

CaixaBank posts profit of €39 million (+31.6%) as banking income climbs

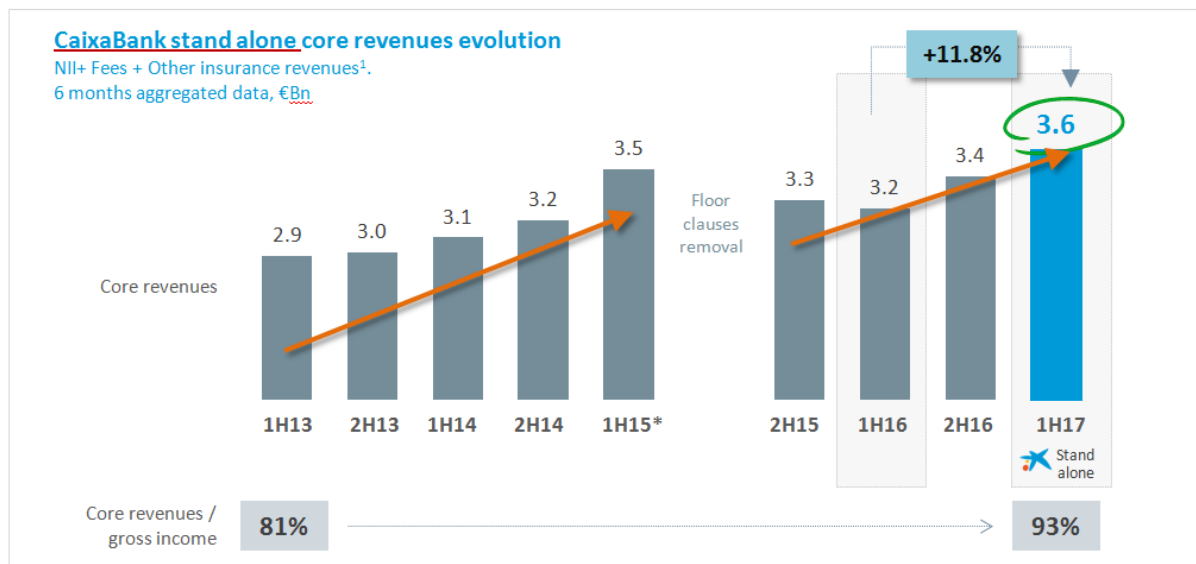
- **Gross income amounts to €4,280 million.** The 5.7% increase on the first half of 2016 is down to the integration of BPI and improved income generation from the banking business, offsetting the drop in earnings from financial assets and liabilities.
- **Loans and advances to customers, gross, stand at €28,435 million (+11.5% in 2017), following the integration of BPI.** At CaixaBank, the total loan portfolio remains stable (+0.1%) while the performing portfolio gained 0.5% in the year to date, despite the drop in financing to CriteriaCaixa in the first quarter to the tune of €951 million.
- **CaixaBank remains the leading entity in the Spanish retail banking business,** with an unrivalled market penetration of 25.7% as main bank. It also ranks first in payroll deposits, with a market share of 26.4%, and in assets under management in insurance products, plans and funds, with a market share of 21.7%.

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- **Net interest income gains 15.1%** to reach €2,349 million (+6.9% stripping out BPI); **fee and commission income totals €1,252 million (+23.9%, +12.4% stripping out BPI)**, while **income and expense arising from insurance and reinsurance contracts** climbs 66.7% to €233 million.
 - **Recurring administrative expenses, depreciation and amortisation** total €2,216 million (+10.7%) largely in response to the integration of BPI. Like-for-like, this heading is down 0.9% in the second quarter. The two early retirement agreements signed in 2017 will generate an annual saving of €104 million over the coming quarters.
 - **Impairment losses on financial assets and other charges to provisions amount to €1,235 million**, following the recognition in the first half of the year of €455 million associated with early retirements (€152 and €303 million in the first and second quarter, respectively).
 - **The NPL ratio is 6.5%**, well below the average among peers (8.7% at May 2017), while the coverage ratio improves to 50% (47% at year-end 2016).
 - The CaixaBank Group has a fully-loaded **Common Equity Tier 1 (CET1) ratio of 11.5%**, within the 11-12% target band envisioned in the Strategic Plan, and 2.8 percentage points clear of the supervisory requirement of 8.75%.
 - **CaixaBank has been reporting its stake in BPI using the full consolidation method since 1 February.** Since then, the Portuguese bank has contributed €77 million to earnings (after deducting restructuring costs of €106 million in the first half of the year).

