,371	5,321	1.7
Financial liabilities held for trading	12,200	12,147	12,623	11,875	10,292	(1,908)	(15.6)
Financial liabilities measured at amortised cost	253,499	248,050	258,839	245,836	254,093	594	0.2
Deposits from central banks and credit institutions	34,262	32,127	36,222	35,681	36,345	2,083	6.1
Customer deposits	184,110	183,341	190,948	178,312	187,167	3,057	1.7
Debt securities issued	32,336	29,467	27,966	27,953	27,708	(4,628)	(14.3)
Other financial liabilities	2,791	3,115	3,703	3,890	2,873	82	2.9
<i>Memorandum item: Subordinated liabilities</i>	<i>4,345</i>	<i>4,356</i>	<i>4,258</i>	<i>4,226</i>	<i>4,119</i>	<i>(226)</i>	<i>(5.2)</i>
Liabilities under insurance or reinsurance contracts	40,291	43,119	45,763	47,535	45,804	5,513	13.7
Provisions	4,598	4,564	4,815	4,904	4,730	132	2.9
Other liabilities	8,462	8,512	8,908	9,158	9,452	990	11.7
Equity	25,205	24,971	22,161	23,555	23,556	(1,649)	(6.5)
Own funds	23,689	23,969	21,938	23,360	23,400	(289)	(1.2)
<i>Of which: Profit/(loss) attributable to the Group</i>	<i>814</i>	<i>273</i>	<i>638</i>	<i>970</i>	<i>1,047</i>	<i>233</i>	
Minority interest, valuation adjustment and other	1,516	1,002	223	195	156	(1,360)	(89.7)
Total liabilities and equity	344,255	341,363	353,109	342,863	347,927	3,672	1.1

The heading Loans and advances to customers was affected in the year by changes in retail activity and the reverse repurchase agreements signed (€-3,119 million). The Own funds heading was affected in the second quarter by the swap agreement with CriteriaCaixa and in the third quarter by the private placement of treasury shares among qualified investors.

Loans and advances to customers

Loans and advances to customers, gross, totalled €204,857 million, down 0.8% in 2016 and down 0.1% in the quarter, although **the performing loan portfolio gained 0.4% in the year and 0.1% in the quarter**.

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

Changes by segment include:

- **Loans for home purchases** continued to feel the effects of the household deleveraging process and the seasonal effect of end-of-year loan repayments, although indicators are now showing growth in new loans.

The mortgage market share¹ was 17.6%.

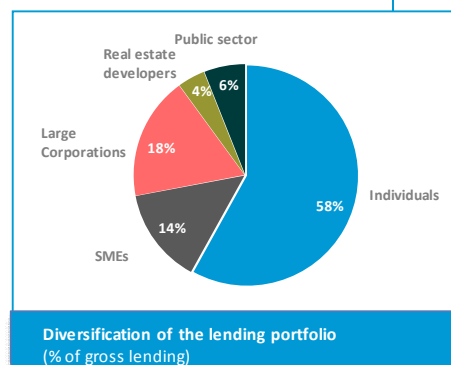
- **Loans to individuals – other** was up on the back of the growth in consumer loans following the success of the financing campaigns launched by the Bank, which has offset the deleveraging seen in other loans to individuals.

- Sustained increase in financing to the productive sector ex-real estate developers (+8.3% in the year and +1.7% in the quarter).

Market shares¹ for working capital financing products climbed to 21.1% for factoring and reverse factoring and to 17.5% for commercial loans.

- **Financing to real estate developers** is steadily accounting for less and less of the loan portfolio, falling to 3.9% at 31 December 2016 (-84bp in 2016) following the Bank's active management of distressed assets.
- Loans to the **public sector** were impacted by a number of one-off transactions.

Performing loan portfolio up 0.4% in 2016



€ million	Dec. 31, 2016	Sep. 30, 2016	Quarterly change %	Dec. 31, 2015	Annual change %
Loans to individuals	118,300	119,204	(0.8)	120,994	(2.2)
Home purchases	86,405	87,483	(1.2)	89,378	(3.3)
Other	31,895	31,721	0.5	31,616	0.9
Loans to business	74,061	73,049	1.4	71,638	3.4
Corporates and SMEs	64,813	63,760	1.7	59,856	8.3
Real estate developers	8,024	8,064	(0.5)	9,825	(18.3)
Criteria Caixa	1,224	1,225	(0.1)	1,957	(37.5)
Public sector	12,496	12,847	(2.7)	13,805	(9.5)
Loans and advances, gross²	204,857	205,100	(0.1)	206,437	(0.8)
<i>Of which:</i>					
<i>Performing loans</i>	<i>190,506</i>	<i>190,313</i>	<i>0.1</i>	<i>189,830</i>	<i>0.4</i>
Provisions	(6,684)	(7,644)	(12.6)	(9,163)	(27.1)
Loans and advances, net	198,173	197,456	0.4	197,274	0.5
Contingent Liabilities	10,608	10,332	2.7	10,650	(0.4)

(2) See Reconciliation with the financial statements in the Appendices - Glossary.

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

Customer funds

Customer funds stood at €303,895 million, showing growth of 2.5% in 2016 (+1.4% in the quarter).

On-balance sheet funds totalled €217,123 million (+0.1% in 2016 and +0.6% in the quarter).

- Annual growth of 13.6% in **demand deposits** (+7.1% in the quarter) to reach €132,691 million. The change in the fourth quarter was partly down to the seasonal effect of year-end double salary payments.
- **Term deposits** amounted to €39,624 million due to the number of deposits renewed on maturity and forceful management of profit margins (-35.0% in 2016 and -19.9% in the quarter).
- Significant increase in **liabilities under insurance contracts**¹ (+17.1% in 2016 and +5.2% in the quarter) thanks to the success of the commercial campaigns rolled out under the CaixaFu[Tu]ro programme.

CaixaBank has consolidated its leadership² of the savings insurance market, with its share climbing to 23.8%.

Assets under management totalled €81,890 million (+9.9% in the year) following the success of the campaigns rolled out, the excellent range of products on offer and the ongoing market recovery.

- **Assets under management in investment funds, portfolios and SICAVs** climbed to €56,674 million (+10.4% in the year and +5.9% in the quarter). The change here was a result of the high market volatility seen in the first quarter of the year, followed by a steady recovery from the second quarter onward, which saw further improvements in the second half of the year.
- **Pension plans performed well** (+8.8% in the year and +3.3% in the quarter), reaching €25,216 million.
- CaixaBank is the market leader in number of investment fund investors and in assets under management, with a share² of 18.5%, and also in pension plans, with a market share of 22.9%.

€ millions	Dec. 31, 2016	Sep. 30, 2016	Quarterly change %	Dec. 31, 2015	Annual change %
Customer funds	175,655	176,678	(0.6)	181,118	(3.0)
Demand deposits	132,691	123,860	7.1	116,841	13.6
Term deposits ³	39,624	49,478	(19.9)	60,936	(35.0)
Subordinated retail liabilities	3,340	3,340		3,341	(0.0)
Reverse repurchase agreements and other accounts	1,153	910	26.7	1,287	(10.4)
Liabilities under insurance contracts	40,315	38,307	5.2	34,427	17.1
On-balance sheet funds	217,123	215,895	0.6	216,832	0.1
Assets under management	81,890	77,926	5.1	74,500	9.9
Mutual funds, managed accounts and SICAVs	56,674	53,524	5.9	51,321	10.4
Pension plans	25,216	24,402	3.3	23,179	8.8
Other accounts	4,882	5,852	(16.6)	5,267	(7.3)
Off-balance sheet funds	86,772	83,778	3.6	79,767	8.8
Total customer funds⁴	303,895	299,673	1.4	296,599	2.5

(3) Includes retail debt securities of €609 million at 31 December 2016, €623 million at 30 September 2016 and €417 million at 31 December 2015.

