

Business activity and results

January-December

2018



CaixaBank

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Note: The financial information contained in this document is unaudited and, accordingly, is subject to change. The income statement and the consolidated balance sheet and the corresponding breakdowns of those statements provided in this report, are presented under management criteria, but have still been prepared in accordance with International Financial Reporting Standards (IFRS-EU) as adopted by the European Union under the terms of Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002, as subsequently modified. In preparing these statements, Circular 4/2017 of the Bank of Spain of 6 December, as subsequently modified, has also been taken into due account in that it adapts IFRS-EU to Spanish credit institutions.

This report has been prepared from the accounting records of CaixaBank, S.A. and the other Group companies, and includes certain adjustments and reclassifications required to apply the policies and criteria used by the Group companies on a consistent basis with those of CaixaBank. For this reason, and in relation to BPI specifically, the information set out in this report is not entirely consistent with the Group's published financial statements (see *Reconciliation with the financial information released by BPI following the presentation format of the CaixaBank Group* under *Appendices - Glossary* below). Likewise, the financial information regarding investees has been prepared primarily on the basis of estimates made by the Company.

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

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

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

IFRS 9 entered into force on 1 January 2018. We have therefore included, for comparison purposes, the opening balance sheet showing the effect of applying that standard to the balance sheet at 31 December 2017. Likewise, and in accordance with the Amendments to IFRS 4: Applying IFRS 9 Financial Instruments, the adoption of IFRS 9 can be deferred for insurers that belong to a financial conglomerate. In fact, the Group has decided to apply temporary exemption from IFRS 9 in respect of the financial investments of the Group's insurance firms for all periods that come before 1 January 2021 as it awaits the entry into force of the new IFRS 17: Insurance Contracts, which will govern the presentation and measurement of insurance contracts (including technical provisions). Accordingly, the information shown below does not reflect the change of accounting policy in relation to the investments undertaken by the Group's insurance firms, which are grouped under the heading 'Assets associated with the insurance business' on the balance sheet. To make the information more readily comparable, the Group has also reclassified the technical provisions relating to Unit Link and Flexible Investment Annuity (part under management), which are now reported under 'Liabilities associated with the insurance business'.

Commercial positioning

CaixaBank Group

15.7

million customers

29.3%

market penetration among individual customers in Spain

26.3%

market penetration as main bank among individual customers in Spain

386,622

in total assets (€ million)

358,482

in customer funds (€ million)

224,693

in loans and advances to customers (€ million)

Balance sheet indicators

LIQUIDITY

79,530

in total liquid assets (€ million)

196%

liquidity coverage ratio (LCR), average 12 months

CAPITAL MANAGEMENT

11.5%

fully-loaded CET1

15.2%

fully-loaded total capital

RISK MANAGEMENT

4.7%

NPL ratio

54%

NPL coverage ratio

Profitability and cost-to-income

2,199

Banking and insurance

1,985

profit attributable to the Group (€ million) (+17.8% vs 2017)

54

Equity Investments

262

BPI

-530

Non-core RE activity

52.9%

cost-to-income ratio, stripping out extraordinary expenses

9.3%

ROTE

12.3%

recurring ROTE for banking and insurance business

Key Group figures

| € million / % | January - December | | Year-on-year | 4Q18 | Quarter-on-quarter |
|---|--------------------|---------|--------------|----------------|--------------------|
| | 2018 | 2017 | | | |
| INCOME STATEMENT | | | | | |
| Net interest income | 4,907 | 4,746 | 3.4% | 1,236 | (0.2%) |
| Net fee and commission income | 2,583 | 2,499 | 3.4% | 645 | - |
| Gross income | 8,767 | 8,222 | 6.6% | 1,866 | (17.0%) |
| Recurring administrative expenses, depreciation and amortisation | (4,634) | (4,467) | 3.7% | (1,168) | 0.5% |
| Pre-impairment income stripping out extraordinary expenses | 4,133 | 3,755 | 10.1% | 698 | (35.7%) |
| Pre-impairment income | 4,109 | 3,645 | 12.7% | 685 | (36.8%) |
| Profit/(loss) attributable to the Group | 1,985 | 1,684 | 17.8% | 217 | (54.0%) |
| INDICATORS OF PROFITABILITY (Last 12 months) | | | | | |
| Cost-to-income ratio | 53.1% | 55.7% | (2.6) | 53.1% | (0.2) |
| Cost-to-income ratio stripping out extraordinary expenses | 52.9% | 54.3% | (1.4) | 52.9% | (0.3) |
| ROE | 7.7% | 6.9% | 0.8 | 7.7% | - |
| ROTE | 9.3% | 8.4% | 0.9 | 9.3% | (0.1) |
| ROA | 0.5% | 0.5% | - | 0.5% | - |
| RORWA | 1.3% | 1.1% | 0.2 | 1.3% | - |
| OTHER INDICATORS | | | | | |
| | December | | Year-to-date | September 2018 | Quarter-on-quarter |
| | 2018 | 2017 | | | |
| BALANCE SHEET | | | | | |
| Total assets | 386,622 | 383,186 | 0.9% | 387,751 | (0.3%) |
| Equity | 24,058 | 24,683 | (2.5%) | 24,353 | (1.2%) |
| Customer funds | 358,482 | 349,458 | 2.6% | 363,621 | (1.4%) |
| Loans and advances to customers, gross | 224,693 | 223,951 | 0.3% | 223,465 | 0.5% |
| RISK MANAGEMENT | | | | | |
| Non-performing loans (NPL) | 11,195 | 14,305 | (3,110) | 12,116 | (921) |
| Non-performing loan ratio | 4.7% | 6.0% | (1.3) | 5.1% | (0.4) |
| Cost of risk (last 12 months) | 0.04% | 0.34% | (0.30) | 0.08% | (0.04) |
| Provisions for insolvency risk | 6,014 | 7,135 | (1,121) | 6,579 | (565) |
| NPL coverage ratio | 54% | 50% | 4 | 54% | - |
| Net foreclosed available for sale real estate assets ¹ | 740 | 5,878 | (5,138) | 5,346 | (4,606) |
| Foreclosed available for sale real estate assets coverage ratio | 39% | 58% | (19) | 59% | (20) |
| LIQUIDITY | | | | | |
| Total Liquid Assets | 79,530 | 72,775 | 6,755 | 76,079 | 3,451 |
| Loan to deposits | 105% | 108% | (3) | 104% | 1 |
| Liquidity Coverage Ratio (last 12 months) | 196% | 185% | 11 | 193% | 3 |
| CAPITAL ADEQUACY | | | | | |
| Fully-loaded Common Equity Tier 1 (CET1) | 11.5% | 11.7% | (0.2) | 11.4% | 0.1 |
| Fully-loaded Tier 1 | 13.0% | 12.3% | 0.7 | 12.9% | 0.1 |
| Fully-loaded total capital | 15.2% | 15.7% | (0.5) | 15.2% | - |
| Fully-loaded Risk-Weighted Assets (RWAs) | 146,524 | 148,626 | (2,102) | 148,826 | (2,302) |
| Fully-loaded leverage ratio | 5.5% | 5.3% | 0.2 | 5.6% | (0.1) |
| SHARE INFORMATION | | | | | |
| Share price (€/share) | 3.164 | 3.889 | (0.725) | 3.938 | (0.774) |
| Market capitalization | 18,916 | 23,248 | (4,332) | 23,544 | (4,628) |
| Book value per share (€/share) | 4.02 | 4.06 | (0.04) | 4.04 | (0.02) |
| Tangible book value per share (€/share) | 3.30 | 3.35 | (0.05) | 3.33 | (0.03) |
| Net income attributable per share (€/share) (12 months) | 0.32 | 0.28 | 0.04 | 0.32 | - |
| PER (Price/Profit) | 9.95 | 14.02 | (4.07) | 12.44 | (2.49) |
| Tangible PBV (Market value/ book value of tangible assets) | 0.96 | 1.16 | (0.20) | 1.18 | (0.22) |
| OTHER DATA (units) | | | | | |
| Employees | 37,440 | 36,972 | 468 | 37,511 | (71) |
| Branches ² | 5,103 | 5,379 | (276) | 5,176 | (73) |

(1) Exposure in Spain.

(2) Does not include branches outside Spain and Portugal or representative offices.

Key information

CaixaBank Group

CaixaBank

Commercial strength

- CaixaBank has over **13.7 million customers in Spain**, making it the main bank for one out of every four retail customers. It has a market penetration¹ among individual customers of 29.3% and for 26.3% CaixaBank is their main bank.
- The Bank's commercial prowess has enabled it to maintain high market shares² across all the main retail products and services.

| Loans | Deposits | Payroll deposits | Investment funds | Saving insurances | Pension plans | Card turnover | Consumer lending |
|-------|----------|------------------|------------------|-------------------|---------------|---------------|------------------|
| 15.9% | 15.0% | 26.8% | 17.0% | 27.3% | 24.1% | 23.3% | 16.3% |

The best customer experience

- **Sound business segmentation**, with a wide range of products and services tailored to the needs of customers.
- Named **World's best retail bank** by Global Finance and **Bank of the Year 2018 in Spain** by The Banker.
- Recognised by International Finance Corporation as the **leading bank in developing foreign trade** in emerging countries.
- Named **Best bank** and **Best private banking institution** in Spain by Global Finance and Euromoney, respectively, for the fourth straight year.
- CaixaBank has successfully renewed its European Seal of Excellence EFQM 500+, a testament to the **supreme quality of its** customer and management service. This time round, it has improved on its previous score by earning over 650 points.

Digitalisation

- Euromoney named CaixaBank **Best digital bank in Western Europe** on account of its digital transformation and innovation, while Financial Times named it **Best private bank in Europe** based on how it applies technology.
- Among CaixaBank customers, **57% are now digital**³.
- Recognised by both The Banker and Bank Administration Institute for its **innovative mobile app CaixaBankNow**, a testament to the Bank's digital transformation and commitment to technological innovation.
- **Launch of the Smart Money app**, which offers digital advisory services and proposes investment portfolios based on the customer's risk profile and objectives.

Responsible management and commitment

- Merco named CaixaBank the **Best financial sector institution in corporate social responsibility and corporate governance** in 2017.
- **VidaCaixa** obtained an A+ for its investment management services, the highest score that can be earned under the Principles for Responsible Investment of the United Nations.
- Featured on the main **sustainability indexes**: Dow Jones Sustainability Index, FTSE4Good, Ethibel Sustainability Index Excellence Europe, MSCI Global Sustainability Indexes and Advanced Sustainable Performance Indices.

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

(2) Latest information available. Market shares in Spain. Data prepared in-house. Source: Bank of Spain, Social Security, INVERCO, ICEA and Sistemas de tarjetas y medios de pago. Lending and deposits market share corresponding to the resident private sector.

(3) Individual customers aged between 20 and 74 with at least one CaixaBankNow transaction in the last 12 months.

BPI

- BPI boasts solid market shares¹ in **Portugal**, with over **1.9 million customers**: 10.1% in lending activity and 11.0% in customer funds.
- Named by Euromoney as **Best bank in Portugal** in 2018 thanks to its strategy, innovation and social commitment.

Strategic Plan 2019-2021

CaixaBank has now approved its new Strategic Plan, which aims to make the Bank a **leading and highly innovative financial group** with the **best customer service**, while making it a **benchmark for socially responsible banking**. The plan pursues the following strategic lines:

- Offer the **best customer experience**
- Accelerate **digital transformation** to boost efficiency and flexibility
- Foster a **people centric, agile and collaborative culture**
- **Attractive shareholder returns** and **solid financials**
- A benchmark in **responsible banking and social commitment**

By launching its new Strategic Plan, the CaixaBank Group aims to cement its leadership in Spain while expanding its business model in Portugal through BPI, which promises considerable growth potential. The plan also envisions an ambitious target of speeding up the **digital transformation** to become more customer-oriented and to adapt to new consumer behaviours, ultimately allowing the Group to become **more agile, efficient and flexible**.

Turning to the Group's financial targets, it expects to reach the following milestones by the end of the Strategic Plan:

- **Core income** to gain over 5% (CAGR²) and the **core cost-to-income ratio**³ to fall below 55%.
- **Reduction in non-performing loans** to bring the **NPL ratio to below 3%**.
- **Average LCR** ratio for the last 12 months of **over 130%**
- **Return on tangible equity (ROTE) to exceed 12% in 2021**.

Meanwhile, the **fully-loaded CET1 ratio** is expected to reach around **12%** and the Group will ensure a transitional buffer over the following three years of approximately 100 basis points to absorb possible future regulatory impacts.

The Bank's increased profitability, coupled with its financial robustness, will enable it to maintain an attractive dividend policy, with a cash payout to exceed 50% of earnings over the entire period.

Financial milestones in the quarter

- In the second quarter of 2018, CaixaBank agreed to **sell its real estate business**⁴ to a newco, 80% of which was to be owned by the funds Lone Star Fund X and Lone Star Real Estate Fund V and the remaining 20% by CaixaBank.

The sale was completed in the fourth quarter of 2018, generating a final impact on the income statement (including expenses, taxes and other costs) of €-48 million, net of tax, while adding 14 basis points to the fully-loaded CET1 ratio.

- At year-end 2018, the Group's significant influence at **BFA** was restated, giving rise to a **change in the accounting classification** of the investee (from Investments in joint ventures and associates to Financial assets designated at fair value through other comprehensive income). Due to the change, a loss of €-154 million was reported under Gains/(losses) on disposal of assets and others (€-139 million, net), largely due to the transfer of valuation adjustments previously recognised in equity.
- On 14 December 2018, the Portuguese stock market regulator approved the delisting of **Banco BPI**. On 27 December, CaixaBank exercised its squeeze-out right to acquire all the shares it did not already own. The consolidated stake in Banco BPI appearing on CaixaBank's financial statements at year-end was 100%.

(1) Latest information available. Data prepared in-house (includes deposits, mutual funds, capitalisation insurance, PPRs and OTRVs). Source: Banco de Portugal, APS, APFIPP.

(2) Compound Annual Growth Rate.

(3) Recurring expenses to core income (includes net interest income, fee and commission income, income from the life-risk insurance business, the result of using the equity method for SegurcaixaAdeslas and income from the insurance investees of BPI).

(4) For more information, see the section on 'Significant Events in 2018'.

Results and business activity

- **Attributable profit for 2018 grew to €1,985 million** (+17.8% on 2017), on the back of:
 - **Gross income** growth (+6.6%), driven mainly by **core income**¹, which climbed to €8,217 million (+4.2%), as well as higher income from **investees**, among others factors.
 - **Reduction in Allowances for insolvency risk** and **Other charges to provisions** (-66.8%).
 - A number of extraordinary events also impacted the income statement in both annual periods.
- **Total funds** grew to €358,482 million (+2.6% in 2018).
- Total loans and advances to customers, gross came to €224,693 million (+0.3% in the year), while the **performing portfolio was up 1.8%**.

Balance sheet strength

Risk management

- NPLs were down €3,110 million in the year, bringing the **NPL ratio** down to **4.7%** (6.0% at December 2017).
- The **coverage ratio** has climbed to **54%** (+4pp in the year) mainly impacted by the adoption of IFRS 9.
- The **net portfolio of foreclosed real estate assets available for sale** dropped to **€740 million** (€-5,138 million in 2018), revealing a **coverage ratio with write-offs of 39%**.
- **Net foreclosed assets held for rent** fell to **€2,479 million** (€-551 million in 2018).

Capital adequacy

- The **fully-loaded Common Equity Tier 1 (CET1)** stands at **11.5%** at 31 December 2018. If we exclude the negative impact of the implementation of the IFRS 9 accounting standard (-15 bp) and -14 basis points deriving from extraordinary impacts in the year (acquisition of non-controlling interests at BPI and sale of 80% of the real estate business), the ratio gained 54 basis points from capital generation, but shed 43 basis points due mainly to market volatility and other factors, notably the adjustment made in the third quarter to meet credit risk requirements for the non-performing mortgage portfolio under the TRIM² process of the European Central Bank.
- The **fully-loaded Tier 1** ratio was **13.0%**. The Group has managed to maintain, since the first quarter of the year, the 1.5% target of AT1 instruments envisioned in Pillar 1 of the capital regulations, which were previously covered totally or in part with CET1.
- Fully-loaded **total capital** was **15.2%**, following the issuance of €1,000 million in Tier 2 instruments in April 2018, the redemption of an issuance of Tier 2 instruments worth €2,072 million in May (of which €1,574 million eligible) and the redemption of a further issuance of Tier 2 instruments worth €750 million completed in November (of which €738 million eligible).

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

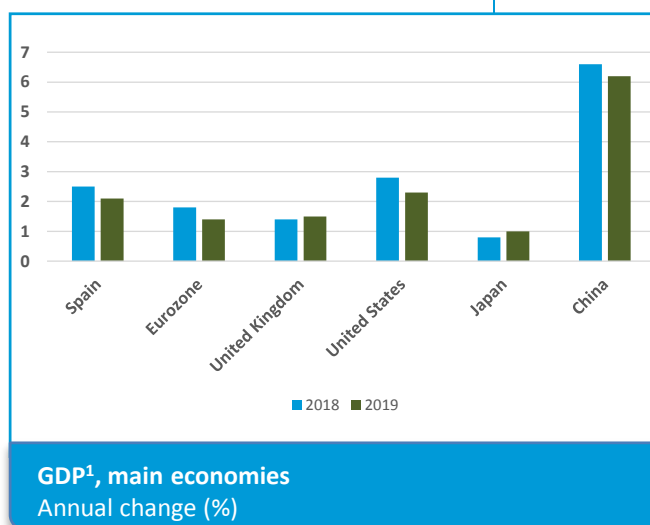
(2) Targeted Review of Internal Models.

Macroeconomic trends and state of the financial markets

Global economic outlook

Indicators on global economic activity for the fourth quarter reveal still high, yet somewhat gentler growth than the levels reported in previous quarters, bringing estimated **global growth** in 2018 to 3.7%, the same as in 2017. That said, downside risks remain a definite threat and are in fact the main cause of the volatility we have been seeing during the quarter across the financial markets. The prevailing uncertainty surrounding global growth has once again dragged down the stock markets in both developed countries and the emerging block, while yields on sovereign bonds have also fallen. More to the point, there are concerns over a possible trade war. The United States and China moved closer to an agreement in the late stages in 2018, bringing a welcome détente to the hostilities, although a definitive solution to the conflict is still a long way off. Against this backdrop, CaixaBank Research predicts global growth of 3.4% in 2019.

Despite the uncertainty, economic activity in the United States remains buoyant, as shown by an improved set of figures on business sentiment in November and healthy figures for the labour market, which was able to generate 155,000 jobs in that month alone (a high figure indeed when we consider that the economy was already at next to full employment). Given the maturity of the economic cycle, and as was to be expected, the Federal Reserve once again hiked its reference rate in December, bringing it from 2.25% to 2.50%. However, the Fed has been strongly hinting to the market that it may well slow the pace from 2019 onward.



(1) 2018 GDP estimated.
Forecasts for 2019 made by
CaixaBank Research.

Economic scenario - Europe, Spain and Portugal

In the **euro area**, growth is continuing to slow in response to faltering levels of external demand, while domestic demand has become stronger during this more mature phase of the economic cycle. We therefore estimate growth of 1.8% in 2018, falling short of the 2.5% reported in 2017. Looking ahead to 2019, CaixaBank Research expects to see growth of 1.4%. As was widely expected, the ECB confirmed the end of its bond purchase programme at its December meeting (although it will continue to pursue a policy of reinvesting principal payments from maturing securities so as to maintain the current size of its balance sheet). Meanwhile, the United Kingdom and Italy remain hotspots of uncertainty. Given the difficulties the British government is now facing in getting its deal with the EU through the House of Commons, it is reasonable to expect that the UK and the EU will agree to extend negotiations beyond 29 March and to put back the UK's departure to allow for an orderly withdrawal. The matter of the budget dispute between Italy and the EU is only slightly less gloomy. Now that the European Commission has opened a process that could lead to the application of the so-called "excessive deficit procedure", the Italian government has backed down and announced a downgrade in its deficit target for 2019. Although this certainly marks a step in the right direction and while the European Commission has announced that it may end up deactivating the procedure, the precarious state of Italy's public finances is likely to remain a source of risk as we move forward.

Turning to **Spain**, the nation's economy remains in reasonably good health. Activity indicators suggest that the economy is growing strongly and that GDP growth for the fourth quarter could be roughly on par with the levels reported in the previous quarter, i.e. at around 2.2% year on year. Meanwhile, the main growth drivers remain very much present: internal demand is benefiting from a robust labour market, the real estate sector is recovering well and borrowing conditions remain healthy, as shown by the recent growth in new lending. In this climate, we estimate growth of 2.5% in 2018 (3.0% in 2017), falling to 2.1% in 2019.

Moving across to **Portugal**, the economy is moving into a more mature phase of the cycle (in which we expect to see a natural growth slowdown) and economic activity remains on track (GDP grew by 2.1% year on year in the third quarter, compared with 2.4% the previous quarter). Meanwhile, external demand is continuing to make a negative net contribution to growth. On balance, the overall state of the Portuguese economy remains largely positive: public accounts are continuing to improve, the labour market is booming, consumer confidence remains high and lending to the private sector is continuing to recover. All in all, the outlook is relatively bright: after growing an estimated 2.1% in 2018 (versus 2.8% in 2017), we expect to see a further gentle slowdown in 2019 to 1.8%.

State of the financial markets

The final stretch of 2018 was a volatile and turbulent affair for the **financial markets**. Over the last 12 months, the stock markets have endured three major corrections: a bleak start to 2018, followed by "Red October" and then a December plagued by market jitters, bringing virtually all stock indexes into the red for the year as a whole. In the United States, the Dow Jones index dipped 11.8% in the fourth quarter of 2018 and shed 5.6% in the year, while the S&P 500 lost 14.0% in the fourth quarter and 6.2% in the year. In Europe, the EuroStoxx50 index reported losses of 14.3% and 11.7% in the fourth quarter and in 2018, respectively. The worst performance came from the European banking segment, with the Eurostoxx Banks index falling 18.3% in the last quarter and 33.3% in the year.

Fixed income markets also saw their share of turmoil. The yield on US Treasury notes hovered at around 3% for most of the year, before slipping to the 2.5% zone in the final stretch, while risk premia on sovereign debt in peripheral Europe and across many emerging countries were once again on the increase. In relation to oil prices, volatility was once again a constant present, with prices peaking at 85 dollars per barrel of Brent in October, only to close out the year at some 55 dollars a barrel.

The main factors causing these extreme fluctuations include the uncertainty surrounding the pace of global economic growth, the risk of increased protectionist sentiment resulting from the ongoing trade dispute between China and the United States, lingering fears over the outcome of Brexit and doubts as to how committed Italy really is to protecting its public finances. Further concerns include the continuation of monetary tightening in the United States in 2018 and the matter of how successful the European authorities will be in phasing out the exceptional monetary conditions within the region.

Results

The Group's income statement

Year-on-year performance

When reading the different headings of the income statement, please note that BPI was integrated using the full consolidation method on 1 February 2017 following the takeover. Up until that point it had been reported using the equity method.

| € million | 2018 | 2017 | Change | % |
|--|--------------|--------------|------------|-------------|
| Net interest income | 4,907 | 4,746 | 161 | 3.4 |
| Dividend income | 146 | 127 | 19 | 15.1 |
| Share of profit/(loss) of entities accounted for using the equity method | 826 | 526 | 300 | 57.0 |
| Net fee and commission income | 2,583 | 2,499 | 84 | 3.4 |
| Gains/(losses) on financial assets and liabilities and others | 278 | 282 | (4) | (1.7) |
| Income and expense under insurance or reinsurance contracts | 551 | 472 | 79 | 16.7 |
| Other operating income and expense | (524) | (430) | (94) | 21.8 |
| Gross income | 8,767 | 8,222 | 545 | 6.6 |
| Recurring administrative expenses, depreciation and amortisation | (4,634) | (4,467) | (167) | 3.7 |
| Extraordinary expenses | (24) | (110) | 86 | (78.1) |
| Pre-impairment income | 4,109 | 3,645 | 464 | 12.7 |
| Pre-impairment income stripping out extraordinary expenses | 4,133 | 3,755 | 378 | 10.1 |
| Allowances for insolvency risk | (97) | (799) | 702 | (87.9) |
| Other charges to provisions | (470) | (912) | 442 | (48.4) |
| Gains/(losses) on disposal of assets and others | (735) | 164 | (899) | |
| Profit/(loss) before tax | 2,807 | 2,098 | 709 | 33.8 |
| Income tax expense | (712) | (378) | (334) | |
| Profit/(loss) after tax | 2,095 | 1,720 | 375 | 21.8 |
| Profit/(loss) attributable to minority interest and others | 110 | 36 | 74 | |
| Profit/(loss) attributable to the Group | 1,985 | 1,684 | 301 | 17.8 |

Attributable profit was up 17.8% in 2018 to reach €1,985 million.