Barcelona, 28 July 2017.- CaixaBank Group, a leading financial institution headed and run by Jordi Gual (Chairman) and Gonzalo Gortázar (CEO), reported net attributable profit of €839 million in the first half of 2017, up 31.6% year on year.

The change in the first half of the year was fuelled by the full consolidation of the results of BPI from February onward, which impacted the main headings of CaixaBank's income statement, and also by intensive commercial activity at CaixaBank.

This commercial prowess translates to high income-generating capacity, with gross income of €4,280 million. The year-on-year change (+5.7%) was down to the integration of BPI and enhanced generation of core income from the banking business (net interest income, fee and commission income, income from the life-risk insurance business and the result of using the equity accounting method to report SegurCaixa Adeslas), which was up 20.6% at the CaixaBank Group and 11.8% at CaixaBank. This healthy set of figures has offset the lower earnings on financial assets and liabilities.



¹ Incluye primas de seguros vida-riesgo y puesta en equivalencia de SegurCaixa Adeslas

^(*) Compra de Barclays España SAU.

Profitability at the CaixaBank Group has gained 90 basis points since December to reach 6.5%, while recurring ROTC from the banking and insurance business stands at 10.3%, with profit of €927 million at 30 June.

CaixaBank remains the leading entity in the Spanish retail banking business, with an unrivalled market penetration of 25.7% among retail customers. It also ranks first in payroll deposits, with a market share of 26.4%, and in assets under management in insurance products, plans and funds, with a market share of 21.7%.

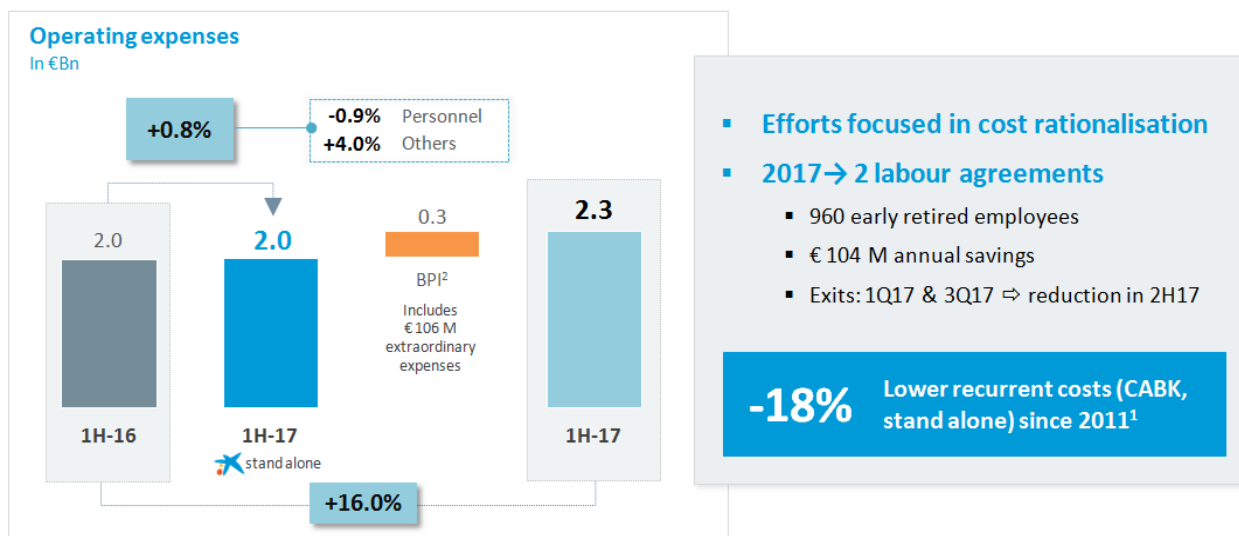
It also leads the way when it comes to online banking and mobile banking, with 5.5 million and 3.9 million customers, respectively. CaixaBank's business model relies heavily on technology and digitalisation, with 97% of all documents now signed digitally.