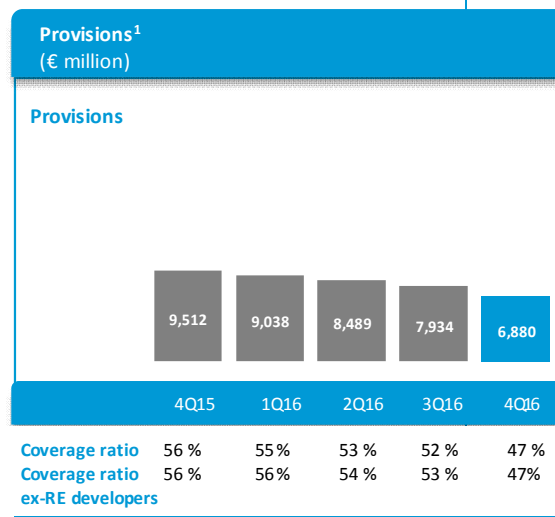
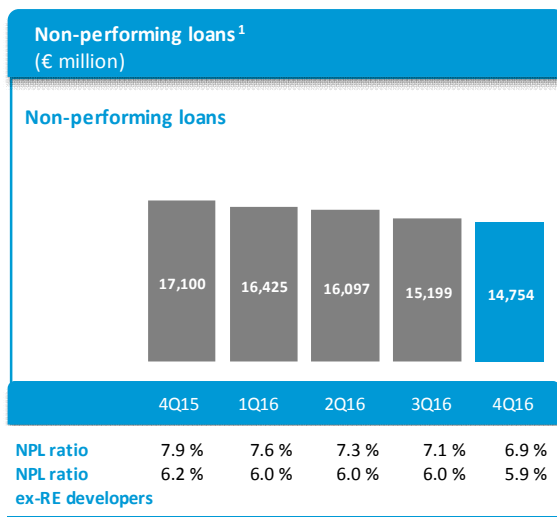
(4) See Reconciliation with the financial statements in the Appendices - Glossary.

(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.

Risk management

Credit risk quality



NPL performance

- Ongoing drop in non-performing loans (€-2,346 million in the year, of which €-445 million in the fourth quarter).
- The **NPL ratio shed 103 basis points in 2016 (-20bp in the quarter) to reach 6.9%** as the volume of non-performing loans continues to fall.
- Excluding the real estate developer segment, the NPL ratio was 5.9% (down 22bp in the year).

Coverage

- Allowances for loan loss provisions totalled €6,880 million.
- The **coverage ratio stood at 47%** following the decision to pursue conservative risk coverage policies. The change in the fourth quarter of the year was partly down to the aforementioned release of provisions after developing internal models, consistent with Circular 4/2016. The **change in allowances for insolvency risk** is also the result of the cancellation of debt incurred through the acquisition and foreclosure of real estate assets and the derecognition of assets and write-offs.

Refinancing

- At 31 December 2016, refinanced transactions totalled €11,733 million after revision of the refinancing criteria, consistent with Circular 4/2016. Of this amount, €7,314 million (62% of the portfolio) is classified as non-performing.
- Provisions associated with these loans totalled €2,569 million.

(1) Calculations include contingent liabilities and loans.

NPL ratio by segment

	Dec. 31, 2015	Mar. 31, 2016	Jun. 30, 2016	Sep. 30, 2016	Dec. 31, 2016
Loans to individuals	4.6%	4.6%	4.6%	4.7%	5.0%
Home purchases	3.7%	3.7%	3.7%	3.8%	4.0%
Other	7.2%	7.2%	6.9%	7.2%	7.7%
Loans to business	15.3%	14.3%	13.7%	12.3%	11.1%
Corporates and SMEs	11.1%	10.6%	10.4%	9.8%	9.0%
Real estate developers	44.1%	41.6%	39.5%	34.0%	30.4%
Public sector	0.5%	0.6%	0.5%	1.3%	1.5%
NPL Ratio (loans and contingent liabilities)	7.9%	7.6%	7.3%	7.1%	6.9%
NPL ratio exdevelopers	6.2%	6.0%	6.0%	6.0%	5.9%

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

€ million	4Q15	1Q16	2Q16	3Q16	4Q16
Opening balance	19,151	17,100	16,425	16,097	15,199
Exposures recognized as non-performing (NPL-inflows)	1,913	1,521	1,737	1,296	1,948
Derecognitions from non-performing exposures	(3,964)	(2,196)	(2,065)	(2,194)	(2,393)
of which written off	(640)	(381)	(446)	(264)	(262)
Closing balance	17,100	16,425	16,097	15,199	14,754

Changes in allowances for insolvency risk

€ million	4Q15	1Q16	2Q16	3Q16	4Q16
Opening balance	10,584	9,512	9,038	8,489	7,934
Insolvency allowances ¹	218	225	253	218	(382)
Amounts used	(1,047)	(567)	(691)	(669)	(554)
Transfers and other changes	(243)	(132)	(111)	(104)	(118)
Closing balance	9,512	9,038	8,489	7,934	6,880

(1) Charges to insolvency risk provisions in the fourth quarter includes the reversal of provisions

Financing for home purchases

- The main risk segment, **accounting for 42% of gross lending**, with a well-diversified portfolio, solid collateral and a low NPL ratio of 4.0%.

Financing for home purchases

€ million	Gross amount				
	Dec. 31, 2015	Mar. 31, 2016	Jun. 30, 2016	Sep. 30, 2016	Dec. 31, 2016
Without mortgage collateral	770	763	762	752	748
of which: non-performing	7	10	10	9	9
With mortgage collateral	88,608	87,888	87,459	86,731	85,657
of which: non-performing	3,275	3,298	3,291	3,329	3,470
Total	89,378	88,651	88,221	87,483	86,405

Loan-to-value breakdown

€ million	Dec. 31, 2016					TOTAL
	LTV ≤ 40%	40% < LTV ≤ 60%	60% < LTV ≤ 80%	80 < LTV ≤ 100%	LTV > 100%	
Gross amount	20,946	33,365	26,573	4,173	600	85,657
of which: non-performing	277	917	1,622	509	145	3,470

Loans to real estate developers

- Significant reduction of 18.3% in exposure to the real estate developer sector in 2016, meaning the segment now accounts for just 3.9% of the total loan portfolio (-84bp in 2016).
- Coverage of real estate developers risk was 44%.

Financing for finished homes represents 64.7% of the portfolio

€ million	Dec. 31, 2016		Sep. 30, 2016		Quarterly change		Annual change	
	Weight %		Weight %		Dec. 31, 2015		Dec. 31, 2015	
Without mortgage collateral	1,189	14.8	889		300		1,083	106
With mortgage collateral	6,835	85.2	7,175		(340)		8,742	(1,907)
Completed buildings	5,188	64.7	5,474		(286)		6,534	(1,346)
Homes	3,391	42.3	3,584		(193)		4,322	(931)
Other	1,797	22.4	1,890		(93)		2,212	(415)
Buildings under construction	668	8.3	618		50		643	25
Homes	598	7.5	540		58		541	57
Other	70	0.9	78		(8)		102	(32)
Land	979	12.2	1,083		(104)		1,565	(586)
Developed land	697	8.7	735		(38)		1,186	(489)
Other	282	3.5	348		(66)		379	(97)
Total	8,024	100.0	8,064		(40)		9,825	(1,801)

NPLs and coverage for real estate development risk¹

€ million	Dec. 31, 2016		Sep. 30, 2016		Dec. 31, 2015	
	Non-performing	Coverage %	Non-performing	Coverage %	Non-performing	Coverage %
Without mortgage collateral	181	80	192	93	500	97
With mortgage collateral	2,254	41	2,548	46	3,837	49
Completed buildings	1,719	34	1,912	38	2,643	41
Homes	917	32	998	38	1,467	41
Other	802	37	914	39	1,176	40
Buildings under construction	78	53	82	51	205	60
Homes	66	58	69	57	174	61
Other	12	25	13	23	31	52
Land	457	64	554	71	989	70
Developed land	304	66	349	73	689	72
Other	153	61	205	66	300	65
Total	2,435	44	2,740	49	4,337	55

(1) See indicator definitions in Appendices - Glossary

Breakdown by type of collateral

€ million	Dec. 31, 2016			
	Gross amount	Excess over value of collateral ²	Provisions	% provision of risk
Mortgage	2,254	738	922	41
Personal	181		145	80
Total non-performing	2,435		1,067	44

€ million	Dec. 31, 2015			
	Gross amount	Excess over value of collateral ²	Provisions	% provision of risk
Mortgage	3,837	1,631	1,892	49
Personal	500		483	97
Total non-performing	4,337		2,375	55

(2) As per the development of internal models, excess over collateral value at 31 December 2016 is calculated as the difference between the net amount of the loan and the recoverable value of the collateral. In 2015, this was calculated as the difference between the gross amount of the loan and the value of the real collateral received as security, previously weighted as follows: 80% completed homes, primary residence, 70% rural property and completed offices, premises and industrial buildings, 60% other completed homes, 50% other property mortgages.