Gross income came to €8,767 million (+6.6% year on year), driven by growth in core income to €8,217 million in 2018 (+4.2%) and higher income from investees. Moreover, a total of €115 million in income was reported in 2017 in connection with the agreement reached with Cecabank.

Recurring administrative expenses, depreciation and amortisation was also up (+3.7%), but less so than core income. A total of €24 million in extraordinary expenses was recognised in connection with BPI (€110 million in 2017).

Allowances for insolvency risk (-87.9%) was impacted by the normalisation of asset quality indicators and the extraordinary release of provisions in the third quarter of 2018 following an improvement in debt recoverability of some €275 million. Other charges to provisions (-48.4%) shows the impact in 2018 of the deal to repurchase 51% of Servihabitát¹ (in 2017 it reflects the extraordinary negative impacts associated with early retirements and the write-down on the exposure to Sareb).

Gains/(losses) on disposal of assets and others shows one-off results in both years, notably in 2018 the negative impact of the sale of Repsol and the accounting reclassification of BFA, while in 2017 it shows the positive result of the business combination resulting from the acquisition of BPI.

(1) The deal to repurchase 51% of Servihabitát has generated a loss of €-204 million on the 2018 income statement (€-152 million under Other charges to provisions and €-52 million under Gains/(losses) on disposal of assets and others).

Quarterly performance

| € million | 4Q18 | 3Q18 | Change | % | 4Q17 | Change % |
|--|--------------|--------------|--------------|---------------|--------------|-------------|
| Net interest income | 1,236 | 1,239 | (3) | (0.2) | 1,196 | 3.4 |
| Dividend income | 24 | 1 | 23 | | 1 | |
| Share of profit/(loss) of entities accounted for using the equity method | 101 | 222 | (121) | (54.8) | 38 | |
| Net fee and commission income | 645 | 645 | | | 632 | 2.2 |
| Gains/(losses) on financial assets and liabilities and others | (45) | 30 | (75) | | (5) | |
| Income and expense under insurance or reinsurance contracts | 132 | 137 | (5) | (3.5) | 118 | 12.3 |
| Other operating income and expense | (227) | (27) | (200) | | (249) | (8.8) |
| Gross income | 1,866 | 2,247 | (381) | (17.0) | 1,731 | 7.8 |
| Recurring administrative expenses, depreciation and amortisation | (1,168) | (1,162) | (6) | 0.5 | (1,124) | 3.9 |
| Extraordinary expenses | (13) | (3) | (10) | | (1) | |
| Pre-impairment income | 685 | 1,082 | (397) | (36.8) | 606 | 13.0 |
| Pre-impairment income stripping out extraordinary expenses | 698 | 1,085 | (387) | (35.7) | 607 | 15.0 |
| Allowances for insolvency risk | (47) | 198 | (245) | | (141) | (66.5) |
| Other charges to provisions | (143) | (44) | (99) | | (112) | 26.8 |
| Gains/(losses) on disposal of assets and others | (258) | (407) | 149 | (36.2) | (117) | |
| Profit/(loss) before tax | 237 | 829 | (592) | (71.5) | 236 | 0.1 |
| Income tax expense | 8 | (319) | 327 | | (42) | |
| Profit/(loss) after tax | 245 | 510 | (265) | (52.1) | 194 | 25.8 |
| Profit/(loss) attributable to minority interest and others ¹ | 28 | 40 | (12) | (30.4) | (2) | |
| Profit/(loss) attributable to the Group | 217 | 470 | (253) | (54.0) | 196 | 10.5 |

- The **quarter-on-quarter change in attributable profit in the fourth quarter of 2018 (€217 million)** was largely a result of the following:

- Gross income was down 17.0%, mainly because of the drop in income from investees and because of the decline in profit on financial assets and liabilities. The fourth quarter also includes the annual contribution of €228 million paid to the Deposit Guarantee Fund (DGF).
- Allowances for insolvency risk included, in the third quarter, the release of provisions mentioned above.
- Other charges to provisions includes, among other impacts, a total of €-53 million in connection with early retirements in the fourth quarter of 2018.
- The heading Gains/(losses) on disposal of assets and others for the fourth quarter shows the negative result of €154 million resulting from the change in the accounting classification of the stake held in BFA, as well as the completion of the deal to sell the real estate business. The previous quarter included, among other impacts, the negative result of €-453 million deriving from the agreement to sell the stake in Repsol.

- Compared with the **same quarter of the previous year**, the Group's attributable profit was up 10.5%.

The Bank's commercial strength and the strength of its investees generated gross income growth of 7.8%, despite the reduction in gains/(losses) on financial assets and liabilities in 2018.

Growth in core income (+3.2%), with an increase in net interest income (+3.4%), fees and commissions (+2.2%) and insurance income (+12.3%).

Thanks to the fact that gross income growth outpaced the growth in expenses, the Group was able to report an **increase in pre-impairment income stripping out extraordinary expenses of 15.0%**.

The headings Allowances for insolvency risk, Other charges to provisions and Gains/(losses) on disposal of assets and others were all impacted by one-off factors in both years.

(1) Includes non-controlling interests and particularly the result of discontinued activities relating to Servihabitat's contribution to consolidated earnings since its acquisition in July 2018 through to the completion of the sale of the real estate business in December (€-24 million in 4Q and €-31 million in 3Q).

Return on average total assets¹

| In % | 4Q18 | 3Q18 | 2Q18 | 1Q18 | 4Q17 |
|--|----------------|----------------|----------------|----------------|----------------|
| Interest income | 1.81 | 1.77 | 1.83 | 1.83 | 1.83 |
| Interest expense | (0.53) | (0.50) | (0.55) | (0.54) | (0.61) |
| Net interest income | 1.28 | 1.27 | 1.28 | 1.29 | 1.22 |
| Dividend income | 0.02 | 0.00 | 0.12 | 0.01 | 0.00 |
| Share of profit/(loss) of entities accounted for using the equity method | 0.10 | 0.23 | 0.25 | 0.29 | 0.04 |
| Net fee and commission income | 0.67 | 0.66 | 0.70 | 0.67 | 0.65 |
| Gains/(losses) on financial assets and liabilities and others | (0.05) | 0.03 | 0.16 | 0.15 | (0.01) |
| Income and expense under insurance or reinsurance contracts | 0.14 | 0.14 | 0.15 | 0.15 | 0.12 |
| Other operating income and expense | (0.23) | (0.03) | (0.17) | (0.13) | (0.25) |
| Gross income | 1.93 | 2.30 | 2.49 | 2.43 | 1.77 |
| Recurring administrative expenses, depreciation and amortisation | (1.21) | (1.19) | (1.20) | (1.24) | (1.15) |
| Extraordinary expenses | (0.01) | 0.00 | (0.01) | 0.00 | (0.00) |
| Pre-impairment income | 0.71 | 1.11 | 1.28 | 1.19 | 0.62 |
| Pre-impairment income stripping out extraordinary expenses | 0.72 | 1.11 | 1.29 | 1.19 | 0.62 |
| Allowances for insolvency risk | (0.05) | 0.20 | (0.11) | (0.15) | (0.14) |
| Other charges to provisions | (0.15) | (0.04) | (0.24) | (0.05) | (0.12) |
| Gains/(losses) on disposal of assets and others | (0.27) | (0.42) | (0.07) | 0.00 | (0.12) |
| Profit/(loss) before tax | 0.24 | 0.85 | 0.86 | 0.99 | 0.24 |
| Income tax expense | 0.01 | (0.33) | (0.23) | (0.20) | (0.04) |
| Profit/(loss) after tax | 0.25 | 0.52 | 0.63 | 0.79 | 0.20 |
| Profit/(loss) attributable to minority interest and others | 0.03 | 0.04 | 0.01 | 0.03 | (0.00) |
| Profit/(loss) attributable to the Group | 0.22 | 0.48 | 0.62 | 0.76 | 0.20 |
| Average total net assets (€ million) | 384,500 | 388,276 | 385,155 | 377,143 | 387,300 |

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

Gross income

Net interest income

- The **Group's net interest income** came to €4,907 million in the year (+3.4% on the same period of 2017).

Against a backdrop of still negative interest rates, this growth is down to:

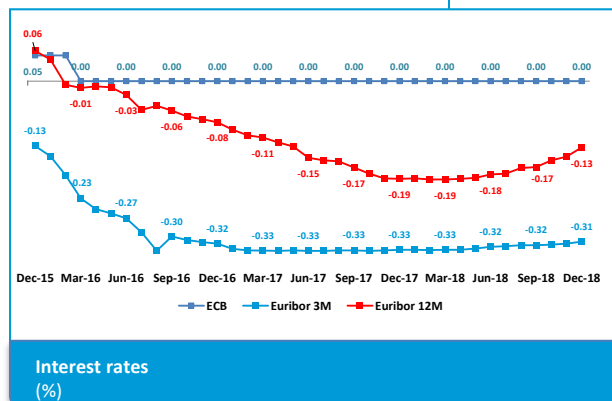
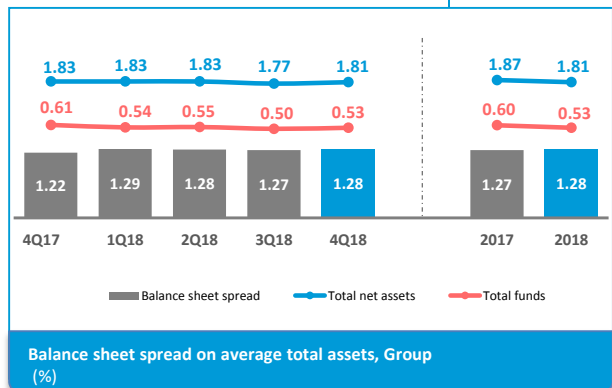
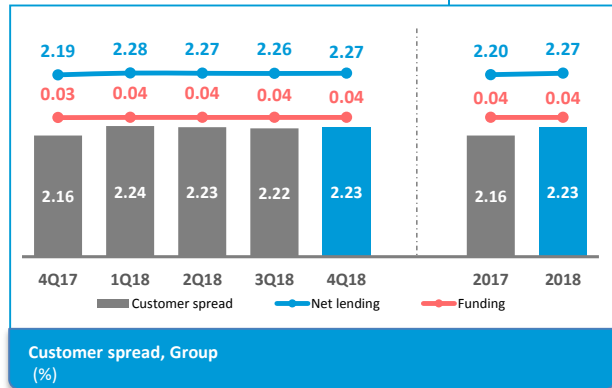
- Increase of 7 basis points on the return on lending activity, due to the fact that new loans have been arranged at higher rates than the existing portfolio, as well as the shift in the product mix towards more profitable segments, all of which has helped offset the still negative repricings on the mortgage portfolio. Interest collected and accruing on NPLs and recoveries also helped push up the lending rate.
- Sound management of retail financing, which has led to a reduction of 1 basis point in the cost of demand deposits.
- The cost savings obtained on institutional financing, which has been arranged at lower prices, together with the increased volume of the fixed income portfolio, which countered the lower yield on fixed income securities and the cost increase of excess liquidity remunerated at negative rates.

- Net interest income was down 0.2% **quarter on quarter** due to:

- Reduction in the net amount of other assets with return and other liabilities with cost, mainly because of the update of a positive impact in previous quarters (relating to long-term Social Security obligations associated with early retirements), although this impact is offset by a reduction in charges to other provisions.

The impact just described exceeds the increased income on the loan portfolio following the larger contribution made by the credit subsidiaries operating in the consumer financing segment, as well as new loans arranged at slightly higher rates than the existing loan portfolio.

The **customer spread** gained 1 basis point to **2.23%** in the fourth quarter thanks to an increase in the return on lending activity. The balance sheet spread was up 1 basis point on the previous quarter, largely in response to a reduction in volume due to lower excess liquidity remunerated at -0.40%, which reflects the sale of foreclosed assets and the decline in retail funds.



Quarterly cost and income

| € million | 4Q18 | | | 3Q18 | | | 2Q18 | | |
|---|-----------------|-------------------|-------------|-----------------|-------------------|-------------|-----------------|-------------------|-------------|
| | Average balance | Income or expense | Rate % | Average balance | Income or expense | Rate % | Average balance | Income or expense | Rate % |
| Financial Institutions | 20,980 | 45 | 0.85 | 23,981 | 45 | 0.74 | 22,360 | 43 | 0.76 |
| Loans and advances (a) | 208,608 | 1,195 | 2.27 | 208,805 | 1,190 | 2.26 | 208,857 | 1,182 | 2.27 |
| Fixed income securities portfolio | 36,067 | 90 | 1.00 | 35,261 | 92 | 1.03 | 34,365 | 98 | 1.14 |
| Other assets with returns | 54,478 | 416 | 3.03 | 54,667 | 393 | 2.85 | 55,369 | 431 | 3.12 |
| Other assets | 64,367 | 8 | | 65,562 | 8 | | 64,204 | 5 | |
| Total average assets (b) | 384,500 | 1,754 | 1.81 | 388,276 | 1,728 | 1.77 | 385,155 | 1,759 | 1.83 |
| Financial Institutions | 41,475 | (51) | 0.49 | 43,893 | (51) | 0.46 | 44,052 | (48) | 0.44 |
| Retail customer funds (c) | 203,366 | (20) | 0.04 | 204,189 | (18) | 0.04 | 198,910 | (18) | 0.04 |
| Demand deposits | 171,236 | (11) | 0.03 | 170,106 | (9) | 0.02 | 164,979 | (9) | 0.02 |
| Maturity deposits | 32,130 | (9) | 0.12 | 34,083 | (9) | 0.11 | 33,931 | (9) | 0.11 |
| Time deposits | 29,343 | (9) | 0.13 | 31,022 | (9) | 0.12 | 31,849 | (9) | 0.11 |
| Retail repurchase agreements and marketable debt securities | 2,787 | | | 3,061 | | | 2,082 | | |
| Wholesale marketable debt securities & other | 25,935 | (62) | 0.95 | 25,941 | (65) | 1.00 | 27,200 | (66) | 0.97 |
| Subordinated liabilities | 5,723 | (21) | 1.44 | 6,150 | (24) | 1.55 | 7,404 | (33) | 1.77 |
| Other funds with cost | 63,100 | (352) | 2.21 | 63,557 | (320) | 2.00 | 63,780 | (356) | 2.24 |
| Other funds | 44,901 | (12) | | 44,546 | (11) | | 43,809 | (9) | |
| Total average funds (d) | 384,500 | (518) | 0.53 | 388,276 | (489) | 0.50 | 385,155 | (530) | 0.55 |
| Net interest income | | 1,236 | | | 1,239 | | | 1,229 | |
| Customer spread (%) (a-c) | | 2.23 | | | 2.22 | | | 2.23 | |
| Balance sheet spread (%) (b-d) | | 1.28 | | | 1.27 | | | 1.28 | |

| € million | 1Q18 | | | 4Q17 | | |
|---|-----------------|-------------------|-------------|-----------------|-------------------|-------------|
| | Average balance | Income or expense | Rate % | Average balance | Income or expense | Rate % |
| Financial Institutions | 17,577 | 43 | 1.00 | 25,142 | 48 | 0.75 |
| Loans and advances (a) | 207,592 | 1,169 | 2.28 | 209,451 | 1,158 | 2.19 |
| Fixed income securities portfolio | 33,160 | 85 | 1.04 | 32,617 | 81 | 0.98 |
| Other assets with returns | 52,152 | 400 | 3.11 | 50,777 | 494 | 3.86 |
| Other assets | 66,662 | 8 | | 69,313 | 10 | |
| Total average assets (b) | 377,143 | 1,705 | 1.83 | 387,300 | 1,791 | 1.83 |
| Financial Institutions | 45,019 | (45) | 0.40 | 59,416 | (51) | 0.34 |
| Retail customer funds (c) | 190,216 | (17) | 0.04 | 187,178 | (16) | 0.03 |
| Demand deposits | 155,860 | (9) | 0.02 | 151,289 | (10) | 0.03 |
| Maturity deposits | 34,357 | (8) | 0.09 | 35,889 | (6) | 0.06 |
| Time deposits | 32,859 | (7) | 0.09 | 34,629 | (6) | 0.06 |
| Retail repurchase agreements and marketable debt securities | 1,497 | (1) | | 1,260 | | |
| Wholesale marketable debt securities & other | 28,246 | (69) | 0.99 | 27,069 | (72) | 1.06 |
| Subordinated liabilities | 6,114 | (32) | 2.14 | 6,005 | (34) | 2.27 |
| Other funds with cost | 63,023 | (328) | 2.11 | 61,252 | (411) | 2.66 |
| Other funds | 44,525 | (11) | | 46,380 | (11) | |
| Total average funds (d) | 377,143 | (502) | 0.54 | 387,300 | (595) | 0.61 |
| Net interest income | | 1,203 | | | 1,196 | |
| Customer spread (%) (a-c) | | 2.24 | | | 2.16 | |
| Balance sheet spread (%) (b-d) | | 1.29 | | | 1.22 | |

To help readers interpret the information contained in this report, the following aspects should be taken into account:

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

Fees and commissions

- **Fee and commission income grew to €2,583 million**, up 3.4% year on year:

- **Banking services, securities and other fees** amounted to €1,488 million and includes income on securities transactions and fees on other transactions, as well as fees relating to risk activities, deposit management, payment methods and investment banking.

The change on 2017 (-2.2%) was partly down to the increase in fees and commissions paid on distribution agreements associated with consumer financing and also the reduction in fees and commissions from investment banking activity.

The heading was up 3.4% when compared with the same quarter of the previous year.

- **Commissions from mutual funds, managed accounts and SICAVs** came to €552 million (+12.6%) following the steady increase in assets under management during the first nine months of the year, although market volatility had a negative impact on these assets the fourth quarter, in which commissions fell by 2.8.

Compared with the same quarter of the previous year, commissions from mutual funds were up 2.9%, thanks largely to changes in the product mix.

- **Growth of 2.0% in pension plan management fees** to reach €217 million due to the wide range of products on offer. Fees and commissions were up 1.4% on the third quarter of 2018.
- **Fees on insurance sales increased** to €326 million (+19.0% in the year and +6.7% on the same quarter of the previous year).

| € million | 2018 | 2017 | Year-on-year % | 4Q18 | 3Q18 | 2Q18 | 1Q18 | 4Q17 |
|---|--------------|--------------|----------------|------------|------------|------------|------------|------------|
| Banking services, securities and other fees | 1,488 | 1,521 | (2.2) | 375 | 371 | 389 | 353 | 363 |
| Mutual funds, managed accounts and SICAVs | 552 | 491 | 12.6 | 137 | 141 | 142 | 132 | 134 |
| Pension plans | 217 | 213 | 2.0 | 56 | 54 | 50 | 57 | 62 |
| Sale of insurance products | 326 | 274 | 19.0 | 77 | 79 | 87 | 83 | 73 |
| Net fee and commission income | 2,583 | 2,499 | 3.4 | 645 | 645 | 668 | 625 | 632 |

Income from equity investments

- **Income from equity investments totalled €972 million.** This heading shows earnings at entities accounted for using the equity method, as well as dividend income.

- Share of profit/(loss) of entities accounted for using the equity method was up 57.0% year on year thanks to the healthy performance of the investees and, in particular, because of the increased contribution made by BFA following a number of extraordinary impacts in both years:

- Recognition in January 2017 (prior to CaixaBank's takeover of BPI) of the attributable result deriving from BPI's sale of 2% of its stake in BFA (€-97 million), which was largely the result of valuation adjustments due to conversion differences on the income statement, when these had previously been reported in equity.

Recognition of €-68 million in the fourth quarter of 2017 (which included extraordinary impacts of €-119 million), partly because of the need to reflect (in accordance with IAS 29) the estimated impact of Angola's inflationary economy on BFA's financial statements.

- In 2018, a total of €155 million was recognised to cover the extraordinary impacts of the devaluation of Angola's currency, among other factors.

Net attributable profit from BFA¹ in 2018, after deducting the impact of the accounting reclassification, taxes and non-controlling interests, came to €51 million.

Attributable profit in the fourth quarter fell to €101 million, largely due to the positive seasonal factors typically seen at SegurcaixaAdeslas in the previous quarter of the year, as well as the reduction in positive extraordinary impacts at BFA and the fact that profit from Repsol was not attributed to the Group in the fourth quarter.

- Dividend income included €104 million from Telefónica in the second quarter of both years. CaixaBank's remaining stake in Repsol generated a dividend of €23 million in the fourth quarter of 2018.

(1) See section titled 'Results for the Equity Investments business segment'.

| € million | 2018 | 2017 | Year-on-year % | 4Q18 | 3Q18 | 2Q18 | 1Q18 | 4Q17 |
|--|------------|------------|----------------|------------|------------|------------|------------|-----------|
| Dividend income | 146 | 127 | 15.1 | 24 | 1 | 116 | 5 | 1 |
| Share of profit/(loss) of entities accounted for using the equity method | 826 | 526 | 57.0 | 101 | 222 | 237 | 266 | 38 |
| Income from equity investments | 972 | 653 | 48.8 | 125 | 223 | 353 | 271 | 39 |

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

- **Gains/(losses) on financial assets and liabilities and others** amounted to €278 million (-1.7%) and includes the materialisation of unrealised capital gains on financial assets available for sale, among other factors.

The fourth quarter included, among other factors, the negative market performance. The second quarter also included the result of the hedging transactions in connection with the subordinated bonds redeemed ahead of maturity, while results for the first quarter show the repricing of BPI's stake in Viacer following its sale.

| € million | 2018 | 2017 | Year-on-year % | 4Q18 | 3Q18 | 2Q18 | 1Q18 | 4Q17 |
|---|------------|------------|----------------|-------------|-----------|------------|------------|------------|
| Gains/(losses) on financial assets and liabilities | 278 | 282 | (1.7) | (45) | 30 | 157 | 136 | (5) |

Income and expense under insurance and reinsurance contracts

- Sustained growth in income under life risk insurance contracts to reach €551 million (+16.7% in the year and 12.3% on the same quarter of 2017).

| € million | 2018 | 2017 | Year-on-year % | 4Q18 | 3Q18 | 2Q18 | 1Q18 | 4Q17 |
|--|------------|------------|----------------|------------|------------|------------|------------|------------|
| Income/expense under insurance or reinsurance | 551 | 472 | 16.7 | 132 | 137 | 144 | 138 | 118 |

Other operating income and expense

- The year-on-year change in **Other operating income and expense** was impacted by a reduction in real estate expenses and by the recognition in 2017 of €115 million in income resulting from the agreement reached with Cecabank.

At year-end 2018, Other operating income and expense came to €-524 million and includes, among other items, income and expenses at non-real estate subsidiaries, income from rentals and expenses incurred from managing foreclosed real estate assets and contributions, as well as charges and taxes, the timing of which generates a seasonal impact on the quarterly performance under this heading:

- Contribution to the Deposit Guarantee Fund (DGF) of €228 million reported in the fourth quarter of 2018 (€214 million in 2017).
- The second quarter of 2018 included the contribution of €97 million to the Single Resolution Fund (SRF)¹.
- Recognition in the first quarter of each year of an estimation of the Spanish property tax that will likely accrue (estimated at €48 million for 2018).

Following the acquisition of Servihabitat and through to completion of the sale of the real estate business, portfolio management and administration costs were eliminated from the consolidated statements and reflected at the net amount of income and expense on the discontinued operations line.

(1) Includes BPI's contribution of €5 million to the Portuguese Resolution Fund (Fundo de Resolução).

| € million | 2018 | 2017 | Year-on-year % | 4Q18 | 3Q18 | 2Q18 | 1Q18 | 4Q17 |
|---|--------------|--------------|----------------|--------------|-------------|--------------|--------------|--------------|
| SRF / DGF | (325) | (304) | 6.9 | (228) | | (97) | | (214) |
| Other real estate operating income and expense (including Spanish property tax) | (147) | (200) | (26.7) | (29) | 3 | (34) | (87) | (46) |
| Other | (52) | 74 | | 30 | (30) | (28) | (24) | 11 |
| Other operating income and expense | (524) | (430) | 21.8 | (227) | (27) | (159) | (111) | (249) |

Administrative expenses, depreciation and amortisation

- Recurring administrative expenses, depreciation and amortisation stood at €4,634 million (+3.7%). Costs have been growing at a slower pace than total income (gross income up 6.6%), and core income (+4.2%).

General expenses were up year on year, mainly due to the transformation of the distribution model ("store" branches, InTouch), increased spending on technology and new regulatory requirements.

Amortisation was down, partly because of the write-downs of intangible assets carried out in the fourth quarter of 2017.