Net interest income of €2,349 million (+15.1%)

Against a backdrop of rock-bottom interest rates, net interest income totalled €2,349 million (+15.1% year on year) following the integration of business from BPI, which contributed growth of 8.2%. At CaixaBank, net interest income was up 6.9 % largely in response to sound management of retail activity. The period saw a sharp reduction in the cost of maturity deposits and also a drop in income as the climate of low market interest rates sapped returns on the loan and fixed income portfolios.

Fee and commission income totalled €1,252 million. The change here (+23.9%) was driven by the contribution made by BPI (+11.6 %) and the income obtained from commercial activity at CaixaBank (+12.4 %), which has seen an increase in fees from investment banking transactions plus increased transaction volume in the year to date.

Meanwhile, recurring administrative expenses, depreciation and amortisation (up 10.7% to €2,216 million) reflects the integration of BPI. Like-for-like, this heading gained 0.8% in the first half of the year, but was down 0.9% in the second quarter. The two early retirement agreements signed in 2017 will generate an annual saving of €104 million over the coming quarters. A total of €106 million in BPI restructuring costs have been recognised in 2017 (€96 million of which were reported in the second quarter).



¹ Recurrent costs ex BPI since 2011 (acquisitions proforma in Spain) vs annualized 1H17.

² BPI feb-jun. Includes €199 M of recurrent costs and €106 M of extraordinary operating expenses

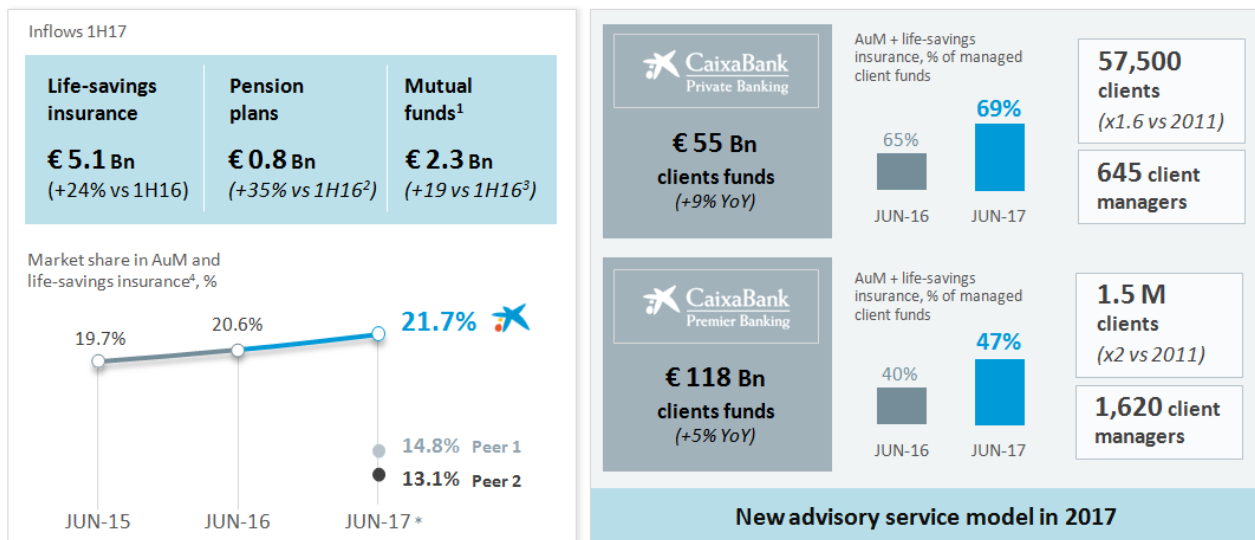
Gains/(losses) on financial assets and liabilities and other fell to €177 million (-70.1%), while income from the investment portfolio was down 2.8% to €389 million, partly due to the change in earnings at investees, the impact attributed to CaixaBank of the sale of 2% of BPI's stake in BFA (€97 million) and certain perimeter changes.