Foreclosed real estate assets

- The portfolio of net **foreclosed real estate assets available for sale stood at €6,256 million** (down €1,003 million in 2016).

The **coverage ratio¹ improves to 60%**, up 5 percentage points. The coverage ratio with accounting provisions stands at 50% (up 5pp).

Real estate assets in the process of foreclosure (€556 and €692 million, net, at 31 December 2016 and 2015, 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 €3,078 million, net of provisions. The portfolio has an occupancy rate of 91%.
- Properties rented or sold in 2016 amounted to €1,809 million**, with positive results on sales of property since the fourth quarter of 2015. Proceeds on sale prices were up 5% in 2016.

This is helped by the fact that completed buildings account for 56% of the portfolio of foreclosed real estate assets available for sale.

Reduction in foreclosed assets available for sale

(1) See definitions in Appendices - Glossary

Foreclosed real estate assets available for sale and associated coverage

Dec. 31, 2016					
€ million	Net carrying amount	Coverage ²	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

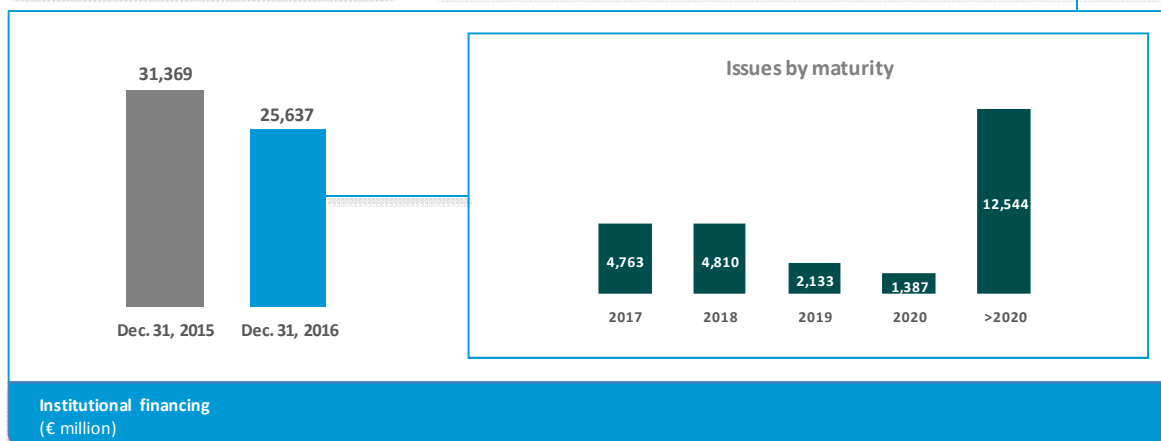
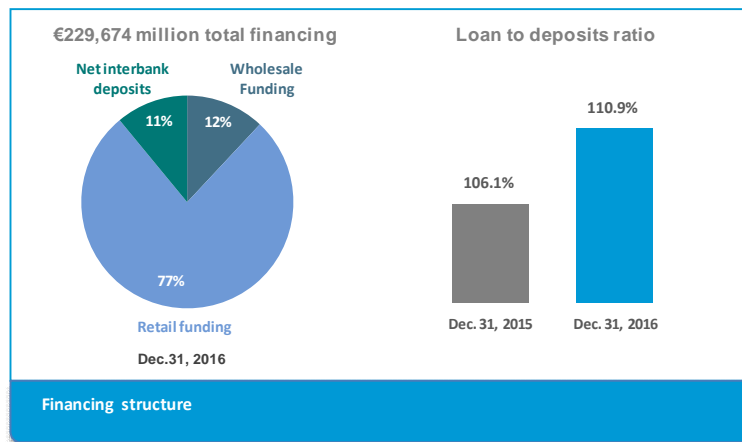
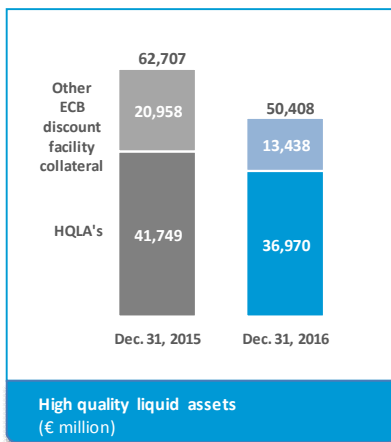
Sep. 30, 2016					
€ million	Net carrying amount	Coverage ²	Coverage %	Accounting provisions	Coverage with accounting provisions %
Property acquired related to loans to construction companies and real estate developments	4,713	(6,755)	59	(4,274)	48
Completed buildings	2,338	(1,987)	46	(1,360)	37
Houses	1,728	(1,418)	45	(1,002)	37
Other	610	(569)	48	(358)	37
Buildings under construction	432	(567)	57	(474)	52
Houses	390	(520)	57	(447)	53
Other	42	(47)	53	(27)	39
Land	1,943	(4,201)	68	(2,440)	56
Developed land	1,014	(1,823)	64	(1,079)	52
Other	929	(2,378)	72	(1,361)	59
Acquired related to mortgage loans to homebuyers	1,588	(1,283)	45	(840)	35
Other	770	(757)	50	(568)	43
Total	7,071	(8,795)	55	(5,682)	45

Dec. 31, 2015					
€ million	Net carrying amount	Coverage ²	Coverage %	Accounting provisions	Coverage with accounting provisions %
Property acquired related to loans to construction companies and real estate developments	4,968	(6,767)	58	(4,247)	46
Completed buildings	2,625	(2,160)	45	(1,439)	35
Houses	1,983	(1,588)	45	(1,076)	35
Other	642	(572)	47	(363)	36
Buildings under construction	377	(559)	60	(428)	53
Houses	342	(490)	59	(394)	54
Other	35	(69)	66	(34)	49
Land	1,966	(4,048)	67	(2,380)	55
Developed land	1,017	(1,747)	63	(1,015)	50
Other	949	(2,301)	71	(1,365)	59
Acquired related to mortgage loans to homebuyers	1,474	(1,221)	45	(760)	34
Other	817	(775)	49	(551)	40
Total	7,259	(8,763)	55	(5,558)	43

(2) Difference between the cancelled debt and the net carrying amount of the real estate asset, including the initial write-downs and charges to provisions subsequent to the real estate foreclosure.

Figures on cancelled debt for previous quarters have been restated in the fourth quarter of 2016 due to the availability of additional information, thus modifying historical information on coverage ratios including write-downs. The revised ratio for 1Q16 and 2Q16 stands at 55%.

Liquidity and financing structure



High quality liquid assets stood at €50,408 million at 31 December 2016. The change here is largely down to the positive performance of the loan-deposit gap, sound management of collateral under ECB facilities and the decision not to renew institutional issues on maturity.

- A total of **€26,819 million has been drawn** under the ECB facility (TLTRO II), up €2,500 million in the fourth quarter.
- **Institutional financing¹** amounted to €25,637 million, with the change in 2016 mainly down to maturities that were not renewed:
 - Maturities totalling €7,453 million.
 - Issuance of mortgage covered bonds worth €1,500 million at seven years, with demand exceeding €2,500 million.
- Available capacity to issue mortgage and regional public sector covered bonds stands at €5,494 million.
- The **Liquidity Coverage Ratio (LCR)** was **160%** at 31 December 2016, double the minimum requirement of 80% from 1 January 2017.
- On 3 January 2017, CaixaBank successfully placed an issue of 10-year mortgage-covered bonds worth €1,500 million. Demand for the bonds surpassed €2,400 million, including considerable interest from international investors. The coupon was set at 1.25%.