- The extraordinary expenses are associated with the integration of BPI (€24 million in 2018 and €110 million in 2017).

| € million | 2018 | 2017 | Year-on-year % | 4Q18 | 3Q18 | 2Q18 | 1Q18 | 4Q17 |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Gross income | 8,767 | 8,222 | 6.6 | 1,866 | 2,247 | 2,392 | 2,262 | 1,731 |
| Personnel expenses | (2,937) | (2,875) | 2.2 | (733) | (741) | (732) | (731) | (729) |
| General expenses | (1,292) | (1,165) | 10.9 | (331) | (320) | (324) | (317) | (298) |
| Depreciation and amortisation | (405) | (427) | (5.3) | (104) | (101) | (99) | (101) | (97) |
| Recurring administrative expenses, depreciation and amortisation | (4,634) | (4,467) | 3.7 | (1,168) | (1,162) | (1,155) | (1,149) | (1,124) |
| Extraordinary expenses | (24) | (110) | (78.1) | (13) | (3) | (5) | (3) | (1) |

| | 4Q18 | 3Q18 | 2Q18 | 1Q18 | 4Q17 |
|--|------|------|------|------|------|
| Cost-to-income ratio | | | | | |
| Cost-to-income stripping out extraordinary expenses (%) ² | 52.9 | 53.2 | 53.0 | 52.7 | 54.3 |
| Cost-to-income ratio (%) ² | 53.1 | 53.3 | 53.1 | 53.9 | 55.7 |

(2) Last 12 months.

Allowances for insolvency risk and other charges to provisions

- Reduction in **insolvency allowances** (-87.9%) due to the ongoing process of normalising asset quality indicators and also because of various one-off impacts, notably the reversal of some €275 million in provisions in the third quarter to update the recoverable value of the Group's exposure to a large borrower.

The cost of risk (12 months) fell to 0.04% (0.16% stripping out the reversal just mentioned).

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

This heading includes the recognition of €-152 million in the second quarter of 2018 as the difference between the price of repurchasing the 51% stake in the real estate servicer from TPG and the estimated fair value of that stake. In the fourth quarter, it includes the recognition of €-53 million in connection with early retirements and, among other impacts, impairment due to the adjustments made to the recoverable value of certain assets.

In 2017, it included €-455 million in connection with the early retirements and €-154 million in write-downs on exposure to the Sareb.

| € million | 2018 | 2017 | Year-on-year % | 4Q18 | 3Q18 | 2Q18 | 1Q18 | 4Q17 |
|---|--------------|----------------|----------------|--------------|------------|--------------|--------------|--------------|
| Allowances for insolvency risk | (97) | (799) | (87.9) | (47) | 198 | (109) | (139) | (141) |
| Other charges to provisions | (470) | (912) | (48.4) | (143) | (44) | (233) | (50) | (112) |
| Allowances for insolvency risk and other charges to provisions | (567) | (1,711) | (66.8) | (190) | 154 | (342) | (189) | (253) |

Gains/(losses) on disposal of assets and others

- Gains/(losses) on disposal of assets and others** essentially comprises the results of completed one-off transactions and proceeds on asset sales and write-downs. The change here was a result of:

- Profit/(loss) from real estate transactions was impacted in 2018 by the deal to sell the real estate business. An impact of €-60 million was reported in the fourth quarter following completion of the deal (including expenses, taxes and other costs), while in the second quarter a total of €-52 million was reported in impairment of 49% of the stake previously held in Servihabitat so as to bring its carrying amount in line with the new fair value.
- In the final quarter of the year, the Others heading included the result of €-154 million deriving from the change in the accounting classification of the stake in BFA.

In the previous quarter, it included the negative result arising from the agreement to sell the Repsol stake (€-453 million) and also the profit from the sale of the acquiring business (point of sale terminals) from BPI to Comercia Global Payments (€+58 million).

In 2017, highlights included the gains obtained from the business combination with BPI in the first quarter (€+256 million) and write-downs of obsolete assets in the fourth quarter.

| € million | 2018 | 2017 | 4Q18 | 3Q18 | 2Q18 | 1Q18 | 4Q17 |
|--|--------------|------------|--------------|--------------|-------------|------------|--------------|
| Real estate results | (117) | 6 | (64) | (2) | (53) | 2 | (41) |
| Others | (618) | 158 | (194) | (405) | (15) | (4) | (76) |
| Gains/(losses) on disposal of assets and others | (735) | 164 | (258) | (407) | (68) | (2) | (117) |

Business activity

Balance sheet

The Group's total assets amounted to €386,622 million at 31 December 2018, down 0.3% in the quarter (+1.0% on the opening balance sheet following the adoption of IFRS 9 on 1 January 2018):

| € million | Dec 31, 2018 | Sep 30, 2018 | Change % | Jan 1, 2018 | Change % |
|--|----------------|----------------|--------------|----------------|--------------|
| - Cash and cash balances at central banks and other demand deposits | 19,158 | 19,750 | (3.0) | 20,155 | (4.9) |
| - Financial assets held for trading | 9,810 | 9,068 | 8.2 | 9,641 | 1.8 |
| - Financial assets not designated for trading compulsorily measured at fair value through profit or loss | 704 | 739 | (4.7) | 822 | (14.4) |
| <i>Equity instruments</i> | 232 | 239 | (2.9) | 284 | (18.3) |
| <i>Debt securities</i> | 145 | 147 | (1.4) | 148 | (2.0) |
| <i>Loans and advances</i> | 327 | 353 | (7.4) | 390 | (16.2) |
| - Financial assets at fair value with changes in other comprehensive income | 21,888 | 20,685 | 5.8 | 19,857 | 10.2 |
| - Financial assets at amortised cost | 242,582 | 240,826 | 0.7 | 234,978 | 3.2 |
| <i>Credit institutions</i> | 7,555 | 7,908 | (4.5) | 7,091 | 6.5 |
| <i>Customers</i> | 217,967 | 215,972 | 0.9 | 215,090 | 1.3 |
| <i>Debt securities</i> | 17,060 | 16,946 | 0.7 | 12,797 | 33.3 |
| - Derivatives - Hedge accounting | 2,056 | 1,993 | 3.2 | 2,597 | (20.8) |
| - Investments in joint ventures and associates | 3,879 | 3,445 | 12.6 | 6,224 | (37.7) |
| - Assets under the insurance business ¹ | 61,688 | 61,938 | (0.4) | 58,194 | 6.0 |
| - Tangible assets | 6,022 | 6,288 | (4.2) | 6,480 | (7.1) |
| - Intangible assets | 3,848 | 3,820 | 0.7 | 3,805 | 1.1 |
| - Non-current assets and disposal groups classified as held for sale | 1,239 | 5,501 | (77.5) | 6,069 | (79.6) |
| - Other assets | 13,748 | 13,698 | 0.4 | 13,816 | (0.5) |
| Total assets | 386,622 | 387,751 | (0.3) | 382,638 | 1.0 |
| Liabilities | 362,564 | 363,398 | (0.2) | 358,511 | 1.1 |
| - Financial liabilities held for trading | 9,015 | 8,618 | 4.6 | 8,605 | 4.8 |
| - Financial liabilities at amortised cost | 282,460 | 284,104 | (0.6) | 280,897 | 0.6 |
| <i>Deposits from central banks and credit institutions</i> | 37,440 | 41,004 | (8.7) | 43,196 | (13.3) |
| <i>Customer deposits</i> | 210,200 | 209,788 | 0.2 | 203,608 | 3.2 |
| <i>Debt securities issued</i> | 29,244 | 29,327 | (0.3) | 29,919 | (2.3) |
| <i>Other financial liabilities</i> | 5,576 | 3,985 | 39.9 | 4,174 | 33.6 |
| - Liabilities under the insurance business ¹ | 60,452 | 60,314 | 0.2 | 57,991 | 4.2 |
| - Provisions | 4,610 | 4,669 | (1.3) | 5,009 | (8.0) |
| - Other liabilities | 6,027 | 5,693 | 5.9 | 6,009 | 0.3 |
| Equity | 24,058 | 24,353 | (1.2) | 24,127 | (0.3) |
| - Shareholders' equity | 24,836 | 25,104 | (1.1) | 23,665 | 4.9 |
| - Minority interest | 29 | 183 | (84.2) | 439 | (93.4) |
| - Accumulated other comprehensive income | (807) | (934) | (13.6) | 23 | |
| Total liabilities and equity | 386,622 | 387,751 | (0.3) | 382,638 | 1.0 |

NOTE: the balance sheet presented for comparative purposes at 1 January and 30 September 2018 following the adoption of IFRS 9 has been drawn up on the basis of the accounting policies in force at the date of this financial report. Total assets and equity on the balance sheet at 31 December 2017 (i.e. prior to the adoption of IFRS 9) were €383,186 and €24,683 million, respectively.

(1) In accordance with the Amendments to IFRS 4, the Group has decided to apply temporary exemption from IFRS 9 in respect of the financial investments of the Group's insurance firms for all periods that come before 1 January 2021 as it awaits the entry into force of the new IFRS 17: Insurance Contracts, which will govern the presentation and measurement of insurance contracts (including technical provisions). Accordingly, these investments are grouped under 'Assets under the insurance business' on the balance sheet. To make the information more readily comparable, the Group has also grouped together the technical provisions relating to Unit Link and Flexible Investment Annuity (part under management), which are now reported jointly under 'Liabilities under the insurance business'.

Loans and advances to customers using management criteria

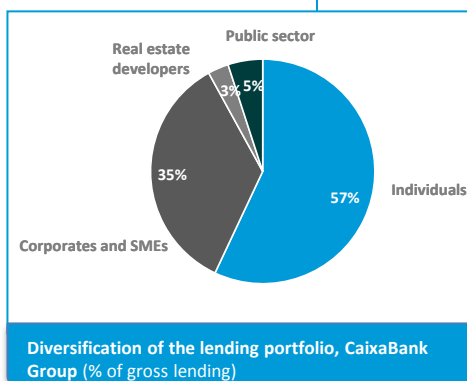
Loans and advances to customers, gross, stood at **€224,693 million**, up 0.3% in the year and up 0.5% in the quarter, with the **performing loan portfolio** gaining 1.8% in 2018 (+1.0% in the quarter).

Highlight changes by segment include:

- **Loans for home purchases** (-2.7% in the year and -0.9% in the quarter) continue to feel the effects of the ongoing household deleveraging process and the seasonal effect in the fourth quarter of end-of-year loan repayments, although indicators for 2018 showed positive growth in new loans.
- **Loans to individuals - other** was up 3.2% in the year and 0.7% in the quarter, largely on the back of consumer lending activity in Spain (+18.7% in the year and 2.7% in the quarter).
- **Financing to the productive sector ex-real estate developers** was up 3.4% in the year (+2.6% in the fourth quarter, which includes the positive seasonal impact associated with the funding of working capital).

The CaixaBank market share¹ for loans to businesses came to 15.0%.

- **Lending to real estate developers** was down 3.8% in the year (-1.2% in the quarter). This type of funding accounted for 3.0% of total lending at 31 December 2018.
- Exposure to the **public sector** fell slightly in the year and in the quarter (-1.1%), although the change was affected by various one-off transactions.



| € million | Dec 31, 2018 | Sep 30, 2018 | Change % | Dec 31, 2017 | Change % |
|---|----------------|----------------|--------------|----------------|--------------|
| Loans to individuals | 127,046 | 127,601 | (0.4) | 128,490 | (1.1) |
| Home purchases | 91,642 | 92,456 | (0.9) | 94,187 | (2.7) |
| Other | 35,404 | 35,145 | 0.7 | 34,303 | 3.2 |
| <i>Of which: Consumer lending in Spain</i> | <i>11,786</i> | <i>11,472</i> | <i>2.7</i> | <i>9,929</i> | <i>18.7</i> |
| Loans to business | 85,785 | 83,872 | 2.3 | 83,463 | 2.8 |
| Corporates and SMEs | 78,956 | 76,963 | 2.6 | 76,362 | 3.4 |
| Real estate developers | 6,829 | 6,909 | (1.2) | 7,101 | (3.8) |
| Public sector | 11,862 | 11,992 | (1.1) | 11,998 | (1.1) |
| Loans and advances to customers, gross² | 224,693 | 223,465 | 0.5 | 223,951 | 0.3 |
| <i>Of which:</i> | | | | | |
| <i>Performing loans</i> | <i>213,962</i> | <i>211,830</i> | <i>1.0</i> | <i>210,154</i> | <i>1.8</i> |
| Provisions for insolvency risk | (5,728) | (6,296) | (9.0) | (6,832) | (16.2) |
| Loans and advances to customers, net | 218,965 | 217,169 | 0.8 | 217,119 | 0.9 |
| Contingent Liabilities | 14,588 | 13,787 | 5.8 | 13,983 | 4.3 |

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

(1) Latest information available. Data prepared in-house. Source: Bank of Spain. Market share in Spain.

Customer funds using management criteria

Customer funds came to **€358,482 million**, up 2.6% in the year despite the effects of the negative market performance, particularly in the fourth quarter (-1.4%).

- On-balance sheet funds totalled €259,423 million (+4.8% in 2018 and +0.3% in the quarter).
 - Demand deposits** were up 9.8% to €174,256 million. The change in the fourth quarter (+1.3%) was partly down to the seasonal effect of year-end double salary payments.
 - Term deposits** totalled €30,724 million (-14.2% in the year and -2.4% in the quarter), against a backdrop of rock-bottom interest rates on renewal of maturities.
 - Liabilities under insurance contracts¹** were up (+4.8% in the year and +0.7% in the quarter) in response to the Bank's intensive commercial efforts.

CaixaBank has cemented its leadership of the savings insurance market, with a share² of 27.3%.

- Assets under management** amounted to €93,951 million. The change here (-2.7% in the year and -5.4% in the quarter) was largely down to the change in market value, especially in the fourth quarter.
 - Assets under management in **mutual funds, managed accounts and SICAVs** stood at €64,542 million (-3.5% in 2018 and -6.3% in the quarter).
 - Pension plans** came to €29,409 million (-0.9% in the year and -3.3% in the quarter).

Stripping out the impact of market performance, assets under management were up 2.4% in the year (-0.6% in the quarter).

CaixaBank has a market share² of 17.0% in investment funds and of 24.1% in pension plans.

- Other accounts includes, among other items, transitional funds associated with transfers and collections.

| € million | Dec 31, 2018 | Sep 30, 2018 | Change % | Dec 31, 2017 | Change % |
|--|----------------|----------------|--------------|----------------|--------------|
| Customer funds | 204,980 | 203,473 | 0.7 | 196,611 | 4.3 |
| Demand deposits | 174,256 | 172,002 | 1.3 | 158,772 | 9.8 |
| Term deposits ³ | 30,724 | 31,471 | (2.4) | 35,793 | (14.2) |
| Subordinated retail liabilities ⁴ | | | | 2,046 | |
| Insurance contract liabilities | 52,383 | 52,032 | 0.7 | 49,965 | 4.8 |
| Reverse repurchase agreements and other | 2,060 | 3,263 | (36.9) | 968 | |
| On-balance sheet funds | 259,423 | 258,768 | 0.3 | 247,544 | 4.8 |
| Mutual funds, managed accounts and SICAVs | 64,542 | 68,912 | (6.3) | 66,882 | (3.5) |
| Pension plans | 29,409 | 30,426 | (3.3) | 29,669 | (0.9) |
| Assets under management | 93,951 | 99,338 | (5.4) | 96,551 | (2.7) |
| Other accounts | 5,108 | 5,515 | (7.4) | 5,363 | (4.8) |
| Total customer funds⁵ | 358,482 | 363,621 | (1.4) | 349,458 | 2.6 |

(3) Includes retail debt securities amounting to €743 million at 31 December 2018.

(4) Full early redemption of the issuance of series I/2012 subordinated bonds in the second quarter of 2018. See section on 'Significant Events in 2018'.

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

(1) Excluding the impact of the change in value of the associated financial assets, with the exception of Unit Linked products.

(2) Latest information available. Source: ICEA/INVERCO. Market share in Spain.

Risk management

Credit risk quality

Non-performing loans

- The NPL ratio fell to 4.7% (6.0% at December 2017).
- Non-performing loans fell to €11,195 million in response to the Bank's active management of its NPL's, the normalisation of asset quality indicators and asset portfolio sales in the period. **Non-performing loans were down €3,110 million in the year (€-921 million in the quarter).**



(1) Figures include loans and contingent liabilities.

NPL ratio by segment

| | 4Q17 | 1Q18 | 2Q18 | 3Q18 | 4Q18 |
|---|-------------|-------------|-------------|-------------|-------------|
| Loans to individuals | 5.2% | 5.3% | 5.0% | 4.9% | 4.7% |
| Home purchases | 4.2% | 4.2% | 4.1% | 3.9% | 3.8% |
| Other | 7.9% | 8.0% | 7.4% | 7.5% | 7.2% |
| <i>of which: Consumer lending in Spain</i> | 4.2% | 4.4% | 4.1% | 4.3% | 3.9% |
| Loans to business | 8.3% | 7.7% | 6.8% | 6.3% | 5.4% |
| Corporates and SMEs | 7.1% | 6.5% | 5.8% | 5.4% | 4.7% |
| Real estate developers | 21.7% | 21.1% | 17.4% | 16.7% | 13.7% |
| Public sector | 1.4% | 0.8% | 0.6% | 0.6% | 0.4% |
| NPL Ratio (loans and contingent liabilities) | 6.0% | 5.8% | 5.3% | 5.1% | 4.7% |

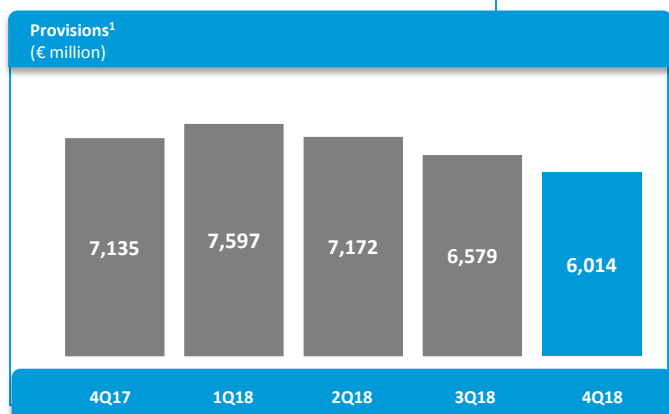
In the second quarter, the NPL ratio was impacted by pension prepayments (pushing up and then decreasing the volume of lending activity in the second and third quarters, respectively). Stripping out this effect, the NPL ratio for "Other" in 2Q18 would have been 7.7%.

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

| € million | 4Q17 | 1Q18 | 2Q18 | 3Q18 | 4Q18 |
|--|---------------|---------------|---------------|---------------|---------------|
| Opening balance | 15,286 | 14,305 | 13,695 | 12,714 | 12,116 |
| Exposures recognized as non-performing (NPL-inflows) | 1,235 | 834 | 806 | 886 | 996 |
| Derecognitions from non-performing exposures | (2,216) | (1,444) | (1,787) | (1,484) | (1,917) |
| of which written off | (222) | (266) | (201) | (100) | (354) |
| Closing balance | 14,305 | 13,695 | 12,714 | 12,116 | 11,195 |

Provisions for insolvency risk

- The Group's provisions for insolvency risk at 31 December totalled €6,014 million.
- Provisions for insolvency risk reflects the entry into force of IFRS 9 on 1 January 2018, which has had the effect of pushing up provisions for credit risks by a total of €791 million. Meanwhile, the change in provisions in the period is largely down to the adjustments made to the recoverable value on credit exposures, the cancellation of debt incurred from the acquisition and foreclosure of real estate assets and the derecognition of assets and write-offs.



(1) Includes loans and contingent liabilities.

Changes in provisions for insolvency risk

| € million | 4Q17 | 1Q18 | 2Q18 | 3Q18 | 4Q18 |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|
| Opening balance | 7,630 | 7,135 | 7,597 | 7,172 | 6,579 |
| Charges to provisions | 141 | 139 | 109 | (198) | 47 |
| Amounts used | (576) | (399) | (489) | (367) | (584) |
| Transfers and other changes | (60) | (69) | (45) | (28) | (28) |
| Application of IFRS 9 | | 791 | | | |
| Closing balance | 7,135 | 7,597 | 7,172 | 6,579 | 6,014 |

Classification by stages of gross lending and provisions

The following tables show loan book exposure as well as associated provisions, segmented by credit risk stage as per the applicable IFRS 9 regulation.

| December 31, 2018 € million | Loan book exposure | | | | Provisions | | | |
|--|--------------------|---------------|---------------|----------------|--------------|--------------|----------------|----------------|
| | Stage 1 | Stage 2 | Stage 3 | TOTAL | Stage 1 | Stage 2 | Stage 3 | TOTAL |
| Loans and advances | 197,618 | 16,344 | 10,731 | 224,693 | (697) | (742) | (4,289) | (5,728) |
| Contingent Liabilities | 13,499 | 625 | 464 | 14,588 | (37) | (24) | (225) | (286) |
| Total loans and advances and contingent liabilities | 211,117 | 16,969 | 11,195 | 239,281 | (734) | (766) | (4,514) | (6,014) |

| September 30, 2018 € million | Loan book exposure | | | | Provisions | | | |
|--|--------------------|---------------|---------------|----------------|----------------|--------------|----------------|----------------|
| | Stage 1 | Stage 2 | Stage 3 | TOTAL | Stage 1 | Stage 2 | Stage 3 | TOTAL |
| Loans and advances | 195,836 | 15,994 | 11,635 | 223,465 | (1,049) | (690) | (4,557) | (6,296) |
| Contingent Liabilities | 12,693 | 613 | 481 | 13,787 | (86) | (21) | (176) | (283) |
| Total loans and advances and contingent liabilities | 208,529 | 16,607 | 12,116 | 237,252 | (1,135) | (711) | (4,733) | (6,579) |

Refinancing

| € million | Dec 31, 2018 | | Sep 30, 2018 | |
|------------------------|---------------|------------------|---------------|------------------|
| | Total | of which: NPL | Total | of which: NPL |
| Individuals | 5,557 | 3,444 | 5,692 | 3,689 |
| Corporates and SMEs | 3,371 | 2,085 | 3,683 | 2,262 |
| Real estate developers | 1,017 | 649 | 1,111 | 740 |
| Public sector | 218 | 21 | 219 | 22 |
| Total | 10,163 | 6,199 | 10,705 | 6,713 |
| Provisions | 2,501 | 2,321 | 2,508 | 2,308 |

Foreclosed real estate assets in Spain

- Following completion of the deal to sell the real estate business¹ in the fourth quarter and thanks also to the intensive commercial efforts in the year:
 - The portfolio of net **foreclosed real estate assets available for sale**² came to €740 million (€-5,138 million and €-4,606 million in the year and in the quarter, respectively). **The coverage ratio³ was 39%**, while the coverage ratio with accounting provisions³ was 28%.
 - Meanwhile, the portfolio of **rental property** amounted to €2,479 million, net of provisions, down €551 million in the year, which included the sale of a portfolio of rental real estate assets worth €226 million in the second quarter.
- Total real estate sales⁴ came to €2,060 million in 2018**, up 28% on the same period of 2017 (+14% stripping out the aforementioned sale of rental assets).

(1) See section on 'Significant Events in 2018'.

(2) Excludes real estate assets in the process of foreclosure (€213 and €275 million, net, at 31 December and 30 September 2018, respectively).

(3) See definition in 'Appendices - Glossary'.

(4) At sale price. Exclude the transfer of real estate assets to Lone Star on completion of the deal.