Leadership in long-term savings products

On the commercial front, the period saw sharp growth in the insurance and asset management business at CaixaBank. Assets under management totalled €85,590 million, up 4.5% in the first six months despite asset prices falling in the second quarter due to prevailing market conditions.

Following the pattern seen in recent years, assets under management in investment funds, portfolios and SIVACs gained a sizeable €59,461 million (+4.9%), while pension plans also performed well (+3.6% in 2017) to reach €26,129 million.

CaixaBank remains the leader when it comes to assets under management through insurance products, plans and funds, with a market share of 21.7%.



¹ Net inflows

² Without considering Barclays portfolio transfer in 2016

³ YoY change in AuM (jun17 vs jun16)

⁴ Peers: BBVA and Santander + Popular a 1Q17

* Market share for mutual funds and pension plans according to Inverco, savings insurance market share: estimated based on ICEA published data on life insurance as of June 2017.

Total customer funds amounted to €348,903 million, up 14.8% in 2017 following the integration of BPI (+11.4%). At CaixaBank, customer funds are up 3.4% in 2017, with on-balance sheet funds gaining 4.0%, although growth in demand deposits in the second quarter was affected by a number of seasonal impacts.

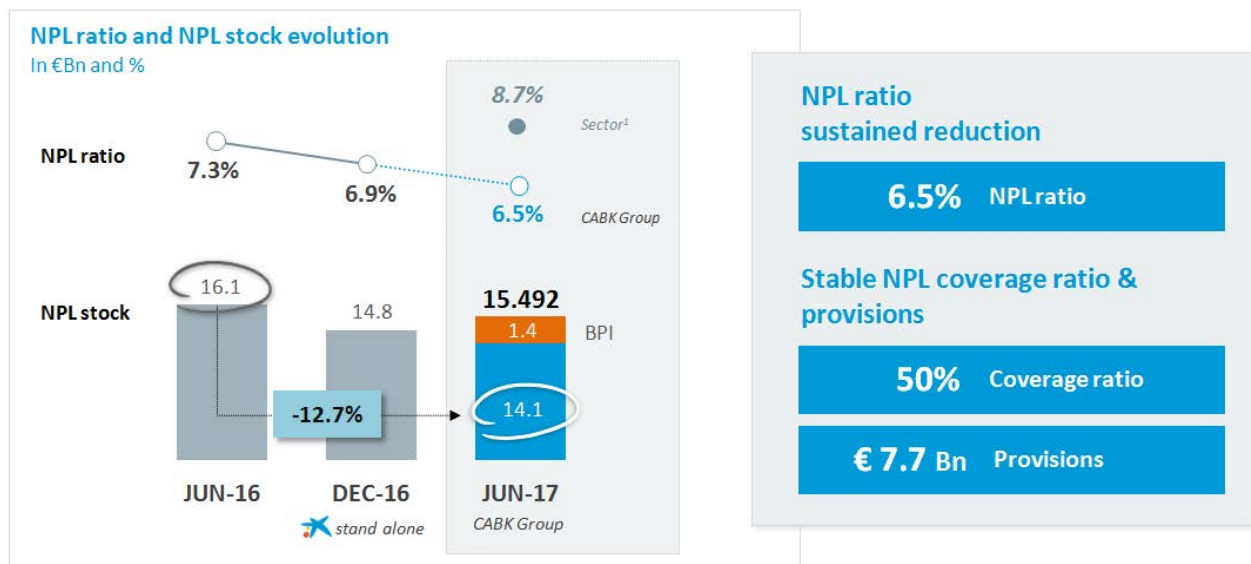
Loans and advances to customers, gross, totalled €228,435 million, up 11.5% following the integration of BPI. At CaixaBank, the total portfolio remains stable (+0.1%) while the performing portfolio is up 0.5% in the year to date. If we strip out the seasonal impact of the pension pre-payments made in June and the drop in lending to CriteriaCaixa of €951 million due to the process of prudential deconsolidation, the performing portfolio grew by 0.2%.