(1) See Reconciliation of management indicators with public financial statements in Appendices - Glossary

Performance of the loan-to-deposits ratio

€ million	Dec. 31, 2015	Mar. 31, 2016	Jun. 30, 2016	Sep. 30, 2016	Dec. 31, 2016
Loans and advances, net	192,213	192,602	195,817	193,157	194,811
Loans and advances gross	206,437	206,158	208,486	205,100	204,857
Allowance for impairment losses	(9,163)	(8,697)	(8,200)	(7,644)	(6,684)
Brokered loans ¹	(5,061)	(4,859)	(4,469)	(4,299)	(3,362)
Customer funds	181,118	180,463	186,875	176,678	175,655
Demand deposits	116,841	116,976	126,652	123,860	132,691
Time deposits	60,936	60,147	56,883	49,478	39,624
Subordinated liabilities (retail)	3,341	3,340	3,340	3,340	3,340
Loan to Deposits	106.1%	106.7%	104.8%	109.3%	110.9%

(1) Loans financed with funds from public institutions (Instituto Oficial de Crédito and the European Investment Bank).

Collateralisation of mortgage covered bonds

€ million		Dec. 31, 2016
Mortgage covered bonds issued	a	47,074
Loans and credits (collateral for mortgage covered bonds)	b	102,150
Collateralization	b/a	217%
Overcollateralization	b/a -1	117%
Mortgage covered bond issuance capacity²		4,000

(2) The CaixaBank Group is also able to issue regional public-sector covered bonds worth €1,494 million.

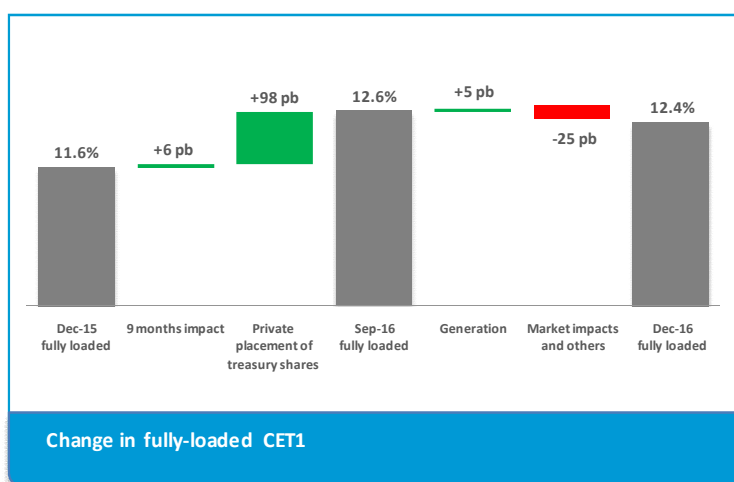
Capital management

- CaixaBank had a **fully-loaded Common Equity Tier 1 (CET1) ratio of 12.4%** at 31 December 2016, 20 basis points less than in the previous quarter. Positive capital generation in the quarter (+5bp). On the other hand -25 basis points, impacted among others, by the development of internal models giving rise to reversals of insolvency risk implying an increase in deductions of Common Equity Tier 1 (CET1). This deduction already incorporates the future impact of regulatory capital ratios of IFRS 9, which will become effective from 1 January 2018.

Fully-loaded total capital amounted to 15.4%, while the leverage ratio was 5.4%.

- According to the criteria in force in 2016 for the phased-in implementation, regulatory capital and leverage were: **13.2% CET1 and 16.1% total capital, with a leverage ratio of 5.7%**. In addition the changes in regulatory ratios have been impacted by the entry into force of the regulatory changes stemming from the standardisation of national options and discretions from October 2016 onward.
- **Regulatory risk-weighted assets (RWA) amounted to €134,953 million**, down €969 million in the quarter.
- The European Central Bank (ECB) and the national supervisor require CaixaBank to maintain a regulatory CET1 ratio of 9.3125% at 31 December 2016 (including the phased-in implementation of the capital conservation and systemic risk buffers), which increases to 9.5% in a fully-loaded perspective. The Bank's current CET1 ratio shows that the requirements imposed on CaixaBank 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. CaixaBank is also well within the requirements effective from 1 January 2017 onward, as described in the "Significant events in 2016" section of this report, under "Minimum prudential capital requirements reported by the European Central Bank and Banco de España".
- Further, 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.

Fully-loaded
Common Equity
Tier 1 (CET1) ratio
of 12.4%



Performance and key capital adequacy indicators

€ million	BIS III (Regulatory)				
	Dec. 31, 2015 ¹	Mar. 31, 2016	Jun. 30, 2016	Sep. 30, 2016	Dec. 31, 2016
CET1 Instruments	23,984	23,696	21,230	22,726	22,923
Shareholders' equity	23,688	23,969	21,938	23,360	23,400
Capital	5,824	5,910	5,910	5,910	5,981
Profit attributable to the Group	814	273	638	970	1,047
Reserves and other	17,050	17,786	15,390	16,480	16,372
Other CET1 Instruments ²	296	(273)	(708)	(634)	(477)
Deductions from CET1	(5,499)	(5,821)	(4,560)	(4,536)	(5,133)
CET1	18,485	17,875	16,670	18,190	17,790
TIER 1	18,485	17,875	16,670	18,190	17,790
T2 Instruments	4,444	4,374	4,382	4,398	4,088
T2 Deductions	(102)	(93)			(85)
TIER 2	4,342	4,281	4,382	4,398	4,003
TOTAL CAPITAL	22,827	22,156	21,052	22,588	21,793
<i>Risk-weighted assets</i>	143,312	139,779	135,787	135,922	134,953
<i>CET1 Ratio</i>	12.9%	12.8%	12.3%	13.4%	13.2%
<i>Tier 1 Ratio</i>	12.9%	12.8%	12.3%	13.4%	13.2%
<i>Total Capital Ratio</i>	15.9%	15.9%	15.5%	16.6%	16.1%
<i>Leverage Ratio</i>	5.7%	5.8%	5.3%	6.0%	5.7%

€ million	BIS III (Fully Loaded)				
	Dec. 31, 2015 ¹	Mar. 31, 2016	Jun. 30, 2016	Sep. 30, 2016	Dec. 31, 2016
CET1 Instruments	24,813	24,363	21,578	23,007	22,891
Shareholders' equity	23,688	23,969	21,938	23,360	23,400
Capital	5,824	5,910	5,910	5,910	5,981
Profit attributable to the Group	814	273	638	970	1,047
Reserves and other	17,050	17,786	15,390	16,480	16,372
Other CET1 Instruments ²	1,125	394	(360)	(353)	(509)
Deductions from CET1	(8,233)	(8,311)	(6,070)	(5,962)	(6,240)
CET1	16,580	16,052	15,508	17,045	16,651
TIER 1	16,580	16,052	15,508	17,045	16,651
T2 Instruments	4,444	4,374	4,382	4,398	4,088
T2 Deductions	(1)				
TIER 2	4,443	4,374	4,382	4,398	4,088
TOTAL CAPITAL	21,023	20,426	19,890	21,443	20,739
<i>Risk-weighted assets</i>	143,575	137,872	135,314	135,516	134,474
<i>CET1 Ratio</i>	11.6%	11.6%	11.5%	12.6%	12.4%
<i>Tier 1 Ratio</i>	11.6%	11.6%	11.5%	12.6%	12.4%
<i>Total Capital Ratio</i>	14.6%	14.8%	14.7%	15.8%	15.4%
<i>Leverage Ratio</i>	5.2%	5.3%	4.9%	5.6%	5.4%

(1) Figures at December 2015 updated to reflect final COREP adjustments.

(2) Mainly includes valuation adjustments and minority interests.

[Segment reporting]

For segment reporting purposes, CaixaBank's results are classified into three main businesses:

- **Banking and insurance:** includes all banking revenues (retail, businesses, corporate and institutional banking, cash management and market transactions); insurance activity and asset management; liquidity management and ALCO; and income from financing the other businesses.
- **Non-core real estate:** shows the results, net of financing costs, of non-core real estate assets, 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 international banking stakes (Erste Group Bank and Banco BPI) and the stakes in Repsol and Telefónica. It also includes the significant impacts on income of other relevant stakes recently acquired by the Group as part of its drive to diversify across sectors.

The business includes dividend income and/or share of profits from investees accounted for using the equity method, net of financing costs.

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.

The difference between the Group's total own funds and the capital assigned to these businesses is included in the banking and insurance business.