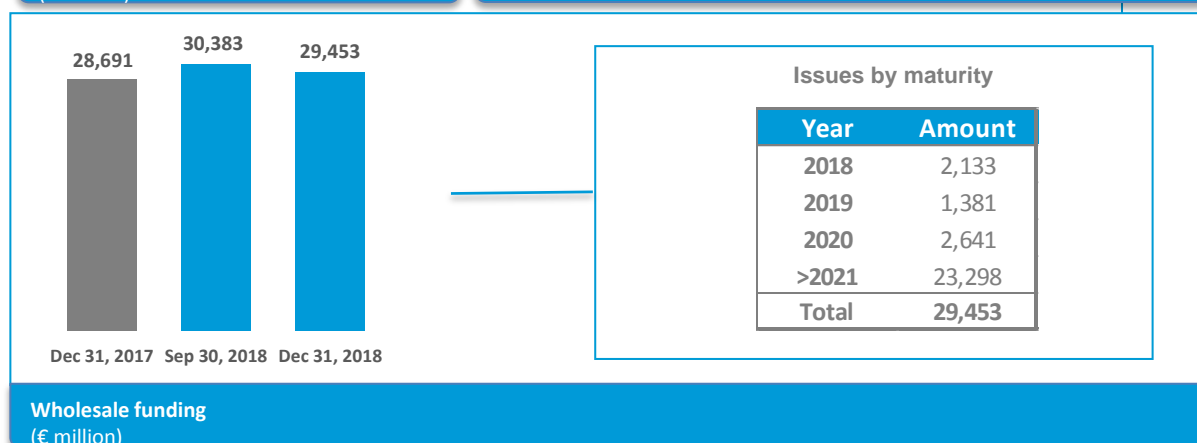
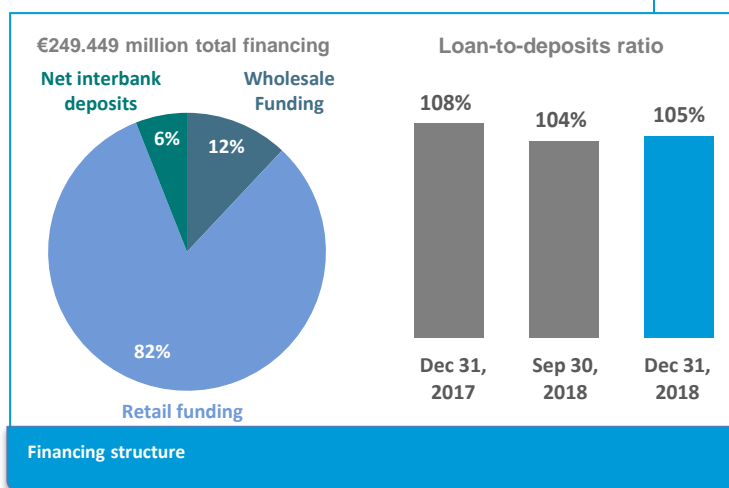
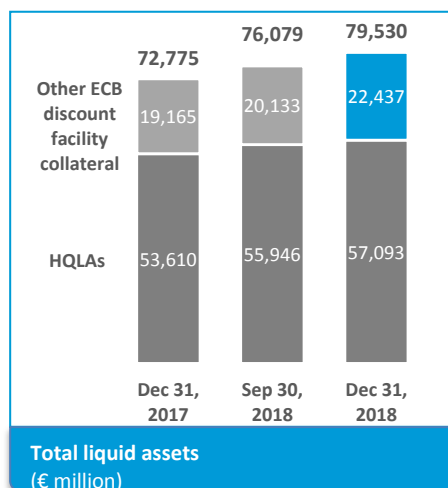
Foreclosed real estate assets available for sale and associated coverage

| € million | Dec 31, 2018 | | | | |
|--|---------------------|--------------|-------------------------|-----------------------|--|
| | Net carrying amount | Coverage | Coverage ³ % | Accounting provisions | Coverage with accounting provisions ³ % |
| Property acquired related to loans to construction companies and real estate developments | 172 | (152) | 47 | (88) | 34 |
| Completed buildings | 113 | (71) | 39 | (47) | 29 |
| Homes | 87 | (52) | 37 | (31) | 26 |
| Other | 26 | (19) | 42 | (16) | 38 |
| Buildings under construction | 9 | (17) | 65 | (15) | 63 |
| Homes | 4 | (5) | 56 | (7) | 64 |
| Other | 5 | (12) | 71 | (8) | 62 |
| Land | 50 | (64) | 56 | (26) | 34 |
| Developed land | 33 | (39) | 54 | (12) | 27 |
| Other | 17 | (25) | 60 | (14) | 45 |
| Property acquired related to mortgage loans to homebuyers | 414 | (238) | 37 | (134) | 24 |
| Other | 154 | (79) | 34 | (63) | 29 |
| Total | 740 | (469) | 39 | (285) | 28 |

| € million | Sep 30, 2018 | | | | |
|--|---------------------|----------------|-------------------------|-----------------------|--|
| | Net carrying amount | Coverage | Coverage ³ % | Accounting provisions | Coverage with accounting provisions ³ % |
| Property acquired related to loans to construction companies and real estate developments | 2,998 | (5,721) | 66 | (3,944) | 57 |
| Completed buildings | 1,541 | (1,629) | 51 | (1,303) | 46 |
| Homes | 1,191 | (1,145) | 49 | (939) | 44 |
| Other | 350 | (484) | 58 | (364) | 51 |
| Buildings under construction | 325 | (537) | 62 | (446) | 58 |
| Homes | 256 | (411) | 62 | (355) | 58 |
| Other | 69 | (126) | 65 | (91) | 57 |
| Land | 1,132 | (3,555) | 76 | (2,195) | 66 |
| Developed land | 606 | (1,509) | 71 | (940) | 61 |
| Other | 526 | (2,046) | 80 | (1,255) | 70 |
| Property acquired related to mortgage loans to homebuyers | 1,560 | (1,236) | 44 | (907) | 37 |
| Other | 788 | (775) | 50 | (645) | 45 |
| Total | 5,346 | (7,732) | 59 | (5,496) | 51 |

Net foreclosed real estate assets at BPI amounted to €27 million at 31 December 2018 (€35 million at 30 September 2018).

Liquidity and financing structure



- **Total liquid assets amounted to €79,530 million** at 31 December 2018, up €6,755 million in the year.
- The Group's average **liquidity coverage ratio (LCR)**⁽¹⁾ at 31 December 2018 was **196%**, well clear of the period-end minimum requirement of 100% applicable from 1 January 2018 onward.
- Robust retail lending structure, with a **loan-to-deposits (LTD) ratio** of **105%**.
- The **drawn balance** under the ECB facility at 31 December 2018 was **€28,183 million**, all relating to TLTRO II funding (€-637 million in the year relating to a TLTRO I maturity at BPI in 2018).
- **Institutional financing**⁽²⁾ totalled €29,453 million, **with CaixaBank making successful use** of the markets in 2018 to place various debt issuances.
- Available capacity to issue mortgage and regional public sector covered bonds at CaixaBank, S.A. came to €2,288 million at 31 December 2018.

(1) Average for the last 12 months.

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

Information on the Group's issuances in 2018

| € million | | | | | | |
|---------------------------------|--------------|--------|----------------------|---------------------------|---------|-----------|
| Issue | Total amount | Amount | Maturity | Cost ¹ | Demand | Issuer |
| Mortgage covered bonds | 1,785 | 1,000 | 10 years | 1.116 % (midswap +0.22 %) | 1,350 | CaixaBank |
| | | 125 | 14 years | 1.747 % (midswap +0.31%) | Private | CaixaBank |
| | | 50 | 14 years | 1.744 % (midswap +0.31%) | Private | CaixaBank |
| | | 75 | 14 years | 1.754 % (midswap +0.30%) | Private | CaixaBank |
| | | 375 | 14 years | 1.559 % (midswap +0.32 %) | 400 | CaixaBank |
| | | 160 | 15 years | 1.64 % (midswap +0.35%) | Private | CaixaBank |
| Senior debt | 1,000 | 1,000 | 5 years and 3 months | 0.836 % (midswap +0.48 %) | 2,200 | CaixaBank |
| Additional Tier 1 | 1,250 | 1,250 | Perpetual | 5.354 % | 3,500 | CaixaBank |
| Subordinate debt issue (Tier 2) | 1,000 | 1,000 | 12 years | 2.323 % (midswap +1.68%) | 2,299 | CaixaBank |
| Obrigações hipotecárias | 550 | 250 | 7 years | Euribor 6 months +0.30% | Private | BPI |
| | | 300 | 4 years | Euribor 6 months +0.30% | Private | BPI |
| Senior debt non-preferred | 1,000 | 1,000 | 5 years | 1.83 % (midswap +1.45%) | 2,250 | CaixaBank |

(1) Meaning the yield on the issuance.

Following the close of 2018, CaixaBank completed an issuance of €1,000 million in senior non-preferred debt maturing in five years and paying an annual coupon of 2.47% (equivalent to the midswap + 225bp). Demand for the issue has been close to €2,200 million.

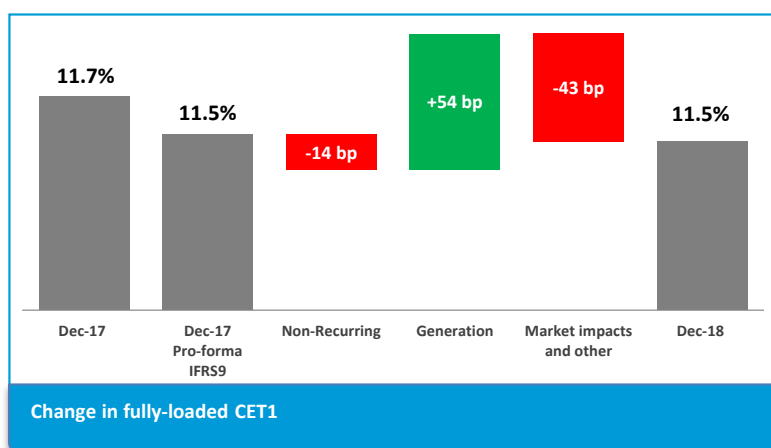
Collateralisation of mortgage covered bonds of CaixaBank, S.A.

| € million | | Dec 31, 2018 |
|--|---------------|--------------|
| Mortgage covered bonds issued | a | 52,997 |
| Loans and credits (collateral for mortgage covered bonds) | b | 90,070 |
| Collateralisation | b/a | 170% |
| Overcollateralisation | b/a -1 | 70% |
| Mortgage covered bond issuance capacity² | | 1,137 |

(2) CaixaBank S.A. is also able to issue €1,151 million in regional public-sector covered bonds.

Capital management

- The **fully-loaded Common Equity Tier 1 (CET1) stands at 11.5%** at 31 December 2018. If we exclude the negative impact of 14 basis points deriving from extraordinary impacts in the year (acquisition of non-controlling interests at BPI and sale of 80% of the real estate business), the ratio gained 54 basis points from capital generation, but shed 43 basis points due mainly to market volatility and other factors, notably the adjustment made in the third quarter to meet credit risk requirements for the non-performing mortgage portfolio under the TRIM¹ process of the European Central Bank.



- The **fully-loaded Tier 1 ratio was 13.0%**. The Group maintains, since the first quarter of the year, the 1.5% target of AT1 instruments envisioned in Pillar 1 of the capital regulations, which were previously covered totally or in part with CET1.
- Fully-loaded **total capital** came to **15.2%**, following the issuance of €1,000 million in Tier 2 instruments in April 2018, the redemption of an issuance of Tier 2 instruments worth €2,072 million in May (of which €1,574 million are eligible) and the redemption of a further issuance of Tier 2 instruments worth €750 million completed in November (of which €738 million are eligible).
- Meanwhile, the fully-loaded leverage ratio was 5.5%.
- In relation to the subordinated elements and to comply with future MREL requirements, a total of €1,000 million in senior non-preferred debt was issued in October. The ratio of subordinated instruments to RWA, mainly including total capital and senior non-preferred, is 16.8% fully loaded ².
- According to the criteria in force in 2018 for phased-in implementation, regulatory capital and leverage were: **11.7% CET1, 13.3% Tier 1, 15.5% total capital and 5.6 leverage ratio**.
- CaixaBank is also subject to minimum capital requirements** on a non-consolidated basis. The regulatory CET1 ratio under this perimeter is 13.3%, with risk-weighted assets (RWAs) totalling €133,063 million.
- Banco BPI is also compliant with its minimum capital requirements. The bank's regulatory and fully-loaded CET1 ratios have converged in 2018 at a sub-consolidated level, standing at 13.2% at the end of 2018.

(1) Targeted Review of Internal Models.

(2) Expressed pro-forma to include the January 2019 issuance of €1,000 million in senior non-preferred debt, the ratio would be 17.4%.

- The European Central Bank (ECB) and the national supervisor require the Group to maintain regulatory CET1, Tier 1 and total capital ratios of 8.063%, 9.563% and 11.563%, respectively, at 31 December 2018 (including the phased-in implementation of the capital conservation and systemic risk buffers), which climb to 8.75%, 10.25% and 12.25% in a fully-loaded perspective.

Looking ahead to 2019, these regulatory requirements converge with fully loaded.

- The Group's current ratios show that the requirements imposed on the Group will not trigger any of the automatic restrictions envisaged in applicable capital adequacy regulations relating to payouts of dividends, variable remuneration and interest to holders of Additional Tier 1 capital instruments (there is a margin of 367 basis points, equivalent to €5,389 million, before triggering the Group's regulatory MDA¹).
- CaixaBank's dividend policy satisfies the conditions established by the ECB in its recommendation of 10 January 2019, meaning that it does not limit or confine the Bank in any way.

(1) See definition in Appendices - Glossary.

Performance and key capital adequacy indicators

| € million | BIS III (Regulatory) | | | | | |
|---|----------------------|---------------|---------------|---------------|---------------|--------------------|
| | Dec 31, 2017 | Mar 31, 2018 | Jun 30, 2018 | Sep 30, 2018 | Dec 31, 2018 | Quarter-on-quarter |
| CET1 Instruments | 23,921 | 23,495 | 23,302 | 23,241 | 23,260 | 19 |
| Shareholders' equity | 24,204 | 24,374 | 24,658 | 25,104 | 24,836 | (268) |
| Capital | 5,981 | 5,981 | 5,981 | 5,981 | 5,981 | |
| Profit attributable to the Group | 1,684 | 704 | 1,298 | 1,768 | 1,985 | 217 |
| Reserves and other | 16,539 | 17,689 | 17,379 | 17,355 | 16,870 | (485) |
| Other CET1 Instruments ¹ | (283) | (879) | (1,356) | (1,863) | (1,576) | 287 |
| Deductions from CET | (4,960) | (5,975) | (6,101) | (5,955) | (6,040) | (85) |
| CET1 | 18,961 | 17,520 | 17,201 | 17,286 | 17,220 | (66) |
| AT1 Instruments | 999 | 2,231 | 2,232 | 2,233 | 2,233 | |
| AT1 Deductions | (891) | | | | | |
| TIER 1 | 19,069 | 19,751 | 19,433 | 19,519 | 19,453 | (66) |
| T2 Instruments | 5,023 | 4,472 | 4,153 | 3,382 | 3,293 | (89) |
| T2 Deductions | (50) | | | | | |
| TIER 2 | 4,973 | 4,472 | 4,153 | 3,382 | 3,293 | (89) |
| TOTAL CAPITAL | 24,042 | 24,223 | 23,586 | 22,901 | 22,746 | (155) |
| <i>Risk-weighted assets</i> | 148,872 | 148,472 | 147,898 | 148,969 | 146,736 | (2,233) |
| <i>CET1 Ratio</i> | 12.7% | 11.8% | 11.6% | 11.6% | 11.7% | 0.1% |
| <i>Tier 1 Ratio</i> | 12.8% | 13.3% | 13.1% | 13.1% | 13.3% | 0.2% |
| <i>Total Capital Ratio</i> | 16.1% | 16.3% | 15.9% | 15.4% | 15.5% | 0.1% |
| <i>MDA Buffer²</i> | 5,857 | 5,549 | 5,276 | 5,273 | 5,389 | 116 |
| <i>MREL Ratio, subordinated</i> | 17.2% | 17.5% | 16.8% | 16.2% | 17.0% | 0.8% |
| <i>Leverage Ratio</i> | 5.5% | 5.8% | 5.5% | 5.6% | 5.6% | (0.0%) |
| <i>CET1 Ratio - CABK (non consolidated basis)</i> | 13.6% | 13.2% | 12.8% | 12.6% | 13.3% | 0.5% |
| <i>Tier 1 Ratio CABK (non consolidated basis)</i> | 14.1% | 14.8% | 14.4% | 14.2% | 15.0% | 0.6% |
| <i>Total Capital Ratio - CABK (non consolidated basis)</i> | 17.4% | 18.1% | 17.5% | 16.7% | 17.5% | (0.0%) |
| <i>Risk-weighted assets (non consolidated basis)</i> | 138,781 | 135,660 | 136,794 | 137,723 | 133,063 | (3,731) |
| <i>Profit/loss (non consolidated basis)</i> | 1,428 | 118 | 510 | 780 | 1,163 | 652 |
| <i>ADIs³</i> | 2,235 | 1,852 | 1,715 | 1,972 | 1,909 | 194 |
| <i>MDA Buffer² - CABK (non consolidated basis)</i> | 9,373 | 8,944 | 8,549 | 8,305 | 8,960 | 411 |
| <i>Leverage Ratio - CABK (non consolidated basis)</i> | 6.1% | 6.4% | 6.1% | 6.1% | 6.2% | 0.1% |

| € million | BIS III (Fully-loaded) | | | | | |
|-------------------------------------|------------------------|---------------|---------------|---------------|---------------|--------------------|
| | Dec 31, 2017 | Mar 31, 2018 | Jun 30, 2018 | Sep 30, 2018 | Dec 31, 2018 | Quarter-on-quarter |
| CET1 Instruments | 23,967 | 23,517 | 23,312 | 23,250 | 23,260 | 10 |
| Shareholders' equity | 24,204 | 24,374 | 24,658 | 25,104 | 24,836 | (268) |
| Capital | 5,981 | 5,981 | 5,981 | 5,981 | 5,981 | |
| Profit attributable to the Group | 1,684 | 704 | 1,298 | 1,768 | 1,985 | 217 |
| Reserves and other | 16,539 | 17,689 | 17,379 | 17,355 | 16,870 | (485) |
| Other CET1 Instruments ¹ | (237) | (857) | (1,346) | (1,854) | (1,576) | 278 |
| Deductions from CET | (6,649) | (6,356) | (6,490) | (6,312) | (6,457) | (145) |
| CET1 | 17,318 | 17,161 | 16,822 | 16,938 | 16,803 | (135) |
| AT1 Instruments | 999 | 2,231 | 2,232 | 2,233 | 2,233 | |
| AT1 Deductions | | | | | | |
| TIER 1 | 18,317 | 19,392 | 19,055 | 19,171 | 19,036 | (135) |
| T2 Instruments | 5,023 | 4,472 | 4,153 | 3,382 | 3,293 | (89) |
| T2 Deductions | | | | | | |
| TIER 2 | 5,023 | 4,472 | 4,153 | 3,382 | 3,293 | (89) |
| TOTAL CAPITAL | 23,340 | 23,864 | 23,208 | 22,553 | 22,329 | (224) |
| <i>Risk-weighted assets</i> | 148,626 | 148,328 | 147,754 | 148,826 | 146,524 | (2,301) |
| <i>CET1 Ratio</i> | 11.7% | 11.6% | 11.4% | 11.4% | 11.5% | 0.1% |
| <i>Tier 1 Ratio</i> | 12.3% | 13.1% | 12.9% | 12.9% | 13.0% | 0.1% |
| <i>Total Capital Ratio</i> | 15.7% | 16.1% | 15.7% | 15.2% | 15.2% | 0.0% |
| <i>MREL Ratio, subordinated</i> | 16.8% | 17.2% | 16.6% | 16.0% | 16.8% | 0.8% |
| <i>Leverage Ratio</i> | 5.3% | 5.7% | 5.4% | 5.6% | 5.5% | (0.0%) |

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

(2) The relevant MDA buffer is either the non-consolidated or the consolidated, whichever is lower. The individual MDA figures published in the reports for the first and second quarters of 2018 were re-estimated in the report for the third quarter.

(3) Does not include the share premium.

Segment reporting

This section shows financial information on the different businesses of the CaixaBank Group, which are structured as follows:

- **Banking and insurance:** includes all revenues from banking, insurance and asset management within the group, mainly in Spain, as well as liquidity management, ALCO, income from financing the other businesses and the Group-wide corporate centre. It also includes the businesses that CaixaBank acquired from BPI in recent quarters (insurance, asset management and cards).
- **Non-core real estate:** shows the results, net of financing costs, of real estate assets in Spain defined as non-core, which include:
 - Loans to real estate developers classified as non-core.
 - All foreclosed real estate assets (available for sale and rental), most of which are owned by real estate subsidiary BuildingCenter.
 - Other real estate assets and interests.
- **Equity investments:** essentially shows income from dividends and/or profit accounted for using the equity method, net of financing costs, from the Group's interests, as well as gains/(losses) on the financial assets and liabilities held at Erste Group Bank, Repsol, Telefónica, BFA, BCI and Viacer. It also includes the significant impacts on income of other relevant stakes across sectors, incorporated to the Group through recent acquisitions in Spain, as well as the stakes consolidated through BPI.

The results contributed by BPI to the consolidated income statement under the equity method are included through to the effective takeover in February 2017, whereupon a new business segment was created. Meanwhile, the stake in Repsol, following the agreement to sell, and the stake in BFA, after re-estimating the significant influence at year-end 2018, are classified as Financial assets designated at fair value through other comprehensive income.

- **BPI:** this business shows the results following the takeover of BPI in February 2017, from which time the Portuguese bank's assets and liabilities have been reported using the full consolidation method (considering the adjustments made to the business combination). The income statement shows the reversal of the fair value adjustments of the assets and liabilities resulting from the business combination and excludes the results and balance sheet figures associated with the assets of BPI assigned to the equity investments business (essentially BFA, BCI and Viacer), as discussed previously.

The operating expenses of these business segments include both direct and indirect costs, which are assigned according to internal distribution methods.

Capital is assigned to the non-core real estate and equity investments businesses to pursue the corporate target of maintaining a fully-loaded regulatory Common Equity Tier 1 (CET1) ratio of between 11% and 12%. The capital assigned to these businesses takes into account both the consumption of capital for risk-weighted assets at 11% and all applicable deductions.

Capital is assigned to BPI on a sub-consolidated basis, meaning in view of the subsidiary's own funds. The capital consumed at BPI by the investees assigned to the equity investments business is allocated consistently to this business.

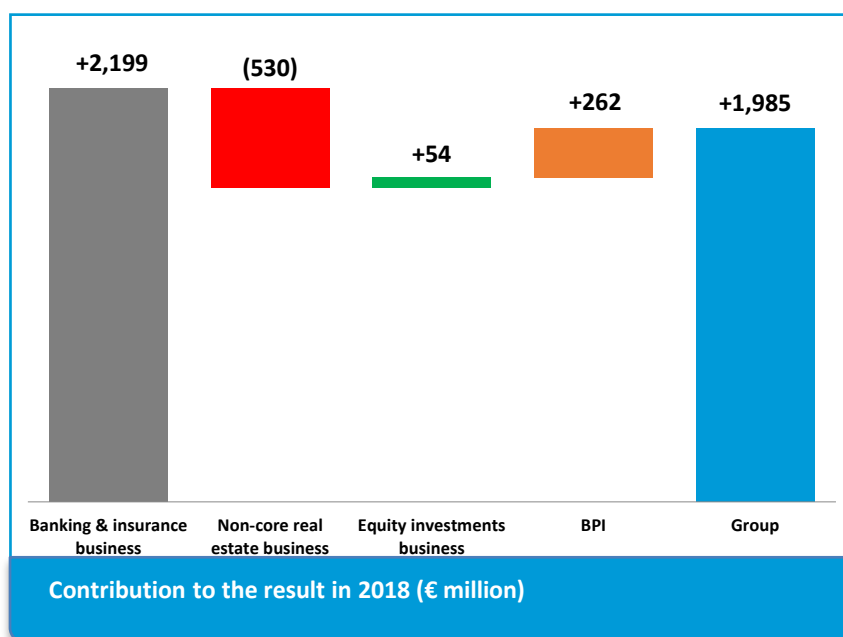
The difference between the Group's total own funds and the capital assigned to the other businesses is attributed to the banking and insurance business, which includes the Group's corporate centre.

While the Group has kept the same structure of business segments in 2018, it has made certain changes to its presentation criteria, with 2017 restated for comparison purposes as follows:

- Allocation to the equity investments business of BFA, BCI and Viacer mainly, which were previously shown in the BPI business segment.
- Analytical income at the banking and insurance business is no longer charged to the non-core real estate business, in connection with the marketing and sale of assets¹.

The capital gains generated by BPI on selling its asset management and card businesses to CaixaBank have had no impact on the results of the different business segments since they qualify as intragroup operations and are eliminated from consolidated earnings.

Results for 2018 by business segment are as follows:



(1) The gross analytical income charged to the non-core real estate business amounted to €132 million registered in 2017.

| € million | Banking & insurance business | Non-core real estate business | Equity investments | BPI | Group |
|--|------------------------------|-------------------------------|--------------------|------------|--------------|
| Net interest income | 4,682 | (23) | (149) | 397 | 4,907 |
| Dividends and share of profit/(loss) of entities accounted for using the equity method | 217 | 3 | 746 | 6 | 972 |
| Net fee and commission income | 2,310 | (7) | | 280 | 2,583 |
| Gains/(losses) on financial assets and liabilities and others | 225 | (6) | 11 | 48 | 278 |
| Income and expense under insurance or reinsurance contracts | 551 | | | | 551 |
| Other operating income and expense | (351) | (147) | | (26) | (524) |
| Gross income | 7,634 | (180) | 608 | 705 | 8,767 |
| Recurring administrative expenses, depreciation and amortisation | (4,063) | (118) | (4) | (449) | (4,634) |
| Extraordinary expenses | | | | (24) | (24) |
| Pre-impairment income | 3,571 | (298) | 604 | 232 | 4,109 |
| Pre-impairment income stripping out extraordinary expenses | 3,571 | (298) | 604 | 256 | 4,133 |
| Allowances for insolvency risk | (264) | 65 | | 102 | (97) |
| Other charges to provisions | (234) | (240) | | 4 | (470) |
| Gains/(losses) on disposal of assets and others | (62) | (117) | (607) | 51 | (735) |
| Profit/(loss) before tax | 3,011 | (590) | (3) | 389 | 2,807 |
| Income tax expense | (810) | 115 | 90 | (107) | (712) |
| Profit/(loss) after tax | 2,201 | (475) | 87 | 282 | 2,095 |
| Profit/(loss) attributable to minority interest and others | 2 | 55 | 33 | 20 | 110 |
| Profit/(loss) attributable to the Group | 2,199 | (530) | 54 | 262 | 1,985 |

Banking and insurance business

Profit came to €2,199 million, up 32.8% on 2017.