The Group has an NPL ratio of 6.5%

The CaixaBank Group's NPL ratio is 6.5% (6.9% at 31 December 2016), well below the average among peers (8.7% at May 2017), while the NPL coverage ratio has improved to 50% (47% at year-end 2016). At CaixaBank, NPLs were down €574 million in the second quarter (down €2,044 million in the past 12 months), showing the improving quality of the loan portfolio.

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

Meanwhile, other charges to provisions totalled €763 million, showing mainly the €455 million reported in the first half of the year in connection with early retirements (€152 million and €303 million in the first and second quarter, respectively) and €154 million in write-downs on exposure to the SAREB.



¹ As of May 2017

The portfolio of net foreclosed real estate assets available for sale remained stable at €6,258 million, with a coverage ratio of 58%.

Real estate sales and rentals remained high in the first half of the year, with €669 million in sales (+9.7% year on year) and positive proceeds on sales since the fourth quarter of 2015. Proceeds on sales to net book value stood at 15% at 30 June 2017.

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

CET1 remains within the target band envisioned in the Strategic Plan

The CaixaBank Group had a fully-loaded Common Equity Tier 1 (CET1) ratio of 11.5% at 30 June, within the target band envisioned in the 2015-2018 Strategic Plan (11-12%) and 2.8 percentage points clear of the supervisory requirement of 8.75%. Following the integration of BPI, the ratio gained 22 basis points in the first half of the year on the back of solid profit generation, but shed 3 basis points in response to market conditions.

Tier 1 improved to 12.2% following the placement of €1,000 million in Additional Tier 1 (AT1) instruments in June, which had an impact of 66 basis points.

Meanwhile, fully-loaded total capital was 15.5% and includes the placement of €1,000 million in AT1 instruments in June and an issue of €1,000 million in subordinated debt in February. This ratio already incorporates the redemption of the issue of approximately €1,300 million in subordinated debt, on a pro-forma basis, the new placement of €1,000 million in subordinated debt subscribed on 14 July, thus bringing the total capital ratio, pro-forma, from 14.9% to 15.5%.

BPI contributes €77 million to the CaixaBank Group's earnings

In accordance with applicable accounting law, 7 February 2017 has been set as the effective takeover date (end of the acceptance period of the mandatory takeover). The total stake in BPI (84.5%) has been reported under the full consolidation method since 1 February, having been previously reported under the equity method (45.5%). In the past five months, BPI has contributed €77 million to the CaixaBank Group's total earnings.

Earnings highlights at BPI in the second quarter were as follows:

- Extraordinary expenses included a total of €96 million in restructuring costs in the second quarter (€10 million in the first quarter of 2017).
- Performing loans stood at €22,009 million, up 0.4% since December. Meanwhile, customer deposits amounted to €34,558 million, up 4.7% in the first six months on the back of assets under management.
- BPI's NPL ratio is 5.8% using the CaixaBank Group's own NPL classification criteria, while the Group's NPL coverage currently stands at 80%.

Welfare Projects: making a difference

"la Caixa" Banking Foundation made significant progress across all priority programmes during the first half of the year, under the terms of the **2016-2019 Strategic Plan**.

With a budget of **€510 million in 2017**, the Banking Foundation –which directly oversees Welfare Projects and uses CriteriaCaixa to pool all the shareholdings of the "la Caixa" Group, including CaixaBank– is now Spain's largest foundation and one of the biggest in the world.

Social work, research, and sharing culture and knowledge remain the three cornerstones of the foundation's work with the ultimate aim of helping to build a better and fairer society, while offering opportunities to those most in need.

Transformative and life-changing social programmes account for 60% of the budget this year round, as envisioned in the Strategic Plan. A clear example of the foundation's ongoing drive to consolidate this type of project is the expansion of the **CaixaProinfancia** programme, one of its flagship initiatives as it aims to bring the programme to all regions of Spain.