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

CaixaBank Group Income statement, by business segment

€ million	Banking & Insurance			Non-core real estate			Investments		
	January - December		%	January - December		%	January - December		%
	2016	2015	Change	2016	2015	Change	2016	2015	Change
Net interest income	4,387	4,658	(5.7)	(66)	(89)	(25.1)	(164)	(216)	(23.1)
Dividends and share of profit/(loss) of entities accounted for using the equity method	159	122	28.6	18	21	(14.4)	651	435	50.1
Net fee and commission income	2,089	2,113	(1.1)	1	2	(41.0)			
Gains/(losses) on financial assets and liabilities and others	846	742	14.1		5		2	116	(98.2)
Income and expense arising from insurance or reinsurance contracts	311	214	44.8						
Other operating income and expense	(156)	(81)	92.5	(251)	(218)	15.1			
Gross income	7,636	7,768	(1.7)	(298)	(279)	6.8	489	335	45.7
Recurring administrative expenses, depreciation and amortisation	(3,875)	(3,954)	(2.0)	(116)	(105)	10.6	(4)	(4)	
Extraordinary expenses	(121)	(543)	(77.7)						
Pre-impairment income	3,640	3,271	11.3	(414)	(384)	7.8	485	331	46.2
Pre-impairment income stripping out extraordinary expenses	3,761	3,814	(1.4)	(414)	(384)	7.8	485	331	46.2
Impairment losses on financial assets and other provisions	(769)	(1,698)	(54.7)	(136)	(655)	(79.3)	(164)	(163)	0.6
Gains/(losses) on disposal of assets and others	21	446	(95.4)	(1,034)	(680)	52.0	(91)	170	
Profit/(loss) before tax	2,892	2,019	43.2	(1,584)	(1,719)	(7.9)	230	338	(32.0)
Income tax expense	(904)	(408)	120.3	459	521	(12.1)	(37)	68	
Profit/(loss) for the period	1,988	1,611	23.5	(1,125)	(1,198)	(6.0)	193	406	(52.7)
Profit/(loss) attributable to minority interest and others	9	5	101.6						
Profit/(loss) attributable to the Group	1,979	1,606	23.4	(1,125)	(1,198)	(6.0)	193	406	(52.7)
Average equity	19,071	18,161	5.0	1,579	1,651	(4.4)	2,434	4,151	(41.4)
Total Assets	327,606	317,780	3.1	12,949	15,317	(15.5)	7,372	11,158	(33.9)
ROTE	10.8%	10.1%	0.7				15.7%	13.1%	2.6
Cost-to-income ratio stripping out extraordinary	50.7%	50.9%	(0.2)						
Non-performing loan ratio	5.8%	6.0%	(0.2)	80.0%	81.8%	(1.8)			
Non-performing coverage ratio	48%	57%	(9.0)	41%	53%	(12.0)			

2016 quarterly business performance

€ million	Banking & insurance				Non-core real estate activity				Investments			
	1Q16	2Q16	3Q16	4Q16	1Q16	2Q16	3Q16	4Q16	1Q16	2Q16	3Q16	4Q16
Net interest income	1,082	1,080	1,095	1,130	(10)	(18)	(21)	(17)	(52)	(41)	(35)	(36)
Dividends and share of profit/(loss) of entities accounted for using the equity method	27	36	63	33	3	6	2	7	107	221	85	238
Net fee and commission income	488	522	535	544			1					
Gains/(losses) on financial assets and liabilities and others	267	326	121	132					1	(1)	4	(2)
Income and expense arising from insurance or reinsurance contracts	64	76	74	97								
Other operating income and expense	34	(25)	8	(173)	(89)	(55)	(42)	(65)				
Gross income	1,962	2,015	1,896	1,763	(96)	(67)	(60)	(75)	56	179	54	200
Recurring administrative expenses, depreciation and amortisation	(975)	(969)	(964)	(967)	(27)	(29)	(30)	(30)	(1)	(1)	(1)	(1)
Extraordinary expenses			(121)									
Pre-impairment income	987	1,046	811	796	(123)	(96)	(90)	(105)	55	178	53	199
Pre-impairment income stripping out extraordinary expenses	987	1,046	932	796	(123)	(96)	(90)	(105)	55	178	53	199
Impairment losses on financial assets and other provisions	(224)	(415)	(206)	76	(22)	(87)	(59)	32	(164)			
Gains/(losses) on disposal of assets and others		11		10	(53)	(114)	(83)	(784)	(80)	(11)		
Profit/(loss) before tax	763	642	605	882	(198)	(297)	(232)	(857)	(189)	167	53	199
Income tax expense	(217)	(238)	(170)	(279)	54	86	70	249	62	10	10	(119)
Profit/(loss) for the period	546	404	435	603	(144)	(211)	(162)	(608)	(127)	177	63	80
Profit/(loss) attributable to minority interest and others	2	5	4	(2)								
Profit/(loss) attributable to the Group	544	399	431	605	(144)	(211)	(162)	(608)	(127)	177	63	80

Notes:

- For the banking and insurance business the ratios exclude relevant one-off aspects. In 2016 the release of insolvency provisions and the extraordinary costs. In 2015 the impact of the extraordinary costs and the one-off aspects related to the integration of Barclays.

- The Equity Investments Business includes the results of Grupo Financiero Inbursa and The Bank of East Asia through to until the signing of the swap agreement. See section on Significant Events. ROTE excludes the impact of the changes ushered by the tax reform enacted by Royal Decree-Law 3/2016.

Banking and insurance business

- **Profit at 31 December 2016** totalled €1,979 million (+23.4%).
- **Gross income** amounted to €7,636 million (-1.7%).
- **Recurring administrative expenses, depreciation and amortisation** down 2.0% year on year after unlocking synergies and implementing cost saving measures.
- **Pre-impairment income** was up 11.3% on 2015 to reach €3,640 million (-1.4% excluding extraordinary expenses).
- **The cost-to-income ratio excluding extraordinary expenses** stood at 50.7%.
- **Significant drop in impairment losses on financial assets and other provisions (-54.7%)**, on the back of improvements to asset quality and the development of internal models for insolvency provisioning in the fourth quarter of 2016. Additionally including, among others, coverage of legal contingencies relating to floor clauses, in both years.
- In 2015, Gains/(losses) on disposal of assets and other mainly included the negative goodwill (€602 million) generated following the acquisition of Barclays Bank, SAU.
- **The NPL ratio was 5.8% while the coverage ratio came in at 48%.**
- **ROTE was 10.8%** (excluding one-off aspects).

Non-core real estate business

- The **non-core real estate** business generated a negative impact of €1,125 million in 2016 (€1,198 million in 2015), as a result of the high provisioning and management of problematic assets which gives way to a reduction in the balance for this business segment(-15.5% for the year).
- In 2016, it includes the impact of the strengthening of provisions in the fourth quarter, mainly in relation to foreclosed available for sale assets. They also reflect the positive proceeds on sales of real estate assets, as well as the significant reduction in impairment losses on financial assets.
- **Net loans under management** amounted to €1,906 million, down 34.4% in the year.
- Net foreclosed real estate assets available for sale totalled €6,256 million (down €1,003 million in the year), while those held for rent amounted to €3,078 million.
- Properties rented or sold amounted to €1,809 million in 2016, with positive results on sales of property since the fourth quarter of 2015.

Balance sheet - non-core real estate business

€ million	Dec. 31, 2016	Sep. 30, 2016	Dec. 31, 2015
Assets	12,949	13,953	15,317
Loans to non-core real estate developers net	1,906	2,092	2,906
Loans to non-core real estate developers gross	2,887	3,355	5,143
Provisions	(981)	(1,263)	(2,237)
Foreclosed real estate assets available for sale	6,256	7,071	7,259
Rental portfolio	3,078	3,122	2,966
Other	1,709	1,668	2,186
Liabilities	12,949	13,953	15,317
Deposits and other liabilities	385	448	638
Intra-group financing	10,966	11,889	13,144
Assigned capital	1,598	1,616	1,535

Equity investment business

- Gross income of €489 million (+45.7%). Following the swap agreement with CriteriaCaixa, lower financing costs and contribution from the entities accounted for using the equity method, Bank of East Asia and Inbursa. On the other hand, higher income from Repsol following the extraordinary provisioning in the fourth quarter of 2015.