ROTE for the business, stripping out extraordinary impacts, came to 12.3%.

| € million | 2018 | 2017 | Change % | 4Q18 | 3Q18 | 2Q18 | 1Q18 | 4Q17 |
|--|----------------|----------------|--------------|----------------|----------------|----------------|----------------|--------------|
| INCOME STATEMENT | | | | | | | | |
| Net interest income | 4,682 | 4,603 | 1.6 | 1,179 | 1,181 | 1,175 | 1,147 | 1,148 |
| Dividend income and share of profit/(loss) of entities accounted for using the equity method | 217 | 191 | 13.5 | 36 | 74 | 55 | 52 | 35 |
| Net fee and commission income | 2,310 | 2,222 | 4.0 | 575 | 583 | 601 | 551 | 549 |
| Gains/(losses) on financial assets and liabilities and others | 225 | 303 | (25.8) | (46) | 26 | 186 | 59 | 18 |
| Income and expense under insurance or reinsurance contracts | 551 | 472 | 16.7 | 132 | 137 | 144 | 138 | 118 |
| Other operating income and expense | (351) | (212) | 65.9 | (198) | (25) | (107) | (21) | (202) |
| Gross income | 7,634 | 7,579 | 0.7 | 1,678 | 1,976 | 2,054 | 1,926 | 1,666 |
| Recurring administrative expenses, depreciation and amortisation | (4,063) | (3,926) | 3.5 | (1,033) | (1,017) | (1,012) | (1,001) | (981) |
| Extraordinary expenses | | (4) | | | | | | (1) |
| Pre-impairment income | 3,571 | 3,649 | (2.1) | 645 | 959 | 1,042 | 925 | 684 |
| Pre-impairment income stripping out extraordinary expenses | 3,571 | 3,653 | (2.2) | 645 | 959 | 1,042 | 925 | 685 |
| Allowances for insolvency risk | (264) | (865) | (69.5) | (145) | 183 | (142) | (160) | (185) |
| Other charges to provisions | (234) | (741) | (68.3) | (99) | (38) | (52) | (45) | (117) |
| Gains/(losses) on disposal of assets and others | (62) | 154 | | (34) | (9) | (15) | (4) | (80) |
| Profit/(loss) before tax | 3,011 | 2,197 | 37.1 | 367 | 1,095 | 833 | 716 | 302 |
| Income tax expense | (810) | (536) | 50.7 | (81) | (302) | (231) | (196) | (74) |
| Profit/(loss) after tax | 2,201 | 1,661 | 32.5 | 286 | 793 | 602 | 520 | 228 |
| Profit/(loss) attributable to minority interest and others | 2 | 6 | (40.9) | | 1 | 1 | | 1 |
| Profit/(loss) attributable to the Group | 2,199 | 1,655 | 32.8 | 286 | 792 | 601 | 520 | 227 |
| INCOME STATEMENT BREAKDOWN | | | | | | | | |
| NET INTEREST INCOME | | | | | | | | |
| Customer spread (%) ¹ | 2.28 | 2.19 | 0.09 | 2.28 | 2.27 | 2.28 | 2.29 | 2.19 |
| FEE AND COMMISSION INCOME | | | | | | | | |
| Banking services, securities and other fees | 1,328 | 1,352 | (1.8) | 334 | 335 | 348 | 311 | 314 |
| Mutual funds, managed accounts and SICAVs | 506 | 446 | 13.9 | 126 | 131 | 133 | 116 | 119 |
| Pension plans | 216 | 206 | 5.5 | 55 | 54 | 50 | 57 | 60 |
| Sale of insurance products | 260 | 218 | 18.7 | 60 | 63 | 70 | 67 | 56 |
| Net fee and commission income | 2,310 | 2,222 | 4.0 | 575 | 583 | 601 | 551 | 549 |
| ADMINISTRATIVE EXPENSES, DEPRECIATION AND AMORTISATION | | | | | | | | |
| Personnel expenses | (2,658) | (2,598) | 2.3 | (663) | (670) | (665) | (660) | (656) |
| General expenses | (1,104) | (1,000) | 10.5 | (290) | (273) | (274) | (267) | (258) |
| Depreciation and amortisation | (301) | (328) | (8.2) | (80) | (74) | (73) | (74) | (67) |
| Recurring administrative expenses, depreciation and amortisation | (4,063) | (3,926) | 3.5 | (1,033) | (1,017) | (1,012) | (1,001) | (981) |
| Extraordinary expenses | | (4) | | | | | | (1) |
| OTHER INDICATORS | | | | | | | | |
| ROTE ² | 12.3% | 10.6% | 1.7 | 12.3% | 12.2% | 12.0% | 12.0% | 10.6% |
| Cost-to-income ratio stripping out extraordinary expenses | 53.2% | 51.8% | 1.4 | 53.2% | 52.6% | 52.3% | 51.6% | 51.8% |
| Cost of risk ³ | 0.13% | 0.41% | (0.3) | 0.13% | 0.14% | 0.32% | 0.36% | 0.41% |
| Customers | 13.7 | 13.8 | (0.6) | 13.7 | 13.7 | 13.8 | 13.8 | 13.8 |
| Employees ¹ | 32,552 | 32,041 | 1.6 | 32,552 | 32,613 | 32,443 | 32,210 | 32,041 |
| Branches ^{1/4} | 4,608 | 4,874 | (5.5) | 4,608 | 4,681 | 4,742 | 4,815 | 4,874 |
| of which retail | 4,409 | 4,681 | (5.8) | 4,409 | 4,482 | 4,543 | 4,618 | 4,681 |
| ATMs | 9,425 | 9,427 | (0.0) | 9,425 | 9,422 | 9,411 | 9,394 | 9,427 |

(1) The figures relate to CaixaBank, including the non-core real estate business.

(2) The 2018 ratio excludes the extraordinary release of provisions in the third quarter (€+193 million, net of tax). Meanwhile, the ratio for 2017 excludes: the result of the business combination with BPI in the first quarter of 2017 (€+256 million), early retirements in the second quarter of 2017 (€-212 million, net of tax) and extraordinary expenses net of tax. The coupon for the part of the AT1 issue assigned to this business has also been deducted.

(3) 0.26% stripping out the extraordinary release of provisions in the third quarter of 2018 (some €+275 million).

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

The following highlights shaped the year-on-year performance of the banking and insurance business (+32.8%):

- **Gross income came to €7,634 million (+0.7%)**, driven by the increase in core income (+3.5%), which offset the positive income reported in 2017 due to the agreement reached with Cecabank and Gains/(losses) on financial assets and liabilities.
 - **Net interest income gained 1.6% to reach €4,682 million**, supported, among other factors, by an improving return on loans, a lower cost of retail deposits and a reduction in income from funding other businesses. The customer spread improved by 9 basis points to 2.28%.
 - **Fee and commission income** climbed to **€2,310 million, up 4.0%** on 2017.
 - **Gains/(losses) on financial assets and liabilities and others** was down 25.8% on 2017.
 - **Income and expense under insurance or reinsurance contracts** gained 16.7% to reach €551 million on the back of intensive sales activity.
- **Other operating income and expense** includes, in both periods, the contributions paid to the Single Resolution Fund and to the Deposit Guarantee Fund. Meanwhile, 2017 includes the positive impact of the agreement reached with Cecabank (€+115 million).
- **Recurring administrative expenses, depreciation and amortisation** came to €4,063 million (+3.5% on 2017).
- **Allowances for insolvency risk** fell to €-264 million (-69.5%), partly in response to the extraordinary release of provisions in 2018 following an improvement in debt recoverability of some €275 million and also because of the one-off provisions posted in 2017.
- **Other charges to provisions** amounted to €-234 million. The year-on-year change was largely down to the fact that fewer early retirements were arranged in 2018.
- **Gains/(losses) on disposals of assets and others** included, in 2017, the result of the business combination with BPI (€256 million) since it derived from a corporate transaction, and also write-downs due to asset obsolescence in the fourth quarter.

The following aspects were largely behind the quarterly change:

- **Net interest income** remained stable (-0.2%) when compared with the third quarter of 2018.
- **Share of profit/(loss) of entities accounted for using the equity method** shows the typical seasonal factors affecting third-quarter earnings at SegurcaixaAdeslas, resulting from a lower accident rate at the health care business.
- **Fees and commissions** were down 1.4% in a quarter that also saw a reduction in **Gains/(losses) on financial assets and liabilities** in response to negative market performance.
- **Other operating income and expense** included, in the fourth quarter, the contribution of €228 million paid to the Deposit Guarantee Fund (DGF).
- **Allowances for insolvency risk** came to €-145 million in the quarter. The third quarter of 2018 shows the extraordinary release of some €275 million in provisions.
- **Other charges to provisions** includes €53 million in connection with early retirements in the fourth quarter.

The following table shows business activity and asset quality indicators at 31 December 2018.

- **Loans and advances to customers, gross, stood at €200,397 million** (+0.2% in the year), while the performing portfolio gained 1.4% in 2018.
- **Customer funds were up 2.7% in the year** to €329,308 million.
- The **NPL ratio** fell to 4.4% (-110 bp), with a **coverage ratio of 51%**.

| € million | Dec 31, 2018 | Sep 30, 2018 | Quarter-on-quarter % | Dec 31, 2017 | Year-to-date % |
|---|----------------|----------------|----------------------|----------------|----------------|
| BALANCE SHEET | | | | | |
| Assets | 345,122 | 342,423 | 0.8 | 335,945 | 2.7 |
| Liabilities | 325,497 | 322,982 | 0.8 | 316,427 | 2.9 |
| Assigned capital | 20,437 | 20,254 | 0.9 | 19,540 | 4.6 |
| LOANS AND ADVANCES TO CUSTOMERS | | | | | |
| Loans to individuals | 114,403 | 114,816 | (0.4) | 115,973 | (1.4) |
| Home purchases | 80,472 | 81,223 | (0.9) | 83,089 | (3.1) |
| Other | 33,931 | 33,593 | 1.0 | 32,884 | 3.2 |
| Loans to business | 75,793 | 73,687 | 2.9 | 73,476 | 3.2 |
| Corporates and SMEs | 70,688 | 68,679 | 2.9 | 68,377 | 3.4 |
| Real estate developers | 5,105 | 5,008 | 1.9 | 5,099 | 0.1 |
| Public sector | 10,201 | 10,314 | (1.1) | 10,541 | (3.2) |
| Loans and advances to customers, gross | 200,397 | 198,817 | 0.8 | 199,990 | 0.2 |
| Of which performing loans | 191,310 | 189,085 | 1.2 | 188,691 | 1.4 |
| Of which non-performing loans | 9,087 | 9,732 | (6.6) | 11,299 | (19.6) |
| Provisions for insolvency risk | (4,629) | (4,972) | (6.9) | (5,274) | (12.2) |
| Loans and advances to customers, net | 195,768 | 193,845 | 1.0 | 194,716 | 0.5 |
| Contingent Liabilities | 12,719 | 11,917 | 6.7 | 12,162 | 4.6 |
| CUSTOMERS FUNDS | | | | | |
| Customer funds | 182,862 | 181,934 | 0.5 | 175,850 | 4.0 |
| Demand deposits | 160,851 | 159,119 | 1.1 | 146,652 | 9.7 |
| Term deposits | 22,011 | 22,815 | (3.5) | 27,153 | (18.9) |
| Subordinated retail liabilities | | | | 2,045 | |
| Insurance contract liabilities | 52,383 | 52,032 | 0.7 | 49,965 | 4.8 |
| Reverse repurchase agreements and other | 2,044 | 3,248 | (37.1) | 955 | |
| On-balance sheet funds | 237,289 | 237,214 | 0.0 | 226,770 | 4.6 |
| Mutual funds, managed accounts and SICAVs | 59,455 | 63,384 | (6.2) | 60,850 | (2.3) |
| Pension plans | 29,408 | 30,425 | (3.3) | 29,668 | (0.9) |
| Assets under management | 88,863 | 93,809 | (5.3) | 90,518 | (1.8) |
| Other accounts | 3,156 | 3,506 | (10.0) | 3,213 | (1.8) |
| Total customer funds | 329,308 | 334,529 | (1.6) | 320,501 | 2.7 |
| ASSET QUALITY | | | | | |
| Non-performing loan ratio (%) | 4.4% | 4.7% | (0.3) | 5.5% | (1.1) |
| Non-performing loan coverage ratio (%) | 51% | 51% | 0.0 | 47% | 4.0 |

Insurance activity

The banking and insurance business embraces all activity carried out by the Group's various insurance firms, mainly VidaCaixa de Seguros y Reaseguros and, since late December 2017, BPI Vida e Pensões. These companies offer a highly specialised range of life insurance, pensions and general insurance products, all of which are marketed to the Group's customer base.

The following table shows the income statement of the Group's **insurance firms, which came to €663 million, up 4.5%** on the previous year.

| € million | 2018 | 2017 | Year-on-year % | 4Q18 | 3Q18 | 2Q18 | 1Q18 |
|--|------------|------------|----------------|------------|------------|------------|------------|
| Net interest income | 305 | 306 | (0.2) | 78 | 78 | 77 | 72 |
| Dividend income and share of profit/(loss) of entities accounted for using the equity method | 171 | 156 | 9.7 | 28 | 64 | 38 | 41 |
| Net fee and commission income | (124) | (103) | 20.1 | (12) | (33) | (39) | (40) |
| Gains/(losses) on financial assets and liabilities and others | 1 | 64 | (98.4) | | | | 1 |
| Income and expense under insurance or reinsurance contracts | 551 | 472 | 16.7 | 132 | 137 | 144 | 138 |
| Other operating income and expense | 51 | 31 | 59.3 | 45 | 4 | | 2 |
| Gross income | 955 | 926 | 3.2 | 271 | 250 | 220 | 214 |
| Recurring administrative expenses, depreciation and amortisation | (108) | (114) | (5.6) | (27) | (26) | (28) | (27) |
| Pre-impairment income | 847 | 812 | 4.4 | 244 | 224 | 192 | 187 |
| Allowances for insolvency risk | 1 | | | 1 | | | |
| Other charges to provisions | | | | | | | |
| Gains/(losses) on disposal of assets and others | 1 | | | 1 | | | |
| Profit/(loss) before tax | 849 | 812 | 4.7 | 246 | 224 | 192 | 187 |
| Income tax expense | (186) | (178) | 5.1 | (50) | (47) | (46) | (43) |
| Profit/(loss) after tax | 663 | 634 | 4.5 | 196 | 177 | 146 | 144 |
| Profit/(loss) attributable to minority interest and others | | | | | | | |
| Profit/(loss) attributable to the Group | 663 | 634 | 4.5 | 196 | 177 | 146 | 144 |

- **Net interest income** includes the margin on Life Savings products, which remained stable between both years.
- **Share of profit/(loss) of entities accounted for using the equity method** shows the contribution made by SegurcaixaAdeslas, 49.9% of which is owned by VidaCaixa. The heading was up 9.7% in the year. The quarterly change was partly down to the seasonal effects of the third quarter, which typically sees a lower loss experience in the health care business.
- **Fees and commissions¹** is the net result of:
 - The fees and commissions received by VidaCaixa from managing unit-linked products and pension plans.
 - The fees and commissions the Group's insurance firms pay the Group's banks for marketing their products.

The year-on-year change in this heading was largely down to the higher fees paid to the commercial network following the increase in business.
- **Gains/(losses) on financial assets and liabilities and others** included in 2017 the capital gains obtained from the sale of fixed-income instruments by VidaCaixa.
- **Income and expense under insurance contracts**, which shows the margin obtained from the difference between premia and claims on life-risk products, was up 16.7% on the same period of 2017, mainly on the back of an increase in volume of life-risk portfolios under management.

(1) The commercial network in Spain also receives fees from SegurcaixaAdeslas for distributing its products through the branch network, although these fees are not included in the income statement for the insurance business because they relate instead to the banking business ex insurance.

Non-core real estate business

The **non-core real estate business** generated losses of **€-530 million** in 2018, which saw various one-off impacts, particularly the repurchase of 51% of real estate servicer Servihabitat and completion of the sale of 80% of the real estate business to Lone Star.

| € million | 2018 | 2017 | Change % | 4Q18 | 3Q18 | 2Q18 | 1Q18 | 4Q17 |
|--|--------------|--------------|---------------|--------------|-------------|--------------|--------------|-------------|
| Net interest income | (23) | (71) | (67.7) | (10) | (6) | (6) | (1) | (20) |
| Dividend income and share of profit/(loss) of entities accounted for using the equity method | 3 | 32 | (90.2) | 1 | (8) | 7 | 3 | 10 |
| Net fee and commission income | (7) | 1 | | (2) | (2) | (2) | (1) | 1 |
| Gains/(losses) on financial assets and liabilities and others | (6) | | | (6) | | | | |
| Income and expense under insurance or reinsurance contracts | | | | | | | | |
| Other operating income and expense | (147) | (200) | (26.7) | (29) | 3 | (34) | (87) | (46) |
| Gross income | (180) | (238) | (24.7) | (46) | (13) | (35) | (86) | (55) |
| Recurring administrative expenses, depreciation and amortisation | (118) | (105) | 12.4 | (28) | (31) | (30) | (29) | (28) |
| Extraordinary expenses | | | | | | | | |
| Pre-impairment income | (298) | (343) | (13.4) | (74) | (44) | (65) | (115) | (83) |
| Pre-impairment income stripping out extraordinary expenses | (298) | (343) | (13.4) | (74) | (44) | (65) | (115) | (83) |
| Allowances for insolvency risk | 65 | 34 | 92.0 | 10 | 4 | 30 | 21 | 37 |
| Other charges to provisions | (240) | (172) | 39.1 | (47) | (7) | (181) | (5) | 2 |
| Gains/(losses) on disposal of assets and others | (117) | 6 | | (64) | (2) | (53) | 2 | (41) |
| Profit/(loss) before tax | (590) | (475) | 23.7 | (175) | (49) | (269) | (97) | (85) |
| Income tax expense | 115 | 155 | (25.6) | 51 | 12 | 22 | 30 | 33 |
| Profit/(loss) after tax | (475) | (320) | 64.8 | (124) | (37) | (247) | (67) | (52) |
| Profit/(loss) attributable to minority interest and others | 55 | | | 24 | 31 | | | |
| Profit/(loss) attributable to the Group | (530) | (320) | 64.8 | (148) | (68) | (247) | (67) | (52) |

- **Net interest income** shows the financial income obtained from loans to non-core real estate developers, net of the cost of financing real estate assets. The improvement in net interest income in 2018 was largely down to the lower cost of financing the real estate business, most of which is carried out through BuildingCenter.
- The change in **Share of profit/(loss) of entities accounted for using the equity method** can be partly explained by the fact that earnings at Servihabitat were recognised as a discontinued operation following the acquisition of 100% of the company through to the sale of the real estate business.
- The heading **Other operating income and expense** came to €-147 million, down 26.7% due to the elimination from consolidated earnings of the real estate portfolio management and administration costs following the takeover of Servihabitat.
- The positive year-on-year change in **Allowances for insolvency risk** was down to the impact of recoveries.
- **Other charges to provisions** shows the impact in the second quarter of 2018 of the acquisition of the real estate servicer, while in 2017 it shows the write-down on exposure to the Sareb.
- **Gains/(losses) on disposal of assets and others** (€-117 million) includes the proceeds obtained from the sale of real estate assets and the allowances associated with asset valuations. In the second quarter of 2018, it shows the write-down associated with the deal to repurchase Servihabitat, while in the fourth quarter it shows the recognition of the result (including expenses, taxes and other costs) following completion of the sale of the real estate business.
- **Profit/(loss) attributable to minority interest and others** (€-55 million) shows **profit/(loss) from discontinued operations** in relation to Servihabitat's contribution to the consolidated earnings.

The non-core real estate business was down 50.2% in the year:

- **Loans and advances to customers, net** fell by 36.3% in the year due to the ongoing active management of distressed assets.
- **The net portfolio of foreclosed real estate assets available for sale fell to €740 million** (€-5,138 million in 2018).
- **Net foreclosed real estate assets held for rent** came to €2,479 million (€-551 million in 2018), with an occupancy ratio of 88%.
- **Other assets** was up in the fourth quarter after recognising the fair value of 20% of the stake in Coral Homes, S.L., following completion of the deal to sell the real estate business.

| € million | Dec 31, 2018 | Sep 30, 2018 | Quarter-on-quarter % | Dec 31, 2017 | Year-to-date % |
|--|--------------|---------------|----------------------|---------------|----------------|
| BALANCE SHEET | | | | | |
| Assets | 5,737 | 10,338 | (44.5) | 11,530 | (50.2) |
| Loans and advances to customers, net | 735 | 837 | (12.2) | 1,154 | (36.3) |
| Other assets | 5,002 | 9,501 | (47.4) | 10,376 | (51.8) |
| Foreclosed available for sale real estate assets | 740 | 5,346 | (86.2) | 5,878 | (87.4) |
| Real estate assets held for rent | 2,479 | 2,763 | (10.3) | 3,030 | (18.2) |
| Other assets | 1,783 | 1,392 | 28.1 | 1,468 | 21.5 |
| Liabilities | 5,057 | 9,250 | (45.3) | 10,199 | (50.4) |
| Customers deposits | 82 | 80 | 2.5 | 87 | (5.7) |
| Other liabilities | 719 | 850 | (15.4) | 404 | 78.0 |
| Intra-group financing | 4,256 | 8,320 | (48.8) | 9,708 | (56.2) |
| Assigned capital | 680 | 1,088 | (37.5) | 1,331 | (48.9) |
| ACTIVITY | | | | | |
| Loans and advances to customers, gross | 1,020 | 1,255 | (18.7) | 1,750 | (41.7) |
| Customers funds | 87 | 85 | 2.4 | 94 | (7.4) |
| On-balance sheet funds | 82 | 80 | 2.5 | 87 | (5.7) |
| Assets under management | 5 | 5 | | 7 | (28.6) |
| ASSET QUALITY | | | | | |
| Non-performing loan ratio (%) | 66.0% | 70.4% | (4.4) | 76.2% | (10.2) |
| Non-performing loan coverage ratio (%) | 41% | 45% | (4.0) | 42% | (1.0) |

Equity investments business

The business contributed total profit of €54 million to Group earnings in 2018.

- Dividend income included €104 million from Telefónica in the second quarter of 2018 and 2017. In the fourth quarter of 2018, it shows a dividend of €23 million accruing on CaixaBank's remaining stake in Repsol.
- The year-on-year change in **Share of profit/(loss) of entities accounted for using the equity method** can be explained by the healthy performance of the investees and, in particular, because of the increased contribution made by BFA following a number of extraordinary impacts in both years:
 - Recognition in January 2017 (prior to CaixaBank's takeover of BPI) of the attributable result deriving from BPI's sale of 2% of its stake in BFA (€-97 million), which was largely the result of valuation adjustments due to conversion differences on the income statement, when these had previously been reported in equity.
Recognition of €-68 million in the fourth quarter of 2017 (which included extraordinary impacts of €-119 million), partly because of the need to reflect (in accordance with IAS 29) the estimated impact of Angola's inflationary economy on BFA's financial statements.
 - In 2018, a total of €155 million was recognised to cover the extraordinary impacts of the devaluation of Angola's currency, among other factors.
 - Net attributable profit from BFA came to €51 million in 2018, after deducting the impact of the accounting reclassification, taxes and non-controlling interests.

Attributable profit in the fourth quarter fell to €72 million, largely due to the reduction in extraordinary impacts at BFA and because profit from Repsol was no longer attributed to the Bank.

- Gains/(losses) on financial assets and liabilities and others** includes the repricing of Viacer¹ in the first quarter of 2018 and the dividend pass-through committed under hedge contracts on associate investees in the second quarter.
- Gains/(losses) on disposal of assets and others** included a negative €154 million in the fourth quarter of 2018 due to the change of accounting classification of the stake in BFA.

The third quarter of 2018 included the negative result (€-453 million) due to the agreement to sell the stake in Repsol.