Between January and June of 2017, **CaixaProinfancia provided support to 47,235 vulnerable children** aged 0 to 18 and to their family members in a bid to break the vicious circle of inherited poverty. A key milestone for this project in the first half of the year was the **CaixaProinfancia Five Big-guns Adventure**, where one hundred children visited the natural habitats of the five most emblematic creatures of the Iberian animal kingdom.

Over 14,000 job opportunities

Improving the job prospects of vulnerable workers is another of the strategic pursuits of Welfare Projects. Through its **job integration scheme, Incorpora**, the foundation has provided a total of 14,088 jobs to people at risk of exclusion during the first half of the year, thanks to the ongoing support of 5,975 participating companies from across all of Spain.

Incorpora recently **celebrated its tenth anniversary**; a perfect opportunity to take a look at what the programme has achieved across all the regions of Spain and to express appreciation for the hard work of everyone involved in the project. Welfare Projects also has a specific initiative up and running to help prison inmates nearing the end of their sentence rejoin society and find a job: **Reincorpora**.

Moving to healthcare, Welfare Projects has extended its aid programme for people with advanced illnesses to a total of **120 health care centres**. In the first half of the year, **a total of 11,821 patients** received psychological and social support, **as did 15,091 family members**.

Providing easier access to housing is another strategic priority under the Strategic Plan. **The "la Caixa" Group already has nearly 33,000 flats** available to low-income people and families, with monthly rents starting at just 85 euros.

On top of all this, we have the new edition of the **milk collection campaign titled *A milk moustache for all kids***, which is aimed at vulnerable families and has the support of food banks from across all of Spain.

The main achievement in the realm of **educational action** was the award of 120 grants to Spanish students, allowing them to pursue post-graduate studies at some of the world's finest universities. The awards ceremony was presided over by the King and Queen of Spain, in what is now the 35th edition of this prestigious programme.

Meanwhile, the "la Caixa" Banking Foundation and the Telefónica Foundation have been continuing to work together on their joint **ProFuturo project**. The initiative, inspired by Pope Francis, seeks to improve the education and training of children, teenagers and adults from the most underprivileged regions of Africa, Latin America, the Middle East and South East Asia.

The **eduCaixa** programme has reached out to **over 1.3 million pupils from a total of 6,546 schools in Spain**. The initiative offers innovative, practical and easy-to-access educational resources, with programmes designed to hone their entrepreneurial skills.

On the international stage, highlights for the period included the Banking Foundation's announcement that it intends to extend the scope of "la Caixa" Welfare Projects to Portugal on occasion of the new alliance with Portuguese bank BPI. The entity is currently working on a plan that envisions an investment of up to €50 million a year in the country once all programmes have been implemented.

Championing scientific progress and cultural outreach

The Banking Foundation's commitment to research is geared towards **health and other challenges facing the human race**, such as climate change and social transformation. Its work here is focused on three lines of action: grants and scholarships for promising young scientists; support for research centres and programmes; and ensuring that scientific progress feeds through to society.

The foundation has also stepped up its ongoing support for scientific progress and advances by rolling out projects to improve research into Alzheimer's, AIDS, neurodegenerative illnesses and cardiovascular conditions.

Meanwhile, **CosmoCaixa has reached a milestone of 10 million visitors** after 13 years dedicated to scientific outreach.

In the cultural realm, highlights include the superb range of events and activities arranged by the eight CaixaForum centres. Exhibitions currently running include ***The world of Giorgio de Chirico. Dream or reality*** (CaixaForum Barcelona); ***Agon! Competing in Ancient Greece*** (CaixaForum Madrid); ***So-rola. A garden to paint*** (CaixaForum Seville) and ***The pillars of Europe. The Middle Ages at the British Museum*** (CaixaForum Zaragoza).