Profit attributable to the Group at 31 December 2016 was €193 million (-52.7%). The annual change here was due to, in addition to the aforementioned increase in income, a number of one-offs including:

The impact in the fourth quarter of the tax reforms ushered in by Royal Decree-Law 3/2016, imposing restrictions on the deductibility of losses on transfers of shares and other equity interests.

Other one-off events in the first quarter associated with the extraordinary write-downs made to unlisted stakes and the negative impact stemming from the early repayment of the bond issue exchangeable for Repsol 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).

ROTE for this business stood at 15.7% excluding the tax reform.

[The CaixaBank] share

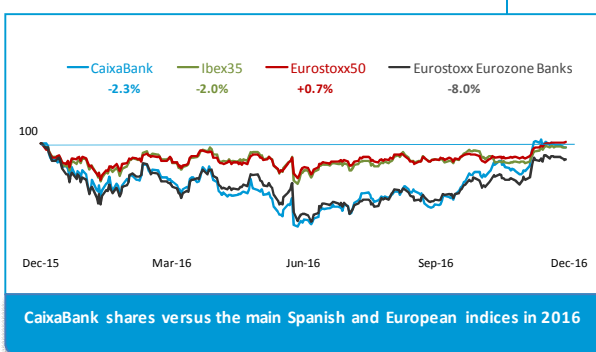
Share price performance

- CaixaBank dominated the Spanish stock exchange in the fourth quarter of 2016, outperforming all other IBEX 35 companies by gaining 39.62% versus the 6.52% average gain for the Spanish blue-chip index, 27.16% for the Euro Stoxx Eurozone Banks and the 22.91% average for all Spanish financial institutions¹. The CaixaBank share shed 2.30% in the year to close the year at €3.140/share. This dip was less than the -3.59% for the average for Spanish financial institutions in the same period, and less also than the 7.98% dip in the Euro Stoxx Eurozone Banks index.

- Trading volumes also continued to rise, fuelled by the steady increase in both the free float and the weighting of the CaixaBank share in the portfolios of institutional investors. In 2016, trading was up 30.0% year on year while trading volume in the fourth quarter was up 33.8% on the same period of 2015.

- The last quarter of the year was shrouded by uncertainty due to the presidential elections in the United States and the ensuing victory of the Trump camp, which prompted a surprisingly bullish response from the markets, bringing the Dow Jones to all-time highs. The main European stock markets were quick to follow suit, a trend not ended by the results of the Italian referendum but instead spurred on by rallying oil prices –following the agreement to lower production– and the anticipated interest rate hike by the Fed, which strengthened the dollar and brought it to closer to parity with the euro. The ECB, for its part, chose to extend its asset purchase programme until the end of 2017, albeit with a lower purchase volume from April onward. In the European financial sector, positive news in Italy and Germany in late 2016 also helped shore up the industry: the Italian government approved the bail-out package for banks, while Deutsche Bank reached an agreement with the U.S. Department of Justice to settle the civil claims.

The CaixaBank share price was €3.140/share at year-end 2016 (+39.62% in the quarter)



Shareholder returns

- CaixaBank has paid shareholders a total of €0.15 per share in the last twelve months, split into quarterly payments; two of which were paid under the Scrip Dividend Programme, while the other two were paid in cash.
- On 10 March 2016, the Board of Directors proposed that dividends for 2016 under its shareholder remuneration policy be paid via three cash payments and one payment under the Scrip Dividend Programme, with shareholder remuneration to remain a quarterly event. In line with the 2015-2018 Strategic Plan, CaixaBank has reiterated its intention of remunerating shareholders by distributing an amount in cash equal to or greater than 50% of consolidated net profit.
- A payout of €0.04 per share was made on 8 December 2016 under the Scrip Dividend Programme corresponding to the second quarterly payment charged to unrestricted reserves.

(1) IBEX 35 Banks Index - Bloomberg.

Shareholder returns over the past twelve months

Concept	€/share	Payment date ¹
Optional Scrip Dividend ²	0.04	08 December 2016
Cash dividend, interim 2016	0.03	30 September 2016
Cash dividend, final dividend 2015	0.04	01 June 2016
Optional Scrip Dividend ³	0.04	18 March 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.

(3) Listing date for bonus subscription rights: 01 March, 2016.

Key performance indicators for the CaixaBank share

	Dec. 31, 2016
Market capitalization (€ M)	18,768
Number of outstanding shares ⁴	5,977,102
Share price (€/share)	
Share price at the beginning of the period (December 31, 2015)	3.214
Share price at closing of the period (December 30, 2016)	3.140
Maximum price ⁵	3.270
Minimum price ⁵	1.894
Trading volume in 2016 (number of shares, excluding non-recurring transactions, in thousands)	
Maximum daily trading volume	91,076
Minimum daily trading volume	4,560
Average daily trading volume	17,442
Stock market ratios	
Net Profit (€M) (12 months)	1,047
Average number of shares (12 months)	5,841,972
Net income attributable per Share (EPS) (€/share)	0.18
Equity (€M)	23,526
Number of shares at December 31, 2016 ⁴	5,977,102
Book value per share (€/share)	3.94
Tangible Equity (€M)	19,456
Number of shares at December 31, 2016 ⁴	5,977,102
Tangible book value per share (€/share)	3.26
PER (Price / Profit)	17.52
TangibleP/BV (Market value/ tangible book value)	0.96
Dividend Yield⁶	4.8%

(4) Number of shares, in thousands, excluding treasury shares. At 31 December 2016, CaixaBank has no convertible capital securities outstanding that could be converted into common shares.

(5) Share price at close of trading.

(6) Calculated by dividing the yield for the past twelve months (€0.15/share) by the closing price at the end of the period (€3.14/share).

Significant events in 2016

In this section follows additional information regarding relevant issues in 2016.

Sale of treasury shares to qualified investors

On 22 September 2016, CaixaBank decided to make use of the power conferred on the Board of Directors by the General Shareholders' Meeting on 28 April 2016, thus proceeding to sell a package of treasury shares through a private placement among qualified investors. Most of these shares had recently been acquired from its shareholder CriteriaCaixa under the terms of the swap agreement discussed below.

A total of 585,000,000 treasury shares were successfully sold, representing 9.9% of CaixaBank's share capital (including treasury shares worth €380 million shares transferred to two institutional investors committed to remaining with the Bank). The price per treasury share was set at €2.26, thus offering investors a 3.67% discount on the quoted price of the CaixaBank share on the transaction date.

CaixaBank obtained a total of €1,322 million in proceeds from the sale.

The placement allowed CaixaBank to strengthen its regulatory capital ratio in view of the tender offer for BPI shares described previously, thus allowing it to meet the objective under its strategic plan of maintaining a fully-loaded Common Equity Tier 1 (CET1) ratio of 11-12%.

Prudential minimum capital requirements of the European Central Bank and Banco de España

In the fourth quarter of 2016, CaixaBank received the updated decision of Banco de España in relation to the capital buffer required of it due to its status as an Other Systemically Significant Institutions (O-SII). This buffer remains unchanged at 0.25%. The buffer is to be implemented over the course of four years, commencing on 1 January 2016, meaning that in 2017 a requirement of 0.125% in regulatory capital adequacy will apply.

In addition, the European Central Bank (ECB) handed, in November of 2016, CaixaBank the minimum regulatory capital requirements after analysing the results of the supervisory review and evaluation process (SREP), which requires the CaixaBank Group to maintain a regulatory Common Equity Tier 1 (CET1) ratio of 7.375%, which includes: the minimum Pillar 1 requirement (4.5%); the Pillar 2 requirement of the ECB (1.5%); the capital conservation buffer (1.25%); and the O-SII buffer (0.125%). On a fully loaded basis, the minimum CET1 requirement would therefore be 8.75%. Similarly, taking the 8% Pillar 1 requirement, the minimum Total Capital requirements would be 10.875% (regulatory) and 12.25% (fully loaded).

The ECB's decision means that the regulatory CET1 level below which the CaixaBank Group would be required to limit dividend payments in 2017, as well as variable pay and interest to holds of additional tier 1 capital instruments -commonly referred to as the maximum distributable amount trigger (MDA trigger) is 7.375%.