(1) The repricing of the sale price of BPI's stake in Viacer added €54 million to the net attributable profit/(loss).

| € million | 2018 | 2017 | Change % | 4Q18 | 3Q18 | 2Q18 | 1Q18 | 4Q17 |
|--|------------|------------|---------------|-------------|--------------|------------|------------|-------------|
| Net interest income | (149) | (168) | (12.1) | (32) | (37) | (40) | (40) | (41) |
| Dividend income | 127 | 106 | 19.4 | 23 | | 104 | | |
| Share of profit/(loss) of entities accounted for using the equity method | 619 | 310 | | 72 | 151 | 182 | 214 | (4) |
| Net fee and commission income | | | | | | | | |
| Gains/(losses) on financial assets and liabilities and others | 11 | (44) | | 1 | (7) | (43) | 60 | (24) |
| Income and expense under insurance or reinsurance contracts | | | | | | | | |
| Other operating income and expense | | | | | | | | |
| Gross income | 608 | 204 | | 64 | 107 | 203 | 234 | (69) |
| Recurring administrative expenses, depreciation and amortisation | (4) | (4) | | (1) | (1) | (1) | (1) | (1) |
| Extraordinary expenses | | | | | | | | |
| Pre-impairment income | 604 | 200 | | 63 | 106 | 202 | 233 | (70) |
| Pre-impairment income stripping out extraordinary expenses | 604 | 200 | | 63 | 106 | 202 | 233 | (70) |
| Allowances for insolvency risk | | | | | | | | |
| Other charges to provisions | | 4 | | | | | | 4 |
| Gains/(losses) on disposal of assets and others | (607) | 5 | | (154) | (453) | | | 5 |
| Profit/(loss) before tax | (3) | 209 | | (91) | (347) | 202 | 233 | (61) |
| Income tax expense | 90 | 49 | 82.8 | 77 | 5 | 6 | 2 | 27 |
| Profit/(loss) after tax | 87 | 258 | (65.8) | (14) | (342) | 208 | 235 | (34) |
| Profit/(loss) attributable to minority interest and others | 33 | 13 | | 1 | 4 | 4 | 24 | (10) |
| Profit/(loss) attributable to the Group | 54 | 245 | (77.5) | (15) | (346) | 204 | 211 | (24) |
| ROTE ² | 40.1% | 15.7% | 24.4 | 40.1% | 35.7% | 33.7% | 30.2% | 15.7% |

(2) ROTE for 2018 excludes the impact of the agreement to sell Repsol.

| € million | Dec 31, 2018 | Sep 30, 2018 | Quarter-on-quarter % | Dec 31, 2017 | Year-to-date % |
|---|--------------|--------------|----------------------|--------------|----------------|
| BALANCE SHEET | | | | | |
| Assets | | | | | |
| Investments (FV with changes in OCI and associated) and other | 4,685 | 4,942 | (5.2) | 6,894 | (32.0) |
| Liabilities | | | | | |
| Intra-group financing and other liabilities | 3,653 | 3,848 | (5.1) | 5,306 | (31.2) |
| Assigned capital ¹ | 1,032 | 1,069 | (3.5) | 1,499 | (31.2) |

(1) The capital assigned to BFA, BCI and Viacer is the amount required at sub-consolidated level for BPI for those interests.

Further information on BFA

| € million | 2018 | 2017 | 4Q18 | 3Q18 | 2Q18 | 1Q18 | 4Q17 | 3Q17 | 2Q17 | 1Q17 |
|--|-------|-------|-------|------|------|-------|-------|------|------|------|
| Share of profit/(loss) of entities accounted for using the equity method | 242 | (3) | 21 | 65 | 56 | 100 | (68) | 64 | 58 | (57) |
| Stripping out extraordinary impacts ² | 87 | 213 | 16 | 23 | 27 | 21 | 51 | 64 | 58 | 40 |
| Extraordinary impacts ² | 155 | (216) | 5 | 42 | 29 | 79 | (119) | | | (97) |
| Gains/(losses) on disposal of assets and others | (154) | | (154) | | | | | | | |
| Others | (7) | | 1 | (2) | | (6) | | | | |
| Contribution by BFA before tax and minority interest | 81 | (3) | (132) | 63 | 56 | 94 | (68) | 64 | 58 | (57) |
| Attributable net contribution after tax and minority interest | 51 | (24) | (121) | 54 | 46 | 72 | (52) | 49 | 44 | (65) |
| Other impacts after tax on the equity of the Group ³ | (85) | 163 | 142 | (61) | (34) | (132) | 80 | | | 83 |

(2) The first quarter of 2017 (prior to the takeover of BPI) includes the attributable result deriving from BPI's sale of 2% of its stake in BFA (€-97 million), largely the result of valuation adjustments due to conversion differences, previously reported in equity.

The fourth quarter of 2017 includes, in accordance with IAS 29, an impact of €-76 million after applying the accumulative inflationary effects of the Angolan economy during the year to BFA's financial statements.

In 2018, the extraordinary result was largely a result of the devaluation of Angola's currency. The impact of inflation in 2018 is considered part of the non-extraordinary results generated by BFA.

(3) The amount in the first quarter of 2017 derives from valuation adjustments due to conversion differences, transferred to P&L at the time of the sale by BPI of the 2% stake in BFA.

The fourth quarter of 2017 included, among other effects, the impact of the inflationary situation in Angola (€76 million, gross).

In 2018, it included the impact of the devaluation of Angola's currency, among other factors.

In the fourth quarter of 2018, the Group's significant influence at BFA was restated giving place to the change in the accounting classification of the investee. Following the change, a total of €-142 million in valuation adjustments previously recognised in equity was taken to profit or loss.

BPI

BPI's banking business contributed a total of €262 million to total profit (€104 million in 2017 due to the recognition of certain extraordinary expenses).

The main impacts on earnings¹ were as follows:

- **Pre-impairment income stripping out extraordinary expenses** gained 4.1% year on year thanks to the 4.0% growth in gross income, which outpaced the 3.9% increase in **recurring administrative expenses, depreciation and amortisation**.
- **Allowances for insolvency risk** shows, in the fourth quarter of 2018, a positive impact of €78 million from reviewing the expected credit losses calculated at the time BPI was acquired in February 2017.
- **Gains/(losses) on disposal of assets** shows, in the third quarter of 2018, the result of the sale of the acquiring business (€+58 million), as discussed previously.

ROTE for the business, stripping out extraordinary impacts², was 7.8%.

(1) To ensure that readers fully understand the year-on-year change, please note that figures for 2017 include earnings since the bank's integration in February. Meanwhile, BPI has transferred various businesses to CaixaBank. Accordingly, the earnings of BPI Vida e Pensões are no longer recognised as of 1 January 2018; the earnings of BPI Gestao de Activos and of BPI Global Investment Fund are no longer recognised from April onward; and earnings from the card business are no longer recognised from November.

| € million | 2018 | 2017 | Change % | 4Q18 | 3Q18 | 2Q18 | 1Q18 | 4Q17 |
|--|--------------|--------------|-------------|--------------|--------------|--------------|--------------|--------------|
| INCOME STATEMENT | | | | | | | | |
| Net interest income | 397 | 382 | 4.2 | 99 | 101 | 100 | 97 | 109 |
| Dividend income and share of profit/(loss) of entities accounted for using the equity method | 6 | 14 | (57.5) | (7) | 6 | 5 | 2 | (2) |
| Net fee and commission income | 280 | 276 | 1.7 | 72 | 64 | 69 | 75 | 82 |
| Gains/(losses) on financial assets and liabilities and others | 48 | 23 | | 6 | 11 | 14 | 17 | 1 |
| Income and expense under insurance or reinsurance contracts | | | | | | | | |
| Other operating income and expense | (26) | (18) | 43.9 | | (5) | (18) | (3) | (1) |
| Gross income | 705 | 677 | 4.0 | 170 | 177 | 170 | 188 | 189 |
| Recurring administrative expenses, depreciation and amortisation | (449) | (432) | 3.9 | (106) | (113) | (112) | (118) | (114) |
| Extraordinary expenses | (24) | (106) | | (13) | (3) | (5) | (3) | |
| Pre-impairment income | 232 | 139 | 65.7 | 51 | 61 | 53 | 67 | 75 |
| Pre-impairment income stripping out extraordinary expenses | 256 | 245 | 4.1 | 64 | 64 | 58 | 70 | 75 |
| Allowances for insolvency risk | 102 | 32 | | 88 | 11 | 3 | | 7 |
| Other charges to provisions | 4 | (3) | | 3 | 1 | | | (1) |
| Gains/(losses) on disposal of assets and others | 51 | (1) | | (6) | 57 | | | (1) |
| Profit/(loss) before tax | 389 | 167 | | 136 | 130 | 56 | 67 | 80 |
| Income tax expense | (107) | (46) | | (39) | (34) | (16) | (18) | (28) |
| Profit/(loss) after tax | 282 | 121 | | 97 | 96 | 40 | 49 | 52 |
| Profit/(loss) attributable to minority interest and others | 20 | 17 | 17.6 | 3 | 4 | 4 | 9 | 7 |
| Profit/(loss) attributable to the Group | 262 | 104 | | 94 | 92 | 36 | 40 | 45 |
| INCOME STATEMENT BREAKDOWN | | | | | | | | |
| NET INTEREST INCOME | | | | | | | | |
| Customer spread (%) | 1.82 | 1.84 | (0.02) | 1.79 | 1.84 | 1.84 | 1.83 | 1.84 |
| FEE AND COMMISSION INCOME | | | | | | | | |
| Banking services, securities and other fees | 167 | 168 | 0.2 | 43 | 38 | 43 | 43 | 48 |
| Mutual funds, managed accounts and SICAVs | 46 | 45 | 0.4 | 11 | 10 | 9 | 16 | 15 |
| Pension plans | 1 | 7 | (90.5) | 1 | | | | 2 |
| Sale of insurance products | 66 | 56 | 20.0 | 17 | 16 | 17 | 16 | 17 |
| Net fee and commission income | 280 | 276 | 1.7 | 72 | 64 | 69 | 75 | 82 |
| ADMINISTRATIVE EXPENSES, DEPRECIATION AND AMORTISATION | | | | | | | | |
| Personnel expenses | (254) | (245) | 4.0 | (71) | (62) | (58) | (63) | (66) |
| General expenses | (158) | (151) | 4.6 | (26) | (41) | (44) | (47) | (38) |
| Depreciation and amortisation | (37) | (36) | 1.0 | (9) | (10) | (10) | (8) | (10) |
| Recurring administrative expenses, depreciation and amortisation | (449) | (432) | 3.9 | (106) | (113) | (112) | (118) | (114) |
| Extraordinary expenses | (24) | (106) | | (13) | (3) | (5) | (3) | |
| OTHER INDICATORS | | | | | | | | |
| ROTE ² | 7.8% | 9.8% | (2.0) | 7.8% | 8.2% | 9.0% | 9.5% | 9.8% |
| Cost-to-income ratio stripping out extraordinary expenses | 63.7% | 63.8% | (0.1) | 63.7% | 63.1% | 62.5% | 63.4% | 63.8% |
| Customers | 1.9 | 1.9 | (0.8) | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 |
| Employees | 4,888 | 4,931 | (0.9) | 4,888 | 4,898 | 4,843 | 4,897 | 4,931 |
| Branches | 495 | 505 | (2.0) | 495 | 495 | 497 | 503 | 505 |

(2) RoTE 12 months excludes the following net attributable one-off impacts: result on the sale of BPI's acquiring business to Comercia Global Payments (€40 million); the review carried out in the fourth quarter of 2018 (due to the passing of time) in relation to the expected credit losses originally calculated at the time BPI was acquired in February 2017 (€57 million); and the extraordinary expenses and net result of the businesses that CaixaBank has acquired (€2 million).

BPI's balance sheet was up 3.4% in the quarter (+7.8% in the year):

- Loans and advances to customers, gross, came to €23,276 million, down 0.5% in the quarter, impacted by the sale of its card business to CaixaBank (€154 million).
- Customer funds came to €29,087 million**, up 0.3% on the previous quarter on the back of on-balance sheet funds (+2.7%), whereas assets under management were impacted by prevailing market conditions (-8.0% in the quarter).
- BPI's **NPL ratio** fell to 4.2% in the period (-0.9pp in the year), as per the CaixaBank Group's NPL classification criteria.
- The NPL coverage ratio, including the provisions posted by CaixaBank due to business combination, came to 87%. The quarterly change (-5pp) came in response to the aforementioned review of provisions in relation to the business combination.

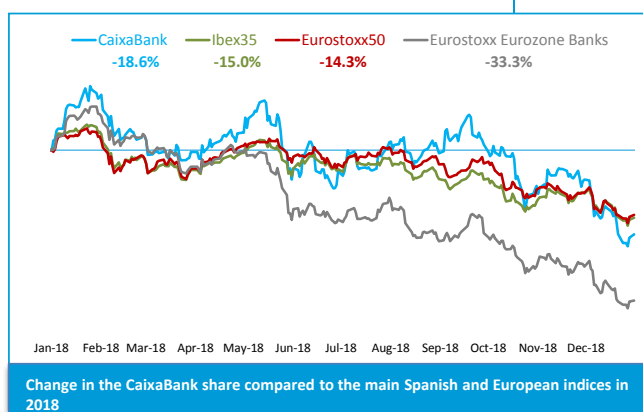
| € million | Dec 31, 18 | Sep 30, 18 | Quarter-on-quarter % | Dec 31, 17 | Year-to-date % |
|--|---------------|---------------|----------------------|---------------|----------------|
| BALANCE SHEET | | | | | |
| Assets | 31,078 | 30,048 | 3.4 | 28,817 | 7.8 |
| Liabilities | 28,357 | 27,318 | 3.8 | 26,571 | 6.7 |
| Assigned capital | 2,687 | 2,693 | (0.2) | 1,834 | 46.5 |
| LOANS AND ADVANCES TO CUSTOMERS | | | | | |
| Loans to individuals | 12,643 | 12,785 | (1.1) | 12,517 | 1.0 |
| Home purchases | 11,170 | 11,233 | (0.6) | 11,098 | 0.6 |
| Other | 1,473 | 1,552 | (5.1) | 1,419 | 3.8 |
| Loans to business | 8,972 | 8,930 | 0.5 | 8,237 | 8.9 |
| Corporates and SMEs | 8,268 | 8,284 | (0.2) | 7,985 | 3.5 |
| Real estate developers | 704 | 646 | 9.0 | 252 | |
| Public sector | 1,661 | 1,678 | (1.0) | 1,457 | 14.0 |
| Loans and advances to customers, gross | 23,276 | 23,393 | (0.5) | 22,211 | 4.8 |
| Of which performing loans | 22,326 | 22,404 | (0.3) | 21,095 | 5.8 |
| Of which non-performing loans | 950 | 989 | (3.9) | 1,116 | (14.9) |
| Provisions for insolvency risk | (814) | (906) | (10.2) | (962) | (15.4) |
| Loans and advances to customers, net | 22,462 | 22,487 | (0.1) | 21,249 | 5.7 |
| Contingent Liabilities | 1,636 | 1,628 | 0.5 | 1,573 | 4.0 |
| CUSTOMERS FUNDS | | | | | |
| Customer funds | 22,036 | 21,459 | 2.7 | 20,674 | 6.6 |
| Demand deposits | 13,334 | 12,823 | 4.0 | 12,054 | 10.6 |
| Term deposits | 8,702 | 8,636 | 0.8 | 8,619 | 1.0 |
| Subordinated retail liabilities | | | | 1 | |
| Reverse repurchase agreements and other | 16 | 15 | 6.7 | 13 | 23.1 |
| On-balance sheet funds | 22,052 | 21,474 | 2.7 | 20,687 | 6.6 |
| Mutual funds, managed accounts and SICAVs ¹ | 5,083 | 5,524 | (8.0) | 6,026 | (15.6) |
| Assets under management | 5,083 | 5,524 | (8.0) | 6,026 | (15.6) |
| Other accounts | 1,952 | 2,009 | (2.8) | 2,150 | (9.2) |
| Total customer funds | 29,087 | 29,007 | 0.3 | 28,863 | 0.8 |
| Memorandum items | | | | | |
| Insurance contracts sold ² | 4,120 | 4,162 | (1.0) | 4,124 | (0.1) |
| ASSET QUALITY | | | | | |
| Non-performing loan ratio (%) | 4.2% | 4.3% | (0.1) | 5.1% | (0.9) |
| Non-performing loan coverage ratio (%) | 87% | 92% | (5.0) | 87% | |

(1) This heading includes the balance of mutual funds managed by BPI Gestao de Activos and BPI Global Investment Fund, which are now owned by CaixaBank Asset Management, although the funds continue to be marketed by BPI.

(2) Relate to the insurance products of BPI Vida e Pensões, for which VidaCaixa is responsible under the Group's corporate structure. While reported under the banking and insurance business, the policies are marketed by BPI.

The CaixaBank share

- The **CaixaBank share** ended 31 December 2018 at **€3.164 per share**, down 18.6% in the year, mainly as a result of the stock market slump seen in the last quarter of the year, which knocked 19.7% off the share price. However, the share fared considerably better over the year than the SX7E European banks index, which slid by 33.3% (-18.3% in the fourth quarter of 2018) and the Ibex Banks index, which fell 28.7% in the year (-14.2% in the fourth quarter). Both the Eurostoxx50 (-14.3% in 2018, -11.7% in the fourth quarter) and the Ibex 35 (-15.0% in 2018, -9.0% in the fourth quarter) were heavily impacted by the volatility of bank securities in the period.
- In the fourth quarter of 2018, the **trading volume of the CaixaBank share** in euros was 4.6% up on the previous quarter but 23.4% down on the volume of shares traded in the fourth quarter of 2017. Meanwhile, the number of shares traded was up 14.3% on the third quarter of 2018, but down 15.2% on the fourth quarter of 2017. In annual terms, traded volume in 2018 was down on the level reported in 2017: -17.1% in euros and -15.2% in number of shares.



Key performance indicators for the CaixaBank share

| | Dec 31, 2018 |
|--|--------------|
| Market capitalization (€ million) | 18,916 |
| Number of outstanding shares ¹ | 5,978,625 |
| Share price (€/share) | |
| Share price at the beginning of the period (December 29, 2017) | 3.889 |
| Share price at closing of the period (December 31, 2018) | 3.164 |
| Maximum price ² | 4.440 |
| Minimum price ² | 3.061 |
| Trading volume in 2018 (number of shares, excluding non-recurring transactions, in thousands) | |
| Maximum daily trading volume | 57,592 |
| Minimum daily trading volume | 4,569 |
| Average daily trading volume | 13,676 |
| Stock market ratios | |
| Profit attributable to the Group (€ million) (12 months) | 1,902 |
| Average number of shares (12 months) ¹ | 5,978,527 |
| Net income attributable per Share (EPS) (€/share) | 0.32 |
| Net equity excluding minority interest (€ million) | 24,029 |
| Number of shares at December 31, 2018 ¹ | 5,978,625 |
| Book value per share (€/share) | 4.02 |
| Net equity excluding minority interest (tangible) (€ million) | 19,755 |
| Number of shares at December 31, 2018 ¹ | 5,978,625 |
| Tangible book value per share (€/share) | 3.30 |
| PER (Price / Profit) | 9.95 |
| TangibleP/BV (Market value/ tangible book value) | 0.96 |
| Dividend Yield³ | 4.74% |

(1) Number of shares, in thousands, excluding treasury shares.

(2) Share price at close of trading.

(3) Calculated by dividing the yield for the past 12 months (€0.15/share) by the closing price at the end of the period (€3.164/share).

Shareholder remuneration for 2018

- On 22 February 2018, CaixaBank's Board of Directors announced its intention, in accordance with the dividend policy, of remunerating shareholders by paying out at least 50% of net consolidated profit in the form of two cash dividends, payable half-yearly.
- A cash payout of €0.07 per share was made on 5 November 2018, corresponding to the first dividend payment charged to profit for 2018.
- On 31 January 2019, the Board of Directors announced its intention to propose to the Annual General Meeting the payment of an extra cash dividend of €0.10 per share against profit for 2018.
- These two payments would account for 51% of total profit for 2018, in line with the Strategic Plan.

Significant events in 2018

Acquisition of shares in Banco BPI

On 6 May 2018, CaixaBank announced an agreement reached with certain companies belonging to the Allianz Group to acquire shares representing 8.425% of the share capital of Banco BPI. The total purchase price was €177,979,336, giving a price per share of €1.45.

On that same date, CaixaBank announced its intention to request a general shareholders' meeting at Banco BPI to decide on the delisting of the Portuguese bank. CaixaBank offered to buy the shares of all shareholders who voted against the delisting at a price of €1.45 per share. The general meeting approved the delisting on 29 June 2018.

The Portuguese stock market regulator (Comissão do Mercado de Valores Mobiliários, or CMVM for short) then decided that the price should be reviewed by an independent auditor. The independent auditor set the minimum price for CaixaBank's tender offer at €1.47 per share. On 14 December, the CMVM approved the delisting of Banco BPI.

On 27 December, CaixaBank exercised its squeeze-out right to acquire all the shares it did not already own. The consolidated stake in Banco BPI appearing on CaixaBank's financial statements at year-end was 100%.

Early redemption of subordinated bonds

CaixaBank published a significant corporate event on 4 June 2018, announcing that on 8 June 2018 it would effect the full early redemption of the nominal outstanding balance on the "Issuance of Subordinated Bonds Series 1/2012", with a balance amounting to €2,072.3 million. The redemption price was 100% of the nominal outstanding balance, plus any accrued and unpaid coupon.

CaixaBank also filed a significant corporate event on 14 September 2018 to announce that on 14 November 2018 it would effect the full early redemption of the nominal outstanding balance on the "Issuance of subordinated bonds of CaixaBank, S.A., Series 1/2013", for the nominal sum of €750 million. The redemption price was 100% of the nominal outstanding balance of the issuance, plus any accrued and unpaid coupon.

Acquisition of 51% of the share capital of Servihabitat

On 8 June 2018, CaixaBank announced that it had reached an agreement with the company SH Findel, SARL (controlled by TPG Sixth Street Partners) to acquire 51% of the share capital of Servihabitat Servicios Inmobiliarios, S.L. at a price of €176.5 million. The deal was cleared by the authorities and completed on 13 July 2018.

The repurchase of 51% of Servihabitat has had a negative impact of -15 basis points on the fully-loaded CET1 ratio and of €-204 million on the 2018 income statement. In the coming years, it is expected to have a positive impact on the income statement of some €45 million a year.

Agreement to sell 80% of the real estate business

On 28 June 2018, CaixaBank arranged to sell 80% of its real estate business to a company owned by Lone Star Fund X and Lone Star Real Estate Fund V.

The real estate business sold to Lone Star comprised mainly the portfolio of real estate assets available for sale at 31 October 2017, as well as 100% of the share capital of Servihabitat Servicios Inmobiliarios, S.L. The gross value of the real estate assets at 31 October 2017 was roughly €12,800 million (with a net book value of approximately €6,700 million).

CaixaBank conveyed its real estate business to a newco, 80% of which it then sold to Lone Star, while retaining the remaining 20% stake. Under the arrangement, the entire real estate business was valued at roughly €7,000 million.

Under the deal, Servihabitat will continue to service the real estate assets of the CaixaBank Group for a five-year term under a new agreement that will allow CaixaBank to become more flexible and efficient, including the cost reductions and savings announced along with the repurchase of 51% of Servihabitat.

The arrangement is also expected to generate cost savings of some €550 million before tax over the following three years (2019-2021), including the new servicing agreement with Servihabitat.

After securing the necessary clearance from the corresponding authorities, the deal was completed on 20 December 2018.

The initial purchase price for the 80% stake in the newco (Coral Homes, S.L.) was €3,974 million, giving a valuation for the whole company of €4,967.5 million. The initial price may be raised or lowered in the coming months, depending on a series of variables that are commonly used in this kind of arrangement.

Meanwhile, CaixaBank and other Group companies have entered into an agreement with Servihabitat whereby the latter is to service their present and future real estate assets over a five-year period.

The final overall impact of the transaction (including expenses, taxes and other costs) turned out to be €-48 million, net of tax, while adding 14 basis points to the fully-loaded CET1 ratio.

Agreement to sell the stake in Repsol

On 20 September 2018, the Board of Directors agreed to sell CaixaBank's stake in Repsol, S.A. through a series of sales structured as follows:

- a) Early settlement in September 2018 of the two existing equity swap agreements over 30,547,921 (1.91%) and 43,074,196 (2.70%) shares at €15.39 and €15.55, respectively.
- b) The remaining position of 75,789,715 shares (4.75%) was recognised as Financial assets designated at fair value through other comprehensive income, with all changes and fluctuations to be shown under this heading.

The divestment programme for these shares is expected to be completed by the first quarter of 2019. Selling will be subject to a daily cap of 15% of the volume traded during the day. The number of shares ultimately sold will depend on market conditions and on fetching a share price that ensures that the income obtained represents a fair value for CaixaBank shareholders, among other considerations.

The income statement for the third quarter of 2018 includes a negative result of €-453 million stemming from the deal. Once completed, the divestment programme is expected to have a neutral impact on CET1 fully loaded.