Key figures

€ million	January - June		Year-on-year	2Q17	Quarter-on-quarter
	2017	2016			
INCOME STATEMENT HEADINGS					
Net interest income	2,349	2,041	15.1%	1,196	3.7%
Net fee and commission income	1,252	1,010	23.9%	664	13.1%
Gross income	4,280	4,049	5.7%	2,387	26.1%
Recurring administrative expenses, depreciation and amortisation	(2,216)	(2,002)	10.7%	(1,125)	3.2%
Pre-impairment income stripping out extraordinary expenses	2,064	2,047	0.8%	1,262	57.3%
Pre-impairment income	1,958	2,047	(4.4%)	1,166	47.1%
Profit/(loss) before tax	1,005	888	13.2%	554	23.1%
Profit/(loss) attributable to the Group	839	638	31.6%	436	8.2%
BALANCE SHEET					
EFFICIENCY AND PROFITABILITY (last 12 months)					
Total assets	378,684	370,267	347,927	2.3%	8.8%
Equity	24,375	24,779	23,556	(1.6%)	3.5%
Customer funds	348,903	338,053	303,895	3.2%	14.8%
Loans and advances to customers, gross	228,435	227,934	204,857	0.2%	11.5%
Cost-to-income ratio	55.1%	54.0%	52.6%	1.1	2.5
Cost-to-income ratio stripping out extraordinary expenses	52.2%	52.4%	51.0%	(0.2)	1.2
ROE	5.4%	5.1%	4.5%	0.3	0.9
ROTE	6.5%	6.2%	5.6%	0.3	0.9
ROA	0.3%	0.3%	0.3%	0.0	0.0
RORWA	0.8%	0.9%	0.8%	(0.1)	0.0
RISK MANAGEMENT					
Non-performing loans (NPL)	15,492	16,135	14,754	(643)	738
Non-performing loan ratio	6.5%	6.7%	6.9%	(0.2)	(0.4)
Cost ok risk (last 12 months) ¹	0.44%	0.46%	0.46%	(0.02)	(0.02)
Provisions for non-performing loans	7,732	7,985	6,880	(253)	852
NPL coverage ratio	50%	49%	47%	1	3
Net foreclosed available for sale real estate assets ²	6,258	6,285	6,256	(27)	2
Foreclosed available for sale real estate assets coverage ratio	58%	59%	60%	(1)	(2)
LIQUIDITY					
Total Liquid Assets	65,594	55,256	50,408	10,338	15,186
Loan to deposits	107.9%	112.7%	110.9%	(4.8)	(3.0)
Liquidity Coverage Ratio	208%	158%	160%	50	48
CAPITAL ADEQUACY					
Fully-loaded Common Equity Tier 1 (CET1)	11.5%	11.5%	12.4%	0.0	(0.9)
Fully-loaded Tier 1	12.2%	11.5%	12.4%	0.7	(0.2)
Fully-loaded Total Capital ³	15.5%	15.1%	15.4%	0.4	0.1
Fully-loaded Risk-Weighted Assets (RWAs)	151,223	152,874	134,385	(1,651)	16,838
Fully-loaded leverage ratio	5.5%	5.4%	5.4%	0.1	0.1
Common Equity Tier 1 (CET1)	12.5%	11.9%	13.2%	0.6	(0.7)
SHARE INFORMATION					
Share price (€/share)	4.180	4.029	3.140	0.151	1.040
Market capitalization	24,988	24,085	18,768	903	6,220
Book value per share (€/share)	4.01	4.08	3.94	(0.07)	0.07
Tangible book value per share (€/share)	3.30	3.37	3.26	(0.07)	0.04
Number of outstanding shares excluding treasury stock (millions)	5,978	5,978	5,977	0	1
Net income attributable per share (€/share) (12 months)	0.21	0.20	0.18	0.01	0.03
Average number of shares excluding treasury stock (millions) (12 months)	5,810	5,752	5,842	58	(32)
PER (Price/Profit)	19.49	19.68	17.52	(0.19)	1.97
Tangible PBV (Market value/ book value of tangible assets)	1.27	1.20	0.96	0.07	0.31
OTHER DATA (units)					
Customers (millions)	15.8	15.8	13.8	0.0	2.0
CaixaBank Group Employees	37,336	37,638	32,403	(302)	4,933
Branches ⁴	5,468	5,525	5,027	(57)	441
of which: CaixaBank retail branches	4,749	4,799	4,851	(50)	(102)

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

(2) Exposure in Spain.

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

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

Results

Income statement

Year-on-year performance

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