Outcome of the stress test coordinated by the European Banking Authority (EBA)

The stress test conducted by the European authorities extended to the entire CriteriaCaixa Group, therefore including not only the CaixaBank Group, but also the industrial stakes and real estate assets of Criteria, based on the maximum prudential consolidation level at 31 December 2015. Under this perimeter, the CriteriaCaixa Group obtained a regulatory CET1 ratio of 9.0% at the end of the adverse scenario (2018) and a fully-loaded ratio of 7.8%.

CaixaBank, as part of the CriteriaCaixa Group, conducted an internal estimate of its own individual results by relying on the same methodology and official scenarios as those relied on by the CriteriaCaixa Group. Applying the same methodology and adverse macroeconomic scenario to CaixaBank individually, the Bank's Common Equity Tier 1 (CET1) ratio would be 9.8% at December 2018 (regulatory view) and 8.5% fully loaded.

Factoring in the swap agreement between CaixaBank and Criteria discussed below, CaixaBank's CET1 ratio at the end of the adverse scenario (2018) would improve to 10.1% (regulatory view) and to 9.1% (fully loaded) due to the release of deductions deriving from the financial stakes transferred to Criteria.

Changes in the Board of Directors

On 30 June, CaixaBank publicly announced through a significant event filing (as outlined below) that its Board of Directors had agreed to accept the board resignations tendered by Isidro Fainé Casas, Juan José López Burniol and María Dolors Llobet María, the first two so as to prevent a conflict of interest from arising since we have now reached the end of the term stipulated in Transitional Provision Two of Law 26/2013, on savings banks and banking foundations, and Ms. Llobet because she has already served as board member for six years and is therefore nearing the end of her term of office. The aim here is to ensure a greater number of independent directors within the context of the deconsolidation process currently ongoing with CriteriaCaixa.

The decision was reached to appoint Jordi Gual Solé and José Serna Masiá as proprietary directors, following a favourable report from the Appointments Committee and subject also to a suitability assessment from the European Central Bank. It was also agreed to appoint Koro Usarraga Unsain as independent director, again upon receiving a favourable report from the Appointments Committee and only after she has undergone a suitability assessment.

The decision was also reached to appoint Jordi Gual Solé as non-executive chairman of the Board of Directors, on the proposal of the Appointments Committee and subject to him effectively becoming a board member and passing the suitability assessment for the role of chairman to be conducted by the European Central Bank.

CaixaBank later announced that José Serna Masiá and Koro Usarraga Unsain had accepted their 30 June appointments as proprietary and independent director, respectively, after receiving notice from the European Central Bank on 7 July and 4 August, respectively, effectively confirming their suitability for office.

Subsequently, CaixaBank announced on 14 September that Jordi Gual Solé had accepted his appointments as proprietary director, non-executive chairman of the Board of Directors and member of the Executive Committee, of which he will also act as chairman in accordance with article 12 of the Board Regulations. These acceptances were made after receiving notice from the European Central Bank confirming his suitability for the positions of board member and non-executive chairman of CaixaBank.

On 27 October 2017, it was announced that the Caja Navarra Banking Foundation had tendered its resignation as member of the Board of Directors. It was also announced that the Board of Directors had

agreed, on a proposal from the Appointments Committee, to appoint Xavier Vives Torrents as a new member of the Executive Committee. Mr Vives therefore stood down from his existing position on the Audit and Control Committee, whereupon the Board of Directors appointed Koro Usarraga Unsain as his replacement.

On 15 December 2016, it was announced that Eva Aurín Pardo had stepped down from her position on the Board, with Alejandro García-Bragado Dalmau agreeing to cover the vacancy on the proposal of the Appointments Committee and also following a favourable report from the European Central Bank concerning his suitability for the position of Board member. Mr García-Bragado will serve as proprietary director upon the proposal of the "la Caixa" Banking Foundation.

Also on 15 December 2016, Mr García-Bragado tendered his resignation as secretary to the Board of Directors effective as of 31 December 2016. The Board of Directors then proceeded to appoint Óscar Calderón de Oya after receiving a favourable report from the Appointments Committee. Mr Calderón will therefore become General Secretary and Board secretary on 1 January 2017.

Agreement reached with CriteriaCaixa to swap the stakes held in The Bank of East Asia and Grupo Financiero Inbursa

On 3 December 2015, the Board of Trustees of the "la Caixa" Banking Foundation and the boards of directors of both CaixaBank and CriteriaCaixa, S.A.U. (Criteria or CriteriaCaixa) agreed to sign a swap agreement whereby CaixaBank would transfer to CriteriaCaixa its stake in The Bank of East Asia and in Grupo Financiero Inbursa in exchange for a mix of CaixaBank shares and cash (the "Swap Agreement").

On 30 May 2016, this asset swap arrangement was successfully completed, having previously secured all necessary administrative authorisations and having satisfied the terms of the swap agreement.

As a result, CaixaBank transferred to Criteria its stake in The Bank of East Asia, Limited (BEA), representing approximately 17.3% of its share capital, and its stake in Grupo Financiero Inbursa, S.A.B. de C.V (GFI), representing approximately 9.01% of its share capital. In exchange, Criteria transferred to CaixaBank a number of CaixaBank shares representing approximately 9.89% of its share capital, plus a cash sum of €678 million.

As a result of the transfers envisaged under the swap agreement, the agreements with BEA and GFI have since been amended to allow Criteria to take over from CaixaBank as their new shareholder. CaixaBank will remain the banking partner of both banks and will therefore continue to cooperate with both on joint commercial endeavours. When making strategic investments in banks that operate on the American continent and in the Asia-Pacific, CaixaBank will honour its commitment to making those investments through GFI and BEA respectively, unless, in the case of GFI, that bank decides not to take part in the investment.

The transfers following the swap agreement had a net negative impact of €14 million on CaixaBank's consolidated result at the close of the operation, and an impact on the Tier 1 regulatory capital (CET1) ratio of roughly -0.3% and +0.2% (fully loaded).

The swap has allowed CaixaBank to accomplish the objective set out in the 2015-2018 Strategic Plan, which calls for a one-third reduction in the weight of the capital charge of the investee portfolio to bring it below 10% before the end of 2016, compared to 16% at the end of 2014. Following the deal, the weight of the capital charge of minority holdings has fallen to below 7% at the end of 2016.

Intended prudential deconsolidation of CriteriaCaixa from CaixaBank

On 26 May 2016, CriteriaCaixa announced through a significant event filing, with the following key aspects, that the European Central Bank (ECB) had responded to its request for information, indicating the threshold below which it would consider that CriteriaCaixa no longer exerts control over CaixaBank for prudential purposes.

For CriteriaCaixa, the relevant deconsolidation conditions established by the ECB that the market should rely on are, among others, that CriteriaCaixa's voting and dividend rights in CaixaBank no longer exceed 40% of the total rights; that CriteriaCaixa's proprietary board members at CaixaBank no longer exceed 40% of the total number of board members, plus a number of other corporate governance requirements; and lastly that CaixaBank will no longer be permitted to grant loans or financing to CriteriaCaixa and/or "la Caixa" Banking Foundation once twelve months have elapsed from the deconsolidation date.

If the requirements announced by the ECB are met, it will duly confirm that control over CaixaBank has been relinquished and in the absence of other controlling stakes in other banks, Criteria will cease to be a mixed financial holding company for the purposes of Regulation (EU) No 575/2013, and consequently, the CriteriaCaixa consolidated group will no longer be required to comply with the capital requirements set out in the above mentioned regulation.

The Board of Trustees of the "la Caixa" Banking Foundation and the Board of Directors of CriteriaCaixa have agreed to put on record their desire to honour the above conditions so as to bring about the prudential deconsolidation of CriteriaCaixa from the CaixaBank Group before the end of 2017.

At 31 December 2016, CriteriaCaixa was the majority shareholder of CaixaBank, with a stake of 45.32% and an equal amount of voting rights.

Accelerated bookbuild of CaixaBank shares by CaixaBank

On 13 December 2016, CriteriaCaixa announced through a significant event filing that it had sold 100,000,000 CaixaBank shares, representing approximately 1.7% of CaixaBank's share capital, through an accelerated bookbuild. The share placement amounted to €315,000,000 million, at a sale price of €3.15 per share.

Full early redemption of the bond issue exchangeable for Repsol shares

On 28 January 2016, CaixaBank's Board of Directors resolved to fully call the bond issue exchangeable for Repsol shares titled "Unsecured Mandatory Exchangeable Bonds due 2016" ("Exchangeable Bonds").