Modification of the agreement to merge with Banca Cívica

On 29 October 2018, CaixaBank announced that all parties had signed a series of amendments to the Merger Agreement between CaixaBank and Banca Cívica, S.A. and to the CaixaBank Shareholders' Agreement, the first of which was signed on 26 March 2012 by Caja de Ahorros y Pensiones de Barcelona, "la Caixa", CaixaBank, S.A., Banca Cívica, S.A. and the savings banks that previously made up Banca Cívica, S.A., and the second on 1 August 2012 between Caja de Ahorros y Pensiones de Barcelona, "la Caixa" and the savings banks that made up Banca Cívica, S.A.

The amendments to these agreements mainly seek to clarify their terms of certain commitments assumed by Fundación Bancaria Caja de Ahorros y Pensiones de Barcelona "la Caixa" to comply with the requirements ratified in March 2016 by the Supervisory Board of the European Central Bank to bring about the prudential deconsolidation of Critería Caixa S.A.U. from CaixaBank. These requirements have effectively led to a reduction in the stake held by Fundación Bancaria Caja de Ahorros y Pensiones de Barcelona "la Caixa" and the ensuing relinquishment of control of CaixaBank.

Results of the stress test on the European banking sector

The CaixaBank Group has taken part in the stress test exercise conducted on the European banking sector in 2018, a process coordinated by the European Banking Authority and supervised by the European Central Bank. The exercise relies on data taken at 31 December 2017 and runs for three years (2018-2020) under two scenarios: baseline and adverse. The following results were obtained:

- Under the adverse scenario, fully-loaded CET1 at 31 December 2020 falls 239 basis points to 9.11%, down from 11.50%, following the first-time adoption of IFRS 9 at 31 December 2017. Under this same scenario, regulatory CET1 is also 9.11%, down from an initial 12.54% following the first-time adoption of IFRS 9 and revealing a reduction of 343 basis points.
- In the baseline scenario, fully-loaded CET1 at 31 December 2020 gains 210 basis points to reach 13.60%, while regulatory CET1 adds 106 basis points.

Appendices

Investment portfolio

Main investees at 31 December 2018:

| CaixaBank | % | Business segment |
|--|----------------|-----------------------|
| Telefónica | 5.00% | Equity investments |
| Erste Group Bank | 9.92% | Equity investments |
| Repsol ¹ | 3.66% | Equity investments |
| SegurCaixa Adeslas | 49.92% | Banking and insurance |
| Comercia Global Payments | 49.00% | Banking and insurance |
| Coral Homes | 20.00% | Non-core real estate |
| Sareb | 12.24% | Non-core real estate |
| BPI | 100.00% | BPI |
| BFA | 48.10% | Equity investments |
| Banco Comercial e de Investimentos (BCI) | 35.67% | Equity investments |

(1) 3.59% in January 2019 after completing the last scrip dividend payable in cash.

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

Change in Financing for home purchases

Financing for home purchases

| € million | Dec 31, 2017 | Sep 30, 2018 | Dec 31, 2018 |
|-----------------------------|---------------|---------------|---------------|
| Without mortgage collateral | 762 | 768 | 751 |
| of which: non-performing | 10 | 7 | 7 |
| With mortgage collateral | 82,327 | 80,455 | 79,721 |
| of which: non-performing | 3,465 | 3,185 | 3,045 |
| Total | 83,089 | 81,223 | 80,472 |

Loan-to-value breakdown²

| € million | Dec 31, 2018 | | | | | TOTAL |
|--------------------------|--------------|-----------------|-----------------|-----------------|------------|--------|
| | LTV ≤ 40% | 40% < LTV ≤ 60% | 60% < LTV ≤ 80% | 80 < LTV ≤ 100% | LTV > 100% | |
| Gross amount | 21,386 | 30,033 | 20,669 | 4,275 | 3,358 | 79,721 |
| of which: non-performing | 222 | 409 | 587 | 585 | 1,242 | 3,045 |

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

Loans to real estate developers

Changes in loans to real estate developers¹

| € million | Dec 31, 2018 | Weight % | Sep 30, 2018 | Weight % | Dec 31, 2017 | Weight % |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Without mortgage collateral | 477 | 7.9 | 580 | 9.3 | 813 | 11.9 |
| With mortgage collateral | 5,527 | 92.1 | 5,662 | 90.7 | 6,016 | 88.1 |
| Completed buildings | 3,774 | 62.9 | 3,878 | 62.1 | 4,336 | 63.5 |
| Homes | 2,556 | 42.6 | 2,672 | 42.8 | 2,811 | 41.2 |
| Other | 1,218 | 20.3 | 1,206 | 19.3 | 1,525 | 22.3 |
| Buildings under construction | 1,185 | 19.7 | 1,156 | 18.5 | 931 | 13.6 |
| Homes | 1,056 | 17.6 | 1,037 | 16.6 | 840 | 12.3 |
| Other | 129 | 2.1 | 119 | 1.9 | 91 | 1.2 |
| Land | 568 | 9.5 | 628 | 10.1 | 749 | 11.0 |
| Developed land | 346 | 5.8 | 378 | 6.1 | 422 | 6.2 |
| Other | 222 | 3.7 | 250 | 4.0 | 326 | 4.7 |
| Total | 6,004 | 100.0 | 6,242 | 100.0 | 6,830 | 100.0 |

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

NPLs and coverage for real estate development risk²

| € million | Dec 31, 2018 | | Sep 30, 2018 | | Dec 31, 2017 | |
|------------------------------------|----------------|-------------------------|----------------|-------------------------|----------------|-------------------------|
| | Non-performing | Coverage % ³ | Non-performing | Coverage % ³ | Non-performing | Coverage % ³ |
| Without mortgage collateral | 88 | 85 | 105 | 83 | 137 | 83 |
| With mortgage collateral | 775 | 44 | 969 | 44 | 1,344 | 40 |
| Completed buildings | 639 | 37 | 736 | 36 | 970 | 31 |
| Homes | 353 | 37 | 403 | 32 | 529 | 29 |
| Other | 286 | 38 | 333 | 41 | 441 | 34 |
| Buildings under construction | 42 | 79 | 41 | 64 | 43 | 45 |
| Homes | 35 | 88 | 33 | 72 | 33 | 51 |
| Other | 7 | 35 | 8 | 34 | 10 | 23 |
| Land | 94 | 77 | 192 | 72 | 331 | 64 |
| Developed land | 55 | 59 | 118 | 73 | 185 | 70 |
| Other | 39 | 103 | 74 | 70 | 146 | 55 |
| Total | 863 | 48 | 1,074 | 48 | 1,481 | 44 |

(2) The surplus value of mortgage collateral to the non-performing real estate developer portfolio at 31 December 2018, 30 September 2018 and 31 December 2017 amounts to €354 million, €482 million and €602 million, respectively.

(3) Total impairment allowances for the real estate developer segment divided by non-performing loans for that segment.

Ratings

| Agency | Long-Term ⁴ | Short-Term | Outlook | Last review | Rating of covered bonds |
|------------|------------------------|------------|---------|----------------|-------------------------|
| S&P Global | BBB+ | A-2 | Stable | 6 April 2018 | AA- |
| Fitch | BBB+ | F2 | Stable | 8 October 2018 | |
| Moody's | Baa1 | P-2 | Stable | 1 August 2018 | Aa1 |
| DBRS | A | R-1 (low) | Stable | 12 April 2018 | AAA |

(4) Relates to the rating assigned to the senior preferred long-term debt of CaixaBank.

Glossary

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 used by the Group

1. Profitability and cost-to-income:

a) Customer spread

Explanation: difference between:

- average rate of return on loans (annualised income for the quarter from loans and advances divided by the net average balance of loans and advances for the quarter); and
- average rate for retail deposits (annualised quarterly cost of retail deposits divided by the average balance of those same retail deposits for the quarter, excluding subordinated liabilities).

Purpose: allows the Bank to track the spread between interest income and costs for customers.

| | | 4Q17 | 1Q18 | 2Q18 | 3Q18 | 4Q18 |
|-------------|--|-------------|-------------|-------------|-------------|-------------|
| Numerator | Annualised quarterly income from loans and advances to customers | 4,594 | 4,741 | 4,741 | 4,721 | 4,741 |
| Denominator | Net average balance of loans and advances to customers | 209,451 | 207,592 | 208,857 | 208,805 | 208,608 |
| (a) | Average yield rate on loans (%) | 2.19 | 2.28 | 2.27 | 2.26 | 2.27 |
| Numerator | Annualised quarterly cost of on-balance sheet customers funds | 63 | 69 | 72 | 71 | 79 |
| Denominator | Average balance of on-balance sheet retail customers funds | 187,178 | 190,216 | 198,910 | 204,189 | 203,366 |
| (b) | Average cost rate of retail deposits (%) | 0.03 | 0.04 | 0.04 | 0.04 | 0.04 |
| | Customer spread (%) (a - b) | 2.16 | 2.24 | 2.23 | 2.22 | 2.23 |

b) Balance sheet spread

Explanation: difference between:

- average rate of return on assets (annualised interest income for the quarter divided by total average assets for the quarter); and
- average cost of funds (annualised interest expenses for the quarter divided by total average funds for the quarter).

Purpose: allows the Bank to track the spread between interest income and cost for its on-balance sheet assets and liabilities.

| | | 4Q17 | 1Q18 | 2Q18 | 3Q18 | 4Q18 |
|-------------|---|-------------|-------------|-------------|-------------|-------------|
| Numerator | Annualised quarterly interest income | 7,106 | 6,915 | 7,055 | 6,856 | 6,959 |
| Denominator | Average total assets for the quarter | 387,300 | 377,143 | 385,155 | 388,276 | 384,500 |
| (a) | Average return rate on assets (%) | 1.83 | 1.83 | 1.83 | 1.77 | 1.81 |
| Numerator | Annualised quarterly interest expenses | 2,361 | 2,036 | 2,126 | 1,940 | 2,055 |
| Denominator | Average total liabilities for the quarter | 387,300 | 377,143 | 385,155 | 388,276 | 384,500 |
| (b) | Average cost of fund rate (%) | 0.61 | 0.54 | 0.55 | 0.50 | 0.53 |
| | Balance sheet spread (%) (a - b) | 1.22 | 1.29 | 1.28 | 1.27 | 1.28 |

c) ROE

Explanation: profit attributable to the Group (adjusted by the amount of the Additional Tier 1 coupon after tax, reported in equity) divided by average shareholder equity for the last 12 months.

Purpose: allows for the monitoring of return on own funds.

| | | 4Q17 | 1Q18 | 2Q18 | 3Q18 | 4Q18 |
|-------------|---|-------------|-------------|-------------|-------------|-------------|
| Numerator | Adjusted profit attributable to the Group 12M | 1,658 | 1,946 | 2,083 | 1,893 | 1,902 |
| Denominator | Average equity 12M | 23,897 | 24,058 | 24,230 | 24,428 | 24,600 |
| | ROE (%) | 6.9% | 8.1% | 8.6% | 7.7% | 7.7% |

d) ROTE

Explanation: Quotient between:

- profit attributable to the Group (adjusted by the amount of the Additional Tier 1 coupon after tax reported in equity); and
- 12-month average shareholder equity deducting intangible assets using management criteria (calculated as the value of intangible assets in the public balance sheet, plus the intangible assets and goodwill associated with investees, net of provisions, recognised in Investments in joint ventures and associates in the public balance sheet).

Purpose: metric used to measure the return on a company's tangible equity.

| | | 4Q17 | 1Q18 | 2Q18 | 3Q18 | 4Q18 |
|-------------|--|-------------|-------------|--------------|-------------|-------------|
| Numerator | Adjusted profit attributable to the Group 12M | 1,658 | 1,946 | 2,083 | 1,893 | 1,902 |
| Denominator | Average equity excluding intangible assets 12M | 19,679 | 19,805 | 19,985 | 20,187 | 20,356 |
| | ROTE (%) | 8.4% | 9.8% | 10.4% | 9.4% | 9.3% |

e) ROA

Explanation: net profit (adjusted by the amount of the Additional Tier 1 coupon after tax reported in equity) divided by average total assets for the last 12 months.

Purpose: measures the level of return relative to assets.

| | | 4Q17 | 1Q18 | 2Q18 | 3Q18 | 4Q18 |
|-------------|--------------------------|-------------|-------------|-------------|-------------|-------------|
| Numerator | Adjusted net profit 12M | 1,693 | 2,004 | 2,144 | 1,942 | 1,957 |
| Denominator | Average total assets 12M | 372,905 | 377,313 | 381,431 | 384,507 | 383,801 |
| | ROA (%) | 0.5% | 0.5% | 0.6% | 0.5% | 0.5% |

f) RORWA

Explanation: net profit (adjusted by the amount of the Additional Tier 1 coupon after tax reported in equity) divided by average total risk-weighted assets for the last 12 months.

Purpose: measures the return based on risk weighted assets.

| | | 4Q17 | 1Q18 | 2Q18 | 3Q18 | 4Q18 |
|-------------|-------------------------------------|-------------|-------------|-------------|-------------|-------------|
| Numerator | Adjusted net profit 12M | 1,693 | 2,004 | 2,144 | 1,942 | 1,957 |
| Denominator | Regulatory risk-weighted assets 12M | 149,060 | 150,211 | 149,189 | 148,644 | 148,284 |
| | RORWA (%) | 1.1% | 1.3% | 1.4% | 1.3% | 1.3% |

g) Cost-to-income ratio

Explanation: operating expenses (administrative expenses, depreciation and amortisation) divided by gross income for the last 12 months.

The Bank also uses a variant of this indicator that does not count extraordinary operating expenses in the numerator.

Purpose: metric widely used in the banking sector to compare the cost to income generated.

| | | 4Q17 | 1Q18 | 2Q18 | 3Q18 | 4Q18 |
|-------------|---|-------|-------|-------|-------|-------|
| Numerator | Administrative expenses + depreciation and amortisation 12M | 4,577 | 4,628 | 4,566 | 4,602 | 4,658 |
| Denominator | Gross income 12M | 8,222 | 8,591 | 8,595 | 8,632 | 8,767 |
| | Cost-to-income ratio | 55.7% | 53.9% | 53.1% | 53.3% | 53.1% |

| | | 4Q17 | 1Q18 | 2Q18 | 3Q18 | 4Q18 |
|-------------|--|-------|-------|-------|-------|-------|
| Numerator | Administrative expenses + depreciation and amortisation stripping out extraordinary expenses | 4,467 | 4,525 | 4,555 | 4,590 | 4,634 |
| Denominator | Gross income 12M | 8,222 | 8,591 | 8,595 | 8,632 | 8,767 |
| | Cost-to-income ratio stripping out extraordinary expenses | 54.3% | 52.7% | 53.0% | 53.2% | 52.9% |

2. Risk management:

a) Cost of risk

Explanation: total allowances for insolvency risk (12 months) divided by average lending, gross, plus contingent liabilities, using management criteria.

Purpose: indicator used to monitor and track the cost of insolvency allowances on the loan book.

| | | 4Q17 | 1Q18 | 2Q18 | 3Q18 | 4Q18 |
|-------------|---|---------|---------|---------|---------|---------|
| Numerator | Total allowances for insolvency risk 12M | 799 | 689 | 575 | 191 | 97 |
| Denominator | Average of gross loans + contingent liabilities 12M | 236,772 | 237,648 | 237,292 | 237,202 | 237,253 |
| | Cost of risk (%) | 0.34% | 0.29% | 0.24% | 0.08% | 0.04% |

The ratio for 4Q18 and 3Q18, if we strip out the extraordinary release of €275 million in provisions carried out in the third quarter of 2018, would be 0.16% and 0.20%, respectively.

b) Non-performing loan ratio

Explanation: quotient between:

- non-performing loans and advances to customers and contingent liabilities, using management criteria.
- total gross loans to customers and contingent liabilities, using management criteria.

Purpose: indicator used to monitor and track the change and quality of the loan portfolio.

| | | 4Q17 | 1Q18 | 2Q18 | 3Q18 | 4Q18 |
|-------------|---|---------|---------|---------|---------|---------|
| Numerator | Non-performing loans and advances to customers + contingent liabilities | 14,305 | 13,695 | 12,714 | 12,116 | 11,195 |
| Denominator | Total gross loans to customers + contingent liabilities | 237,934 | 236,218 | 239,180 | 237,252 | 239,281 |
| | Non-performing loan ratio (%) | 6.0% | 5.8% | 5.3% | 5.1% | 4.7% |

c) Coverage ratio

Explanation: quotient between:

- total credit loss provisions for loans to customers and contingent liabilities, using management criteria; and
- non-performing loans and advances to customers and contingent liabilities, using management criteria.

Purpose: indicator used to monitor NPL coverage via provisions.

| | 4Q17 | 1Q18 | 2Q18 | 3Q18 | 4Q18 |
|--|--------|--------|--------|--------|--------|
| Numerator Provisions on loans to customers + contingent liabilities | 7,135 | 7,597 | 7,172 | 6,579 | 6,014 |
| Denominator Non-performing loans and advances to customers + contingent liabilities | 14,305 | 13,695 | 12,714 | 12,116 | 11,195 |
| Coverage ratio (%) | 50% | 55% | 56% | 54% | 54% |

d) Real estate available for sale coverage ratio

Explanation: quotient between:

- gross debt cancelled at the foreclosure or surrender of the real estate asset less the present net book value of the real estate asset; and
- gross debt cancelled at the foreclosure or surrender of the real estate asset.

Purpose: reflects the coverage level via write-downs and accounting provisions on foreclosed real estate assets available for sale.

| | 4Q17 | 1Q18 | 2Q18 | 3Q18 | 4Q18 |
|---|--------|--------|--------|--------|-------|
| (a) Gross debt cancelled at the foreclosure | 14,112 | 13,999 | 13,480 | 13,078 | 1,209 |
| (b) Net book value of the foreclosed asset | 5,878 | 5,810 | 5,553 | 5,346 | 740 |
| Numerator Total coverage of the foreclosed asset (a - b) | 8,234 | 8,189 | 7,927 | 7,732 | 469 |
| Denominator Gross debt cancelled at the foreclosure | 14,112 | 13,999 | 13,480 | 13,078 | 1,209 |
| Real estate available for sale coverage ratio (%) | 58% | 58% | 59% | 59% | 39% |

e) Real estate available for sale coverage ratio with accounting provisions

Explanation: quotient between:

- accounting coverage: accounting provisions for foreclosed real estate assets; and
- book value of the foreclosed asset, gross: sum of net carrying amount and the accounting provision.

Purpose: indicator of accounting provisions covering foreclosed real estate assets available for sale.

| | 4Q17 | 1Q18 | 2Q18 | 3Q18 | 4Q18 |
|---|--------|--------|--------|--------|-------|
| Numerator Accounting provisions of the foreclosed assets | 5,811 | 5,780 | 5,612 | 5,496 | 285 |
| (a) Net book value of the foreclosed asset | 5,878 | 5,810 | 5,553 | 5,346 | 740 |
| (b) Accounting provisions of the foreclosed assets | 5,811 | 5,780 | 5,612 | 5,496 | 285 |
| Denominator Gross book value of the foreclosed asset (a + b) | 11,689 | 11,590 | 11,165 | 10,842 | 1,025 |
| Real estate available for sale accounting coverage (%) | 50% | 50% | 50% | 51% | 28% |

3. Liquidity:

a) Total liquid assets

Explanation: sum of 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 European Central Bank (non-HQLA).

Purpose: shows the Bank's liquidity position.

| | 4Q17 | 1Q18 | 2Q18 | 3Q18 | 4Q18 |
|---|--------|--------|--------|--------|--------|
| (a) High Quality Liquid Assets (HQLAs) | 53,610 | 54,026 | 61,940 | 55,946 | 57,093 |
| (b) Available balance under the ECB facility (non- HQLAs) | 19,165 | 19,190 | 17,952 | 20,133 | 22,437 |
| Total liquid assets (a + b) | 72,775 | 73,216 | 79,892 | 76,079 | 79,530 |

b) Loan-to-deposits:

Explanation: quotient between:

- net loans and advances to customers using management criteria excluding brokered loans (funded by public institutions); and
- customer deposits on the balance sheet.

Purpose: metric showing the retail funding structure (allows us to value the proportion of retail lending being funded by customer funds).

| | 4Q17 | 1Q18 | 2Q18 | 3Q18 | 4Q18 |
|---|---------|---------|---------|---------|---------|
| Numerator Loans and advances to customers, net (a-b-c) | 211,769 | 210,789 | 213,782 | 212,445 | 214,370 |
| (a) Loans and advances to customers, gross | 223,951 | 223,249 | 225,744 | 223,465 | 224,693 |
| (b) Provisions for insolvency risk | 6,832 | 7,299 | 6,878 | 6,296 | 5,728 |
| (c) Brokered loans | 5,350 | 5,161 | 5,084 | 4,724 | 4,595 |
| Denominator On-balance sheet customers funds | 196,611 | 197,296 | 208,654 | 203,473 | 204,980 |
| Loan to Deposits (%) | 108% | 107% | 102% | 104% | 105% |

Other relevant indicators:

EPS (Earnings per share): profit attributable to the Group¹ for the last 12 months divided by the average number of shares outstanding.

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

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

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

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

TBVPS (Tangible book value per share): quotient between:

- equity less minority interests and intangible assets; and
- the number of fully-diluted shares outstanding at a specific date.

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

P/BV: share price divided by book value.

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

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

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

Available Distributable Items (ADIs): sum of profit and unrestricted reserves, net of dividends (based on the individual financial statements). Does not include the share premium.

OCI: other comprehensive income.

(1) Figures adjusted to reflect the amount of the Additional Tier 1 coupon, after tax, reported in equity.

Adapting the layout of the public income statement to management format

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

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

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

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

Operating expenses. Includes the following line items:

- Administrative expenses.
- Depreciation and amortisation.

Pre-impairment income.

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

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

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

of which: Allowances for insolvency risk.

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

of which: Other charges to provisions.

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

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

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

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

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

Reconciliation of activity indicators using management criteria

Loans and advances to customers, gross

| December 2018 | |
|---|----------------|
| € million | |
| Financial assets at amortised cost - Customers (Public Balance Sheet) | 217,967 |
| Reverse repurchase agreements (public and private sector) | (320) |
| Clearing Houses | (1,003) |
| Other, non-retail, financial assets | (475) |
| Financial assets not designated for trading compulsorily measured at fair value through profit or loss- Loans and advances (Public Balance Sheet) | 327 |
| Other, non-retail, financial assets | (273) |
| Fixed income bonds considered retail financing (Financial assets at amortised cost - Public debt securities, Balance Sheet) | 2,096 |
| Fixed income bonds considered retail financing (Assets under the insurance business - Balance Sheet) | 646 |
| Provisions for insolvency risk | 5,728 |
| Loans and advances to customers (gross) using management criteria | 224,693 |

Liabilities under the insurance business

| December 2018 | |
|---|---------------|
| € million | |
| Liabilities under the insurance business (Public Balance Sheet) | 60,452 |
| Capital gains/(losses) under the insurance business (excluding unit linked) | (8,069) |
| Liabilities under the insurance business, using management criteria | 52,383 |

Customer funds

| December 2018 | |
|--|----------------|
| € million | |
| Financial liabilities at amortised cost - Customers deposits (Public Balance Sheet) | 210,200 |
| Non-retail financial liabilities (registered under Financial liabilities at amortised cost - Customers deposits) | (3,903) |
| Multi-issuer covered bonds and subordinated deposits | (2,987) |
| Counterparties and other | (916) |
| Retail financial liabilities (registered under Financial liabilities at amortised cost - Debt securities) | 743 |
| Retail issues and other | 743 |
| Liabilities under insurance contracts, using management criteria | 52,383 |
| Total on-balance sheet customer funds | 259,423 |
| Assets under management | 93,951 |
| Other accounts ¹ | 5,108 |
| Total customer funds | 358,482 |

(1) Includes, among others, transitional funds associated with transfers and collection activity, as well as other customer funds distributed by the Group.

Institutional issuances for banking liquidity purposes

| December 2018 | |
|---|---------------|
| € million | |
| Financial liabilities at amortised cost - Debt securities (Public Balance Sheet) | 29,244 |
| Institutional financing not considered for the purpose of managing bank liquidity | (2,777) |
| Securitised bonds | (1,820) |
| Value adjustments | (331) |
| Retail | (743) |
| Issues acquired by companies within the group and other | 117 |
| Customer deposits for the purpose of managing bank liquidity² | 2,986 |
| Institutional financing for the purpose of managing bank liquidity | 29,453 |

(2) A total of €2,953 million in multi-issuer covered bonds (net of retained issues) and €33 million in subordinated deposits.

Foreclosed real estate assets (available for sale and held for rent)

December 2018

€ million

| | |
|--|--------------|
| Non-current assets and disposal groups classified as held for sale (Public Balance Sheet) | 1,239 |
| Other assets | (514) |
| Inventories in the heading - Other assets (Public Balance Sheet) | 15 |
| Foreclosed available for sale real estate assets | 740 |
| Tangible assets (Public Balance Sheet) | 6,022 |
| Tangible assets for own use | (3,209) |
| Other assets | (334) |
| Foreclosed rental real estate assets | 2,479 |

Reconciliation with the financial information released by BPI:

a) Income statement presented as per the Group's segment reporting

| December 2018 € million | Published by BPI | Attributable to Group | Business | |
|--|---------------------|--------------------------|------------|--------------------|
| | | | BPI | Equity Investments |
| Net interest income | 423 | 391 | 397 | (6) |
| Dividend income | 2 | 2 | 2 | |
| Share of profit/(loss) of entities accounted for using the equity method | 272 | 269 | 4 | 265 |
| Net fee and commission income | 278 | 280 | 280 | |
| Gains/(losses) on financial assets and liabilities and others | 77 | 106 | 48 | 58 |
| Other operating income and expense | (14) | (26) | (26) | |
| Gross income | 1,038 | 1,022 | 705 | 317 |
| Recurring administrative expenses, depreciation and amortisation | (435) | (449) | (449) | |
| Extraordinary expenses | (24) | (24) | (24) | |
| Pre-impairment income | 579 | 549 | 232 | 317 |
| Pre-impairment income stripping out extraordinary expenses | 603 | 573 | 256 | 317 |
| Allowances for insolvency risk | 45 | 102 | 102 | |
| Other charges to provisions | 3 | 4 | 4 | |
| Gains/(losses) on disposal of assets and others | (69) | (103) | 51 | (154) |
| Profit/(loss) before tax | 558 | 552 | 389 | 163 |
| Income tax expense | (131) | (118) | (107) | (11) |
| Profit/(loss) from discontinued operations (net) | 64 | | | |
| Profit/(loss) after tax | 491 | 434 | 282 | 152 |
| Profit/(loss) attributable to minority interest and others | | 54 | 20 | 34 |
| Profit/(loss) attributable to the Group | 491 | 380 | 262 | 118 |

The difference between the earnings released by BPI and the earnings attributable to the Group is largely a result of consolidation adjustments (especially the elimination of the capital gain generated at BPI following the sale of the business to CaixaBank), standardisation adjustments and the net change in the fair value adjustments generated from the business combination.

Meanwhile, the earnings attributable to the Group are presented in the BPI business segment and the equity investments business, the latter including the contribution by BFA and BCI.

b) Customer funds at BPI as per the Group's segment reporting

| December 2018 | | | |
|-----------------------------|------------------|----------------|---------------|
| € million | Published by BPI | Adjustments | BPI segment |
| Total customer funds | 33,195 | (4,108) | 29,087 |

The difference between the funds reported by BPI and those reported by CaixaBank for the BPI business can largely be explained by the fact that the liabilities under insurance contracts and their fair value adjustments at 31 December 2018, as generated by the business combination, have been reported in the banking and insurance business following the sale of BPI Vida to VidaCaixa de Seguros y Reaseguros.

c) Loans and advances to customers at BPI as per the Group's segment reporting

| December 2018 | | | |
|---|------------------|--------------|---------------|
| € million | Published by BPI | Adjustments | BPI segment |
| Loans and advances to customers, net | 22,952 | (490) | 22,462 |

The difference between loans and advances to customers, net, reported by BPI and those reported by CaixaBank for its BPI business is largely down to the associated fair value adjustments generated by the business combination at 31 December 2018.

Historical income statement figures for the CABK and BPI perimeters

a) Quarterly performance of the income statement and solvency ratios:

| € million | CABK | | | | |
|--|--------------|--------------|--------------|--------------|--------------|
| | 4Q18 | 3Q18 | 2Q18 | 1Q18 | 4Q17 |
| Net interest income | 1,138 | 1,139 | 1,131 | 1,108 | 1,088 |
| Dividend income | 24 | | 115 | 5 | |
| Share of profit/(loss) of entities accounted for using the equity method | 77 | 147 | 175 | 158 | 107 |
| Net fee and commission income | 573 | 581 | 599 | 550 | 550 |
| Gains/(losses) on financial assets and liabilities and others | (52) | 22 | 143 | 59 | (6) |
| Income and expense under insurance or reinsurance contracts | 132 | 137 | 144 | 138 | 118 |
| Other operating income and expense | (227) | (22) | (141) | (108) | (248) |
| Gross income | 1,665 | 2,004 | 2,166 | 1,910 | 1,609 |
| Recurring administrative expenses, depreciation and amortisation | (1,062) | (1,049) | (1,043) | (1,031) | (1,010) |
| Extraordinary expenses | | | | | (1) |
| Pre-impairment income | 603 | 955 | 1,123 | 879 | 598 |
| Pre-impairment income stripping out extraordinary expenses | 603 | 955 | 1,123 | 879 | 599 |
| Allowances for insolvency risk | (135) | 187 | (112) | (139) | (148) |
| Other charges to provisions | (146) | (45) | (233) | (50) | (111) |
| Gains/(losses) on disposal of assets and others | (98) | (464) | (68) | (2) | (116) |
| Profit/(loss) before tax | 224 | 633 | 710 | 688 | 223 |
| Income tax expense | 35 | (277) | (199) | (153) | (22) |
| Profit/(loss) after tax | 259 | 356 | 511 | 535 | 201 |
| Profit/(loss) attributable to minority interest and others | 23 | 33 | | | 1 |
| Profit/(loss) attributable to the Group | 236 | 323 | 511 | 535 | 200 |
| <i>Risk-weighted assets</i> | 129,593 | 131,785 | 130,872 | 131,772 | 131,982 |
| <i>Fully-loaded Common Equity Tier 1 (CET1)</i> | 11.2% | 11.2% | 11.2% | 11.6% | 11.6% |
| <i>Fully-loaded total capital</i> | 15.3% | 15.2% | 15.9% | 16.4% | 15.9% |
| <i>CET1</i> | 11.5% | 11.4% | 11.5% | 11.9% | 12.7% |

| € million | BPI | | | | |
|--|-------------|------------|------------|------------|------------|
| | 4Q18 | 3Q18 | 2Q18 | 1Q18 | 4Q17 |
| Net interest income | 98 | 100 | 98 | 95 | 108 |
| Dividend income | | 1 | 1 | | 1 |
| Share of profit/(loss) of entities accounted for using the equity method | 24 | 75 | 62 | 108 | (69) |
| Net fee and commission income | 72 | 64 | 69 | 75 | 82 |
| Gains/(losses) on financial assets and liabilities and others | 7 | 8 | 14 | 77 | 1 |
| Income and expense under insurance or reinsurance contracts | | | | | |
| Other operating income and expense | | (5) | (18) | (3) | (1) |
| Gross income | 201 | 243 | 226 | 352 | 122 |
| Recurring administrative expenses, depreciation and amortisation | (106) | (113) | (112) | (118) | (114) |
| Extraordinary expenses | (13) | (3) | (5) | (3) | |
| Pre-impairment income | 82 | 127 | 109 | 231 | 8 |
| Pre-impairment income stripping out extraordinary expenses | 95 | 130 | 114 | 234 | 8 |
| Allowances for insolvency risk | 88 | 11 | 3 | | 7 |
| Other charges to provisions | 3 | 1 | | | (1) |
| Gains/(losses) on disposal of assets and others | (160) | 57 | | | (1) |
| Profit/(loss) before tax | 13 | 196 | 112 | 231 | 13 |
| Income tax expense | (27) | (42) | (20) | (29) | (20) |
| Profit/(loss) after tax | (14) | 154 | 92 | 202 | (7) |
| Profit/(loss) attributable to minority interest and others | 5 | 7 | 9 | 33 | (3) |
| Profit/(loss) attributable to the Group | (19) | 147 | 83 | 169 | (4) |
| <i>Risk-weighted assets</i> | 16,931 | 17,041 | 16,882 | 16,556 | 16,644 |
| <i>Fully-loaded Common Equity Tier 1 (CET1)¹</i> | 13.2% | 13.1% | 12.8% | 11.2% | 12.3% |
| <i>Fully-loaded total capital¹</i> | 15.0% | 14.8% | 14.6% | 13.0% | 14.0% |
| <i>CET1¹</i> | 13.2% | 13.1% | 12.8% | 11.2% | 13.2% |

(1) The first quarter of 2018 does not include the net profit published by BPI (€210 million).

b) Quarterly cost and income as part of net interest income:

| € million | CAIXABANK | | | | | | | | | | | | | | |
|---|-----------------|-------------------|-------------|-----------------|-------------------|-------------|-----------------|-------------------|-------------|-----------------|-------------------|-------------|-----------------|-------------------|-------------|
| | 4Q18 | | | 3Q18 | | | 2Q18 | | | 1Q18 | | | 4Q17 | | |
| | Average balance | Income or expense | Rate % | 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 | 19,625 | 42 | 0.86 | 21,691 | 42 | 0.77 | 20,342 | 40 | 0.80 | 16,548 | 42 | 1.02 | 23,685 | 45 | 0.76 |
| Loans and advances (a) | 187,960 | 1,096 | 2.31 | 188,222 | 1,089 | 2.30 | 188,518 | 1,084 | 2.31 | 187,589 | 1,075 | 2.32 | 189,587 | 1,061 | 2.22 |
| Fixed income securities portfolio | 31,421 | 85 | 1.08 | 30,178 | 85 | 1.12 | 29,533 | 90 | 1.23 | 28,511 | 79 | 1.12 | 27,283 | 78 | 1.13 |
| Other assets with returns | 54,478 | 416 | 3.03 | 54,667 | 393 | 2.85 | 55,369 | 431 | 3.12 | 52,152 | 400 | 3.11 | 50,777 | 494 | 3.86 |
| Other assets | 63,961 | 3 | | 65,443 | 6 | | 63,645 | 4 | | 65,947 | 4 | | 64,451 | 4 | |
| Total average assets (b) | 357,445 | 1,642 | 1.82 | 360,201 | 1,615 | 1.78 | 357,407 | 1,649 | 1.85 | 350,747 | 1,600 | 1.85 | 355,783 | 1,682 | 1.88 |
| Financial Institutions | 37,596 | (50) | 0.53 | 38,690 | (50) | 0.51 | 39,194 | (48) | 0.49 | 40,746 | (43) | 0.43 | 55,628 | (49) | 0.35 |
| Retail customer funds (c) | 182,176 | (14) | 0.03 | 183,070 | (13) | 0.03 | 177,878 | (13) | 0.03 | 170,204 | (12) | 0.03 | 166,878 | (11) | 0.03 |
| Demand deposits | 158,563 | (11) | 0.03 | 157,517 | (9) | 0.02 | 152,429 | (9) | 0.02 | 144,243 | (9) | 0.03 | 139,538 | (10) | 0.03 |
| Maturity deposits | 23,614 | (3) | 0.06 | 25,553 | (4) | 0.06 | 25,449 | (4) | 0.06 | 25,960 | (3) | 0.04 | 27,340 | (1) | 0.01 |
| Time deposits | 20,827 | (3) | 0.06 | 22,492 | (4) | 0.07 | 23,368 | (4) | 0.07 | 24,463 | (3) | 0.04 | 26,080 | (1) | 0.01 |
| Retail repurchase agreements and marketable debt securities | 2,786 | | | 3,061 | | | 2,081 | | | 1,498 | | | 1,260 | | |
| Wholesale marketable debt securities & other | 25,415 | (62) | 0.97 | 25,666 | (63) | 0.97 | 26,926 | (64) | 0.95 | 27,785 | (68) | 0.99 | 26,375 | (70) | 1.05 |
| Subordinated liabilities | 5,723 | (21) | 1.44 | 6,150 | (24) | 1.55 | 7,404 | (33) | 1.77 | 6,113 | (32) | 2.14 | 5,946 | (34) | 2.28 |
| Other funds with cost | 63,100 | (352) | 2.21 | 63,557 | (320) | 2.00 | 63,780 | (356) | 2.24 | 63,023 | (328) | 2.11 | 57,122 | (422) | 2.93 |
| Other funds | 43,435 | (5) | | 43,068 | (6) | | 42,225 | (4) | | 42,876 | (9) | | 43,834 | (8) | |
| Total average funds (d) | 357,445 | (504) | 0.56 | 360,201 | (476) | 0.53 | 357,407 | (518) | 0.58 | 350,747 | (492) | 0.57 | 355,783 | (594) | 0.67 |
| Net interest income | | 1,138 | | 1,139 | | | 1,131 | | | 1,108 | | | 1,088 | | |
| Customer spread (%) (a-c) | | 2.28 | | 2.27 | | | 2.28 | | | 2.29 | | | 2.19 | | |
| Balance sheet spread (%) (b-d) | | 1.26 | | 1.25 | | | 1.27 | | | 1.28 | | | 1.21 | | |

| € million | BPI | | | | | | | | | | | | | | |
|---|-----------------|-------------------|-------------|-----------------|-------------------|-------------|-----------------|-------------------|-------------|-----------------|-------------------|-------------|-----------------|-------------------|-------------|
| | 4Q18 | | | 3Q18 | | | 2Q18 | | | 1Q18 | | | 4Q17 | | |
| | Average balance | Income or expense | Rate % | 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 | 1,942 | 3 | 0.63 | 2,304 | 3 | 0.46 | 2,053 | 2 | 0.42 | 1,041 | 2 | 0.69 | 1,471 | 3 | 0.75 |
| Loans and advances (a) | 20,815 | 100 | 1.90 | 20,584 | 101 | 1.94 | 20,340 | 98 | 1.93 | 20,005 | 95 | 1.92 | 19,865 | 97 | 1.93 |
| Fixed income securities portfolio | 4,946 | 13 | 1.08 | 5,382 | 13 | 0.97 | 5,132 | 14 | 1.09 | 4,950 | 12 | 0.96 | 5,634 | 8 | 0.58 |
| Other assets with returns | | | | | | | | | | | | | | | |
| Other assets | 3,303 | 4 | | 3,303 | 2 | | 3,423 | 2 | | 3,408 | 2 | | 6,338 | 6 | |
| Total average assets (b) | 31,006 | 120 | 1.54 | 31,573 | 119 | 1.50 | 30,948 | 116 | 1.51 | 29,404 | 111 | 1.53 | 33,308 | 114 | 1.36 |
| Financial Institutions | 4,065 | (2) | 0.15 | 5,217 | (1) | 0.06 | 4,894 | (1) | 0.05 | 4,285 | (2) | 0.15 | 3,877 | (2) | 0.22 |
| Retail customer funds (c) | 21,756 | (6) | 0.11 | 21,510 | (5) | 0.10 | 21,404 | (5) | 0.09 | 20,494 | (5) | 0.09 | 20,304 | (5) | 0.09 |
| Demand deposits | 13,123 | | | 12,867 | | | 12,825 | | | 11,943 | | | 11,755 | | |
| Maturity deposits | 8,633 | (6) | 0.28 | 8,644 | (5) | 0.25 | 8,579 | (5) | 0.23 | 8,551 | (5) | 0.22 | 8,549 | (5) | 0.22 |
| Time deposits | 8,633 | (6) | 0.28 | 8,644 | (5) | 0.25 | 8,579 | (5) | 0.23 | 8,551 | (5) | 0.22 | 8,549 | (5) | 0.22 |
| Retail repurchase agreements and marketable debt securities | | | | (1) | | | | | | | | | | | |
| Wholesale marketable debt securities & other | 520 | (4) | 3.38 | 275 | (4) | 6.15 | 275 | (4) | 6.52 | 462 | (2) | 2.01 | 694 | (3) | 1.93 |
| Subordinated liabilities | 300 | (4) | 5.55 | 300 | (4) | 5.55 | 300 | (4) | 5.54 | 301 | (4) | 5.53 | 359 | (4) | 4.88 |
| Other funds with cost | | | | | | | | | | | | | 4,130 | 11 | (1.06) |
| Other funds | 4,365 | (6) | | 4,271 | (5) | | 4,075 | (4) | | 3,862 | (3) | | 3,944 | (3) | |
| Total average funds (d) | 31,006 | (22) | 0.29 | 31,573 | (19) | 0.25 | 30,948 | (18) | 0.24 | 29,404 | (16) | 0.22 | 33,308 | (6) | 0.08 |
| Net interest income | | 98 | | 100 | | | 98 | | | 95 | | | 108 | | |
| Customer spread (%) (a-c) | | 1.79 | | 1.84 | | | 1.84 | | | 1.83 | | | 1.84 | | |
| Balance sheet spread (%) (b-d) | | 1.25 | | 1.25 | | | 1.27 | | | 1.31 | | | 1.28 | | |

c) Quarterly change in fees and commissions:

| € million | CAIXABANK | | | | |
|---|------------|------------|------------|------------|------------|
| | 4Q18 | 3Q18 | 2Q18 | 1Q18 | 4Q17 |
| Banking services, securities and other fees | 332 | 333 | 346 | 310 | 315 |
| Mutual funds, managed accounts and SICAVs | 126 | 131 | 133 | 116 | 119 |
| Pension plans | 55 | 54 | 50 | 57 | 60 |
| Sale of insurance products | 60 | 63 | 70 | 67 | 56 |
| Net fee and commission income | 573 | 581 | 599 | 550 | 550 |

| € million | BPI | | | | |
|---|-----------|-----------|-----------|-----------|-----------|
| | 4Q18 | 3Q18 | 2Q18 | 1Q18 | 4Q17 |
| Banking services, securities and other fees | 43 | 38 | 43 | 43 | 48 |
| Mutual funds, managed accounts and SICAVs | 11 | 10 | 9 | 16 | 15 |
| Pension plans | 1 | | | | 2 |
| Sale of insurance products | 17 | 16 | 17 | 16 | 17 |
| Net fee and commission income | 72 | 64 | 69 | 75 | 82 |

d) Quarterly change in administrative expenses, depreciation and amortisation:

| € million | CAIXABANK | | | | |
|---|----------------|----------------|----------------|----------------|----------------|
| | 4Q18 | 3Q18 | 2Q18 | 1Q18 | 4Q17 |
| Gross income | 1,665 | 2,004 | 2,166 | 1,910 | 1,609 |
| Personnel expenses | (673) | (679) | (674) | (668) | (663) |
| General expenses | (294) | (279) | (280) | (270) | (260) |
| Depreciation and amortisation | (95) | (91) | (89) | (93) | (87) |
| Recurring administrative expenses, depreciation and amortisation | (1,062) | (1,049) | (1,043) | (1,031) | (1,010) |
| Extraordinary expenses | | | | | (1) |

| € million | BPI | | | | |
|---|--------------|--------------|--------------|--------------|--------------|
| | 4Q18 | 3Q18 | 2Q18 | 1Q18 | 4Q17 |
| Gross income | 201 | 243 | 226 | 352 | 122 |
| Personnel expenses | (60) | (62) | (58) | (63) | (66) |
| General expenses | (37) | (41) | (44) | (47) | (38) |
| Depreciation and amortisation | (9) | (10) | (10) | (8) | (10) |
| Recurring administrative expenses, depreciation and amortisation | (106) | (113) | (112) | (118) | (114) |
| Extraordinary expenses | (13) | (3) | (5) | (3) | |

e) Changes in the NPL ratio:

| | CAIXABANK | | | BPI | | |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| | Dec 31, 2018 | Sep 30, 2018 | Dec 31, 2017 | Dec 31, 2018 | Sep 30, 2018 | Dec 31, 2017 |
| Loans to individuals | 4.8% | 5.0% | 5.3% | 3.9% | 4.0% | 4.7% |
| Home purchases | 3.8% | 3.9% | 4.2% | 3.8% | 3.9% | 4.6% |
| Other | 7.3% | 7.6% | 8.0% | 4.2% | 4.7% | 5.6% |
| Loans to business | 5.5% | 6.4% | 8.5% | 5.1% | 5.3% | 6.4% |
| Corporates and SMEs | 4.7% | 5.5% | 7.2% | 4.6% | 4.8% | 5.9% |
| Real estate developers | 14.1% | 17.1% | 21.6% | 10.7% | 12.1% | 23.8% |
| Public sector | 0.4% | 0.7% | 1.6% | | 0.1% | |
| NPL Ratio (loans and contingent liabilities) | 4.7% | 5.2% | 6.1% | 4.2% | 4.3% | 5.1% |

Activity indicators by region

This additional view of the Group's activities has been included to show loans and funds by the region in which they originated (for instance, loans and funds of BPI Vida, BPI Gestao de Activos, BPI Global Investment Fund and the cards business are reported in Portugal and not in Spain, to which they would otherwise relate under the Group's corporate structure).

| Spain | | | | | |
|---|--------------|--------------|----------------------|--------------|----------------|
| € million | Dec 31, 2018 | Sep 30, 2018 | Quarter-on-quarter % | Dec 31, 2017 | Year-to-date % |
| LOANS AND ADVANCES TO CUSTOMERS | | | | | |
| Loans to individuals | 114,275 | 114,816 | (0.5) | 115,973 | (1.5) |
| Home purchases | 80,472 | 81,223 | (0.9) | 83,089 | (3.1) |
| Other | 33,803 | 33,593 | 0.6 | 32,884 | 2.8 |
| Loans to business | 76,141 | 74,310 | 2.5 | 74,442 | 2.3 |
| Corporates and SMEs | 70,016 | 68,047 | 2.9 | 67,593 | 3.6 |
| Real estate developers | 6,125 | 6,263 | (2.2) | 6,849 | (10.6) |
| Public sector | 10,201 | 10,314 | (1.1) | 10,541 | (3.2) |
| Loans and advances to customers, gross | 200,617 | 199,440 | 0.6 | 200,956 | (0.2) |
| CUSTOMERS FUNDS | | | | | |
| Customer funds | 183,558 | 182,400 | 0.6 | 176,468 | 4.0 |
| Demand deposits | 161,418 | 159,450 | 1.2 | 147,109 | 9.7 |
| Term deposits | 22,140 | 22,950 | (3.5) | 27,314 | (18.9) |
| Subordinated retail liabilities | | | | 2,045 | |
| Insurance contract liabilities | 48,263 | 47,870 | 0.8 | 45,841 | 5.3 |
| Reverse repurchase agreements and other | 2,044 | 3,248 | (37.1) | 955 | |
| On-balance sheet funds | 233,865 | 233,518 | 0.1 | 223,264 | 4.7 |
| Mutual funds, managed accounts and SICAVs | 59,275 | 63,235 | (6.3) | 61,077 | (3.0) |
| Pension plans | 26,589 | 27,606 | (3.7) | 26,941 | (1.3) |
| Assets under management | 85,864 | 90,841 | (5.5) | 88,018 | (2.4) |
| Other accounts | 3,156 | 3,506 | (10.0) | 3,213 | (1.8) |
| Total customer funds | 322,885 | 327,865 | (1.5) | 314,495 | 2.7 |
| Portugal | | | | | |
| € million | Dec 31, 2018 | Sep 30, 2018 | Quarter-on-quarter % | Dec 31, 2017 | Year-to-date % |
| LOANS AND ADVANCES TO CUSTOMERS | | | | | |
| Loans to individuals | 12,771 | 12,785 | (0.1) | 12,517 | 2.0 |
| Home purchases | 11,170 | 11,233 | (0.6) | 11,098 | 0.6 |
| Other | 1,601 | 1,552 | 3.2 | 1,419 | 12.8 |
| Loans to business | 9,644 | 9,562 | 0.9 | 9,021 | 6.9 |
| Corporates and SMEs | 8,940 | 8,916 | 0.3 | 8,769 | 2.0 |
| Real estate developers | 704 | 646 | 9.0 | 252 | |
| Public sector | 1,661 | 1,678 | (1.0) | 1,457 | 14.0 |
| Loans and advances to customers, gross | 24,076 | 24,025 | 0.2 | 22,995 | 4.7 |
| CUSTOMERS FUNDS | | | | | |
| Customer funds | 21,422 | 21,073 | 1.7 | 20,143 | 6.3 |
| Demand deposits | 12,838 | 12,552 | 2.3 | 11,663 | 10.1 |
| Term deposits | 8,584 | 8,521 | 0.7 | 8,479 | 1.2 |
| Subordinated retail liabilities | | | | 1 | |
| Insurance contract liabilities | 4,120 | 4,162 | (1.0) | 4,124 | (0.1) |
| Reverse repurchase agreements and other | 16 | 15 | 6.7 | 13 | 23.1 |
| On-balance sheet funds | 25,558 | 25,250 | 1.2 | 24,280 | 5.3 |
| Mutual funds, managed accounts and SICAVs | 5,267 | 5,677 | (7.2) | 5,805 | (9.3) |
| Pension plans | 2,820 | 2,820 | | 2,728 | 3.4 |
| Assets under management | 8,087 | 8,497 | (4.8) | 8,533 | (5.2) |
| Other accounts | 1,952 | 2,009 | (2.8) | 2,150 | (9.2) |
| Total customer funds | 35,597 | 35,756 | (0.4) | 34,963 | 1.8 |

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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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