The Exchangeable Bonds were redeemed by delivering the underlying Repsol shares to bondholders. The redemption date of the Exchangeable Bonds was 3 March 2016, while the underlying shares were delivered on 10 March. Approximately 5,479.45 Repsol shares were delivered for each Exchangeable Bond, plus a cash sum of €1,340.16 as interest accrued and a further cash sum of €3,048.90 to cover unpaid coupons, all in accordance with the terms and conditions of the Exchangeable Bonds.

Accordingly, and after deducting the exchangeable bonds held by the Bank itself, CaixaBank delivered a total of 29,824,636 shares representing 2.069% of Repsol's share capital and paid out a total cash sum of €23,889,653.58.

Appendices

Investment portfolio

Main investees (associates and available for sale) at 31 December 2016

Telefónica	5.15%
Repsol	10.05%
Banco BPI ¹	45.50%
Erste Group Bank ¹	9.92%
SegurCaixa Adeslas	49.92%
Comercia Global Payments	49.00%
ServiHabitat Servicios Inmobiliarios	49.00%
Sareb	12.24%

(1) The consolidated carrying amount (equity attributable to the CaixaBank Group, net of write-downs) amounts to €913 million (€1.38/share) for BPI and €1,267 million (€29.72/share) for Erste Group Bank.

Ratings

Agency	Long-Term	Short-Term	Outlook	Last review date	Rating of covered bonds program
Standard&Poor's	BBB	A-2	Stable	22 April 2016	A+
Fitch	BBB	F2	Positive	26 April 2016	
Moody's ²	Baa2	P-2	Stable	18 January 2017	Aa2
DBRS	A (low)	R-1 (low)	Stable	13 April 2016	AA (High)

(2) On 18 January 2017, Moody's changed its outlook from negative to stable considering that the acquisition of Banco BPI by CaixaBank does not have a negative effect on the CaixaBank risk profile.

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 yield on loans and the cost of retail deposits (%).

Yield on loans: net income from loans and advances to customers divided by the average balance for the period (quarterly).

Cost of retail deposits: cost of on-balance sheet retail customer funds divided by the average balance for the specific period (quarterly), excluding subordinated liabilities.

Balance sheet spread: difference between the return on assets and the cost of liabilities (%).

Return on assets: interest income for the period (quarter) divided by average total assets on the consolidated balance sheet for the period.

Cost of funds: interest expenses for the period (quarter) divided by average total liabilities on the consolidated balance sheet for the period.

Cost-to-income ratio¹: administrative expenses, depreciation and amortisation divided by gross income (last twelve months).

Efficiency ratio without extraordinary expenses¹: administrative expenses, depreciation and amortisation stripping out extraordinary expenses divided by gross income (last twelve months).

ROE¹ (Return on equity): profit attributable to the Group divided by average equity (last twelve months).

ROTE¹ (Return on tangible equity): profit attributable to the Group divided by average equity less, where applicable, intangible assets using management criteria (last twelve 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.

ROA¹ (Return on assets): net profit divided by average total assets (last twelve months).

RORWA¹ (Return on risk-weighted assets): net profit divided by regulatory risk-weighted assets (last twelve months).

(1) Cost-to-come 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).

Cost of risk: total allowances for insolvency risk recognised in the last twelve months divided by total loans and advances to customers, gross, plus contingent liabilities at the period-end.

Non-performing loan ratio: non-performing loans, gross, under Loans and advances to customers on the public balance sheet and contingent liabilities divided by total loans and advances to customers, gross, and contingent liabilities.

Coverage ratio: total impairment allowances on Loans and advances to customers and provisions for contingent liabilities divided by non-performing loans under Loans and advances to customers and non-performing contingent liabilities.

Real estate developer coverage ratio: total impairment allowances on real estate developer loans and advances divided by non-performing loans in this segment.

Real estate available for sale coverage ratio: Initial loan write-downs and charges to provisions subsequent to the real estate foreclosure divided by the debt cancelled during the foreclosure.

Real estate available for sale coverage ratio with accounting provisions: Charges to provisions subsequent to the real estate foreclosure divided by the value of the foreclosed asset, gross.

High quality 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 Bank of Spain (non-HQLA).

Loan to deposits: net loans and advances to customers less brokered loans (funded by Instituto de Crédito Oficial and the European Investment Bank) divided by customer funds on the balance sheet.

Reconciliation of management indicators with public financial statements

Income statement

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) on financial assets and liabilities designated at fair value through profit or loss, 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 - Loans and receivables.
- Provisions/(reversal) of provisions - Provisions for contingent liabilities.

Of which Other allowances.

- Impairment/(reversal) of impairment losses on financial assets not measured at fair value through

profit or loss, excluding Loans and receivables.

- Provisions/(reversal) of provisions, excluding provisions for contingent liabilities.

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).

Activity indicators

Loans and advances to customers, gross

December 2016	
€ million	
Loans and advances to customers (Public Balance Sheet)	200,338
NPL provisions	6,684
Other, non-retail, financial assets (asset under the asset protection scheme and others)	(724)
Reverse repurchase agreement (public and private sector)	(1,441)
Gross loans and advances to customers	204,857

Liabilities under insurance contracts

December 2016	
€ million	
Liabilities arising from insurance contracts (Public Balance Sheet)	45,804
Capital gains/(losses) on insurance assets available for sale	(9,253)
Unit-links ¹	3,764
Liabilities arising from insurance contracts, under management criteria	40,315

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

Customer funds

December 2016	
€ million	
Financial liabilities at amortised cost (Public Balance Sheet)	254,093
Non-retail financial liabilities	(77,285)
Deposits from central banks	(30,029)
Deposits from credit institutions	(6,316)
Other financial liabilities	(2,873)
Institutional issues ²	(27,691)
Counterparties and other	(10,376)
Liabilities under insurance contracts, under management criteria	40,315
Total on-balance sheet customer funds	217,123
Assets under management (mutual funds, managed accounts, SICAVs and pension plans)	81,890
Other accounts ³	4,882
Off-balance sheet funds	86,772
Total customer funds	303,895

(2) Recognised for accounting purposes under: Debt securities issued (€27,708 million) and under Customer deposits (€4,306 million) on the public balance sheet.

(3) Includes, among others, funds associated with the agreements to distribute insurance products from Barclays Bank, SAU and a subordinated debt issue of "la Caixa" (currently at CriteriaCaixa).

Institutional issues for banking liquidity purposes

December 2016

€ million

Debt securities issued (Public Balance Sheet)	27,708
Securitized bonds	(2,343)
Value adjustments	(359)
Retail	(3,949)
Issues acquired by companies within the group	254
Customer deposits (Public Balance Sheet)¹	4,306
Deposits from credit institutions (Public Balance Sheet) - Mortgage covered bonds (BEI)	20
Institutional financing for the purpose of managing bank liquidity	25,637

(1) €4,287 million in multi-issuer covered bonds and €19 million in subordinated deposits.

Market indicators

EPS (Earnings per share): profit attributable to the Group for the last twelve months divided by the average number of fully diluted shares outstanding.

The **average number of fully diluted shares outstanding** is calculated as the average number of shares issued less the average number of treasury shares held, plus the average number of shares that would be issued on the hypothetical conversion/exchange of convertible/exchangeable debt instruments issued, where applicable.

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

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

TBV (Tangible book value): equity less minority interests and intangible assets divided by 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 and P/TBV: share price divided by book value. Also calculated using tangible book value.

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

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This report contains a number of the Alternative Performance Measures (APMs) set out in the Guidelines on Alternative Performance Measures published by the European Securities and Markets Authority on 30 June 2015 (ESMA/2015/1057) ("the ESMA Guidelines") so as to provide a clearer picture of the company's financial performance and situation. Please be advised that these APMs have not been audited. These measures constitute additional information and should be treated accordingly. In no event are they intended to replace the financial information drawn up in accordance with International Financial Reporting Standards (IFRS). Moreover, the way the Group defines and calculates these measures may differ to the way similar measures are calculated by other companies. As such, they may not be comparable. Please consult the report for further details of the APMs used. The report also provides a reconciliation between certain management indicators and the indicators presented in the consolidated financial statements prepared under IFRS.

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Best Bank for CSR
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Best Bank
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